

**AGENDA**  
**LOVELAND CITY COUNCIL MEETING**  
**TUESDAY, MAY 17, 2016**  
**CITY COUNCIL CHAMBERS**  
**500 EAST THIRD STREET**  
**LOVELAND, COLORADO**

The City of Loveland is committed to providing an equal opportunity for services, programs and activities and does not discriminate on the basis of disability, race, age, color, national origin, religion, sexual orientation or gender. For more information on non-discrimination or for translation assistance, please contact the City's Title VI Coordinator at [TitleSix@cityofloveland.org](mailto:TitleSix@cityofloveland.org) or [970-962-2372](tel:970-962-2372). The City will make reasonable accommodations for citizens in accordance with the Americans with Disabilities Act (ADA). For more information on ADA or accommodations, please contact the City's ADA Coordinator at [bettie.greenberg@cityofloveland.org](mailto:bettie.greenberg@cityofloveland.org) or [970-962-3319](tel:970-962-3319).

"La Ciudad de Loveland está comprometida a proporcionar igualdad de oportunidades para los servicios, programas y actividades y no discriminar en base a discapacidad, raza, edad, color, origen nacional, religión, orientación sexual o género. Para más información sobre la no discriminación o para asistencia en traducción, favor contacte al Coordinador Título VI de la Ciudad al [TitleSix@cityofloveland.org](mailto:TitleSix@cityofloveland.org) o al 970-962-2372. La Ciudad realizará las acomodaciones razonables para los ciudadanos de acuerdo con la Ley de Discapacidades para americanos (ADA). Para más información sobre ADA o acomodaciones, favor contacte al Coordinador de ADA de la Ciudad en [bettie.greenberg@cityofloveland.org](mailto:bettie.greenberg@cityofloveland.org) o al 970-962-3319".

*Please Note: Starting times shown on agenda are estimates only; actual times may vary.*

**(5:00 P.M.) DINNER – City Manager's Conference Room**

**(6:00 P.M.) REGULAR MEETING - City Council Chambers**

**CALL TO ORDER**

**PLEDGE OF ALLEGIANCE**

**ROLL CALL**

**PROCLAMATION DECLARING MAY 21, 2016 AS KIDS TO PARKS DAY (Parks and Recreation Director, Elizabeth Anderson)**

**PROCLAMATION DECLARING May 15-21, 2016 AS NATIONAL POLICE WEEK (Officer Tim Yunger)**

**PROCLAMATION DECLARING MAY AS MOTORCYCLE SAFETY AWARENESS MONTH (Kristy McNeill, Brandi Jaramillo, Michelle Brassell)**

*Anyone in the audience will be given time to speak to any item on the Consent Agenda. Please ask for that item to be removed from the Consent Agenda. Items pulled will be heard at the beginning of the Regular Agenda. Members of the public will be given an opportunity to speak to the item before the Council acts upon it.*

*Public hearings remaining on the Consent Agenda are considered to have been opened and closed, with the information furnished in connection with these items considered as the only evidence presented. Adoption of the items remaining on the Consent Agenda is considered as adoption of the staff recommendation for those items.*

*Anyone making a comment during any portion of tonight's meeting should come forward to a microphone and identify yourself before being recognized by the Mayor. Please do not interrupt*

other speakers. Side conversations should be moved outside the Council Chambers. Comments will be limited to no more than three minutes, the City Clerk will start the timer once an introduction is made and a buzzer will sound when the three minutes have expired.

**(6:30) CONSENT AGENDA**

1. **CITY CLERK** (presenter: Terry Andrews)  
**APPROVAL OF MEETING MINUTES**  
**A Motion To Approve City Council Minutes For the April 26, 2016 Study Session and the May 3, 2016 Regular Meeting Minutes.**  
 This is an administrative action item to approve the City Council minutes for the April 26, 2016 study session and the May 3, 2016 regular meeting.
  
2. **CITY MANAGER** (presenter: Bill Cahill)  
**APPOINTMENTS TO THE PLANNING COMMISSION**  
  1. A motion to appoint David Cloutier to the Planning Commission for a partial term effective until December 31, 2016.
  2. A motion to appoint Jamie Roskie to the Planning Commission for a full term effective until December 31, 2018.
 This is an administrative item appointing members to Planning Commission.
  
3. **CITY MANAGER** (presenter: Bill Cahill)  
**APPOINTMENT TO THE YOUTH ADVISORY COMMISSION**  
**A motion to make the following appointments to the Youth Advisory Commission for the School Year 2016-2017:**  
 Reappointments as YAC Commissioners: **Oliver Byles, Jack Crowley, Nick Jacoby, Mark McKenna, Caitlin Parets, Stirling Pettit, Lorenzo Scalise, and Hattie Volk.**  
 Appointments as YAC Commissioners: **Zoe Keeler, Brandon Lindsey, Ava McQuade, and Megan Valliere**  
 Appointments as YAC Alternates: **Travis Pflock, Heather Price, Lincoln Solt, and Lauryn Starke**  
 This is an Administrative Item recommending appointments of members for the Youth Advisory Commission.
  
4. **PUBLIC WORKS** (presenter: Kevin Gingery)  
**AMENDING FLOOD PLAIN BUILDING CODE**  
**A Motion To Approve On Second Reading, Ordinance #6012 Amending The Loveland Municipal Code At Chapter 15.14.020 Regarding Definitions For The Floodplain Building Code**  
 This is an administrative action to simplify two definitions and add seven additional definitions to the Floodplain Building Code chapter. This action has no cost associated with it. The ordinance was approved unanimously on first reading by City Council on May 3, 2016.
  
5. **DEVELOPMENT SERVICES** (presenter: Noreen Smyth)  
**FAIRGROUNDS 8<sup>TH</sup> ADDITION ANNEXATION**  
  1. A Motion To Approve On Second Reading, Ordinance #6013 Approving The Annexation Of Certain Territory To The City Of Loveland, Colorado, To Be Known And Designated As "Fairgrounds Eighth Addition" To The City Of Loveland
  
  2. A Motion To Approve On Second Reading, Ordinance #6014 Amending Section 18.04.060 Of The Loveland Municipal Code, The Same Relating To Zoning Regulations For "Fairgrounds Eighth Addition" To The City Of Loveland
 This is a public hearing to consider the following items on second reading: A legislative

action to adopt an ordinance to annex 4 acres of City owned property to be known as the Fairgrounds Eighth Addition; and A quasi-judicial action to zone the 4 acres to the I-Developing Industrial District. The property is located immediately west of the existing Loveland Fire Training Facility and east of S. Roosevelt Avenue, approximately 1200 feet north of 14<sup>th</sup> Street SW. The applicant is the City of Loveland. The ordinance was approved unanimously on first reading by City Council on May 3, 2016.

6. **ECONOMIC DEVELOPMENT** (presenter: Cindy Mackin)  
**AIRPORT MARKETING**  
**A Motion To Approve On Second Reading, Ordinance #6015 Enacting A Supplemental Budget And Appropriation To The 2016 Northern Colorado Regional Airport Budget For Airport Marketing**  
 This is an administrative action. The ordinance provides \$50,000 from the Lodging Tax Fund to support the Northern Colorado Regional Airport marketing and PR efforts through a comprehensive marketing campaign which would include advertising. The funding is from reserves in the Lodging Tax Fund and reduces the flexibility for funding other future events or programs. The current balance of the Lodging Tax reserves is \$781,053. The ordinance was approved unanimously on first reading by City Council on May 3, 2016.
7. **NORTHERN COLORADO REGIONAL AIRPORT** (presenter: Jason Licon)  
**PUBLIC COMMENT**  
**AIRPORT IGA AMENDMENTS**  
 1) **A Motion To Approve On First Reading, An Ordinance For The First Amendment To The Amended And Restated Intergovernmental Agreement For The Joint Operation Of The, Fort Collins-Loveland Municipal Airport, To Be Henceforth Known As The Northern Colorado Regional Airport And Ratification Of Previous Actions**  
 2) **A Motion To Approve On First Reading, An Ordinance Amending Portions Of The Loveland Municipal Code Concerning The Northern Colorado Regional Airport**  
 This is an administrative action to adopt two ordinances involving the Northern Colorado Regional Airport Commission. The first ordinance amends the Amended and Restated Intergovernmental Agreement for the joint operation of the Airport for the Northern Colorado Regional Airport Commission to delegate, within specific parameters, the authority for the Airport Commission to enter into longer lease agreements, grant agreements, and make expenditures for Airport needs from appropriated, but unassigned reserves. This ordinance also corrects a procedural defect by ratifying all actions taken pursuant to the Airport IGA dated January 22, 2015. The second ordinance changes certain other provisions of the City Code related to the Airport, particularly the delegation of powers and the change of the airport name.
8. **CITY MANAGER** (presenter: Alan Krcmarik)  
**PUBLIC COMMENT**  
**INVESTMENT POLICY CORRECTION**  
**A Motion To Approve On First Reading, An Ordinance Amending The City Of Loveland Investment Policy**  
 This is a legislative action to consider a technical amendment to correct a prior amendment to the City's Investment Policy. In the fall of 2015, the Citizens' Finance Advisory Commission ("CFAC") reviewed the Investment Policy and recommended a few changes to the City Council. Council adopted the changes on second reading on January 5, 2016. The form of the amendments presented to Council did not capture all of the limitations on the investments allows under Section VIII. of the policy. The CFAC intended to limit investments by an expressed dollar amount *and* as a percentage of the total portfolio. As previously adopted the percentage limitations were inadvertently omitted.
9. **COMMUNITY PARTNERSHIP OFFICE** (presenter: Alison Hade)

**HOUSE OF NEIGHBORLY SERVICE REQUEST**

**A Motion To Approve Resolution #R-36-2016 Approving Subordination Of Five Deeds Of Trust Held By The City Of Loveland Totaling One Million Ninety Thousand One Hundred Ninety Six Dollars Associated With Property Located At 1511 East 11th Street Owned By House Of Neighborly Service**

This is an administrative action item. House of Neighborly Service (HNS) is requesting that the City of Loveland subordinate the position of its Deeds of Trust to allow the agency to refinance two current loans that were incurred for the purchase and remodeling of the property located at 1511 East 11<sup>th</sup> Street. HNS purchased an office building in 2012, and in 2013, the City of Loveland provided grants and fee waivers for remodeling that were accompanied by restrictions that, if the agency sells the building within 20 years or discontinues providing a social service, the grants and fee waivers must be repaid.

**END OF CONSENT AGENDA**

**(6:40) CITY CLERK READS TITLES OF ORDINANCES ON THE CONSENT AGENDA**

**(6:50) PUBLIC COMMENT**

*Anyone who wishes to speak to an item NOT on the Agenda may address the Council at this time.*

**PROCEDURAL INFORMATION**

*Anyone in the audience will be given time to speak to any item on the Regular Agenda before the Council acts upon it. The Mayor will call for public comment following the staff report. All public hearings are conducted in accordance with Council Policy. When Council is considering adoption of an ordinance on first reading, Loveland’s Charter only requires that a majority of the Council quorum present vote in favor of the ordinance for it to be adopted on first reading. However, when an ordinance is being considered on second or final reading, at least five of the nine members of Council must vote in favor of the ordinance for it to become law.*

**REGULAR AGENDA**

**CONSIDERATION OF ITEMS REMOVED FROM CONSENT AGENDA**

**(7:10) 10. PARKS AND RECREATION (presenter: Elizabeth Anderson)  
CDOT RIGHTS OF WAY ON HWY 34**

**A Motion To Approve Resolution #R-37-2016 Approving Possession And Use Agreement Between The City Of Loveland, Colorado And The Colorado Department Of Transportation For Public Rights Of Way For Construction On Highway 34 And Authorizing The City Manager To Execute The Agreement**

This is an Administrative action item. The City of Loveland and the Colorado Department of Transportation (“CDOT”) seek a mutual decision that benefits both the City of Loveland and CDOT regarding the reconstruction of US 34. A Possession and Use Agreement (“Agreement”) will allow CDOT to move forward with the first phase of re-construction for US 34, in the Big Thompson Canyon. Construction package one includes the rock blasting to construct the new roadway alignment at the horseshoe curve west of VSMP. The Agreement will permit CDOT to move forward with construction prior to a final agreement on the value of the required Loveland right of way. Final plans and values will be determined in the next 90 days and will be presented to Council in July along with a formal intergovernmental agreement for construction and use of additional City property.

**(8:10) 11. CITY ATTORNEY (presenter: Tami Yellico)  
PUBLIC COMMENT**

## **COUNTY ANIMAL SHELTER FEE WAIVERS**

### **A Motion To Approve On First Reading, An Ordinance Granting Larimer County An Exemption From Certain Capital Expansion Fees And Other Development Fees For The Larimer County Animal Shelter Project And Authorizing The City Manager To Enter Into An Intergovernmental Agreement With The County For The Payment Of The Remainder Of The Fees**

This is an administrative action to consider approving an Ordinance Granting Larimer County An Exemption from Certain Capital Expansion Fees and other Development Fees for the Larimer County Animal Shelter Project.

Staff will update City Council on discussions with Larimer County regarding waiving certain capital expansion fees (CEFs) and other impacts fees assessed to Larimer County by the City in the amount of approximately \$7,080 for the construction of a new animal shelter within the City and not to require reimbursement of such fees to the CEFs by the general fund or other fund.

**(9:10) 12. ECONOMIC DEVELOPMENT (presenter: Susan Grafton)  
REGIONAL TOURISM ACT (RTA) PROJECT**

**This item includes an update on the Regional Tourism Act (RTA) Projects, and a possible executive session on the projects to develop strategy for negotiations, to instruct negotiators, and to determine positions relative to matters that may be subject to negotiations, and for the receipt of legal advice.**

This is an administrative action. The Go NoCO Board and the project team have been working on the terms and conditions for the four approval RTA projects since the end of 2015. The state Economic Development Commission (EDC) approved the projects and the state increment funding amount in November 2015 and provided additional guidance on terms and conditions in December of that year. The purpose of the possible Executive Session is to provide Council with an update on the current negotiations to develop strategy for negotiations, to instruct negotiators, and to determine positions relative to matters that may be subject to negotiations, and for the receipt of legal advice.

**(10:00) BUSINESS FROM CITY COUNCIL**

*This is an opportunity for Council Members to report on recent activities or introduce new business for discussion at this time or on a future City Council agenda.*

**CITY MANAGER REPORT**

**CITY ATTORNEY REPORT**

**ADJOURN**



**PROCLAMATION**

**WHEREAS,** May 21<sup>st</sup>, 2016 is the sixth Kids to Parks Day organized and launched by the National Park Trust; and

**WHEREAS,** Kids to Parks Day empowers kids and encourages families to get outdoors and visit America’s parks; and

**WHEREAS,** it is important to introduce a new generation to our nation’s parks because of the important role parks play in the quality of our lives; and

**WHEREAS,** we should encourage children to lead a more active lifestyle to combat the issues of childhood obesity, diabetes mellitus, hypertension and hypercholesterolemia; and

**WHEREAS,** Kids to Parks Day is open to all children and adults across the country to encourage a large and diverse group of participants; and

**WHEREAS,** Kids to Parks Day will broaden children’s appreciation for nature and the outdoors.

**NOW THEREFORE,** we, the City Council of Loveland, Colorado do hereby proclaim May 21, 2016 as

**KIDS TO PARKS DAY**

in Loveland, Colorado. We urge residents of Loveland to make time May 21<sup>st</sup>, 2016 to take the children in their lives to visit a neighborhood, state or national park.

Signed this 17th day of May, 2016

Cecil A. Gutierrez  
Mayor



**PROCLAMATION**

- WHEREAS** there are approximately 900,000 law enforcement officers serving in communities across the United States, including the dedicated members of the Loveland Police Department; and
- WHEREAS** there were more than 15,000 assaults against law enforcement officers in 2014, resulting in over 13,000 injuries; and
- WHEREAS** since the first recorded death in 1791, more than 20,000 law enforcement officers in the United States have made the ultimate sacrifice and been killed in the line of duty, including one member of the Loveland Police Department; Marshal Frank Peak; and
- WHEREAS** the names of these dedicated public servants are engraved on the walls of the National Law Enforcement Officers Memorial in Washington, D.C.; and
- WHEREAS** 252 new names of fallen heroes are being added to the National Law Enforcement Officers Memorial this spring, including 123 officers killed in 2015 and 129 officers killed in previous years; and
- WHEREAS** the service and sacrifice of all officers killed in the line of duty will be honored during the National Law Enforcement Officers Memorial Fund’s 28<sup>th</sup> Annual Candlelight Vigil, on the evening of May 13, 2016; and
- WHEREAS** the Candlelight Vigil is a part of National Police Week, which takes place this year on May 15-21; and
- WHEREAS** May 15 is designated as Peace Officers Memorial Day, in honor of all fallen officers and their families, and U.S. flags should be flown at half staff.

**NOW, THEREFORE**, be it resolved that we, the City Council of Loveland, do formally designate May 15-21, 2016, as

**POLICE WEEK**

in Loveland, Colorado and publicly salute the service of law enforcement officers in our community and in communities across the nation.

Signed this 17th day of May, 2016

Cecil A. Gutierrez, Mayor



**PROCLAMATION**

- WHEREAS** Colorado's climate and scenery make motorcycle riding an attraction in the beautiful state of Colorado, and riders consider our roadways to be some of the best for riding; and
- WHEREAS** motorcycles are increasingly used as a regular means of transportation; and
- WHEREAS** the motorcycle is an energy-efficient vehicle that reduces fuel consumption, traffic and parking congestion; and
- WHEREAS** the motorcycle is an important form of transportation for commuting, touring and recreation; and
- WHEREAS** as a matter of safety, it is necessary to develop appropriate driving habits to handle these vehicles on Colorado roadways; and
- WHEREAS** to prevent injuries and deaths on Colorado's roadways, motorcyclists and motorists must be vigilant in their efforts to share the road and ensure the safety of everyone; and
- WHEREAS** Motorcycle Safety Awareness Month raises public awareness for a lifetime of safe motorcycle riding; and
- WHEREAS** the International Women's Motorcycle Club, Leather & Lace Motorcycle Club, is committed to increasing the safe operation of motorcycles by promoting rider safety education programs; their goal is to alert the motorists of the town of Loveland, Colorado to: **SHARE THE ROAD**; and
- WHEREAS** Motorcycle Safety Awareness Month is designed to increase public awareness about motorcycles and to encourage their safe and proper use among motorcycle riders.

**NOW, THEREFORE**, we, the Loveland City Council, in the great state of Colorado, in recognition of over 188,192 registered motorcyclists statewide, and in recognition of the continued role of Leather & Lace Motorcycle Club as a promoter of motorcycle safety, education and awareness, do hereby proclaim the month of May 2016 as

**MOTORCYCLE SAFETY AWARENESS MONTH**

in the City of Loveland, Colorado and ask all citizens to join in a concerted effort to promote awareness, mutual respect, and safety on our roads.

Signed this 17th day of May, 2016

Cecil A. Gutierrez, Mayor



**MINUTES**  
**LOVELAND CITY COUNCIL STUDY SESSION**  
**TUESDAY, APRIL 26, 2016**  
**CITY COUNCIL CHAMBERS**  
**500 EAST THIRD STREET**  
**LOVELAND, COLORADO**

**STUDY SESSION 6:30 P.M.**

**Councilors present:** Gutierrez, Fogle, Ball, Johnson, Overcash, McKean, Shaffer, Krenning and Clark were present. City Manager, Bill Cahill was also present.

**1. FINANCE  
BUDGET ORIENTATION**

Brent Worthington, Finance Director, presented a preliminary review of the 2017 budget development process. This will include the key assumptions and practices used by the City for budget development. Council followed up with directives to be used in the process of development for the 2017 budget. Council also identified areas where they would like additional information.

**ADJOURN**

Hearing no further business to come before Council, Mayor Gutierrez adjourned the April 26, 2016 Study Session at 10:21 p.m.

Respectfully Submitted,

\_\_\_\_\_  
Teresa G. Andrews, City Clerk

\_\_\_\_\_  
Cecil A. Gutierrez, Mayor

**MINUTES**  
**LOVELAND CITY COUNCIL MEETING**  
**LOVELAND URBAN RENEWAL AUTHORITY BOARD OF COMMISSIONERS**  
**TUESDAY, MAY 3, 2016**  
**CITY COUNCIL CHAMBERS**  
**500 EAST THIRD STREET**  
**LOVELAND, COLORADO**

**CALL TO ORDER:** Mayor Gutierrez called the meeting to order at 6:00 p.m.

**PLEDGE OF ALLEGIANCE**

**ROLL CALL:** Councilors present: Gutierrez, Fogle, Johnson, Ball, Clark, Overcash McKean and Krenning. Councilor Shaffer arrived at 7:20 p.m.

The Proclamation Declaring May 1-7 As Drinking Water Week was read by Councilor Krenning and received by Water and Power Customer Relations Manager, Gretchen Stanford.

The Proclamation Declaring May 8 -14, 2016 As Economic Development Week was read by Councilor Ball and received by Economic Development Director Susan Grafton.

The Proclamation Declaring Month May 2016, As Archaeology & Historic Preservation Month was read into the record by Councilor Fogle who also received the proclamation on behalf of the Historic Preservation Commission.

The Proclamation Declaring May 1-7 As Municipal Clerks Week was read by Mayor Gutierrez and received by City Clerk Terry Andrews.

The Proclamation Declaring May 15-21, 2016 As National Public Works Week was read by Councilor McKean and received by Public Works Director, Leah Browder.

*Anyone in the audience will be given time to speak to any item on the Consent Agenda. Please ask for that item to be removed from the Consent Agenda. Items pulled will be heard at the beginning of the Regular Agenda. Members of the public will be given an opportunity to speak to the item before the Council acts upon it.*

*Public hearings remaining on the Consent Agenda are considered to have been opened and closed, with the information furnished in connection with these items considered as the only evidence presented. Adoption of the items remaining on the Consent Agenda is considered as adoption of the staff recommendation for those items.*

*Anyone making a comment during any portion of tonight's meeting should come forward to a microphone and identify yourself before being recognized by the Mayor. Please do not interrupt other speakers. Side conversations should be moved outside the Council Chambers. Comments will be limited to no more than three minutes, the City Clerk will start the timer once an introduction is made and a buzzer will sound when the three minutes have expired.*

**Mayor Gutierrez asked if members of the public, staff or Council would like to remove any items from the consent agenda. Councilor Clark requested that items 3 and 12 be removed for the consent agenda and considered on the regular agenda. Mayor Pro Tem Fogle moved to approve the consent agenda, with the exception of times 3 and 12. The motion, seconded by Councilor McKean, carried with all councilors present voting in favor thereof.**

**(6:30) CONSENT AGENDA**

1. **CITY CLERK** (presenter: Terry Andrews)  
**APPROVAL OF MEETING MINUTES**  
**A Motion To Approve City Council Minutes For the April 19, 2016 Regular Meeting were approved.**  
 This is an administrative action item to approve the City Council minutes for the April 19, 2016 regular meeting.
  
2. **CITY MANAGER** (presenter: Bill Cahill)  
**APPOINTMENT TO THE PARKS AND RECREATION COMMISSION**  
**A motion to appoint Brett Dowgin as the Thompson School District representative on the City of Loveland Parks and Recreation Commission for a partial term effective until December 31, 2017 was approved.**  
 This is an administrative item appointing a member to the Parks and Recreation Commission.
  
3. **PUBLIC WORKS** (presenter: Kevin Gingery)  
**AMENDING FLOOD PLAIN BUILDING CODE**  
**This item will be considered on the Regular Agenda**
  
4. **DEVELOPMENT SERVICES** (presenter: Noreen Smyth)  
**PUBLIC HEARING**  
**FAIRGROUNDS 8<sup>TH</sup> ADDITION ANNEXATION**
  1. **A Motion to Adopt Resolution #R-30-2016 Concerning The Annexation To The City Of Loveland, Colorado, Of A Certain Area Designated As "Fairgrounds Eighth Addition" More Particularly Described Herein, And Setting Forth Findings Of Fact And Conclusions Based Thereon As Required By The State Constitution And State Statutes was approved.**
  
  2. **A Motion To Approve On First Reading, An Ordinance Approving The Annexation Of Certain Territory To The City Of Loveland, Colorado, To Be Known And Designated As "Fairgrounds Eighth Addition" To The City Of Loveland was approved.**
  
  3. **A Motion To Approve On First Reading, An Ordinance Amending Section 18.04.060 Of The Loveland Municipal Code, The Same Relating To Zoning Regulations For "Fairgrounds Eighth Addition" To The City Of Loveland was approved.**  
 This is a public hearing to consider the following items on first reading:
    - A legislative action to adopt a resolution and ordinance to annex 4 acres of city owned property to be known as the fairgrounds eighth addition; and
    - A quasi-judicial action to zone the 4 acres to i-developing industrial district.
 The property is located immediately west of the existing Loveland Fire Training Facility and East of S. Roosevelt Avenue, approximately 1200 feet north of 14th Street SW. The applicant is the City of Loveland.  
 The city has already purchased the subject property. While the annexation and zoning of the property has negligible impact on the budget, the eventual development of the property, which will be reviewed by the city in succeeding development applications, will have a cost impact to the city and to the Loveland Fire Authority.
  
5. **DEVELOPMENT SERVICES** (presenter: Kerri Burchett)  
**WATERS EDGE ADDITION ANNEXATION**  
**A Motion To Adopt Resolution #R-31-2016 Finding a Certain Petition for Annexation Known as Waters Edge Addition, Filed April 14, 2016, to be in Substantial**

**Compliance with Section 30 of Article II of the Colorado Constitution and with the Requirements of Section 31-12-107(1), C.R.S.; and Establishing a Date, Time, and Place for a Hearing to Determine Whether the Proposed Annexation Complies with the Applicable Requirements of Sections 31-12-104 and 31-12-105, C.R.S., and is Eligible for Annexation to the City of Loveland, Colorado was approved.**

This is a legislative action to set a public hearing date of June 7, 2016 for the consideration of an annexation of 82.68 acres to be known as the Waters Edge Addition. The property is located north of 28<sup>th</sup> Street SW, south of Ryan's Gulch Reservoir and west of Taft Avenue and the Lakeside Terrace Subdivision. Included with the annexation proposal is a request to zone the property R1-Developing Low Density Residential. The applicant is Lynda Beierwaltes with Luxor, LLC.

**6. FINANCE (presenter: Brent Worthington)  
MARCH 2016 FINANCIAL REPORT**

This is an information only item. The Snapshot Report includes the City's preliminary revenue and expenditures including detailed reports on tax revenue and health claims year to date, ending March 31, 2016.

**7. CITY MANAGER (presenter: Alan Krcmarik)  
MARCH 2016 INVESTMENT REPORT**

This is an information only item. The budget projection for investment earnings for 2016 is \$2,199,328. On the portfolio's 2016 beginning balance this equates to an annual interest rate of 1.02%. Based on the March monthly statement, the estimated yield on the fixed income securities held by USBank was at 1.27%, for total assets the yield was 1.13%. For the first quarter, total earnings of \$381,113 were posted to City fund accounts; the year-to date target was \$533,560. U.S. short-term Treasury interest rates fell slightly again in March; the portfolio's change in unrealized gain for the year-to-date was \$1.84 million. The end of March portfolio market value is estimated to be \$215.7 million. The total amount of the portfolio is lower than the end of 2015 by \$1.5 million. The peak amount for the portfolio was reached before the 2013 flood when it had estimated market value of \$226.3 million.

**8. ECONOMIC DEVELOPMENT (presenter: Cindy Mackin)  
SUPPLEMENTAL APPROPRIATION AIRPORT MARKETING**

**A Motion To Approve On First Reading, An Ordinance Enacting A Supplemental Budget And Appropriation To The 2016 City Of Fort Collins-Loveland Municipal Airport Budget For Airport Marketing was approved.**

This is an administrative action item. The ordinance provides \$50,000 from the Lodging Tax Fund to support the Fort Collins-Loveland Airport marketing and PR efforts through a comprehensive marketing campaign which would include advertising. The funding is from reserves in the Lodging Tax Fund and reduces the flexibility for funding other future events or programs. The current balance of the Lodging Tax reserves is \$781,053.

**ADDENDUM ITEM**

**12. PUBLIC WORKS (presenter: Jeff Bailey)  
CDOT FUNDS FOR BYRD DRIVE**

This item will be considered on the Regular Agenda.

**END OF CONSENT AGENDA**

**CITY CLERK READS TITLES OF ORDINANCES ON THE CONSENT AGENDA**

**PUBLIC COMMENT**

*Anyone who wishes to speak to an item NOT on the Agenda may address the Council at this*

time.

Bob Trout, 441 Marcellina Dr, Loveland, invited the Council and the public to an event at Rivers' Edge Natural Area, for the planting of 1,000 milkweed plants to assist in increasing the population of Monarch Butterflies; Andrea Samson, asked Council to overturn Ordinance 5800, banning the sale of Marijuana within the City of Loveland; Larimer County resident, Stacy Lynne asked Council some questions on the records, regarding Detectives Koopman and Arreola; Loveland resident Holly Kennedy, spoke regarding the Koopman court case decision. Larimer County residents, John Weirs, and Virginia Farber also spoke regarding Detective Koopman.

## PROCEDURAL INFORMATION

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## REGULAR AGENDA

### CONSIDERATION OF ITEMS REMOVED FROM CONSENT AGENDA

#### 3. PUBLIC WORKS (presenter: Kevin Gingery)

##### **AMENDING FLOOD PLAIN BUILDING CODE**

This is an administrative action to simplify two definitions and add seven additional definitions to the Floodplain Building Code chapter. This action has no cost associated with it. There were no public comments. **Mayor Pro Tem Fogle moved To Approve On First Reading, An Ordinance Amending The Loveland Municipal Code At Chapter 15.14.020 Regarding Definitions For The Floodplain Building Code. The motion seconded by Councilor Clark, carried with all councilors present voting in favor thereof.**

#### 12. PUBLIC WORKS (presenter: Jeff Bailey)

##### **CDOT FUNDS FOR BYRD DRIVE**

This is an administrative action item. City Council approval is necessary to approve the submitted IGA and to authorize the use of \$1,100,000 in Colorado Department of Transportation (CDOT) funds to construct the missing segment of roadway. Council approval is also required to provide the \$500,000 to the developer for construction of Byrd Drive by the time CDOT needs to remove the Frontage Road. This request will be submitted to City Council at a later date once a development agreement is finalized with the developer. There were no public comments. **Mayor Pro Tem Fogle moved to Approve Resolution #R-35-2016 Approving An Intergovernmental Agreement Between The City Of Loveland, Colorado And The State Of Colorado, Acting By And Through The Colorado Department Of Transportation, For Construction Of Byrd Drive. The motion, seconded by Councilor McKean, carried with all councilors present voting in favor thereof.**

#### 9. YOUTH ADVISORY COMMISSION NATIONAL LEAGUE OF CITIES CONFERENCE (presenters: Commissioners Jack Crowley, Stirling Pettit, Ava McQuade, Hattie Volk)

Members of the Youth Advisory Commission personally thanked the City Council for funding their trip to the National League of Cities in Washington, DC in March 2016. The YAC who attended this conference returned with valuable information and ideas that they are excited to share with other commissioners and look forward to discovering ways to

implement these ideas into the Loveland community.

**10. CITY ATTORNEY (presenter: Tami Yellico)  
CENTERRA MFA PARKING STRUCTURE**

City Attorney, Tami Yellico presented these administrative action items which would approve the proposed Minor Modification to the Seventh Amendment to the Centerra Master Financing and Intergovernmental Agreement (“MFA”) to modify Paragraph 2 of the Seventh Amendment to state that the term “Parcel 206 Parking Improvements” shall mean and include public surface parking and public parking structure to be constructed and owned by the Service District, to serve the mixed-use development on Parcel 206, within the Commercial District. Centerra representatives, Chad McWhinney, Kim Perry and Alan Pogue were also present to answer questions. Jackie Marsh, asked for clarification on a few things. **Mayor Pro Tem Fogle moved to Approve Resolution #R-33-2016 Of The Loveland City Council Approving The Minor Modification To The Seventh Amendment To The Centerra Master Financing And Intergovernmental Agreement As Amended. The motion seconded by Councilor Shaffer carried with all councilors voting in favor.**

**CITY COUNCIL ADJOURNED AND CONVENED AS BOARD OF COMMISSIONERS FOR THE LOVELAND URBAN RENEWAL AUTHORITY.**

**11. CITY ATTORNEY (presenter: Tami Yellico)  
CENTERRA MFA PARKING STRUCTURE**

City Attorney, Tami Yellico presented these administrative action items which would approve the proposed Minor Modification to the Seventh Amendment to the Centerra Master Financing and Intergovernmental Agreement (“MFA”) to modify Paragraph 2 of the Seventh Amendment to state that the term “Parcel 206 Parking Improvements” shall mean and include public surface parking and public parking structure to be constructed and owned by the Service District, to serve the mixed-use development on Parcel 206, within the Commercial District. There were no public comments. **Commissioner Fogle moved to Approve Resolution #R-34-2016 Of The Loveland Urban Renewal Authority Approving The Minor Modification To The Seventh Amendment To The Centerra Master Financing And Intergovernmental Agreement As Amended. The motion seconded by Councilor Shaffer carried with all councilors voting in favor.**

**BOARD OF COMMISSIONERS FOR THE LOVELAND URBAN RENEWAL AUTHORITY ADJOURNED AND RECONVENED AS CITY COUNCIL.**

**BUSINESS FROM CITY COUNCIL**

*This is an opportunity for Council Members to report on recent activities or introduce new business for discussion at this time or on a future City Council agenda.*

- Krenning** Requested Staff place the Golf Cart on public roads discussion on a meeting in the near future; Staff will bring an ordinance to the next meeting regarding E-cigarettes in Public Buildings on May 17, or June 7, 2016 for consideration by Council.
- McKean** Announced that the Ft Collins-Loveland Municipal Airport changed names to the “Northern Colorado Regional Airport”.
- Overcash** Thanked Karen Rees for all of her assistance with the Evaluation process for Council’s three employees. Councilor Overcash encouraged all employees who received the 360° evaluation to participate; Attended the DDA Branding meeting.
- Fogle** Attended the Conrad Ball award ceremony for retired Police Chief Luke Hecker, recipient of the prestigious award; Will be participating in the “Tour De Pants” Historical event at ARTspace and the Feed-n-Grain Building on Saturday, May 7 from 10 a.m. to 5 p.m.

- Shaffer** Thank you to the Evaluation Subcommittee, especially Councilor Overcash. North I25 “Electeds” meeting Wednesday (May 4, 2016) at 6:30 p.m. and MPO Thursday (May 5, 2016) 7:00 p.m.; Asked if Councilor McKean, liaison to the Open Lands Commission had received the email from an interested citizen regarding the Ehrlich Estate and possible purchase of the property for open lands.
- Ball** Expressed appreciation to Councilor Overcash for his work on the evaluation process; expressed appreciation to Staff for attending the Council meetings; Expressed appreciation to Weld County Court for taking on the Koopman criminal case.
- Gutierrez** Will be attending the Humane Society groundbreaking ceremony; Encouraged Council members to attend the May 11, Community Foundations event at 4:00 p.m. at the Ranch; Thursday (May 4, 2016) The Colorado Experience will be holding a conference in Ft. Collins, but coming to Loveland on Thursday to tour the Artspace. Innovation is the theme this year.

**CITY MANAGER REPORT**

**Cahill** Discussion regarding a request to support the “Fix Colorado Roads Act position paper”. After determining there was not enough time to review the list of improvements prior to the deadline, consensus of Council was for individual councilors to communicate their support as requested.

**CITY ATTORNEY REPORT**

**None**

**ADJOURN**

After hearing no further business to come before Council this evening, Mayor Gutierrez adjourned the May 3, 2016 Regular Meeting at 8:37 p.m.

Respectfully Submitted,

\_\_\_\_\_  
Teresa G. Andrews, City Clerk

\_\_\_\_\_  
Cecil A. Gutierrez, Mayor

**AGENDA ITEM:** 2  
**MEETING DATE:** 5/17/2016  
**TO:** City Council  
**FROM:** City Manager's Office  
**PRESENTER:** Bill Cahill, City Manager

**TITLE:**  
 Appointments To The Planning Commission

**RECOMMENDED CITY COUNCIL ACTION:**

1. Adopt a motion to appoint David Cloutier to the Planning Commission for a partial term effective until December 31, 2016.
2. Adopt a motion to appoint Jamie Roskie to the Planning Commission for a full term effective until December 31, 2018.

**OPTIONS:**

1. Adopt the action as recommended.
2. Deny the action.

**SUMMARY:**

This is an administrative item appointing members to Planning Commission.

**BUDGET IMPACT:**

- Positive
- Negative
- Neutral or negligible

**BACKGROUND:**

During the Fall, 2015 recruiting cycle for boards and commissions, Planning Commissioner John Crescibene announced he would not be applying for another opportunity to serve. He agreed to serve until a replacement was named. Two applications were received from incumbents and their reappointments were unanimously approved at the January 5, 2016 City Council meeting. A subsequent recruiting campaign resulted in several applications for **Planning Commission**. In the meantime, the tragic early passing of Planning Commissioner Richard Middleton occurred and a second vacancy was created. Interviews with eight qualified applicants were conducted April 26, 2016. The committee, consisting of Councilor Troy Krenning, Planning Commission Chair Jeremy Jersvig and Staff Liaison Bob Paulsen unanimously recommend the following appointments:

Appoint David Cloutier to the Planning Commission for a partial term effective until December 31, 2016 and appoint Jamie Roskie to the Planning Commission for a full term effective until December 31, 2018. Dave Cloutier lives in Ward I and Jamie Roskie lives in Ward II.

**REVIEWED BY CITY MANAGER:**



**LIST OF ATTACHMENTS:**

None



**AGENDA ITEM:** 3  
**MEETING DATE:** 5/17/2016  
**TO:** City Council  
**FROM:** City Manager  
**PRESENTER:** Bill Cahill

**TITLE:**  
 Appointments To The Youth Advisory Commission

**RECOMMENDED CITY COUNCIL ACTION:**  
 Adopt a motion to appoint recommended members to the Youth Advisory Commission

- OPTIONS:**
1. Adopt the action as recommended.
  2. Deny the action.

**SUMMARY:**  
 This is an Administrative Item recommending appointments of members for the Youth Advisory Commission.

- BUDGET IMPACT:**
- Positive
  - Negative
  - Neutral or negligible

**BACKGROUND:**  
 In May, four of the current Youth Advisory Commission (“YAC”) members will be graduating from high school. Interviews were conducted by Dave Clark, Beth Gudmestad, Eli Solt, Nick Jacoby, Oliver Byles, Mark McKenna, Stirling Pettit, Brandon Lindsey, Zoe Keeler, Megan Valliere, Hattie Volk, Billie Anna Runions, Michael Selbert, and Caitlin Parets on April 18, 19, and 20, 2016 to fill these vacancies. YAC would like to reappoint commissioners and alternates who are not graduating or leaving at this time. YAC has 12 total voting commissioners and four alternate positions. YAC recommends the following for appointments or reappointments to serve as members and alternates from June, 2016 through May, 2017.

Reappoint as YAC Commissioners:  
 Oliver Byles  
 Jack Crowley  
 Nick Jacoby  
 Mark McKenna  
 Caitlin Parets  
 Stirling Pettit  
 Lorenzo Scalise  
 Hattie Volk

Appoint as YAC Commissioners:  
 Zoe Keeler  
 Brandon Lindsey  
 Ava McQuade  
 Megan Valliere

Appoint as YAC Alternates:  
 Travis Pflock  
 Heather Price  
 Lincoln Solt  
 Lauryn Starke

**REVIEWED BY CITY MANAGER:**

Handwritten signature of William D. Cahill in cursive script.

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**LIST OF ATTACHMENTS:**

None

**AGENDA ITEM:** 4  
**MEETING DATE:** 5/17/2016  
**TO:** City Council  
**FROM:** Kevin Gingery, Public Works Department  
**PRESENTER:** Kevin Gingery, Senior Civil Engineer

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**TITLE:**  
An Ordinance Amending The Loveland Municipal Code At Chapter 15.14.020 Regarding Definitions For The Floodplain Building Code

**RECOMMENDED CITY COUNCIL ACTION:**

Adopt the action as recommended.

**OPTIONS:**

1. Adopt the action as recommended.
2. Deny the action. (No consequences if the action is denied.)
3. Adopt a modified action.
4. Refer back to staff for further development and consideration. (No timing issues or impacts if referred back to staff.)

