



**TO:** Mayor and Council Members

**FROM:** Alex Gale, Interim Officer, Office of Real Estate Services (ORES) 

**DATE:** June 13, 2018

**SUBJECT:** McKalla Place 2016 Draft Appraisal

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This memo serves as notice that a draft of an appraisal for 10414 McKalla Place was recently obtained by the media prompting several inquiries regarding its contents. With this memo the ORES makes Mayor and Council aware of current and forthcoming media interest in the draft.

The document was created in August of 2016 as a means to analyze and determine the value of a City-owned asset and its potential future development. Staff is available to discuss the value further in an executive session if needed, as appraisals are typically treated as privileged information until a project is complete.

Attached please find the draft circulating by the media. This draft is not a certified true copy appraisal report of the property.

I am available at (512) 974-1416, if you have any questions.

cc: Spencer Cronk, City Manager  
Sara Hensley, Interim Assistant City Manager  
Rebecca Giello, Interim Director, Economic Development

Attachment



**PAUL HORNSBY & COMPANY**  
APPRAISERS AND CONSULTANTS

Paul Hornsby, MAI, SRA  
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Kayla Carter, Appraiser Trainee  
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August 15, 2016

Ronald L. Olderog, MAI, SR/WA  
Office of Real Estate Services  
City of Austin  
505 Barton Springs, Suite 1350  
Austin, Texas 78704

Re: Appraisal of fee simple value and estimated ground rent for ±24.1580 acres located at 10414 McKalla Place, Austin, TX, 78758.

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Project Name:	North Service Center
TCAD Parcel No:	547839, 547963
File No:	3484.01
Assignment No:	52-146.1
Property Owner:	City of Austin
Property Address:	10414 McKalla Place, Austin, Texas 78758
Legal Description:	Lot 1, Braker at Burnet, Section 4 & 0.598 AC out of Rogers Survey 19, Abstarct 659, Austin, Travis County, Texas

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Dear Mr. Olderog:

At your request, we have undertaken an appraisal of the market value and ground rent for the above-referenced property, the conclusions of which are set forth in this appraisal report. This report complies with the reporting requirements set forth under Standards Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice (USPAP) and supplemental standards defined by City of Austin Supplemental Appraisal Guidelines. It presents summary discussions of the data, reasoning, and analyses that were used in the appraisal process to develop our opinion of value. Detailed supporting documentation concerning the data, reasoning, and analyses is retained in our file. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated below. We are not responsible for unauthorized use of this report.

The subject is vacant land used for storage of landscaping materials and machinery. The purpose of our assignment is to estimate the market value of the fee simple estate in the subject property and its market ground rent.

The effective date of our appraisal is July 21, 2016.

7600 N. Capital of Texas Hwy • Suite B-210 • Austin, Texas 78731 • 512-477-6311

Based upon the data and analyses summarized in this report, it is our opinion that the market value of the fee simple estate is as follows.

<b>MARKET VALUE CONCLUSION</b>		
<b>Effective Date</b>	<b>Premise</b>	<b>Market Value</b>
July 21, 2016	Fee Simple	\$29,500,000

Based upon the data and analyses summarized in this report, it is our opinion that the market ground rent for the subject property is as follows:

<b>MARKET GROUND RENT ESTIMATE</b>		
<b>Market Value</b>	<b>Ground Rent Cap Rate</b>	<b>Ground Rent (Annual)</b>
\$29,500,000	6.50%	\$1,917,500
Ground Rent Terms: Absolute net, 2% annual escalation, ≥ 50 years.		

The value estimates are predicated on a cash or cash-equivalent sale. The value estimates are also predicated upon the Assumptions and Limiting Conditions listed in this report.

This letter of transmittal and the pages which follow constitute our report setting forth the data and analyses utilized in formulating the value opinion. The appraisal relies on the findings reported in that North Service Center Land Plan, dated July 25, 2016, prepared by Alterra Design Group, some of which have been incorporated herein and others by reference. We appreciate the opportunity to be of service to you and the City of Austin. Should you have any questions, or if we can be of further assistance, please contact our office.



We certify that, to the best of our knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- We have no present or prospective interest in the property that is the subject of this report, and we have no personal interest with respect to the parties involved.
- We have not provided appraisal or any other services regarding the property that is the subject of this appraisal within the three-year period preceding acceptance of this assignment.
- We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice* and the *Code of Professional Ethics & Standards of Professional Appraisal Practice* of the Appraisal Institute.
- Paul Hornsby and Eli Hanslik made a personal inspection of the property that is the subject of this report.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- No one provided significant real property appraisal assistance to the persons signing this certification.
- As of the date of this report, Paul Hornsby and Eli Hanslik have completed the continuing education program for Designated Members of the Appraisal Institute.

**PAUL HORNSBY & COMPANY,**

**DRAFT**

Paul Hornsby, MAI, SRA  
Texas Certified Appraiser No. 1321761-G

Eli C. Hanslik, MAI  
Texas Certified Appraiser No. 1322016-G



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**ASSUMPTIONS AND LIMITING CONDITIONS****ASSIGNMENT-SPECIFIC ASSUMPTION**

1. The site description and analysis as well as the highest and best use of the subject rely on the North Service Center Land Plan prepared by Alterra Design Group, dated July 25, 2016. It is assumed that all information in that report is accurate
2. According to the North Service Center Land Plan prepared by Alterra Design Group, there are two small areas with a total of approximately 8,200 square feet in the north central portion of the site that may still contain elevated levels of Selenium. It is our understanding that a re-evaluation of the site and notification of TCEQ, and possibly additional clean-up of those two areas may be required should this portion of the site be used for residential purposes. It is also our understanding that no further action is required by the City for commercial use of the subject. Our land value estimate and ground rent estimate assume no further action will be required regarding the cleanup of the subject.

Absent these assumptions, our value conclusion and ground rent estimate are subject to change.

**ORDINARY ASSUMPTIONS**

1. It is assumed that there are no easements or encroachments as of the effective date of this appraisal unless noted within the report.
2. It is assumed that there are no hidden or unapparent conditions of the property, sub-soils, or structures which would render them more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover such factors.
3. It is assumed that all necessary permits have been obtained and that there has been full compliance with all applicable federal, state, and local environmental regulations and laws unless non-compliance is stated, defined, and considered in the appraisal report.
4. It is assumed that all applicable zoning and use regulations and restrictions are complied with, unless nonconformity has been stated, defined, and considered in the appraisal report.
5. Unless otherwise stated in this report, the existence of hazardous material, which may or may not be present on the property, was not observed. We have no knowledge of the existence of such materials on or in the property, and are not qualified to detect such substances. The presence of substances such as asbestos, radon gas, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The value estimates are predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.
6. Unless otherwise stated in this report, it is assumed that the property is free of any environmental issues, including endangered species or their habitat (i.e., caves) which might preclude development or otherwise affect the value of the property. No responsibility is assumed regarding the presence or absence of such features and the client is urged to retain an expert in these fields, if desired, as the appraiser is not qualified to discover such conditions.



**LIMITING CONDITIONS**

1. The legal description furnished our firm is assumed to be correct. We assume no responsibility for matters legal in character; nor render any opinion as to the title, which is assumed to be good. The property has been appraised as if under responsible ownership and competent management.
2. We have made no survey and assume no responsibility in connection with such matters therefore, reference to a sketch, plat, diagram, or survey appearing in the report is only for the purpose of assisting the reader to visualize the property. We believe that the information contained in this report, although obtained from public record and other reliable sources and, where possible, carefully checked, is reliable, but assume no responsibility for its accuracy.
3. The construction and condition of the property mentioned in the body of this report are based on observation and no engineering study has been made which could discover any possible latent defects. No certification as to any of the physical aspects could be given unless a proper engineering study is made.
4. We are not required to give testimony or attendance in court by reason of this appraisal with reference to the property in question, unless arrangements have been previously made.
5. Possession of this report or a copy thereof does not carry with it the right of publication. It may not be used for any purpose by anyone other than the addressee without the previous written consent of the appraiser(s).
6. Neither all nor any part of the contents of this report shall be conveyed to the public through advertising, public relations, news, sales, or other media without the written consent and approval of the author(s), particularly as to valuation and conclusions, the identity of the appraiser or firm with which they are connected, or any reference to the Appraisal Institute, the SRA or the MAI designation.
7. The appraisers' liability regarding the statements and conclusions reported herein is limited to the fee charged for the assignment.



**INTRODUCTION**

**SUMMARY OF IMPORTANT CONCLUSIONS**

Name: North Service Center

Location: 10414 McKalla Place, Austin, Texas 78758. The subject is located adjacent to the southwest corner of Burnet Road and Braker Lane. The subject is also located on the west side of McKalla Place where it dead-ends north of Rutland Drive.

Assessor's Parcel Number(s): 547839, 547963

Owner(s): City of Austin

Legal Description: See complete description on page 14.

Site Data:

Site Size: ±24.1580 acres; 1,052,321 square feet

Zoning: LI-NP, NBG-NP

Floodplain: None per FIRM map 48453C0265K, effective on January 6, 2016

Improvements: None

Highest and Best Use:

As If Vacant: The highest and best use is for mixed-use development.

Purpose of the Appraisal: The purpose of the appraisal is to estimate the market value of the fee simple estate, as well as the market ground rent for the subject.

Property Rights Appraised: Fee simple estate

Effective Date: July 21, 2016

Site Visit Date: July 21, 2016

Report Date: August 15, 2016

Value Conclusion:

MARKET VALUE CONCLUSION		
Effective Date	Premise	Market Value
July 21, 2016	Fee Simple	\$29,500,000

MARKET GROUND RENT ESTIMATE		
Market Value	Ground Rent Cap Rate	Ground Rent (Annual)
\$29,500,000	6.50%	\$1,917,500

Ground Rent Terms: Absolute net, 2% annual escalation, ≥ 50 years.





**SUBJECT PHOTOGRAPHS**

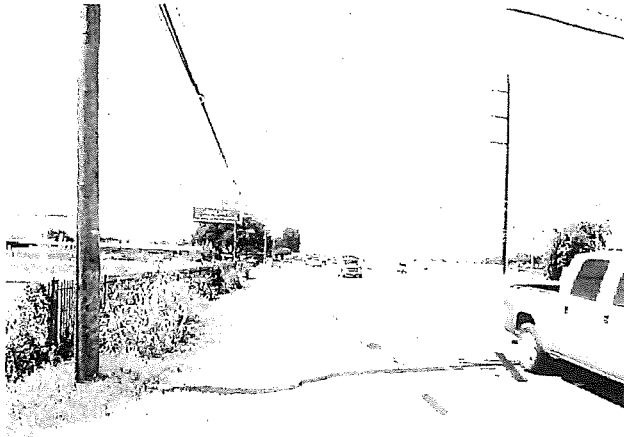
Date Taken: July 21, 2016

Description: North view along Burnet Road from the subject



Date Taken: July 21, 2016

Description: South view along Burnet Road from the subject



Date Taken: July 21, 2016

Description: East view along the 50' wide "pole" portion of the subject from Burnet Road



Date Taken: July 21, 2016

Description: West view along the 50' wide "pole" portion of the subject from the NWC of the "flag" portion of the site



Date Taken: July 21, 2016

Description: East view along the subject's north property line from the NWC of the "flag" portion of the site



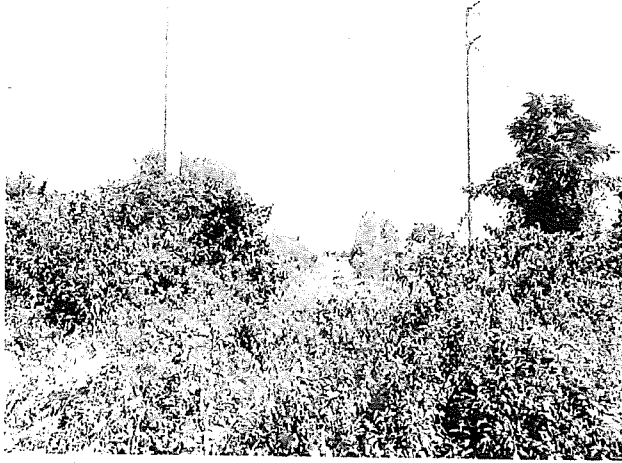
Date Taken: 7/18/2016 July 21, 2016

Description: South view along the west side of the "flag" portion of the site from the NWC of the "flag" portion of the site



Date Taken: July 21, 2016

Description: Northwest view along the subject's SW property line from McKalla Place



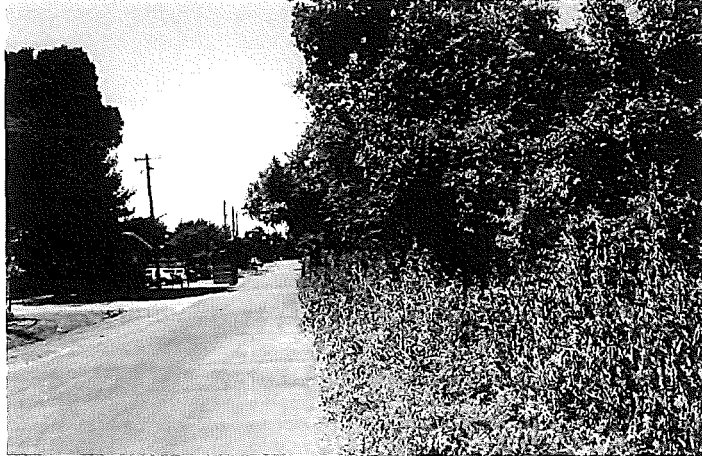
Date Taken: July 21, 2016

Description: North view along McKalla Place from the SEC of the site. The subject is on the left.



