

**APPRAISAL REPORT
OF**

109 Oklahoma Street
Former East Side School
Hot Springs, Arkansas

PREPARED FOR

Nadine M. Jarmon, PhD
Executive Director
Housing Authority of Hot Springs

AS OF

March 23, 2023

BY

Steve Quast, SRA
Certified General Appraiser (#CG0402)
246 Mote Street
Hot Springs, Arkansas

**Quast Appraisal Services, Inc.
246 Mote Street
Hot Springs, Arkansas 71901**

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March 31, 2023

Dr. Nadine Jarmon
Housing Authority of Hot Springs

Re: 109 Oklahoma, Hot Springs, Arkansas

Dr. Jarmon,

At your request, I have made an appraisal of the above referenced property. A full interior/exterior inspection was made on March 23, 2023, which is the effective date of this appraisal, and I have gathered the data considered necessary to arrive at an opinion of market value.

Since the purpose of the appraisal is to assist you in marketing, I recommend a list price higher than the appraised value to 'test' the market. Current market conditions reflect a short supply and high demand for all classes, with most demand being for single family residential. The subject property is an abandoned public school facility in poor condition, and will have limited market participants.

As a result of my analysis of the information gathered, it is my opinion that the estimated market value is in the range of \$64,000. If I can be of further assistance in this matter, please do not hesitate to call my office.

Respectfully,



Steve Quast
Certified General Appraiser

TABLE OF CONTENTS

Part One – Introduction

Title Page	
Letter of Transmittal	
Table of Contents	
Client/Final Value Estimate	4
Purpose of Appraisal/Intended Users	5
Dates of Reporting	5
Five Year History	6
Scope of Work / Research	6-10

Part Two - Description, Analysis and Conclusions

Area & City Data	11-14
Legal Description/Plats	15-16
Neighborhood Data	17-18
Site Data	18
Zoning	19-20
Assessment & Taxes	20
Improvement Description	21-22
Exhibits (<i>Maps, Building Sketch, Photographs</i>)	23-46
Highest and Best Use Analysis	47-49
Valuation Process	50-53
Sales Comparison Approach	54-76
Vacant Land Sales Data	
Land Value, As Vacant <i>Pg 62</i>	
Public School & Special Use Facility Sales	
Contributory Value of Improvements <i>Pg 76</i>	
Reconciliation and Final Estimate of Value	77-79

Part Three - Addenda

Assumptions & Limiting Conditions	80-89
Certification of Appraiser	
Qualifications of Appraiser/License	

APPRAISAL REPORT

This Appraisal Report is intended to comply with the reporting requirements set forth under the Uniform Standards of Professional Appraisal Practice. It presents summary discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Some of the supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's file. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated below. The appraiser is not responsible for unauthorized use of this report.

CLIENT: Housing Authority of Hot Springs

APPRAISER: Steve Quast, SRA
Certified General Appraiser (CG0402)
246 Mote Street, Hot Springs, Ar

SUBJECT PROPERTY: 109 Oklahoma Street
Former East Side School
Hot Springs, Arkansas

MARKET VALUE: **\$64,000**

EXPOSURE TIME: 3 to 6 months

CERTIFICATION: As required by USPAP, I have not made a previous appraisal of the subject property in the past 3 years.

PURPOSE OF THE APPRAISAL:

The purpose of this appraisal is to provide the appraiser's best estimate of the market value of the subject real property as of the effective date. Market value is defined by the federal financial institutions regularly agencies as follows:

Market value means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- (1) buyer and seller are typically motivated;
- (2) both parties are well informed or well advised, and acting in what they consider their own best interests;
- (3) a reasonable time is allowed for exposure in the open market;
- (4) payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- (5) the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

(Source: Office of the Comptroller of the Currency under 12 CFR, Part 34, Subpart C- Appraisals, 34.42 Definitions {f}.)

INTENDED USE OF REPORT:

The intended use of this report is to assist the client in marketing the subject property.

INTENDED USER(s):

The intended user is Dr. Nadine Jarmon, and authorized agents of the Housing Authority of Hot Springs

INTEREST VALUED: Fee simple

EFFECTIVE DATE OF VALUE: March 24, 2023

DATE OF INSPECTION: March 24, 2023

DATE OF REPORT: March 31, 2023

FIVE YEAR SALE HISTORY, LISTINGS, & AGREEMENT TO PURCHASE:

The subject property has not sold in the past 5 years; has not been on the open market for sale to my knowledge; and, there is no agreement to purchase.

OWNER OF RECORD: Housing Authority of Hot Springs

SCOPE OF WORK: In preparing this appraisal, the appraiser

Made a preliminary exterior inspection on March 15, 2023, which included measuring the building and initializing data search. A full interior inspection of the subject property was performed on March 23, 2023, noting accessibility, condition, surrounding property uses, topography, and available utilities.

It was noted that; the building was not secure; power was disconnected; abundant evidence of vandalism; and recently occupied by vagrants. The interior is in poor condition and in need of major repairs, and there is evidence of black mold.

Data sources for the valuation included Garland County Assessor Records; Data Scout; Act Data Scout; ArCounty.Com; MLS; CARMLS; Other Appraisers; And, Several Internet Web Sites

Determined the Highest and Best Use, as a vacant site; and, as improved. Noted that market participants for abandoned educational facilities will most likely be other public funded entities, Churches, or non-profit organizations.

Gathered and analyzed sales of vacant sites in the subject and surrounding area for comparison with the subject site. Applied the sales comparison approach for valuation of the subject site, as vacant

Gathered and analyzed numerous 'school facility' sales, and selected those that are the most recent and most comparable to the subject property. Also, sales of other 'special use' properties were provided for further support

Applied the sales comparison approach using the sales data collected, which concluded in a wide adjusted price range of for the subject property, as improved. The market extraction method was employed to determine the contributory value of the subject improvements.

Determined that the estimated cost to remediate the mold was about the same cost as demolition. And, determined that the estimated contributory value of the building, in its present condition, was \$0.

Omitted the cost and income approaches. The building is over 80 years old and there is great difficulty in estimating accrued depreciation from all causes. This method is more reliable in the valuation of newer properties.

The income approach is not used as this type of property is not typically bought and sold based on the amount of income produced, and is not habitable in its current condition.

This type of facility, as vacated, will have continuous maintenance problems as well as vandalism.

Assigned a market value of the property "as is".

Extraordinary Assumptions

It is assumed that the appraisers cost estimates for mold remediation and demolition are accurate. I highly recommend that estimates be obtained from experts in those fields. Any major differences will affect the final value estimate.

The appraiser has no professional experience in hazardous materials. Black mold was visible in several areas, and there may be additional environmental hazards not detected by the appraiser

This appraisal is prefaced on the following research:

The subject building was vacated about 10 years ago (2013), but the following is still relevant in this assignment: Since its passage in 2004, Arkansas' Act 60 has had a major impact on the smaller school districts in Arkansas. The law requires school districts to be consolidated if their enrollment drops below 350 for two consecutive years. Approximately 81 schools were closed in the first 6 or 7 years after the act was passed, several of which have sold or demolished for redevelopment. That being said, the continued use as a public school facility is not likely in this location.

Though financial consideration should not be a driver, economic reality dictates that some hard choices may need to be made, including possible demolition of buildings that cannot be efficiently repurposed in an economically viable way. As stated, empty buildings are costly to maintain and can deteriorate rapidly

If repurposed in the right way, many of these buildings can create opportunity and positive change in their communities. There are at least four former public school buildings inside the city that have been repurposed for uses other than their original use, all in superior condition at the time of closure.

Potential Uses

School buildings often occupy a prime location in their communities, with ample frontage, and a commanding physical presence. Given those characteristics, many closed buildings have already garnered interest for various types of repurposing. However, the subject property is in one of the oldest neighborhoods in the city, has no main street visibility, and is surrounded by residential uses. Some of the potential uses for the subject property include:

- Reuse by a church
- Community center
- Tutoring and mentoring program
- Reconfiguration as a contract school to serve at-risk students
- Reconfiguration for use by a private school
- Private school after-school program
- Activity center
- City agency reuse
- Daycare Center
- Community Arts Center

Other potential uses are limited in this location. The city zoning regulations restrict the property to high density residential, meaning that apartments would be a legal use. The cost to convert the building to any income producing use would more than likely not be economically feasible.

The subject is classified as a Limited-Market Property, which is a property that has relatively few potential buyers at a particular time, sometimes because of unique design features or changing market conditions. Many limited-market properties include structures with unique designs, special construction materials, or layouts that restrict their utility to the use for which they were originally built. These properties usually have limited conversion potential and, consequently, are often called special-purpose.

Furthermore, an SBA SOP defines a “special-purpose property” as “a property that is appropriate for one use or limited use: a building that cannot be converted to another use without a large capital investment.” In the context of improved real estate it is typically a building with limited uses and marketability, such as a church, theater, school, or public utility. Most of the property types just listed are of a

non-profit nature. However, some special purpose properties can be for profit and income generating.

There are generally one of two types of value sought for appraisal assignments of this nature. The first type of value sought requires a specialized appraisal usually identified as a *Value In Use Appraisal*. Value In Use is defined by the "The Dictionary of Real Estate Appraisal published by the Appraisal Institute" as follows:

"The value a specific property has to a specific person or specific firm as opposed to the value to persons or the market in general. Special-purpose properties such as churches, schools, and public buildings, which are seldom bought and sold in the open market, can be valued on the basis of value in use. The value in use to a specific person may include a sentimental value component. And it goes further and defines *Use Value* as follows:

"In economics, the attribution of value to goods and services based upon their usefulness to those who consume them. In real estate appraisal, the value a specific property has for a specific use; may be the highest and best use of the property or some other use specified as a condition of the appraisal".

The client has requested a market value of the subject property, which is defined earlier in this report, and totally different than use value. As can be seen in the (closed public schools) sales data, prices range from \$119,000 to \$365,000. The higher prices are reflective of schools in premium commercial locations that can be effectively repurposed as private income-producing, or utilized by competing education and training facilities.

In summary, the appraisal of a closed public school facility is a complex assignment. Newspaper articles and other public information sources report appraised values of several school facilities far above the eventual selling prices.

It is not an uncommon occurrence for two or more appraisals to differ in market value estimates. Comparable selection is a key element in appraisals of all types of properties. In the valuation of the subject facility, care has been taken to choose public school sales that do not have commercial use influences.

During the research, sales of public schools were found that have been demolished since the date of purchase, most likely because the land value, as vacant, has exceeded the value as improved. Changes in market conditions, location, and zoning may also be considered in use decisions.

Finally, it is not likely that the subject property would be purchased for any use other than its former use as an education facility or other non-

profit uses. It is likely that a request for rezoning or repurposing to an income-producing property would be approved, but may be challenged by adjoining property owners, as well as some tax-paying citizens in the community.

The property adjoins commercially zoned parcels. However, there is no new commercial construction activity in the marketing area, and the level (improved) portion of the site is not visible from commercial arteries.

AREA & CITY DATA

GENERAL INFORMATION: Hot Springs, Garland County, Arkansas, is located in the Southwest Central region of Arkansas. The city of Hot Springs covers approximately twenty-four square miles/15,000 acres with a population of 39,111, up from 35,193 in the 2010 census. Hot Springs is the county seat of Garland County. Garland County's population is roughly 99,386, also up from the last census. Hot Springs National Park is adjacent to the city of Hot Springs, Arkansas. It gets its name from the hot spring water that flows down the western side an eponymous mountain. At just more than 5,500 acres, it is the smallest national park by area, but it receives about 1.5 million visitors a year.

TOPOGRAPHY: Topography of the area is rugged to rolling, being 307 to 1450 feet above sea level. Street levels range from 600 to 800 feet above sea level. The general area is drained by the Ouachita River. The large portion of the county is forestland, pine, and mixed hardwoods. Soil types vary, but are generally rocky. However, clay, sandy clay, and loam fill the broader valleys.

CLIMATE: The climate conditions are considered mild with moderate temperatures. Hot Springs averages 54 inches of rainfall and only 4.5 inches of snowfall a year. The average daily maximum temperature is 75 degrees Fahrenheit, and the average daily minimum temperature is 52 degrees Fahrenheit. The average relative humidity is 55%.

FLOOD HAZARDS: Due to extremely steep topography and location of major streets, the city of Hot Springs has experienced flooding problems in the past. Major floods occurred in 1923, 1963, and 1990. The National Flood Insurance Program approved Garland County after the flood of 1990. Most of these areas are defined on Flood Plain Maps available through the United States Department of Housing and Urban Development.

ACCESSIBILITY: The Hot Springs area is accessible by U.S. Highways 70, 270, and Arkansas State Highway 7. Interstate Highway I-30 is twenty-two miles East via Highway 270 East and twenty-six miles Northeast via Highway 70 East. Highway 270 East has been converted to four lanes wide from Hot Springs to Malvern (I-30). There is a four-lane east/west beltway across the southern most portion of the city between U.S. Highway 70 East and U.S. Highway 270 West. The last leg of the beltway will be completed in 2022, which extends to State Highway 5. This expressway has greatly enhanced marketability of outlying residential and commercial properties.

The city of Hot Springs has an intercity bus transit system and trolley service. Other ground transportation includes: one bus line, eight motor freight, and one railroad freight. Hot Springs Municipal Airport offers one

Commercial Airline, chartered air and helicopter service. The airport is self-supporting from hanger fees, fuel sales, building rentals, and land leases.

ECONOMIC: The general area supporting Hot Springs is agricultural, industrial, recreational, and tourism. The leading agricultural crops are timber production and livestock. Timber processing, aluminum production, light manufacturing and mining lead the industrial growth of the area. Hot Springs is the home of two-bottled water companies that rank sixth in the nation. Tourists and convention trade accommodates around 7,900,000 tourists annually, contributing about \$677,000,000 to the local economy. Lakes, horse racing, and hydrotherapy bath facilities are the lures for tourists in Hot Springs. "Magic Springs", a recreational theme park is located just East of the downtown area on U.S. Highway 70 East.