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**SUMMARY:**

This is an administrative action to simplify two definitions and add seven additional definitions to the Floodplain Building Code chapter. This action has no cost associated with it. The ordinance was approved unanimously on first reading by City Council on May 3, 2016.

**BUDGET IMPACT:**

- Positive
- Negative
- Neutral or negligible

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**BACKGROUND:**

Recently observed misuse and confusion of two definitions (channel and drainageway) has prompted the need to simplify the two definitions and add seven additional definitions (artificial watercourse, main stream, natural watercourse, outfall, river, stream, and swale) to the Floodplain Building Code chapter.

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**REVIEWED BY CITY MANAGER:**



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**LIST OF ATTACHMENTS:**

[Link to the Ordinance on First Reading: Item 3](#)

**AGENDA ITEM:** 5  
**MEETING DATE:** 5/17/2016  
**TO:** City Council  
**FROM:** Noreen Smyth, Development Services  
**PRESENTER:** Noreen Smyth, Development Services

**TITLE:**

1. An Ordinance Approving The Annexation Of Certain Territory To The City Of Loveland, Colorado, To Be Known And Designated As "Fairgrounds Eighth Addition" To The City Of Loveland
  
2. An Ordinance Amending Section 18.04.060 Of The Loveland Municipal Code, The Same Relating To Zoning Regulations For "Fairgrounds Eighth Addition" To The City Of Loveland

**RECOMMENDED CITY COUNCIL ACTION:**

City staff recommends the following motions for City Council action as recommended by the Planning Commission:

1. Move to adopt on second reading the ordinance annexing the Fairgrounds Eighth Addition to the City of Loveland; and
2. Move to adopt on second reading the ordinance zoning the Fairgrounds Eighth Addition to the City of Loveland to I-Developing Industrial District.

**OPTIONS:**

1. Adopt the action as recommended.
2. Deny the action. The property would remain outside city limits and subject to Larimer County development review and standards. This would leave the two Fire Training Facility lots under separate jurisdictional control, possibly resulting in use and approval complications.
3. Adopt a modified action.
4. Refer back to staff for further development and consideration. This would delay the applicant in proceeding to the additional city applications necessary for development of the property.

**SUMMARY:**

This is a public hearing to consider the following items on second reading:

- A legislative action to adopt an ordinance to annex 4 acres of City owned property to be known as the Fairgrounds Eighth Addition; and
- A quasi-judicial action to zone the 4 acres to the I-Developing Industrial District.

The property is located immediately west of the existing Loveland Fire Training Facility and east of S. Roosevelt Avenue, approximately 1200 feet north of 14<sup>th</sup> Street SW. The applicant is the City of Loveland.

The first reading of the ordinances was unanimously approved by the City Council on May 3, 2016.

**BUDGET IMPACT:**

- Positive
- Negative
- Neutral or negligible

The city has already purchased the subject property. While the annexation and zoning of the property has negligible impact on the budget, the eventual development of the property, which will be reviewed by the city in succeeding development applications, will have a cost impact to the city and to the Loveland Fire Authority.

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**BACKGROUND:**

A 4 acre property at 1040 S. Roosevelt, immediately west of the existing Loveland Fire Training Facility, has been purchased by the city for the expansion of the Fire Training Facility. The property currently contains industrial storage uses that were on the property prior to the city purchase and continue to operate on the property. The Fire Authority is beginning its master planning process for both development of the training use on this lot and for improvements to the existing facility on the adjacent lot. The development of the lot as a Fire Training Facility will require a special review application and a neighborhood meeting along with a site development plan and building permit application.

Public outreach for this project has included an informal neighborhood meeting to solicit feedback prior to the submittal of the annexation and zoning application, followed by two formal neighborhood meetings after the submittal of the application. Few questions or comments resulted from these meetings, and no objections were voiced to the proposed annexation or I-Developing Industrial zoning. Additional neighborhood input will be provided after the submittal of the required special review application, as another publicly noticed neighborhood meeting will be held as part of that process.

The annexation and zoning proposal has been reviewed by staff and determined to meet all relevant code standards. Any additional applications submitted after annexation will be reviewed by staff for compliance with code standards.

An associated resolution concerning the annexation's compliance with certain code requirements was approved at the May 3, 2016 Council Meeting. As resolutions do not require a second reading, it is not before the Council at the May 17, 2016 meeting.

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**REVIEWED BY CITY MANAGER:**

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**LIST OF ATTACHMENTS:**

[Link to Ordinances on First Reading: Item 4](#)

**AGENDA ITEM:** 6  
**MEETING DATE:** 5/17/2016  
**TO:** City Council  
**FROM:** Cindy Mackin, Economic Development  
**PRESENTER:** Cindy Mackin, Visitor Services Coordinator

**TITLE:**

An Ordinance Enacting A Supplemental Budget And Appropriation To The 2016 Northern Colorado Regional Airport Budget For Airport Marketing

**RECOMMENDED CITY COUNCIL ACTION:**

Approve the ordinance on second reading.

**OPTIONS:**

1. Adopt the action as recommended.
2. Deny the action. The airport would not receive additional funds necessary to create a PR and marketing plan.
3. Adopt a modified action.
4. Refer back to staff for further development and consideration. Delays in receiving this funding will push back the development and execution of the PR and marketing plan.

**SUMMARY:**

This is an administrative action. The ordinance provides \$50,000 from the Lodging Tax Fund to support the Northern Colorado Regional Airport marketing and PR efforts through a comprehensive marketing campaign which would include advertising. The ordinance was approved unanimously on first reading by City Council on May 3, 2016.

**BUDGET IMPACT:**

- Positive  
 Negative  
 Neutral or negligible

The funding is from reserves in the Lodging Tax Fund and reduces the flexibility for funding other future events or programs. The current balance of the Lodging Tax reserves is \$781,053.

**BACKGROUND:**

The airport board recently completed a new strategic plan which includes rebranding the airport to Northern Colorado Regional Airport and increasing marketing of the airport services. The total cost of the marketing plan is anticipated to be \$100,000; shared equally between the City of Fort Collins and the City of Loveland. The funding is for the development of a comprehensive marketing campaign that could include print and digital advertising such as billboards, terminal signage, online/website/social banners, and contests. The goal is to increase awareness of the flights between Loveland, Colorado and Rockford, Illinois, and in-turn increase the number of enplanements. By increasing the enplanements to 10,000 or more per year, the Northern Colorado Regional Airport would receive a guaranteed \$1 million of annual funding from the Federal Aviation Administration (FAA). Currently the airport receives \$150,000 annually from the FAA.

Staff took the \$50,000 funding request to the Community Marketing Commission (CMC) on April 20, 2016 for initial funding approval for the marketing efforts at the airport. The CMC unanimously

approved the motion of support. The Airport Director is in the process of pursuing additional funding from regional partners to support this marketing campaign.

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**REVIEWED BY CITY MANAGER:**



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**LIST OF ATTACHMENTS:**

Ordinance

**FIRST READING: May 3, 2016**

**SECOND READING: May 17, 2016**

**ORDINANCE NO. 6015**

**AN ORDINANCE ENACTING A SUPPLEMENTAL BUDGET AND APPROPRIATION TO THE 2016 NORTHERN COLORADO REGIONAL AIRPORT BUDGET FOR AIRPORT MARKETING**

**WHEREAS**, the City has reserved funds not anticipated or appropriated at the time of the adoption of the 2016 City budget for Airport marketing; and

**WHEREAS**, the City Council desires to authorize the expenditure of these funds by enacting a supplemental budget and appropriation to the 2016 City budget for Airport marketing, as authorized by Section 11-6(a) of the Loveland City Charter.

**NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF LOVELAND, COLORADO:**

**Section 1.** That reserves in the amount of \$50,000 from fund balance in the Lodging Tax Fund are available for appropriation. Such revenues in the total amount of \$50,000 are hereby appropriated to the 2016 Northern Colorado Regional Airport budget for Airport marketing. The spending agencies and funds that shall be spending the monies supplementally budgeted and appropriated are as follows:

**Supplemental Budget  
Lodging Tax Fund 206**

<b>Revenues</b>		
Fund Balance		50,000
<b>Total Revenue</b>		<b>50,000</b>
<b>Appropriations</b>		
206-18-182-0000-47600	Transfers to Airport Fund	50,000
<b>Total Appropriations</b>		<b>50,000</b>

**Supplemental Budget  
Airport Fund 600**

<b>Revenues</b>		
600-00-000-0000-37206	Transfers from Lodging Tax	50,000
<b>Total Revenue</b>		<b>50,000</b>
<b>Appropriations</b>		
600-60-290-0000-43738	Marketing	50,000
<b>Total Appropriations</b>		<b>50,000</b>



**Section 2.** That as provided in City Charter Section 4-9(a)(7), this Ordinance shall be published by title only by the City Clerk after adoption on second reading unless the Ordinance has been amended since first reading in which case the Ordinance shall be published in full or the amendments shall be published in full.

**Section 3.** That this Ordinance shall be in full force and effect upon final adoption, as provided in City Charter Section 11-5(d).

ADOPTED this 17th day of May, 2016.

\_\_\_\_\_  
Cecil A. Gutierrez, Mayor

ATTEST:

\_\_\_\_\_  
City Clerk

APPROVED AS TO FORM:

  
\_\_\_\_\_  
City Attorney

Ordinance # 6015

I, Teresa G. Andrews, City Clerk of the City of Loveland, Colorado, hereby certify that the above and foregoing Ordinance was introduced at a regular (or special) meeting of the city Council, held on May 3, 2016 and was initially published in the Loveland Daily Reporter-Herald, a newspaper published within the city limits, in full on May 7, 2016 and by title except for parts thereof which were amended after such initial publication which parts were published in full in said newspaper on May 21, 2016.

\_\_\_\_\_  
City Clerk

Effective Date: May 17, 2016

**AGENDA ITEM:** 7  
**MEETING DATE:** 5/17/2016  
**TO:** City Council  
**FROM:** Jason Licon, Airport  
**PRESENTER:** Jason Licon, Airport

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**TITLE:**

1. An Ordinance To Approve The First Amendment To The Amended And Restated Intergovernmental Agreement For The Joint Operation Of The Fort Collins-Loveland Municipal Airport, Now Known As The Northern Colorado Regional Airport

2. An Ordinance Amending Portions Of The Loveland Municipal Code Concerning The Northern Colorado Regional Airport

**RECOMMENDED CITY COUNCIL ACTION:**

Conduct a public hearing and approve the two ordinances involving the Northern Colorado Regional Airport Commission on first reading.

**OPTIONS:**

1. Adopt the action as recommended.
2. Deny the action. These ordinances are needed to enable the Northern Colorado Regional Airport Commission the authority to pursue strategic planning objectives as approved by City Council, to ratify previous actions of Council and the Commission with respect to actions taken pursuant to the Amended and Restated IGA, and to amend other provisions of the city code to reflect the terms of the First Amendment and to the IGA and reflect the Airport name change.
3. Adopt a modified action. (specify in the motion)
4. Refer back to staff for further development and consideration. If referred back to staff the Airport Commission will not have effective resources available as intended by the City Councils until adopted.

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**SUMMARY:**

This is an administrative action to adopt two ordinances involving the Northern Colorado Regional Airport Commission. The first ordinance amends the Amended and Restated Intergovernmental Agreement for the joint operation of the Airport for the Northern Colorado Regional Airport Commission to delegate, within specific parameters, the authority for the Airport Commission to enter into longer lease agreements, grant agreements, and make expenditures for Airport needs from appropriated, but unassigned reserves. This ordinance also corrects a procedural defect by ratifying all actions taken pursuant to the Airport IGA dated January 22, 2015. The second ordinance changes certain other provisions of the City Code related to the Airport, particularly the delegation of powers and the change of the airport name.

**BUDGET IMPACT:**

- Positive
  - Negative
  - Neutral or negligible
-

**BACKGROUND:**

At the April 27, 2016 meeting, the Commission reviewed and approved a First Amendment to the Airport IGA establishing the Commission. The Commission recommends that in order to provide efficient airport operations, the City Council expand the Commission's authority to:

- enter into lease agreements within the maximum allowable terms as given by the FAA
- enter into grant agreements on behalf of the two Cities up to a certain amount
- provide a recommended budgetary reserve policy that will be used to create the ability for the Commission to spend balances of the Airport fund for Airport needs

This amendment requires the approval of both City Councils. Because both the underlying Airport IGA and the amendment deal with the assignment of powers and duties of a commission, both Cities' charters require that each Council approve by Ordinance. The amendment also provides for ratification of all actions taken pursuant to the Amended and Restated IGA adopted in January of 2015 because the adoption of the IGA was done by resolution rather than ordinance.

The First Amendment to the Airport IGA impacts certain other provisions of the City Code related to the Airport. Thus, Staff recommends Council adopt a second ordinance amending the City Code to address the impact the First Amendment has on the delegation of power. In addition, on that same Commission meeting held April 27, 2016, the Commission voted to change the name of the Airport to the Northern Colorado Regional Airport. This change of the airport name necessitates amendments to other provisions of the city code to reflect the change.

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**REVIEWED BY CITY MANAGER:**

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**LIST OF ATTACHMENTS:**

1. Ordinance Approving the First Amendment to the Amended Restated IGA for the Northern Colorado Regional Airport
2. Ordinance Amending Portions Of The Loveland Municipal Code Concerning The Northern Colorado Regional Airport

**FIRST READING: May 17, 2016**

**SECOND READING \_\_\_\_\_**

**ORDINANCE NO. \_\_\_\_\_**

**FIRST AMENDMENT TO THE AMENDED AND RESTATED INTERGOVERNMENTAL AGREEMENT FOR THE JOINT OPERATION OF THE, FORT COLLINS-LOVELAND MUNICIPAL AIRPORT, TO BE HENCEFORTH KNOWN AS THE NORTHERN COLORADO REGIONAL AIRPORT AND RATIFICATION OF PREVIOUS ACTIONS**

WHEREAS, in 1963, the Cities established a regional general aviation facility and became the joint owners and operators of the Fort Collins-Loveland Municipal Airport, now known as the Northern Colorado Regional Airport (the "Airport"); and

WHEREAS, pursuant to Section 29-1-203 of the Colorado Revised Statutes (and Article II, Section 16, of the Fort Collins City Charter), the Cities are authorized by law to contract with one another to provide for the joint exercise of any function, service or facility lawfully authorized to each of them if such contracts are approved by the Councils of the Cities; and

WHEREAS, the Cities currently operate and maintain the Airport pursuant to that certain Amended and Restated Intergovernmental Agreement for the Joint Operation of the Fort Collins-Loveland Airport dated January 22, 2015 (the "IGA"), which established the Northern Colorado Regional Airport Commission (the "Commission") as the Airport governance structure; and

WHEREAS, in the IGA, the Cities set forth the terms and conditions pursuant to which the Airport will be operated and maintained as the Cities' joint venture; and

WHEREAS, by adoption of Resolution #R-2-2015 on January 6, 2015, the City Council approved the IGA; and

WHEREAS, the Commission, at its April 27, 2016 meeting, approved and recommended adoption by the Cities certain proposed amendments to the IGA respecting the authorized powers of the Commission as reflected in the attached **Exhibit A** (the "First Amendment"); and

WHEREAS, at the April 27, 2016 meeting, the Commission voted to change the name of the Airport to the Northern Colorado Regional Airport; and

WHEREAS, to comply with City Charter Section 10-2(a) regarding the establishment of appointive boards and commissions, the City Council desires by adoption of this Ordinance to reaffirm and ratify approval of the IGA and creation of the Commission in Resolution #R-2-2015; and

WHEREAS, the Council has determined that amendment of the IGA is necessary to reflect its desire to expand the powers delegated to the Commission as set forth in the First Amendment in order to provide more effective and efficient Airport management and operation; and

WHEREAS, the Council, on behalf of the City in its role as an owner and operator of the Airport under the IGA, concurs with the Commission’s action changing the name of the Airport and declares that henceforth the Airport shall be known as the Northern Colorado Regional Airport.

**NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF LOVELAND, COLORADO:**

**Section 1.** Ratification. All actions, proceedings, matters and things heretofore taken and done by the Airport Commission, its officers, and any Loveland employees and otherwise taken pursuant to the Airport IGA dated January 22, 2015 with respect to the operation and management of the Airport are hereby ratified, approved and affirmed.

**Section 2.** That the First Amendment to the Amended and Restated Intergovernmental Agreement for the Joint Operation of the Fort Collins-Loveland Municipal Airport attached hereto as **Exhibit A** and incorporated herein by reference is hereby approved.

**Section 3.** That all references to the Fort Collins-Loveland Municipal Airport in the First Amendment and the Amended and Restated Agreement and all documents, bylaws and rules shall henceforth be deemed to refer to the Northern Colorado Regional Airport.

**Section 4.** That the Mayor and the City Clerk are hereby authorized and directed to execute the First Amendment to Amended and Restated Agreement on behalf of the City of Loveland; provided, however, that the City Manager is authorized, following consultation with the City Attorney, to approve changes to the form of said agreement to protect the interests of the City provided that such changes do not materially change the terms and conditions of said agreement or impair the intended purpose of said agreement.

**Section 5.** That as provided in City Charter Section 4-9(a)(7), this Ordinance shall be published by title only by the City Clerk after adoption on second reading unless the Ordinance has been amended since first reading in which case the Ordinance shall be published in full or the amendments shall be published in full. This Ordinance shall be in full force and effect ten days after its final publication, as provided in City Charter Section 4-8(b).

ADOPTED this 7th day of June, 2016.

\_\_\_\_\_  
Cecil A. Gutierrez, Mayor

ATTEST:  
  
\_\_\_\_\_

City Clerk

Approved as to form:



Teresa Ablao  
Assistant City Attorney

**FIRST READING: May 17, 2016**

**SECOND READING \_\_\_\_\_**

**ORDINANCE NO. \_\_\_\_\_**

**AN ORDINANCE AMENDING PORTIONS OF THE LOVELAND MUNICIPAL CODE CONCERNING THE NORTHERN COLORADO REGIONAL AIRPORT**

WHEREAS, in 1963, the Cities established a regional general aviation facility and became the joint owners and operators of the Fort Collins-Loveland Municipal Airport, now known as the Northern Colorado Regional Airport (the "Airport");

WHEREAS, pursuant to Section 29-1-203 of the Colorado Revised Statutes (and Article II, Section 16, of the Fort Collins City Charter), the Cities are authorized by law to contract with one another to provide for the joint exercise of any function, service or facility lawfully authorized to each of them if such contracts are approved by the Councils of the Cities;

WHEREAS, the Cities currently operate and maintain the Airport pursuant to that certain Amended and Restated Intergovernmental Agreement for the Joint Operation of the Fort Collins-Loveland Airport dated January 22, 2015 (the "IGA"), which established the Northern Colorado Regional Airport Commission (the "Commission") as the Airport governance structure;

WHEREAS, in the IGA, the Cities set forth the terms and conditions pursuant to which the Airport will be operated and maintained as the Cities' joint venture;

WHEREAS, the Commission, at its April 27, 2016 meeting, approved and recommended adoption by the Cities certain proposed a first amendment to the IGA respecting the authorized powers of the Commission;

WHEREAS, at the April 27, 2016 meeting, the Commission also voted to change the name of the Airport to the Northern Colorado Regional Airport;

WHEREAS, both the amendment to the IGA and the name change result in the necessity to; and

WHEREAS, the Council has determined that amendment of the city municipal code is necessary to reflect its desire to reflect the Airport's new name and harmonize the municipal code provisions with the proposed the delegation of powers granted pursuant to the IGA.

**NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF LOVELAND, COLORADO:**

**Section 1.** That Section 2.24.050(A) of the Loveland Municipal Code is hereby amended to read as follows:

**2.24.050 Leases.**

A. The city manager is authorized to approve and execute leases in real property owned or leased in the name of the city and located at the ~~Fort Collins Loveland Airport~~ Northern Colorado Regional Airport, provided that the lease shall comply with the provisions of paragraph B. of Section 12.48.020. Notwithstanding the foregoing, to the extent that this provision conflicts with the terms of any intergovernmental agreements and subsequent amendments between the city of Loveland and the city of Fort Collins and any bylaws, rules and regulations respecting the operation of the Northern Colorado Regional Airport, the provisions of such intergovernmental agreements, subsequent amendments, bylaws, rules and regulations shall apply.

**Section 2.** That Section 3.40.010(A) of the Loveland Municipal Code is hereby amended to read as follows:

**3.40.010 Definitions.**

As used in this chapter, the following words and phrases are defined as follows:

A. "Airport" means the area of the ~~Fort Collins Loveland Municipal Airport~~ Northern Colorado Regional Airport.

**Section 3.** That Section 12.48.010(B) of the Loveland Municipal Code is hereby amended to read as follows:

**12.48.010 Definitions.**

As used in this chapter, the following words shall have the following meanings:

B. "Airport" means the ~~Fort Collins Loveland Municipal Airport~~ Northern Colorado Regional Airport.

**Section 4.** That Section 12.48.020 of the Loveland Municipal Code is hereby amended to read as follows:

**12.48.020 Airport manager; authority.**

A. The manager shall have the duty and authority to organize, direct, and manage the airport and shall perform such other functions as may be prescribed by the city manager.

B. The manager is hereby authorized to approve and execute leases of real property owned in the name of the city and located at the airport, provided that:



1. The use to which the real property is to be put under the lease is an aeronautical or general aviation use or a use which directly augments an aeronautical or general aviation use;
2. The use to which the real property is to be put is permitted by the land use and zoning codes and regulations applicable to the real property;
3. The lease and the use to which the real property is to be put is in compliance with all federal, state, and local laws, regulations, and agreements applicable to the property to be leased;
4. The lease is for a term of no more than twenty-five years; and
5. The lease provides that the city shall receive a rental amount that reasonably represents, as of the date of the lease, the fair market rental value for the lease of the real property.

C. Notwithstanding the foregoing, to the extent that this section conflicts with the terms of any intergovernmental agreements and subsequent amendments between the city of Loveland and the city of Fort Collins and any bylaws, rules and regulations respecting the operation of the Northern Colorado Regional Airport, the provisions of such intergovernmental agreements, subsequent amendments, bylaws, rules and regulations shall apply.

ED. The manager shall notify the city manager in writing of the granting of any lease pursuant to this section within fifteen days after such lease is fully executed. (Ord. 5733 § 6, 2012)

**Section 3.** That Section 12.48.110 of the Loveland Municipal Code is hereby amended to read as follows:

**12.48.110 Landing in city prohibited.**

It is unlawful for any person to perform any takeoff or landing of an aircraft within the corporate limits of the city, except at the ~~Fort Collins Loveland Municipal Airport~~Northern Colorado Regional Airport, without obtaining prior approval of the city manager. Such approval shall be granted upon the terms and conditions determined by the city manager, taking into account safety of persons and property. The provisions of this section shall not apply to the operation of aircraft by any governmental agency; provided, that the city council may regulate the location for takeoffs and landings within the city which are performed by governmental agencies on a regular basis. (Ord. 3389 § 1, 1987; Ord. 2089 § 1, 1983; Ord. 1568 § 1, 1977; prior code § 18.12)

**Section 4.** That as provided in City Charter Section 4-9(a)(7), this Ordinance shall be published by title only by the City Clerk after adoption on second reading unless the Ordinance has been amended since first reading in which case the Ordinance shall be published in full or the amendments shall be published in full. This Ordinance shall be in full force and effect ten days after its final publication, as provided in City Charter Section 4-8(b).

ADOPTED this 7th day of June, 2016.

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Cecil A. Gutierrez, Mayor

ATTEST:

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City Clerk

Approved as to form:



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Teresa Ablao  
Assistant City Attorney

**AGENDA ITEM:** 8  
**MEETING DATE:** 5/17/2016  
**TO:** City Council  
**FROM:** Alan Krcmarik  
**PRESENTER:** Alan Krcmarik, Executive Fiscal Advisor

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**TITLE:**  
 An Ordinance Amending the City of Loveland Investment Policy

**RECOMMENDED CITY COUNCIL ACTION:**  
 Allow for Public Comment and approve the Ordinance First Reading

**OPTIONS:**

1. Adopt the action as recommended.
2. Deny the action. If the proposed correction is denied, a limitation recommended by the Citizens' Finance Advisory Commission on the ability to invest City funds in certain investment would not be in the policy.
3. Adopt a modified action. No other options have been recommended by the Citizens' Finance Advisory Commission.
4. Refer back to staff for further development and consideration. Consistent with the feedback from Council, staff would conduct appropriate research and present it to the CFAC for evaluation.

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**SUMMARY:**

This is a legislative action to consider a technical amendment to correct a prior amendment to the City's Investment Policy. In the fall of 2015, the Citizens' Finance Advisory Commission ("CFAC") reviewed the Investment Policy and recommended a few changes to the City Council. Council adopted the changes on second reading on January 5, 2016. The form of the amendments presented to Council did not capture all of the limitations on the investments allowed under Section VIII. of the policy. The CFAC intended to limit investments by an expressed dollar amount **and** as a percentage of the total portfolio. The percentage limitations were inadvertently omitted.

**BUDGET IMPACT:**

- Positive The investment policy changes recommended by CFAC would increase earnings.  
 Negative  
 Neutral or negligible

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**BACKGROUND:**

The Citizens' Finance Advisory Commission is assigned the responsibility to periodically review the City of Loveland Investment Policy and to recommend changes. During 2015, the Commission reviewed the policy. The CFAC recommended modification of Section VIII. Suitable and Authorized Investments. Please refer to Attachment 1, the City of Loveland Temporary Addendum to Investment Policy. Beginning several years ago, the CFAC and city investment staff discussed and reviewed ways to improve the rate of return on the portfolio without taking on substantially more risk. The CFAC received information from staff and conducted additional research into credit quality based on extension of maturities and considering a broader range of credit quality. The Policy limits investments to securities that have two double-A ratings from the major credit rating agencies. The CFAC recommendation allows investments in lower rated securities and links the securities to the maturity. For example, the recommended policy change

would allow a Government Sponsored Enterprise security with a term of 3 years or less to be placed into the City's portfolio with an A-/A3/A- rating. For a 7 year term security, the credit quality would have to be higher, A+/A1/A+. The general idea is that more credit quality risk could be taken on shorter term investments. The proposed policy change also establishes dollar limits on the longer term securities.

The CFAC discussion led to the concept of allowing lower rated securities and extending maturities. CFAC discussed and intended to have dollar limitations on each type of investment and also a limitation on the percentage of the total portfolio. In Subsection 1. which covers U.S. Treasury and Agency issues, CFAC determined a limit of \$20 million and a percentage limit of 10% of the total portfolio. In Subsection 2. Which covers Government Sponsored Enterprises, CFAC determined a level of \$20 million and 10% of the total portfolio, and Subsection 4. Which covers Corporate Securities, the CFAC determined a level of \$10 million and 10% of the total portfolio.

The key consideration supporting the CFAC recommendation comes from extensive historical investment security performance tables published by Moody's Investors Service and Standard & Poor's, two of the nationally recognized rating agencies. The tables showed (even through the downturn from 2008 to 2010—the Great Recession) that highly rated bonds, those in the A rating category, did not have high rates of default. In fact, virtually no bonds with ratings this high actually proceeded to default. If the credit quality diminished it occurred slowly, allowing time for the sale of securities to minimize investment losses. The proposed change to the Investment Policy was also supported by information provided by Morgan Stanley, the City's investment advisor, other investment professionals, and commentary from the public indicating the City should strive to get higher returns on its portfolio. Based on the current investment environment, City staff believes that an additional \$150,000 of earnings could be achieved through the proposed change. Most of the additional return would be from the extension of security maturity by two years with some additional income from the slightly lower credit ratings.

To correct the omission, the original ordinance that authorized the changes to the Investment Policy is being presented again with the corrected Temporary Addendum to the Investment Policy inserted.

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**REVIEWED BY CITY MANAGER:**



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**LIST OF ATTACHMENTS:**

1. City of Loveland Temporary Addendum to the Investment Policy
2. Ordinance

## City of Loveland Temporary Addendum to Investment Policy

In recognition of current market conditions, the City of Loveland adopts this Addendum to its Investment Policy effective for three (3) years following its approval by City Council. Notwithstanding anything in the Investment Policy to the contrary, as long as this Addendum is in place investments in the following, subject to the following constraints, shall be considered “Suitable and Authorized Investments” under section VIII. of the Investment Policy:

Subsection 1. “United States Treasury and Agency Issues” may include the following investments subject to a combined maximum investment of the lesser of \$20 million or 10% of the total portfolio:

Credit Rating	Maximum Maturity
A-/A3/A-	3 years
A/A2/A	5 years
A+/A1/A+	7 years

Note: Securities must carry at least two credit ratings with a minimum rating listed from Standard & Poor’s, Moody’s Investor Service or Fitch, respectively.

Subsection 2. “Government Sponsored Enterprises (“GSE”) may include investments subject to a combined maximum investment of the lesser of \$20 million or 10% of the total portfolio:

Credit Rating	Maximum Maturity
A-/A3/A-	3 years
A/A2/A	5 years
A+/A1/A+	7 years

Note: Securities must carry at least two credit ratings with a minimum rating listed from Standard & Poor’s, Moody’s Investor Service or Fitch, respectively.

Subsection 4. “Corporate Securities” may include investments subject to a combined maximum investment of the lesser of \$10 million or 10% of the total portfolio:

Credit Rating	Maximum Maturity
A-/A3/A-	3 years
A/A2/A	5 years

Note: Securities must carry at least two credit ratings with a minimum rating listed from Standard & Poor’s, Moody’s Investor Service or Fitch, respectively.

Subsection 8. “Deposits in State or Nationally Chartered Depository Institutions” may include: Certificates of Deposit (“CDs”) under \$250,000 that are fully insured by the Federal Deposit Insurance Corporation.

Investments made prior to the expiration of this Addendum will not have to be sold due to expiration of this Addendum.

**FIRST READING:** May 17, 2016

**SECOND READING:** \_\_\_\_\_

**ORDINANCE NO.** \_\_\_\_\_

**AN ORDINANCE AMENDING THE CITY OF LOVELAND  
INVESTMENT POLICY**

**WHEREAS**, the City is a home-rule municipality under Article XX of the Colorado Constitution, with the authority to exercise as large a measure of home rule in municipal affairs as may be granted in the republican form of government, which the State of Colorado is obligated to maintain under its enabling act; and

**WHEREAS**, Loveland Municipal Code Section 3.04.070 provides for the deposit and investment of City funds as authorized by ordinance and state law; and

**WHEREAS**, the City adopted the City of Loveland Investment Policy dated February, 2003, and amended the Policy by Ordinance No. 5650 (collectively, the “City Investment Policy”), incorporated herein by reference, which sets forth authorized investments for City funds; and

**WHEREAS**, the City’s investment program is administered by several different staff members as designated by the City Manager; and

**WHEREAS**, Section VIII of the City Investment Policy contains provisions identifying Suitable and Authorized investments; and

**WHEREAS**, the Citizens’ Finance Advisory Commission, assigned with the responsibility of periodic review of the City Investment Policy, conducted such a review and recommended that the City Council update and clarify the language in the City Investment Policy regarding the responsibility for investment program operations and providing for a three-year period to extend the maturity and credit quality requirement for selected authorized investments; and

**WHEREAS**, pursuant to such recommendation the City Council adopted Ordinance No. 5990 on January 5, 2016, amending the City Investment Policy, but inadvertently omitted provisions that placed limits on certain authorized investments; and

**WHEREAS**, this amendment is intended to supersede and replace Ordinance No. 5990 and amend the City Investment Policy to be consistent with such recommendations.

**NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE  
CITY OF LOVELAND, COLORADO:**

**Section 1.** That the City Council hereby amends Section VIII of the City of Loveland Investment Policy with the addition of the following language to be placed at the end of such section:

## City of Loveland Temporary Addendum to Investment Policy

In recognition of current market conditions, the City of Loveland adopts this Addendum to its Investment Policy effective for three (3) years following its approval by City Council. Notwithstanding anything in the Investment Policy to the contrary, as long as this Addendum is in place investments in the following, subject to the following constraints, shall be considered “Suitable and Authorized Investments” under section VIII. of the Investment Policy:

Subsection 1. “United States Treasury and Agency Issues” may include the following investments subject to a combined maximum investment of the lesser of \$20 million or 10% of the total portfolio:

Credit Rating	Maximum Maturity
A-/A3/A-	3 years
A/A2/A	5 years
A+/A1/A+	7 years

Note: Securities must carry at least two credit ratings with a minimum rating listed from Standard & Poor’s, Moody’s Investor Service or Fitch, respectively.

Subsection 2. “Government Sponsored Enterprises (“GSE”) may include investments subject to a combined maximum investment of the lesser of \$20 million or 10% of the total portfolio:

Credit Rating	Maximum Maturity
A-/A3/A-	3 years
A/A2/A	5 years
A+/A1/A+	7 years

Note: Securities must carry at least two credit ratings with a minimum rating listed from Standard & Poor’s, Moody’s Investor Service or Fitch, respectively.

Subsection 4. “Corporate Securities” may include investments subject to a combined maximum investment of the lesser of \$10 million or 10% of the total portfolio:

Credit Rating	Maximum Maturity
A-/A3/A-	3 years
A/A2/A	5 years

Note: Securities must carry at least two credit ratings with a minimum rating listed from Standard & Poor’s, Moody’s Investor Service or Fitch, respectively.

Subsection 8. “Deposits in State or Nationally Chartered Depository Institutions” may include: Certificates of Deposit (“CDs”) under \$250,000 that are fully insured by the Federal Deposit Insurance Corporation.

Investments made prior to the expiration of this Addendum will not have to be sold due to expiration of this Addendum.

**Section 2.** That the City Council hereby amends the City of Loveland Investment Policy by substituting the words “City Manager or designee” in each instance referencing “Finance Director” or “Accounting Manager” throughout such policy.

**Section 3.** That this Ordinance shall supersede and replace Ordinance No. 5990.

**Section 4.** That all other terms and conditions of the City of Loveland Investment Policy shall remain in full force and effect.

**Section 5.** That as provided in City Charter Section 4-9(a)(7), this Ordinance shall be published by title only by the City Clerk after adoption on second reading unless the Ordinance has been amended since first reading in which case the Ordinance shall be published in full or the amendments shall be published in full.

**Section 6.** This Ordinance shall be in full force and effect ten days after its final publication, as provided in City Charter Section 4-8(b).

ADOPTED this 7<sup>th</sup> day of June, 2016.

\_\_\_\_\_  
Cecil A. Gutierrez, Mayor

ATTEST:

\_\_\_\_\_  
City Clerk

APPROVED AS TO FORM:

  
\_\_\_\_\_  
City Attorney



**AGENDA ITEM:** 9  
**MEETING DATE:** 5/17/2016  
**TO:** City Council  
**FROM:** Alison Hade, Community Partnership Office  
**PRESENTER:** Alison Hade, Administrator

**TITLE:**

A Resolution Approving Subordination Of Five Deeds Of Trust Held By The City Of Loveland Totaling One Million Ninety Thousand One Hundred Ninety Six Dollars Associated With Property Located At 1511 East 11th Street Owned By House Of Neighborly Service

**RECOMMENDED CITY COUNCIL ACTION:**

Adopt the resolution.

**OPTIONS:**

1. Adopt the action as recommended.
2. Deny the action. If the City does not subordinate the deeds of trust to the proposed loan on the property, House of Neighborly Service will not be able to refinance the debt on its property. The savings from refinancing is expected to be \$245,900.
3. Adopt a modified action. House of Neighborly Service will not be able to refinance the debt on the property, if only some of the deeds of trust are subordinated.
4. Refer back to staff for further development and consideration. House of Neighborly Service will be able to retain their agreed-upon interest rate for the proposed loan until June 10, 2016. After that date, they will have to start the loan process over and renegotiate a new interest rate.

**SUMMARY:**

This is an administrative action item. House of Neighborly Service (HNS) is requesting that the City of Loveland subordinate the position of its Deeds of Trust to allow the agency to refinance two current loans that were incurred for the purchase and remodeling of the property located at 1511 East 11<sup>th</sup> Street. HNS purchased an office building in 2012, and in 2013, the City of Loveland provided grants and fee waivers for remodeling that were accompanied by restrictions that, if the agency sells the building within 20 years or discontinues providing a social service, the grants and fee waivers must be repaid.

**BUDGET IMPACT:**

- Positive  
 Negative  
 Neutral or negligible

Subordinating the City's position to a new loan by HNS does not have a direct impact on the budget.

**BACKGROUND:**

House of Neighborly Service purchased a building located at 1511 East 11<sup>th</sup> Street in Loveland, Colorado in December, 2012. The cost of the building was \$2.95 million, of which \$2.3 million was financed with \$1.4 million currently due. The building currently appraises at \$5.8 million.

HNS remodeled the 37,000 sf building, turning it into 62,000 sf to house between 16 and 20 additional local non-profits organizations. The cost of the remodel was \$3.3 million, of which \$1.5

million of that cost was financed. Refinancing will reduce the interest rate by 1% and will defer a balloon payment.

HNS received funding for the remodel of the property from City Council in 2013 and two Community Development Block Grants (CDBG) in 2014 totaling \$1,010,726. HNS has two other deeds of trust on the building for CDBG funding received by Interfaith Hospitality Network/Angel House when HNS acquired that agency. These two deeds of trust total \$79,470, although the \$72,400 deed of trust will expire in four years.

All funding received by HNS is restricted by deeds of trust for 20 years. Should the agency decide to sell the building or discontinue services as a non-profit, funding must be repaid to the City of Loveland. After 20 years, the restriction will no longer apply.

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**REVIEWED BY CITY MANAGER:**

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**LIST OF ATTACHMENTS:**

1. Resolution
2. Attachment A – Letter requesting subordination
3. Attachment B – Grant liens
4. Attachment C – Appraisal

**RESOLUTION #R-36-2016**

**A RESOLUTION APPROVING SUBORDINATION OF FIVE DEEDS OF TRUST HELD BY THE CITY OF LOVELAND TOTALING ONE MILLION NINETY THOUSAND ONE HUNDRED NINETY SIX DOLLARS ASSOCIATED WITH PROPERTY LOCATED AT 1511 EAST 11<sup>TH</sup> STREET OWNED BY HOUSE OF NEIGHBORLY SERVICE**

**WHEREAS**, House of Neighborly Service, a Colorado nonprofit corporation (“HNS”) requested that the City of Loveland (“City”) subordinate five (5) deeds of trust totaling \$1,090,196 identified in **Exhibit “A”** (the “Deeds of Trust”) to allow refinancing of 1511 East 11<sup>th</sup> Street, Loveland, Colorado (the “Property”); and

**WHEREAS**, in 2012 HNS purchased the Property for \$2.95 million to facilitate the provision of services to the community, and in 2013, remodeled the building located on the Property (the “Building”) for \$3.3 million to provide space for sixteen to twenty additional nonprofit organizations that provide community services; and

**WHEREAS**, in order to complete such purchase of the Property and remodeling of the Building, HNS incurred loans of \$2.3 million and \$1.8 million, respectively; and

**WHEREAS**, as part of such remodel, HNS separately received City funding in 2013 and 2014 of \$1,010,726, and in consideration for such funds, executed deeds of trust on the Property to ensure its use for community services for 20 years from the date of the deeds of trust or to require repayment of such funds; and

**WHEREAS**, pursuant to the acquisition of a non-profit agency, HNS also became successor to two additional loans totaling \$79,470 that have deeds of trust on the Property with similar restrictions, although one such deed of trust expires in 6 years rather than 20 years; and

**WHEREAS**, HNS seeks to refinance the loans incurred to purchase of the Property and remodel of the Building in order to reduce the current interest rate, with an expected savings of \$245,900, but cannot do so unless the City subordinates the Deeds of Trust on the Property by executing a subordination agreement in substantially the form attached hereto as **Exhibit “B”**; and

**WHEREAS**, the City finds that subordination of the Deeds of Trust is in the best interest of the City and serves a public purpose of encouraging both the continued provision of community services by HNS and the consolidation of community services provided by other nonprofit organizations for the convenience of the community.

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF LOVELAND, COLORADO:**

**Section 1.** That the City Council finds that subordination of the Deeds of Trust serves a public purpose and is in the best interest of the City as set forth above and approves subordination of the Deeds of Trust.

**Section 2.** That the City Manager is authorized, following consultation with the City Attorney, to modify the subordination agreements in form or substance as deemed necessary to effectuate the purposes of this Resolution or to protect the interests of the City and to execute such subordination agreements for the Deeds of Trust.