Date Taken: July 21, 2016

Description: South view along McKalla Place from its terminus near the mid portion of the subject's east property line. The subject is on the right.



Date Taken: July 21, 2016

Description: West view across the mid portion of the subject from the terminus of McKalla Place



Date Taken: July 21, 2016

Description: West view along the subject's north property line from the Capital MetroRail ROW.



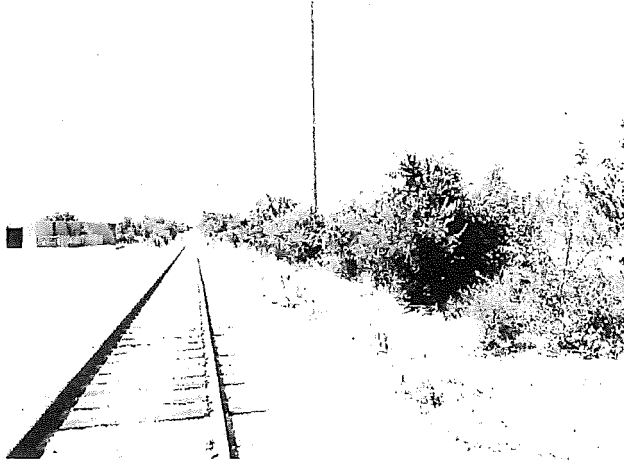
Date Taken: July 21, 2016

Description: SW view across the interior of the subject from the Capital MetroRail ROW and the NEC of the site



Date Taken: July 21, 2016

Description: South view along the Capital MetroRail ROW and the subject's east property line. The subject is on the right.



Date Taken: July 21, 2016

Description: North view along the Capital MetroRail ROW from where the ROW diverges from the subject's east property line



**EFFECTIVE DATE OF VALUE**

July 21, 2016

**PURPOSE OF THE APPRAISAL**

The purpose of the appraisal is to estimate the market value of the fee simple estate, as well as the market ground rent for the subject.

**CLIENT, INTENDED USE AND USERS OF THE APPRAISAL**

The client is the City of Austin. The client and/or its agents are the sole intended user(s) of the report. Use of this report by others is not intended. This report is intended only to assist the client in its internal decision-making process and evaluating this City-owned property. This report is not intended for any other use.

**PROPERTY RIGHTS APPRAISED**

The property right appraised is the fee simple estate. Fee simple estate is "absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."<sup>1</sup>

**DEFINITION OF MARKET VALUE**

"Market Value is the price which the property would bring when it is offered for sale by one who desires, but is not obliged to sell, and is bought by one who is under no necessity of buying it, taking into consideration all of the uses to which it is reasonably adaptable and for which it either is or in all reasonable probability will become available within the reasonable future."<sup>2</sup>

**LEGAL DESCRIPTION**

**Tract One:** The ±23.56 acre parcel of the subject property is described as Lot 1, Braker at Burnet Subdivision, Section 4, a subdivision in Travis County, Texas according to the map or plat thereof recorded in Volume 89, Page 37 and 38 of the Plat Records of Travis County, Texas.

**Tract Two:** The 0.598 acre parcel is described as 0.598 of an acre of land out of the J. Rogers Survey No. 18, Abstract 659 according to the special warranty deed thereof recorded October 24, 1995 in Volume 12550, Page 1002 of the Real Property Records of Travis County, Texas.

**HISTORY/CURRENT LISTING OF THE PROPERTY**

The following history of the subject was taken from the North Service Center Land Plan by Alterra Design Group, dated July 25, 2016. As reported therein, the ±24.158 acre subject site is a former Reichhold Chemical facility that was acquired by the City of Austin on October 20, 1995, as recorded in that Special Warranty Deed recorded in Volume 12550, Page 1002. In 2003 the city was preparing the site for construction of a service center. On November 3, 2003, during excavation activities at the site, an explosion occurred. Based on investigations, it was determined that while excavating with a backhoe, the most reasonable cause of the explosion occurred when the backhoe bucket came in contact with a container or pocket of benzoyl peroxide (BPO), which was a chemical manufactured by Reichhold Chemical. The City performed a risk assessment of the site; it then evaluated remediation and cleanup options based on the

<sup>1</sup> Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 5<sup>th</sup> ed. (Chicago: Appraisal Institute, 2010), 78.  
<sup>2</sup> *City of Austin vs. Cannizzo, et.al.*, 267 S.W. 2d 808, 815 [1954].





established goals, which included construction contractor safety and prevention of future explosions. That portion of the site requiring remediation and cleanup covered approximately 17 acres where the known chemical plant operations, treatment ponds, and storage/warehouse areas were located.

In October 2004, remediation and cleanup of the site began. The city chose Remedy Standard A Commercial/Industrial Protective Concentration Levels (PCL), under the Texas Commission on Environmental Quality (TCEQ) Texas Risk Reduction Program (TRRP), which requires the affected media (soil, surface water, etc) to be cleaned up such that no other controls, such as restrictive covenants, deeds, or physical barriers, are required to protect human beings, animals, or plants from exposure to unprotected levels of the chemicals of concern. The remedy plan for the affected site required excavating to the bedrock under high-hazard conditions and processing the affected media to ensure all industrial solid waste, municipal hazardous waste, and waste residues were removed or decontaminated to required standards and criteria. The remediation and cleanup were completed in May 2005. In October 2005, the City submitted a Response Action Completion Report to the TCEQ. In March 2006, the TCEQ issued a no further action letter which denotes that the TCEQ concurs the site remediation has been met for commercial land use. Therefore no further action is required by the City.

It is our understanding that the same entity interested in acquiring the subject is also interested in assembling the subject with the 6.143 acres fronting Braker Lane on the north side of the subject, as well as the 2.90 acre site fronting Burnet Road on the south side of the "pole" portion of the subject. No offer price was available for the subject or the adjacent parcels. No previous or current marketing information for the subject was provided or is known to us. Therefore, we assume there were no other attempts to sell the property in the three-year period preceding the effective date.

#### AD VALOREM TAXES

The subject property is subject to the following tax rates.

Jurisdiction	2015 Rate
Austin ISD	\$1.202000
City of Austin	\$0.458900
Travis County	\$0.416900
Travis County Healthcare District	\$0.117781
Austin Community College District	\$0.100500
Total	\$2.296081

Compiled by Paul Hornsby and Co.

The subject property is under the jurisdiction of the taxing authorities shown in the table above. The 2016 assessment by the Travis Central Appraisal District is a total value of \$9,514,761 for the land and improvements. The subject's land value was assessed at \$9,504,761 or \$9.03/SF.

Account	2016 Values		
	Site	Improvements	Total
547839	\$8,723,321	\$10,000	\$8,733,321
547963	\$781,440	\$0	\$781,440
	\$9,504,761	\$10,000	\$9,514,761



**SCOPE OF WORK**

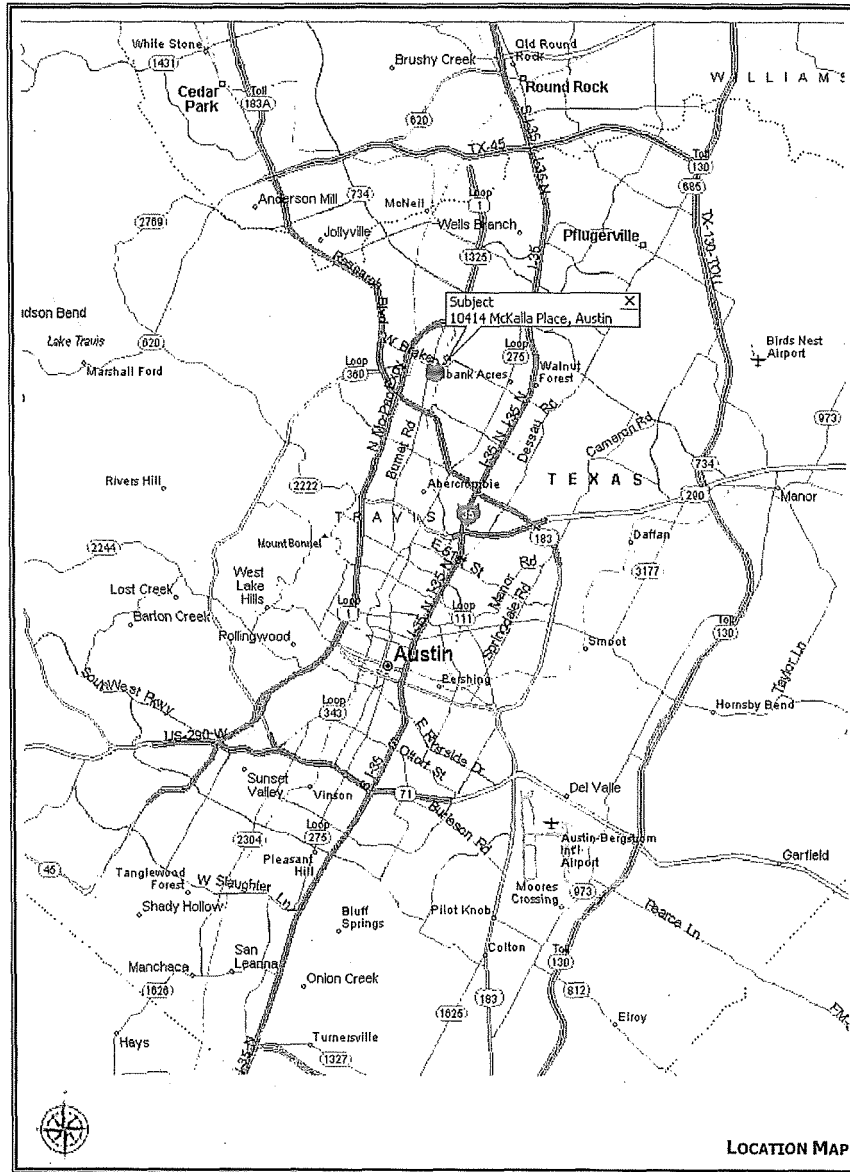
To complete the assignment, a number of steps were undertaken. The most salient of these are listed below.

- A site visit was made on July 21, 2016. The inspection included driving and walking portions of the interior and perimeter of the site.
- The neighborhood was inspected from numerous roads, and trends in residential and commercial development were noted.
- Documents specific to the subject were reviewed by reference to public records and readily available online data, including the following:
  - Deed records
  - Tax cards
  - Tax plats
  - Zoning maps and records
  - Flood plain maps
  - Site maps or surveys, as available
  - Land plan prepared by Alterra Design Group
- A highest and best use analysis was performed to determine the physically possible uses, legally permissible uses, financial feasibility and maximally productive uses of the property.
- The three traditional valuation techniques were considered to estimate the value of the subject property. The sales comparison approach was used to value the land component. The sales comparison approach (improved) and cost approaches were not applicable, as there are no significant value contributing improvements. The income capitalization approach was not used as the subject site would typically not be purchased for its income potential.
- Sales were confirmed by deed records, conversations with real estate brokers, and online subscription data services (Xcelligent, MLS, etc.). The time frame for our data search was from January 1, 2013 until the effective date. The geographic area searched was focused on properties located generally in the north central Austin area. Sales cited were inspected from perimeter roadways and/or aerial photographs. Data were confirmed with parties directly involved in the transactions such as buyers, sellers, brokers, or others having special knowledge of the transaction.
- Ground lease return rates were researched through a study of local sales, conversations with brokers, and discussions with other principals in the market. Surveyed rates were studied from subscription services including PriceWaterhouseCoopers (Korpacz), The Boulder Group, and RealtyRates.com™ publications.
- The market value of the site was estimated, and its ground rent was estimated based on the appropriate ground lease rate.