Hot Springs is home to Oaklawn Thoroughbred Race Track and Gaming. The track was built in 1904 and sponsor of the annual Racing Festival of the South which features the \$1,000,000 Arkansas Derby. The racetrack alone draws over 3 million visitors annually, not including 'day trippers'. In 2021, the track completed a 100 million dollar expansion including a 200 room high-end hotel, an addition of 28,000 sq ft to the gaming facility, and a 15,000 sq ft event center.

BUSINESS DISTRICT: The business districts of Hot Springs provide adequate shopping and service facilities for the area's population. A Shopping Mall containing approximately 80 stores, an outlet mall (Temperance Hill Square), Cornerstone Shopping Center, Fairgrounds Shopping Center, and several supporting strip centers and detached retail buildings along and off of Central Avenue draw shoppers from surrounding communities. The Downtown Central Business District near Bath House Row continues to meet the needs of tourists, as well as local needs through specialty stores. These 90+ yr old buildings continue to be updated or remodeled and are a drawing factor to the city.

GOVERNMENT: City government operates on a manager/director type system. The Garland County Government is a unit of government that provides service to all of the citizens of the County. Available services and utilities include: water, natural gas, telephone, electricity, sanitation, sewage, emergency medical, fire protection, jails, assessment, collection and distribution of property tax proceeds, roads, law enforcement, management of public records, and many other services. Septic systems are in use in outlying areas. A multimillion-dollar sewer improvement project has been completed to alleviate a sewage pollution problem that existed previously. Most sewer districts have been completed.

EDUCATION: The Garland County Public School System is divided into seven districts, which are fully accredited by the North Central

Association of Secondary Schools. There are seven (7) private and parochial schools, a community college and a technical institute. Three universities are less than an hour's drive from Hot Springs. Hot Springs is also home to the Arkansas School of Math and Science, a state high school offering an opportunity for up to 300 junior and senior high students to experience a more focused and challenging curriculum.

MEDICAL: Two (2) private hospitals provide adequate medical services to the area. Levi Hospital, specializing in rehabilitation, is located in the downtown area of the city. More than 125 physicians and surgeons representing various specialty fields practice in the Hot Springs area. Hot Springs also has a Community Counseling Center and a local Health Department.

ENTERTAINMENT: The Ouachita Mountain Foothills surround the city and are ideal for horseback riding, hiking, and hunting. Six golf courses, eight tennis courts, two bowling alleys, movie theatres, and nightclubs are available for residents and visitors. Several buildings in the downtown area have been remodeled into art galleries as well as attractions such as the Wax Museum, tours of the Fordyce Bath House and tours of the lakes and scenic mountains.

CULTURAL ARTS: Cultural activities are provided by the Foundation for the Performing Arts, Community Players and Fine Arts Center. There are currently over seventeen fine art galleries and a regular monthly gallery walk for visitors and residents to experience the latest in cultural activities. One hundred churches provide spiritual leadership for the area.

RECREATION: Recreational facilities include three lakes (Lake Ouachita, Lake Hamilton, and Lake Catherine) with over 1,259 miles of shoreline providing fishing, camping, swimming, skiing and boating, just fifteen minutes from the downtown area.

CONVENTION: Hot Springs Convention Auditorium consisting of 76,000 square feet and seating capacity of 3,700-theatre style or 2,700-banquet style is host to many exhibits and shows.

FINANCIAL: The economic stability of the area is considered good with financing available conventionally from several major commercial banks and mortgage lenders with terms to thirty years and 80 to 95% loans with competitive interest rates. Price range of homes varies from \$25,000 to over \$5,000,000.

INDUSTRIAL PARK: An Educational, Industrial, and Cultural complex is located in the Northwest area of Hot Springs. This concept has enhanced the industrial picture for the area. The National Park Community College and Vo Tech School, along with the Mid America Museum are located in the 470 acre complex.

CIVIC GROUPS: Hot Springs is the home of nearly 40 civic clubs and fraternal organizations.

Summary:

The tourist and convention trade has a strong influence on the economy of the area. The number of visitors to Hot Springs National Park has steadily increased over the past 10 years. The resources of the commercial banks and mortgage lenders are adequate to meet the needs of the area. The availability of money for loans will follow the same general trend as that of the nation. The interest rate will more than likely be comparable with other parts of the country.

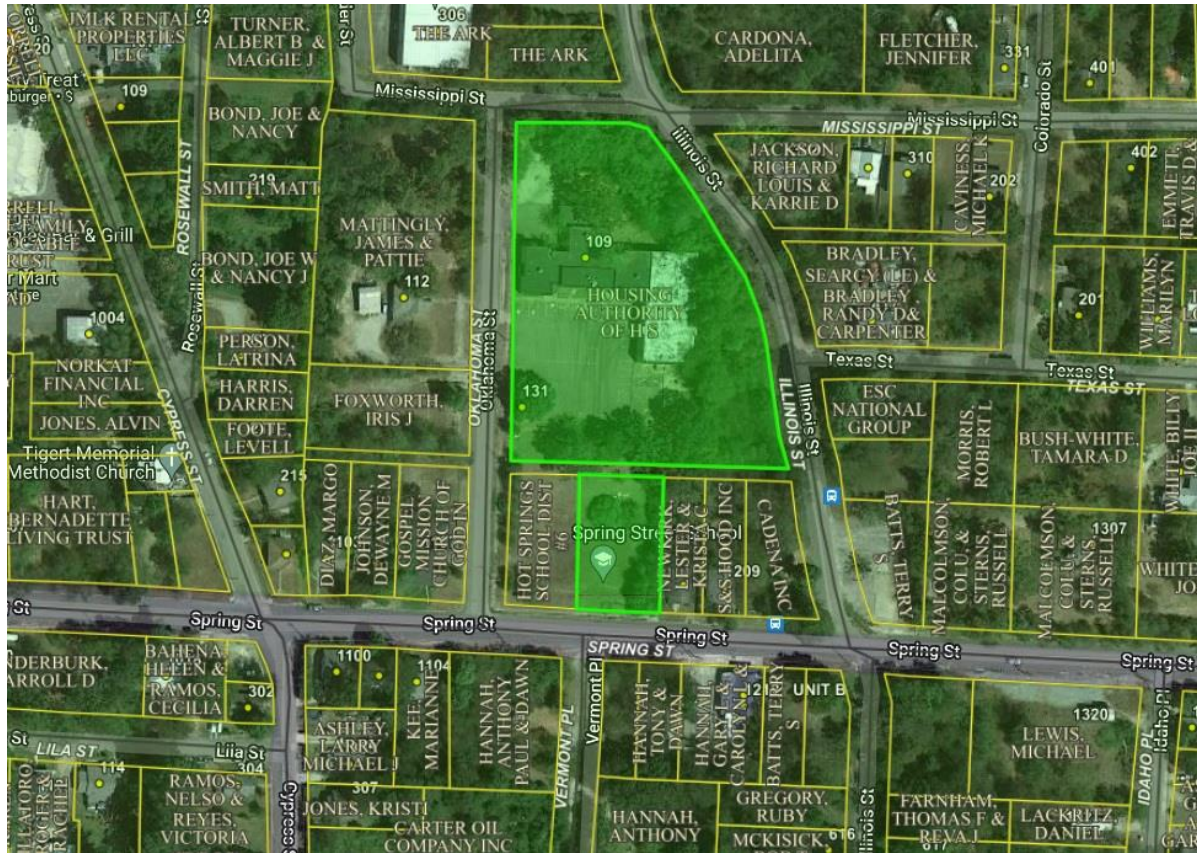
Some of the major tourist attractions in the Hot Springs area include Lakes Catherine, Hamilton, and Ouachita, Oaklawn Race Track and Gaming, Mid America Museum, Art Galleries, Historic Bathhouses, and Magic Springs Theme Park. 'Hot Springs Regional Mall', 'Cornerstone Shopping Center', and Fairgrounds Crossing Center have drawn consumers from a 50-mile radius.

The future of Garland County looks good as indicated by steady commercial growth, construction of commercial as well as residential properties, and continued expansion of four lane highways leading from adjoining cities. This pattern should continue with no major problems observed.

LEGAL DESCRIPTION OF PROPERTY TO BE APPRAISED:

Lots 4 & 5, & Lots 8 through 22, Block 2, Gorge Addition to the city
of Hot Springs, Garland County Arkansas

Parcel ID: 37560



Assessor Plat



City Plat

NEIGHBORHOOD DATA

The subject neighborhood is described as that area to the east and south of U.S. Hwy 70 East (aka East Grand Avenue) between Spring Street and Westinghouse Drive. The immediate subject area is along Spring Street between East Grand and Millcreek Road.

Competing locations are those areas in close proximity to commercial arteries east of Malvern Avenue and south of East Grand (Highway 70).

The subject property is itself fronts the northerly right-of-way of Spring street about 3 blocks east of East Grand. Spring is a mixed use location, including single family, multifamily, light commercial, and industrial.

The neighborhood is inside the city limits and subject to city zoning regulations. East Grand (aka Highway 70E) is a 4-lane divided commercial artery extending from Malvern Avenue to the city of Benton. Property uses are entirely commercial along the Highway from Spring to Cutter Morning Star School.

City utilities and services available in the described neighborhood include water, sewer, electricity, gas, telephone, and garbage removal.

Ingress and egress to the subject neighborhood is good from the city of Hot Springs and from the east from I-30. Hwy 70 is a major U.S. Hwy connecting the city of Hot Springs with Glenwood to the west and the city of Benton to the east. It is a 4 lane Highway within the subject immediate area and converts to 2 lanes outside of the populated areas of Hot Springs, east of the expressway, which is access controlled.

The Martin Luther King Expressway is about 3 ½ miles to the east, and the cloverleaf shaped on/off ramps are at Westinghouse Drive. The expressway connects Highway 70 E with Highway 270 West on the west side of the city, with several off ramps in between. An extension to Highway 5 is nearing completion.

Property uses in the immediate subject area including single family residential, manufacturing, mobile home park, multi-family apartments, and special use. Most commercial uses are along East Grand.

There are vacant tracts of land along Spring & Hwy 70 (including service roads). Zoning is a not key element in the appraisal process in this location and will not greatly affect marketability and prices.

Topography of the neighborhood is generally rolling. Some sites have required extensive excavation to level site for construction. Flooding issues are limited to areas around Gulpha Creek, which runs parallel with Spring to the east of Millcreek Road.

Older structures in the area, which have outlived their economic lives, are being updated to varying degrees, or demolished if structurally unstable. There is no new construction evident in the immediate area. It appears that there is more demand for larger tracts in order to allow for future expansions.

SITE DATA

The subjects physical address is 109 Oklahoma Street. However, there is frontage along Spring, Illinois, & Mississippi Streets. It is irregular in shape, and contains a total of 2.9 acres (126,324 sq ft) per assessor records.

There is about 100' of frontage along Spring; 450' on Illinois; 150' along Mississippi; and 400' on Oklahoma. Measurements are based on the assessor aerial plat, and subject to survey. The building site is near level with a portion of Oklahoma, which is the access street, and far above the other three streets. There are steep 'drops' in elevations from the building site to all but Oklahoma Street. Elevations range from 560' at the building site, to about 520' at Spring Street.

Property uses surrounding the subject site include single family residential and special use. Zoning is medium/high density residential, and the site appears to be well drained. There are adjoining properties to the south that are zoned commercial. So, any request for a higher zoning would most likely be approved. The site is not in an identified flood hazard zone per FEMA Map 05051C0345D dated January 10, 2010.

There are no apparent adverse conditions. There are improvements on the site that are described in detail in this report.

ZONING: R-4 (Medium/High Density Residential)

(a) Description and concept. This district serves the medium to high-density development in the city that has full access to municipal water and sewer systems. This district should be a mixture of single-family homes, duplexes, apartments, and customary accessory uses near schools, employment centers, and commercial centers. Appropriate gross densities are six units per acre and above. The corresponding land use in the comprehensive plan is Residential Medium/High.

R-4 developments shall provide internal traffic systems that reflect an interconnected grid system to the extent allowed by existing topography. Access to developments should be by collector or arterial level streets.

(b) Permitted uses. Typical permitted uses in this district are apartment buildings, townhouses, duplexes, single-family residences, and customary accessory uses or structures.

(c) Conditional uses. Typical conditional uses in this district are churches, charitable institutions, clubs, lodges, day care centers, home occupations, nursing/convalescent homes, public building, bed and breakfasts, primary and secondary schools, and similar uses and accessory uses deemed to be in character with the zone.

(d) Area requirements.

(1) Minimum lot area

- a. Single family, 6,500 square feet
- b. Duplex, 8,500 square feet
- c. Multi-family, 8,500 square feet for the first two units plus 1,000 square feet per each additional unit

(2) Minimum width at the building line

- a. Single family, 65 feet
- b. Duplex, 75 feet
- c. Multi-family, 75 feet plus 5 feet per dwelling unit

(e) Building location

(1) Front yard - 25 feet, or upon petition to the planning commission, a lesser or greater distance as approved by the planning commission when it has been determined that:

- a. The fire marshal is satisfied that the proposed front setback will not hinder fire protection activities in any way;

- b. The police chief is satisfied that the proposed front setbacks will not hinder law enforcement activities in any way;
- c. The public works director is satisfied that no additional street right-of-way or utility easements will be needed and that the proposed front yard setback will not adversely affect traffic or utility service;
- d. The proposed front yard setback is not incompatible with adjacent properties and will not adversely affect the civic design and arrangement of existing development;
- e. The proposed front yard setback poses no threat to the public health, safety and welfare;
- f. The unit meets the minimum off-street parking requirements and also has two temporary off-street parking spaces for the storage of vehicles; and
- g. The petition has been duly presented and filed with city staff ten (10) days prior to the planning commission hearing.

(2) Side yard - 7 ½ feet

(3) Rear yard - 15 feet

(f) Deleted

(g) Maximum floor area ratio - 35 percent

(h) Off-street parking. See Article X, § 16-2-103, Off-Street Parking and Loading. Supplement No. 32

(i) Previous Zoning Designation. Properties previously zoned R-4 Medium Density Residential and R-5 High Density Residential are included in this zoning district.