**Section 3.** That this Resolution shall be effective as of the date of its adoption.

**ADOPTED** this 17<sup>th</sup> day of May 2016.

\_\_\_\_\_  
Cecil A. Gutierrez, Mayor

ATTEST:

\_\_\_\_\_  
City Clerk

APPROVED AS TO FORM:

  
\_\_\_\_\_  
Assistant City Attorney

A RESOLUTION APPROVING SUBORDINATION OF FIVE DEEDS OF TRUST HELD BY THE CITY TOTALING ONE MILLION NINETY THOUSAND ONE HUNDRED NINETY SIX DOLLARS ASSOCIATED WITH PROPERTY LOCATED AT 1511 EAST 11<sup>TH</sup> STREET OWNED BY HOUSE OF NEIGHBORLY SERVICE

## Exhibit A

Deed of Trust	Amount	Execution Date	Expiration Date
1	\$155,240	5/1/2014	4/30/2034
2	\$74,970	6/11/2014	6/10/2034
3	\$780,516	12/18/2014	12/17/2034
4	\$72,400	3/11/2015	9/30/2021
5	\$7,070	3/11/15	7/29/2032

## SUBORDINATION AGREEMENT

NOTICE: THIS SUBORDINATION AGREEMENT RESULTS IN YOUR SECURITY INTEREST IN THE PROPERTY BECOMING SUBJECT TO AND OF LOWER PRIORITY THAN THE LIEN OF SOME OTHER OR LATER SECURITY INSTRUMENT

THIS AGREEMENT, made this \_\_\_\_\_

House of Neighborly Service

owner of the land hereinafter described and hereinafter referred to as "Owner," and

City of Loveland, a Colorado municipal corporation

present owner and holder of the deed of trust and note first hereinafter described and hereinafter referred to as "Beneficiary";

WITNESSETH

THAT WHEREAS,

did execute a deed of trust, dated **May 1st, 2014**, to **Larimer County Public Trustee**, as trustee, covering:

**Lot 1, Block 1, WARD INDUSTRIAL PARK FIRST SUBDIVISION,  
City of Loveland,  
County of Larimer, State of Colorado**

to secure a note in the sum of **\$155,240.00**, dated **May 1st, 2014**, in favor of **City of Loveland, a Colorado municipal corporation**, recorded **May 9th, 2014 at Reception Number 20140023311**, in **Larimer County**, Official Records of said county; and

WHEREAS, Owner has executed, or is about to execute, a deed of trust and note in the sum of **\$1,145,000 and \$1,750,000** dated \_\_\_\_\_, in favor of **First Bank & Trust Company, Cozad, Nebraska dba Waypoint Bank**, hereinafter referred to as "Lender," payable with interest and upon the terms and conditions described therein, which deed of trust is to be recorded concurrently herewith; and

WHEREAS, it is a condition precedent to obtaining said loan that said deed of trust last above mentioned shall unconditionally be and remain at all times a lien or charge upon the land hereinbefore described, prior and superior to the lien or charge of the deed of trust first above mentioned; and

WHEREAS, lender is willing to make said loan provided the deed of trust securing the same is a lien or charge upon the above described property prior and superior to the lien or charge of the deed of trust first above mentioned and provided that Beneficiary will specifically and unconditionally subordinate the lien or charge of the deed of trust first above mentioned to the lien or charge of the deed of trust in favor of Lender; and

WHEREAS, it is to the mutual benefit of the parties hereto that Lender make such loan to Owner; and Beneficiary is willing that the deed of trust securing the same shall, when recorded, constitute a lien or charge upon said land which is unconditionally prior and superior to the lien or charge of the deed of trust first above mentioned.

NOW, THEREFORE, in consideration of the mutual benefits accruing to the parties hereto and other valuable consideration, the receipt and sufficiency of which consideration is hereby acknowledged, and in order to induce Lender to make the loan above referred to, it is hereby declared, understood and agreed as follows:

- (1) That said deed of trust securing said note in favor of Lender, and any renewals or extensions thereof, shall unconditionally be and remain at all times a lien or charge on the property therein described, prior and superior to the lien or charge of the deed of trust first above mentioned.
- (2) That Lender would not make its loan above described without this subordination agreement.
- (3) That this agreement shall be the whole and the only agreement with regard to the subordination of the lien or charge of the deed of trust first above mentioned to the lien or charge of the deed of trust in favor of lender above referred to and shall supersede and cancel, but only insofar as would affect the priority between the deeds of trust hereinbefore specifically described, any prior agreement as to such subordination including, but not limited to, those provisions, if any, contained in the deed of trust first above mentioned, which provide for the subordination of the lien or charge thereof to another deed or deeds of trust or to another mortgage or mortgages. Beneficiary declares, agrees and acknowledges that
  - (a) He consents to and approves (i) all provisions of the note and deed of trust in favor of Lender above referred to, and (ii) all agreements, including but not limited to any loan or escrow agreements, between Owner and Lender for the disbursement of the proceeds of Lender's loan;
  - (b) Lender in making disbursements pursuant to any such agreement is under no obligation or duty to, nor has Lender represented that it will, see to the application of such proceeds by the person or persons to whom Lender disburses such proceeds and any application or use of such proceeds for purposes other than those provided for in such agreement or agreements shall not defeat the subordination herein made in whole or in part;

- (c) He intentionally and unconditionally waives, relinquishes and subordinates the lien or charge of the deed of trust first above mentioned in favor of the lien or charge upon said land of the deed of trust in favor of Lender above referred to and understands that in reliance upon, and in consideration of, this waiver, relinquishment and subordination specific loans and advances are being and will be made and, as part and parcel thereof, specific monetary and other obligations are being and will be entered into which would not be made or entered into but for said reliance upon this waiver, relinquishment and subordination; and
- (d) An endorsement has been placed upon the note secured by the deed of trust first above mentioned that said deed of trust has by this instrument been subordinated to the lien or charge of the deed of trust in favor of Lender above referred to.

NOTICE: THIS SUBORDINATION AGREEMENT CONTAINS A PROVISION WHICH ALLOWS THE PERSON OBLIGATED ON YOUR REAL PROPERTY SECURITY TO OBTAIN A LOAN, A PORTION OF WHICH MAY BE EXPENDED FOR OTHER PURPOSES THAN IMPROVEMENT OF THE LAND.

BENEFICIARY:

**House of Neighborly Service**

By: \_\_\_\_\_ as \_\_\_\_\_

**City of Loveland, a Colorado municipal corporation**

By: \_\_\_\_\_ as \_\_\_\_\_

STATE OF **COLORADO**  
 COUNTY OF **Larimer** }ss:  
 The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 2016, by \_\_\_\_\_ as \_\_\_\_\_ for City of Loveland, a Colorado municipal corporation

\_\_\_\_\_  
 Notary Public

Witness my hand and official seal.  
 My Commission expires:

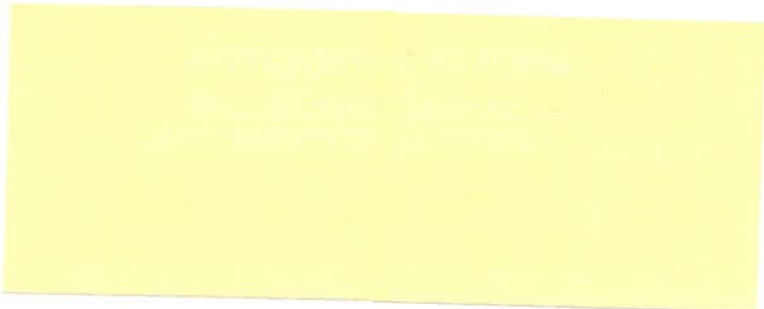
STATE OF **COLORADO**  
 COUNTY OF **Larimer** }ss:  
 The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 2016, by \_\_\_\_\_ as \_\_\_\_\_ for **House of Neighborly Service**

\_\_\_\_\_  
 Notary Public

Witness my hand and official seal.  
 My Commission expires:

*IT IS RECOMMENDED THAT, PRIOR TO THE EXECUTION OF THIS SUBORDINATION AGREEMENT, THE PARTIES CONSULT WITH THEIR ATTORNEYS WITH RESPECT THERETO.*

(CLTA SUBORDINATION FORM "A")





# HOUSE OF NEIGHBORLY SERVICE

“HELP FOR TODAY... HOPE FOR TOMORROW”

*Celebrating*

**50+** YEARS OF SERVICE

1511 E. 11th ST. Suite  
100 Loveland, CO 80537

Ph: 970.667.4939  
Fax: 970.667.1597

[www.honservice.org](http://www.honservice.org)

May 11, 2016

To the City of Loveland;

House of Neighborly Service is in the process of refinancing our two loans on the Life Center facility. One is the building purchase loan and the second is the construction loan.

Waypoint Bank has offered HNS a loan proposal that will save HNS approximately \$245,000 over the term of the loans.

House of Neighborly Service is requesting the City of Loveland to agree to a subordinate its position to Waypoint Bank for funding received through grants and fee waivers to rehabilitate HNS Life Center.

The new loans have lower interest rates and offer lesser increases when both loans balloon than the current bank loans.

Thank you for your consideration and assistance in this timely opportunity.

Very sincerely,

Glorie Magrum  
Executive Director



### **House of Neighborly Service**

#### **Date scheduled for release:**

Furnish for recordation a full release of deed of trust:

Amount: \$155,240.00

Trustor/Grantor: House of Neighborly Service

Trustee: Public Trustee of Larimer County

Beneficiary: City of Loveland, Colorado

Loan No. Unknown

Recording Date: May 9, 2014

Recording No: [Reception No. 20140023311](#)

[5/2/2034](#)

Furnish for recordation a full release of deed of trust:

Amount: \$74,970.00

Trustor/Grantor: House of Neighborly Service

Trustee: Public Trustee of Larimer County

Beneficiary: City of Loveland, a Colorado municipal corporation

Loan No. Unknown

Recording Date: July 18, 2014

Recording No: [Reception No. 20140039211](#)

[6/12/2034](#)

Furnish for recordation a full release of deed of trust:

Amount: \$780,516.00

Trustor/Grantor: House of Neighborly Service

Trustee: Public Trustee of Larimer County

Beneficiary: City of Loveland, Colorado

Loan No. Unknown

Recording Date: December 23, 2014

Recording No: [Reception No. 20140074159](#)

[12/17/2034](#)

Furnish for recordation a full release of deed of trust:

Amount: \$72,400.00

Trustor/Grantor: House of Neighborly Service

Trustee: Public Trustee of Larimer County

Beneficiary: City of Loveland, Colorado

Loan No. Unknown

Recording Date: March 17, 2015

Recording No: [Reception No. 20150014866](#)

[9/30/2021](#)

Furnish for recordation a full release of deed of trust:

Amount: \$7,070.00

Trustor/Grantor: House of Neighborly Service

Trustee: Public Trustee of Larimer County

Beneficiary: City of Loveland, Colorado

Loan No. Unknown

Recording Date: March 17, 2015

Recording No: [Reception No. 20150014867](#)

[7/30/2032](#)

**APPRAISAL REPORT  
of a Remodeled/Converted  
OFFICE/SPECIAL PURPOSE (INSTITUTIONAL) BUILDING  
1511 East 11<sup>th</sup> Street  
Loveland, Colorado 80537**



**prepared for**

Ms. Meggan Bowers  
Universal Operations Representative  
Waypoint Bank (First Bank and Trust - Cozad)  
747 Meridian  
Cozad, NE 69130

**DATE OF VALUE**

April 9, 2016

**prepared by**

Shelley K. Kechter, MAI  
Real Estate Appraiser – Consultant  
2614 South Timberline Road, #109-175  
Fort Collins, Colorado 80525

# SHELLEY K. KECHTER, MAI

## REAL ESTATE APPRAISER - CONSULTANT

2614 South Timberline Road, #109-175, Fort Collins, Colorado 80525  
970-204-1400 (Telephone), 970-226-4042 (Fax)

April 22, 2016

Ms. Meggan Bowers  
Universal Operations Representative  
Waypoint Bank (First Bank and Trust - Cozad)  
747 Meridian  
Cozad, NE 69130

Dear Ms. Bowers:

Pursuant to your request, I have prepared a real property appraisal report for the remodeled office/special purpose (institutional) building located at 1511 East 11<sup>th</sup> Street, Loveland, Colorado. The property is legally described within the following appraisal report and consists of a multi-tenant office/special purpose building that contains a total of approximately 61,990± net rentable square feet on two levels and is located on a commercial/light industrial site that consists of approximately 132,311± square feet of land. All contingent and limiting conditions and extraordinary assumptions are outlined within the report. There were no hypothetical conditions applied within this report. There is one *extraordinary assumption* of special note related to the proposed completion of interior finish necessary to established Prospective Market Value Upon Completion. The proposed remodeling/updating is projected to be completed within nine months of the date of value.

The first purpose of this appraisal is to estimate the *Prospective Market Value* of the subject property subject to completion of all interior finishes as proposed. *Market Value*, as used in this report is defined on Page 13, and the valuation is predicated upon fee simple title. The date of the *As Is* market value and date of inspection are considered to be one in the same, or April 9, 2016. The final completion of interior finish is projected to be completed within nine months (270 days) with a Prospective date of January 9, 2017. The date of the report is April 22, 2016. This appraisal report has been prepared with the intention of complying with the Standards of Professional Appraisal Practice of the Appraisal Institute, USPAP, and with all FIRREA requirements. The marketing period for the subject property (as complete) is estimated to be twelve months or less based upon the current market conditions.

The appraisal report describes the property as well as the factors influencing real estate values in the Loveland area and the neighborhood. The appraisal process considered the Cost, Sales Comparison, and Income Approaches, but only the Sales Comparison and Income Approaches were deemed to be valid for the subject property. As a result of this study, the *Prospective Market Value Upon Completion of Final/Full Interior Finish* of the subject property (Fee Simple Estate) as of January 9, 2017, is estimated to be:

SIX MILLION DOLLARS  
(\$6,000,000)\*

\*For the purposes of this appraisal, the property will likely be *Stabilized* as of the completion of the final interior finish. The owner currently occupies the majority of the building with additional non-profit tenants/users leasing/occupying for the remainder.

Ms. Meggan Bowers  
Page Two  
April 22, 2016

In addition to the Prospective Market Value of the subject property (as fully finished), I am also providing an estimate of the *As Is Market Value* for the subject property based upon the Fee Simple Interest. In its "As Is" condition, the subject property consists of a mostly finished office/special purpose (institutional) building with approximately 9,000± square feet remaining unfinished (awaiting tenant finish and final build-out of tenant space and some common area) on two levels. This analysis may be found after the Sales Comparison Approach. As a result of this study, the estimated *As Is Market Value* for the subject property as of April 9, 2016, is estimated to be:

As Complete	\$6,000,000
Less: Cost to Complete Interior Finish	<u>- 180,000*</u>
Final "As Is" Market Value Estimate	\$5,820,000

\*Completion deduction involves approximately 9,000 square feet at an estimated cost to finish at \$20.00 per square foot. This allowance/size estimate includes gymnasium/flex room, coffee shop, and remaining common area as well as additional private offices. The cost does not include enhancement of an exterior entry on the west side not considered necessary for the function of the property.

Respectfully submitted,



Shelley K. Kechter, MAI  
#CG01314175

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**EXHIBITS**

- EXHIBIT A Current Assessment and Real Property Tax Data for the Subject Property
- EXHIBIT B Rent Roll for the Subject Property
- EXHIBIT C FEMA Flood Map for the Subject Area
- EXHIBIT D Zoning Map for the Subject Area
- EXHIBIT E "I" (Developing Industrial District) Zoning Resolution  
by the City of Loveland
- EXHIBIT F Engagement Letter from Waypoint Bank
- EXHIBIT G Certified General Appraiser License for Shelley K. Kechter

## **EXECUTIVE SUMMARY**

<b>Client/Intended User:</b>	Waypoint Bank (First Bank and Trust - Cozad) 747 Meridian Cozad, NE 69130
<b>Purpose of the Appraisal:</b>	To estimate the <i>Prospective</i> market value and the <i>As Is</i> market value as defined by USPAP and the Appraisal Foundation.
<b>Function of the Appraisal:</b>	To be used by Waypoint Bank (First Bank and Trust-Cozad) as an aid in underwriting a loan, classification of a loan, and/or the disposition of loan collateral, which may constitute a federally related real estate transaction for purposes of applicable regulations.
<b>Type of Report:</b>	Real property appraisal report.
<b>Ownership:</b>	House of Neighborly Service 1511 East 11 <sup>th</sup> Street, Suite 100 Loveland, Colorado 80537-5006
<b>Property Type:</b>	Office/Special Purpose (Institutional) Building Multi-Tenant
<b>Date of Value (As Is) and Date of Inspection:</b>	April 9, 2016
<b>Date of Report:</b>	April 22, 2016
<b>Projected Completion Date:</b>	January 9, 2017 (Approximately 270 days).
<b>Scope of the Appraisal:</b>	The Income Approach and Sales Comparison approach were used to establish the <i>As Is</i> and the <i>As Complete</i> market value estimate. The two approaches are considered to be the most useful in estimating the value of a converted office/special purpose building in the current market.
<b>Location:</b>	Office/Special Purpose (Institutional) Building 1511 East 11 <sup>th</sup> Street Loveland, Colorado 80537

**Improvements:**

An existing average to good quality converted office/special purpose building that contains approximately 61,990± square feet. The property is designed for multi-tenant use, but could also be used by a single-tenant non-profit or institutional ser. The original building was constructed as a light industrial building in 2003 according to public records, and the current owner is in the final stages of the conversion/remodeling with approximately 9,000 square feet of interior common area and tenant finish to be completed. The building is of steel frame construction with metal siding. The property has the typical site improvements of asphalt parking area and landscaping. The subject property is considered to be in average to good condition.

**Land Area:**

Rectangular shaped site – Approximately 490± feet by 270± feet = 132,311± gross square feet.

Based upon the existing building, the land to building ratio is approximately 2.13 to 1. The new ratio is somewhat low but was permitted through an arrangement with the City of Loveland according to the owner’s representative. The owner reports approximately 104 parking spaces which is reported to be adequate to serve the property.

**Highest and Best Use:**

**As If Vacant:**

Hold for future commercial use (i.e., institutional, professional office, or similar commercial use).

**As If Improved:**

Office/Special Purpose (Institutional) use.

**Zoning:**

"I" (Developing Industrial District) by the City of Loveland

**Parcel Number:**

85182–69–901 - Tax Exempt

**Legal Description:**

Lot 1, Ward Industrial Park First Subdivision, City of Loveland, County of Larimer, State of Colorado

<b>Assessor’s Market Value (projected):</b>	Land	=	\$ 530,000
	Improvements	=	<u>\$3,290,000</u>
	Total	=	\$3,820,000

<b>Assessed Value (projected):</b>	Land	=	\$ 153,700
	Improvements	=	<u>\$ 954,300</u>
	Total	=	\$1,108,000

**Property Taxes (estimated):** \$80,600± (*estimate*) based upon the projected/potential assessment and current mill levy. Projected real property taxes are an *estimate only* as the subject property is classified by the Larimer County Assessor as tax exempt with no real property taxes assessed based upon the current non-profit ownership.

There are no delinquent taxes reported on the subject property as of the date of value according to the Larimer County Treasurer.

If purchased by a private entity, the subject property would likely be re-classified as taxable and subject to real property taxes. The Larimer County Assessor should be contacted if this is a concern.

**Mill Levy:** 72.741 (2015/payable 2016)

**Special Assessments:** None reported by the Larimer County Treasurer. If the subject is found to have delinquent taxes, tax liens, or special assessments, the market value estimate may be impacted.

**Property Rights Appraised:** Fee Simple

**Census Tract Number:** 17.04 (City of Loveland)

**Flood Plain:** FEMA Map No. 080103-08069C, Panel No. 1193F, dated 12/19/06, Zone X (unshaded) area. Not located within a FEMA designated 100-year flood zone.



**Market Indicators:**

<b>Value Estimate by Cost Approach:</b>	Not Applied
<b>Value Estimate by Income Approach As Proposed:</b>	\$5,910,000 (range from \$5,5810,000 to \$6,279,000)
<b>Value Estimate by Sales Comparison Approach As Proposed:</b>	\$6,075,000 (range from \$5,5171,000 to \$6,385,000)
<b>As Proposed (Completed Interior Finish) Market Value Estimate:</b>	<b>\$6,000,000</b>
<b>As Is Market Value Estimate:</b>	<b>\$5,820,000</b>

**Contingent and Limiting Conditions:** All extraordinary assumptions and contingent/limiting conditions are outlined within the report. There is one *extraordinary assumption* of special note related to the completion of the proposed/pending interior finish. This extraordinary assumption is necessary to establish the Prospective Market Value Upon Completion. There were no hypothetical conditions applied for this appraisal assignment.

## **CONTINGENT AND LIMITING CONDITIONS**

**THESE CONTINGENT AND LIMITING CONDITIONS FORM AN INTEGRAL PART OF THE DOCUMENT TO WHICH THEY ARE ATTACHED. BE ADVISED THAT THESE CONTINGENT AND LIMITING CONDITIONS MAY MATERIALLY AFFECT THE VALUE OPINIONS, OTHER CONCLUSIONS, AND ANALYSES OF THE APPRAISER SET FORTH IN THE APPRAISAL REPORT. BY SETTING FORTH THESE LIMITING CONDITIONS, THE APPRAISER IS NOT WARRANTING, GUARANTEEING, OR, IN ANY OTHER MANNER, STATING THAT A FACT OR EVENT EXISTS OR DOES NOT EXIST OR WILL OR WILL NOT OCCUR.**

1. The appraiser, by rendering the appraisal report, is not offering legal advice or conclusions of law. The client is advised that legal matters concerning the property may have a direct bearing on the value of the property. If such legal matters are different than those relied on by the appraiser and set forth herein, the value conclusion may be invalid. Client is advised to retain legal counsel to advise client regarding the effect, if any, of the limiting conditions, legal or otherwise, made by the appraiser, and set forth in these Contingent and Limiting Conditions.
2. No opinion as to title is rendered. Data regarding ownership and legal description of the property being appraised were obtained from sources generally considered reliable. Title is deemed to be marketable and free and clear of all liens and encumbrances, easements and restrictions except those specifically discussed in the report. The property is appraised as though it is under responsible ownership and competent management and available for its highest and best use.
3. No engineering survey has been made by the appraiser. Except as specifically stated, data relative to size and area were taken from sources considered reliable, and the appraisal is made with the condition that there is no encroachment of real property improvements. The size stated is subject to verification by survey.
4. Maps, plats, and exhibits included herein are for illustration only, as an aid in visualizing matters discussed within the report. They should not be considered as surveys or relied upon for any other purpose.
5. No opinion is expressed as to the value of subsurface oil, gas, or water or mineral rights. The appraisal is based upon the condition that there are no latent or unapproved conditions of the subsoil of the property which would render it more or less valuable.

6. The appraiser is not aware of land-use legislation, crisis legislation, and securities legislation, both existing and proposed, which may have an effect upon the value of the subject property and its current value. For the purposes of this appraisal, no governmental regulations, local or federal in nature, are being violated by the property. Further, the utilization of this report by the client will not violate any governmental regulations, local or federal, including, but not limited to, any securities regulations.
7. The analyses and statements contained in the appraisal are statements of opinion only, and not necessarily the only indication of value or analysis that might be obtained on the subject property. Appraisal opinions by qualified appraisers differ. No warranty or guarantee, express or implied, is made by the appraiser indicating that his opinion represents the only opinion of dollar value which might be obtained by the client on the date of valuation.
8. Only visual surface inspection of the property appraised has been made by the appraiser. The appraiser accepts no liability of damages or losses sustained by the client for latent or non-apparent defects existing on, below, or above the property which may not readily be ascertainable by a visual surface inspection.
9. Nothing in this report should be deemed a certification or guaranty as to the structural and/or mechanical(electrical heating, air conditioning and plumbing) soundness of the building(s) and the mechanical systems that relate to the functions and operations of the subject property. Rather, functions and operations are considered satisfactory, consistent with the age and condition of the subject building(s) and associated mechanical systems, unless otherwise noted.
10. This report does not preclude or limit any party in interest from obtaining, at its own expense, architectural, engineering or contractor inspections, reports, certifications, assurances and/or guaranties, which might serve the purposes of technically ascertaining the structural and/or mechanical soundness of the subject property. All such reports received shall be made available to the appraiser.
11. No responsibility is accepted for accuracy of information furnished by or from others, the client, his designee, or public records. The appraiser is not liable for such information or the work of possible subcontractors. The comparable data relied upon in this report has been confirmed with one or more parties familiar with the transaction or from affidavit; all are considered appropriate for inclusion to the best of the appraiser's factual judgement and knowledge.

12. Unless otherwise specified in an agreement for services or in the report, no environmental or impact study, special market study or analysis, highest and best use analysis study or feasibility has been requested or made. The appraiser reserves the unlimited right to alter, amend, revise, or rescind any of the statements, findings, opinions, values, estimates, or conclusions upon any subsequent such study or analysis or previous study or analysis becoming known to the appraiser.
13. Furnishings and equipment or business operations except as specifically indicated or typically considered as a part of real estate, have been disregarded and only the real estate has been considered.
14. Improvements proposed, if any, on or offsite, as well as any repairs required are, for purposes of this appraisal considered to be completed in a good and workmanlike manner according to information submitted to or reviewed by the appraiser. In cases of proposed construction, the appraisal is subject to change upon inspection of the property after completion. This estimate of market value is as of the date shown, as proposed, and as if completed and operating at levels shown and projected.
15. The estimated market value is subject to change with market changes over time; value is highly related to exposure, time, promotional effort, terms, motivation and conditions surrounding the offering. The value estimate considers the productivity and relative attractiveness of the property physically and economically in the marketplace. The "estimate of market value" in the appraisal report is not based in whole or in part upon the race, color or national origin of the present owners or occupants of the properties in the vicinity of the property appraised.
16. In cases of appraisals involving capitalization of income benefits, the estimate of market value is a reflection of such benefits and appraiser's interpretation of income, yields, and other factors derived from general and specific market information. Such estimates are as of the date of the estimate of value; and, therefore, are subject to change as the market is dynamic and may vary with time.
17. Where the discounted cash flow analysis is utilized, it has been prepared on the basis of the information and market driven conditions stipulated in this appraisal report. The achievement of any financial projections will be affected by fluctuating economic conditions and is dependent upon the occurrence of other future events that cannot be assured. Therefore, the actual results achieved may well vary from the projections and such variation may be material.

18. The fee for this appraisal or study is for the service rendered and not for the time spent on the physical report.
19. Under any and all circumstances, the maximum damages recoverable from the appraiser (Shelley K. Kechter, MAI) or any affiliates relative to this engagement shall be only the amount of moneys/fees actually collected by Shelley K. Kechter, MAI for this assignment. Under no circumstances shall any claim for consequential or other types of damages be made. Additionally, there is no accountability or liability to any third party whatsoever.
20. Unless otherwise stated, the appraiser signing this report has no knowledge concerning the presence or absence of urea-formaldehyde foam insulation in existing improvements; if such insulation is present the value of the property may be adversely affected, and re-appraisal at additional cost necessary to estimate the effects of such insulation.
21. Unless otherwise stated, the existence of hazardous material, which may or may not be present on the property or below ground, was not observed by the appraiser. I have no knowledge of the existence of such materials on or below the property, nor am I qualified to detect such substances. The presence of potentially hazardous materials may affect the value and marketability of the property. The value estimate is based upon the *premise/assumption* that there is no such material on, in, below, or surrounding the property that would cause a loss in value or negative impact upon marketability. No responsibility is accepted 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.
22. Unless otherwise specified, if any taxes are due, the value estimate is based upon the *premise/assumption* that real property taxes are paid.
23. Information regarding findings will be reported only to client unless otherwise authorized; however, disclosure of the assignment might be made to others in the investigative process.
24. Disclosure of the contents of this appraisal report is governed by the Bylaws and Regulations of the Appraisal Institute.
25. Acceptance of, and/or use of, this appraisal report constitutes acceptance of the above conditions.

26. This appraisal is subject to a soils report indicating no hidden environmental problems/hazards or adverse soil conditions that would adversely impact the value, development potential, or marketability of the subject property. A soils report and/or environmental survey were not provided for this appraisal assignment.
27. This appraisal is subject to a full survey of the site confirming that the entire subject site consists of approximately 132,311± square feet of land. The appraisal is based upon the *premise/assumption* that there are no adverse easements or encroachments that would negatively impact the value or marketability of the subject property.
28. The appraisal is based upon the *premise/assumption* that there are no adverse environmental hazards impacting the property including (but not limited to) soil contamination, radon gas, lead based paint, urea-formaldehyde foam insulation, defective foreign or domestic drywall, asbestos, or any other known or unknown contaminants. It should be noted that there have historically been a wide variety of commercial and special purpose uses in the general area including existing and former convenience stores/gas stations within one mile of the subject. The subject was also formerly used for a light industrial facility related to vehicle conversions/assembly with additional surrounding light industrial-type uses. These factors could present the potential of some ground contamination, although none is reported by the current owners representative (Glorie Magrum) who reports that an environmental test was completed showing no contamination or adverse conditions. This appraisal is subject to an environmental survey indicating no hidden environmental problems/hazards and subject to a soil report indicating that the load bearing capacity is adequate for the existing building and proposed remodeling/conversion, and that there are no adverse soil conditions that would negatively impact the value, development/remodeling potential, or marketability of the subject property.
29. The appraisal is based upon the *premise/assumption* that all major building components (as is and as proposed) are (or will be) in good working condition. These components include (but are not limited to) the foundation, structure, framing, exterior siding, insulation, roof structure and cover, gutters/downspouts, plumbing, heating/cooling, and electrical systems. I am not a professional or expert in these fields, and an expert should be consulted if the condition of the building components is of concern.

The appraiser's viewing/inspection is not a detailed inspection such as would be performed by a licensed and/or certified inspector. The client and/or owner should not rely on the appraiser's viewing/inspection as a warranty or guaranty, implied or otherwise, regarding any system or component of the property.

30. The appraisal and analysis are based upon the *premise/assumption* that the subject has full and clear title and that there are no outstanding liens, deed restrictions, or other encumbrances impacting the subject property. A title policy was not provided for this appraisal assignment, and I am not an expert in this field. Analysis/research of outstanding liens, easements, deed restrictions, etc. is beyond the scope of this assignment. This appraisal report and its conclusions do not address the inclusion, transfer, or retention of air, mineral, water, oil/gas, or subsurface rights which is beyond the scope of this report and beyond my level of expertise.
31. The Prospective Market Value Upon Completion is based upon the *premise/assumption* that the remodeling/conversion will be completed according to the plans and specifications submitted and in a good and workmanlike manner.

The appraisal is based upon the premise that the final interior finish/completion of the subject property will be completed in a manner to comply with current City of Loveland codes and requirements as the property is located in an area that has been annexed to the City of Fort Collins.

32. The use of contingent/limiting condition, *premise/assumption*, extraordinary assumption, and hypothetical condition throughout this report indicates that if each particular assumption/condition is not met as outlined, the analysis and conclusions (including the value estimate/estimates) derived using these assumptions may be moderately to substantially different and would be considered to be null and void. The use of these conditions, assumptions, and premises may impact the assignment results.
33. The function (intended use) of this report is to be used by Waypoint Bank (First Bank and Trust - Cozad) as an aid in underwriting a loan, classification of a loan, and/or the disposition of loan collateral, which may constitute a federally related real estate transaction for purposes of applicable regulations. This report is not intended to be used for any other use including (but not limited to) litigation, condemnation, eminent domain, tax purposes, lease/sale negotiations, loan negotiations with other parties not named as an intended user within this report, or any other uses not specified within this report.

34. The intended user(s) and all readers of this report should be aware that the term “inspection” found throughout this report pertains to a “personal visual inventory” of the subject’s and/or comparable properties’ components as opposed to a “building inspection” which investigates the appropriateness and soundness of various components of improvements.
35. I previously appraised the subject property in January of 2014. I have performed no other services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment (with the exception of that mentioned).
36. It should be understood that this is an **Opinion of Value**, based upon the data available to the appraiser, and it is not a guarantee or warranty of value.



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Shelley K. Kechter, MAI  
#CG01314175



## PURPOSE OF THE APPRAISAL

The first purpose of this appraisal is to estimate the *Prospective Market Value Upon Completion* (final interior finish) of the office/special purpose building located at 1511 East 11<sup>th</sup> Street, Loveland, Colorado. The subject property consists of approximately 61,990± square feet of office and institutional (classroom, meeting rooms, etc.) uses on two levels. The building is designed to accommodate several non-profit tenants but would also accommodate a single tenant or owner occupant. While the remodeling/conversion (from its former light industrial type use) did not change the building footprint, it did add to the total building area with the addition of a second level internally. The building is located on a commercial site (zoned "I" by the City of Loveland) and the site consists of approximately 132,311± gross square feet. The function (intended use) of this report is to be used by Waypoint Bank (First Bank and Trust - Cozad) as an aid in underwriting a loan, classification of a loan, and/or the disposition of loan collateral, which may constitute a federally related real estate transaction for purposes of applicable regulations. The only intended user of this report is Waypoint Bank (First Bank and Trust - Cozad) located in Cozad, Nebraska and Loveland, Colorado. No additional intended users are identified by the client or the appraiser. The report is not intended or authorized for any other use including, but not limited to, litigation, condemnation, tax appeal, eminent domain, insurance purposes, or any other third party uses.

The second purpose of this appraisal is to estimate the *As Is Market Value* of the existing office/special purpose (institutional) building that is in the final stages of remodeling/conversion with approximately 9,000 square feet of the interior pending completion of interior finish including some common area as well as tenant space.

I am providing a market value estimate ("As Proposed" and "As Is") which are presented within the body of the report. Due to the majority owner occupancy, the Fee Simple Estate is considered to be most relevant.

All premises/assumptions and contingent and limiting conditions are outlined on the previous pages. One *extraordinary assumption* was applied related to the completion of the proposed construction/completion (interior finish) considered necessary to establish Prospective Market Value Upon Completion. No other extraordinary assumptions and no hypothetical conditions were applied within this analysis.

## **DEFINITION OF MARKET VALUE**

*Market Value*, as used herein, is defined as follows:

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 best interests;
3. a reasonable time is allowed for exposure in the open market;
4. payment is made in terms of Cash in United States Dollars or in terms of financial arrangements comparable thereto;
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: Federal Register, Vol. 55, No. 129, page 27771.

## **DEFINITION OF OTHER TERMS**

**Fee Simple Estate** – "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." [Appraisal Institute, *The Dictionary of Real Estate Appraisal*, Fifth Edition, Chicago, 2010, p. 78].

**Leased Fee Estate** – "A freehold (ownership interest) where the possessory interest has been granted to another party by creation of a contractual landlord-tenant relationship (i.e., a lease)." [Appraisal Institute, *The Dictionary of Real Estate Appraisal*, Fifth Edition, Chicago, 2010, p. 111].

**"As Is" Market Value** – "The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date." [Appraisal Institute, *The Dictionary of Real Estate Appraisal*, Fifth Edition, Chicago, 2010, p. 12].

**Exposure Time** – "1. The time a property remains on the market. 2. The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based on an analysis of past events assuming a competitive and open market." [Appraisal Institute, *The Dictionary of Real Estate Appraisal*, Fifth Edition, Chicago, 2010, p. 73].

**Marketing Time** – "An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of the appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal. (Advisory Opinion 7 of the Appraisal Standards Board of the Appraisal Foundation and Statement on Appraisal Standards No. 6, "Reasonable Exposure Time in Real Property Market Value Opinions" address the determination of reasonable exposure and marketing time.)" [Appraisal Institute, *The Dictionary of Real Estate Appraisal*, Fifth Edition, Chicago, 2010, p. 121].

**Extraordinary Assumption** – "An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property such as market conditions or trends; or about the integrity of data used in the analysis. (USPAP, 2010-2011 ed.)" [Appraisal Institute, *The Dictionary of Real Estate Appraisal*, Fifth Edition, Chicago, 2010, p. 73].

**Hypothetical Condition** – "That to which is contrary to what exists but is supposed for the purpose of the analysis. Hypothetical conditions assume conditions contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in the analysis." [Appraisal Institute, *The Dictionary of Real Estate Appraisal*, Fifth Edition, Chicago, 2010, p. 97].

## **DATE OF VALUE, DATE OF INSPECTION, AND DATE OF REPORT**

The date of value (*As Is*) and date of inspection are considered to be one in the same, or April 9, 2016. The date of the report is April 22, 2016. The *Prospective Market Value* is based upon a completion date approximately 270 days from the date of the appraisal, or January 9, 2017 based upon estimates provided by the owner.

## **PROPERTY RIGHTS APPRAISED**

The property rights appraised are the Fee Simple Estate, subject to the existing easements for utilities and road right-of-way. The property is mostly (over 60%) occupied by the primary owner with several non-profit agencies occupying the remainder according to the rent roll submitted by the owner's representatives. The rent roll also indicates that the majority of the tenants also have an interest in the building which may distort rental rates. Due to the current and projected continued occupancy, the Fee Simple Estate is considered to be the most relevant.

## **HISTORY OF THE PROPERTY**

The subject property is currently owned by House of Neighborly Service which purchased the subject property (as a vacant building) in December of 2012 for a recorded price of \$2,950,000 which equates to approximately \$76.74 per square foot based upon the original building size of approximately 33,750± square feet plus a partial mezzanine level. The net price is reported to be \$2,900,000 when considering a reported seller credit of \$50,000 according to the Broker involved. The seller is shown to be Saddlenotch, LLC, and the sale is recorded at Reception No. 20130000068 in the Larimer County records. Prior to this most recent sale, the subject property (along with two additional parcels) also transferred in November of 2011 for a total recorded price of \$4,726,000. The seller was Super Vacuum Manufacturing Company, and the transfer is recorded at Reception No. 20110067483 in the Larimer County records. The subject building, along with the two parcels, was designed and previously used by Super Vac for the conversion/assembly of emergency vehicles. After vacating the subject building and additional support buildings (separate parcels not part of this appraisal assignment), the buildings remained vacant and available for sale for well over one year.

Currently, the owners are in the final stages of remodeling/converting the subject property from its original light industrial design to a office and institutional (classroom, meeting rooms, etc.) space. A second level deck was added, and the building now consists of approximately 61,990± square feet with virtually no warehouse characteristics remaining with the exception of a small receiving area. The owners (House of Neighborly Service) occupy the majority of the building with several additional non-profit agencies to occupy the remainder. Original remodeling costs (as submitted) were estimated to be approximately \$2,500,000. Approximately 9,000 square feet of the interior remains unfinished with an estimated cost of approximately \$180,000 to complete the gymnasium/gathering area, coffee shop, and additional tenant finish for office space. The owner reports an additional \$120,000 may be invested for west side entry enhancements although this is not considered to be critical to the function of the property.

With the exception to that which is discussed, there have been no other arm's length transactions relating to the property over the past five years according to the Larimer County records or the current owner's representative (Glorie Magrum).

## **MARKETING PERIOD FOR THE PROPERTY**

The appraiser is responsible for determining a reasonable *marketing period* for the subject property, and, if this period is longer than is represented by similar properties, the property must be discounted for this holding period. In analyzing the sales data, conversations with the buyers, sellers, and real estate agents indicated that all of the comparable sales had marketing periods of one year or less for reasonably priced properties (priced within current market ranges). Based upon the sales data and the value conclusions found in this report, the subject should have a *marketing period of one year or less* based upon the market value derived in the report.

The *exposure time* (estimated length of time that the property interest being appraised would have been offered in the market *prior* to the sale at market value) necessary to obtain this sale is also estimated to be *one year or less* based upon the estimate of market value derived in the report.

The analysis and value estimate are considered to be reflective of this marketing period, and forecasting further into the future has significant uncertainty due to the current market conditions. A sale or lease of the property within one year or less would depend upon pricing of the property within market ranges and an aggressive marketing campaign due to the strong competition in the Northern Colorado area.

## **SCOPE OF THE APPRAISAL**

Data was gathered from various sources which included public agencies, knowledgeable real estate persons, and publications. In conjunction with my market investigation, the property was inspected and compared to the marketplace. Social, economic, governmental, and environmental factors of the subject were examined in relationship to competitive properties. Specific conclusions relating to the subject's land and improvements are made along with outlooks for the neighborhood and region. A Highest and Best Use analysis was performed and specific conclusions drawn. All three approaches to value were considered, but only the Income Approach and Sales Comparison Approach were considered to be appropriate in estimating the subject's market value. The Cost Approach was considered, but it was not utilized as this approach requires estimates of accrued depreciation and potential various forms of obsolescence which would be subjective. This approach is also less relevant in appraising a remodeled/converted building with a change of use. The Income Approach and Sales Comparison Approach more closely mirror the thoughts and actions of the market, and these approaches were used to determine the final value estimate. This estimate reflects the subject's Fee Simple characteristics.