PROPERTY DESCRIPTION AND ANALYSIS

GENERAL LOCATION MAP

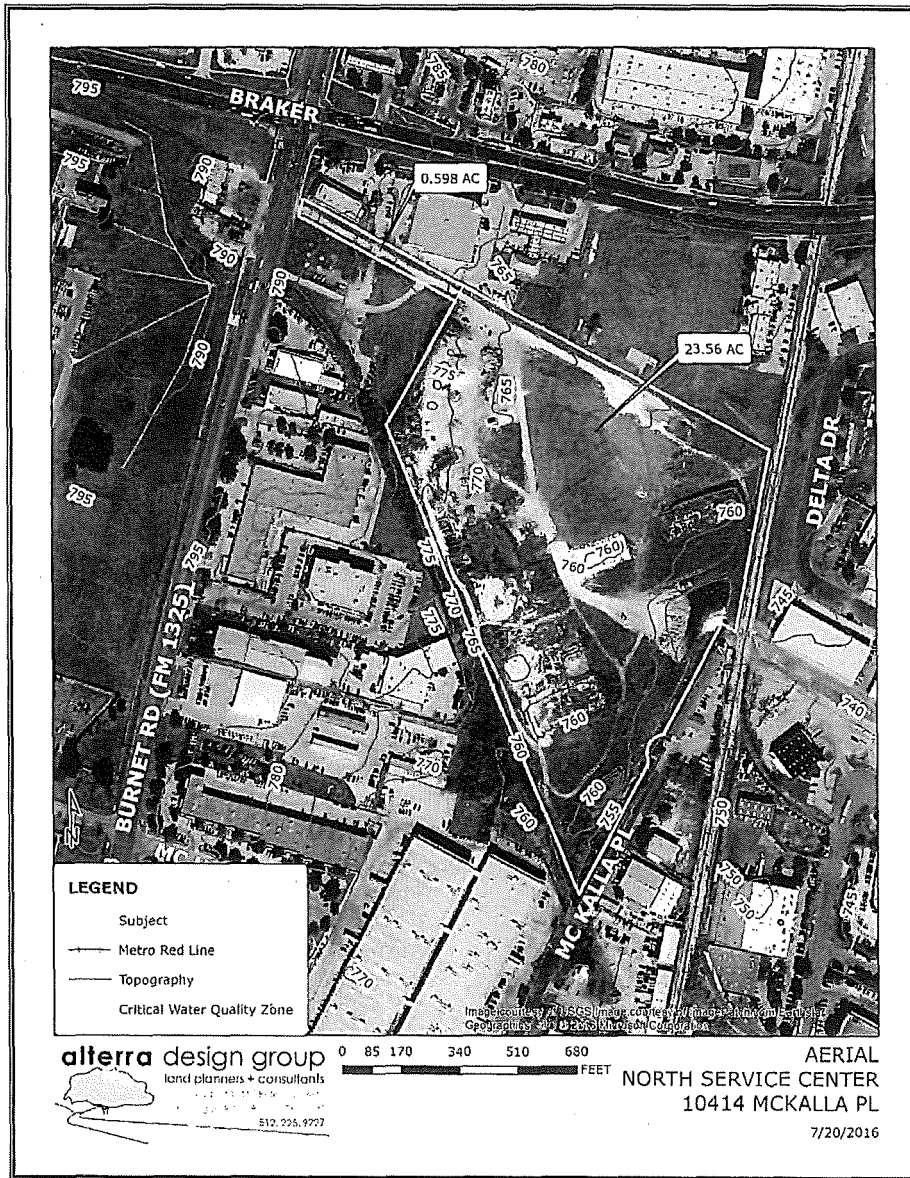


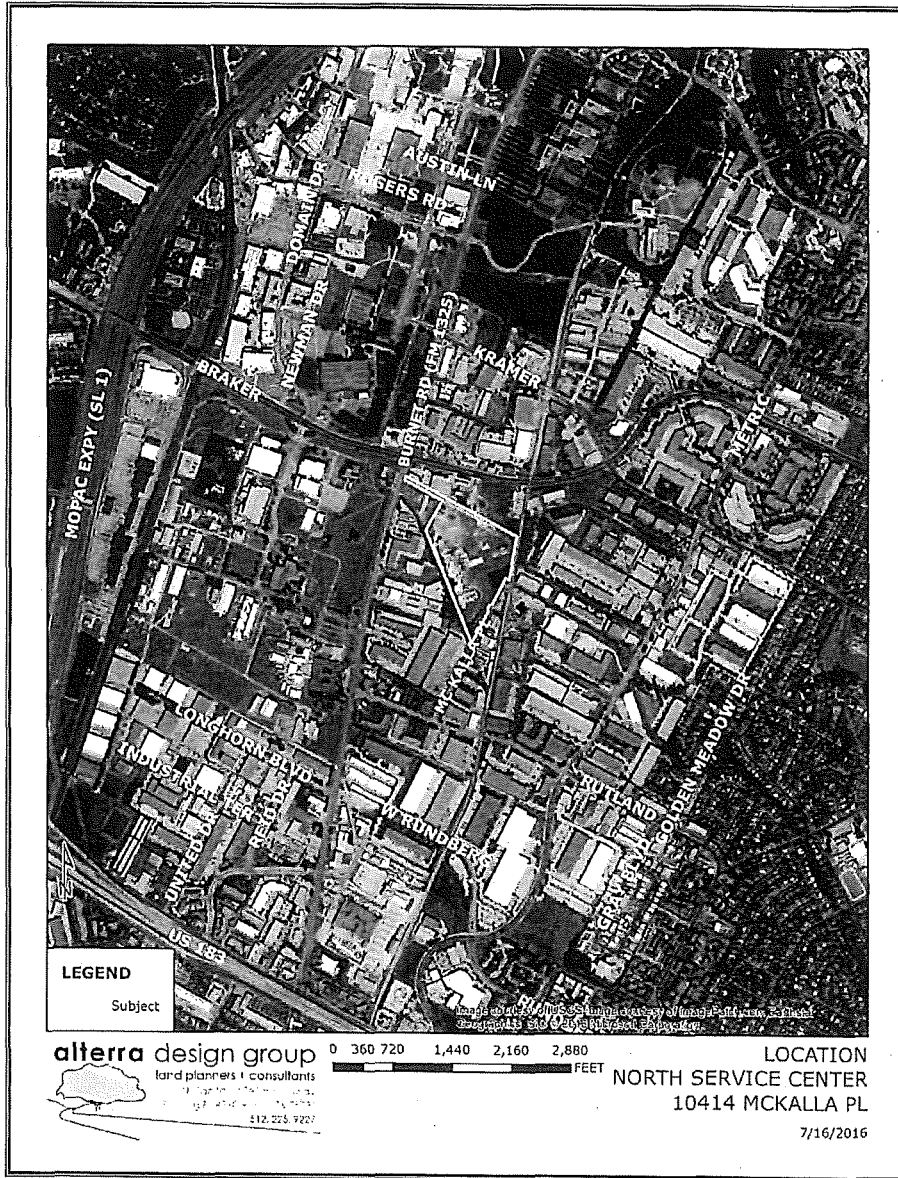
Source: Microsoft Streets

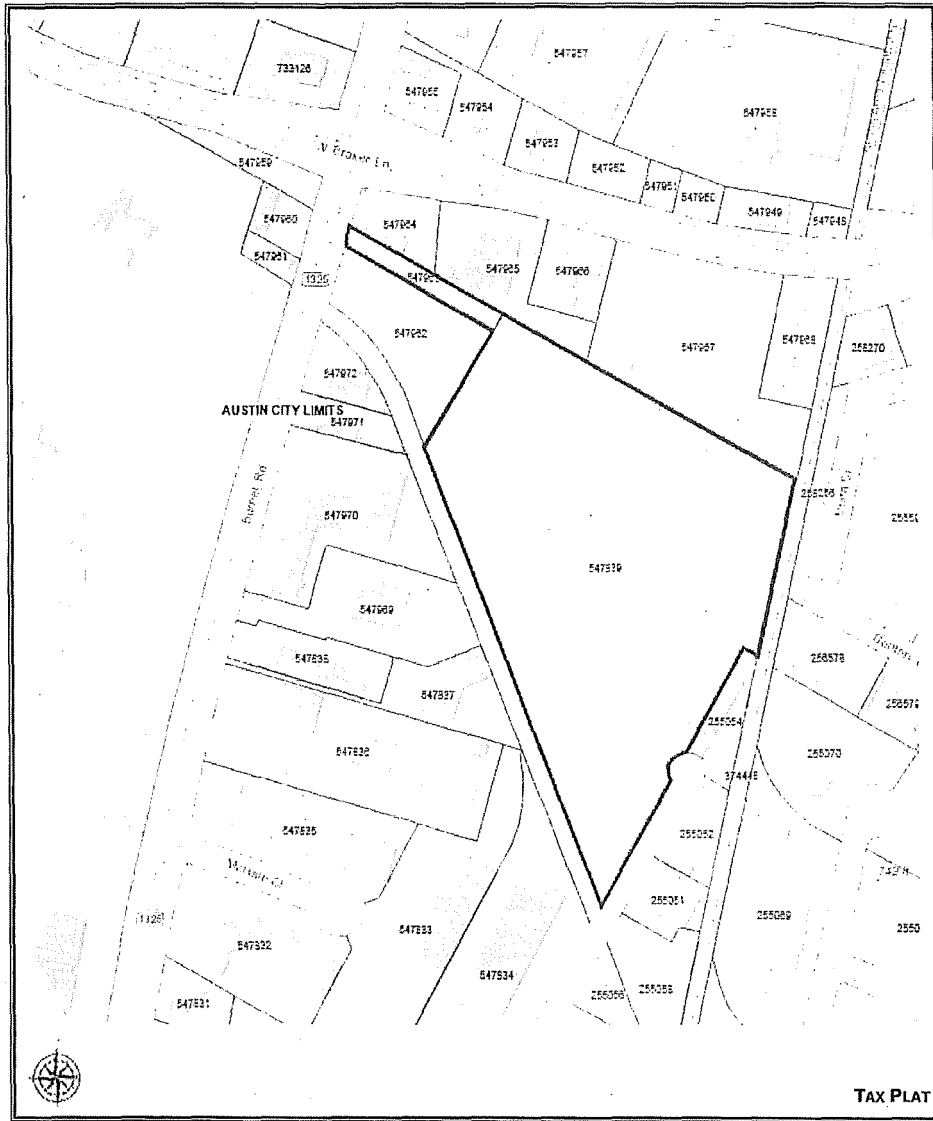


Paul Hornsby and Company

SITE DESCRIPTIONS AND ANALYSIS

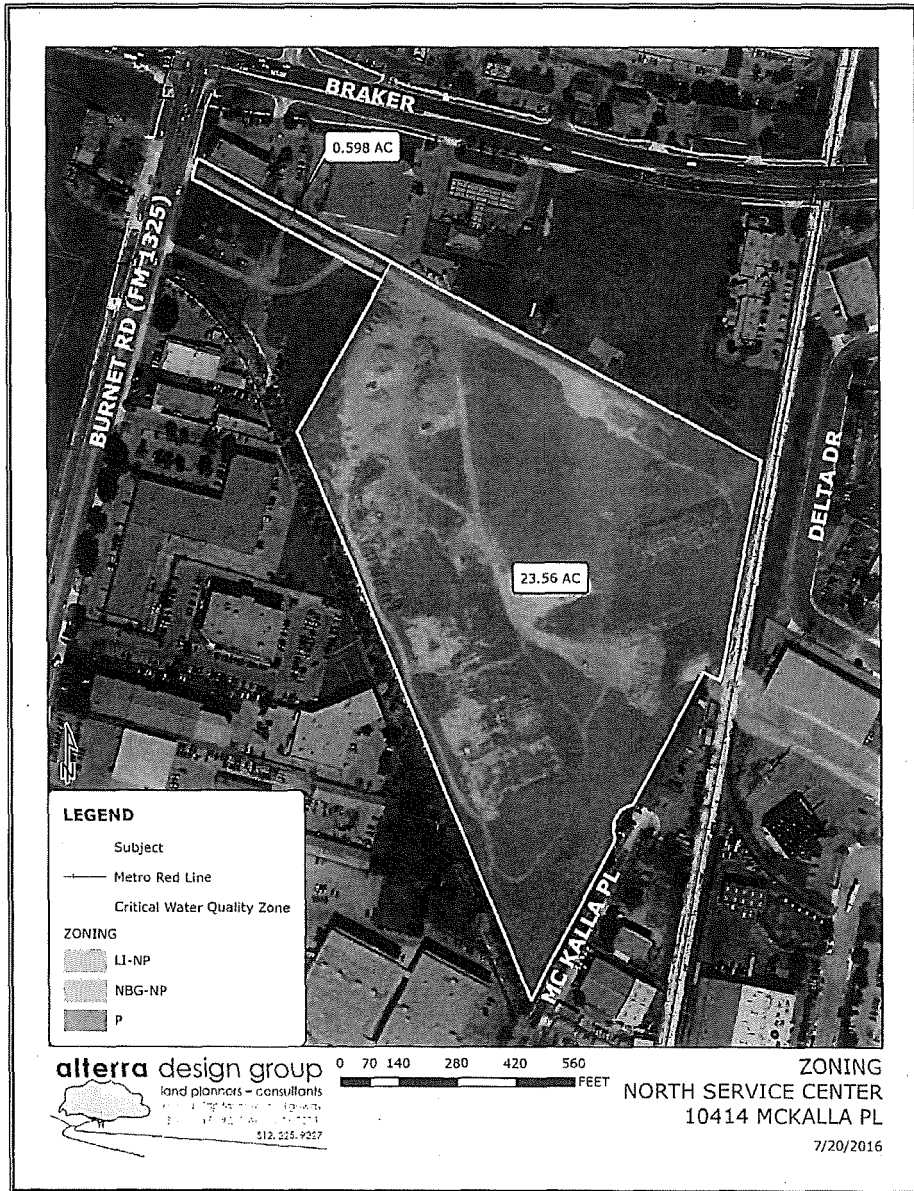


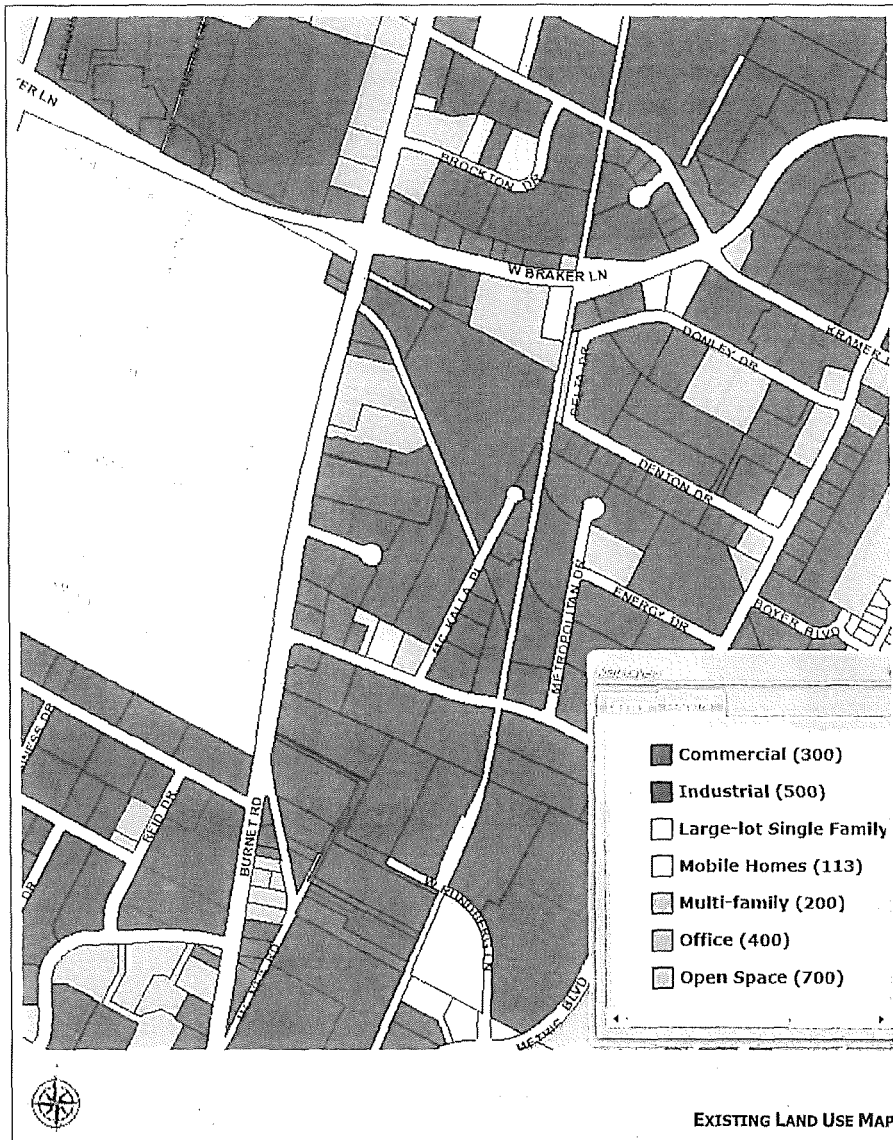




Source: Travis Central Appraisal District



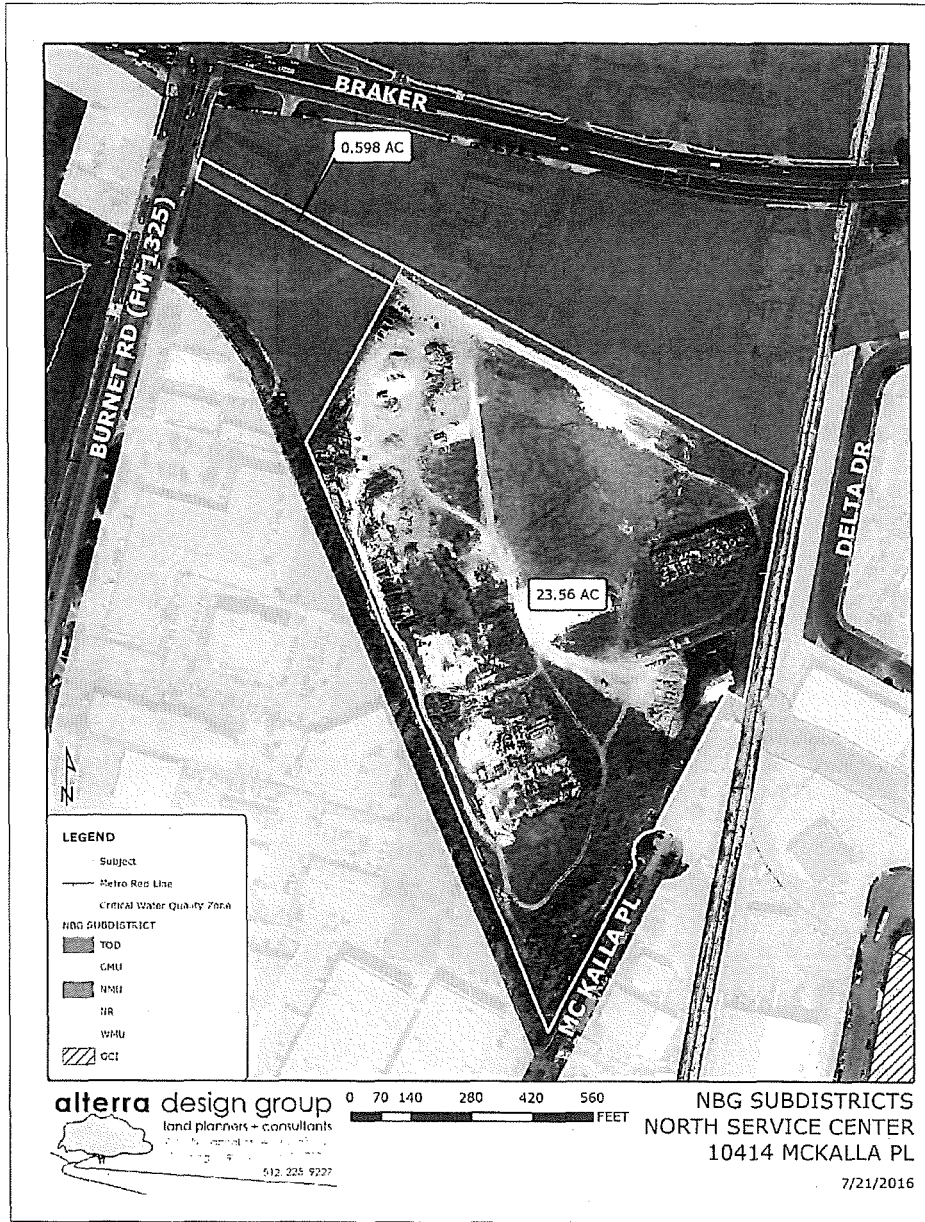


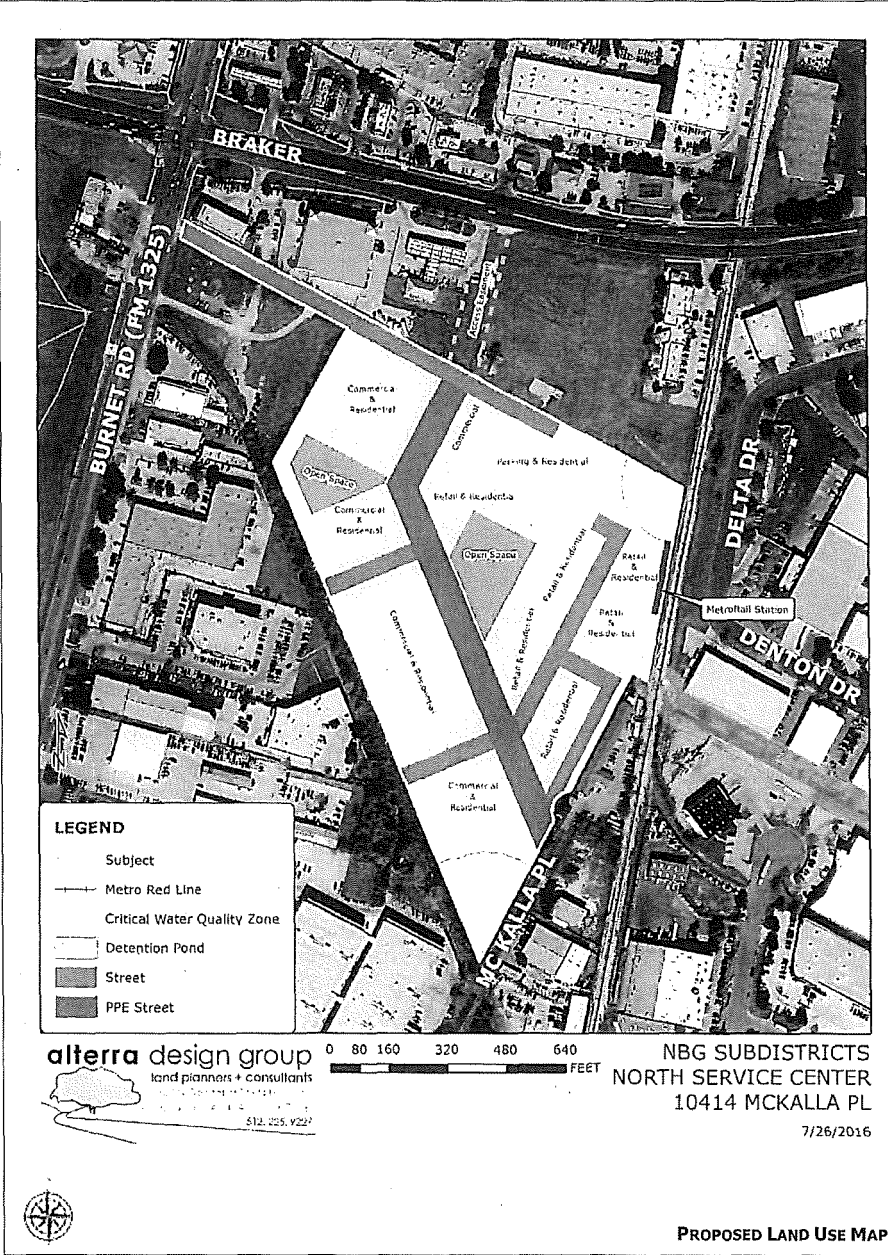


Source: City of Austin GIS









**Site Descriptions and Analysis**

Location:	10414 McKalla Place, Austin, Texas 78758
Site size:	±24.1580 acres, ±1,052,321 SF
Shape:	Irregular
Frontage and Roadway Design:	<p>The site has ±50 feet of frontage along the east line of Burnet Road, a two-way, north-south, four-lane, asphalt-paved roadway with center turn lane. The site has ±525 feet of frontage on the west line of McKalla Place, a two-way, north-south, two-lane, asphalt-paved roadway with bar ditches.</p> <p>In addition, the subject has ±530 feet along the Capital MetroRail Red Line which runs along the northern part of the subject's east property line. The MetroRail could provide a direct option to downtown for residents of the site.</p> <p>It is also our understanding that the subject property benefits from an off-site 80' wide access easement which extends approximately 288' north of the northwest property corner of the ±23.56 acre parcel and provides the subject with access to Braker Lane.</p>
Access/Visibility:	<p>The perimeter roadways provide good access. The Capital MetroRail Red Line provides the subject with rail access to downtown and points north of the site.</p> <p>Visibility of the subject is limited because of its location off Burnet Road and Braker Lane.</p>
Subsoil Conditions and Drainage:	An engineering study to determine the soil and subsoil conditions was not provided. The soil and subsoil conditions are assumed to be typical of those found in this area. Based on our site visit, soil conditions appear adequate to support development of the property with adequate engineering. The opinions of value stated herein are contingent upon the soils providing a stable base for improvements.
Topography:	The site has mostly gently sloping topography with an overall gentle slope down to the mid portion of the eastern property line.
Flood Plain:	According to the Flood Insurance Rate Map (FIRM) for Travis County, no floodplain exists on the subject property. The FIRM map 48453C0265K, effective on January 6, 2016, represents the most recent floodplain map of the area at the time of this study.