ASSESSMENTS AND TAXES:

The property is exempt from real property taxes

IMPROVEMENT DESCRIPTION:

The building was constructed in 1939 for use as an education facility (originally East Side School) and has been vacant for about 10 years. It is architecturally designed to fit the site, and constructed on a combination of concrete slab and crawl space. Since the closing of East Side School in 1978, all uses have been educational.

The building was physically measured by the appraiser, and contains 17,596 sq ft. As stated, the building was originally constructed in 1939. The cafeteria was added in 1947, and a new east wing was constructed in 1949.

The exterior walls are brick, and a majority of the building is constructed on a concrete slab. Some of the original structure is on a crawl space. Sidewall heights vary from 11' to 14'. Interior ceiling heights range from 8' to 12'.

The building is all one level with exception of the raised stage area connected to the cafeteria. The interior is divided into ten classrooms, most of which are in the 700+ sq ft range; offices; lounge; cafeteria/kitchen area; raised stage; and seven restrooms. There are eight entrances into all sides of the building.

The interior finish consists of a combination of concrete; tile; & hardwood flooring; painted block or plaster walls; a mixture of suspended acoustical ceilings in aluminum grids and plaster. Interior doors are solid core wood, most with glass panels. There are two 10' wide hallways leading to classrooms.

Windows are original (4'x8' wood, and metal casement), most of which are damaged and covered with plywood and cage panels. Exterior doors are wood and steel, also damaged.

There is fluorescent lighting throughout, central forced air units distributed through galvanized ducts for heating and cooling, all damaged to varying degrees. Electrical outlets are insufficient to accommodate modern educational equipment.

The building has not been maintained and in poor condition for the actual age. There is mold present, and moisture on interior walls. Paint is peeling throughout, and most of the restroom fixtures are damaged beyond repair, or missing. The room layout is functional for a variety of uses, and the architectural features are common for most older public school buildings.

Other Site Improvements:

There is asphalt paved parking and one asphalt paved entrance along Oklahoma Street. There is partial chain-linked fencing surrounding the building, and a fenced playground.

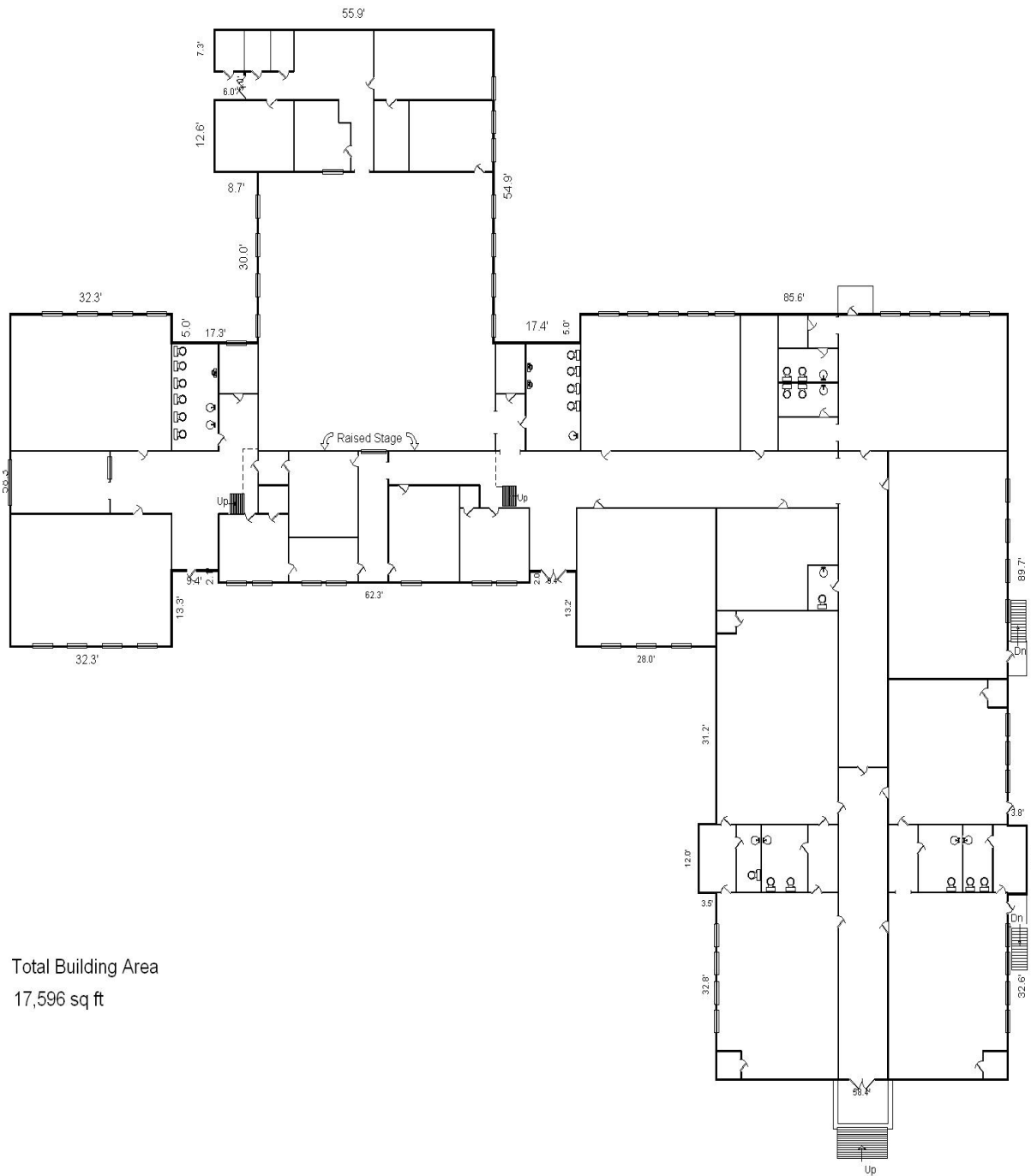
Summary:

The building was originally constructed in 1939. The back and east wing additions were constructed in 1947 and 1949. Overall condition is poor, and most mechanical systems (including electrical and plumbing) are damaged or obsolete.

The building appears to be structurally sound. There are a variety of potential uses for public entities, with major expenditures. The cost to rehab or repurpose the building would most likely be prohibitive to most private investors.