Within the overall market analysis, sales and listing data for comparable office, institutional, and special purpose buildings in the Fort Collins, Loveland/Berthoud, Windsor, Greeley, and Northern Colorado area were researched over the past several years. All sales information was verified with interested parties, and the exterior of the comparable rental and sales data was inspected. The subject's site and improvements were examined and analyzed with respect to functional utility and overall competitiveness. The highest and best use will consider the utility of the property as if currently vacant and as improved. Based upon this analysis and the property type which consists of a remodeled/converted office/institutional building, only the Income Approach and Sales Comparison Approach were determined to be applicable. With consideration given to each approach an estimate of market value is concluded. Adjustments have been presented in a narrative format with a supporting adjustment grid for the Sales Comparison Approach.

The scope of work for this appraisal report/analysis is to estimate the "As Proposed" and the "As Is" market value of the real estate only for the Fee Simple Estate of the subject property as described throughout this report. No personal property (furniture, fixtures, and equipment), business value, blue sky, or other intangibles are included within this analysis. I am not a qualified expert in the valuation of business entities or, equipment/personal property. Personal property/equipment is mostly the coolers in the food area, appliances in the break room areas, and furnishings. A breakdown of these items is beyond the scope of this report and was not requested by the client.

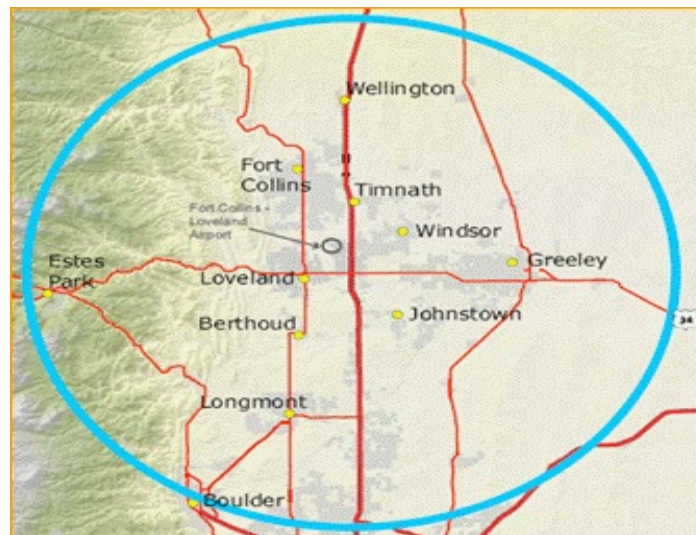
While a significant amount of supporting and research data is included in the report, some items are retained in the workfile. The actual narrative report may not contain full discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Additional supporting documentation concerning the data, reasoning, and analyses has been retained within the appraiser's files. I am not responsible for the unauthorized use of this appraisal report. Standard premises/assumptions and contingent and limiting conditions were applied as discussed previously. There is one *extraordinary assumption* related to the proposed construction necessary to established Prospective Market Value Upon Completion. There were no hypothetical conditions and no other extraordinary assumptions applied within this analysis or conclusions.

Specific data furnished by the client for this appraisal assignment included the address of the property and a rent roll for the subject property. The current owner provided the building floor plans, estimated remaining tenant finish costs, and additional rent roll for the subject property. No environmental data, soils report, wetlands survey, title policy, or recent site survey were furnished for this appraisal assignment.

Area and neighborhood data was obtained from discussions with a variety of commercial brokers as well as the City of Loveland and Larimer County Planning Departments. Specific site and improvement data was obtained from physical inspection, the Larimer County Assessor's Office and the owner's representative (Glorie Magrum). When deemed necessary within the individual valuation sections, cost data was provided by the Marshall Valuation Service, a national cost estimator based in Los Angeles. Comparable sales data was obtained from the Larimer County records, the appraiser's files, and various commercial data services including Xcelligent, CoStar, and the Multiple Listing Service (IRES). Current income and asking rental data was confirmed with the Brokers of the comparable properties analyzed. The data compiled is then applied within the previously mentioned applicable approaches to value. These will be recognized into a final value conclusion for the remodeled office/special purpose (institutional) building which is the subject of this report.

## AREA DATA

Loveland, Colorado, also known as the "Sweetheart City", is located 50 miles north of Denver in Larimer County at the western edge of the plains due east of the Rocky Mountains. The city lies in the Front Range Urban Corridor along the Big Thompson River, at the base of the Front Range of the Rocky Mountains. Interstate 25 cuts through the extreme eastern edge of the city limits, while US Highway 34 bisects the community and connects Interstate 25 with the mountains. US Highway 34 (a/k/a Eisenhower Boulevard) is a major traffic route serving as the main access to Rocky Mountain National Park which is located approximately 25 miles west of Loveland. Fort Collins is the county seat and lies 15 miles north of Loveland. The two cities have steadily grown towards each other and are considered a single metropolitan area by the U.S. government. Larimer county has established open space between the two cities to create a buffer to contiguous growth. As a result, Loveland has expanded it's boundaries eastward surrounding the interchange of Interstate 25 and US Highway 34. Front Range mountains which are visible from most of the city and Lake Loveland, located in the city limits, provide aesthetic and recreational pleasure for the residents.



Source: [www.ncedc.com](http://www.ncedc.com)

Loveland, located nearly 5,000 feet above sea level, enjoys a four season, semi-arid climate with an average yearly precipitation of 14 inches. Winters are moderately cold and dry with an average January high temperature of 42 degrees and a low of 14. The average July high temperature is 86 degrees with a low temperature of 57 degrees. Loveland has been ranked by *Money Magazine*, *Forbes* and *US News and World Report* in their lists of "Best Places to Live." In 2010, *Money Magazine* selected Loveland in the top 100 "best small cities to live", *Forbes* selected Loveland in the top 100 "cheapest places to live", and *US News and World Report* selected Loveland in 2012 for "best places to retire."



## **Recreation and Entertainment**

The City of Loveland serves as a gateway to Rocky Mountain National Park which had over 3.4 million people visit in 2014. Visitation was down in 2013 (3.2 million people visited), due to the flooding which took place along Colorado's northern Front Range, however Rocky Mountain National Park remained one of the top ten most visited parks in 2013 at number six. According to the Colorado Department of Transportation the last traffic count in 2013 showed between 6,800 and 7,500 vehicles travel Highway 34. Annual total traffic counts were down that year due to flooding and highway repair in the region. The peak month is July with 9,650 vehicles that month in 2013.

Loveland offers exciting recreational opportunities and unique cultural and entertainment experiences. For those who enjoy warm weather sports, the Rocky Mountains provide ample opportunities for hiking, hunting, camping, and horseback trail rides. The many lakes and rivers in the area offer a variety of water sports such as boating, fishing, water skiing, and rafting. In cold weather, Colorado's Rocky Mountain areas are acclaimed for exceptional snow skiing. Loveland residents have the choice of traveling in several directions for a variety of winter activities. Heading south to Denver and then west on U.S. Highway 70, travelers have access to major ski resorts such as Loveland Ski Area, Arapahoe Basin, and Eldora Mountain for inexpensive resorts, Copper Mountain, Beaver Creek, and Breckenridge for moderately priced resorts, and Aspen and Vail for luxury-type resorts which are internationally known. Steamboat Springs (also a popular tourist destination and ski resort) is located just over one hundred miles northwest of Loveland. Travel westward also leads to snowshoeing, cross country skiing, tubing and snowmobiling in the Roosevelt and Arapahoe National Forests. Rocky Mountain National Park is a scenic 34 mile drive west on U.S. Highway 34 through the scenic Big Thompson Canyon. One-hundred and ten miles to the north is Snowy Range Ski and Recreation Area and the Medicine Bow National Forest in Wyoming.

Residents of the City of Loveland currently enjoy thirty-one parks, two large softball/baseball complexes (Barnes Complex at Fairgrounds Park and Centennial Ball Fields) and softball/baseball fields in 11 additional parks, tennis courts, two 18-hole golf courses, one 9-hole golf course, a SNAG golf course which opened in 2012, one outdoor swimming pool, one swim beach, and nine open lands/natural areas. In 2014, the Open Lands Division completed the purchase of 87 acres at the corner of Taft Avenue and 57th Street. The acreage will serve as a buffer between Loveland and Fort Collins and also serve as an anchor for a trail connection that will be developed in a partnership with Larimer County and Fort Collins. The City of Loveland has preserved over 5,000 acres of open space in and around the city. There are 28 separate natural or open space areas currently in the city or purchased jointly with other agencies. In addition to parks and open space, Loveland has a state-of-the-art, full service recreation center known as the Chilson Recreation Center. The center is 85,000 square feet and provides amenities for fitness, aquatics, court sports, conference and meeting rooms and a dedicated portion of the center for seniors.

Loveland is home to a minor league hockey team, the Colorado Eagles and the Colorado Ice Indoor Football Team. Their home games are played at the Budweiser Center at The Ranch, located at the eastern edge of Loveland on Highway 25. The “Bud Center” is a 7,200 seat arena. When not being used for hockey games, this arena also hosts big name entertainers, Broadway-type shows, and special events such as Cirque du Soleil, the Harlem Globetrotters, and many celebrity entertainers from comedians to country and contemporary music. Located south of the Budweiser Center at the junction of Interstate 25 and US Highway 34 is a lifestyle center, The Promenade Shops at Centerra. This area offers shopping, dining, a fourteen-screen Metrolux Theater, Chapungu Sculpture Park, outdoor concerts in the summer, and ice skating in the winter.

The City of Loveland has several sculpture gardens, the Historic Rialto Theater located downtown, and numerous art galleries and studios. One of the sculpture parks is Benson Sculpture Garden which provides viewing of 130 pieces of sculpture at one location. Recently, the Rialto Bridge Project opened in 2012. The \$4.2 million project consisted of a three-story building adjacent to the theater which included space for the theater as well as office space and a restaurant. Additionally, the city hosts annual events the *Loveland Sculpture Invitational*, *Sculpture in the Park* and *Art in the Park* in August bringing artists to Loveland from all over the world. The City of Loveland is also in the process of purchasing several properties in the southern portion of downtown Loveland, between Third and Fourth Streets for additional redevelopment which may include new facilities for Larimer County including courts, (although Fort Collins remains the County Seat).

The Metropolitan Denver area, the “Mile High City”, is located approximately 50 miles to the south, and it offers an even wider variety of activities for a day away. These activities include the Denver Zoo and Museum of Natural History, concerts and symphonies, distinct and unique business centers, athletic events (professional hockey, baseball, basketball, and football) and many other special events such as the annual National Western Stock Show and Rodeo.

## **Education**

Loveland is strategically located at the heart of the Colorado Higher Education Triangle. Within twenty miles of the city of Loveland are Colorado State University in Fort Collins and the University of Northern Colorado in Greeley. Thirty miles to the southwest is the University of Colorado in Boulder which makes up the third side of the “Education Triangle.” CSU and CU have similar 2014 fall enrollments, 27,086 students and 29,772 students respectively. The University of Northern Colorado had a 2014 fall enrollment of 11,784 which is down from the 2013 fall enrollment of 12,084.

Additionally, five colleges are located in the “Educational Triangle. These are Aims Community College, Front Range Community College, Colorado Christian University, College America and University of America. Front Range Community College in 2015 will complete a 63,000 square feet expansion. The Institute of Business and Medical Careers is a technical school with a location in Fort Collins that also serves the city of Loveland. The numerous educational institutions in the region are important not only for the employment opportunities they create but also for the role the student population has on the population of the area. Northern Colorado is a desirable place to live and students tend to stay in the area after finishing their degrees.

Loveland has the seventeenth largest school district in Colorado. The district includes part of southern Fort Collins, Loveland and Berthoud as well as parts of Larimer, Weld and Boulder counties. The Thompson School District, whose central office is in Loveland, supports thirteen early childhood centers, twenty elementary schools, five middle schools, five high schools, and two charter schools and covers 362 square miles. The enrollment for 2014 to 2015 is 16,145 students. Thompson School District offers a number of educational options including International Baccalaureate (IB), pre-IB programs and STEM (Science, Technology, Engineering and Math). The district’s TCAP scores are consistently above state averages.

**Population**

The Loveland and surrounding area population is comprised of a relatively young, affluent market. According to the U.S. Census Bureau, the estimated median household income over five years from 2009 to 2013 was approximately \$53,780 in Fort Collins, \$54,977 in Loveland and \$58,433 in Colorado. The population in the Loveland area is well educated as a significant number of the population over twenty-five years of age has had some college education. The high education level is to be expected considering the number of universities, colleges, and high-tech employers in the area.

The City of Loveland had a population of 66,859 in 2010 according to the most recent US Census. Loveland has shown steady growth over the years with an increase in population within the City of 35.47% from 1990 to 2000, an increase of 32.11% from 2000 to 2010 and an increase of over 8% from 2010 to 2014. The second chart indicates that according to the US Census Bureau, the City of Loveland population consists of a well-educated population with nearly 93% being high school graduates and 32% having a Bachelor’s degree or higher. While over sixty percent of residents are either over eighteen and under sixty-five years of age, the population is generally well diversified in age as shown in the second chart.

Loveland and County Population		
Year	Loveland	Larimer County
1990 Census	37,357	186,136
2000 Census	50,608	251,494
2002	56,182	266,558
2003	57,270	268,710
2004	58,999	274,020
2005	60,157	276,810
2006	61,098	282,163
2007	63,025	288,099
2008	64,690	293,955
2009	66,132	299,284
2010 Census	66,859	299,630
2011	68,203	305,525
2012	70,223	310,487
2013	71,334	315,988
2014	72,651	324,122

Source: U.S. Bureau Quick Facts, 2014 is an estimate.  
 Most current data available for July 2015

Quickfacts	Loveland	State of Colorado
Population 2013 estimate	71,334	5,268,367
Percent change, 2000 to 2013	40.95%	22.48%
Percent change, 4/1/2010 to 7/1/2014	6.70%	6.50%
Persons under 18 years, 2013	23.90%	24.40%
Persons 65 and over, 2010	14.90%	10.90%
Persons 25+, High School Graduates, 2009-2013	92.90%	90.20%
Persons 25+, Bachelor's degree or higher	32.00%	37.00%

Source: U. S. Census Bureau QuickFacts, most current data available July 2015

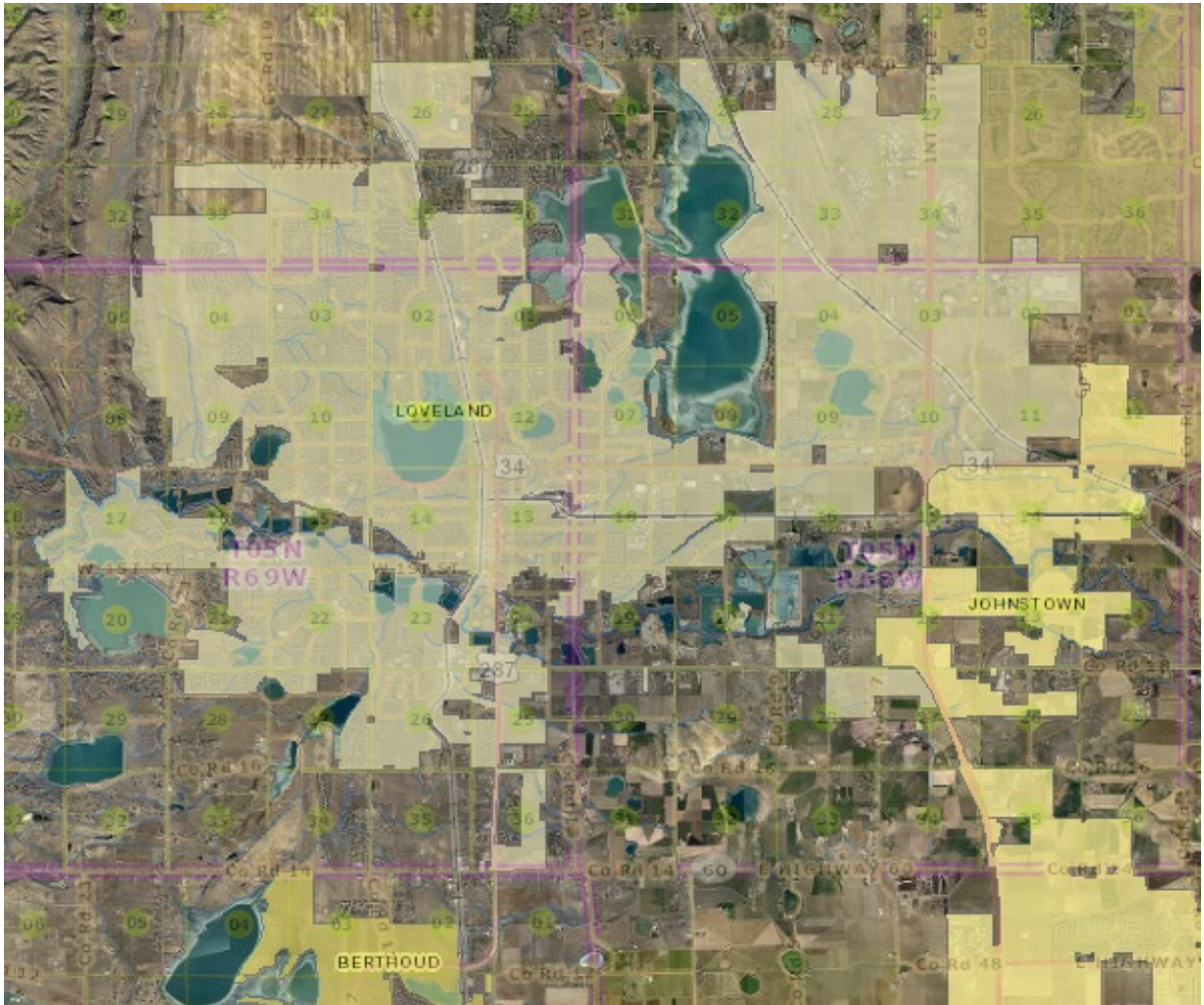
The chart below provides a snapshot of Household Income in the Fort Collins, Loveland areas, as defined by the US Census Bureau and compared to the rest of Colorado and the United States. Household Income percentages in ten income brackets are shown as well as median and mean household income, demonstrating that Colorado ranks high in income levels which contributes to making it a desirable place to live. This may be attributed to Fort Collins-Loveland having a highly educated work force resulting from the location within the education triangle as well as a variety of employers, many of which offer higher paying professional positions. For the populations between the incomes of \$25,000 and \$99,999 Loveland has a higher household income than Fort Collins, Colorado and the United States. In the lowest income bracket of income lower than \$10,000 Loveland has the lowest percentage of households at 4.80%. Loveland also has the lowest number of households in the highest income bracket (2.10%) at incomes of \$200,000 or more. Jobs have been added and unemployment has improved but income levels have diminished. According to CSU's Regional Economist Martin Shields in the *Northern Colorado Business Report*, March 12, 2014, "Even though Colorado has more jobs than ever, many of the newly created positions pay less than average wages," he said. "As a result household incomes have stagnated. One of the real challenges the state faces is creating jobs that pay higher wages."

Income Characteristics over 5 Year Period, 2009 to 2013				
	Loveland	Fort Collins	Colorado	United States
Median Household Income	\$54,977	\$53,780	\$58,433	\$53,046
Mean Household Income	\$66,444	\$72,178	\$78,383	\$73,487
Income Less than \$10,000	4.80%	8.10%	6.20%	7.20%
Income \$10,000 to \$14,999	5.10%	5.20%	4.40%	5.40%
Income \$15,000 to \$24,999	10.70%	11.40%	9.40%	10.80%
Income \$25,000 to \$34,999	11.10%	8.50%	9.60%	10.30%
Income \$35,000 to \$49,999	14.00%	13.80%	13.40%	13.60%
Income \$50,000 to \$74,999	20.80%	16.70%	18.40%	17.90%
Income \$75,000 to \$99,999	15.20%	13.50%	13.20%	12.20%
Income \$100,000 to \$149,999	12.60%	13.70%	14.50%	12.90%
Income \$150,000 to \$199,999	3.60%	5.00%	5.70%	4.90%
Income \$200,000 or more	2.10%	4.10%	5.20%	4.80%

Source: U.S. Census Bureau, 2009-2013 5-Year American Community Survey, extracted March 2015

**Local Government**

Loveland covers 25.52 (2013 ) square miles. The map below published by Larimer County generally shows the current city limits for the City of Loveland (cream color). The location of Berthoud (to the south) and Johnstown (to the southeast) can also be seen. Much of the recent growth area is seen in the central to northeastern portion of the city. Loveland is smaller and located south of Fort Collins which is the county seat. The two cities, Loveland and Fort Collins and are considered a single metropolitan area by the U.S. government.



Loveland is a Home Rule Municipality with a council/manager form of government providing quality governmental services using innovative and nationally recognized programs. The City Council of Loveland is composed of eight Council members, two from each of the four wards and is lead by the Mayor. Council members are elected for a term of four years and the Mayor is elected for a two-year term. All offices are elected on a non-partisan basis. The Loveland Council serves as a legislative body, has responsibilities for enacting ordinances, appropriates funds for City business and provides policy direction for the City staff. Loveland City government has been nationally recognized for innovative planning and is committed to operating a businesslike City government. The City is strongly involved in public-private partnership and sound financial management. The joint City/School District Service Center is one example of intergovernmental cooperation which saved substantial capital and operating costs. Loveland City government is very proactive and prides itself on the efficient use of public funds. The Civic Center, which was built without federal or state grants and without long-term debt, is tangible evidence of the City's efficiency.

The city has adequate police and fire protection. The Loveland Fire Rescue Authority utilizes both career and volunteer firefighters consisting of 90 firefighters and a approximately 12 volunteer firefighters. These department members operate under the leadership of a career Fire Chief to provide fire and rescue services in an area totaling approximately 190 square miles. The strategic location of nine fire stations allows rapid response times to any address emergency within the city. Three of the fire stations are located in the Big Thompson Canyon. Postal Service for the area is considered to be efficient. The Loveland area is served by one main post office and four branches.

The Loveland Public Library is located in downtown Loveland at 300 North Adams. The 57,000 square foot building serves over 400,000 visitors annually and provides reading resources including ebooks, DVD's and computer classes. An approximate \$9.7 million dollar expansion added 25,000 square feet in 2012 and while adding more book space also added genealogy and local history sections and a teen area complete with a gaming room and comfortable lounge. In addition, there is an extensive library at Colorado State University located 13 miles north in Fort Collins.

**Housing**

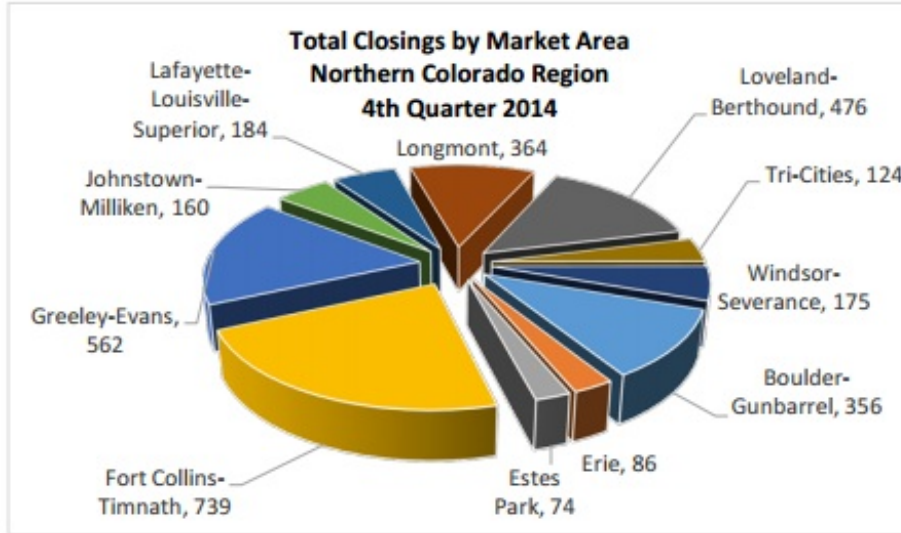
Loveland enjoys one of the lowest costs of living of any city in Colorado and has a wide variety of housing styles and costs, from luxurious one-story ranch houses to inexpensive condominiums. According to the Multiple Listing Service, the average sale price of a home in Loveland/Berthoud was approximately \$317,000 for 2014 with a median price of approximately \$275,00 for the same year. For the second year in a row both the median sales price and average sales price rose above pre-recession levels. Similar to Loveland’s location between Fort Collins and Greeley, price levels of homes generally are between prices of the two cities. The majority of all housing units in Loveland are single-family dwellings, and the significant growth in housing units constructed since 1970 continues into the twenty-first century. In the future, the demand for housing is projected to be generated by three major categories: new employment, retirees moving to Loveland, and in commuters who would like to locate in the area and work nearby. The following table shows single-family detached home sales and price trends.

<b>Single Family Detached Sale Price</b>			
	<b>Fort Collins</b>	<b>Loveland/Berthoud</b>	<b>Greeley/Weld</b>
	<b>Median Sales Price</b>		
<b>2014</b>	\$281,000	\$275,000	\$233,500
<b>2013</b>	\$261,000	\$249,900	\$210,000
<b>2012</b>	\$246,000	\$229,547	\$192,450
<b>2011</b>	\$237,000	\$215,000	\$172,000
<b>2010</b>	\$232,000	\$215,000	\$174,500
<b>2009</b>	\$226,000	\$205,000	\$169,850
<b>2008</b>	\$233,000	\$220,000	\$170,500
<b>2007</b>	\$235,000	\$228,000	\$189,900
<b>2006</b>	\$230,000	\$239,000	\$195,000
	<b>Fort Collins</b>	<b>Loveland/Berthoud</b>	<b>Greeley/Weld</b>
	<b>Average Sales Price</b>		
<b>2014</b>	\$321,512	\$316,971	\$254,547
<b>2013</b>	\$299,935	\$291,184	\$231,264
<b>2012</b>	\$281,406	\$277,534	\$211,004
<b>2011</b>	\$273,441	\$260,002	\$190,430
<b>2010</b>	\$266,877	\$263,545	\$191,327
<b>2009</b>	\$261,172	\$247,694	\$187,001
<b>2008</b>	\$275,110	\$268,230	\$192,734
<b>2007</b>	\$274,532	\$281,117	\$213,749
<b>2006</b>	\$271,606	\$288,871	\$219,472

Source: IRES



Loveland is economically tied to other cities in Northern Colorado. Closings in Northern Colorado during the fourth quarter of 2014 are detailed below. The area defined as Loveland-Berthoud had the third highest share of the market at 476 closings behind Greeley-Evans which had 562 closings and the Fort Collins-Timnath area which had the most closings at 739.



Sources: EREC; Data Provided by IRES, LLC

The following table shows estimates of population, household population, persons per household, number of housing units, occupied units, and vacant housing units. While the total housing units have remained relatively stable in the past few years and have not seen the increases they did during the peak, vacancy rates have also tended not to fluctuate and remain below most State and National levels. The table shows that smaller outlying towns demonstrate a higher number of persons per household than the larger cities. Estes Park had the highest vacancy rate at over thirty percent reflecting the seasonal nature of this resort town. The larger cities of Fort Collins and Loveland had vacancy rates of 2.55% and 3.00% respectively in 2013. Loveland is very similar to surrounding communities with regard to household size and with vacant housing units under 5.0% which is generally considered to be a healthy level by industry standards.

Colorado Department of Local Affairs						
Population and Household Estimates for Colorado Counties and Municipalities 2013						
Area	Total Population	Household Population	Persons Per Household	Total Housing Units	Occupied Housing Units	Vacant Housing Units
LARIMER COUNTY	315,728	307,116	2.42	137,024	126,864	10,160
Berthoud (Part)	5,248	5,179	2.51	2,107	2,062	45
Estes Park	6,075	6,038	2.08	4,176	2,900	1,276
Fort Collins	152,205	145,038	2.37	62,832	61,266	1,566
Johnstown (Part)	647	647	2.39	321	271	50
Loveland	71,224	70,714	2.44	29,834	28,939	895
Timnath	793	793	2.92	302	272	30
Wellington	6,700	6,700	2.88	2,379	2,329	50
Windsor (Part)	5,526	5,526	2.92	1,967	1,892	75
Unincorp. Area	67,310	66,481	2.47	33,106	26,933	6,173

Source: Figures are from the Colorado Department of Local Affairs and differ slightly from the U.S. Census Bureau QuickFacts. Information is most recent data available for March 2015.

**Residential Rental Market**

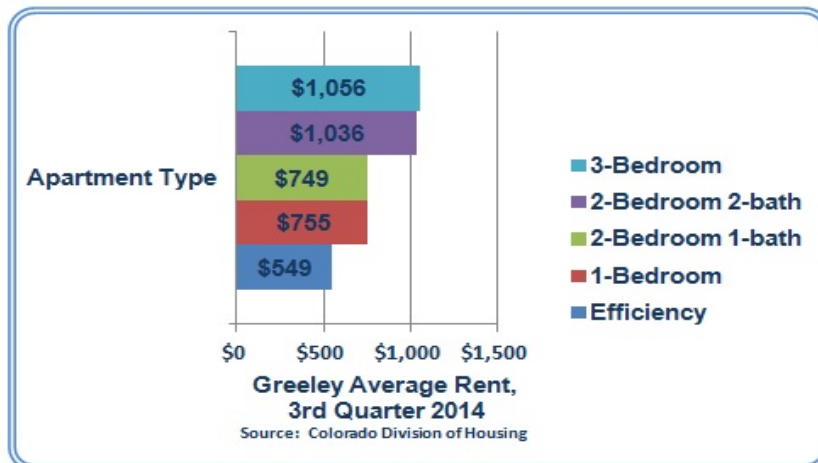
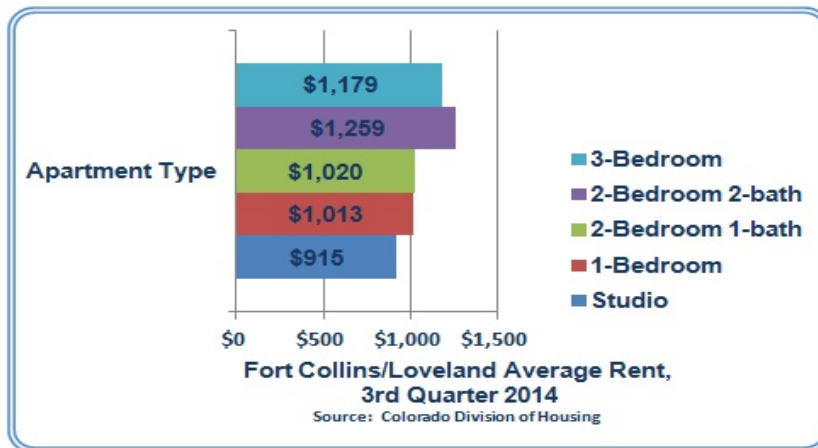
There are a wide range of rental units in the City of Loveland and in surrounding Northern Colorado cities such as Fort Collins, Windsor, Johnstown, Greeley, and Wellington. Most leases are six months to one year, and the rental market (especially in Fort Collins and Greeley) tends to tighten up when school is in session for Colorado State University and University of Northern Colorado. Current vacancy rates are low and most property management companies report less than 1.0% of their properties are vacant. As with the single-family homes, there is a wide variety of qualities, locations, and features which tends to impact rental rates and occupancy however the number of units for rent is very limited. The Colorado Division of Housing reports a current (third quarter 2014) average rental rate of just over \$900 for efficiency units, approximately \$1,000 for one-bedroom units, and just under \$1,020 for two-bedroom and one bath units. The Division also indicates an average rental rate of approximately \$1,200 to \$1,300 for two-bedroom and two bath units with an average rent of just under \$1,200 for three-bedroom units. The average rents are for the Fort Collins/Loveland market area. The summary table below, developed using data from the Colorado Division of Housing, considers all apartment types. Apartment vacancy rates across the Front Range have been low because construction has been lagging behind resulting in higher rents over the last few years. Signs of new construction are now being seen in Northern Colorado which should impact vacancy rates in the future, although most of the new construction has been for upper end units. The Greeley vacancy rate of 2.3% has risen from 1.3% (lowest rate there since 1995) a year ago. The Greeley rate dropped quickly due to limited new construction and employment demands increasing. Fort Collins vacancy rate has dropped two points while Loveland vacancy rate rose moderately in the third quarter of 2014, although both cities remain at vacancy levels well below the 5.0% rate considered to be equilibrium. The City of Loveland ended the year at a vacancy rate of 2.04 for the fourth quarter of 2014.

<b>Apartment Vacancy and Rent Rates Northern Colorado</b>			
Third quarter 2014			
Location	Vacancy Rates	Average Rents	Median Rents
Fort Collins	0.90%	\$1,089.53	\$1,122.63
Greeley	2.30%	\$842.77	\$787.71
Fort Collins/Loveland	1.30%	\$1,090.20	\$1,119.27
Loveland	3.10%	\$1,093.95	\$1,099.04
Statewide	3.80%	\$1,087.08	\$1,050.36

Source: Colorado Division of Housing, most current data available March 2015

Surveys, in general, appear to indicate that rental rates are slowly, but steadily, increasing in response to the low vacancy rates and market demand. While more upper end apartments are constructed, this could loosen up this sector while possibly putting more pressure on older/more affordable units. Recent new home construction, low interest rates, and an improving job market may also result in many tenants opting to purchase homes. New construction of additional apartment units was limited during the recessionary years but recently several large complexes have come online or are under construction. In 2013, a mixed-use complex in downtown Loveland, Gallery Flats, consisted of over 70 units, and the Artspace Lofts Project added 30 affordable units for artists in 2014. Ashley Estates added 224 affordable housing units in northwest Loveland and Waterford Place Apartments added 166 units in the south central part of the city. Early in 2015, 220 units will open in the \$30 million luxury Bristol Pointe Apartments. The apartments occupy 12 acres in southwest Loveland near the King Soopers Shopping Center. Perhaps most notable are 250 luxury apartments under construction in adjoining Johnstown. Located just across U.S. Highway 34 and the Promenade Shops at Centerra in Loveland, The Gateway Apartments are being built in the mixed-use 2534 development. The complex will have mostly one and two-bedroom apartments and charge rents of up to approximately \$1,500.

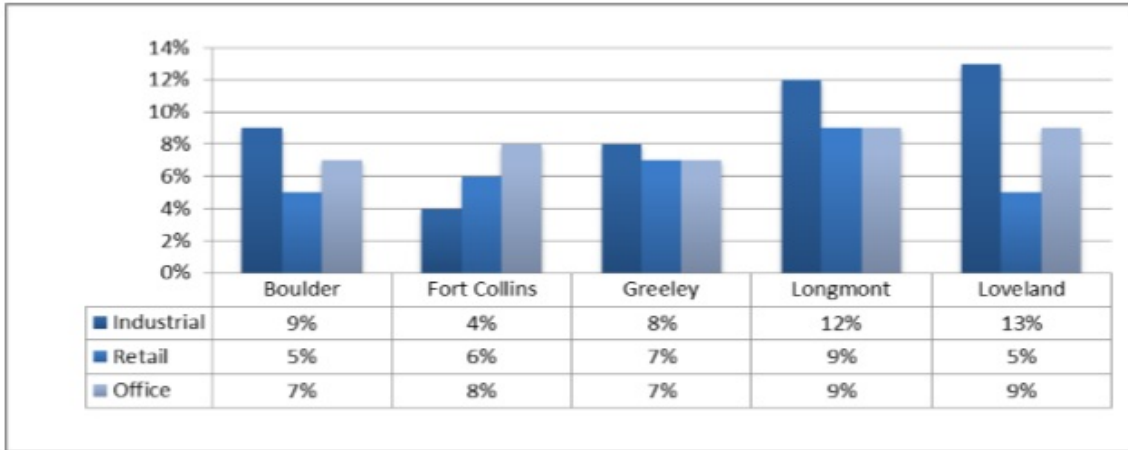
The following data from the Colorado Division of Housing demonstrates the average rents seen in Fort Collins/Loveland and Greeley markets for various unit types. The data is the most current summary available from the Division and demonstrates the higher market in Fort Collins/Loveland.



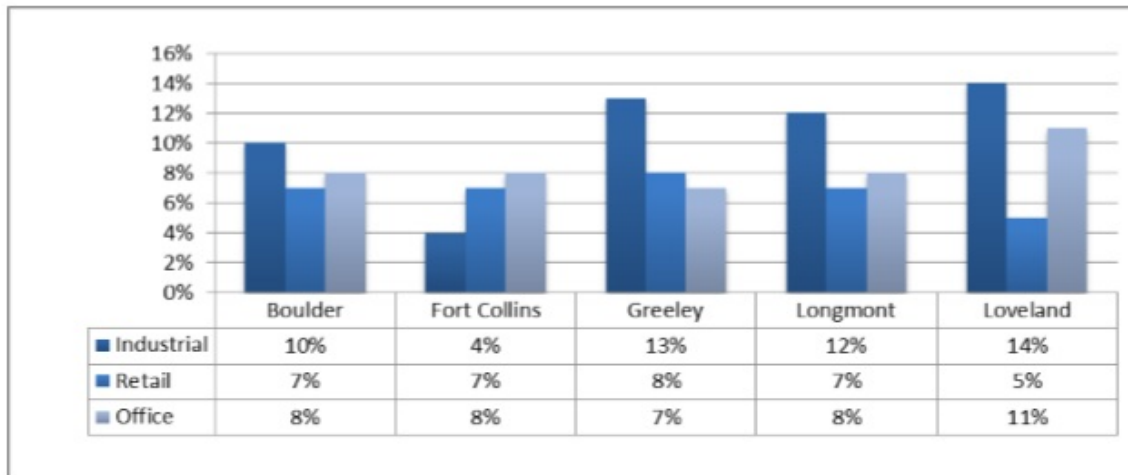
**Commercial Market**

Similar to the residential market, the Loveland commercial market was impacted by the recession, although the impact was not as severe in Colorado as in many states in the nation. Currently, the market continues to improve and experience generally positive absorption and relatively low vacancy rates as the real estate market recovers from the prior recessionary slowdown. The summary bar charts below are commercial real estate statistics by type and metro area provided by Sperry Van Ness, a division of The Group Commercial, LLC.

**Vacancy Rates – March 2016**



**Vacancy Rates – March 2015**



### **Office Sector**

The office sector in Loveland was impacted to a large extent from the recession due to downsizing and closings but there has been improvement in recent years. The strongest declines were in secondary-type locations and in older Class B and Class C buildings. Newer properties with stronger locations and good appeal have suffered less in the past market. Additional surveys completed by Colorado State University's Everitt Real Estate Center, Cushman & Wakefield (formerly DTZ), and Realtec indicate office vacancy remains in the range of 5.0% to 10.0%, although this includes all classes. While rental rates have been improving as the supply of available space (especially Class A/B+) has been decreasing, rents still remain well below the levels considered necessary to justify new speculative construction.

### **Industrial Sector**

The light industrial sector in Loveland (and throughout Northern Colorado) is considered to be one of the strongest sectors due in large part to the oil and gas industry. Additional surveys completed by Colorado State University's Everitt Real Estate Center, Cushman & Wakefield (formerly DTZ), and Realtec indicate light industrial vacancy in the range of less than 5.0% (when excluding larger facilities such as the Agilent facility) which is generally considered to be the equilibrium level. Rental rates have been increasing due to the shortage of supply, but the rates currently attainable do not yet justify construction costs for speculative space unless a build-to-suit. If rates continue to improve, the light industrial market may be one of the first sectors to see new construction if the current demand continues.

### **Retail Sector**

The retail sector in Loveland is also considered to be improving as most larger big-box vacancies that plagued the City during the recession have now been filled or have plans for new tenants or re-development. As with office, the Centerra/McWhinney area of southeast Loveland near US Highway 34 and Interstate 25 remains the strongest retail area with the second strongest area being at the intersection of 29<sup>th</sup> Street and US Highway 287 in north Loveland. Retail vacancy rates remain in the 4.0% to 6.0% range which is considered to be a healthy rate. As a result of the lower vacancy rate, rental rates have also seen moderate improvement as much of the desirable space along major corridors has been absorbed.