Environmental/Toxic Waste:	<p>We were not provided an environmental site assessment for the subject, and we did not observe any evidence of recognized environmental conditions such as hazardous waste and/or toxic materials. According to the Land Plan by alterra design group and as previously discussed in the History of Ownership section of the appraisal, there was previous soil contamination which apparently came from the previous owner of the subject, Reichhold Chemical. It is our understanding that the remediation and cleanup were completed in May 2005. In October 2005, the City submitted a Response Action Completion Report to the TCEQ. In March 2006, the TCEQ issued a no further action letter which denotes that the TCEQ concurs the site remediation has been met for commercial land use. Therefore, it is our understanding that no further action is required by the City for commercial use of the subject.</p> <p>As discussed in the Land Plan, a zoning change that would allow residential uses requires notifying the TCEQ and a re-evaluation of the site, and possibly additional clean-up of those two areas comprising a total area of 8,200 square feet that were previously found to contain elevated levels of Selenium.</p> <p>We have no other knowledge of the existence of any such substances on the property; however, we are not qualified to detect hazardous waste and/or toxic materials. The appraisal is predicated on the assumption that no environmental hazards or special resources exist within or on the property.</p>
Utilities:	All utilities are available.
Political Boundaries:	City of Austin, Travis County, Texas.
School District:	Austin ISD
Zoning:	<p>According to the Land Plan by Alterra Design Group, the subject site is located within the Full Purpose Jurisdiction of the City of Austin, Texas. The ±23.56 acre parcel is zoned LI-NP (Limited Industrial, Neighborhood Plan Combining District) and the 0.598 acre parcel is zoned NBG-NP (North Burnet/Gateway, Neighborhood Plan Combining District). The site is also governed by these additional overlays: North Burnet/Gateway Combined NPA and Green Building Mandatory. The site is located within the North Burnet/Gateway (NBS) Planning Area; however, the ±23.56 acre parcel is exempt from the standards because the property opted out of the NBS plan and retained the base zoning (LI). In addition, the site is located in the Little Walnut Creek watershed and the Urban Desired Development Zone.</p> <p>The base zoning on the 0.598 acre parcel was changed from LI-NP to NBG-NP by Ordinance No. 20090312-036, effective March 23, 2009. The NBG zoning district is intended for redevelopment into a "higher density urban mixed-use neighborhood that is more pedestrian friendly and takes advantage of the links to commuter rail transit and the area's key position in the urban core". The NBG zoning district is regulated by the Regulating Plan</p>

for the North Burnet/Gateway Zoning District (NBG Regulation Plan), adopted March 12, 2009, effective March 23, 2009, and last revised August 28, 2014. The NBG zoning district contains six subdistricts, which govern the applicable standards and uses. The 0.598 acre parcel is located within the Transit-Oriented Development (TOD) NBG subdistrict.