EXHIBITS

Building Sketch
Photographs of Subject Property
Location Maps



Total Building Area
17,596 sq ft

Sketch of Area Only



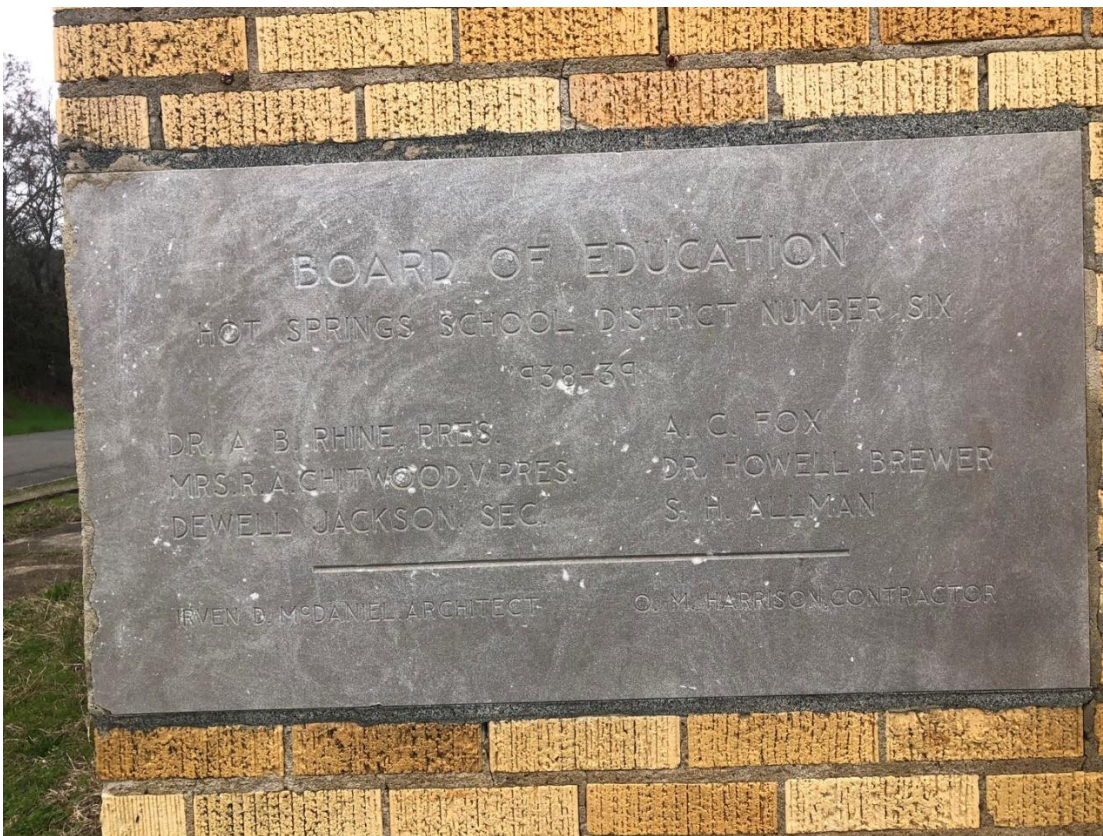
South Side View

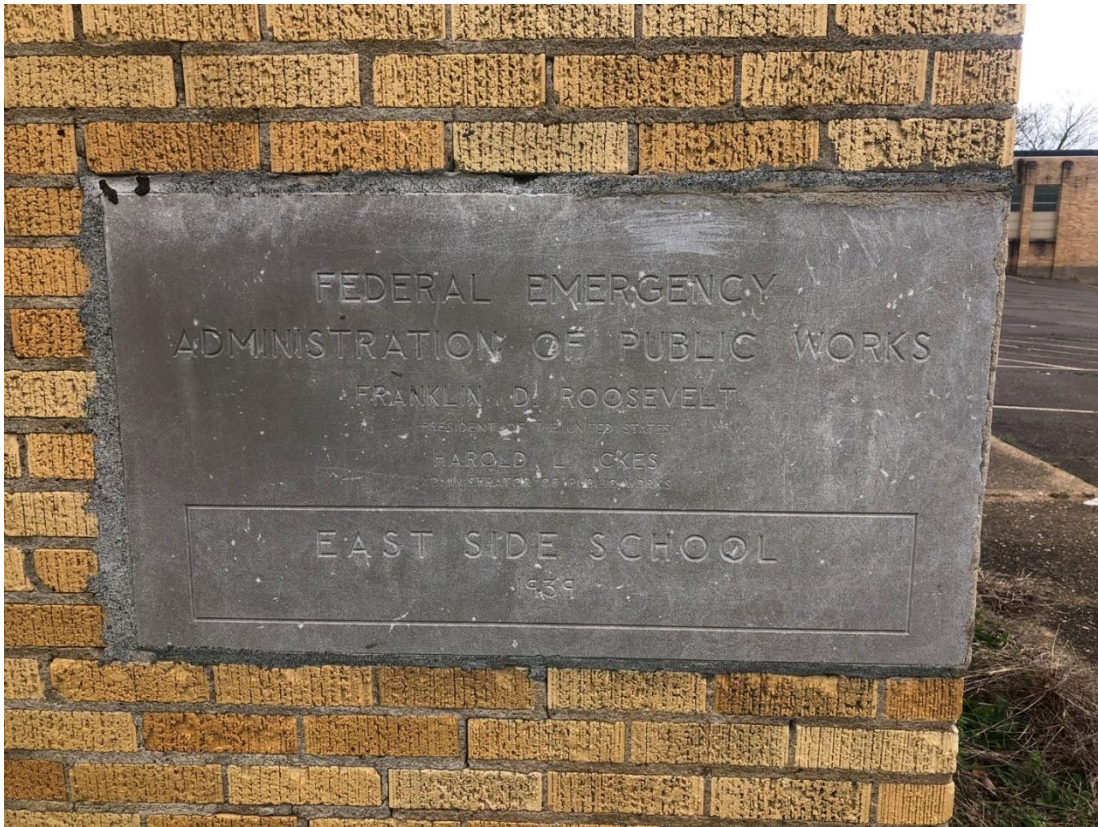


South Side View



East Side View





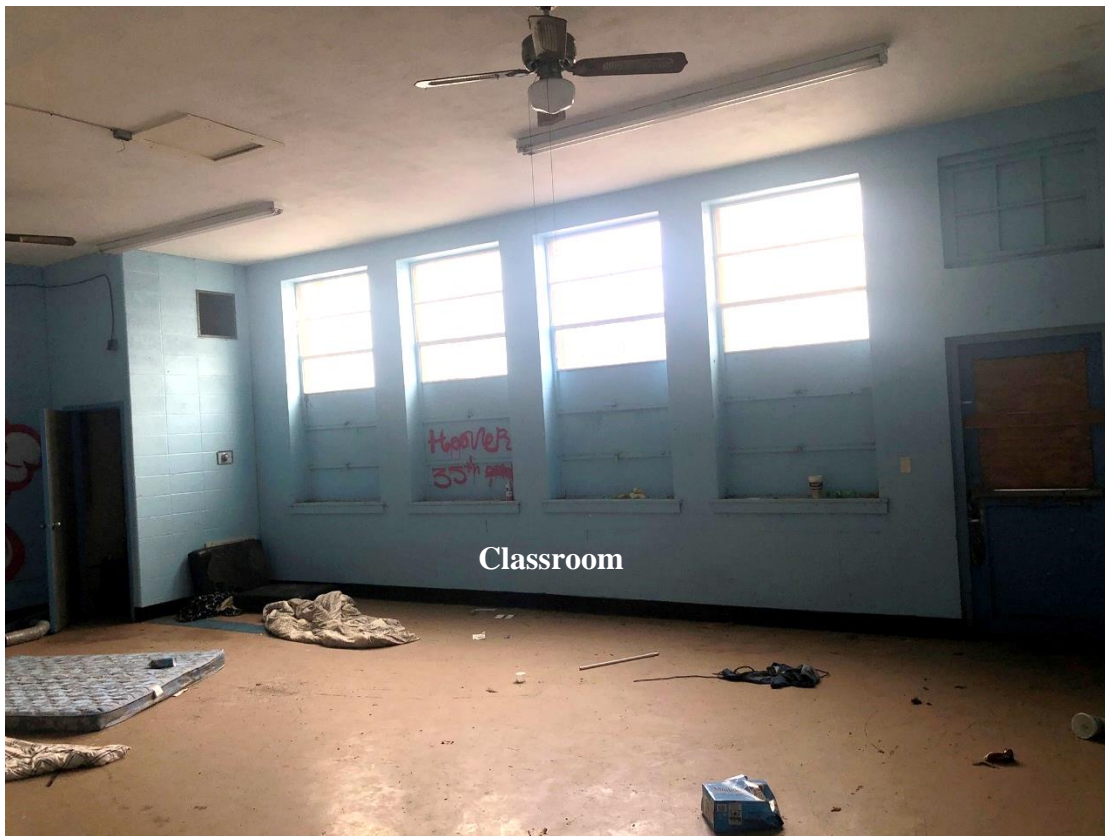
North Side View
Back of Bldg

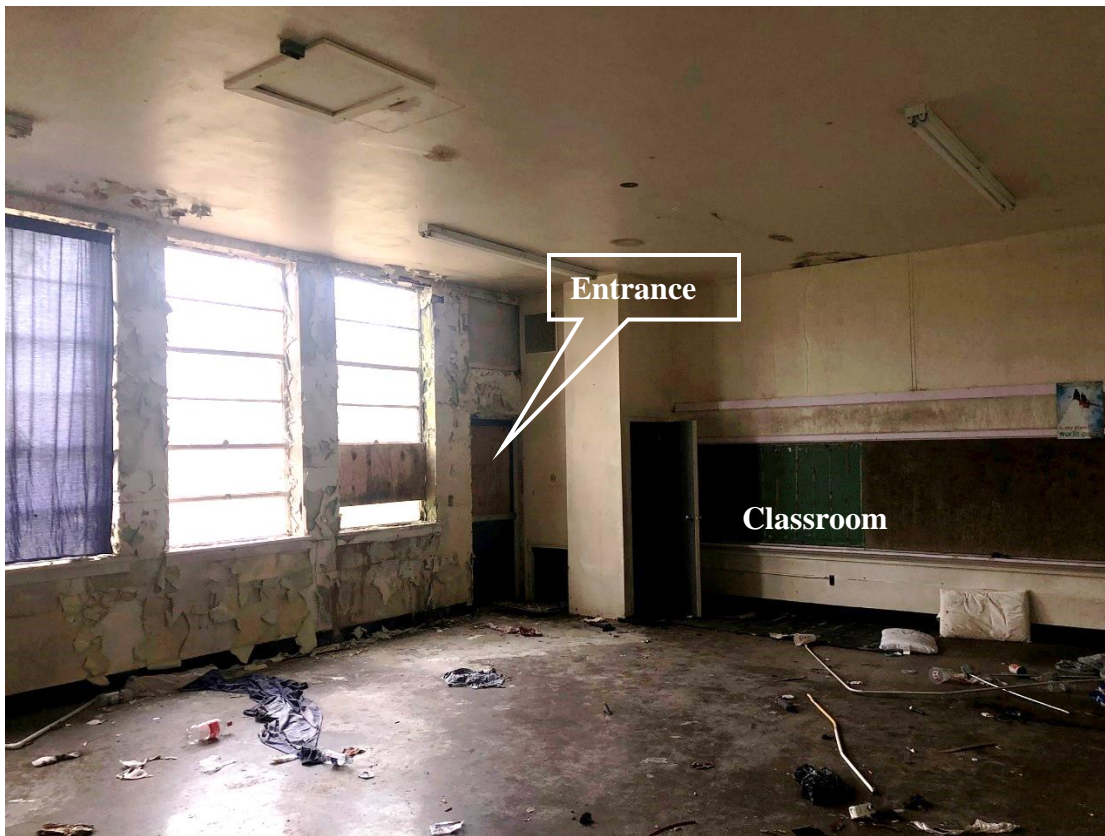














Classroom



Typical Plumbing
Fixtures

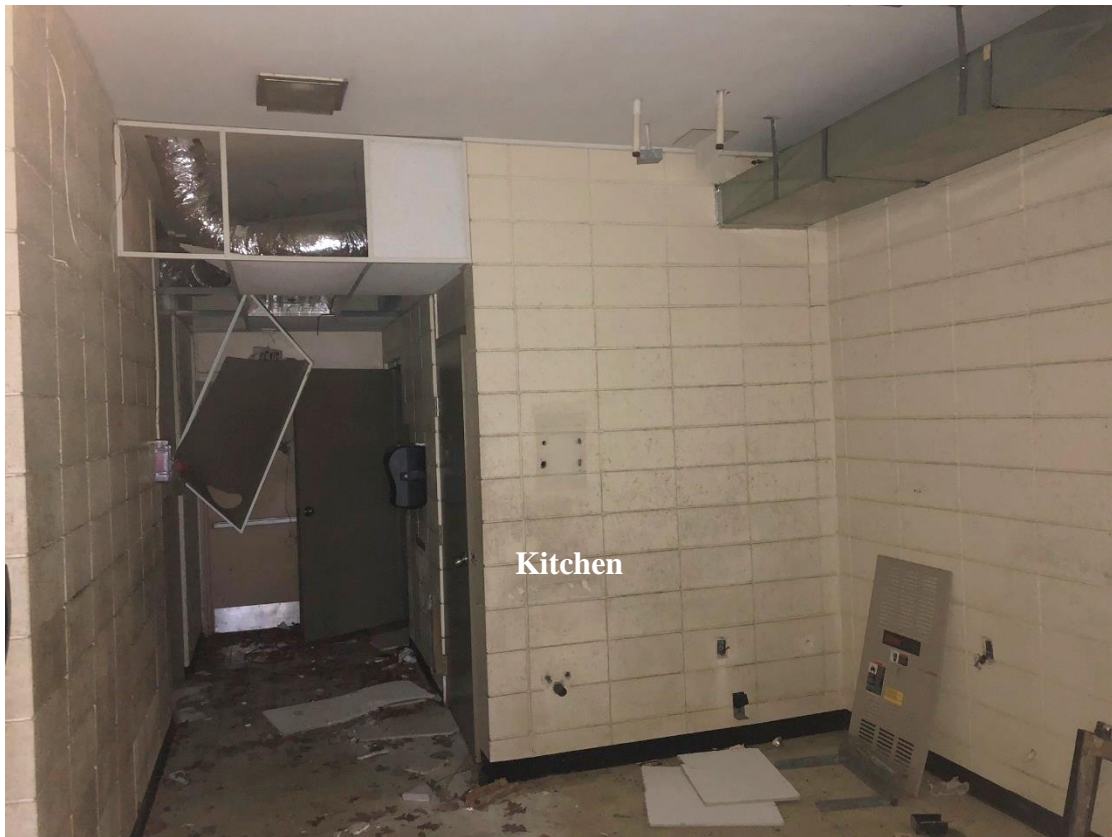








Cafeteria



Kitchen



Kitchen Area



Raised Stage

Cafeteria





West Entrance



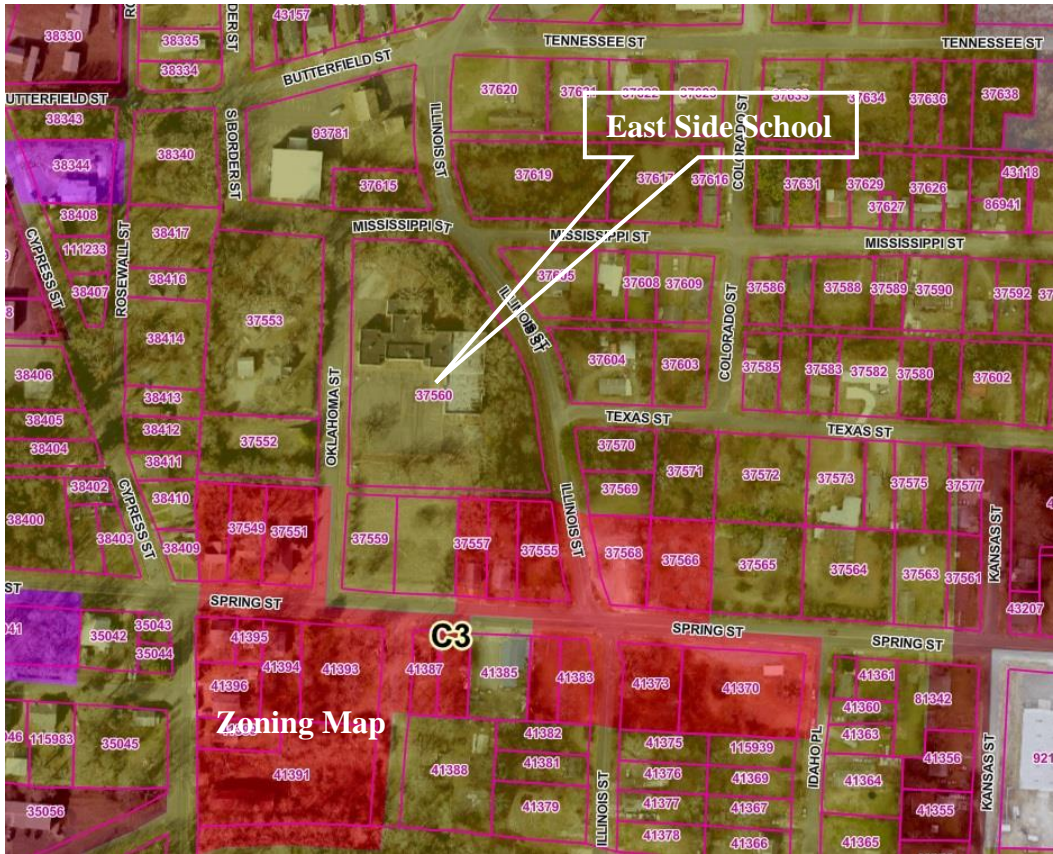
Classroom











HIGHEST AND BEST USE (AS IMPROVED):

Highest and best use is defined as:

That reasonable and probable use that will support the highest present value, as defined, as of the effective date of the appraisal.

Alternatively, that use, from among reasonably probable and legal alternative uses, found to be physically possible, appropriately supported, financially feasible, and which results in highest land value.

The definition immediately above applies specifically to the highest and best use of land. It is to be recognized that in cases where a site has existing improvements on it, the highest and best use may very well be determined to be different from the existing use. The existing use will continue, however, unless and until land value in its highest and best use exceeds the total value of the property in its existing use.

Implied within these definitions is recognition of the contribution of that specific use to community environment or to community development goals in addition to wealth maximization of individual property owners. Also implied is that the determination of highest and best use results from the appraiser's judgment and analytical skill, i.e., that the use determined from analysis represents an opinion, not a fact to be found. In appraisal practice, the concept of highest and best use represents the premise upon which value is based. In the context of most probable selling price (market value) another appropriate term to reflect highest and best use would be most probable use. In the context of investment value an alternative term would be most profitable use.

The highest and best use of educational buildings is derived through consideration of, among other factors, the potential need, parking, the neighborhood characteristics, and population trends. Since the subject building has been vacated by the school district, location and demand are significant considerations as well.

The overall trends in the current public education market indicate that schools are attempting to expand their functions to better serve their students. The school building is over 80 years old, but is not needed for the purpose for which it was designed. The current condition of the building and its location off of a major commercial avenue, will not appeal to most investors.

Public entities, unlike private, have access to funds to rehabilitate the building to a habitable condition. As stated, the building appears to be structurally sound (subject to an engineer's inspection). Most of the interior walls are masonry, and support the roof structure. So, the room layout is most likely permanent.

It would not be economically feasible, under current market conditions, to remove the improvements and offer the property for sale, as vacant land. The land value, as vacant, is not substantial based on recent land sales in this location. Demolition could be very costly if additional environmental hazards (other than surface mold) are present.

An additional factor that complicates the appraisal for fair market value is that the subject property is on the *National Register of Historic Places*, and is reported to be an African American Heritage Site according to an article titled 'Abandoned Arkansas' dated December 1, 2022.

Therefore, the highest and best use is its current use with alterations.

VALUE IN USE VERSUS VALUE IN EXCHANGE

Paramount to a discussion of highest and best use is the issue of value in use versus value in exchange (market value). For most special use facilities, these concepts are relatively intertwined. A value in exchange has been found to exist for many of these facilities. The fact that a facility is a "going concern" and is operating economically tends to give credence to the concept that this facility does not fulfill a need in the community. Whether an alternative need for the facility exists or whether additional or different public entities could potentially use this facility are important factors in the appraisal of a school facility on a value-in-exchange basis.

Such alternative uses as classrooms for other educational groups, training facilities, museums, child-care, schools and colleges, and, in some cases, business offices do exist. However, the location of the subject property, as well as current zoning, is not conducive to commercial for-profit uses.

Typically, non-historic or deteriorated improvements are removed or altered, causing a different highest and best use to become apparent. In particular, schools nearing the end of their economic lives, located on expensive land or in desirable locations, and having other potential uses are frequently purchased for land value. This is not the case with the subject property, as there is no new construction in this location, and there are no complimenting commercial facilities in close proximity.

Valuations of fixtures such as sound systems, stages, showcases, and gymnasiums frequently become relevant in the appraisal of school facilities. Other items frequently noted, but not typically appraised, include extensive removable kitchen equipment, specialty lighting, significant amounts of personal property (e.g., desks, chairs), and

other non-real estate related items. Because the values of these facilities are tied directly to the physical structures, a complete and careful examination of the improvements is necessary. Further, some improvements will add significantly to the value (in use) to one group, yet provide no value (in exchange) to another.