## **Local and Regional Business**

Loveland has a diverse economy and is home to a variety of businesses. The city's diversity ranges from bioscience and high tech business to the retail sector, from construction and development to the medical field and from arts and culture to agricultural endeavors. Loveland business covers every segment of the economy. The city's fastest growing industry is healthcare.

Fort Collins and Loveland share a FAA certified general aviation and commercial airport, the Fort Collins/Loveland Airport. The airport is located south of Fort Collins just west of Interstate 25 and serves private, commercial, and corporate aircraft. Current corporate users include such firms as Hewlett Packard, Anheuser Busch, Bohemian Foundation, Otterbox, and Hach. The airport has full services, 209 hangars, and two concrete runways with one being a 8,500 foot runway meeting the requirements of aircraft up to and including 727 jets. Seven million dollars was spent in the fall of 2011 for runway upgrades. According to The Group Inc., the airport is ranked among the ten fastest growing airports in the country and had over 44,999 people board commercial flights in August 2012. Allegiant Airlines began commercial service between the Fort Collins/Loveland Airport and Las Vegas in 2003 until October 2012 when service was suspended. Currently, efforts to find a new commercial carrier are ongoing as well as concentrating on corporate and business travel. Federal subsidies dropped with Allegiant withdrawal and fell to \$150,000 in 2015 from \$6.5 million in 2011. Airport director Jason Licon states "We're not concentrating just on air service. We're focusing on the airport as a whole, figuring out ways to diversify our revenue streams by improving services to all of our stakeholders."

Denver International Airport (DIA) is located approximately 67 miles southeast of Fort Collins, and with a land size of 52 square miles, is the largest land size airport in the United States and the third largest in the world. DIA opened for air traffic in 1995 and today serves 17 airlines and in 2014 served over 53.4 million passengers. Skyride is the Regional Transportation District's bus service between the Denver area and DIA. A new \$500 million terminal next to the Jeppesen terminal is being built which will create over 6,600 jobs and be completed in 2016. It will consist of a railway station for the Regional Transportation District, 500-room hotel, and conference center. Rail service will connect to downtown Denver's Union Station which reopened after renovation in July 2014. DIA was voted the third-best airport in North America, fifth on the list of the "World's Best Domestic Airports" and runner-up in the "Best Regional Airports in North America" in *Skytrax* World Airports Awards 2013.

Health care is readily available within the Loveland community. In 2007 Poudre Valley Health Systems completed a \$220 million regional hospital complex, the Medical Center of the Rockies, on 91 acres in the Centerra development just northwest of the Interstate Highway 25 and US Highway 34 interchange. The 500,000 square foot, 139-bed hospital specializes in cardiac surgery and severe trauma cases. It has created over 1,000 health care and related jobs and includes an attached 90,000 square foot medical office building. McKee Medical Center is a full-size hospital that is part of the Banner Health System of Colorado. McKee has been providing health care to residents of Loveland for over 38 years and is served by approximately 174 affiliate physicians. McKee Medical Center has been undergoing an aggressive expansion plan over the past several years and completed a \$70 million expansion which included Obstetrics, Telemetry, Materials Management, and Surgery Departments. As of 2014, McKee Medical Center has 115 licensed beds and encompasses approximately 421,972 square feet. A \$9,000,000 expansion of the McKee Cancer Center was also announced in 2011. Skyline Medical Center occupies a 79,000 square foot medical

complex just off East Eisenhower Boulevard (US Highway 34), including an outpatient surgery center, medical imaging center, MRI services, urgent care, laboratory, pharmacy, and office space for physicians. Banner Health and Kaiser-Permanente broke ground on yet another medical hospital late in 2013 located just north of Loveland in Fort Collins between Lady Moon Drive and Cinquefoil Lane, less than a mile west of the Interstate 25-Harmony Road interchange. The new \$86 million medical center sits on 28 acres and can be expanded to 384,000 square feet and 144 beds. The first phase, 163,000 square feet, will include medical offices, outpatient clinic, 24 in-patient beds, emergency department, laboratory services, pharmacy, labor and delivery rooms and women's services and opened in April 2015. Banner Health and Kaiser also have several satellite offices and clinics scattered throughout the Northern Colorado area.

The Promenade Shops at Centerra have become a regional shopping designation for northern Colorado and southern Wyoming. The Promenade Shops are a 650,000 square foot "lifestyle center" located at the northeast corner of Interstate 25 and Highway 34. The center is anchored by Macy's, Dick's Sporting Goods, Barnes & Noble Booksellers, Best Buy, a fourteen-screen movie theater and several national retailers and restaurants. Centerra continues to expand with a Courtyard by Marriott Hotel planned although a Bass Pro Shops recently cancelled plans for a 117,000 square foot retail store. This newer southeast end of Centerra is within walking distance to the Chapungu Sculpture Park, outdoor concerts in the summer and ice skating in the winter. On the south side of Highway 34 and across from Centerra is the 2534 development which is a mixed-use community planned to consist of office, retail, and light industrial development. This development will include The Plaza at 2534 as well as a recently announced Scheel's Outdoor of approximately 250,000 square feet as well as additional retail. Construction of the area began in early 2006 and then slowed during the national recession. Construction is ongoing and high-end apartments broke ground during the fall of 2014. Additional new and planned development includes over 500,000 square feet of additional retail as well as a gun range and other mixed uses. The Marketplace at Centerra, located approximately one-half mile west of Interstate 25 along U.S. Highway 34, is a retail development that consists of several big-box stores including Bed, Bath, and Beyond, Old Navy, Target, Pier 1, and JoAnn Fabrics. This area also has several national restaurants including Chili's, Johnny Carinos, Old Chicago, and Mimi's Café as well as fast food outlets. The Outlets at Loveland are also located at the intersection of Interstate 25 and US Highway 34. Several large outlet retailers are located within this shopping area including Nike, Polo Ralph Lauren, Tommy Hilfiger, Ann Taylor, Under Armour and Coach outlet stores.

A national developer, Cumberland and Western Resources, LLC purchased the former 811,000± square foot Agilent facility from the City of Loveland. While the developer and City originally had an agreement with the Colorado Association for Manufacturing and Technology (CAMT) to develop an Aerospace and Clean Energy (ACE) park, they ended their partnership in February/March of 2012. While development was to include a significant amount of clean energy manufacturing and technology, the new focus is planned to also include a broader range of industries including software, aerospace, bioscience, and life science manufacturing. The project was originally projected to bring in approximately 10,000 jobs over the next decade, these estimates have been revised to 4,000 to 7,000 jobs depending upon the tenant mix. An additional focus will not just be in creating new jobs from outside the area but also growing jobs for existing Loveland employers. Although plans have been somewhat revised from the original plans, the development (now known as The Rocky Mountain Center for Innovation and Technology), it still expected to become one of the premier Northern Colorado technology parks, it is now known as The Rocky Mountain Center for Innovation and Technology.



A Fort Collins company, Value Plastics, broke ground on a new plant in Longview/Midway Industrial Park in north Loveland in 2014 with plans to move the company to Loveland in 2015. Value Plastics expects to spend \$28 million for the land and the approximate 126,000 square foot building. Leed Fabrication Services opened a 22,000 square foot plant in Loveland at 5100 Boyd Lake Avenue in 2013 and in 2014 began a 68,399 square foot expansion of that plant. Leed builds oil and gas separators and emissions control systems. Nearby at 4800 Hahns Peak Drive, McWhinney and Company has built another high-end office building consisting of 55,000 square. BizWest October 17 of 2014 reported on commercial construction projects in the City of Loveland being proposed, approved, or under construction. In addition to those already mentioned, projects included a new Sprouts Grocer, O'Reilly Auto Parts, and a new Freddy's fast food restaurant. The Group Real Estate Company reported on projects completed in 2013 and located in east Loveland near Interstate Highway 25. These projects include VanDyne Super Turbo and Hyundai at the Motorplex at Centerra all demonstrating growth in most business sectors.

Recently, downtown Loveland is becoming a focal area. The Lincoln Place project brought 200 residential units and first floor retail space area to downtown and customers to the heart of Loveland. The five story Gallery Flats project opened in the Summer of 2014 consisting of over 70 units and the Artspace Lofts project will add 30 units aimed at affordable units for artists. The second phase of this project will include renovation of the Loveland Historic Feed and Grain which will provide artist studios and offices.

The oil and gas industry has slightly impacted Larimer County and the City of Loveland and Fort Collins. In 2010, a high producing well was drilled in the Niobrara Formation that heightened interest in the oil and gas industry. The Niobrara Formation is a shale rock formation that extends into adjoining Weld County to the east and is found in northeast Colorado, northwest Kansas, southwest Nebraska and southeast Wyoming. Mark Jaffe of *The Denver Post* reported December, 2013 "The discovery of an easy-to-drill and oil-rich stratum fueled nearly \$4 billion in spending (in Colorado) in 2013 by the top operators." Oil production in Larimer County reached the highest mark, (over 200,000 BBL), in over a decade in 2014 before tapering off late in the year due to the drop in price per barrel. A reduction in crude oil prices has created a downturn in 2015. Noble Energy plans a 55% reduction and Anadarko Petroleum Corporation, a top oil and gas producer in Weld County has cut its capital budget by 33 %. Even with the reduction, Anadarko will spend \$1.8 billion in the region in 2015 (source: *BizWest* March 3 2015). There are less than 200 producing wells in Larimer County and currently Weld County draws employees to the oil and gas field.

Another major influence on the economic base of Loveland is the agricultural and cattle industry. As a result of the good productive soil and extensive irrigation system, Larimer County ranks tenth among Colorado's sixty-three counties in the total value of crop production. The area has a growing season of approximately 142 days ([www.ext.colostate.edu](http://www.ext.colostate.edu)), which is adequate for wheat, oats, barley, corn, sugar beets, pinto beans, and alfalfa. Colorado total agricultural sector output for 2012 was over \$8.4 million resulting in a large value chain to end users and services (source: [www.nass.usda.gov](http://www.nass.usda.gov)). Colorado cropland values rose approximately 22% in 2013 while the nations average increase was approximately 13% (source: *Northern Colorado Business Report*, January 24 2014).

## **Utilities and Transportation**

The City of Loveland operates COLT(City of Loveland Transit), a fixed-route transit and paratransit transportation service within the community. The COLT Paratransit service is a demand response service and provides door-to-door service for older and disabled residents. FLEX service provides transit to Fort Collins and Longmont with stops along the route in Loveland and Berthoud. Also available is a demand response service providing door-to-door operation for older and disabled residents.

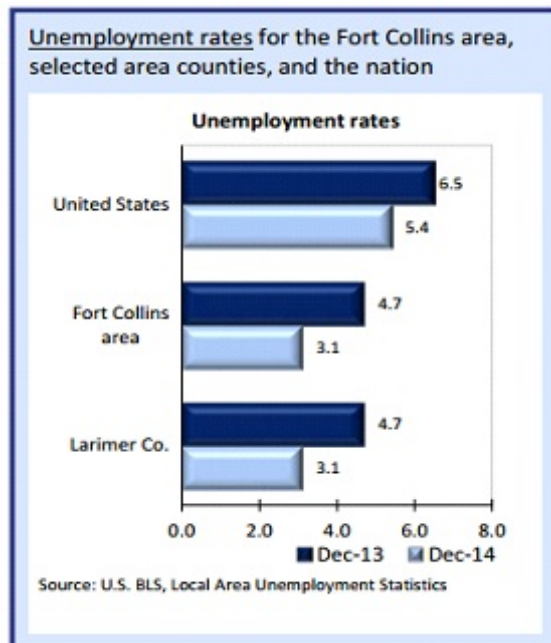
The City of Loveland's electric utility is one of the oldest municipally-owned utilities in Colorado. Through sound planning, Loveland has relatively inexpensive and highly-reliable electricity. Xcel Energy supplies natural gas to all customers in the Loveland area and is currently installing more than seven miles of natural gas pipeline through Loveland as part of a larger project which replaces about 77 miles of pipeline from Denver to Wyoming. The city's raw water comes from the Big Thompson River, the Colorado-Big Thompson project and the Windy Gap Project. Loveland's drinking water quality exceeds standards set by state and federal regulatory agencies. Water for domestic and industrial purposes is supplied by the city water utility and by two independent water districts which operate outside the city limits.

The city's raw water comes from the Big Thompson River, the Colorado-Big Thompson project and the Windy Gap Project. Supplies are adequate to meet current needs and plans are in progress to develop new supplies to meet Loveland's needs into the early part of the next century. The City of Loveland remains proactive in seeking to provide water for moderate growth and possible events such as a 100 year drought. All wastewater receives both primary and secondary treatment before being discharged into the Big Thompson River.

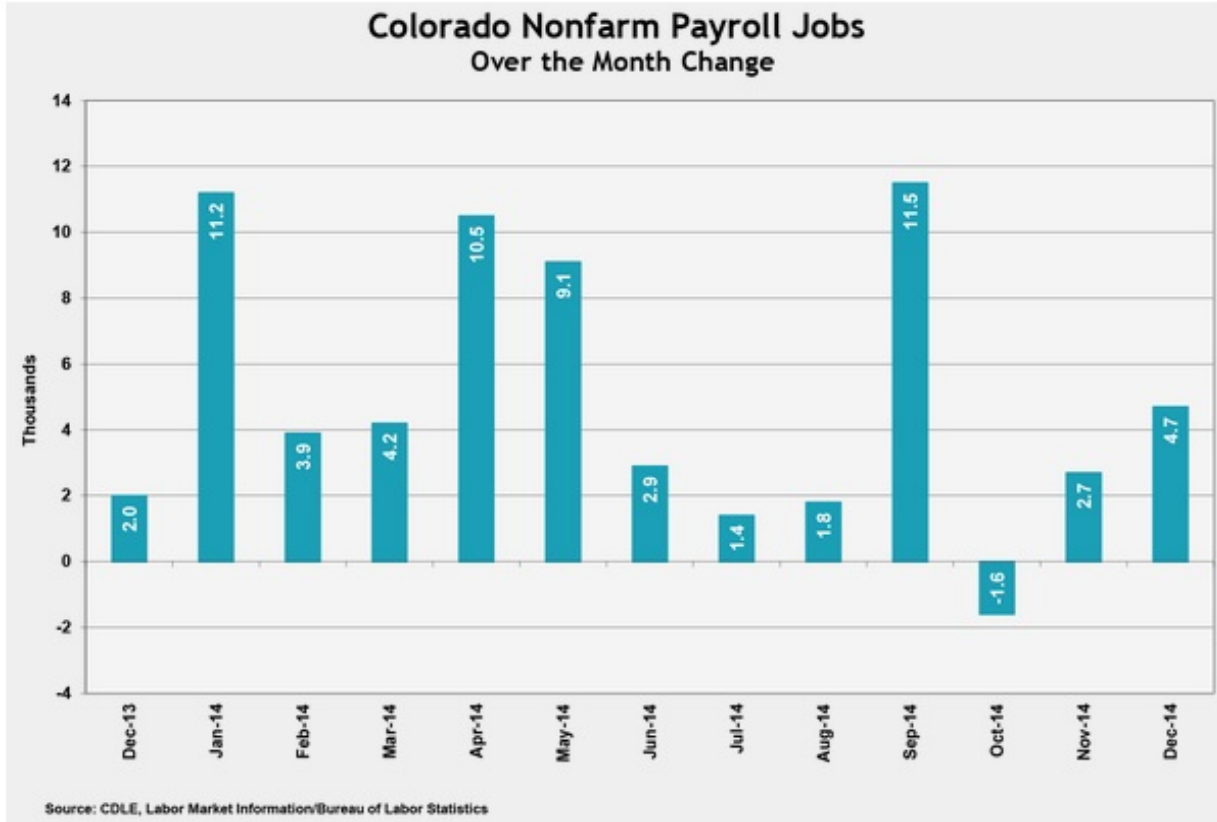
## Employment

Colorado is central to growing business and industry in the Rocky Mountains. Business grows in Colorado due to strong partnerships between the public and private sectors, an educated workforce and one of the best business economies in the country. Being a desirable place to live, having a mix of viable industries and educated employees, Colorado offers expanding companies what they need to grow and thrive. Colorado ranked third in the nation for concentration of high-tech workers and fifth for percentage of payroll coming from technology industries in Cyberstates 2015. Cyberstates is an annual report from the nonprofit TechAmerica Foundation (source: BizWest March 20 2015). “Colorado's strength in mature high tech industries such as telecommunications, software development, and high tech manufacturing has resulted in the highest concentration among all 50 states of high tech workers (Source: www.Colorado.gov). Growth in retail and service jobs that generally pay less than a living wage are beginning to outpace high-wage jobs of the past although unemployment remains low (Source: *Coloradoan*, March 6 2015).

According to the Bureau of Labor Statistics, the unemployment rate in the Fort Collins/Loveland area in December of 2012 was 4.8% which was well below the peak rate of 8.50% seen in December of 2010. Unemployment rates for the Fort Collins, Loveland and the Northern Colorado area had risen steadily since early 2007 with strong increases after late 2008 due to the national recessionary economy. While still high as compared to historic standards, the 2012 rate was below the State of Colorado unemployment rate of 6.2% (December 2012) and the national rate of 7.9% as of December of 2012. Below is a chart detailing unemployment rates for 2013 and 2014 in the nation, county and Fort Collins. Overall, the economic conditions in the Northern Colorado area appear to be better than those nationally. Larimer County (Fort Collins/Loveland) continues to be one of the top areas in the state for employment. Loveland was recently named the second highest ranked city in the United States for tech startup companies by *Entrepreneur.com*. Four of the top ten metro regions in the U.S. with the most tech startups are in Colorado: Boulder, Fort Collins-Loveland, Denver and Colorado Springs.



The chart which follows displays month to month change in Nonfarm Payroll Jobs in Colorado from December 2013 to December 2014. Negative growth was seen in one month, October, however nonfarm jobs more than doubled from December 2013 to December 2014.



The following table outlines the labor statistics for the Fort Collins/Loveland area and is published by the Bureau of Labor Statistics. According to the Colorado Department of Labor and Employment, Government services employ the greatest percentage of the labor force (36.1%) followed by Trade, Transportation and Utilities (23.3%) and Professional and Business Services (18.4%). Leisure and Hospitality nearly missed third position (18.3%).

## Fort Collins-Loveland, CO

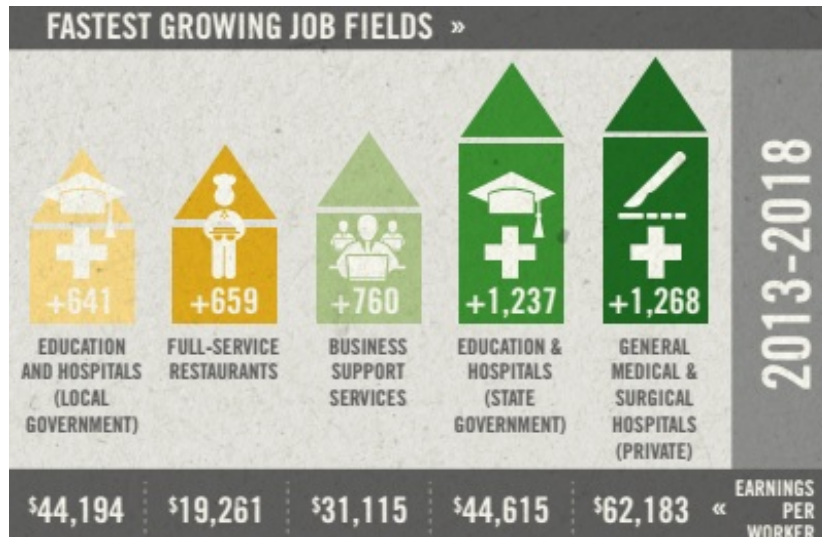
### Fort Collins, CO

Data Series	Back Data	Oct 2015	Nov 2015	Dec 2015	Jan 2016	Feb 2016	Mar 2016
<b>Labor Force Data</b>							
Civilian Labor Force (1)		(R) 182.9	(R) 181.8	(R) 180.2	179.6	(P) 183.7	
Employment (1)		(R) 178.0	(R) 176.8	(R) 175.1	174.5	(P) 178.3	
Unemployment (1)		(R) 4.9	(R) 5.0	(R) 5.1	5.1	(P) 5.4	
Unemployment Rate (2)		(R) 2.7	(R) 2.8	(R) 2.8	2.8	(P) 2.9	
<b>Nonfarm Wage and Salary Employment</b>							
Total Nonfarm (3)		158.7	158.7	158.2	154.2	156.6	(P) 157.8
12-month % change		3.8	3.4	3.7	4.4	4.3	(P) 4.4
Mining, Logging, and Construction (3)		10.2	10.3	10.2	9.9	9.9	(P) 10.4
12-month % change		1.0	3.0	3.0	5.3	4.2	(P) 8.3
Manufacturing (3)		13.3	13.3	13.3	13.1	13.1	(P) 12.9
12-month % change		8.1	7.3	6.4	4.8	4.8	(P) 2.4
Trade, Transportation, and Utilities (3)		25.7	25.7	25.6	24.9	25.0	(P) 25.0
12-month % change		4.5	2.4	1.2	2.9	3.3	(P) 3.3
Information (3)		2.8	2.8	2.8	2.8	2.8	(P) 2.8
12-month % change		3.7	3.7	3.7	3.7	3.7	(P) 3.7
Financial Activities (3)		6.6	6.6	6.7	6.5	6.5	(P) 6.6
12-month % change		4.8	4.8	4.7	3.2	3.2	(P) 4.8
Professional and Business Services (3)		20.1	19.6	19.5	18.9	19.3	(P) 19.2
12-month % change		1.5	-0.5	-0.5	-0.5	0.5	(P) -0.5
Education and Health Services (3)		15.9	16.0	16.0	15.9	16.0	(P) 16.1
12-month % change		6.0	5.3	5.3	5.3	4.6	(P) 4.5
Leisure and Hospitality (3)		20.0	20.3	20.5	20.5	20.5	(P) 20.7
12-month % change		4.2	7.4	9.6	13.9	11.4	(P) 11.3
Other Services (3)		5.6	5.6	5.7	5.6	5.6	(P) 5.7
12-month % change		1.8	1.8	1.8	1.8	1.8	(P) 3.6
Government (3)		38.5	38.5	37.9	36.1	37.9	(P) 38.4
12-month % change		2.9	2.1	3.6	3.1	3.6	(P) 3.8
Footnotes							
(1) Number of persons, in thousands, not seasonally adjusted.							
(2) In percent, not seasonally adjusted.							
(3) Number of jobs, in thousands, not seasonally adjusted. See <a href="#">About the data</a> .							
(R) Revised							
(P) Preliminary							

Data extracted on: April 15, 2016

Source: U.S. Bureau of Labor Statistics

Northern Colorado is viewed as a desirable place to live resulting in a growing population and an area where national and international companies locate. According to the Larimer County Labor Force Study 2014 for the City of Fort Collins Economic Development the most prevalent industries are shown below in the chart displaying the top five industries with the largest amount of workers. Those shown are Limited Service Eateries, Local Government, Full Service Eateries, Local Government (education and hospitals) and State Government (education and hospitals). Looking forward the next chart displays the fastest growing job fields into 2018. Those fields include Local Government, Full-Service Restaurants, Business Support Services, State Government, and Private Hospitals. The economy in the Larimer County Area and the Fort Collins/Loveland metropolitan area has been described as well balanced and stable.



Source: Larimer County Job Force

Larimer County, along with Boulder, Broomfield and Weld counties were all in the top 20 on the Milliken Institute’s annual report *Best-Performing Cities 2014: Where America’s Jobs are Created and Sustained*. The economic base of Loveland remains stable with unemployment in the area less than the national average. Some of the major employers in the area at this time are shown in the following chart.

<b>Major Loveland Employers</b>		
<b>January 2015</b>		
<b>Company</b>	<b>Total Type of Business</b>	<b>Number of Employees</b>
Thompson School District	Education	2,125
Promenade Shops At Centerra	Retail	1,699
Medical Center of the Rockies	Medical	1263
City of Loveland	Government	995
Hach Company	Water analysis systems	980
Walmart Distribution Center	Retail Distribution	895
McKee Medical Center	Health Care and Medical	708
Crop Production Services	Agricultural	400
Agilent Technologies Inc.	Measurement/analysis	350
Madwire	Software and Marketing	175
Heska Corporation	Veterinary Products	110

Source: Estimates from Colorado Business Report, January 2015 and phone contacts

In addition to the employers listed previously, another large contributor to the economic base for the area is the construction industry. The following table outlines the construction activity in the city for the last fourteen years. The number of building permits and units decreased slightly in 2013 however the total valuation of those permits rose slightly. Numbers rose in 2014 and the first two months of 2015 has surpassed 2014 during the same time frame a year ago.

Year	Dwelling		
	Units	Number of Permits	Total Value
2000	1111	2319	\$166,491,579
2001	1279	2107	\$175,075,554
2002	953	2054	\$160,261,472
2003	994	2085	\$186,704,382
2004	985	2020	\$241,575,333
2005	872	2886	\$380,309,118
2006	874	2374	\$248,721,916
2007	281	2118	\$244,634,070
2008	269	2033	\$226,862,628
2009	71	1542	\$67,095,168
2010	719*	1998	\$136,958,947
2011	165	1171	\$44,060,086
2012	270	1598	\$70,260,889
2013	232	1478	\$76,520,909
2014	292	1552	\$110,736,537

Data is most current available  
 Source: City of Loveland Building Department

During the national recessional period construction slowed but is once again increasing and is a highlight of the Northern Colorado economy. According to The Group, Inc. Real Estate Company (February 2014) “new construction activity “exploded” in 2013. Fort Collins had more new home starts in 2013 than any other city along the Front Range. Loveland was fourth on that list. Clearly new home builders realize the strength of our market.” Fort Collins had an inventory below a 4 month supply in all markets at the first of the 2014, and by March of 2014 there was only a one month supply of single family homes in the \$150,000 to \$350,000 price range in Fort Collins. According to Northern Colorado Business Report, January 24, 2014 “the region’s supply of homes is 13% lower than a year ago” and “there are 3,346 fewer homes on the market at the end of 2013 than at the end of 2012 in the three largest metropolitan areas in Northern Colorado: Fort Collins, Loveland-Berthoud and Greeley-Evans.”



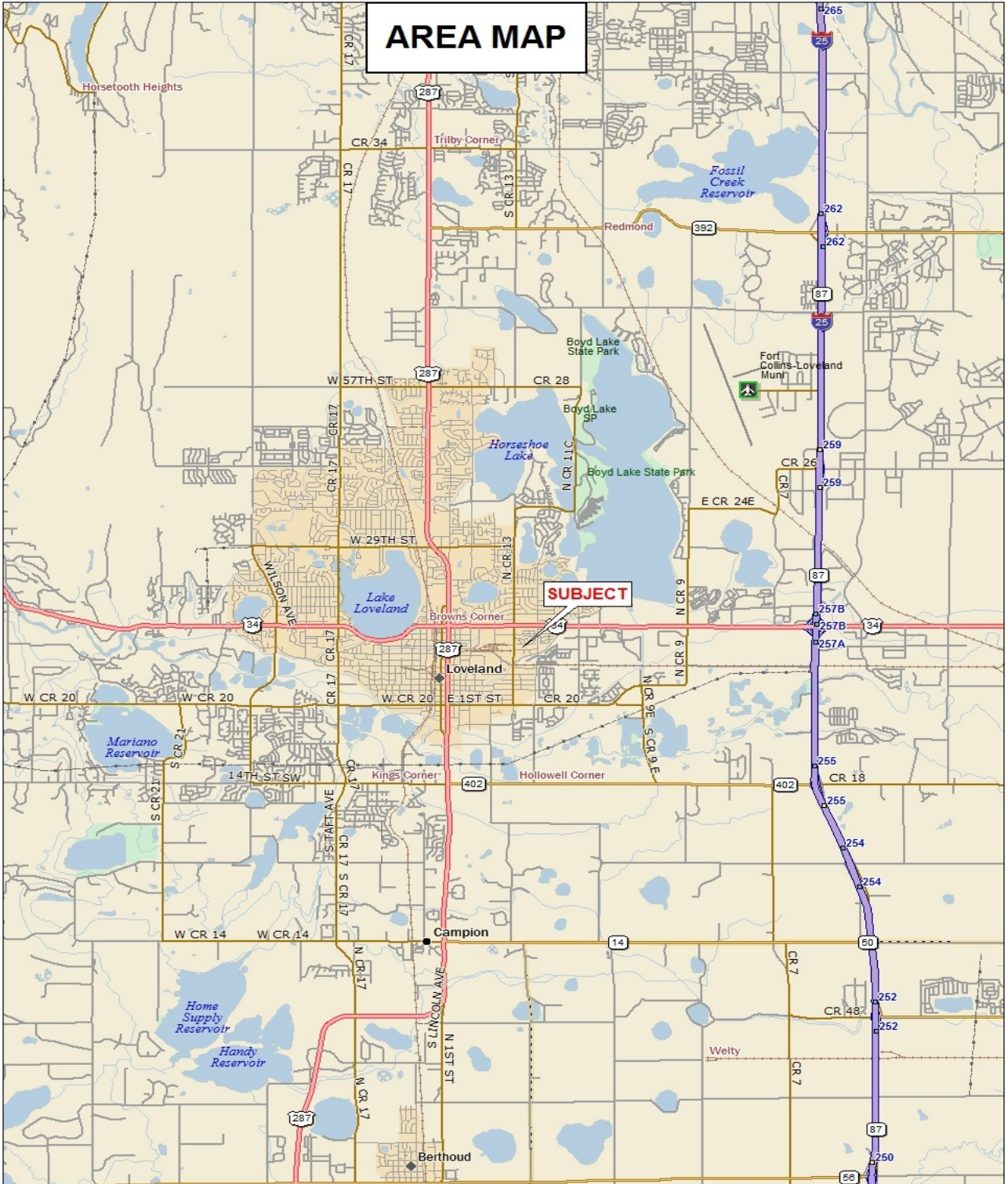
Confidence has improved and developers are again selling residential lots with raw land again being developed as platted lots are sold/absorbed. The chart below indicates that home building is not back to pre-recession activity in Fort Collins or Loveland but Timnath did exceed their peak in 2012 and Windsor came close in 2013 where permit-ready lots were available. Unincorporated Larimer County was the only location shown below which did not see an increase in the number of building permits in 2014.

Single Family Building Permits					
City/Town or County	2014	2013	2012	2011	Peak (Year)
Fort Collins	743	630	469	258	1,224 (2002)
Loveland	325	240	274	171	702 (2004)
Timnath	167	166	141	132	141 (2012)
Windsor	230	356	437	244	451 (2005)
Wellington	187	136	67	21	279 (2004)
Larimer County	108	133	158	83	427 (2004)
<b>TOTAL</b>	<b>1,760</b>	<b>1,661</b>	<b>1,546</b>	<b>909</b>	

Source: City/County Building Departments, March 2015

Pent up demand for new residential development has spurred new vacant land development in the Loveland area. Downtown Loveland has seen the completion of the Lincoln Place project and Gallery Flats with over 70 multi-family units completed summer of 2014. Ashley Estates in northwest Loveland broke ground in summer of 2014 of 224 units on 17.6 acres that will be affordable housing. Waterford Place Apartments is a new 166 unit Apartment complex on 13 acres in south central Loveland. The largest new residential community is currently under construction at Centerra. The Lakes at Centerra will be a 791-home development consisting of single family, patio home and townhomes. It began construction in the summer of 2014. Recent large apartment projects include 220-unit Bristol Pointe Apartments on the southwest side of Loveland located at South Taft Avenue and 16<sup>th</sup> Street. The \$30 million project is expected to be completed early in 2015.

In summary, the Fort Collins-Loveland Metropolitan Area has experienced rapid growth over the past ten to fifteen years which was “spurred on” by good job growth and being a desirable place to live. Although this expansion slowed due to the recent global recession, long-term growth is expected to continue as this area of Colorado continues to rank high as one of the best locations to live due to its climate, amenities, lifestyle, and affordability.



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## NEIGHBORHOOD DATA

A neighborhood may be defined as "a group of complementary land uses; a congruous grouping of inhabitants, buildings, or business enterprises." [Appraisal Institute, *The Dictionary of Real Estate Appraisal*, Fifth Edition, Chicago, 2010, p. 193]. Primary influences which impact the area are environmental, governmental, social and economic.

The neighborhood boundaries generally identified for the purposes of this appraisal are considered rather rectangular in shape and are as follows:

Northern Boundary	57 <sup>th</sup> Street (County Road 28) and Earhart Road on the east
Eastern Boundary	County Road 5, North Fairgrounds Avenue and Centerra Parkway
Southern Boundary	Area just south of US Highway 34 (East Eisenhower Boulevard)
Western Boundary	Monroe Avenue

The neighborhood may be considered as the northeastern quadrant of Loveland, Colorado in an area commonly known as the "Seven Lakes" area because of the close proximity to Boyd Lake, Horseshoe Lake, Westerdoll Lake, Heinrich Lake, Silver Lake, and the upper and lower Hoffman Lakes. At 1,700 acres Boyd Lake is the largest lake and along with 334 acre Boyd Lake State Park is centrally located within the neighborhood. The entire neighborhood encompasses approximately 8,600 acres. Interstate Highway 25 travels north and south just inside the eastern boundary of this neighborhood. There are two interchanges in this neighborhood serving the Loveland area:

Crossroads Boulevard (Fort Collins–Loveland Airport exit)  
US Highway 34 (Loveland and northern exit to Johnstown)

Shown below is the total intersection volume for two of the major interchanges with Interstate Highway 25 in closest proximity to the subject neighborhood (source: OTIS Online Traffic Data, Colorado Department of Transportation web site, January, 2014).

Total Intersection Volume on Interstate 25 at major interchanges:

- 96,517 at Colorado Highway 392 (Windsor exit)
- 112,000 at US Highway 34 (Loveland/Johnstown exit)

The northern boundary of the subject neighborhood is 57<sup>th</sup> Street (County Road 28) and also known as Earhart Road on the east side of the neighborhood. Boyd Lake separates the end of East 57<sup>th</sup> Street where it dead ends at County Road 11C from Earhart Road on the east side of Boyd Lake. From west to east the major roads providing north/south travel within the neighborhood are Monroe Avenue, Madison Avenue, County Road 11C, Boyd Lake Avenue, Interstate 25 and Fairgrounds Avenue providing the eastern boundary. From north to south the major roads providing east/west travel within the neighborhood are 57<sup>th</sup> Street (County Road 28/Earhart Road) and US Highway 34 (East Eisenhower Boulevard). These two arterials are also the north and south boundaries of the neighborhood. East/west travel is limited due to Boyd Lake's location within the subject neighborhood. Total intersection volume for major intersecting streets in the subject neighborhood and traffic flow and volumes for the southeast quadrant of this Loveland neighborhood is shown below (source: Traffic Counts Maps, City of Loveland and Larimer County-2009 to 2011).

Total Intersection Volume on 57th Street at major cross streets:

- 9,430 at Monroe Avenue
- 8,100 at County Road 11C

Total Intersection Volume on US Highway 34 at major cross streets:

- 49,300 at Madison Avenue
- 45,385 at Boyd Lake Avenue
- 47,345 at Rocky Mountain Avenue

Monroe Avenue, the western border of the subject neighborhood, travels through mostly residential subdivisions. On the north end it skirts around the west side of Horseshoe Lake where Lake Shore Gardens and Centennial Shores Subdivisions include some lake front lots. Conrad Ball Middle School and Mary Blair Elementary School are located at the southeast corner of Monroe Avenue and 29<sup>th</sup> Street. The highly residential areas surrounding these schools and to the south are made up of Evergreen Meadows, Orchard Estates, Silver Glen and Silver Lake subdivisions. Monroe Avenue dead ends at Silver Lake where traffic must go west or east on 23<sup>rd</sup> Street to wind around the lake eventually connecting with a small section of Monroe Avenue which extends north of US Highway 34. Monroe Elementary School is located on the northeast corner of the Monroe Avenue and US Highway 34 intersection. Traveling east along the Eisenhower (US Highway 34) business corridor is a Goodwill retailer and a larger Ford/Lincoln Dealership as well as restaurants and smaller retailers and convenience stores. On south side of this arterial is Jax Outdoor Gear, and several smaller retailers, restaurants, and other commercial uses.

On the east side of Horseshoe Lake, County Road 11C provides an arterial southward. This County Road provides the main access to Boyd Lake and Boyd Lake State Park as it transverses between Horseshoe and Boyd Lakes. Boyd Lake State Park is 334 acres located on Boyd Lake (1700 acres) and provides activities including boating, fishing, picnicking, swimming, hiking, biking. Larimer County Road 11C curves west and becomes 37<sup>th</sup> Street for a short distance before it intersects with the next major north/south arterial, Madison Avenue. Madison Avenue travels through residential areas until intersecting with commercial business and entry on to Loveland, US Highway 34. This intersection has long been known as “Brown’s Corner.” The southwest quadrant of this intersection consists of Sam’s Wholesale Club and Home Depot. Diagonally across the intersection to the north east is a former Albertson’s Grocery that is currently vacant. Also within this development is Liquor Max and Crunchy Grocer although the former Office Max remains vacant although there are plans to convert to a fitness facility. Smaller businesses line East Eisenhower and the next intersection traveling eastward is Boise Avenue. As Boise Avenue travels northward from East Eisenhower is travels west of Upper Hoffman Lake and, further north, between Westerdoll Lake on the west and Heinrich Lake on the east. McKee Medical Center is on Boise Avenue, near Upper and Lower Hoffman Lakes, and is a full-size hospital that is part of the Banner Health System of Colorado. McKee has been providing health care to residents of Loveland for over 35 years and is served by approximately 166 affiliate physicians. McKee Medical Center has been undergoing an aggressive expansion plan over the past several years and completed a \$70 million expansion which included Obstetrics, Telemetry, Materials Management, and Surgery Departments. As of 2013, McKee Medical Center has 132 licensed beds and encompasses approximately 421,972 square feet.

Other health services are located on East Eisenhower between Boise Avenue and North Boyd Lake Avenue. Banner Health’s Skyline Center for Health encompasses Skyline Surgery Center, Banner Urgent Care, Loveland Pediatrics, Horizon Laboratory and Medical Imaging. Additionally, Kirk Eye Center, Scott Family Health and Orthopaedic & Spine Center of the Rockies are located in this area. Several big box stores, Walmart, Kohls, and Lowe’s Home Improvement, and Mountain View High School are located in this section of East Eisenhower as well.

Providing a north/south arterial on the east side of Boyd Lake is North Boyd Lake Avenue. This arterial transverses the Union Pacific Railroad and travels just west of the Fort Collins Loveland Municipal Airport on the north end. Farm land and a few commercial properties are found on the eastern side of this arterial towards the northern neighborhood boundary. Generally, established residential areas are located on the western side of Boyd Lake Avenue and include Boyd Lake North and Boyd Lake Shores as exclusive areas with higher priced homes having lake frontage. Two new Centerra projects are beginning, one on the east side of Boyd Lake Avenue, The Lakes at Centerra and on the west side of Boyd Lake Avenue, Lakeview Planned Unit Development. The Lakes at Centerra, located northwest of Boyd Lake Avenue and Lost Creek Drive, will consist of 222 single family homes, a proposed school and is currently under review. Lakeview Planned Unit Development includes 155 acres, 232 single family homes and the project will be completed late 2014. As Boyd Lake Avenue nears East Eisenhower on the south, residential density increases including duplexes, condos and larger apartment complexes. This residential area includes Rocky Mountain Village, High Plains Village at Centerra Condos and Lakeshore at Centerra Condos.

Traveling east on East Eisenhower from North Boyd Lake Avenue to US Interstate Highway 25 office and retail uses abound as well as Loveland RV Resort which is comprised of 170 sites. The US 34 and 25 Interchange has become a regional shopping designation for northern Colorado and southern Wyoming. Located at the northwest quadrant of the interchange is The Outlets at Loveland. Several large outlet retailers are located within this shopping area including Nike, Polo Ralph Lauren, Tommy Hilfiger, Ann Taylor, and Coach outlet stores. Just to the west is The Marketplace at Centerra that consists of big-box stores including Bed, Bath, and Beyond, Old Navy, Target, Pier 1, and JoAnn Fabrics. This area also has several national restaurants including Chili's, Johnny Carinos, Old Chicago, Lone Star Steakhouse and Mimi's Café as well as fast food outlets. The northeast quadrant of the interchange received much attention in 2005 as McWhinney Enterprises developed The Promenade Shops at Centerra, a 650,000 square foot lifestyle center retail development at this location. The center is anchored by Macy's, Dick's Sporting Goods, Barnes & Noble Booksellers, Best Buy, a fourteen-screen movie theater and several national retailers and restaurants. Centerra continues to expand with a 117,000 square foot Bass Pro Shop opening in late 2014 and adjacent Courtyard Marriott Hotel opening in early 2015 with five other retailers. This newer southeast end of Centerra is within walking distance to the Chapungu Sculpture Park, outdoor concerts in the summer and ice skating in the winter.