Listed here are subsets of the zoning requirements for LI and NBG:

#### **Base Zoning LI Standards**

Maximum Floor Area Ratio (FAR): 1:1

Maximum Height: 60'

Minimum Building Setbacks

- Front Yard – N/A
- Street Side Yard – N/A
- Rear Yard and Interior Yard – 10' to 50' based on the use of the adjacent property (§25-2-601)

Minimum Lot Size: 5,750 SF

Minimum Lot Width: 50'

Maximum Building Coverage: 75%

Maximum Impervious Cover: 80%

#### **NBG Zoning TOD Subdistrict Standards**

Maximum Floor Area Ratio (FAR):

- By Right – 1:1
- TOD Midway with Development Bonus – 5:1
- TOD Gateway with Development Bonus – 8:1

Maximum Height:

- By Right – 60'
- TOD Midway with Development Bonus – 240'
- TOD Gateway with Development Bonus – 360'

Minimum Height: 2 Stories

Minimum Building Setbacks:

- Front Yard and Street Side Yard – must conform to building placement standards in Section 4.3 of NBG Regulation Plan, instead of setbacks
- Front and Street Side Upper-Story Building Façade Stepbacks – from the 6th story and above, façade must be stepped back 30' from the ground-level building façade line.
- Rear yard – 0'
- Interior yard – 0'

Minimum Lot Size: 2,500 SF

Minimum Lot Width: 20'

Maximum Impervious Cover: 80%



Land Use Restrictions:	We are not aware of any deed restrictions, either public or private, that would limit the utilization of the property. We assume no adverse restrictions exist.
Public Services:	The site is within the jurisdiction of the City of Austin and is provided all municipal services.
Easements/ Encumbrances:	<p>According to the Land Plan by Alterra Design Group, the ±23.56 acre parcel of the subject property has several easements on the site. According to the plat recorded in Volume 89, Page 37 and 38 of the Plat Records of Travis County, Texas, the subject property contains several utility easements. A 5' wide water line easement extends along the northern portion of the property. A drainage easement at least 15' wide and public utility easement (PUE) extend along the eastern property boundary, including the portion adjacent to McKalla Place. A 10' sanitary sewer easement extends along the southeastern property boundary. Area adjacent to McKalla Place has been dedicated for additional road right-of-way. In the northern portion of the property, three 10' wide electric and telephone easements run generally north-south, and a 5' wide by 200' long electric and telephone easement extends from the property boundary, parallel with the northern property boundary and adjacent to the water line easement.</p> <p>In addition to the on-site utility easements, the subject property benefits from an off-site 80' wide access easement extending approximately 288' north from the northwest property corner of the ±23.56 acre parcel, which provides the subject property with access to Braker Lane. In addition, the 0.598 acre parcel is completely encumbered by an access easement providing connection to Burnet Road. However, since the city owns both parcels, the easement is no longer necessary and is assumed to be expired.</p>
Encroachments:	We assume the site is free and clear of encroachments. None were observed during our site visit.
Adjacent Properties:	North: Mixed use including retail, convenience store with gas pumps, storage, child care and vacant land; East: Office-warehouse; South: Office-warehouse; West: Mixture of commercial uses including retail and office-warehouse.

**HIGHEST AND BEST USE ANALYSIS**

Highest and best use is defined as "The reasonably probable use that produces the most benefits and highest land value at any given time."<sup>3</sup>

**Physically Possible**

The site has adequate size and shape for a variety of uses. It has mostly gently sloping topography and appears to have no topographical limitations. All utilities are available. The site is not in the flood plain, and it has adequate road frontage and access. It is also located on the Capital MetroRail Red Line which provides access to downtown and points north. Easements for public utilities or other uses are typical and would not preclude most development. The physical characteristics impose no apparent development limitations.

**Legally Permissible**

The ±23.56 acre parcel is zoned LI-NP (Limited Industrial, Neighborhood Plan Combining District) and the 0.598 acre parcel is zoned NBG-NP (North Burnet/Gateway, Neighborhood Plan Combining District). The site is also governed by the overlays: North Burnet/Gateway Combined NPA and Green Building Mandatory. The site is located within the North Burnet/Gateway (NBG) Planning Area; however, the ±23.56 acre parcel is exempt from the standards because the property opted out of the NBG plan and retained the base zoning (LI). In addition, the site is located in the Little Walnut Creek watershed and the Urban Desired Development Zone.

The base zoning on the 0.598 acre parcel was changed from LI-NP to NBG-NP by Ordinance No. 20090312-036, effective March 23, 2009. The NBG zoning district is intended for redevelopment into a "higher density urban mixed-use neighborhood that is more pedestrian friendly and takes advantage of the links to commuter rail transit and the area's key position in the urban core". The NBG zoning district is regulated by the Regulating Plan for the North Burnet/Gateway Zoning District (NBG Regulation Plan), adopted March 12, 2009, effective March 23, 2009, and last revised August 28, 2014. The NBG zoning district contains six subdistricts, which govern the applicable standards and uses. The 0.598 acre parcel is located within the Transit-Oriented Development (TOD) NBG subdistrict.

These designations allow for a broad range of retail, office, and other complementary commercial uses. Given prevailing land use patterns in the area, the most probable physically possible and legally permissible use of the site is for mixed use development. Mixed use development would include residential uses upon rezoning of the large parcel of the site, which is considered likely based on the Land Plan by Alterra Design Group.

**Financially Feasible**

The financial feasibility of a specific property is market driven and is influenced by economic conditions. Economic conditions on the effective date were positive with high occupancy and sustained or increasing rent levels for all likely property types. Additionally, development financing was readily available at market rates. Commercial development, including retail, office and multifamily development, was financially feasible on the effective date.

**Maximally Productive**

Based on the Land Plan provided by Alterra Design Group, a mixed use development with a maximum density of 1:1 and a maximum height of 60 feet would be allowed upon rezoning of the site to allow for residential uses. With development bonuses, a maximum development density of 8:1 and maximum building heights of 360 feet would be possible. The table below summarizes the development densities obtained by the comparable sales.



<sup>3</sup> *Appraisal Institute, The Appraisal of Real Estate, 14<sup>th</sup> ed. (Chicago: Appraisal Institute, 2013), 333.*  
Paul Hornsby and Company

COMPARABLE SALES SUMMARY (FAR)				
Sale No.	Name	Site Size (SF)	NRA (SF)	FAR
1	2501 W. Braker Lane	267,589	535,968	2:1
2	10701 N. MoPac Expwy	188,701	NA	NA
3	10701 N. MoPac Expwy	100,114	258,299	1.52:1
4	6601 Burnet Road	69,731	258,299	1.52:1
5	1624-1700 E. 4th Street	194,969	292,710	1.50:1
6	2813 & 2901 E. MLK Blvd	361,788	301,378	0.83:1
Average				1.47:1

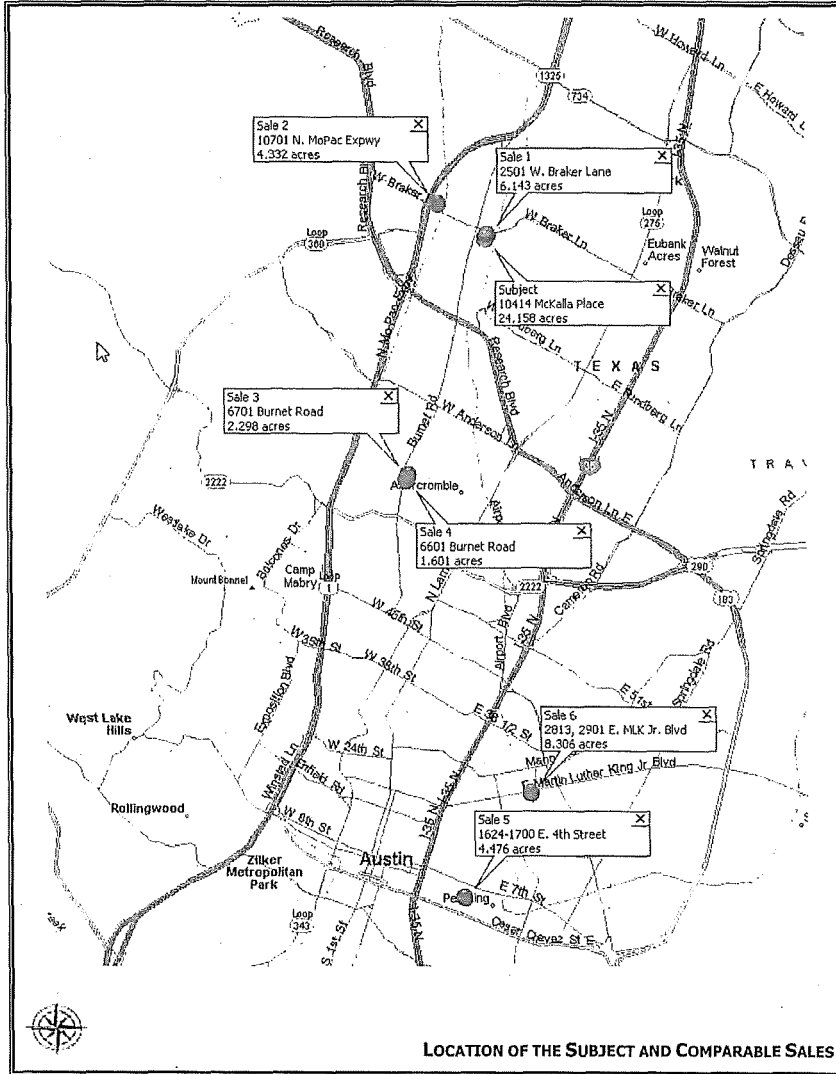
Based on the Land Plan by Alterra Design Group, as well as the subject's suburban location and the development densities obtained for similar locations, it is our opinion that a development density with an FAR of 1.50:1 and a maximum building height of 60 feet represents the maximally productive use of the site.



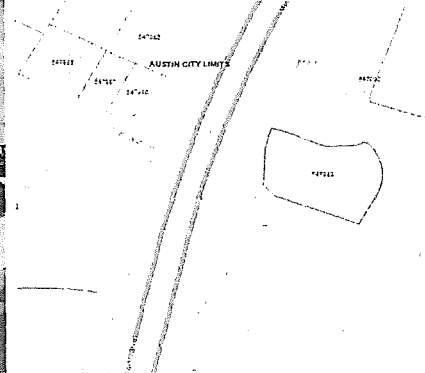
VALUATION OF THE PROPERTY

THE SALES COMPARISON APPROACH

The subject is a ±24.158-acre site located at 10414 McKalla Place. The site is currently vacant except for storage of landscaping materials and equipment. We located and confirmed transactions of similar sites, and those most like the subject were analyzed and compared. The map below shows the location of the subject and comparable sales.



Land Sale No. 2



**Property Identification**

**Record ID** 3267  
**Property Type** Land  
**Address** 10701 N MO-PAC EXPRESSWAY, Austin, Travis County, Texas 78759  
**Location** NEC of MoPac and Braker Lane  
**Tax ID** 547989  
**Longitude, Latitude** W-97.730888, N30.395784  
**MSA** Austin-Round Rock-San Marcos  
**Market Type** Commercial

**Sale Data**

**Grantor** MOPAC & BRAKER LP  
**Grantee** Confidential  
**Sale Date** Contract Pending  
**Deed Book/Page** Contract Pending  
**Conditions of Sale** Market  
**Financing** Cash to seller  
**Verification** Jerry Quick (Listing agent); (512) 435-6552, August 01, 2016; Other sources: Confidential, Confirmed by ECH

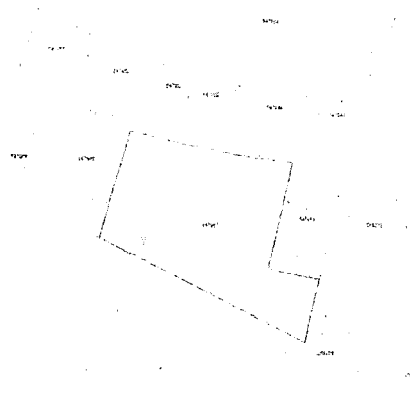
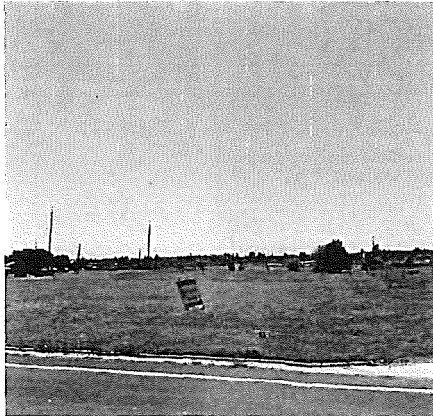
**Sale Price** \$10,500,000  
**Cash Equivalent** \$10,500,000

**Land Data**

**Zoning** NBG-NP  
**Topography** Gentle to moderate slopes  
**Utilities** All available  
**Shape** Irregular  
**Flood Info** None reported



## Land Sale No. 1

**Property Identification**

<b>Record ID</b>	3266
<b>Property Type</b>	Land
<b>Address</b>	2501 W. Barker Lane, Austin, Travis County, Texas 78758
<b>Location</b>	SL of Braker Lane, east of Burnet Road
<b>Tax ID</b>	547967
<b>Longitude, Latitude</b>	W-97.718510, N30.389540
<b>MSA</b>	Austin-Round Rock-San Marcos
<b>Market Type</b>	Commercial

**Sale Data**

<b>Grantor</b>	GASTON BILL INC
<b>Grantee</b>	2501 W BRAKER LP
<b>Sale Date</b>	May 10, 2016
<b>Deed Book/Page</b>	2016072853
<b>Conditions of Sale</b>	Market
<b>Financing</b>	Cash to seller
<b>Verification</b>	Kent Taylor (listing agent); 512-708-0800, August 01, 2016; Other sources: Professional source, Confirmed by ECH

<b>Sale Price</b>	\$7,000,000
<b>Cash Equivalent</b>	\$7,000,000

**Land Data**

<b>Zoning</b>	NBG-TOD
<b>Topography</b>	Relatively level
<b>Utilities</b>	All available
<b>Shape</b>	Irregular
<b>Flood Info</b>	None reported



**Land Sale No. 1 (Cont.)****Land Size Information**

**Gross Land Size** 6.143 Acres or 267,589 SF  
**Front Footage** Braker Lane; Capital MetroRail Red Line;

**Indicators**

**Sale Price/Gross Acre** \$1,139,509  
**Sale Price/Gross SF** \$26.16

**Legal Description**

LOT 1A, BLK A, BRAKER AT BURNET, SEC 3, RESUB OF, TRAVIS COUNTY, TEXAS

**Remarks**

Buyers will build 423 apartment units on site which will include 211 1-bedroom units, 197 2-bedroom units and 15 3-bedroom units. Total building area of the apartment units will be 535,968 SF, providing an FAR of 2:1. Parking will be provided by a 7-level parking garage with 424 parking spaces, providing a parking ratio of one space per unit. Maximum building height will be 60 feet. Site is allowed an FAR up to 5:1 and a building height limit of 240 feet with development bonuses. Site was under contract to close in January 2016 for \$5.5MM. Contract was dropped and new buyers quickly placed the site under contract at a price of \$7.0MM.