It has been noted that most of the mechanical systems in the building have been damaged, or are missing. So, there is no salvage value other than some doors or possibly some fixed building materials.

An analysis of older schools and other special use facilities was made to determine if there is a need for repurposing the building. Most of these facilities are in more centralized locations with exposure to commercial arteries and summarized as follows:

Rix School – 1401 Malvern Avenue

Constructed in the 1935 as an elementary school. It is a two story brick building with 27,592 sq ft, and zoned commercial. High visibility from Malvern. Converted to a professional office facility in the 1980's, and has been very successful.

Greenwood Elementary School (Corner Greenwood & Richard St)

Constructed in 1939 and closed in 1993. It was reopened as a school for 'at risk' students until 2009, then demolished in about 2021. The building was about the same size and design as the Rix building, and was also on the National Register of Historic Places. Efforts were made to save the building, but failed. According to HSSD, demolition costs were \$160,750.

Lee School – 134 Rugg St

Constructed in 1955 per assessor records. However, further research indicates the building was constructed at an earlier date. It was built for use as an elementary school, then annexed by the Hot Springs high school. Two-story design with 16,264 sq ft. The property adjoins the Burger King and has some visibility from W Grand. It was sold to a local artist in the 1970's, and recently sold again (10/2022) for \$325,000.

Jones School – 400 Linwood

Constructed in 1913 and a similar Classic Revival design, and about the same size as the Rix and Greenwood schools. The building was repurposed to administrative offices for the Hot Springs School district.

CONCLUSION

Paramount to the valuation of an education facility is the need for comparison sales. A search for data beyond the typical market area is frequently necessary, which in the case of older facilities may extend to a statewide search.

As the peripheral space to provide educational services expands, the design of school facilities is changing to include significantly more multipurpose space in relation to the actual classrooms. With this evolution to larger facilities, there is a need to be flexible in valuing special-use properties.

The highest and best use of the land must meet four criteria as follows:

Physically Possible
Legally Permissible
Financially Feasible
Maximally Productive

Physically Possible:

The site is contiguous having adequate frontage along 4 paved public streets. The topography, soil, vegetation, availability of all city utilities, and surrounding uses all support the existing use of the subject property. Therefore, it is physically possible to offer the subject for sale on the open market.

Legally Permissible:

The subject property is located inside of the corporate city limits of Hot Springs, Arkansas and is subject to current zoning regulation. The zoning commission has jurisdiction over this location and the existing (or any adaptable use) use must meet current zoning requirements. If completely destroyed, the improvements could be reconstructed at their existing location on the site.

Financially Feasible:

The present use as a public school building is typically not the highest and best use of a site in estimating market value. Although schools and religious facilities do occasionally lease, it is relatively rare and usually on a short-term or interim basis. Further, public educational facilities are not considered income producing or investment-grade properties, and a typical income capitalization approach thus is not applicable.

Maximally Productive:

Among the financially feasible uses that are both physically possible and legally permissible, the maximally productive use is questionable in the properties present condition. Key factors in a decision to demolish include demolition cost, rehab cost, and land value, all discussed in the reconciliation section of this report.

HIGHEST AND BEST USE (AS VACANT):

The site is large enough to accommodate a variety of residential improvements. Zoning is residential, which is a key factor in determining the highest and best use of a site, as vacant. Any use must be approved by the city. It has been noted that there are commercially zoned sites adjoining the subject property. So, a request for commercial zoning would most likely be approved.

Surrounding property uses include residential, vacant land, and Church. Since there is little or no new construction in this location, and the fact that there is no major artery frontage, commercial uses would not be economically feasible, and commercial uses would not be a legal use for this site under current zoning. The highest and best use of the site, if vacant, is for residential or 'special use' facilities. Assemblage with adjoining properties is not an option, as the subject is much larger than any connecting parcels.

EXPOSURE TIME:

There is a very limited number of public schools that have sold in the MLS systems. The data can be skewed, as some systems do not report the entire marketing periods when the property is re-listed with a different real estate firm, only reporting the days on the market by the last listing agent.

A majority of the data sources for the public school sales are newspaper articles and internet web sites. The sale and listing prices were verified with the county assessor, or the source stated in the articles.

The exposure times appear to vary as widely as the sale prices, and greatly dependent on the initial list price, and whether or not a real estate agent was used. Some sold at public auction. Based on my research, the estimated exposure time is in the range of 6 months to 1 year under current market conditions.

VALUATION PROCESS

Typically, in the valuation process, local market data is sought for such factors as sales and offerings of properties and tracts of vacant land similar to the subject, market demand, and general economic conditions.

From this information, a value may be developed for the subject land and improvements. Three methods for estimating value may be used: the cost approach, the sales comparison approach (market approach), and the income approach.

In the cost approach, the land is valued as if it were vacant. To this value is added the estimated depreciated cost of the improvements, including deductions resulting from physical deterioration and functional and economic obsolescence. This approach is not used in this appraisal, and would be of no benefit for the intended use, which is to establish a price for marketing. The original building is over 80 years old, and in poor condition.

Income Approach - Excluded

The income approach utilizes the processed net annual income that the property is expected to produce. This estimated net income is capitalized in accordance with prevailing rates of return on similar property or investments of comparable risk, to indicate the price that a prudent and knowledgeable investor would be justified in paying for ownership. This type of property is not bought and sold based on the amount of income produced. It is constructed for a single intended use. The building is not habitable.

Sales Comparison Approach

The sales comparison approach compares the subject property with other similar properties that have sold or are offered for sale in the open market. Its application is based on the price that investors are actually paying for similar property. Using this approach, the appraiser analyzes sales of properties that are comparable to the subject, typically adjusting the sales price for differences between each sale and the subject property, thus developing an indication of the subject property's value.

The market extraction method was applied in this assignment to determine the contributory value of the improvements. Using this method, the land values are deducted from the comparable sales price, resulting in an estimated price paid for the improvements. Then, the allocated price is reduced to a price/sq ft of building area, and applied to the subject building area. The land value is added to arrive

at an indicated value using this method.

Educational buildings are built for a particular user with a long-term intended use. When sales of public school facilities take place, the following events have thus generally occurred:

The school has outgrown the facility or site

The State has forced consolidation with other schools

The facility has deteriorated to an extent that prevents it from fulfilling its intended use; or

The demand for the facility has waned (i.e., the student population has dissipated)

Sales of newer school facilities are relatively rare. This is reasonable because to construct a new facility for a specific utility (special-use property) and attempt to sell the property shortly after construction would be imprudent. Therefore, most all of the sales typically available are of older facilities.

Few data are typically available to indicate a size adjustment. This is supported by the concept that a particular purchaser needs only a certain amount of building area, and that excess space would not add to the utility of the property involved. While many adjustments might normally be necessary, the method developed in this section tends to delineate the primary factors that influence sale prices or values.

It is not logical to assume that an investor would create an adjustment grid to make a decision to purchase. In addition, there are few market participants for public school facilities unless the underlying land can be utilized to a higher use.

There was sufficient public school sales data to use the sales comparison method effectively. However, all differed from the subject property and each other, and there was little consistency in unit prices. It was my opinion that the most appropriate method of valuation in the sales comparison approach was the qualitative method, which is explained in the reconciliation section.

SALES COMPARISON APPROACH

(For Valuation of the Land, As Vacant)

This method involves making a direct comparison between the property being appraised and other property's that have been sold. Comparisons are made between the sales on an item-by-item basis as to location, time of sale, conditions of sale (or terms), and physical characteristics.

Adjustments are made to the sale price of the comparative property to arrive at an indication of what the property would have sold for had it been similar to the appraised property.

These adjusted sale prices are reconciled into an indication of value by this approach. In applying the market data approach, the five steps listed below have been taken:

1. Study the market to select sales of properties most comparable to the property's being appraised.
2. Collect and verify data regarding these properties in regard to their selling price, date of transaction, physical characteristics and any special conditions of sale.
3. Analyze and compare each comparable property with the property being appraised as to time of sale, physical characteristics and conditions of sale.
4. Adjust the sale of each comparable property for dissimilarities between it and the property being appraised. The adjustments are derived from the market whenever possible, using "matched pairs", regression analysis and other adjustment techniques.
5. Reconcile the adjusted prices of the comparable properties into an indicated market value of the property being appraised.

The following land sales are used to determine the market value of the subject site, as vacant. These were the most recent sales found in public records. Very few of equal size are located in the subject location, as the area has been fully developed for several years.

LAND SALE NO. 1

Grantor: Mathews

Grantee: Cadena, Inc.

Address/Location: 1200 Blk Spring St

Legal Description: Lot 1, Block 2, Gorge Addition

Data Source: WD Bk 4457 Pg 657

Date of Sale: 06/08/22

Land Size: 11,326 sq ft

Sale Price: \$2,100

Price/Sq Ft: \$.19

Remarks: Former home place adjoining the subject to the south.
Zoned commercial.

Adjustments:

None

Adjusted Price:

\$.19/Sq Ft



LAND SALE NO. 2

Grantor: Lazzizzera

Grantee: Hays

Address/Location: Sims Street

Legal Description: Lots 4-7, Blk 4, McKeowns S/D

Data Source: WD Bk 4424 Pg 425

Date of Sale: 03/16/2022

Land Size: 20,520 sq ft

Sale Price: \$20,000

Price/Sq Ft: \$.98

Previous Sale: \$7200 – 07/26/2019

Remarks: Adjoins commercial use property. Purchased by adjoining owner for assemblage. Previous sale reported. Zoned commercial.

Adjustments:

None

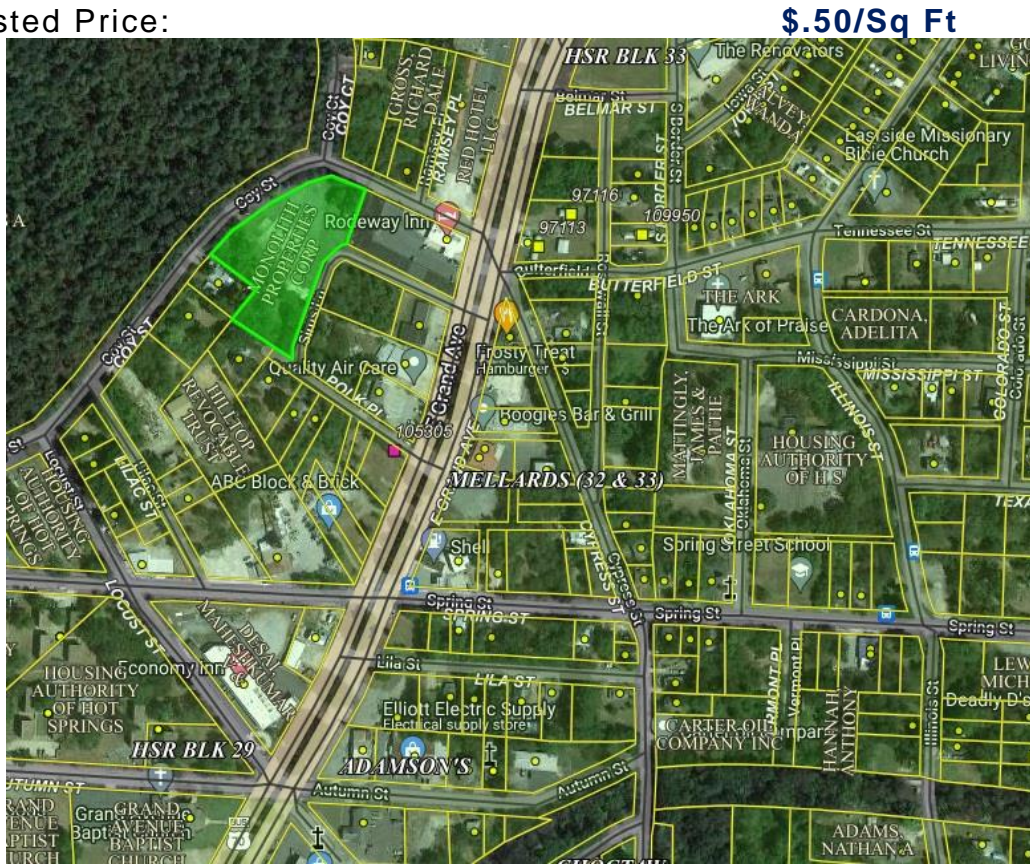
Adjusted Price:

\$.98/Sq Ft



LAND SALE NO. 3

Grantor: Restaurants of Ark., Inc.
Grantee: Monolith Properties Corp
Address/Location: Coy Street
Legal Description: Lots 3-13, Samples S/D
Data Source: WD Bk 4055 Pg 400
Date of Sale: 06/07/2019 Land Size: 80,175 sq ft
Sale Price: \$40,000 Price/Sq Ft: \$.50
Remarks: Former location of Coy's Restaurant. Zoned commercial.
Adjustments:
None
Adjusted Price:



LAND SALE NO. 4

Grantor: Freedom Properties Inc.