Traveling north on the Centerra Parkway, the eastern boundary of the subject neighborhood, the next major intersection is Crossroads Boulevard and the Fort Collins Loveland Airport exit. The Crossroads Boulevard and Interstate 25 Interchange recently received extensive renovations to improve traffic flow in the area and enhance access to Interstate 25. Frontage roads extend along both the east and west sides of interchange to the north. Crossroads Boulevard (or Airport Road) west of Interstate 25 is related mostly to the airport and established Loveland–Fort Collins Industrial Airpark Subdivision, together with developing lands along West Crossroads Boulevard. The Centre Point Business Airpark, which has expanded the area with a newer light industrial park, is located on the west side of I25 Frontage Road approximately  $\frac{3}{4}$  mile north of the Interstate Highway 25 and Crossroads Boulevard intersection. Another focal point is the Fort Collins-Loveland Airport and ongoing commercial development on the west side of the interstate highway. Major companies in the area include Hach, FleetwoodGoldcoWyard, High Country Beverage and Western Area Power Authority (WAPA) headquarters. The Loveland–Fort Collins Industrial Airpark Subdivision is located north of Earhart Road and consists of a wide variety of light industrial uses including both single and multi-tenant industrial properties. The “Motorplex at Centerra,” an 80-acre automotive lifestyle center designed specifically to host sixteen new car dealerships, is located at the southwest corner of Crossroads Boulevard and I–25. Several dealerships have been completed, and the Motorplex has a strong chance of becoming the region's automotive epicenter. Heska Corporation is also located in this southwest quadrant of Crossroads and Interstate Highway 25.

Located in the southeast quadrant of Interstate Highway 25 and Crossroads Boulevard are the Crossroads Business Park and Crossroads Plaza which includes restaurants such as The Boot Grill, Qdoba, Subway, Carl's Jr., Palomino, and a Schrader's convenience store. Just east of the subject neighborhood's border and this plaza is Kness subdivision where the Resurrection Church and Walmart Distribution Center (an over 1,000,000 square foot distribution center and truck terminal) are located. Land just east of Interstate 25 in the western portion of the Crossroads Business Park has been developed with hotel properties including Holiday Inn Express, Candlewood Suites, and Value Place Hotel. Further south in Crossroads Business Park additional development land in the area is noted along the I-25 Corridor. The southern region of Crossroads Business Park is where Anheuser Busch products are distributed from American Eagle Distribution Center and Rexel Incorporated, Tri City Cycles, Schwan's Home Service and Bomgaar's Merchantile are all located.

Centerra Parkway becomes North Fairgrounds Avenue (County Road 5) north of the Crossroads Boulevard junction. A 243-acre parcel of land near this junction is the site of the Larimer County Fairgrounds and the Budweiser Events Center ("The Ranch"), together with related facilities. The Budweiser Events Center hosts all types of sporting and entertainment events with a seating capacity of approximately 8,000. This center has caused good demand for all types of properties in this area, and an Embassy Suites Hotel and Convention Center, adjacent to the Budweiser Events Center, was completed in 2009. The new 182 acre Eagle Crossing Business Park is also located east of "The Ranch" and is to be developed with retail, office, hotel, and light industrial uses. Under construction is a 50,000 square foot family entertainment center called The Summit and scheduled to open in June 2014. A 7-11 convenience store and gas station are also under construction and other sites in the area remain available for sale. Nordy's and Perkin's opened restaurants in the area, East Loveland Industrial subdivision, and Thompson Valley Health Services also has a regional hub for emergency vehicles nearby.

Medical Center of the Rockies, Poudre Valley Health Systems \$220 million regional hospital complex, borders The Outlets at Loveland on the north. The 500,000 square foot, 139-bed hospital specializes in cardiac surgery and severe trauma cases and includes an attached 90,000 square foot medical office building. The medical, retail, and office buildings are a major influence on the east side of the neighborhood as they attract a large labor pool and draw people from all over northern Colorado.

## **Zoning**

Zoning in the subject neighborhood is a mix comprised of zoning districts in the City of Loveland as all lands have been annexed into the city from Larimer County. The residential categories include “R1e” (Established Low Density Residential), “R1” (Developing Low Density Residential), “R2” (Developing Two Family Residential), “R3e” (Developing High Density Residential), and “R3” (Established High Density Residential). In addition to the obvious uses these categories also allow public schools and churches and their names refer to the number of family dwelling units permitted. “R3e” includes up to but not exceeding four units.

The main areas within the subject neighborhood that are not zoned for residential use are located along the East Eisenhower and Crossroads arterials with much of the industrial lands found around the airport. These areas include “B3” (Established Business), “B” (Developing Business), “MAC” (Mixed Use Activity Center), “E” (Employment Center), “I” (Developing Industrial), and “DR” (Developing Resources). “B3” and “B” permitted uses include art galleries, retail stores, hospitals, medical offices and restaurants. “MAC” stands for mixed use activity centers and this zone is usually found at major intersections where theaters, car washes and lodging may be found. “E” is also a mixed use district for providing a variety of workplaces and may include light industrial. “I” is the industrial district and would include manufacturing, warehousing and higher intensity industrial uses. “DR” is the only category in which there are not any permitted uses and everything is determined by special review. A nursery or greenhouse would be an example in this zoning district. Additionally, open spaces include “PQP” (Public and Quasi-Public) which includes public schools, hospitals and churches and “OS” (Open Space) which includes golf courses, sports fields and environmentally sensitive areas. Any of the zoning districts allow additional uses under a special review process.

## **Flood Plain Hazard and Topography**

Topography of the neighborhood is rather level but is interrupted by irrigation canals and nine lakes. There are seven lakes in the area known as “Seven Lakes” on the west side of the subject neighborhood and two additional lakes, Houts and Equalizer, just west of US Interstate 25 on the eastern side of the neighborhood. The water table is high in much of the area although flooding has not been as much of an issue as seen in other areas of the City of Loveland. Flood and drainage maps are being revised as a result of the flooding seen in many of the Front Range cities in the fall of 2013.



**Utilities**

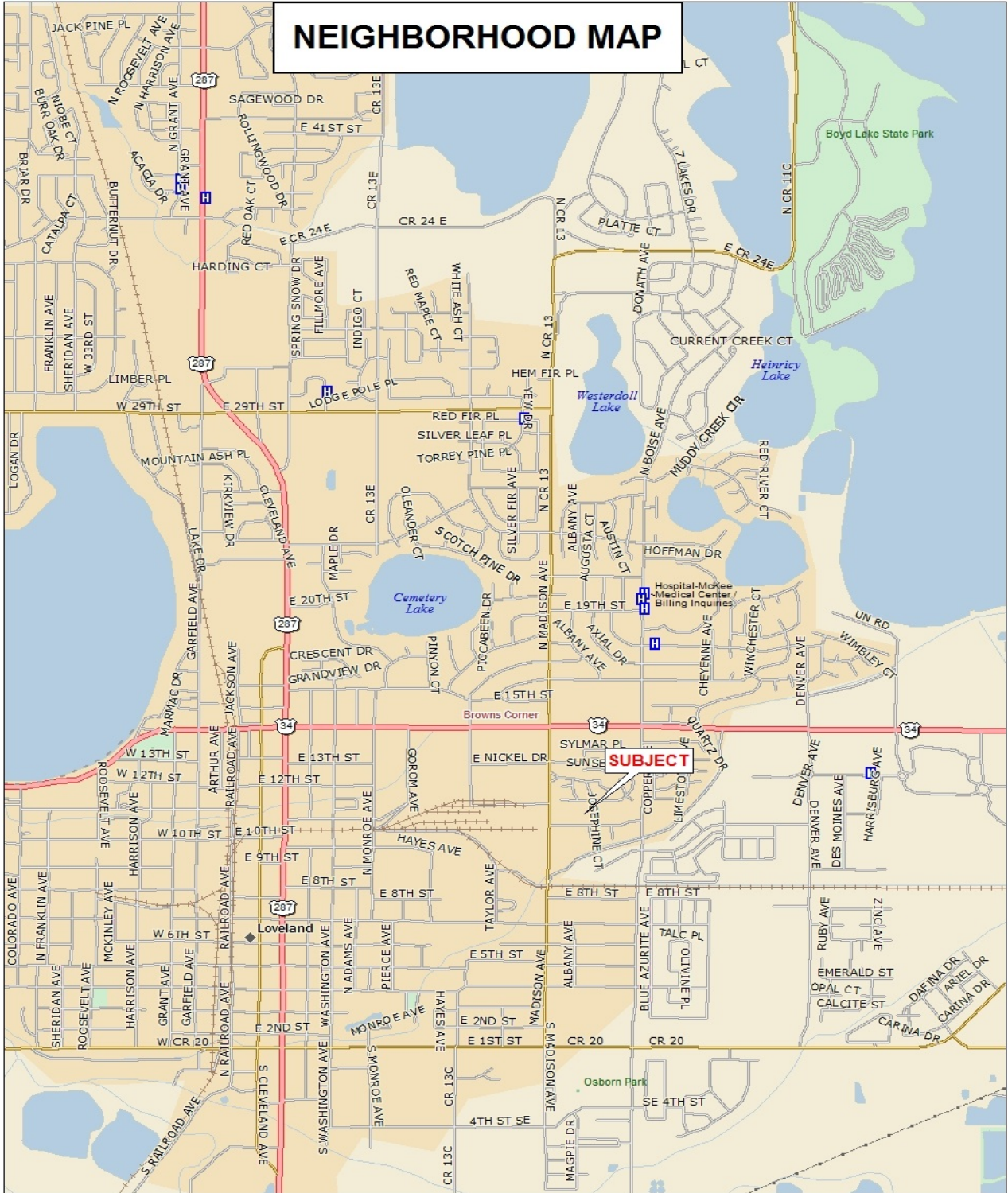
Utilities serving the neighborhood include those provided by the City of Loveland. The following suppliers are located in the subject neighborhood. Additionally, a few properties may have water wells, use propane and/or solar and have self contained generators.

Water	City of Loveland Fort Collins Loveland Water District Little Thompson Water District
Sewer	City of Loveland
Electricity	City of Loveland Xcel Energy
Natural Gas	Xcel Energy
Telephone	Comcast CenturyLink

In summary, the Interstate Highway 25 Corridor has seen rapid development along the Front Range and several highway interchanges in Northern Colorado have been improved over the last several years. US Highway 34 has seen rapid growth also as it connects to Greeley to the east and Johnstown to the south and Estes Park to the west. Even though there was some slowing during the recession, development is continuing due to the fact that the Northern Colorado market continues to expand over the long term. This may be attributed to the relative strength of the area due to a variety of industries, colleges and universities, and a diverse work force. Based upon these factors combined with the good quality of life, Northern Colorado anticipated to continue be a popular area for residents and businesses into the foreseeable future.



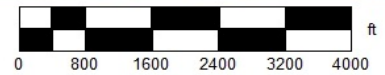
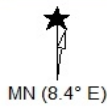
# NEIGHBORHOOD MAP



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Data Zoom 13-0

## SUMMARY OF MARKET ANALYSIS

The overall commercial market in the Northern Colorado area was rather sluggish from 1986 through 1992. Many of the commercial buildings, with parking, functional and location problems suffered during that period with high vacancy problems. The buildings with good parking, location, and good appeal maintained their position in the marketplace and did not suffer too much through the downturn in the market. Beginning in the mid-1990's, the overall office market was generally improving although there was some general slowdown in the economy after the September 11, 2001 terrorist attacks which caused some recessionary trends. From late 2002/early 2003, the commercial and light industrial market began to strengthen with two to three years of rapid growth from 2003 through late 2006 when prices and rental rates increased and additional commercial buildings were constructed throughout Northern Colorado. Since late 2006/early 2007 there was stagnation, and in many cases declines, resulting from one of the deepest recessions in recent history. The market has begun a slow recovery that started in 2010/2011 although any recovery has been at a moderate rate which actually be more sustainable. It is noted that the strongest declines that occurred in the recent market downturn/recession were in secondary-type locations and in older Class B and Class C buildings or buildings requiring significant remodeling, and many of these types of buildings still continue to linger in the market. Newer properties with stronger locations and good appeal suffered less in the recent down market and have also experienced stronger improvement.

A recent survey by two local commercial real estate firms (Realtec and Sperry Van Ness) of the market indicated an overall office vacancy rate between 5% and 10% in Fort Collins and Loveland which is down from its peak vacancy in late 2009. Recent studies completed by the Colorado State University Everitt Real Estate Center and published in the *Fort Collins Coloradoan* tend to support this range. These studies include Class A through Class C buildings and do not distinguish between medical/dental and professional office space. Studies are not completed for special purpose and institutional uses as many of these types of properties tend to be fully (or at least partially) owner occupied. As such, the market analysis focuses upon the office market as this is a large component of the subject property. Discussions with Patrick O'Donnell and Jeff Doran of Realtec, Julius Tabert with CBRE, and Nate Heckel of Cushman & Wakefield, who lease a large amount of professional, medical, and dental office space in the area, indicate that the market remains stronger for most types of newer Class A professional office space and also stronger for newer medical/dental office space although location is a key issue in appeal. My conversations with these Brokers also indicated that a majority of the office vacancy has been Class B and Class C space in older locations. These types of areas also experienced generally declining rental rates and declining sale prices since the peak of the market in late 2006/early 2007. It appears that newer well-appointed office buildings near the southeast Fort Collins area and Centerra area of Loveland have generally maintained their position in the market, although there were declines (10% to 30%) in rental rates and sale prices from the peak of the market. The Realtec survey combined with discussions with local brokers indicate that most of the newer Class A/B buildings in the Northern Colorado area are being absorbed at a good pace with most of the Class A and Class B buildings and suites renting in the \$8.00 to \$18.00 per square foot price range on a net basis, with even higher rents typically obtained for Class A medical and dental office space. Class B and Class C office space is also being slowly absorbed with rental rates typically in the range of \$8.00 to \$18.00 per square foot on a full gross basis. This survey tends to agree with my survey during the collection of data for

rental comparables and lends strength to the conclusions made in this report. While it appears that some strong discounts on initial lease rates were given to entice tenants into some Class A buildings, the strong escalation clauses and/or shorter lease terms appear to indicate that these "teaser" rates were only for the short term with projections for improvement in the market. These lower rates on Class A buildings resulted in stronger vacancies and lower rates in older Class B/C buildings as many tenants were able to move up to higher quality and/or better located space at lower costs. These lower rates for new leases of Class A/B+ space have virtually ended with some upward pressure due to the limited supply of new Class A/B+ office space in the planning stages at this time. As such, many tenants may again be attracted the lesser expense of Class B and Class C space. Currently, there is evidence of a moderate recovery with declining vacancy rates and slightly improving rental rates in the past two years although most rates have still not yet reached a level that would justify new speculative construction when considering current construction/development costs. especially for Class B/C space.

Cushman & Wakefield, Realtec, and Sperry Van Ness reports also indicate that, within the next couple of years, there appears to be a reasonable conclusion that rental rates will increase in a good manner, in the 2% to 4% range due to escalations in the existing leases as well as new leases. This forecast appears reasonable when considering the Fort Collins, Loveland, and Greeley areas have an overall office vacancy of less than 10% when only the Class A office buildings and well-appointed newer Class B buildings are considered. It is important to note that the subject property is currently considered to be a Class B/C building in an area that has been dominated by light industrial and office warehouse uses, although the area is anticipated to function well for special purpose properties due to the easy access with this type of use appearing successful in the subject building and in an adjacent building that was also converted to a special purpose/institutional type use.

Interviews with officials in the Planning Department for the City of Loveland and the City of Fort Collins indicated that there are few speculative professional office buildings in the planning stages for 2016, and any planned development is most typically for owner/user properties or build-to-suit properties. Any speculative construction tends to be limited, and lenders are still cautious requiring higher pre-leasing percentages before entering into a project in many cases. the majority of new proposed office development with McWhinney Enterprises planning to construct facilities for Agrium Crop Production as well as lease out the building that Agrium will vacate when they take possession of the new building. McWhinney also plans some speculative office in the area in a building known as Hahn's Peak Two. Meyer Natural Foods is also construction two office buildings in the area with plans to occupy one building with their corporate headquarters and undetermined plans for the second building. This speculative construction is some of the first speculative office space constructed since 2007/2008 and supports the premise that there is continued demand for Class A office space with limited supply in the current market. This planned /proposed development may be in direct competition with the subject and may loosen up the market for Class A/B+ space. Based upon the existing and planned development, there may be a one to three-year supply of professional office buildings, and a close eye needs to be kept on the office market in general as an oversupply could be created if the market does not continue to strengthen and new projects were to be built over the next twenty-four months.

The surveys completed by Cushman & Wakefield, Realtec, and Sperry Van Ness also state that rental rates increased significantly from 1993 to 2006 with the market appearing to stabilize (or decline in many cases) from 2007 through 2010. While there has been some measurable improvement in the past two years, some stability or only moderate increases are projected for 2015 based upon market conditions and recent market trends, although any increase will likely remain moderate as there is still competition in the market. Interviews with investors and Brokers have also indicated that, in many areas, rental rates have declined from their peak levels achieved in late 2006/early 2007 although there has been some moderate upward pressure in the past two years. These surveys are supported by interviews with Jared Goodman of Cushman & Wakefield, Mike Eyer of CBRE, Josh Guernsey of Brinkman Partners, and Steve Kawulok of Sperry Van Ness, all of whom suggested that rental rates may have reached their low point and have since stabilized and improved in some areas. These Brokers predict somewhat flat to moderately improving rental rates for new leases for the upcoming year due to the current and projected demand. No significant additional declines are projected by most local real estate experts, and these experts actually project some modest improvement for well-located and well-appointed buildings. Rental rates on new leases are projected to remain fairly flat, or increase moderately, over the next year, and most leases still have escalations over the term of the lease to reflect projected improvement in the economy in the next several years. While local real estate experts and Brokers indicate that the market actually may have "bottomed out" in mid to late 2009 with fewer significant declines since that time, local experts also predict the possibility of a protracted and/or sporadic recovery. The moderate pace of the current recovery has generally followed these trends and the depth and longevity of a recovery still remain dependant upon many issues such as the availability of credit, the world/national and local economies, and the strength of the job market. However, the slower growth of the recovery may actually prove to be more sustainable.

## **DESCRIPTION OF THE SUBJECT PROPERTY**

### **Legal Description**

According to the Larimer County Assessor's records, the subject of this appraisal may be legally described as follows:

Lot 1, Ward Industrial Park First Subdivision, City of Loveland, County of Larimer, State of Colorado.

The appraisal is subject to verification of the legal description and survey indicating that the subject site consists of approximately 132,311± square feet of land area. The appraisal is based upon the *premise/assumption* that there are no adverse easements or encroachments impacting value, utility, or marketability of the subject property. A full survey of the site and/or title policy were not provided for this appraisal assignment.

The appraisal is based upon the *premise/assumption* that there are no outstanding deed restrictions, tax or other liens, or other encumbrances that would adversely impact the appeal, market value, or marketability of the subject property.

### **Ownership**

The Larimer County records indicate the current owner of record to be House of Neighborly Service with 1511 East 11<sup>th</sup> Street, Suite 100, Loveland, Colorado 80537-5006.

### Assessed Valuation and Taxes

The records of the Larimer County Assessor's Office have been investigated in order to determine the amount of real estate taxes for the subject property over the past years and to determine whether any increases are anticipated in the near future. The following is a summary of the current assessed valuation, most recent mill levy available, and current real property taxes for the subject property:

Parcel Number	85182- 69- 901 (Currently Tax Exempt)	
	<u>Estimated</u>	<u>Estimated</u>
	<u>Assessed Value</u>	<u>Assessor's</u>
		<u>Market Value</u>
Land	\$ 153,700	\$ 530,000
Improvements	\$ 954,300	\$3,290,000
Total	\$1,108,000	\$3,820,000
Mill Levy (current)	x .072741*	
Total Taxes	\$ 80,600±	

\*The current 2015/payable 2016 mill levy is lower than it has been in recent years and is based upon a one-year tax credit for the Larimer County portion of the mill levy.

The subject property is currently owned/operated by a non-profit entity and is currently exempt from real property taxes according to the Larimer County Assessor. It is projected (for the purposes of this analysis) that the subject taxes (if the property were taxable) would be in the range of \$1.00 to \$3.00 per square foot. For analysis purposes, taxes at the lower portion of the range, or \$1.30 per square foot are applied to the projected gross building area of approximately 61,990 square feet. This results in taxes of approximately \$80,600 per year for the property (As Complete). It is emphasized that this is an estimate only based upon assessments of similar multi-tenant Class B/C buildings. The Larimer County Assessor should be contacted if there is concern or for more detailed estimates. The property is analyzed with a moderate allowance for property taxes which takes into account the potential of ownership by a private entity.

There are no special assessments against the property according to officials with the City of Loveland or Larimer County officials. There are no reported delinquent taxes or tax liens against the property at this time according to the Larimer County Treasurer.





**AERIAL MAP**  
(Published by Google Earth)  
▲North





## Site Description

The subject site is located within an established commercial, light industrial, and mixed-use area of East Loveland, Colorado. The site is an interior site that is located just east of the intersection of Madison Avenue and East 11<sup>th</sup> Street, approximately one-quarter mile south of US Highway 34. The subject property is located along the north side of East 11<sup>th</sup> Street, just east of the intersection of Madison Avenue. While this intersection is only controlled with a stop signs for East 11<sup>th</sup> Street, it appears to be adequate for the area. Just north, the intersection of Madison Avenue and Eisenhower Boulevard is light-controlled to handle larger volumes of traffic. In recent years, the intersection was also re-configured with turn lanes and merging lanes which were intended to enhance traffic flow at this heavily traveled intersection, although the re-configuration has received mixed reviews from area merchants and well as drivers/users. The subject site has no significant visibility from Madison Avenue and no visibility from East Eisenhower, although it has good visibility and access from East 11<sup>th</sup> Street. Arterial visibility is not considered a necessity for many types of office and special purpose (institutional users) such as the subject although easy access (by private and public transportation) is important which is offered by the subject.

Land uses surrounding the subject property include a variety of uses. Buildings immediately west, east, and south of the subject include primarily light industrial, office/warehouse, and flex buildings. Directly west of the subject is a redeveloped (former light industrial) building currently occupied by InnovAge which is a senior care facility. Directly north of the subject is a mobile home park. Further north and northwest development includes some older multi-family development just south of East Eisenhower Boulevard as well as commercial development along East Eisenhower Boulevard including a Sam's Wholesale Club, Home Depot, and several older retail and special purpose buildings. The former Great Western Sugar facility also lies west of the subject (on the west side of Madison Avenue) and still appears to be poised for redevelopment although likely over the long term. There are no inharmonious uses in the area that would adversely impact the value of the property. Based upon surrounding development patterns, it is likely that the immediate subject area will continue to be used for commercial uses in the foreseeable future.

The following information is specific to the subject site:

Area	Approximately 490 feet by 270 feet for a gross land of 132,311± square feet according to public records and the recorded plat. The site size is based upon the recorded plat and public records.
Frontage/Visibility	Approximately 490 feet along East 11 <sup>th</sup> Street.

Shape	Rectangularly shaped site (entire site).
Utilities	All public utilities currently serve the subject site including natural gas, electricity, water, sewer, and telephone. Some overhead power lines are noted in the general area which is typical of development in the area. No adverse impact is reported by the current owners, and the appraisal is based upon this premise.
Surrounding Land Uses	<p>The subject is generally surrounded by light industrial, office/warehouse, flex, and special purpose buildings. This type of development is generally located on both sides of East 11<sup>th</sup> Street. An additional former light industrial building in the area, immediately west of the subject, was recently remodeled/redeveloped with a senior care facility known as InnovAge. Residential development that is located north of the subject is generally mobile home and multi-family development. In the area, single-family development is mainly located east of Boise Avenue.</p> <p>As stated previously, there are no inharmonious uses in the area that would adversely impact the value of the property. Based upon surrounding development patterns, it is likely that the subject area will continue to be used for light industrial and special purpose commercial uses in the foreseeable future.</p>
Topography	Basically level site with a mild slope to the east and southeast; no drainage problems are evident at this time or reported by the owner. East 11 <sup>th</sup> Street and Madison Avenue serve as much of the drainage for the area. The current owner's representative (Glorie Magrum) report no drainage problems and the analysis is based upon this premise.
Flood Plain	FEMA Flood Map Panel No. 080103-08069C, Panel No. 1193F, Dated 12/19/06; Zone X – Not located in a FEMA designated flood zone. The Loveland and Greeley Canal lies just south of the subject and provides much of the drainage for the area.

## Easements

Normal access, utility, and drainage easements are reported on the perimeter of the site according to the recorded plat, and the current owner's representatives.

It appears that an access driveway at the southwest portion of the site may be shared/used with the adjacent property to the west. While it appears that this driveway is designated for the subject property (according to aerial plats), it functions well as access to both buildings. The owner's representative did not report any formal easement.

The appraisal is subject to a full formal survey of the site and a site plan, and the appraisal is based upon the *premise/assumption* that there are no existing or proposed adverse easements, encroachments, or encumbrances that would adversely impact the appeal, value, or marketability of the subject property although the existing lease m. A survey of the site and/or title policy were not made available for this analysis.

## Zoning

"I" (Developing Industrial District) by the City of Loveland; many different types of light industrial and commercial uses are acceptable.

While the existing building (as remodeled/converted) appears to be a legal use under the present zoning regulations, officials with the City of Loveland Planning Department should be consulted. I am not a professional land planner, and an expert and county/city government officials should be contacted if this is concern. Glorie Magrum with House of Neighborly Service reports that the remodeling/conversion were approved by the City of Loveland.

## Adverse Encroachments

Inspection of the site did not reveal any apparent encroachments on the property with the exception of the existing public transit stop along the northern edge as discussed previously.

## Environmental Hazards

The appraisal is conditional upon there being no such materials present which would negatively impact the utility, marketability, or value of the site. I am not an expert in these fields, and experts should be consulted if this is a concern. An environmental audit was not supplied by the current owner of the property, although the owner's representative (Glorie Magrum) reports that there are no environmental problems indicated by recent testing. The subject does lie in an area that has had a variety of uses current and prior uses, and there are current and prior gas stations and automotive uses within one mile which could present the potential of hazards/contamination as it is of unknown origin/content. The subject building and adjacent buildings were also previously used for vehicle conversions. No hazards were reported by the current owner, and the appraisal is based upon the *premise/assumption* that there are no environmental hazards impacting the subject property. This assumption is more fully outlined in the Contingent and Limiting Conditions section.

## Soil Conditions

No soils report was furnished for this appraisal assignment. While there are some expansive soils in the Northern Colorado area, there are no known or reported adverse soil conditions that would adversely impact the value of the subject property. This appraisal report and conclusions are subject to a full soils report indicating no hidden soil conditions would adversely impact the value, marketability, or development potential of the subject property. The appraisal is based upon the *premise/assumption* that there are no adverse soil conditions and that the load bearing capability of the soil is adequate for the subject property.

## Landscaping, Etc.

Landscaping on the site consists of sod, mature trees, decorative rock, and sprinkler system. The majority of the landscaping is located at the front (south side) of the site.

## Sidewalks, Curbs, Etc.

There are partial concrete curbs, gutters, and sidewalks located along East 11<sup>th</sup> Street and along Madison Avenue. There are some concrete walks around the front and sides of the building for access. The parking areas and driveways are asphalt paved.

## Access

Direct access to the front of the site is provided by three full access curb cuts along the north side of East 11<sup>th</sup> Street. Aerial plats indicate that one curb cut is in the southeast corner, one centrally, and one in the southwest portion that may be shared with an adjacent property although legally part of the subject site. While a survey of the site was not provided, aerial photographs provide a visual representation of the property. It is again noted that the presence of access easements for the adjacent property is unknown. Even if the southwest driveway is shared, the overall access to the subject property is considered to be good with additional private curb cuts/driveways. All curb cuts permit left and right turns onto East 11<sup>th</sup> Street as traffic is primarily localized. East 11<sup>th</sup> Street then connects with Madison Avenue to the west and Boise Avenue to the east which are north/south arterial streets for the area.

Madison Avenue connects with East Eisenhower Boulevard (a/k/a US Highway 34) to the north which is a light-controlled intersection with turn/merge lanes/arrows capable of handling large volumes of traffic. Boise Avenue also connects with East Eisenhower Boulevard to the north providing an additional light-controlled intersection. East Eisenhower is the main arterial that bisects the City of Loveland. It connects with most major arterial streets including Boise Avenue and Denver Avenue to the east. East Eisenhower (US Highway 34) also connects with Interstate 25 to the east, and this intersection has recently become the largest shopping area in Loveland with the Marketplace at Centerra and the Promenade Shops at Centerra. East Eisenhower also connects with major arterials to the west including Madison Avenue, Monroe Avenue, and North Lincoln Avenue (a/k/a US Highway 287) which connects with Fort Collins to the north and Berthoud/Longmont to the south.

While the reconfiguration of the intersection of Madison Avenue and East Eisenhower Boulevard has met with mixed reviews from local merchants as well as drivers/users, overall traffic flow is reported to be good. The additional access from Boise Avenue also assists in overall traffic flow in the area. There are no apparent ongoing congestion problems that exist at this time except at peak traffic periods which is typical for the area. The access to the property is considered to be good.

### Land to Building Ratio

The entire subject site consists of approximately 132,311± gross square feet of land which gives an overall land to building ratio of approximately 2.13 square feet of land for ever one square foot of building based upon a gross building area of approximately 61,990± square feet. While this ratio falls somewhat below that typically required for office and special purpose buildings in the Loveland area, the owner's representative (Glorie Magrum) reports that the ratio was approved by the City of Loveland with the relocation of a public bus stop and due to the fact that the many of the clients/users of non-profit services may not necessarily have automobiles.

### Onsite Parking

The owner's representatives report approximately 104 parking spaces which gives a ratio of approximately one space for every 596 square feet of gross building area. Most of the parking for the site is at the front (south side) of the building and along the west side of the building. Some parking is also available on the east side of the building, although there is virtually no parking at the rear (north side) of the building although a narrow paved area (primarily used for rear access and traffic flow on the site) driveway lies along the northern border. The asphalt paved parking areas and driveways appear to be in good condition (some evidence of heaving/cracking typical for the vintage) and appears to function adequately for the property. While the parking ratio is less than typically seen for modern buildings, the parking is also reported to be offset (an approved by the City of Loveland) due to the location/relocation of a bus stop in the area. Additionally, non-profit use which tends to have a lesser parking requirement. The overall parking availability, land to building, and site utility/configuration are considered as part of the functional utility of the property.

In summary, the subject site is considered to have an average (secondary/tertiary) location in the neighborhood for an office/special purpose building. The site generally enjoys adequate access due to its location just south of East Eisenhower Boulevard and just east of Madison Avenue. The site is located within an established commercial area in the east portion of Loveland, and the subject building (as is and as proposed) appears to complement the area and conforms well with the surrounding development.



**Description of the Improvements**

The site was originally improved with an average to good quality light industrial building of approximately 33,750± square feet plus some mezzanine areas. The structure was constructed in 2003 according to public records and was used for the conversion/assembly of emergency vehicles. The building is of steel frame construction with metal siding and a moderately sloped gable style metal roof. The current owner converted the building to an office/special purpose (institutional) use in 2014/2015 including the addition of a second level deck which was added internally. This added a second floor without any changes to the exterior/shell of the structure. Currently, the remodeling/conversion is in the final stages of completion with the remaining interior finish in some areas (approximately 5,500 square feet of tenant space on the second floor and approximately 3,500 square feet of common area on the main floor). These final finishes are scheduled to be completed by January 2017 according to Glorie Magrum with House of Neighborly Services. The building is currently allocated as follows:

	<u>Net Usable Area</u>	<u>Net Rentable Area*</u>
First Floor	24,701 square feet	33,750 square feet
Second Floor	<u>21,548 square feet</u>	<u>28,240 square feet</u>
Total	46,249 square feet	61,990 square feet

\*Of the total building area, approximately 3,500 square feet remains unfinished on the main floor primarily in the gymnasium/performance area and the coffee shop/food prep area. Approximately 5,500 square feet remains unfinished on the second floor according to the owner and rent rolls submitted. Total unfinished area equates to approximately 9,000 square feet..

\*The sizes of the individual suites and/or building areas are as submitted by the property owner and are estimates only but reported to be based upon architectural plans and are assumed to be accurate and form the basis for the analysis.

The subject property is currently designed as a multi-tenant building that permits several tenants who also share common areas such as gathering/meeting and break room/kitchen area, gymnasium/performance area, coffee shop, restrooms, and other building amenities. The design of the building allows for a variety of office and special purpose (institutional) users/tenants, and the building could also adapt to single-tenant use. Interior walls can be reconfigured to permit some flexibility in suite sizes. According to my inspection of the building as well as plans submitted, the main floor of the building features open common lobby areas, several perimeter offices, break rooms/coffee shop areas, child care, open clothing area (or open office), food department (or open office) with receiving area (only overhead door that was retained from the original building), meeting rooms, community room (gymnasium or performance hall), and additional open office or flex space. The main floor also includes several shared restroom areas that serve the tenants and clients, and some suites also feature private restrooms. The main floor includes interior stairwells in several areas as well as a passenger elevator (added as part of the conversion). Access to each of the main level suites/zones is from common shared hallways. Unfinished portions of the main level mainly include the gymnasium/performance area and the coffee shop area (totaling a combined area of approximately 3,500 square feet) with the remainder generally completed and occupied by the owner and several tenants that is to be completed by January of 2017.

The upper level features several perimeter offices, meeting rooms, classroom areas, and additional shared restroom areas that will serve the tenants and clients. Some suites also feature private restrooms and/or break room/kitchen areas. There is a portion of the second floor (northwest portion of the building) that is open to the main level gymnasium/performance area below. The southeast portion of the upper level is occupied by the Center for Adult Learning with several smaller to mid-sized classroom areas as well as administrative offices. The upper level is served by interior stairwells as well as a passenger elevator. Access to each of the upper level suites/zones is from common shared hallways. The exact floor plan of the north portion of the building has not been determined but will likely be similar uses/finishes according to the owner's representatives. Within the unfinished portion, three tenants are pending with three smaller spaces/areas remaining available with good interest reported. The remaining unfinished space consists of approximately 5,500 square feet that is to be completed by January of 2017.

Overall finishes/features within the remodeled/converted building are consist of tile, commercial grade carpeting, and vinyl flooring although the food department area and several other higher traffic areas feature sealed concrete. Walls are typically textured and painted drywall with some areas of decorative paint, and ceilings are primarily suspended grid with some exposed areas. Lighting is mainly fluorescent with some areas of incandescent. Baths and break room/coffee shop/kitchen areas have standard fixtures and built-in cabinets. Overall, the finishes and features (as proposed) are considered to be in line with typical Class B/C office or institutional space and will likely conform with general market trends.

As stated previously, the there are several common areas and shared hallways and meeting areas on the main floor and upper level. According to the data submitted by the owner's representatives for this analysis, the load factor in the entire building is approximately 25% which gives a total common area of approximately 15,741 square feet. While the load factor is somewhat high for modern office buildings, it still falls within market ranges. Additionally, when considering the special purpose (institutional) use, the larger common/shared areas are considered to provide good utility/functionality to the building.

The current layout of the building are illustrated in the plans provided by the owner and included on the following pages. The wall locations are estimated but are reported to be (and appear to be) similar to that which is depicted. Some areas (unfinished - pending completion) do not yet have a defined plan although will likely be finished in a similar manner according to the owner's representatives.



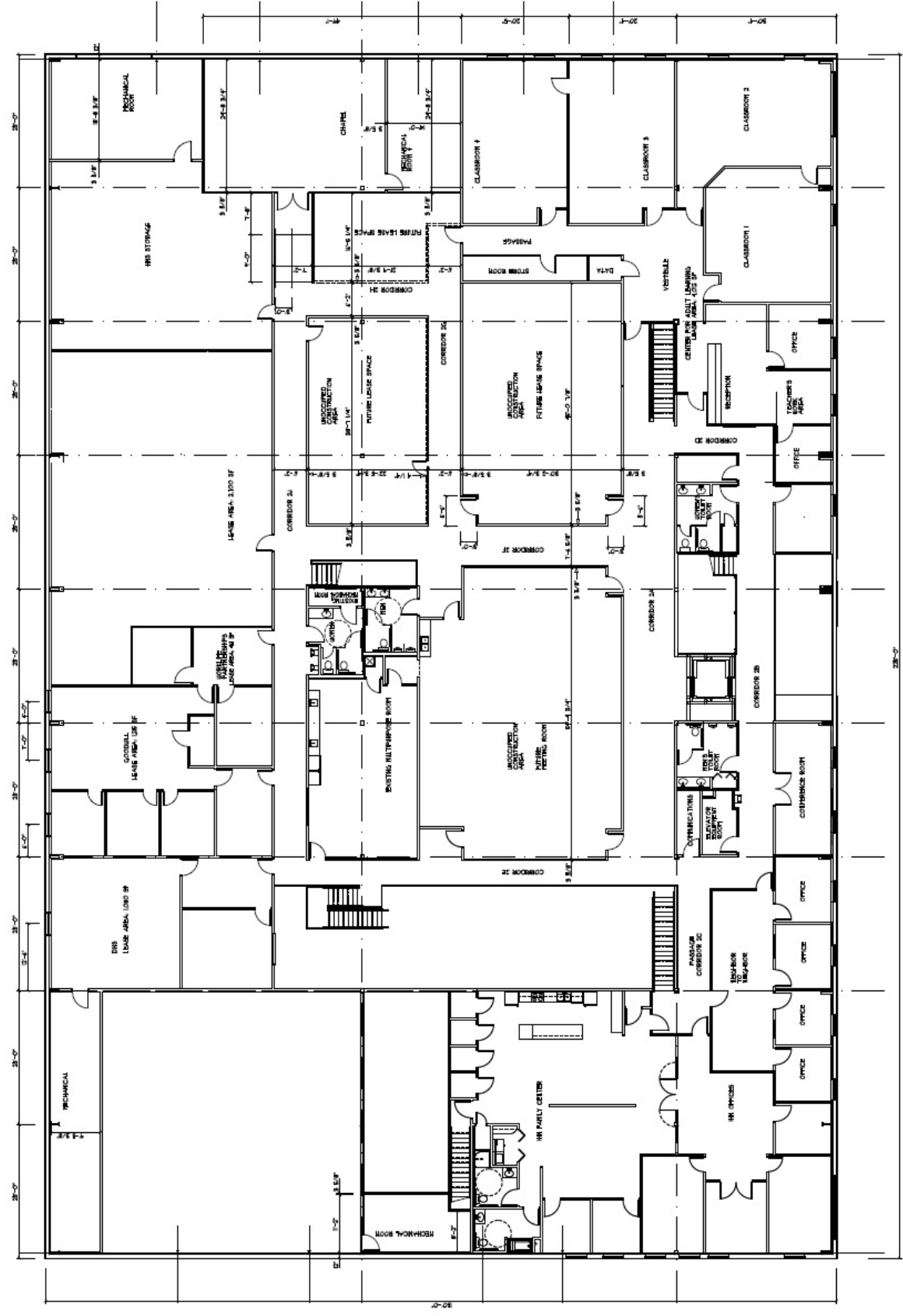
THESE PLANS AND SPECIFICATIONS SHALL BE CONSIDERED AS PART OF THE CONTRACT DOCUMENTS. THE CONTRACTOR SHALL BE RESPONSIBLE FOR OBTAINING ALL NECESSARY PERMITS AND APPROVALS FROM THE APPROPRIATE AGENCIES. THE CONTRACTOR SHALL BE RESPONSIBLE FOR OBTAINING ALL NECESSARY PERMITS AND APPROVALS FROM THE APPROPRIATE AGENCIES.