**Land Sale No. 2 (Cont.)****Land Size Information**

**Gross Land Size** 4.332 Acres or 188,701 SF  
**Front Footage** 308 ft N. MoPac; 487 ft Braker Lane;

**Indicators**

**Sale Price/Gross Acre** \$2,423,835  
**Sale Price/Gross SF** \$55.64

**Legal Description**

Lot 1, Block A, Braker Pointe Subdivision, Austin, Travis County, Texas

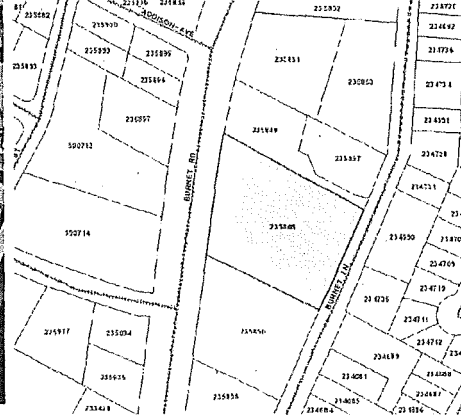
**Remarks**

This site has been vacant and on the market for several years. Whole Foods had a ground lease on site before they decided to relocate to the north end of The Domain. Rather than continue to pay ground rent for a site they didn't want, they bought the site from the owner for a reported price of approximately \$9.0MM or \$47.69/SF in June 2015 and then placed it back on the market for \$10.5MM. The property was reported to have multiple offers and a letter of intent for the asking price.

The site was originally permitted for a hotel, but is currently restricted for retail use for up to 5 retail users. The site has a reciprocal parking agreement with the adjacent office building. It was reported the buyers will build a hotel on the site.



Land Sale No. 3



**Property**

**Identification**

**Record ID** 2818  
**Property Type** Land  
**Property Name** Burnet Marketplace  
**Address** 6701 Burnet Road, Austin, Texas 78757  
**Location** Burnet Rd and Burnet Ln  
**Tax ID** 235848  
**MSA** Austin-Round Rock-San Marcos  
**Market Type** Suburban

**Sale Data**

**Grantor** Llano Residential  
**Grantee** Burnet MF LLC  
**Sale Date** May 28, 2014  
**Deed Book/Page** 235848  
**Property Rights** Fee simple  
**Conditions of Sale** Typical  
**Financing** Cash to seller  
**Verification** Chase Hill, buyer; 512-494-8510, September 18, 2014;  
 Other sources: Deed, CoStar, press release, Confirmed by MWC

**Sale Price** \$5,000,000  
**Cash Equivalent** \$5,000,000

**Land Data**

**Zoning** CS-1-MU-V-CO-NP  
**Topography** Generally level  
**Utilities** All to site



**Land Sale No. 3 (Cont.)**

**Shape** Irregular  
**Flood Info** Not in flood zone

**Land Size Information**

**Gross Land Size** 2.298 Acres or 100,114 SF  
**Front Footage** 304 ft Burnet Rd; 275 ft Burnet Ln;

**Indicators**

**Sale Price/Unit** \$24,638  
**Sale Price/Gross SF** \$49.94

**Legal Description**

LOT 2 TRAVIS COUNTY SUBD NO 1

**Remarks**

This sale was the second of two contiguous lots that were purchased by Cypress Hill Real Estate Advisors to be combined and developed into a mixed-use development called Burnet Marketplace. This first lot (Land Sale 4) with 1.6 acres is located next door at 6601 Burnet Road and was purchased on 6/4/2013 for \$3,500,000. The combined total purchase price for the two contiguous lots was \$8,500,000. The development will include multifamily, retail, and commercial development. There will be approximately 345 apartment units constructed; 10 percent of the apartment units will be low-income housing set-aside to households earning 60 percent of AMI or less. There will also be a bar and restaurant included within the development.



**Land Sale No. 3 (Cont.)**

**Shape** Irregular  
**Flood Info** Not in flood zone

**Land Size Information**

**Gross Land Size** 2.298 Acres or 100,114 SF  
**Front Footage** 304 ft Burnet Rd; 275 ft Burnet Ln;

**Indicators**

**Sale Price/Unit** \$24,638  
**Sale Price/Gross SF** \$49.94

**Legal Description**

LOT 2 TRAVIS COUNTY SUBD NO 1

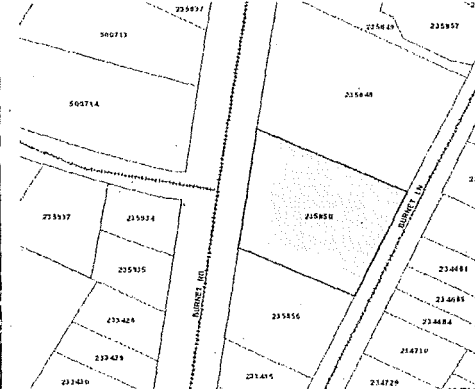
**Remarks**

This sale was the second of two contiguous lots that were purchased by Cypress Hill Real Estate Advisors to be combined and developed into a mixed-use development called Burnet Marketplace. This first lot (Land Sale 4) with 1.6 acres is located next door at 6601 Burnet Road and was purchased on 6/4/2013 for \$3,500,000. The combined total purchase price for the two contiguous lots was \$8,500,000. The development will include multifamily, retail, and commercial development. There will be approximately 345 apartment units constructed; 10 percent of the apartment units will be low-income housing set-aside to households earning 60 percent of AMI or less. There will also be a bar and restaurant included within the development.





Land Sale No. 4



**Property Identification**

**Record ID** 2819  
**Property Type** Land  
**Property Name** Burnet Marketplace  
**Address** 6601 Burnet Road, Austin, Texas 78757  
**Location** Burnet Rd and Burnet Ln  
**Tax ID** 235850  
**MSA** Austin-Round Rock-San Marcos  
**Market Type** Suburban

**Sale Data**

**Grantor** John and Debra Stepan  
**Grantee** Burnet MF LLC  
**Sale Date** June 04, 2013  
**Deed Book/Page** 2013101608  
**Property Rights** Fee simple  
**Conditions of Sale** Typical  
**Financing** Cash to seller  
**Verification** Chase Hill, buyer; 512-494-8510, September 18, 2014; Other sources: Deed, CoStar, press release, Confirmed by MWC

**Sale Price** \$3,500,000  
**Cash Equivalent** \$3,500,000

**Land Data**

**Zoning** CS-MU-V-CO-NP  
**Topography** Generally level  
**Utilities** All to site  
**Shape** Irregular  
**Flood Info** Not in flood zone



**Land Sale No. 4 (Cont.)****Land Size Information**

**Gross Land Size** 1.601 Acres or 69,731 SF  
**Front Footage** 239 ft Burnet Rd; 211 ft Burnet Ln;

**Indicators**

**Sale Price/Unit** \$24,638  
**Sale Price/Gross SF** \$50.19

**Legal Description**

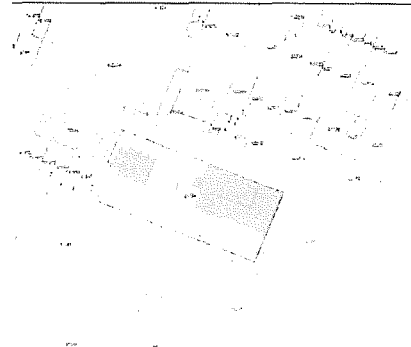
LOT 2 GRAY TERRACE

**Remarks**

This sale was the first of two contiguous lots that were purchased by Cypress Hill Real Estate Advisors to be combined and developed into a mixed-use development called Burnet Marketplace. The second lot (Land Sale 3) with 2.3 acres is located next door at 6701 Burnet Road and was purchased on 5/28/2014 for \$5,000,000. The combined total purchase price for the two contiguous lots was \$8,500,000. The development will include multifamily, retail, and commercial development. There will be approximately 345 apartment units constructed; 10 percent of the apartment units will be low-income housing set-aside to households earning 60 percent of AMI or less. There will also be a restaurant and bar included within the development.



Land Sale No. 5



**Property Identification**

**Record ID** 2431  
**Property Type** Land, Other  
**Address** 1624-1700 E 4th Street, Austin, Travis County, Texas 78702  
**Location** N Side East 4th Street, W of Chicon  
**Tax ID** 19195, 55  
**Longitude, Latitude** W-97.725080, N30.261040  
**Development Type** Mixed-use  
**MSA** Austin-Round Rock-San Marcos

**Sale Data**

**Grantor** Gerald Henke  
**Grantee** Austin Eastside Station, LLC  
**Sale Date** May 12, 2014  
**Deed Book/Page** 2014069979  
**Conditions of Sale** Typical  
**Financing** Cash to seller  
**Verification** Kent Taylor w/Taylor Commercial; 512-708-0800, July 29, 2013; Other sources: CoStar # 191955, Confirmed by CLS and ECH

**Sale Price** \$8,250,000  
**Cash Equivalent** \$8,250,000  
**Upward Adjustment** \$150,000 Reported demolition costs  
**Adjusted Price** \$8,400,000

**Land Data**

**Zoning** TOD-NP (Transit Oriented District - Neighborhood Plan)  
**Topography** Relatively level  
**Utilities** All to site  
**Shape** Rectangular  
**Flood Info** Not in flood plain



**Land Sale No. 5 (Cont.)****Land Size Information**

**Gross Land Size** 4.476 Acres or 194,969 SF  
**Front Footage** ±680 ft E. 4<sup>th</sup> Street and E. 5<sup>th</sup> Street, Capital MetroRail along  
E. 5<sup>th</sup> Street

**Indicators**

**Sale Price/Gross Acre** \$1,829,521  
**Sale Price/Gross SF** \$42.31  
**Adjusted Price/Gross SF** \$43.08

**Legal Description**

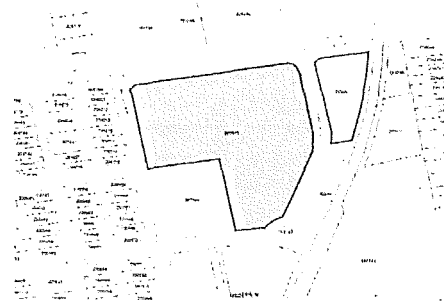
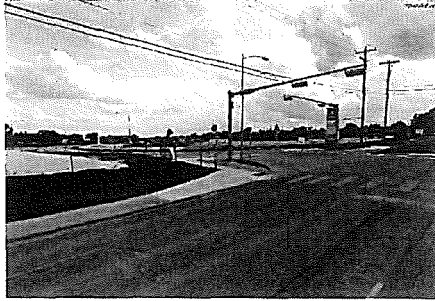
Lot 1, Blk 1 Henke Sub & a portion of Blk 1 Lot 6 & 1/2 vacated street Division O, Lot 2, Blk 1 Henke Sub.

**Remarks**

The site was improved with two older warehouse buildings of no contributory value. Demolition costs were reported at \$150,000. The property is currently under construction as Eastside Station Apartments, a 330 unit apartment complex. FAR: 1.5:1, Max Height: 40'.



## Land Sale No. 6

**Property Identification**

**Record ID** 3268  
**Property Type** Land  
**Address** 2813 and 2901 E. MLK Boulevard, Austin, Travis County, Texas 78702  
**Location** SL of E. MLK Blvd at Alexander  
**Longitude, Latitude** W-97.711284, N30.281334  
**MSA** Austin-Round Rock-San Marcos  
**Market Type** Suburban

**Sale Data**

**Grantor** FREEHAVEN DEVELOPMENT INC  
**Grantee** GUGV EASTSIDE AUSTIN PROPERTY OWNING LLC  
**Sale Date** November 19, 2014  
**Deed Book/Page** 2014173741  
**Conditions of Sale** Market  
**Financing** Cash to seller  
**Verification** Confidential; August 02, 2016; Other sources: Professional source, Confirmed by ECH

**Sale Price** \$9,550,000  
**Cash Equivalent** \$9,550,000

**Land Data**

**Zoning** TOD-NP-CO  
**Topography** Relatively level  
**Utilities** All available  
**Shape** Irregular  
**Flood Info** None reported

**Land Size Information**

**Gross Land Size** 8.306 Acres or 361,788 SF  
**Front Footage** 705 ft MLK Blvd; 680 ft Miriam Ave; 729 ft Alexander Ave;



**Land Sale No. 6 (Cont.)****Indicators**

<b>Sale Price/Gross Acre</b>	\$1,149,839
<b>Sale Price/Gross SF</b>	\$26.40

**Legal Description**

Lot 1, Chestnut Station West, and Lot 2, Block C, Chestnut Station & Chestnut Station, Section 2, Resub, Austin, Travis County, Texas

**Remarks**

Site is approved for 355 unit multi-family development and 10,000 SF of retail. Total building area of apartments and retail was reported to be 301,378 SF, providing an FAR of 0.83:1. Primary road frontage includes approximately 705' of frontage along Martin Luther King Jr. Blvd., 680' along the east line of Miriam Ave., 729' along the west line of Alexander Ave, and 356' along the east line of Alexander Ave. The MLK Jr. metro rail station is located along the east side of the property.