Grantee: Thornbird Investments LLC

Address/Location: 1400 Blk East Grand

Legal Description: Pt SE NW, Sec 34, Twp 2 So, Rge 19 West

Data Source: WD Bk 4300 Pg 0023

Date of Sale: 05/14/2021

Land Size: 654,707 sq ft

Sale Price: \$72,000

Price/Sq Ft: \$1.10

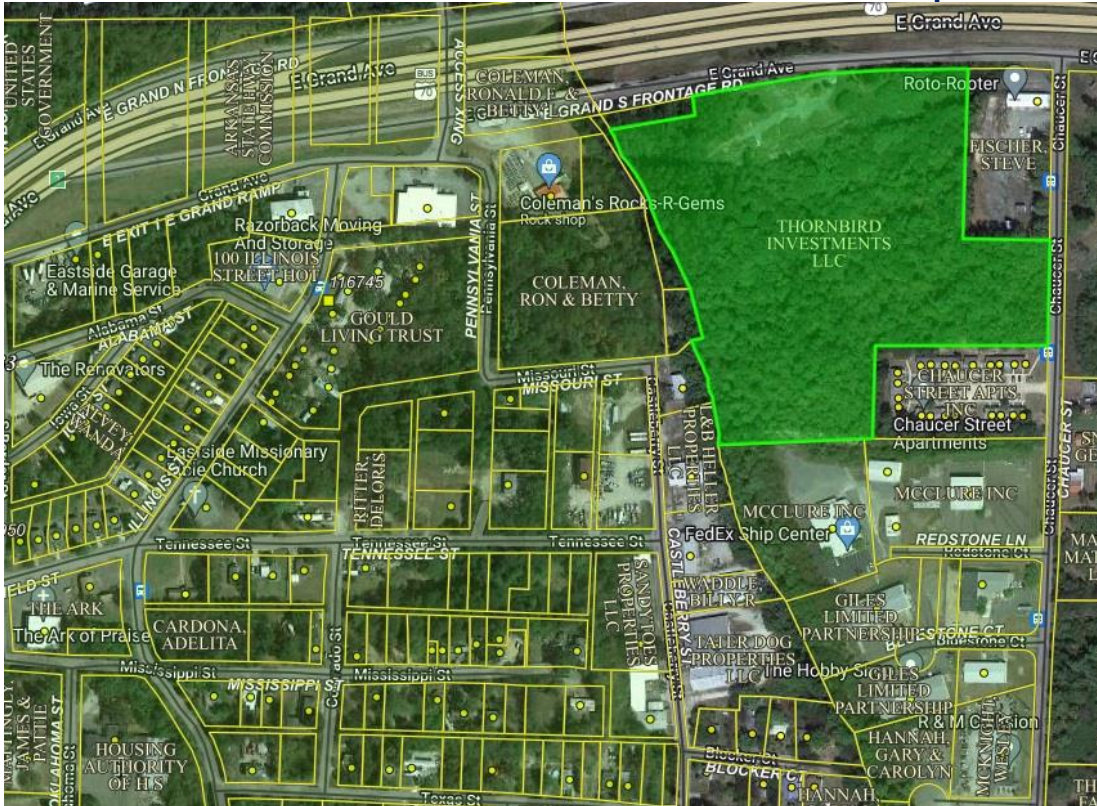
Remarks: Located 4 blocks northeast of the subject. Rugged topography. Zoned commercial. East Grand frontage and visibility.

Adjustments:

Location/Frontage/Visibility: - \$.60/sf

Adjusted Price:

\$.50/Sq Ft



LAND SALE NO. 5

Grantor: Warren

Grantee: Maynard

Address/Location: Chaucer St

Legal Description: Pt NW NE, Sec 34, Twp 2 So, Rge 19 West

Data Source: WD Bk 4491 Pg 567

Date of Sale: 09/22/2022

Land Size: 83,200 sq ft

Sale Price: \$22,000

Price/Sq Ft: \$.27

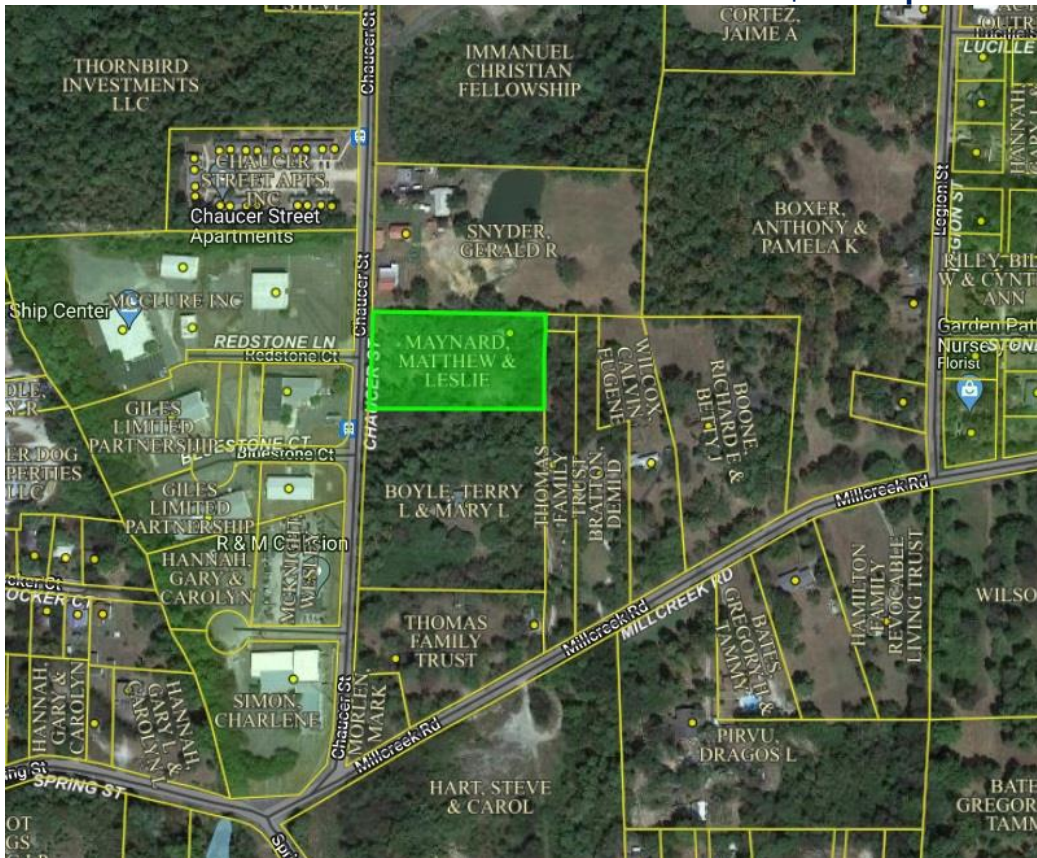
Remarks: 72 year old home in poor condition on site. No flood zone. Sewer easement through the center of the site. Zoned residential, but adjoins manufacturing and commercial zoning.

Adjustments:

None

Adjusted Price:

\$.27/Sq Ft



LAND SALE NO. 6

Grantor: Mattingly

Grantee: Wright

Address/Location: 221 Tennessee St

Legal Description: Lots 1-6, Blk 11, & Lots 8-12, Blk 12, & E ½ Lots 1-4, Blk 12, Gorge Addition

Data Source: WD Bk 4274 Pg 571

Date of Sale: 03/17/2021

Land Size: 91,476 sq ft

Sale Price: \$33,000

Price/Sq Ft: \$.36

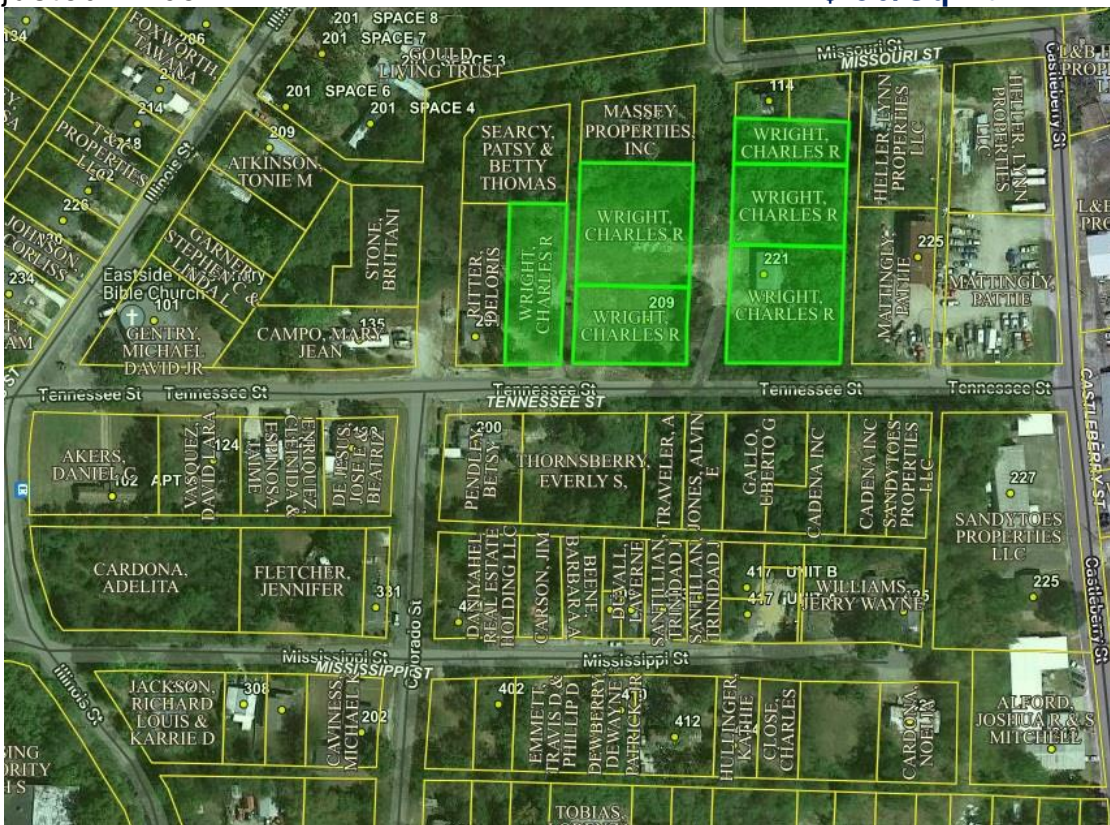
Remarks: Improved with a 1500 sq ft deteriorated warehouse. Mixed zoning (residential & manufacturing).

Adjustments:

None

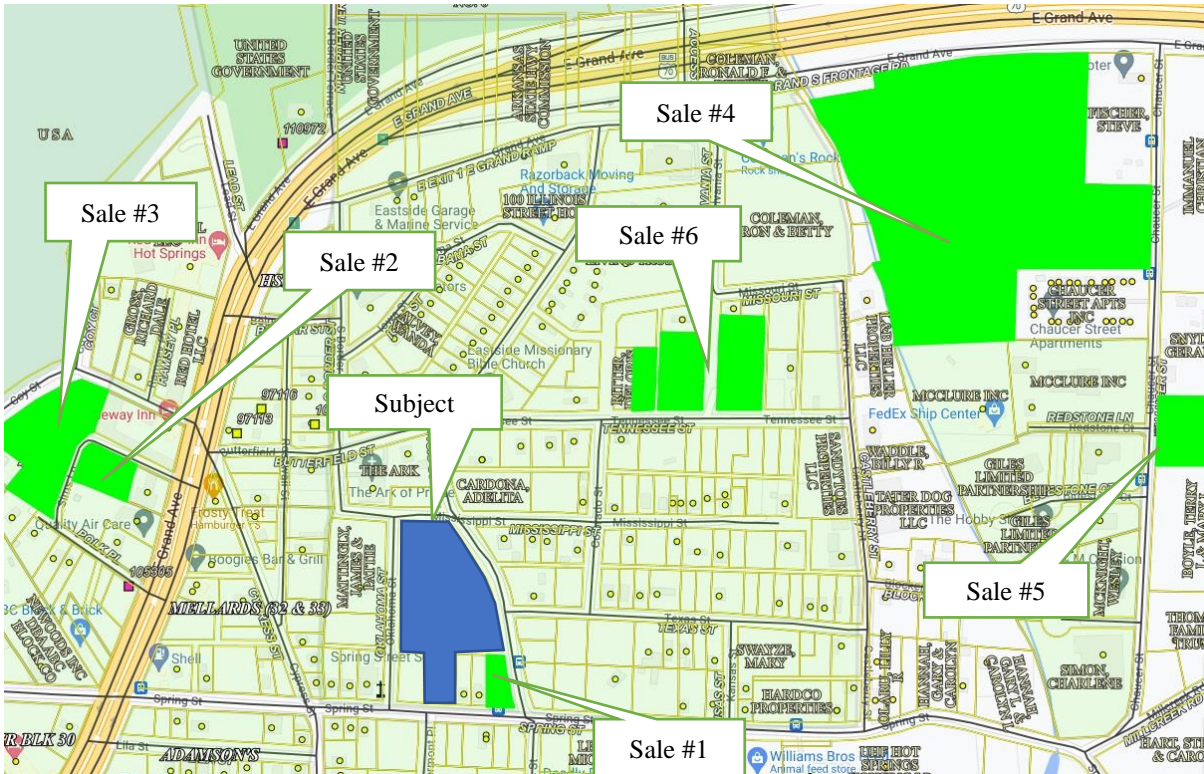
Adjusted Price:

\$.36/Sq Ft



RECAPITULATION OF SALES DATA

Sale	Sale Price	Date	Land Size	Price/Sq Ft	Adjusted Price
1	\$2,100	06/22	11,326 sf	\$.19	\$.19/sq ft
2	\$20,000	03/22	20,520 sf	\$.98	\$.98/sq ft
3	\$40,000	06/19	80,175 sf	\$.50	\$.50/sq ft
4	\$72,000	05/21	654,707 sf	\$1.10	\$.50/sq ft
5	\$22,000	09/22	83,200 sf	\$.27	\$.27/sq ft
6	\$33,000	03/21	91,476 sf	\$.36	\$.36/sq ft
<i>Subject</i>			126,324 sf		\$.19-\$.98/sq ft



Comparable Location Map

Summary & Land Value Conclusion

The adjusted prices in the sales comparison approach ranged from about \$.19 to \$.98 per sq ft of land area. All of the sales are in the subject marketing area, and two have improvements with questionable contributory value. Land sizes in the sales ranged from approximately 11,000 to 654,707 sq ft. There was inadequate support for size adjustments.

Sale 4 has East Grand frontage (Service Road) and visibility from the four-lane. The remaining sales are off of main commercial arteries, and all have similar or higher zoning. By eliminating the extreme high and low adjusted sales, the unit prices are fairly consistent between \$.27 and \$.50 per sq ft of land area.