UPWARD  
 18 EAST 17th STREET  
 COLOGNE, MISSOURI

THE MORGANT GROUP, INC.  
 ARCHITECTURE AND PLANNING  
 2800 ARDENWAY, SUITE 9  
 LOUISVILLE, COLORADO  
 PHONE: (303) 658-0000  
 FAX: (303) 658-0000

SECOND FLOOR PLAN  
 DATE: 12/11/14  
 DRAWN BY: J. W. MORGANT  
 CHECKED BY: J. W. MORGANT  
 PROJECT NO.: 12934

12934  
 12/11/14



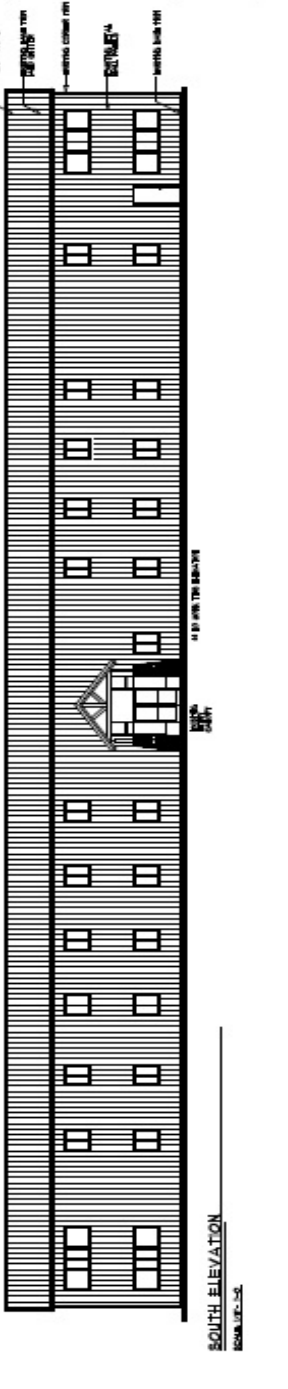
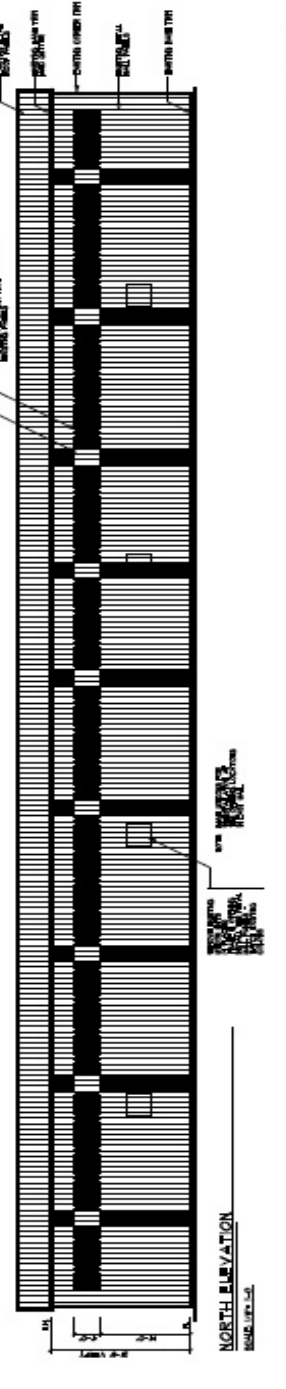
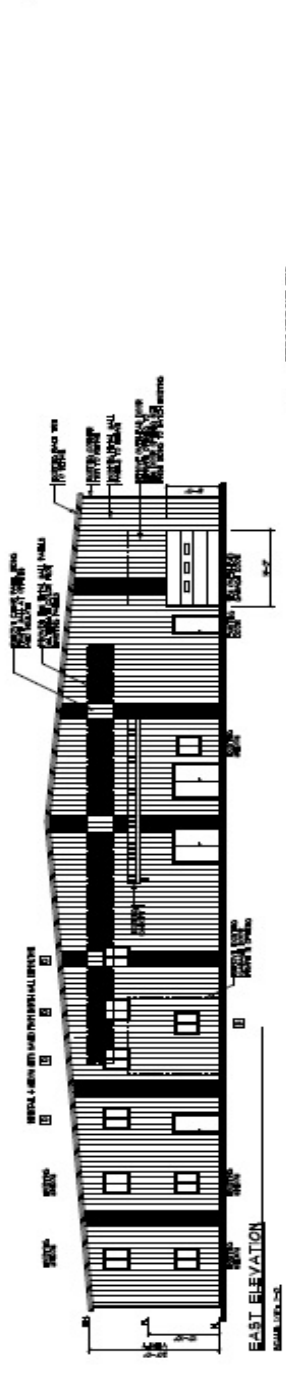
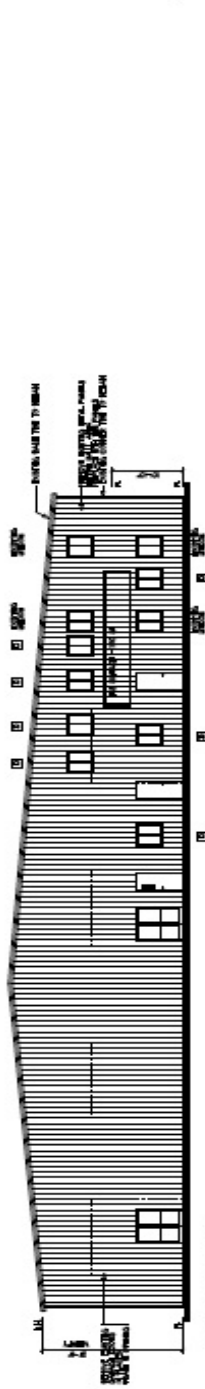
SECOND FLOOR PLAN  
 SCALE: 1/8"=1'-0"  
 NORTH

# BUILDING ELEVATIONS

12-934  
A3.1  
DATE: 12/15/04  
PROJECT: HNS COMMUNITY LIFE CENTER  
DRAWN BY: [Name]  
CHECKED BY: [Name]

THE MORGANT GROUP, INC.  
ARCHITECTURE AND PLANNING  
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HNS COMMUNITY LIFE CENTER  
1000 WEST 10TH AVENUE, SUITE 100  
DENVER, CO 80202  
PROJECT NO. 12-934  
DATE: 12/15/04  
DRAWN BY: [Name]  
CHECKED BY: [Name]



The general construction features include the following:

Foundation	Reinforced concrete.
Structural Frame	Steel
Exterior Walls	Metal
Interior Partitions	Drywall (textured and painted) walls with metal stud and drywall partitions between the offices, meeting rooms, etc.
Doors	Exterior doors are metal frame glass with double pane windows.  Interior doors are primarily wood with metal frames.
Interior Finish	Floors are generally tile, commercial grade carpeting, and vinyl flooring with some areas of sealed concrete (food department/receiving area).
Ceiling	Mostly textured and painted drywall; interior sprinkler system is installed.
Wall Finish	Painted/textured drywall with some areas of upgraded paint/finishes.
Roof	Metal beams with moderate gable-style metal roof. Condition of the roof is unknown but the owner's representative reports the roof to be in good condition.
Heating, Ventilating, and Air Conditioning	Several GFA furnaces for the building as well as several central air conditioning units to service the entire building. All furnaces and A/C units are modern and energy efficient.
Electrical System	Good quality electrical service with modern fixtures and adequate outlets. Mostly fluorescent lighting with some areas of incandescent.

Plumbing System	Standard plumbing service providing several mens' and womens' restrooms on each level. Most common restrooms are four to six-fixture with some smaller two to three-piece baths also included on each level. While some smaller baths may be more private, the larger baths tend to be part of the common areas. Showers in some restrooms. Additional plumbing for break room and coffee shop areas as well as the food preparation area; adequate plumbing to permit future expansion/finish.
Elevator	One passenger elevator which provides service from the first floor to the upper level. The owner's representative reports that the elevator is in good working condition and reported to be maintained/inspected on a regular basis. The appraisal and conclusions are based upon this premise/assumption.
Sprinkler System	Full interior sprinkler system in the building with fire alarms.
Miscellaneous	Built-in cabinets in several areas, one overhead door for deliveries/receiving in the northeast portion of the building (within the area designated as food department). Other former overhead doors were removed as part of the remodeling/conversion.
Onsite improvements include the following:	
Landscaping	Landscaped area (sod, trees/shrubs, decorative rock, and sprinkler system) is primarily at the front of the building.
Signs, Sidewalks, Trash Enclosures, Etc.	Six-foot sidewalk are located across the front and sides of the building; a concrete apron is located adjacent to the overhead door. A trash enclosure is also located on the site.
Asphalt Paved Parking	Asphalt paving that will accommodate a total of approximately 104 off-street parking spaces which gives a ratio of approximately one space for every 596 square feet. Some street parking is also permitted, and a public bus stop is located within close proximity to the site to serve clients.



# SUBJECT PHOTOGRAPHS



Front view of the subject property looking northeast from East 11<sup>th</sup> Street.



Front view of the subject property looking northwest from East 11<sup>th</sup> Street.

### SUBJECT PHOTOGRAPHS



East side view of the subject property looking southwest from the rear of the site.



Rear and side view of the subject property looking southeast from the rear of the site and parking area.

## SUBJECT PHOTOGRAPHS



View of the parking and access area located on the front (south side) of the building.



View of the parking area located on the west side of the building.

# SUBJECT PHOTOGRAPHS



View of a typical access driveway located in the southwest portion of the site.



View of a typical access driveway located in the southeast portion of the site.

**SUBJECT PHOTOGRAPHS**



Street Scene - looking west along East 11<sup>th</sup> Street.



Street Scene - looking east along East 11<sup>th</sup> Street  
from the intersection of Madison Avenue.

# SUBJECT PHOTOGRAPHS



Street Scene - looking south along Madison Avenue.

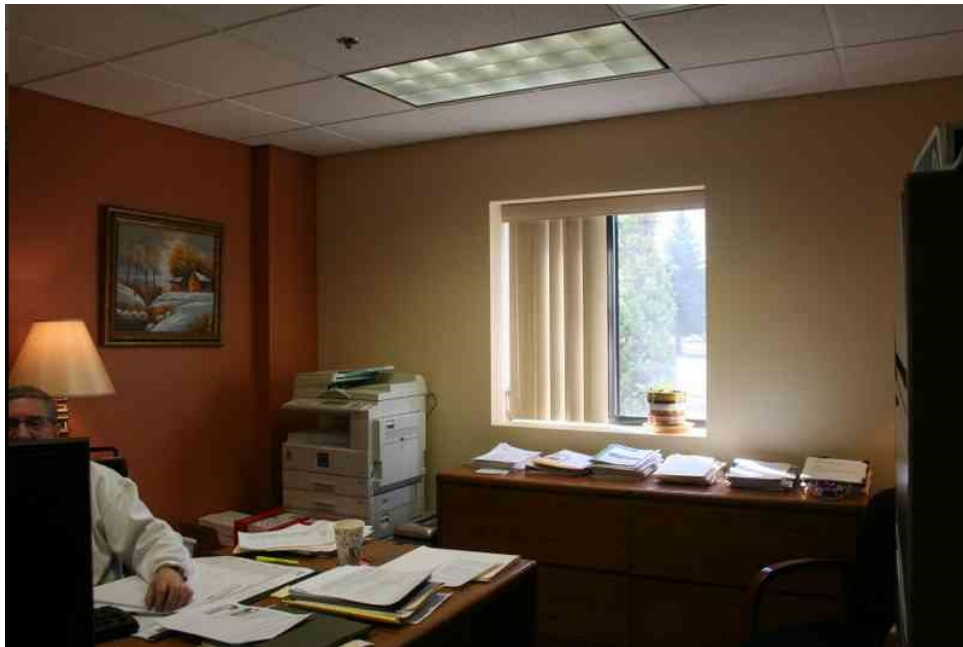


Street Scene - looking north along Madison Avenue  
from the intersection of East 11<sup>th</sup> Street.

## SUBJECT PHOTOGRAPHS



Interior view of a typical reception area located on the main floor.



Interior view of a typical private office located on the main floor.

**SUBJECT PHOTOGRAPHS**



Interior view of a break room/meeting area located on the main floor.



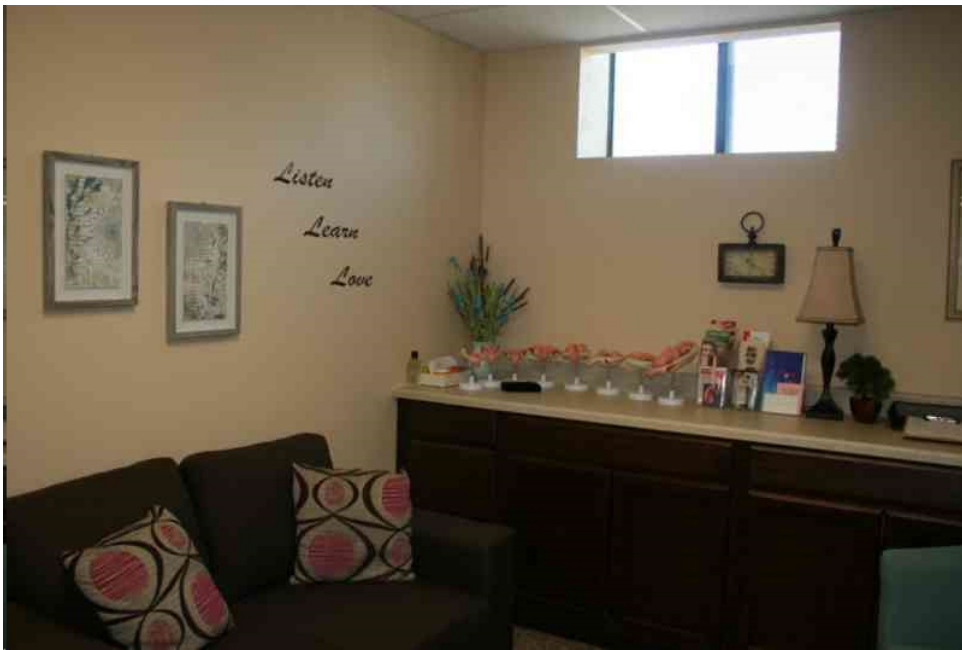
Interior view of a conference room located on the main floor.



## SUBJECT PHOTOGRAPHS

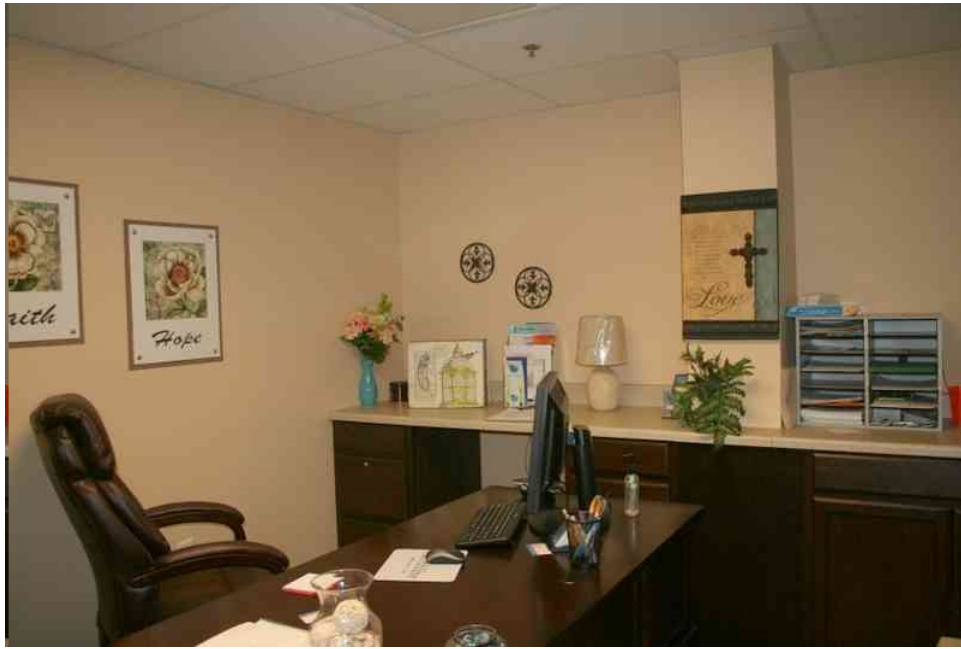


Interior view of a typical work area located on the main floor.

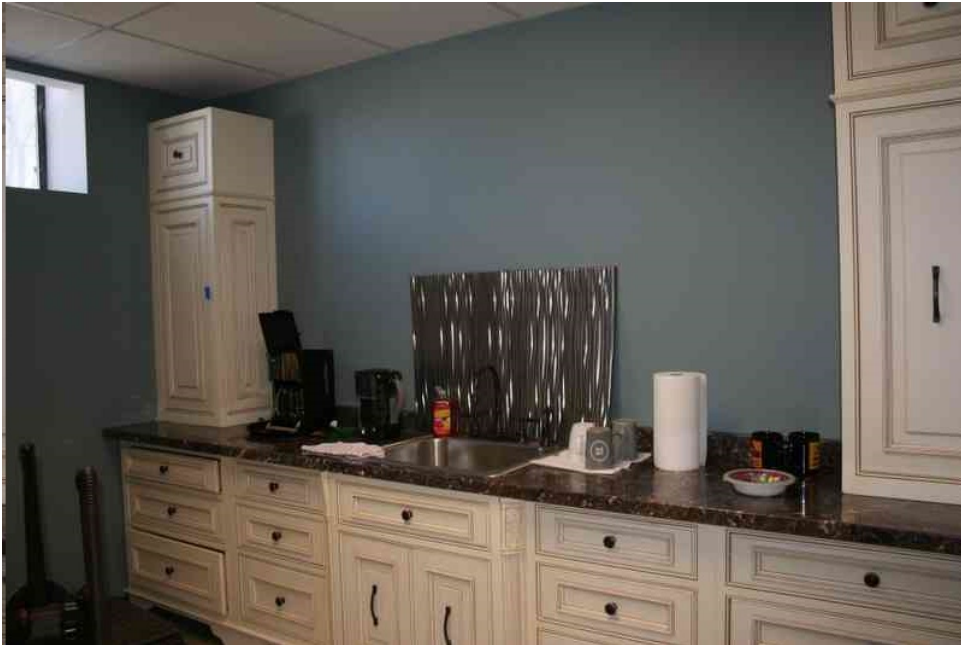


Interior view of a typical private office located on the main floor.

## SUBJECT PHOTOGRAPHS



Interior view of a conference room located on the main floor.



Interior view of a private break room/coffee area located on the main floor.

# SUBJECT PHOTOGRAPHS



Interior view of a food pantry/storage area located on the main floor.



Interior view of a food washing/sorting area located on the main floor.

## SUBJECT PHOTOGRAPHS



Interior view of a donation receiving/sorting area located on the main floor.



Interior view of a donation retail-type area located on the main floor.

### SUBJECT PHOTOGRAPHS



Interior view of a childcare area located on the main floor.



Interior view of a childcare area located on the main floor.

## SUBJECT PHOTOGRAPHS



Interior view of a typical office area located on the second floor.



Interior view of open office/meeting area located on the second floor.

## SUBJECT PHOTOGRAPHS



Interior view of a typical office area located on the second floor.



Interior view of a typical private office located on the second floor.

## SUBJECT PHOTOGRAPHS



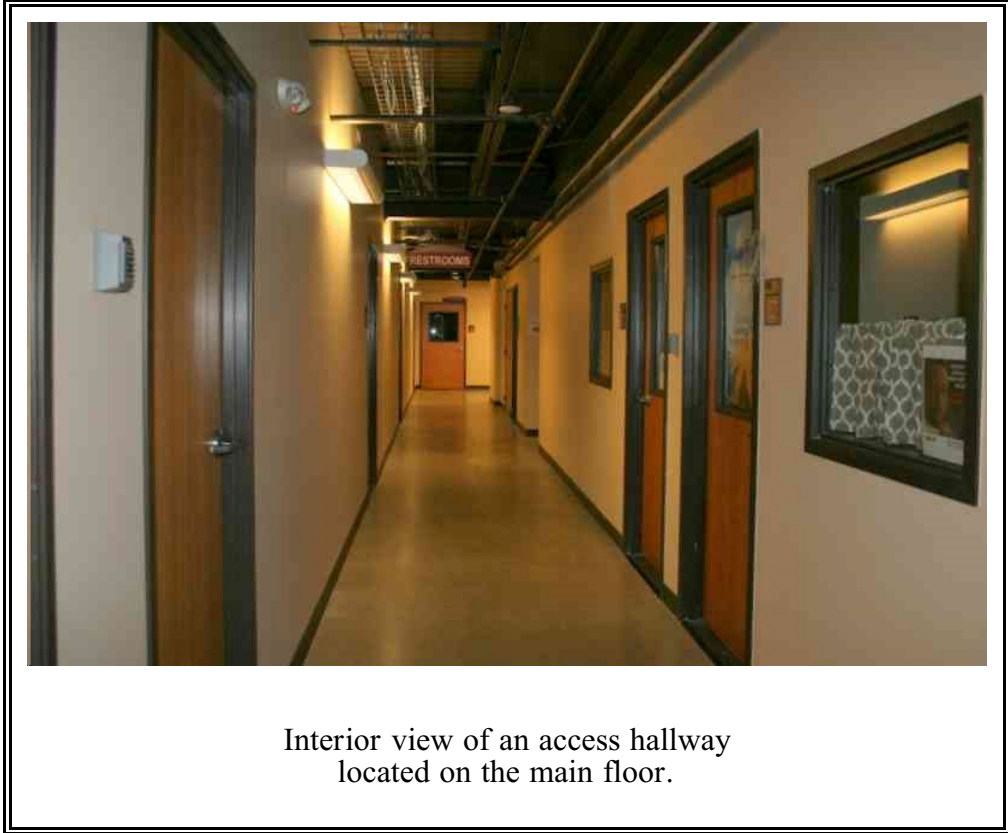
Interior view of a conference room located on the second floor.



Interior view of a kitchen/break room area located on the second floor.



### SUBJECT PHOTOGRAPHS



# SUBJECT PHOTOGRAPHS



Interior view of a common lobby area located on the main floor.

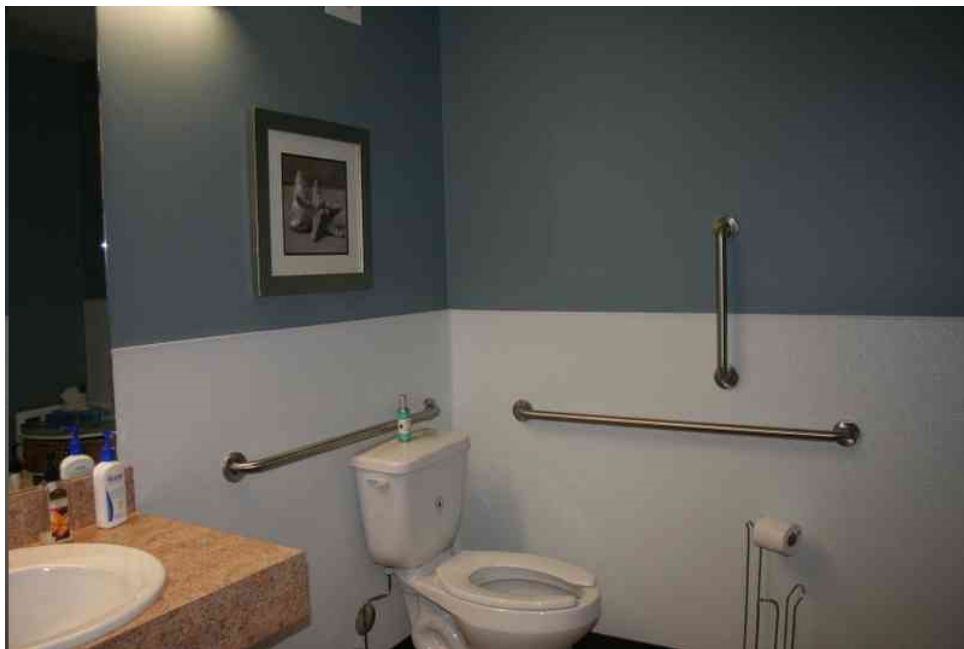


Interior view of a common lobby area located on the main floor.

## SUBJECT PHOTOGRAPHS



Interior view of typical common restroom.



Interior view of typical private restroom.

# SUBJECT PHOTOGRAPHS



Interior view of the unfinished gym/performance area located on the main floor.



Interior view of the unfinished coffee shop area located on the main floor.

# SUBJECT PHOTOGRAPHS



Interior view of an unfinished office area located on the second floor.

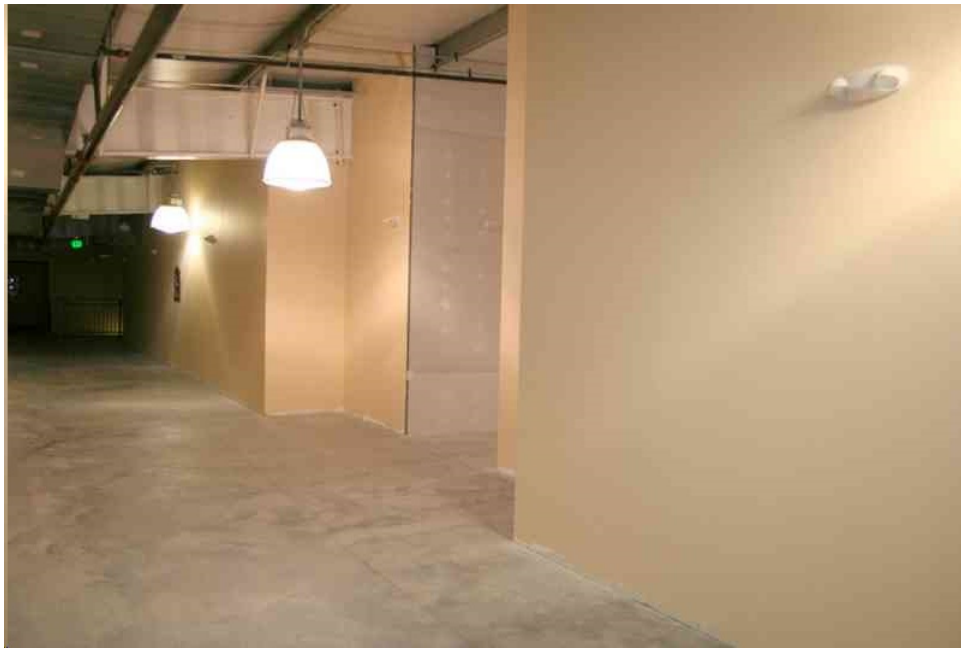


Interior view of an unfinished office area located on the second floor.

**SUBJECT PHOTOGRAPHS**



Interior view of a partially finished hallway/stairwell located on the second floor.



Interior view of a partially finished hallway located on the second floor.

## SUBJECT PHOTOGRAPHS



View of typical light industrial development located south of the subject along East 11<sup>th</sup> Street.



View of typical light industrial development along Josephine Court located south of the subject property.

## SUBJECT PHOTOGRAPHS



View of typical light industrial development located southwest of the subject along East 11<sup>th</sup> Street.



View of a senior care facility (converted light industrial) located west of the subject along East 11<sup>th</sup> Street.



### SUBJECT PHOTOGRAPHS



View of a mobile home park located north of the subject property.



View of newer big-box retail development located northwest of the subject.

## SUBJECT PHOTOGRAPHS



View of the former Great Western Sugar Factory located west of the subject property.



View of typical light industrial development located east of the subject property.

### **Physical Condition**

The original light industrial building was constructed in 2003 according to public records, and the majority of the interior was remodeled/converted to office and special purpose (institutional type) use in 2014/2015. With the addition of a second level deck (permits a full second floor without any changes/modifications to the building shell), the building is projected to consist of approximately 61,990 square feet of office, meeting rooms, classrooms, and other special purpose use rooms typical of institutional type users. The expansion/remodeling is mostly new but utilized some of the previously finished space that was part of the original building. Based upon the current and proposed improvements, the overall building and property condition is considered to be good. While the exterior finishes have had some minor updating, they generally remain in their original condition and appear to be in average condition.

The appraisal is based upon the *premise/assumption* that all major building components are (or will be upon full build-out) in good working condition including (but not limited to) the foundation, structure, framing, exterior siding, insulation, roof structure and cover, gutters/downspouts, plumbing, heating/cooling, and electrical systems. I am not a professional or expert in these fields, and an expert in each field should be consulted if the condition of the building components is of concern. The owner's representative (Glorie Magrum) reports that all existing components are in good working condition (with any roof leaks or other issues repaired as they are identified although stained ceiling tiles are still noted) and future finishes will be new and in good working condition.. Ms. Magrum also reports that the elevator is inspected on a regular basis and has passed inspection. The appraisal is based upon this premise.

### **Deferred Maintenance**

Average to good condition overall with no major deferred maintenance items noted (or reported by the subject property owner's representative) at this time.

### **Personal Property, FF & E, or Business Value**

No personal property (furniture, fixtures, and equipment), business value, blue sky, or other intangibles are included within this analysis. I am not a qualified expert in the valuation of business entities or, equipment/personal property and these items are currently separately owned by the tenants in the building or considered to have a nominal contribution such as window coverings and appliances in kitchen/break areas.

### **Functional Utility**

Functional utility refers to the design of the building. The common areas within the building are somewhat more extensive than seen in many modern office buildings, but they are reflective of the special purpose (institutional) use. With the remodeling/conversion is directed toward a collective location for several non-profit agencies, the shared meeting rooms and classrooms may actually benefit the property. Overall, it appears that the common areas, baths, and access areas will allow the various agencies to function independently but still provide good functionality/sharing between agencies. Based upon the design, the property could also adapt to other institutional users such as community college or special purpose office-type users. One overhead door remains which permits deliveries and this is considered to be adequate for the property type. The building is also served internally by several stairwells as well as a newer passenger elevator.

The building may not have the same appeal to standard professional office users as compared with more modern and better located buildings. The large common areas and shared rooms may not function well or be appealing to professional office tenants, although these areas could be modified to accommodate additional office space. Overall functional utility is considered in the Income Approach and Sales Comparison Approach with costs to finish deducted where deemed necessary. The Cost Approach was not considered necessary/applicable in order to arrive at a reliable and credible value conclusion.

### **External Obsolescence**

External obsolescence pertains to extraneous factors that tend to adversely influence property values. The neighborhood is well identified with a mixed land use. While much of the development in the area has been for light industrial use, it appears that the area is undergoing a moderate transition with two former light industrial and office/warehouse buildings (including the subject) being purchased for non-profit uses. The subject blends well with the existing and planned land use, and the change in use may actually revitalize the area. No obsolescence is attributable to the neighborhood although the location along East 11<sup>th</sup> Street is considered to be an average (but secondary or tertiary) location for a professional office building or special purpose (institutional use). This thought process will be carried throughout the Highest and Best Use analysis, Income Approach, and the Sales Comparison Approach with location adjustments applied where necessary.

### **Economic Obsolescence**

There was some decline in rental rates and sale prices of professional office buildings and commercial buildings in the Northern Colorado area during the recent recession. The impact was especially significant in secondary/tertiary locations such as the subject, and this was evidenced by the extended lease-up period for many Class B/C buildings. While the commercial market is showing some evidence of recovery/improvement, secondary/tertiary locations may still take longer to fully rebound although institutional uses remain somewhat of a niche market. These factors were considered in establishing the estimated economic rent and estimated vacancy for the subject, and it was also considered in the analysis of the comparable sales and rentals where necessary. Based upon the adjustments applied, no additional economic obsolescence specific to the subject property is indicated.

### **Environmental Considerations**

Environmental considerations are increasingly important in the analysis of real estate. The site inspection did not indicate the presence of hazardous materials or obvious contaminants. However, I am not an expert in this field and did not have the benefit of a professional environmental report on the subject property. The impact of existing and former uses of the subject property or adjacent properties is unknown but the property was formerly used for emergency vehicle conversions. The presence of radon gas, asbestos, urea-formaldehyde foam insulation, defective foreign or domestic drywall, or other contaminants is unknown and could not be detected at the time of my visual review of the property. No adverse conditions were reported by the owner's representative who indicates that environmental studies were completed, but I was not provided these surveys. I am not an expert in these fields, and I cannot warrant the statements provided by the owners.

The appraisal is based upon the *premise/assumption* that there are no adverse environmental hazards impacting the property including (but not limited to) the above mentioned potential contaminants. It is again noted that there have historically been a wide variety of uses in the general area including existing/former convenience store/gas stations and light industrial as well as a former sugar factory located within one mile of the subject. This appraisal is subject to a soils report and verification of the environmental analysis indicating no hidden environmental problems/hazards or soil conditions that would adversely impact the value or marketability of the property.

### **American Disabilities Act of 1990**

Beginning July 26, 1992, the American Disabilities Act of 1990 (the "Act") became effective. Along with related legislation such as the Fair Housing Amendments Acts of 1988 and the Uniform Federal Accessibility Standards, the ADA extends protection under civil rights laws to people with disabilities. The legislation guarantees access to places of public accommodation to persons with disabilities. The impact of the bill has been far reaching with respect to commercial real estate, including properties such as the subject. Although the property is was originally constructed and then later remodeled/converted after this date, some areas of concern include the following:

- ▶ Access through all interior hallways and interior/exterior doorways in the building is questionable.
- ▶ Current ADA compliance of the elevator is questionable.
- ▶ Access to the restrooms in the building is questionable.

Reference is made to item number 12 in the Certification of the appraisal. Much of the market data applied in this appraisal, including sales and rentals, may have ADA deficiencies. The implications of the Act are not well identified in the marketplace, and it is difficult to deal with the Act other than to simply identify the apparent areas of non-compliance. Enforcement of the requirements can be triggered by a change in use or a title transfer. Owners of older properties may be required to add ramps, elevators, or other special equipment to comply with ADA regulations, which can impact value greatly. Newer properties are generally built to conform with the requirements of the American Disabilities Act. There is often insufficient data available in the marketplace to deal with the impact on market value for individual properties as related to the Act.

## **HIGHEST AND BEST USE ESTIMATE**

The following definition of *Highest and Best Use* is taken from The Dictionary of Real Estate Appraisal, Fifth Printing.

1. Highest and Best Use of Land or a Site as though Vacant. "Among all reasonable, alternative uses, the use that yields the highest present land value, after payments are made for labor, capital, and coordination. The use of a property based upon the assumption that the parcel of land is vacant or can be made vacant by demolishing any improvements."
2. Highest and Best Use of Property as Improved. "The use that should be made of a property as it exists. An existing improvement should be renovated or retained as is so long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing building and constructing a new one."

Implied in these definitions is that the determination of Highest and Best Use takes into account the contribution of a specific use to the community and community development goals as well as the benefits of that use to individual property owners. Hence, in certain situations the highest and best use of land may be for parks, greenbelts, preservations, conservation, wildlife habitats, and the like.

In estimating highest and best use, there are essentially four stages of analysis:

1. Possible Use. Refers to uses which can physically be accommodated by the site and/or present improvements.
2. Permissible Use. Concerns the legal uses permitted by zoning and deed restrictions and the probable likelihood of any changes in these restrictions.
3. Feasible Use. Refers to the probable economic return to the owner from among the various possible and permissible uses.
4. Highest and Best Use. That use from among the feasible uses which will produce the highest net return to the owner of the subject property.

### **Highest and Best Use as if Vacant**

A variety of uses on the subject site are physically possible. Commercial and special use improvements could be physically accommodated on the property. Agricultural uses typically require larger tracts of land than the subject. Correspondingly, agricultural uses are not considered potential uses. Very limited residential uses are found in the immediate area, primarily due to existing and planned development patterns and area zoning restrictions. Residential uses are well removed from commercial and light industrial areas. The proximity of the commercial and light industrial development reduce the site's residential desirability, due to the increased traffic noise. Agricultural and residential uses are therefore not considered viable alternative developments for this location.

The majority of land uses in the immediate area are commercial and light industrial. While adjacent uses (and historic uses of the subject) have been focused upon light industrial, some buildings (including the subject and an adjacent building to the west) appear to reflect a transformation to non-profit and senior care. The subject's zoning is commercial/light industrial under the "I" classification, allowing a variety of uses subject to approval. Access to the site increases desirability of light industrial, office, or special purpose tenants because of the limited site visibility but some onsite parking. Potential site usage is more compatible to a commercial use requiring easy access to public amenities/transportation and at least some onsite parking, but not necessarily requiring direct arterial visibility and exposure. Also, as noted in the zoning section, the City of Loveland is quite amenable to keep the zoning in this area for a variety of commercial and mixed uses.

Due to the current market conditions, the financial feasibility based upon current rents (as professional office or special purpose) is still not likely although rents have improved moderately in the past one to two years. Light industrial use is also a consideration, although the rents in this location may also not justify construction costs. This is also confirmed through a recent presentation by the CSU/Everitt Center for Real Estate study recently completed which indicates that office rents and light industrial rental rates (especially for Class B/C space) still need to be well above current ranges to justify new development. As can be seen by the data presented, rent levels for buildings and suites considered similar in appeal to the subject as well as the actual/projected subject rents are nowhere near the levels considered necessary.



Since the mid-1990's, commercial market conditions were generally improving although there was some general slowdown in the economy after the September 11, 2001 terrorist attacks which caused some recessionary trends. Beginning in late 2002/early 2003, the commercial market began to strengthen with two to three years of rapid growth from 2003 through late 2006 when prices and rental rates increased and additional buildings were constructed throughout Northern Colorado. Since late 2006/early 2007 there was stagnation/decline resulting from one of the deepest recessions in recent history. While income levels made it financially feasible to warrant construction of new commercial buildings during the growth period, a leveling off of rental rates, and in many cases a decline, combined with strong competition in the market appears to have resulted in investors delaying plans for new speculative commercial and light industrial buildings. New speculative construction has virtually disappeared as many investors/developers postponed or cancelled plans for new buildings. Current rates and absorption has seen some improvement in the past one to two years, although the improvement has been moderate. Vacant office space still remains, especially in Class B/C buildings and those buildings in secondary/tertiary locations. Local Brokers and market participants project some slow but steady improvement in the market over the next several years as long as all of the positive market forces remain in place. However, the pace of any recovery will likely continue to diminish the feasibility of a new speculative project similar to the subject for the foreseeable future unless it is for an owner/user or build-to-suit.

The final test of Highest and Best Use is the maximally productive use. Based upon the physically possible, legally permissible, and financially feasible uses of the subject property, the maximally productive use of the subject property would be for an office/special purpose building due to the apparent use conversions taking place in the area combined with the mixed uses in the general neighborhood. This type of use would likely bring the strongest long term occupancy and stability, and this use would also bring an acceptable rate of return to the property. It does not appear that any other use would bring a higher return to the property when considering all factors such as rental rates, occupancy, and tenant stability. However, an extended holding period would likely be necessary in order to make it financially feasible and achieve the maximally productive use of the site.

The location, visibility, zoning, and shape of the property are most suited to office/special purpose (institutional) uses. From a physical and legal standpoint, an office/special purpose building would appear most logical. Current market conditions indicate significant alternatives in terms of vacant office space but few alternatives for special purpose (institutional space). As a result, a holding period may be necessary before development begins to entice a developer for the site although there may be more appeal to an owner/user when considering the current market. Therefore, the Highest and Best Use for the subject site, as if vacant, is to hold for future office/special purpose (institutional) use or similar commercial use.

### **Highest and Best Use As Existing/Complete**

The subject property consists a remodeled/converted office/special purpose building that contains a total of approximately 61,990± net rentable square feet of commercial space. Designed for multi-tenant professional office use, the occupancy level is approximately 90% with full occupancy projected within the next nine months pending completion of interior finishes of approximately 5,500 square feet of tenant space (not including approximately 3,500 square feet of common area to be finished). Currently, the owner occupies over 60% of the building with the majority of the other tenants also reported to have an interest in the building. The design of the building and finishes (existing and remaining to be completed similar to existing) appear to be functional for a variety of office and institutional-type users/tenants. The overall condition is average to good with no major physical or functional problems although the design of the property could deter some professional office users due to its higher ratio of common area. There is no apparent deferred maintenance. Analyzing the highest and best use of the subject as existing/complete, several points are again noted. Certainly the existing facility represents a possible physical use, and according to the City of Loveland Zoning Department, a legal permissible use under the current zoning and issued building permits. Considering the various commercial uses existing and planned in the area, the improvements represent an appropriate use for this location.

Due to the flexible design of the subject building, a variety of office and special purpose (institutional) uses could be physically accommodated within the building, although the extensive common areas could deter some professional office users. Medical office is not a likely use for the subject suites based upon the existing and projected finish. Additionally, the overall parking availability combined with the design of the building and finishes may limit the appeal to some users.