The next table summarizes the sales detailed on the previous pages.

COMPARABLE SALES SUMMARY								
No.	Name	Site Size (SF)	Zoning	Sale Date	Price/SF (Site Area)	FAR	NRA (SF)	Price/SF (NRA)
1	2501 W. Braker Lane	267,589	NBG-TOD	5/10/2016	\$26.16	2:1	535,968	\$13.06
2	10701 N. MoPac Expwy	188,701	NBG-NP	Contract Pending	\$55.64	NA	NA	NA
3	6701 Burnet Road	100,114	CS-1-MU-V-CO-NP	5/28/2014	\$49.94	1.52:1	258,299	\$32.91
4	6601 Burnet Road	69,731	CS-MU-V-CO-NP	6/4/2013	\$50.19	1.52:1	258,299	\$32.91
5	1624-1700 E. 4th Street	194,969	TOD-NP	5/12/2014	\$43.08	1.50:1	292,710	\$28.70
6	2813 & 2901 E. MLK Blvd	361,788	TOD-NP-CO	11/14/2014	\$26.40	0.83:1	301,378	\$31.69
Subject	10414 McKalla Place	1,052,321	LI-NP, NBG-NP	Effective Date 7/21/2016	---	---	---	---

**THE ADJUSTMENT PROCESS**

In analyzing and comparing the comparable sales to the subject, each comparable was adjusted for dissimilar characteristics. Adjustments are applied for the following characteristics.

**Property Rights**

The sales represent conveyances of the fee simple interest for all of the sales. Therefore, no property rights adjustments were necessary.

**Terms/Financing**

The sales reflected cash or cash equivalent transactions. No adjustments were made for non-market financing.

**Conditions of Sale**

The sales reflected arm's length transactions. Sale 5 was adjusted for the demolition cost reported by the buyer. The demolition cost of \$150,000 was added to the reported sale price of \$8.25 million. No other adjustments were necessary for conditions of sale.

**Market Conditions**

The land market in Austin was improving when these sales occurred. Rents and occupancy were rising, which resulted in increased land prices. Research indicated that a 6% per annum rate of change or 0.5% per month was appropriate and the sales were adjusted accordingly.

**Location/Access**

The subject is located on McKalla Place, and also has what is essentially driveway access to Burnet Road and Braker Lane. In addition, it fronts the Capital MetroRail along its east side.

Sale 1 is located on the north side of the subject and is encumbered by an access easement providing the subject with access to Braker Lane. Sale 1 has superior frontage on Braker Lane and also fronts the Capital MetroRail along its east side, but does not have access to two other streets like the subject. An upward adjustment is indicated for the subject's superior access.



Sale 2 is located about a half mile west of the subject at the northeast corner of MoPac and Braker Lane. It has no direct access to either roadway, but is accessed via common driveways off both roadways which are shared with users of adjoining sites. This site with its superior location at the corner of MoPac and Braker, but limited visibility and access, is considered similar overall to the subject considering it has no Metrorail frontage and no adjustment is indicated.

Sales 3 and 4 are located about 3.3 miles south of the subject on Burnet Road, and also front Burnet Lane along their back side. These two streets provide Sales 3 and 4 with good visibility and access. This location with its good visibility and access is considered similar overall to the subject considering they have no Metrorail frontage and no adjustments are indicated.

Sale 5 is located in East Austin about nine miles southeast of the subject. It has good street frontage along both its north and south sides, as well as Capital MetroRail frontage along its north side. This location with its good visibility and access, proximity to downtown, and its Capital MetroRail access is considered superior overall to the subject and a downward adjustment is indicated.

Sale 6 consists of two corner sites located at the intersection of E. Martin Luther King Jr. Boulevard and Alexander Avenue. These two sites have good visibility and access from both roadways, and the eastern site fronts the Capital MetroRail line on its east side. Sale 6 is located about 7.5 miles southeast of the subject. This location with its good visibility and access, proximity to downtown, and its Capital MetroRail access is considered similar overall to the subject and no adjustment is indicated.

#### Size

Typically smaller sites will sell for a higher unit price because their lower purchase price allows for more buyers and hence greater demand. Therefore, based on experience with this property type, a size adjustment of 10% for each doubling in size was applied.

#### Topography / Shape

The subject has mostly gently sloping topography and its shape should not limit development. Sale 2 required an upward adjustment for its inferior sloping site which is below road grade. It also has limited visibility from the main lanes of Mopac since it is below grade of the frontage road. The remainder of the sales were considered similar and no adjustments were made.

#### Zoning/Entitlements

The subject has a combination of LI-NP, NBG-NP zoning and will require rezoning in order to redevelop it for mixed-use development including residential use. Sale 2 will require similar rezoning and no adjustment was made. The remainder of the sales were considered superior since they had zoning at the time of sale that allowed mixed-use development including residential use. Downward adjustments were made.

#### Flood Plain

Neither the subject nor any of the comparable sales are located in a flood plain based upon available flood plain studies. Therefore, no adjustments were made.

#### Other

This category includes such items as differences in existing site improvements. Sale 6 had improvements at the time of sale that were reported to cost about \$150,000 to remove. However, since the total sale price was already adjusted for the cost of removing the site improvements, no further adjustment is required.

No other adjustment categories were identified as having a material effect.





The following table summarizes the adjustments described.

Comparable Sales Adjustment Grid Based on Typical FAR for Suburban TOD Sites							
ADJUSTMENT GRID	Subject	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5	Sale 6
Address	10414 McKalla Place	2501 W. Braker Lane	10701 N. MoPac Fwy W	6701 Burnet Road	6601 Burnet Road	1624-1700 E. 4th Street	2813 & 2901 E. MLK Blvd
Date of Sale	Effective Date 7/21/2016	May-16	Contract Pending	May-14	Jun-13	May-14	Nov-14
Gross Site Area (SF)	1,052,321	267,589	188,701	100,114	69,731	194,969	361,788
Sales Price		\$7,000,000	\$10,500,000	\$5,000,000	\$3,500,000	\$8,400,000	\$9,550,000
Unit Price		\$26.16	\$55.64	\$49.94	\$50.19	\$43.08	\$26.40
Property Rights		0%	0%	0%	0%	0%	0%
Terms/Financing		0%	0%	0%	0%	0%	0%
Conditions of Sale		0%	0%	0%	0%	0%	0%
Market Conditions		+1%	0%	+13%	+19%	+13%	+10%
Adjusted \$/SF		\$26.42	\$55.64	\$56.44	\$59.73	\$48.68	\$29.04
Location/Access		+10%	0%	0%	0%	-10%	0%
Size		-20%	-25%	-35%	-40%	-25%	-15%
Topography / Shape		0%	+10%	0%	0%	0%	0%
Zoning/Entitlements		-5%	0%	-5%	-5%	-5%	-5%
Flood Plain		0%	0%	0%	0%	0%	0%
Other		0%	0%	0%	0%	0%	0%
Net Adjustment		-15%	-15%	-40%	-45%	-40%	-20%
Indicated Unit Value		\$22.46	\$47.30	\$33.86	\$32.85	\$29.21	\$23.23

Statistics pertaining to the adjusted indicated unit values are as follows.

No. of Sales	6
Low Price per SF	\$22.46
High Price per SF	\$47.30
Average Price per SF	\$31.49
Median Price per SF	\$31.03
Concluded Unit Value	\$28.00
Gross Site Area (SF)	1,052,321
Indicated Market Value of Whole Site	\$29,464,988
Rounded to	\$29,500,000

The adjusted low, high, mean (average), and median are shown in the table above. With 50% weighting on Sale 1 because of its location on the north side of the subject and 10% weighting on each of the other five sales, a unit value of \$27.88/SF is indicated, which was rounded to \$28.00/SF. This results in a market value via the sales comparison approach of \$29,500,000, rounded.

#### EXPOSURE TIME

Based on our review of recent sales transactions and our analysis of supply and demand in the subject's market, it is our opinion that the probable exposure time for the subject is six to twelve months.



## GROUND RENT ESTIMATE

The ground rent yield, or cap rate, is estimated by both market comparison and national survey data.

## MARKET COMPARISON

The market comparison analysis using local market data includes three ground leases which were reviewed and adjusted to calculate a market rent per square foot of land. The rent was reconciled to an indicated rent for the subject and was compared to the subject's estimated market value to calculate the implied rate of return. The table below summarizes the market comparison analysis using local market data.

GROUND RENT ANALYSIS										
Description	Size (Acres)	Ground Rent	Lease Date	Initial Term (Yrs)	Rent Basis	Current Rent PSF	Location and Access	Size	Adjusted PPSF	Notes
The Arbor	45.782	\$2,000,000	12/1/2003	52	2016 Actual	\$1.00	-10%	10%	\$1.00	Retail center at SEC of Braker and Mopac; superior access and visibility
Braker & 183	10.500	\$280,755	4/8/1994	45	1994 + escalation	\$1.18	-5%	-10%	\$1.00	Retail center surrounding the SEC of US-183 and Braker Lane; calculated rent
2400 Nueces	1.427	\$115,928	10/14/2011	60	2016 Actual	\$1.86	-10%	-40%	\$0.93	Multifamily with ground-floor retail in an urban area, rent calculated based on base rent + escalation
									Average Rent PSF	\$0.98
									Median Rent PSF	\$1.00
									Mid-point PSF	\$0.99
									Concluded Ground Rent Per Square Foot	\$1.00
									Indicated Annual Ground Rent	\$1,052,321
									Estimated Market Value (per Sales Comparison)	\$29,500,000
									Implied Cap/Yield Rate	3.57%

Each lease was recalculated or adjusted to reflect today's rate equivalent. In analyzing these leases, when rent was stipulated in a schedule of payments, the 2016 rent was used. In an income analysis, forward-looking data reflects the actions of typical buyers. In addition, adjustments are applied for two physical differences, location and size, in the same manner as in the sales comparison analysis. Following is a more detailed analysis of each ground rent comparable.

The ground lease at The Arbor commenced in 2004. The lease stipulates rent on an annual basis over the term, and the rent reflected in our analysis is the 2016 rent stipulated. The Arbor is located at the southeast corner of Mopac and Braker, and has access from both roadways. While the site is below grade of both roadways and has somewhat limited visibility from the main lanes of Mopac, and is not located on the MetroRail, it is still considered somewhat superior to the subject and a downward adjustment was applied for the differences. Also, the size of this site is almost twice as large as the subject, and an upward adjustment based on 10% per doubling is applied.

Rent for the site at Braker and 183 was paid in a lump sum of \$2,411,000 (\$5.27/SF) at lease commencement in 1994. Overall cap rates were higher in 1994 than today as reported by RealtyRates, a respected market survey provider. The average 1994 capitalization rate reported by RealtyRates for all properties was 12.29% compared to 7.27% in the third quarter of 2015, a 502 basis point difference. Land lease rates were not available from RealtyRates in 1994, but they are today, and today's land lease rate averages approximately 6.54% for apartments, offices, and retail developments. Adding 502 basis points provides a cap rate indicator of 11.56% for the 1994 land lease market. The present value of \$2,411,000 at an 11.56% cap rate over 45 years results in an annual payment of \$280,755 as reflected in the table above. Inflation is implicit in the cap rate, but because the Austin market accelerated much faster than could have been foreseen in 1994, a 3% inflation or escalation rate is applied.



The Braker and 183 site surrounds the southeast corner of US-183 and Braker Lane. Although it has access from the 183 frontage road, retail and tree cover at the hard corner limits the visibility of this site from the US-183 frontage road. While the site has limited visibility from north bound traffic on US-183 and does not front the MetroRail, its location surrounding the corner of US-183 and Braker Lane is still considered slightly superior to the subject and a downward adjustment was applied. Also, this site is smaller than the subject, and an upward adjustment for size is appropriate.

Rent for the Nueces site was calculated based on the base year rent which was escalated at 3% per year per the lease. The lease was written in 2011, but rent was not scheduled to begin until the fall of 2013. Since this lease was negotiated recently, no adjustment is made for changes in market conditions or expectations. The lease includes a percentage rent clause. The escalation is recognized in our stated rent, but the percentage rent is not included because of the agreement's short history.

The 2400 Nueces site is located in the west UT campus market and is considered superior to the subject. It is difficult to compare an urban block site to a suburban acreage site for access attributes, but overall, the Nueces site is slightly superior to the subject and is adjusted downward. Nueces is also a very small site in comparison to the other comparable ground lease properties and the subject. However, when adjusted for size at the same rate as the other comps, its adjusted indicator is consistent.

The estimated annual rent for the subject is divided by the market value estimated for the subject to calculate the implied capitalization rate. The indicated cap rate would be the result if the subject was rented for the estimated ground rent and the market value of the land was as estimated. The implied cap rate is based on several assumptions and variables, and small changes to the assumptions can result in large variances in the results. Although it provides a market-based indicator, it is secondary to the rates indicated by survey data that follows because the survey data is used more often by market participants.