Based on the information provided, it is my opinion that the estimated market value of the subject property, as vacant land, is in the range of \$.50 per sq ft, calculated as follows:

Subject Land Area:

126,324 sq ft @ \$.50/sq ft = \$63,162

Land Value, As Vacant: rounded \$64,000

(Equates to \$22,069/Acre)

SALES COMPARISON APPROACH (For Valuation, As Improved)

Typically, the sales comparison approach involves making a direct comparison between the property being appraised and other property's that have been sold. Comparisons are made between the sales on an item-by-item basis as to location, time of sale, conditions of sale (or terms), and physical characteristics. Adjustments could not be supported due to the difficulty in isolating the different physical features.

The sale prices are reconciled into an indication of value by this approach, using the process of elimination. In applying the market data approach, the five steps listed below have been taken:

1. Study the market to select sales of properties most comparable to the property's being appraised.
2. Collect and verify data regarding these properties in regard to their selling price, date of transaction, physical characteristics and any special conditions of sale.
3. Analyze and compare each comparable property with the property being appraised as to time of sale, physical characteristics and conditions of sale.
4. The adjustments are typically derived from the market whenever possible, using "matched pairs", regression analysis and other adjustment techniques. Dollar adjustments were no possible in this assignment.
5. Reconcile the sale prices of the comparable properties into an indicated market value of the property being appraised.

The following public school sales are used for comparison with the subject property to establish a price range. Those that are most similar to the subject are then weighted to determine the final value estimate. It was necessary to use other 'special use' sales data due to the lack of sufficient public school sales that have sold recently.

Also, public school sales from outside of the marketing area are furnished for additional support, as well as sales that closed in the past 7 years.

PUBLIC SCHOOL SALE NO.1

Address: 2400 W 58th St., N Little Rock

Legal: Pt E ½ SW ¼ NE ¼, Sec 16, Twp 2 N, Rge 12 West, Pulaski

Grantor: NLR School District Land Size: 5.64 acres

Grantee: Whitman, LLC

Date of Sale: 06/02/2022 Land Value: \$237,000

Previous Sale: 12/02/2016 - \$175,000 Age/Cond: 52

Data Source: WD Bk 2022 Pg 038482

Building Size: 41,230 sq ft

Consideration: \$360,000

Contributory Value of Improvements: \$123,000 (\$2.98/sq ft)

Remarks: Former Amboy Elementary School. Land value was based on land sale in the immediate area.

Comparability: Superior to Subject



PUBLIC SCHOOL SALE NO.2

Address: 1000 Lakeshore St, Glenwood

Legal: Pt SE NE, Sec 3, Twp 5 So, Rge 24 W, Pike County

Grantor: Cantrell Land Size: 8.24 ac

Grantee: Bishop

Date of Sale: 04/17/2019 Age/Cond: 54/Avg-Good

Data Source: WD Bk D263 Pg 36 Land Value: \$45,000

(Previous Sale - \$178,310 – 01/22/2018)

Building Size: 33,980 sq ft (Incl. 5544 sq ft cafeteria bldg blt in 2000)

Sale Price: \$215,000

Contributory Value of Improvements: \$170,000 (\$5.00/Sq Ft)

Remarks: Former Glenwood Primary school closed after consolidation. Previous purchase was 'flipped' to current owner. Land value based on sales from same area and previous appraisal made of this property.

Comparability: Superior Condition & Use Potential



PUBLIC SCHOOL SALE NO.3

Address: 111 School St, Amity, Ar
Legal: Pt SW SW, Sec 27; & Pt NW NW, Sec 34, Twp 5 So, Rge 23 W, Clark County
Grantor: Centerpoint School District Land Size: 3.1 acres
Grantee: Chang Chen
Date of Sale: 01/24/2019 Age/Cond: 65/Fair
Data Source: WD Bk 2019 Pg 00428 Land Value: \$67,000
Building Size: 21,834 sq ft (Incl cafeteria & music bldgs)
Consideration: \$119,000
Contributory Value of Improvements: \$52,000 (\$2.38/sq ft)
Remarks: Former Centerpoint Intermediate school. Cafeteria was built in 2000. Land value was based on sales from the neighborhood, and a previous appraisal made on this property.

Comparability: Superior Condition



PUBLIC SCHOOL SALE NO.4

Address: 401 Redwood, N Little Rock

Legal: E 300' of Blk 13, Choctaw S/D

Grantor: NLR School District Land Size: 3.99 acres

Grantee: MVL-VLM Inc.

Date of Sale: 09/02/2015 Age/Cond: 60 yrs

Data Source: WD Bk 2015 Pg 055818 / Newspaper Reports

Building Size: 28,556 sq ft Land Value: \$105,000

Consideration: \$175,000

Contributory Value of Improvements: \$70,000 (\$2.45/sq ft)

Remarks: Redwood Pre-K was sold to the Catholic Diocese, and now operates as an outreach center and church. Land value based on assessor records.

Comparability: Superior Use Potential



CHURCH SALE NO.5

Address: 700 Richard St, Hot Springs
Legal: Pt SW NE, Sec 7, Twp 3 So, Rge 19 W, Garland Co
Grantor: Fairdale Baptist Church Land Size: 2.7 acres
Grantee: Vanderslice
Date of Sale: 12/14/2018 Age/Cond: 56/Good
Data Source: WD Bk 4009 Pg 654
Building Size: 17,000 sq ft Land Value: \$80,000
Consideration: \$220,000
Contributory Value of Improvements: \$140,000 (\$8.24/sq ft)

Remarks: Church facility located in mixed use area. Land value based on sales from surrounding area. Currently occupied.

Comparability: Superior Condition



PUBLIC SCHOOL SALE NO.6

Address: 134 Rugg St, Hot Springs, Ar

Legal: Lots 9 & 10, Blk 48, Hot Springs Reservation

Grantor: Maruther

Grantee: Temunovic Ptnshp, LLC

Land Size: 1.21 acres

Date of Sale: 10/10/2022

Age/Cond: 70+/-/Fair

Data Source: MLS / Assessor Records

Building Size: 16,264 sq ft

Land Value: \$140,000

Asking Price: \$325,000

Contributory Value of Improvements: \$185,000 (\$11.38/sq ft)

Remarks: Building has not been well maintained and used for storage of structural art pieces in the past.

Comparability: Higher Use Potential



ENTERTAINMENT FACILITY SALE NO.7

Address: 315 Park Ave, Hot Springs, Ar
Legal: Pt Lots 5, 6, 23, 24; & All Lots 19-22, Blk 144, HS Reservation
Grantor: Frazier Land Size: 3.07 acres
Grantee: Miller
Date of Sale: 11/22/2017 Age/Cond: 58/Good
Data Source: WD Bk 4084 Pg 815 / Pers Insp
Building Size: 21,848 sq ft Land Value: \$268,000
Consideration: \$399,000
Contributory Value of Improvements: \$131,000 (\$6.00/sq ft)

Remarks: Known as 'The Vapors', a landmark in the city that featured former well-known entertainment. Uses since construction include entertainment and Church facility. Building was habitable at time of sale.

Comparability: Superior Use and Condition



FORMER NURSING HOME SALE NO.8

Address: 1316 Park Ave, Hot Springs, Ar

Legal: Pt Lots 6 & 7, All lot 8, Blk 1, Wooton S/D

Grantor: Conquistador HS Holdings LLC Land Size: 1.62 acres

Grantee: Weisfeld

Date of Sale: 10/26/2018

Age/Cond: 52/Fair

Data Source: WD Bk 3998 Pg 501

Building Size: 38,796 sq ft

Land Value: \$55,000

Consideration: \$103,000

Contributory Value of Improvements: \$48,000 (\$1.24/sq ft)

Remarks: Former nursing home in the same marketing area. Sign on property states property is available for lease. Land value based on assessor records.

Comparability: Similar Condition; Much Larger Bldg



PENDING CONFIDENTIAL SALE NO. 9

Land Size: Over 2 acres

Contract Date: 02/21/2023

Age/Cond: 50+/Fair

Data Source: Contract

Building Size: Larger than 20,000 sq ft Land Value: \$100,000+

Pending Sale Price: Less than \$100,000

Contributory Value of Improvements: \$0

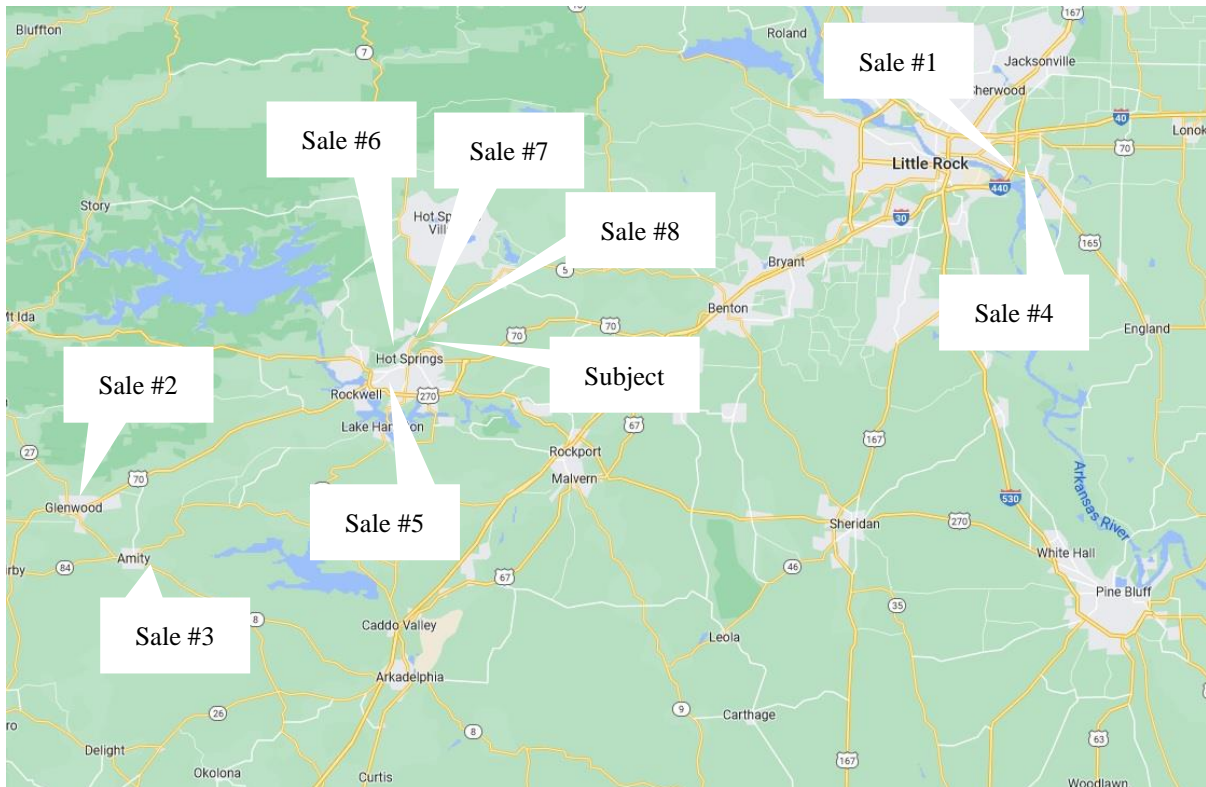
Remarks: Confidential pending sale. Plans are to rehab the building in preparation for occupancy. Mold remediation, ventilation, and partial interior demolition costs estimated at \$70,000+-.

Comparability: Much Higher Use Potential

Confidential
Pending Sale

RECAPITULATION OF IMPROVED SALES

Sale	Sale Price	Bldg Size	Age	Land Size	Former/ Current Use	Contributory Value of Improvements
1	\$360,000	41,230 sf	52	5.64 ac	School	\$2.98/sq ft
2	\$215,000	33,980 sf	54	8.24 ac	School	\$5.00/sq ft
3	\$119,000	21,834 sf	65	3.1 ac	School	\$2.38/sq ft
4	\$175,000	28,556 sf	60	3.99 ac	School	\$2.45/sq ft
5	\$220,000	17,000 sf	56	2.7 ac	Church	\$8.24/sq ft
6	\$325,000	16,265 sf	70	1.21 ac	School	\$11.38/sq ft
7	\$399,000	21,848 sf	58	3.07 ac	Night Club	\$6.00/sq ft
8	\$103,000	38,796 sf	52	1.62 ac	Nursing Home	\$1.24/sq ft
9	<\$100,000	>20,000 sf	50+	>2 ac	Confidential	\$0
Subject:		17,596 sf	85	2.9 acres	School	\$0-\$11.38/sq ft



Approximate Location of Sales

SUMMARY OF IMPROVED COMPARABLES

The preceding public school and other 'special use' sales were chosen for comparison with the subject property. As stated, it was necessary to expand the search to outlying counties to provide additional support.

Most have amenities generally desirable for school systems including gymnasiums, classrooms, cafeteria, and outbuildings. Additional school sales were found in other parts of the State, all with similar wide price ranges as those presented, but most closed over 7 years ago.

Adjustments for differing physical characteristics could not be supported by the data, and any adjustments made would be subjective, as there was insufficient data to use the paired sales method. There was little consistency in sale prices, which ranged from less than \$100,000 to \$399,000, the higher reflective of buildings in habitable condition.

Some of the sales analyzed, including those not used in this report for comparison, are still shown as 'exempt' from taxes in assessor records. Some of the information regarding the descriptions of the improvements were obtained from aerial photo's, newspaper articles, internet websites, and CARMLS.

In comparing and contrasting Quantitative and Qualitative adjustment techniques, it is important to keep in mind that the ultimate discretion and judgment should aim to "mirror the market". However, since access to all available sales information for use in this analysis, the market mirror can sometimes get foggy.

When quantitative adjustments are applied, an array of net adjustments are considered for each comparable price per unit and then reconcile or weigh the most probable position for the subject within this data set. The fact that the unit prices were inconsistent, and the great difficulty in determining adjustments for differing physical characteristics, the quantitative method for adjustments has many weaknesses.

In Qualitative adjustments, the data set is divided into two groups - being those that are qualitatively "superior" to the subject and those that are qualitatively "inferior" to the subject. The adjusted prices of these two groups will bracket the value of the subject by indicating a probable range of values. By considering those comparables most similar to the subject, some higher and some lower in value, a single value indication for the subject property can be concluded.

As stated, there was insufficient data to use the paired sales method for adjustments effectively, and several subjective adjustments would be required before pairing to isolate the differences in characteristics, a quantitative adjustment can often-times become a qualitative adjustment exercise.

Appraising is not a science, and I have attempted to look at how the market analyzes differences in the buying and selling of public school and special use facilities. There are few, if any, buyers or sellers that create adjustment grids and quantify adjustments for dissimilar characteristics associated with conditions of sale, time, location, and physical characteristics in this type of property.

By no means are Quantitative adjustments irrelevant to all comparative analysis. However, rarely do informed and sophisticated market participants weigh differences in sale price units of comparisons, or quantify dollar or percentage adjustments that are not clearly evident or appropriate in the marketplace.

Again, market participants for the subject type of facility are drawn from all areas of the State, and generally more concerned with potential alternative uses or held as an investment until market conditions dictate a higher demand or use.

Sales 1, 2, 3, 4, & 6 are former public school facilities and given most consideration in this assignment. Comp #6 is a recent sale, but has a much higher use potential. Sales 1, 2, 3, & 4 are outside of the subject marketing area (Hot Spring, Clark, & Pulaski Counties), but must be given weight. Sales 5, 7, & 8 are other 'special use' properties and also produced a wide range of values.

A majority of the school buildings (sales) have a contributory value between \$2.38 and \$5.00 per sq ft of building area. It is not proper appraisal practice to average the prices paid to arrive at an indicated value. It is my opinion that these sales are reflective of prices paid by typical market participants for school facilities.

Comp 9 is a pending sale of a building that will require mold remediation, and used in this analysis to support the estimated cost to remediate the mold situation in the subject building. It is a below market sale, and given little weight in this valuation.

None of the comparables, with the exception of 8 & 9, were reported to be as greatly affected by mold, mildew, and moisture as the subject building. Based on the remediation cost in the confidential sale, as well as other internet sources, the estimated cost of mold remediation in the subject building is in the range of \$4/sq ft or about \$70,000 (subject to a professional cost estimate).

Considering all the data collected and analyzed, It is my opinion that the estimated contributory value of the subject building is in the range of \$4.00 per sq ft, after remediation. It has been noted that several repairs, in addition to the remediation, are necessary to properly market the building. Based on the information gathered, the building has no contributory value, as shown below.

Subject Building Area

17,596 Sq Ft

Contributory Value Assuming Mold Remediation	\$4.00/Sq Ft
Estimated Cost of Mold Remediation	\$4.00/Sq Ft
Contributory Value of Subject Building	\$0

Land Value (by the sales comparison approach) = \$64,000

Market Value, As Improved: \$64,000

RECONCILIATION AND VALUE CONCLUSION

The approaches to value resulted in the following:

Land Value, As Vacant	\$64,000
Contributory Value of Improvements	\$0
Final Value Estimate, As Improved:	\$64,000

The purpose of this report was to estimate the market value of the fee simple interest in the subject property as of the inspection date. The property under appraisal is a public school facility in poor condition with visible evidence of black mold in several locations. The building is not secure, and has been vandalized and occupied by vagrants.

The property is located in a fully developed neighborhood with no new construction evident. Land values in this location are low in comparison with those in the central portion of the city, as evidenced by pairing land sales in the subject neighborhood vs competing areas.

The income and cost approaches were not used in this assignment, as explained in the scope of work section. These methods would have no meaningful outcome on the final analysis, if used.

In the Sales Comparison Approach, there were public school sales available to use this method effectively, although the range of sale prices varied from \$103,000 to \$360,000. As can be seen in the photographs, it is difficult to determine which are most comparable to the subject.

In addition to Garland County, sales of public school facilities from surrounding counties were considered as well. It was noted that most have superior alternative use potential, and are in superior condition. Only two of the comparables are reported to have mold issues.

'Special use' property sales were provided for further support of the final value. These included a Church, Night Club (also used as a Church), and a nursing home.

Adjustments could not be market supported for all differing physical and locational characteristics. The market extraction method was employed to determine the contributory value of the improvements. Using this method, the land values are deducted from the comparable sales price, resulting in a price allocated to the improvements.

The allocated price was reduced to a price/sq ft of building area, then applied to the subject building area to arrive at an indicated value. Since a majority of the sales did not have mold issues, the estimated cost to remediate mold in the subject building was deducted, resulting in a contributory value of \$0 for the improvements.

The site value, as vacant, is supported by vacant land sales in the same and surrounding marketing area. All are located within 4 blocks of the subject property. It was noted that most of the sales are zoned commercial, and that there is a high probability that the subject site could be rezoned to commercial as well. Current zoning is residential.

The majority of the information regarding the public school sales was obtained from newspaper articles and a statewide research of internet web sites. It was concluded that most of the school districts do not want the financial burden of maintaining the facilities.

Other important facts gathered during the research included statements from school officials and published newspaper articles that “the school appraised for \$2.25 million dollars, but several break-ins caused substantial damage, resulting in a board decision to sell for \$530,000”. This is referencing the ‘Park Hill’ School in N Little Rock. There was an original offer of \$1,000,000 for the property, but the vandalism caused the price to be reduced to the eventual sale price.

Other articles reviewed were very similar to the situation above, including eventual sale prices at less than ½ of the appraised value, which is additional support for the appraisers method of valuation.

The subject is classified as a ‘special use’ facility, built for a single purpose. Assuming the mold issue is corrected, the most likely market participants for the subject facility would be a public entity, charter schools, or other non-profit organizations. It is my opinion that it would not be economically feasible to convert the building to residential uses, which is the current legal use in the city zoning ordinance. Other potential alternate uses, as remediated, include nursing or assisted living facilities, community center, or daycare.

The land value is relatively low, and not expected to increase significantly into the foreseeable future. So, removal of existing improvements is not recommended. Demolition cost is estimated to be about \$70,000 (again, subject to a contractor estimate), which is about the same as the contributory value of the building, as remediated.

This appraisal is a very complicated assignment, and I have attempted to provide solutions to the most likely asked questions by the client, and summarized as follows:

The current market value of the property, as improved and as vacant land, is \$64,000.

The estimated cost to demolish the building is in the range of \$70,000. So, demolition is not recommended to market the property

The contributory value of the building is \$0 in its present condition

Mold remediation costs are estimated at \$70,000

The final value estimate was processed in a non-traditional, but acceptable, sales comparison approach. The appraiser has attempted to provide all of the information necessary for the client to make a rational decision in marketing the property, which is the intended use of this report.

ADDENDA

Assumptions & Limiting Conditions
Certification of Appraiser
Qualifications of Appraiser
Appraiser Certificate

ASSUMPTIONS AND LIMITING CONDITIONS:

1. This is a Summary Appraisal Report, which is intended to comply with the reporting requirements set forth under Standard Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice for a Summary Appraisal Report. As such, it might not include full discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's file. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraiser is not responsible for unauthorized use of this report.
2. No responsibility is assumed for legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated in this report.
3. The property is appraised free and clear of any or all liens and encumbrances unless otherwise stated in this report.
4. Responsible ownership and competent property management are assumed unless otherwise stated in this report.
5. The information furnished by others is believed to be reliable. However, no warranty is given for its accuracy.
6. All engineering is assumed to be correct. Any plot plans and illustrative material in this report are included only to assist the reader in visualizing the property.
7. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.
8. It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless otherwise stated in this report.
9. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless nonconformity has been stated, defined, and considered in this appraisal report.

10. It is assumed that all required licenses, certificates of occupancy or other legislative or administrative authority from any local, state, or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value estimates contained in this report are based.
11. Any sketch in this report may show approximate dimensions and is included to assist the reader in visualizing the property. Maps and exhibits found in this report are provided for reader reference purposes only. No guarantee as to accuracy is expressed or implied unless otherwise stated in this report. No survey has been made for the purpose of this report.
12. It is assumed that the utilization of the land and improvements in within the or property lines of the property described and that there is no encroachment or trespass unless otherwise stated in this report.
13. The appraiser is not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraiser that might suggest the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such a determination would require investigation by a qualified expert in the field of environmental assessment. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The appraiser's value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value unless otherwise stated in this report. No responsibility is assumed for any environmental conditions or for any expertise or engineering knowledge required to discover them. The appraiser's descriptions and resulting comments are the result of the routine observations made during the appraisal process.
14. Unless otherwise stated in this report, the subject property is appraised without a specific compliance survey having been conducted to determine if the property is or is not in conformance with the requirements of the Americans with Disabilities Act. The presence of architectural and communications barriers that are structural in nature that would restrict access by disabled individuals may adversely affect the property's value, marketability, or utility.

15. Any proposed improvements are assumed to be completed in a good workmanlike manner in accordance with the submitted plans and specifications.
16. The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated program of utilization. The separate allocations for land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.
17. 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 any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event, only with proper written qualification and only in its entirety.
18. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, or other media without prior written consent of the appraiser.

CERTIFICATION:

I certify that, to the best of my 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 my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My 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 requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared in conformity with the Uniform Standards of Professional Appraisal Practice.

- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- I have made a personal inspection of the property that is the subject of this report.
- No one provided significant real property appraisal assistance to the person signing this certification.

As of the date of this report, I have completed the continuing education program of the Appraisal Institute.



Steve Quast, SRA

State Certification #CG0402

Expiration Date: 06/31/23

Date of Inspection: March 23, 2023

Effective Date of Appraisal: March 23, 2023

Date Report Signed: March 31, 2023

QUALIFICATIONS OF THE APPRAISER
Steve Quast, SRA
State Certified General Appraiser (Number CGO402)

PROFESSIONAL EXPERIENCE:

SRA Designation - Appraisal Institute (1980)
State Certified General Appraiser (#CG0402)
Licensed as a Real Estate Broker in Arkansas since 1976.
Independent Fee Appraiser since January 1976.
Testified as an expert Witness (Garland & Pulaski County).
Experienced in remodeling and construction of single family residences
Have made appraisals in Sixteen (16) Arkansas Counties.
Have made appraisals on the following type properties; Residential,
(Single family and Multi-family), Commercial, Farms, Vacant Land,
Special Use, Industrial, and Lake Resorts.

EDUCATIONAL BACKGROUND AND MEMBERSHIPS:

U.S. Army, 1972-1974; University of Maryland, HSU, GCCC
Real Estate Principles & Practices, Garland County Community College
Residential Appraisal, Garland County Community College, 1975
Basic Principles of Real Estate Appraisal, Appraisal Institute, 1976
Residential Valuation, (Course VIII), Appraisal Institute, 1976
Estimating Construction Costs, Garland County Community College, 1977
Standards of Professional Practice, Appraisal Institute, 1979, 1986,
1989, 1990, 1995, 2000, 2003, 2004, 2005, 2007, 2008, 2009, 2010,
2012, 2014, 2016, 2020, 2022
Federal Income Tax and Real Estate, Appraisal Institute, 1983
Capitalization Theory and Techniques, Part A, Appraisal Institute, 1987
Attended approximately 700 classroom hours of appraisal seminars
sponsored by the Appraisal Institute, State Appraisal & Licensing
Board, Independent Fee Appraisers, & National Association of Realtors.
100 hours of continuing education every 5 yrs is required by the
Appraisal Institute. As of the date of this report, I have completed the
requirements of the continuing education program of the Appraisal
Institute and the Arkansas Appraisal Board.

MEMBERSHIPS HELD:

Appraisal Institute

SRA Designation

Arkansas Chapter President 1990

Nominating Committee - 1991

Board of Director's 1983-84 & 1987-90 & 2008 to 2010

Residential Admissions Committee – 1991

Admissions Chairman 1997 – Residential

H.S. Board of Realtors

Board of Directors – 1991-1993; 2012-2013

Corresponding Secretary – 1993

Hot Springs Multiple Listing Service 1976 to Present

Arkansas Realtors Association 1975 to Present

National Association of Realtors 1975 to Present

COMPLEX APPRAISAL ASSIGNMENTS:

Complex Single Family Residences in excess of \$5,000,000

Large Apartment Projects & Several Smaller Apt Buildings

Warehouse & Manufacturing Facilities

1000 acre to 3600 acre cut over land tracts

Office Buildings (Medical, Executive, Condo's, & Single Tenant)

Condemnation Appraisals (Utilities, Highway, Air Rights, Minerals)

Proposed Residential Subdivisions & Office Parks

Proposed Condominium Projects (8 to 60 Units) Lake Hamilton

Properties in excess of \$5,000,000 Cattle, Horse, & Poultry Farms

Appraisal of Partial Interests

Lake Marina's (3)

Public School Facilities

RECENT PRINCIPAL FEE APPRAISAL CLIENTS:

Regions Bank	City of Hot Springs
Citizens Bank	Security Bank
Bancorp South	Southern State Bank
Farrar & Williams, Atty's	Legacy Law Firm
Southern Bancorp	First Security Bank
Bear State Bank	Centerpoint School District
National Park Hospital	

Appraiser and Consultant to numerous out of state banks, law firms, accounting firms, and individuals.



**ARKANSAS
APPRAISER LICENSING &
CERTIFICATION BOARD**
This is to certify that
Steven Quast

License #: CG 0402

has complied with the requirements of
Arkansas Code Section 17-51-101 et seq., and
is the holder of a valid certificate.
This card is for identification purposes only.

6/30/2023

Expiration 03/31

Chairman



STATE OF ARKANSAS

APPRAISER LICENSING & CERTIFICATION BOARD

Attest That

STEVEN R. QUAST

On this date was certified as a
STATE CERTIFIED GENERAL APPRAISER

The Arkansas Appraiser Licensing and Certification Board hereby affirms that this Certificate is issued in accordance with all the requirements of Arkansas Code Annotated, Section 17-51-101 et seq., and subsequently adopted "Rules and Regulations" and shall remain in force when properly supported by a current proper identification card.

JANUARY 16, 1992
Date Issued

CG0402
Certificate Number

Chairman, AAL & CB