**NATIONAL SURVEY DATA**

RealtyRates is a reputable surveyor of rate data, and their surveys include one specifically related to land lease rates as summarized below. Following is the land lease data from their most recent survey.

RealtyRates.com INVESTOR SURVEY - 4th Quarter 2015*						
LAND LEASES						
Property Type	Capitalization Rates			Discount Rates		
	Min.	Max.	Avg.	Min.	Max.	Avg.
Apartments	2.27%	10.44%	6.29%	4.87%	10.94%	7.28%
Golf	2.75%	15.67%	8.69%	5.35%	16.17%	8.63%
Health Care/Senior Housing	2.75%	11.81%	6.83%	5.35%	12.31%	7.83%
Industrial	2.62%	10.44%	6.39%	5.22%	10.94%	7.39%
Lodging	2.75%	15.43%	7.09%	5.35%	15.93%	8.09%
Mobile Home/RV Park	2.56%	12.39%	7.38%	5.16%	12.89%	8.38%
Office	2.62%	10.44%	6.83%	5.22%	10.94%	7.83%
Restaurant	3.87%	15.69%	8.11%	6.47%	16.19%	9.11%
Retail	2.32%	11.81%	6.52%	4.92%	12.31%	7.52%
Self-Storage	2.62%	10.44%	7.49%	5.22%	10.94%	8.49%
Special Purpose	3.32%	16.17%	8.32%	6.21%	13.23%	9.15%
All Properties	2.27%	16.17%	7.27%	4.87%	16.19%	8.16%

\*3rd Quarter 2015 Data

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The average rate for apartments, offices, and retail sites is highlighted because these rates are the most applicable to the subject. They are consistent and distinct from the other rates because these property types are currently in favor. The three data points in the survey indicate an average ground lease capitalization rate for the subject of 6.54%.

The survey rates are higher than the 3.57% implied rate indicated in the ground rent analysis. The relationship is reasonable considering the rapid rise in land prices over the past five years and the ground rent analysis reflects historical levels.

The Boulder Group specializes in the sale of net leased properties and provides data from their sales, listings, and market research. The table below reflects lease rates for retail and bank sites. These are typically pad sites, smaller and at a lower risk because their success depends on fewer variables. Pad sites for banks are generally the lowest in the market because of their stability.

**BANK GROUND LEASE VS RETAIL NET LEASE CAP RATE TRENDS**



Source: Boulder Group Net Lease Bank Ground Lease Report 2nd Quarter 2016

The retail rate was 6.18% in Q1 2016 versus 6.4% in Q1 2015, down 22 basis points over the past year. This indicates that net leased properties continued to improve over the period, as they have since Q1 2012. The subject is expected to be in the range of the retail rates, which are generally medium risk investments for mid-sized sites to credit-worthy tenants.

The 4.75% bank ground rate is 143 basis points lower than the retail rate. To measure this national survey against local data, we cite the two recent sales of pad sites that were under 20-year (plus option) ground rent agreements at the time of closing. One is a bank site, the other a restaurant, but both represent pad sites on the grounds of major shopping centers where stability was well established. Though not a bank, BJs is on the perimeter of University Commons Shopping Center near University Oaks and the Round Rock Outlets, a location that competes directly for bank sites. The Wells Fargo Bank site is located on the north side of Braker Lane, a short distance west of the subject at the entrance to The Domain.

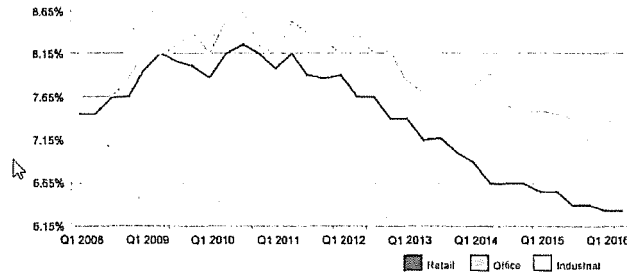
SALES OF GROUND-LEASED PAD SITES						
Tenant	Location	Size (Acres)	Sale Date	Ground Rent	Sales Price	Cap Rate
BJs Restaurant	4201 N IH 35, Round Rock	2.699	8/23/2012	\$200,000	\$4,000,000	5.00%
Wells Fargo Bank	3216 W Braker, Austin	1.840	3/9/2012	\$215,000	\$4,100,000	5.24%



According to the Boulder Group report, the falling bank rate is due to increased demand, the lower absolute dollar amount required to own them, and the multiple-escalation structure common in bank ground leases. Other reducing factors are the historically low default rate of bank leases and the lack of landlord responsibilities. The bank ground lease cap rates are at the low end of investment alternatives. The subject shares only one of these rate-reducing characteristics, limited landlord responsibilities, so the subject's rate is expected to be higher.

In addition to ground lease rates, we studied the rates currently available for improved properties. The data represents alternative investments of similar risk. The next table plots the cap rate history of sales of retail, office, and industrial net leased investments.

**NET LEASE CAP RATE TRENDS**



Source: Boulder Group Net Lease Market Report 2nd Quarter 2016

The rates in the chart are approximately 6.3% for retail and approximately 7.4% for both office and industrial properties. The low to high of these improved data corresponds to the ground lease rate range found in the local data, the RealtyRates land rate for these same property types, and the Boulder retail land rate.

**GROUND RENT RATE CONCLUSION**

In summary, the three local leases analyzed show an implied rate of 3.57%; however, the implied cap rate is based on several assumptions and variables, and small changes to the assumptions can result in large variances in the results. Furthermore, the local ground leases are more dated than the current survey data. The survey rates are considered more reliable because they are a recent assessment of market sentiment. However, we note that the rate for retail is currently in a downtrend trend as it has been since 2010. The rates for office and industrial are currently in an upward trend, but still much lower than they were 2011 when the large decline in rates started. The probability of a long-term lease is very high for a larger property like the subject.

The apartment, office and retail indicators in the RealtyRates survey range from 6.28% on the low end for apartments to 6.52% in the middle of the range for retail, to 6.83% on the high end for office. The sole Boulder ground lease rate is for the bank ground lease market at 4.75%. The improved Boulder net leased property rates, alternative and competing investments, are in the 6.3% to 7.4% range for retail and office. If there is a correlation, the Boulder office net lease cap rate is 57 basis points higher than its ground lease counterpart per RealtyRates, although the RealtyRates survey is publishing Q3 2015 rate data and does not reflect the recent upward trend in rates shown by the more current Boulder lease data.



According to recent development trends in the Austin market, mixed-use projects with a focus on multi-family development are predominant. Aside from a multi-family component, most developments have a hotel, retail, or office component. Based on land use patterns and the predominance of multi-family development, the lease rate is reconciled closer to this end.

<b>GROUND RENT RATE CONCLUSION</b>		
<u>Low Indicator</u>	<u>High Indicator</u>	<u>Concluded Rate</u>
6.28%	6.83%	6.50%

The following table shows the calculation of the subject's market ground rent based on the estimated market value of the site and the estimated ground rent cap rate.

<b>MARKET GROUND RENT ESTIMATE</b>		
<u>Market Value</u>	<u>Ground Rent Cap Rate</u>	<u>Ground Rent (Annual)</u>
\$29,500,000	6.50%	\$1,917,500
Ground Rent Terms: Absolute net, 2% annual escalation, ≥ 50 years.		

In addition to the ground lease cap rate, other market trends were studied, including rent escalation and terms. Our analysis of other ground leases reveals a typical ground lease term of 50 to 99 years with escalations of 2% per year, typically applied in 10% escalations at five-year intervals. Some of the more recent ground leases indicate escalations of 3% per year. Considering the subject's location and expected term, rent increases of 2% per year would be typical.



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**QUALIFICATIONS OF THE APPRAISERS**


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**QUALIFICATIONS OF PAUL HORNSBY, MAI, SRA**



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**Experience:** Since 1980, Mr. Hornsby has been a practicing real estate appraiser with an office in Austin, Texas, specializing in the valuation of complex properties and in support of litigation proceedings. Mr. Hornsby also serves as an arbitrator in real estate disputes.

Mr. Hornsby often serves in the capacity of expert witness in cases involving eminent domain, bankruptcy, general commercial litigation and ad valorem tax appeal. He is qualified as an appraisal expert in numerous county courts, state district courts, Federal District Court, U.S. Bankruptcy Court, and various commissioners' courts and appraisal district review boards. Mr. Hornsby has testified over 700 times in depositions, special commissioner's hearings and trials.

In addition to real property appraisal, Mr. Hornsby provides counseling services and separation of real estate, tangible personal property, and intangible assets. He is the owner of ph Business Advisors, a business valuation firm specializing in the appraisal of business enterprises, partnership interests, and the allocation of tangible and intangible assets. Land planning services are provided by our sister company, alterra design group ([www.alterradesigngroup.com](http://www.alterradesigngroup.com)) and brokerage services by Hornsby Realty ([www.hornsby-realty.com](http://www.hornsby-realty.com)).

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**Licenses and Designations:**

- and > MAI Designation - Appraisal Institute, Certificate No. 7305
- > SRA Designation - Appraisal Institute
- > State Certified General Real Estate Appraiser #TX-1321761-G
- > Texas Broker License #283369-05

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**Associations and Activities:**

- and > Treasurer and Board Member, Foundation Appraisers Coalition of Texas
- > Mentor, Texas Appraiser Licensing and Certification Board
- > Arbitrator in real estate disputes
- > Member, International Right of Way Association
- > Affiliate Member, Texas Association of Appraisal Districts
- > Instructor, Appraisal Institute – Uniform Standards of Professional Appraisal Practice and Business Practices and Ethics
- > Appraisal Qualifications Board (AQB) Certified USPAP Instructor
- > REALTOR - National Association of Realtors

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**Education:** University of Texas at Austin, B.B.A. Degree in Finance, August 1977

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**Lectures and Publications:**

- and > Fee (It Really Is) Simple; Texas Association of Appraisal Districts Conference, 2015
- > Separating Tangible & Intangible Asset Values in a Texas Refinery: A Case Study; Appraisal Institute, 2014
- > Transmission Lines: Acquisition, Valuation and Condemnation, Austin Chapter of the Appraisal Institute and IRWA Chapter 74, 2012
- > Responding to Daubert Challenges, Eminent Domain Conference, CLE® International, 2011
- > Equality and Uniformity-Commercial Properties, Appraisal Review Board, Travis Central Appraisal District, May 2009
- > Appraisal Values in an Unsettled Economy, Graves Dougherty Hearon & Moody – Banking & Real Estate Clients, October, 2008

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- Fee Simple Estate - How Many Sticks in the Bundle?, 22nd Annual Legal Seminar on Ad Valorem Taxation in San Antonio, 2008
- Real Estate Appraisal Issues and Ethics, Eminent Domain for Attorneys in Texas, 2007
- Contemporary Appraisal Issues, Central Texas Commercial Property Exchange, 2007
- Capitalization Theory & Techniques, Chartered Financial Analysts, 2007
- Material and Substantial Impairment of Access, CLE® International, 2003
- Fee Simple Versus Leased Fee Valuation: A Study of Appraisal Models, Downtown Austin Alliance, Institute of Real Estate Management, 2001
- Regulatory Takings, International Right of Way Association, 2000
- The Schmidt Opinion From the Appraiser's Perspective, Office of the Attorney General, State of Texas, 1993
- Asbestos Abatement and Lead Paint: Effects on Real Estate Value, Texas Association of Appraisal Districts, 1992
- The Endangered Species Act and Its Impact on Property Value, Texas Savings and Loan League, 1989
- Valuation Theory, Real Estate Symposium, University of Texas, 1984





**QUALIFICATIONS OF ELI C. HANSLIK, MAI**



**Experience:** Senior Appraiser, Paul Hornsby & Company  
 7600 North Capital of Texas Highway, Building B, Suite 210, Austin, TX 78731

Mr. Hanslik has been practicing real estate appraisal since 1983 in Austin, Texas and in Hawaii specializing in the valuation of complex commercial and heavy industrial properties. He has appraised properties for lending, ad valorem tax appeal and eminent domain litigation. Mr. Hanslik has been an appraiser at Paul Hornsby and Company since 2004.

**Licenses and Designations:**

- MAI Designation - Appraisal Institute, Certificate No. 10207
- State Certified General Real Estate Appraiser #TX-1322016-G
- Texas Real Estate Salesman License

**Associations and Activities:** Member of the Austin Chapter of the Appraisal Institute

**Education:** *Professional Courses*  
 In qualifying for the MAI designation, Mr. Hanslik completed numerous real estate related courses and seminars sponsored by the Appraisal Institute and accredited professional education providers, as well as general studies at University of Texas - Austin, Texas.

*Formal Education*  
 University of Texas - Austin, Texas  
 ➤ B.B.A. in Finance, May 1983

**Special Purpose Property Appraisals:**

- Gas-Fired Power Generation
- Gas-Fired Cogeneration
- Crude Oil Refineries
- Underground Natural Gas Storage
- Petroleum Storage Terminal
- ERCOT Control Center
- Public Parking Garages
- Public Utility Chilling Plant
- Refrigerated Mega-Warehouse
- 700,000 SF Laminate Manufacturing Plant
- Mineral Interests
- Fast Food Restaurants
- Bowling Alley

**Specialty Appraisal Experience:**

- Right-Of-Way for Underground Tunnels, Petroleum Pipelines, Power Lines, Water Lines and Roads
- Endangered Species Habitat
- Equal and Uniform Appraisal



**ADDENDA**