For this property type, the typical land to building ratio is approximately 10% to 20% attributable to land and 80% to 90% to the building. Because the Cost Approach is not considered applicable for the subject property, a separate land valuation was not completed for the subject property. Based upon comparable sales data in the area, the site would likely have a land value in the range of \$2.00 to \$6.00 per square foot if the land were being purchased for a new commercial building. Using a value at the lower portion of the range due to the current market conditions, or \$4.00 per square foot gives an estimated land value of approximately \$530,000 (rd.) for the subject site based upon the site size of approximately 132,311± square feet. Analyzing and comparing this to the income attributable to the land is generated by the forecasted net operating income of the subject property provides an indication of return to the land, generated by the improvements. Generally, a positive return, or enhancement of land value, indicates the improvements are justified, with a negative return perhaps warranting removal of the improvements.

Of the total forecasted net operating income of \$502,316 generated by the subject, approximately 10%, or \$50,232, is considered attributable to the land. Capitalizing at a land rate of 8.00% results in \$627,000 (rd.) value attributable to the land due to the presence of the existing improvements. A capitalization rate for the land is below the capitalization used for the entire property as land is not impacted by issues including accrued depreciation, functional obsolescence, etc. Because the land value is enhanced, it is concluded that the remodeled improvements provide a positive contribution to the overall property value making it marginally financially feasible (as improved/remodeled) at this time. This gain in value is due primarily to the features and design of the property.

The final test of Highest and Best Use is the maximally productive use. As stated earlier in this section, a variety of office and special purpose (institutional) uses could be physically accommodated within the subject building and individual suites. The location of the property make it difficult for upgraded professional, medical, or dental office, retail, and restaurant users to accommodate the needs of customers and clients. While there is an ample supply of professional office space with strong competition which has driven rates down from their peak, the design, features, finishes of the subject still result in standard office or special purpose use being considered to be the maximally productive use of the subject property.

Overall, it appears that the subject improvements (as existing/complete) are considered to offer a good use of the site, with the Highest and Best Use as Improved being as an office/special purpose (institutional) building. Future use of the subject property for this type of occupancy will likely produce the highest return to the property.

### **Marketability and Timing**

Although the subject design is directed toward a specific use, the layout makes it a desirable offers/special purpose (institutional) building with some flexibility for a variety users, and reconfiguration from one user to another can be achieved easily at a minimum cost. With a steadily growing economic base projected for the Northern Colorado area over the long term, the potential client basis will also increasing. The subject has adequate curb appeal, and the quality of product, flexibility of design, and physical location make the subject readily marketable.

The comparable sales used in the Sales Comparison Approach had varying marketing times generally ranging from three to twelve months for reasonably priced properties. Discussions with brokers familiar with the current office market in Northern Colorado area, as well as the subject, indicate this property should experience a marketing period one year or less (based upon a sale of the property), were it to be offered for sale at an asking price within market ranges and marketed in an aggressive manner. For these reasons, the conclusion that the existing improvements represent the highest and best use as improved, is further reinforced.

## THE APPRAISAL PROCESS

Typical appraisal process condenses specific information relating to the subject property into three approaches to value: the Cost, Sales Comparison, and Income Approaches. Since the purpose of this report is to provide a supportable estimate of market value, each of the three approaches was considered, but only the Income Approach and Sales Comparison Approach were considered applicable for the analysis.

"In the Cost Approach, an estimated reproduction or replacement cost of the building and land improvements as of the date of appraisal is developed, together with an estimate of losses in value that have taken place due to wear and tear, design and plan, or neighborhood influences to the depreciated building cost estimate, entrepreneurial profit and the estimated value of the land are added. The total represents the value indicated by the cost approach."

"The Sales Comparison Approach compares the subject property with similar properties that have sold recently or with listed properties or offerings where figures are known. Data for generally comparable properties is used and comparisons are made to demonstrate a probable price at which the subject property would be sold if offered on the market."

"In the Income Approach, the current rental income to the property is shown with deductions for vacancy and collection loss and expenses. The prospective net operating income of the property is estimated. To support this estimate, operating income of the property is estimated. To support this estimate, operating statements for previous years and comparable properties may be reviewed along with available operating cost estimates. An applicable capitalization method and appropriate capitalization rates are developed and used in computations that lead to an indication of value."

Source: The Appraisal of Real Estate, Thirteenth Edition, Appraisal Institute.

In analysis of comparable sales, the common elements include the following:

1. Real Property Rights Conveyed. A transaction price is always predicated on the real property interest conveyed. Adjustment may be required for fee simple versus leased fee.
2. Financing Terms. The value estimate of one property may differ from that of an identical property due to different financing arrangements. Below-market interest rates result in higher sales prices; conversely, above-market interest rates often result in lower sales prices.
3. Conditions of Sale. Non-market conditions of sale usually reflect the motivations of the buyer and seller. Arms-length transactions may also reflect atypical sales conditions such as tax consideration, sale at legal auction, lack of exposure on the open market, or eminent domain proceedings.

4. Expenditures Made Immediately After Purchase. These include, but are not limited to, costs to cure deferred maintenance, costs to demolish or remove any portion of the improvements, costs to remediate contamination, etc. A knowledgeable buyer considers these expenditures and are often quantified in a price negotiation.
5. Market Conditions. Recognition of possible change and the direction of that change, in value between the date of sale and the date of appraisal is necessary for proper analysis. Changes may be caused by inflation, deflation, fluctuations in supply and demand, or other factors. Often referred to as a time adjustment.
6. Location. Location of a site is the primary consideration in establishing a market value estimate. Access, relative distance to area employment centers, location of utilities, and amenities are fundamental when estimating the potential market value to a prospective purchaser.
7. Physical Characteristics. Physical characteristics such as size, soils, quality, design, appeal, functional utility, access, exposure, and age and condition tend to affect the value of real estate. All items will be analyzed in the valuation process.
8. Economic Characteristics. Economic characteristics such as expense ratios, lease provisions, management, tenant mix, etc. tend to effect the value of real estate. All items will be analyzed in the valuation process.
9. Use. These elements which tend to impact value include zoning, water rights, environmental, flood zones, building codes, etc. These include items such as expense ratios, lease provisions, management, tenant mix, etc. All items will be analyzed in the valuation process.
10. Non-Realty Components of Value. These include business value, franchises, trademarks, etc. All items will be analyzed in the valuation process.

Adjustments are generally market derived by paired data set analyses. Paired data set analysis is theoretically sound; however, it is sometimes impractical because only a narrow sampling of sufficient similar properties may be available, and it is difficult to quantify the adjustments attributable to the other variables present. The adjustments applied within the Income Approach and Sales Comparison Approach are intended to identify the *relative* direction of the required adjustment, and they are not necessarily meant to establish mathematical certainty.

The Northern Colorado market has not experienced adequate sales activity to permit paired data set analysis. Thus, adjustments made are generally from appraiser's experience and judgment. The adjustments are presented within the narrative with a supporting Sales Comparison grid to allow the reader insight into the appraiser's thought process. The applicable value indications will then be correlated into a final market value conclusion.

## **COST APPROACH**

In the Cost Approach, an indication of value is obtained by adding the estimated land value to an estimate of the depreciated reproduction or replacement cost of the buildings and other improvements. This approach is based upon the principle of substitution, in that no prudent purchaser would pay more for a property than the amount for which he can obtain, by purchase of a site and construction of a building without undue delay, a property of equal desirability and utility. This approach is particularly applicable when the property being appraised involves relatively new improvements that represent the Highest and Best Use of the land or when relatively unique or specialized improvements are located on the site.

The subject property consists of a former light industrial building that was remodeled/converted into an office/special purpose (institutional) building for several non-profit agencies. The Cost Approach is considered to have limited utility in valuing existing buildings that have been significantly remodeled and/or converted, but where the building shell remains mainly as is. Subjective judgment would be required with regard to the accrued depreciation as well the potential for functional and/or economic obsolescence due to the floor plan, finishes, features, location for this type of use, and current market conditions. Most notable is the likelihood that current economic (market) rents would also not likely support construction and/or remodeling costs which is supported by various sources cited throughout the report. As a result, there is likely some economic obsolescence as would be applied within the Cost Approach. There is likely additional obsolescence attributed to perceived risk on the part of investors and/or developers due to the secondary-type location, features, potential costs, and market conditions, although these market participants may have varying degrees of risk. Investors and developers would not likely consider constructing a building such as the subject in the current market, and they would not consider the Cost Approach (cost to build a similar alternative) in their decision making. Elimination of the Cost Approach is not considered to deter from the credibility of the report or the reliability of the results.

Currently, buyers of this property type would consider sales of similar properties and income potential due to the current market conditions. These two approaches are much more reactive to market changes.

## **INCOME APPROACH**

In analyzing the value of real estate using the Income Approach, it is important to accurately establish the estimate of economic rent of the subject property and properly analyze the expenses of ownership. The net income derived from this analysis may then be capitalized, using an overall capitalization rate that reflects the attitudes of the market. To assist in developing the Income Approach, the operating statements for several competing projects in the Northern Colorado area have been analyzed in order to determine the projected expenses for the property. The owner's representatives (Glorie Magrum and Gary Mitchell ) provided only limited expense data. As a result, the income and expense data from similar properties was considered, and a projected statement for the subject property was prepared.

### **Estimate of Economic Rent**

In order to estimate the economic rent for the subject property, a survey of competing properties in the Northern Colorado area has been conducted. Limited data is available as many special purpose (institutional) type uses are often owner occupied although rental data from Class B/C offices are also considered to be a valid comparison due to the projected office finish within the subject property. Each of the properties is located in a commercial area with similar tenant appeal. Selected rental comparables are summarized on the following pages. The rental data is considered to be similar with regard to location, use, features, lease terms and rental rates. The rentals have been analyzed to develop the annual rent per square foot per year based upon (or adjusted to) full gross leases with the owners paying all expenses including janitorial service.

Prior to individual analysis, the rentals give an unadjusted range from \$10.00 to \$25.00 per square foot for the net rentable area (including a prorata share of the common and shared areas) on a full gross basis or adjusted to a full gross basis. This range is typical for office and special purpose (institutional) space in Northern Colorado with the lower to middle portion of the range typically representing secondary or tertiary-type locations. Based upon the quality and projected office and special purpose (institutional type) finish for the subject building, location, size, and appeal of the property, rental rates in the range of \$10.00 to \$14.00 per square foot (depending upon level of finish) appear reasonable for the subject. This is based upon gross leases with the owner responsible for all expense items. The rental rate range appears reasonable for the subject when considering the size of the building and individual suites, existing and projected finish, and the location. Comparable rentals utilized are from competing areas of Northern Colorado that are similar in appeal, and the data provided is considered to be the best available at this time.

The following is a brief analysis of the rentals deemed the most comparable to the subject property.



**COMPARABLE RENTAL NO. 1**



LOCATION	2310 East Prospect Road, Suites A, B, and C Fort Collins, Colorado 80524
TYPE OF CONSTRUCTION	Masonry
QUALITY OF CONSTRUCTION	Good
YEAR OF CONSTRUCTION	1984
LEASED AREA	14,925 square feet
PARKING	Adequate onsite parking and access
LESSOR	C and C Holdings, LLC
LESSEE	Mountain Sage Community School
RENTAL RATE	\$19.50/sf*
TYPE OF LEASE	*Full Gross Lease; Expenses of \$6.30/sf
TERMS OF LEASE	Five-year lease (07/13 to 06/18); 3% escalators.
VERIFIED WITH	Jason Ells with Cushman & Wakefield

REMARKS: The property consists of three suites in an average to good quality Class B/C office building consisting. The suites are leased to a charter school with the tenant paying approximately 2/3 of the total finish/conversion cost. A minimal tenant finish allowance of \$5.00 to \$7.00 per square foot was included as part of the lease. The suite is mostly open with some private office areas. \*The triple net lease rate of \$13.20 per square foot is adjusted to full gross terms for comparison purposes.

**COMPARABLE RENTAL NO. 2**



LOCATION	Chase Bank Building 200 East 7 <sup>th</sup> Street Loveland, Colorado 80537
TYPE OF CONSTRUCTION	Wood frame with stucco and brick
QUALITY OF CONSTRUCTION	Good
YEAR OF CONSTRUCTION	1962-1979/Average to Good condition
LEASED AREA	Suites range from 400 square feet to over 15,000 square feet; typical suite is 1,000 to 2,000 square feet
PARKING AND ACCESS	Good onsite parking and access
LESSOR	Ward West, LLP
LESSEE	Various
RENTAL RATE	\$14.00/sf to \$18.50/sf
TYPE OF LEASE	Full Gross; Expenses of \$5.50 per square foot
TERMS OF LEASE	One to Five-Year Leases, Annual Escalations.
VERIFIED WITH	Patrick O'Donnell with Realtec

**REMARKS:** The property consists of a Class B/C professional office building (four-story) in the downtown Loveland area. Suites range in size from 400 square feet to over 15,000 square feet (net rentable). Recent leases are in the range of \$17.00 to \$19.00 per square foot (full gross) but represent shorter term leases and/or smaller suites. Approximately 15,000 square feet was leased in August of 2014 to one tenant with a current rate of approximately \$14.35 per square foot although the tenant also receives use of approximately 8,618 square feet in the basement.

**COMPARABLE RENTAL NO. 3**



LOCATION

TriPointe Business Center  
3001 8<sup>th</sup> Avenue  
Greeley, Colorado

TYPE OF CONSTRUCTION

Masonry

QUALITY OF CONSTRUCTION

Good

YEAR OF CONSTRUCTION

1963/Remodeled/Average condition

LEASED AREA

Up to 32,160 square feet (may be divided)

PARKING AND ACCESS

Good onsite parking but average access

LESSOR

Normedco Care, Inc.

LESSEE

For Lease

RENTAL RATE

\$10.00/sf to \$12.00/sf

TYPE OF LEASE

Full Gross (CAM of \$4.00 per square foot)

TERMS OF LEASE

Listed for Lease; Escalators

VERIFIED WITH

Nick Berryman with Realtec

REMARKS: Two level flex/R & D and office building that was most recently used as a call center although it also had prior uses as office. The listing agent indicated that there has been strong interest to lease all or part of the building in the \$10.00 to \$12.00 per square foot range on a full gross basis. One larger 7,000 square foot area/suite is currently being marketed at \$10.00 to \$11.00 per square foot and could be leased as executive suites. No furnishings or equipment are included in the rate.

**COMPARABLE RENTAL NO. 4**



LOCATION

Elk Lakes Shopping Center  
2863 35<sup>th</sup> Avenue  
Greeley, Colorado 80634

TYPE OF CONSTRUCTION

Wood/steel frame with brick

QUALITY OF CONSTRUCTION

Good

YEAR OF CONSTRUCTION

2000/Good condition

LEASED AREA

23,223 square feet

PARKING AND ACCESS

Good onsite parking and access

LESSOR

Fisher Elk Lakes, LLC Etal.

LESSEE

IBMC

RENTAL RATE

\$16.50/sf\*

TYPE OF LEASE

\*Full Gross lease; Expenses of \$5.50/sf

TERMS OF LEASE

Ten-Year Lease-Start Mid 2013, Some Esc.

VERIFIED WITH

Aki Palmer with Cushman & Wakefield

REMARKS: Lease represents a former Borders Books retail store that was converted to a community college space. Approximately \$50.00 per square foot was allocated for remodeling/conversion. The lease is flat in years 1-2, escalates and remains flat in years 3-5, and escalates and remains flat in years 6-10. \*The triple net lease rate of \$11.00 per square foot is adjusted to full gross terms for comparison purposes.

**COMPARABLE RENTAL NO. 5**



LOCATION

Locust Park Professional Office  
1966-2004 West 15<sup>th</sup> Street  
Loveland, Colorado

TYPE OF CONSTRUCTION

Steel frame and brick veneer

QUALITY OF CONSTRUCTION

Good

YEAR OF CONSTRUCTION

1974/Average to good condition

LEASED AREA

12,752 square feet (two buildings)

PARKING AND ACCESS

Adequate onsite parking and access

LESSOR

Holstein Self Service Storage, LLC

LESSEE

A Little R & R Home Care, Bead Bling Bead Co., Serenity Hair Design, Etc.

RENTAL RATE

\$10.00 to \$15.00/sf; \$12.00/sf (average)

TYPE OF LEASE

Gross leases; expenses of \$4.50/sf

TERMS OF LEASE

Various term leases; some escalators

VERIFIED WITH

Joe Palieri with Domberstein Lemburg

REMARKS: The property consists of a multi-tenant office building with suites ranging in size from approximately 400 square feet to 1,200 square feet. One vacant suite is currently listed for lease at \$12.00 per square foot on a triple net basis (\$16.00 per square foot full gross equivalent) but has been fully remodeled with approximately \$30.00 to \$40.00 per square foot in tenant finish allowance. Lower rates are within the westerly building that has less updating and inferior overall appeal.

**COMPARABLE RENTAL NO. 6**



LOCATION

McClelland Office Park  
2850 McClelland Drive  
Fort Collins, Colorado

TYPE OF CONSTRUCTION

Steel frame and brick veneer

QUALITY OF CONSTRUCTION

Good

YEAR OF CONSTRUCTION

1984/Updated/Average to good condition

LEASED AREA

36,562 square feet

PARKING AND ACCESS

Adequate onsite parking and access

LESSOR

McClelland 2850, LLC

LESSEE

Touchstone Property Management, Express Personnel, Right at Home, Etc.

RENTAL RATE

\$15.00 to \$25.00/sf; \$17.65/sf (average)

TYPE OF LEASE

Gross leases; expenses of \$6.85/sf

TERMS OF LEASE

Various term leases; some escalators

VERIFIED WITH

Nate Heckel with Cushman & Wakefield

REMARKS: The property consists of a multi-tenant office building with suites ranging in size from approximately 200 square feet to nearly 4,000 square feet. Smaller suites tend to reflect executive-type rental suites.

**COMPARABLE RENTAL NO. 7**



LOCATION

Orchards Corporate Center  
221 East 29<sup>th</sup> Street  
Loveland, Colorado

TYPE OF CONSTRUCTION

Steel frame and brick veneer

QUALITY OF CONSTRUCTION

Good

YEAR OF CONSTRUCTION

1980/Part updated/Average to good condition

LEASED AREA

41,580 square feet (divisible to 2,500 sf)

PARKING AND ACCESS

Adequate onsite parking and access

LESSOR

Matador-Orchard, LLC

LESSEE

Vacant - Available for Lease

RENTAL RATE

\$19.50 to \$23.00/sf\*

TYPE OF LEASE

Gross leases\*; expenses of \$6.50/sf

TERMS OF LEASE

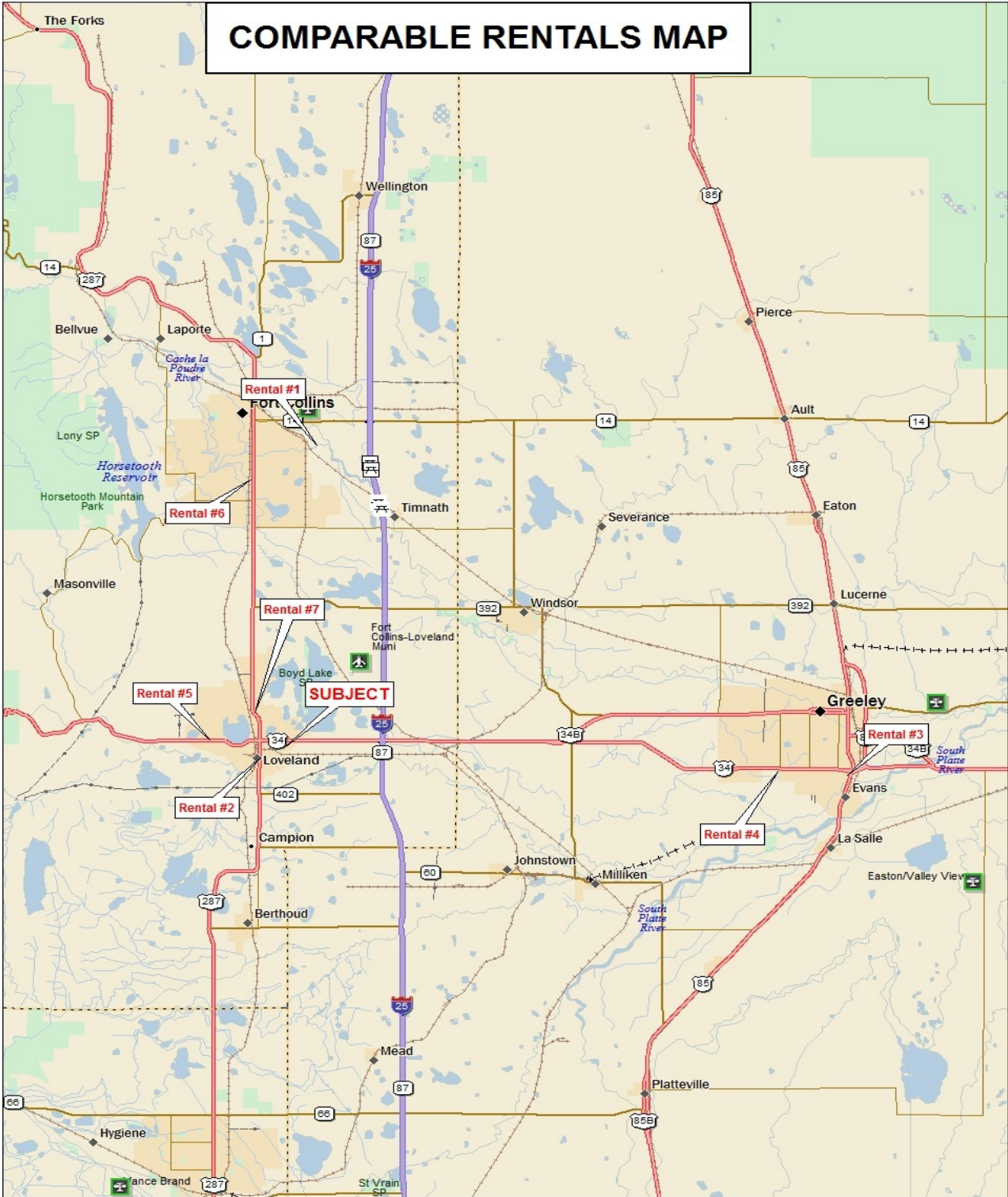
Various term leases; some escalators

VERIFIED WITH

Nate Heckel with Cushman & Wakefield

REMARKS: The property consists of a multi-tenant office building with suites ranging in size from approximately 200 square feet to nearly 4,000 square feet. Smaller suites tend to reflect executive-type rental suites. \*Asking lease rates of \$13.00 to \$16.50 per square foot are adjusted to full gross terms for comparison. The lease rates are based upon completion of building renovation.

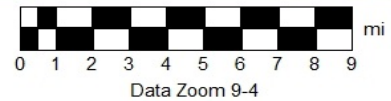
# COMPARABLE RENTALS MAP



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**Rental #1**

This property is located in the east-central Fort Collins area and represents three suites in a professional office building that have been converted to a private school that consists of approximately 14,925 square feet according to the broker involved. The suite is currently leased at a reported rate of \$13.20 per square foot on a triple net basis which adjusts to approximately \$19.50 per square foot on a gross basis according to expense information provided. This space is considered similar to the subject in many respects, but requires adjustments for the following:

1.	Superior location in east Fort Collins.	– 15%
2.	Superior quality of finish included in the lease rate.	<u>– 15%</u>
	Total	– 30%

Overall, this rental requires a net downward adjustment of 30% which gives an adjusted rental rate of \$13.65 per square foot. No adjustment is applied for suite size as the subject has a variety of suite sizes. Overall parking availability is considered similar.

**Rental #2**

This property is located in the north portion of the downtown Loveland area and represents a Class B/C office building with a wide variety of suites. Rental rates within the building are reported to be in the range of \$14.00 to \$18.50 per square foot on a full gross basis with recent leases in the upper portion of the range for smaller suites. This space is considered similar to the subject in many respects, but requires an adjustment for the following:

1.	Superior location near downtown Loveland.	<u>– 20%</u>
	Total	– 20%

Overall, this rental requires a net downward adjustment of 20% which gives an adjusted rental rate in the range of \$11.20 to \$14.80 per square foot. No adjustment is applied for suite size as the subject is projected to also have a variety of suite sizes. Overall parking availability is considered similar.

**Rental #3**

This property is located in the south Greeley and north Evans area and represents vacant office/flex space up to 32,160 square feet that could also be divided into smaller suites. Similar office suites are currently listed for lease in the range of \$10.00 to \$12.00 per square foot on a full gross basis. This property is considered similar to the subject in many respects, but requires adjustments for the following:

1.	Inferior age/condition.	+ 5%
2.	Inferior location in the Greeley/Evans area.	+ 10%
	Total	+ 15%

Overall, this rental (listing) requires a net upward adjustment of 15% which gives an adjusted rental rate of \$11.50 to \$13.80 per square foot on a full gross basis. The listing agent reports strong recent interest at the asking rates. The lease appears to represent the lower portion of market ranges but also likely ongoing vacancy in the building.

**Rental #4**

This property is located in the southwest Greeley area and represents a former retail building that was converted to office/special (institutional) uses for an adult learning college. The building consists of approximately 23,223 square feet according to the broker involved and is currently leased at \$16.50 per square foot adjusted to a full gross basis. This space is considered similar to the subject in many respects, but requires adjustments for the following:

1.	Superior parking (good onsite parking from former retail).	- 5%
2.	Superior quality of finish included in the lease rate.	- 15%
	Total	- 20%

Overall, this rental requires net downward adjustment of 20% which gives an adjusted rental rate of \$13.20 per square foot on a full gross basis. While this rental is considered most similar to the subject main level space, it also provides good support for an overall average rental rate. The inferior appeal of Greeley is offset by the superior exposure and proximity to other commercial development and no location adjustment is applied. Additionally, west Greeley tends to be the strongest location within the City with regard to occupancy, tenant mix, and rental rates. No size adjustment is applied at this level of the market.

**Rental #5**

This property is located in the west Loveland area and represents a Class B/C office building with a wide variety of suites. Rental rates within the building are reported to be in the range of \$10.00 to \$15.00 per square foot on a full gross basis with weaker leases representing older space with less remodeling/updating. This rental is considered similar in many respects and no overall net adjustment is deemed necessary although the upper portion of the range may be somewhat strong for the subject.

**Rental #6**

This property is located in the Midtown area of central Fort Collins and represents a multi-tenant professional office building that consists of suites of varying size. Rental rates within the building are reported to be in the range of \$15.00 to \$25.00 per square foot on a full gross basis with an average rate of approximately \$17.65 per square foot. This property is considered similar to the subject in many respects, but requires adjustments for the following:

1.	Superior location in central Fort Collins.	– 15%
2.	Superior quality of finish included in the lease rate.	<u>– 10%</u>
	Total	– 25%

Overall, this rental requires a net downward adjustment of 25% which gives an adjusted rental rate range of \$11.25 to \$18.75 per square foot with an adjusted average of approximately \$13.24 per square foot on a full gross basis.

**Rental #7**

This property is located in the north central Loveland area and represents vacant professional office space with suites of varying size as small at 2,500 square feet. The property is listed for lease in the range of \$19.50 to \$23.00 per square foot on a full gross basis. This property is considered similar to the subject in many respects, but requires adjustments for the following:

1.	Superior location in north central Loveland.	– 15%
2.	Superior quality of finish included in the lease rate.	<u>– 20%</u>
	Total	– 35%

Overall, this rental (listing) requires a net downward adjustment of 35% which gives an adjusted rental rate of \$12.68 to \$14.95 per square foot on a full gross basis. The adjusted range may still be somewhat strong for the subject, and the asking lease rates may require some adjustment/negotiation in order to achieve occupancy.

The adjustments applied within the Income Approach are intended to identify the *relative* direction of the required adjustment, and they are not necessarily meant to establish mathematical certainty.

The rentals presented form a range from \$10.00 to \$18.75 per square foot for the subject property (range typical due to varying levels of finish as well as location within the building) after adjustments which appears reasonable and is considered to be a good indication of economic rent for the subject. The upper portion of the range is considered to be strong for the subject based upon its overall design and appeal. The lower to middle portion of the range appears reasonable based upon the quality, condition, and amenities of the building (based upon the projected finish) combined with the secondary-type location of the property. The majority of the building (over 60%) is occupied by the owner with the remainder leased/occupied by a variety of non-profit agencies although the owner reports that the majority of the tenants have an investment in the building which tends to distort rates. Current rates are reported to be in the range of \$5.25 to \$13.50 per square foot, although the higher rates represent newer leases and the lower rates represent month-to-month leases which are projected to be renewed in the range of \$10.50 to \$13.50 per square foot. Within the next twelve to eighteen months, rates are projected to be in the range of \$8.50 to \$13.50 per square foot. The rent rolls, as submitted by the client and the property owner, are provided within the Exhibit section. .

The owner reports that leases below \$10.00 per square foot are generally considered to be below market and are typically influenced by lower initial rates, tenant finish, and the desire to accommodate the tenant within the building. The lower leases generally have terms of two years or less with several expiring in 2016/2017 with projections of renewal at stronger rates. The owner also reports strong absorption and interest in the remaining space at a rate of \$13.50 per square foot on a full gross basis. As stated previously, the owner of the property occupies over 60% of the building with no internal lease data provided, although this type of lease is generally given minimal consideration as it is not considered to be arm's length. The owner's representatives (Glorie Magrum and Gary Mitchell) also report that, with the exception of Neighbor to Neighbor and Catholic Charities, the tenants also have an investment in the building which tends to distort rental rates. As a result, the market data is given strong emphasis in the analysis as well current asking rates (and recent pending lease rates for new leases) which are not impacted by interest in the building. Due to the existing lease terms/influences and the fact that Fee Simple Interest is reflected in the analysis, the actual leases are given limited consideration..

Based upon the analysis of the comparable rental data, the subject should have good market acceptance with the following economic rent:

$$61,990 \text{ sf} \quad @ \quad \$13.50/\text{sf} \quad = \quad \$836,865/\text{yr}$$

\*The net rentable area is based upon an allocated portion of the shared common, meeting, classroom, and break/dining areas which is typical in the market, and tenants typically pay rent based upon their prorata share. The overall average lease rate also falls within market ranges. The estimated economic rent is based upon market data and an estimated tenant finish typical of average quality office and special purpose (institutional) finishes and in line with existing finish within the building.

The projected leases are considered to be full leases with the owner paying all operating expenses including janitorial. The estimated lease rates for the subject appear reasonable when considering the quality of the building, secondary-type location, parking, and overall projected finishes and features.

The estimated lease rates are also supported by the actual and asking rates for several additional properties in the Northern Colorado area. A building located at 2537 Research Boulevard is currently reported to be leased at a rate of \$19.00 to \$20.00 per square foot (adjusted to a full gross basis). The building consists of approximately 11,872 square feet and is leased by the Colorado State University School of Veterinary Medicine. This rental is considered to be superior with regard to visibility, quality, finishes, and overall appeal. Colorado Civil Group recently subleased approximately 3,895 square feet within a building located at 5110 Granite Street in north Loveland with a reported rate in the range of \$13.00 to \$15.00 per square foot adjusted to a full gross basis. Gage Osthoff with Realtec currently has office suites located within a multi-tenant building at 918 13<sup>th</sup> Street in Greeley leased in the range of \$9.50 to \$12.00 per square foot on a full gross basis although the overall location is considered inferior in appeal to the subject. Aki Palmer of Cushman & Wakefield currently has suites available and leased in a building at 1110-116 North College Avenue in downtown Fort Collins with rates in the range of \$15.00 to \$22.00 per square foot on a full gross basis although the location is considered to be much stronger than the subject. Overall, the additional leases and listings provide additional support to the projected economic rent for the subject property.

### **Vacancy and Credit Loss**

The general market conditions in the Northern Colorado area have been researched over the past several years. The vacancy rates for similar office and special purpose buildings range from 0% to a high of over 50% in some buildings, although the upper portions of the range appear to reflect older Class B and Class C buildings that will need major remodeling in order to be competitive or buildings in secondary/tertiary locations. Surveys completed by Realtec and Sperry Van Ness indicate a current office vacancy rate between 5% and 10% in Fort Collins, Loveland, and Greeley with the lowest vacancy (or lower) within Class A/B+ buildings. The subject property is over 60% occupied by the owner with the remainder of the building designated to several additional non-profit agencies as discussed previously and illustrated within the rent roll (as provided by the owner's representatives). While there were no actual leases provided for the building, the building is considered to be stabilized with three of the remaining suites having pending leases and strong interest in the remaining three smaller suites. Current vacancy is approximately 8% to 10% which is considered reasonable for a building of the subject size/design combined.

As a result of these projections combined with some market improvements forecast by local experts over the next year, the stabilized vacancy rate of 8% is projected for the subject property. While this rate is at the lower portion of the current subject vacancy, it also considers the likely leases to non-profit agencies which often tend to remain in one location for a longer period. Additionally, the synergy that is projected with several non-profits in one location may further benefit the building. A lower rate is not applied as the location is still considered secondary/tertiary for standard office/special purpose users although some of this impact is also considered in the estimated capitalization rate. Overall, the this stabilized vacancy rate of 8% is considered to be realistic when considering the projected tenants, portion of owner occupancy, projected rental rates, and current market conditions.

### **Lease Up and Unpaid Triple Net Expenses/Costs**

It is noted that the building is over 60% owner occupied with several additional non-profit agencies occupying the building with several reported to also have an investment in the building. Approximately 5,500 square feet of office space as well as approximately 3,500 square feet of common area remains to be finished (planned to be by January of 2017) with finishes projected to be similar to the existing suites/finishes. While the projected tenant finish will be of standard professional office finish as well as special purpose (institutional) finishes with standard features (but no extensive upgrades at projected cost), it is considered to be functional for a variety of tenants at the projected rental rates. Typical tenant finish allowances are reported to be in the range of \$15.00 to over \$40.00 per square foot depending upon the rental rate, and the middle portion of the range is considered to be most likely for the subject property. For the Prospective Market Value estimate, these expenses are assumed to be incurred and reflected in the projected economic rent.

The expense allowances depicted in the Direct Capitalization Approach (as stabilized) are considered to be adequate for any potential lease up expense, holding costs during final finish/completion, and unpaid expenses. Because the property would likely be fully leased within one year or less based upon the projected economic rent and projected occupancy, the vacancy and credit loss should cover unpaid expenses. The potential lease up/commissions expense was also considered in estimating the management expense, and this may also be reduced or deferred due to the potential of other non-profit occupancy and/or the fact that the owners (who occupy over 60% of the building) appear to do their own leasing. If leased by a Broker, commissions could be eliminated, reduced, or deferred, and these expenses could also be covered with the reserves account on a short-term basis. It should be emphasized that the projected economic rent could also result in a more rapid lease up which could also take care of some of these issues. It is not anticipated that any potential lease-up and unpaid triple net expenses will be so excessive as to warrant any additional deduction.

## Estimate of Operating Expenses

The estimated economic rent is based upon on a gross lease basis with the owner responsible for all operating and fixed expenses pertaining to the building. Experience in analyzing the fixed and operating costs for this type of building indicates a good correlation when comparing the expenses to the gross building area. Based upon the analysis of comparative data, expenses range from approximately \$4.00 to over \$7.00 per square foot, depending on the type of construction, age, size, and services that are included in the rent. No significant operating expense data (as remodeled/converted ) is available for the subject property, but the income and expenses of other comparable buildings have been analyzed in projecting the expenses for the subject property. The Summary of the Income Approach indicates the amount allocated for each expense item in relation to the gross building area. The total equates to an operating expense ratio of approximately 35% of effective gross income (including management and reserves), and this is considered to provide a realistic and accurate projection. The following is a brief analysis of the projected operating expenses for the subject.

Real estate taxes may be projected based upon comparable buildings in the Loveland and Northern Colorado areas. Experience with actual known taxes for the current year indicates a pattern between \$1.00 and \$3.00 per square foot per year. An allowance of \$1.30 per square foot of the gross building area is considered applicable for the subject improvements based upon the existing/projected finish and the location of the property. This equates to \$80,600 per year. Taxes are an estimate only as the subject is currently exempt from real property taxes.

Insurance for office and special purpose buildings analyzed in a similar manner indicates a pattern between \$0.15 and \$0.25 per square foot per year depending upon the quality of the building. An allowance of \$0.20 per square foot is considered applicable to this appraisal based upon a typical policy for other similar buildings.

Repair and maintenance applies to the painting of the building, exterior maintenance, etc. and may be considered as an annual reserve to properly maintain the property. An allowance \$0.25 per square foot of the building. The estimate is at the lower portion of market ranges as the remodeling is newer.

Management applicable to the building is associated with the amount of time spent paying bills, collecting rent, and administering the property. Professional management typically runs 3% to 5%. An allowance of 3% of the effective gross income is considered applicable for this appraisal as the property is a multi-tenant office/special purpose building with minimal management problems reported by the current owner who also does most of the property management.

Trash removal for the building is somewhat of a fixed amount based upon a typical contract with a local trash company. This contract is for \$0.10 per square foot and falls in line with similar properties.

Janitorial service for the common areas and most of the rental units is the responsibility of the owners and is usually handled by a professional cleaning company. Due to the extensive common and shared areas, this expense item is estimated at approximately \$0.40 per square which appears reasonable and will be adopted for this assignment.

Water and sewer expense for the subject property has been estimated at \$0.30 per square foot per year based upon the historical performance of similar properties.

The gas and electricity (utility) expense for the building is the responsibility of the owner and is usually paid on a monthly basis. This expense usually runs approximately \$0.50 per square foot on a yearly basis, which appears reasonable when considering the subject does have an elevator and the older heating/boiler system.

The subject building has an elevator with a projected maintenance contract that will run approximately \$0.15 per square foot, which falls in line with the past history of this expense in the subject and similar buildings.

The legal and accounting expense area is generally considered a reserve to handle any problems arising in connection with the property. This expense is estimated at \$0.10 per square foot based upon the past history of the subject property.

Supplies for properly maintaining the property generally run in the range of \$0.05 to \$0.15 per square foot of the building. An estimate of \$0.10 per square foot appears reasonable and will be adopted for this assignment.

Site maintenance for the property is the responsibility of the owners and generally refers to snow removal and the maintenance of the landscaping. An estimate of \$0.20 per square foot per year appears reasonable and will be adopted for this assignment.

The miscellaneous expense category includes many different expenses that arise in connection with the operation of the property. An allowance of \$0.10 per square foot per year falls in line with the competition, and appears reasonable.

Reserves for replacements is generally considered an expense category that is necessary to properly maintain and operate the property. An allowance of 2% of the effective gross income is considered adequate to maintain the property which equates to a reserve of \$15,000 per year. This expense is the responsibility of the owner.

The estimated expenses equate to \$4.32 per square foot of gross building area which falls in line with comparable properties. The expenses are somewhat lower than that depicted by several of the rental comparables but also reflects the location, design, etc.



## Overall Capitalization Rate

The selection of an overall capitalization rate must reflect the consideration of the available mortgage financing as well as the investment attitude toward similar buildings as an investment opportunity. Actual overall rates derived from sales data in the Northern Colorado area are in the range of 7.50% to 9.00% which is also confirmed through discussions with local market participants and Brokers. However, the lower portion of this range is not totally convincing when considering that the recent economic crisis and tighter credit markets appear to have caused investors to become more conservative which tends to directly impact capitalization rates. The capitalization rates extracted from the market are generally from stronger properties or owner/user properties where rates can only be estimated. To select an overall rate at the lower portion of the historic capitalization rates would likely be optimistic when considering the design and location of the subject property. Also to be recognized is the fact that the subject property consists of a remodeled/converted building that is mostly non-profit owner occupied with remaining space non-profit tenant oriented where there is limited data. Overall, the market appears to have bottomed out in mid to late 2009 with noted increased activity and absorption in the past two years.

A mortgage lender in underwriting a loan on a commercial property is interested primarily in the quality and quantity of the net operating income stream and frequently applies a debt coverage ratio in the range of 1.15 to 1.2 to the net operating income. In effect, the mortgage lender desires a 15% to 20% cushion over the ability of the property to carry the debt service.

A simple method of developing an overall capitalization rate is to apply a band of investment theory to the current mortgage and equity requirements. The following analysis is based upon first mortgage availability at 5.00% for a 25-year term at 70% loan to value ratio. This may be combined with a 30% equity at 10%, which is the reflected equity return demonstrated by actual market sales. The overall rate indicated may be developed as follows:

70% first mortgage at 7.0151% (constant)	=	4.91%
30% equity x 10.0% equity return	=	3.00%
Total, or indicated overall rate	=	7.91%
		(8.00% rounded)

As additional support to the Market Extraction Technique and the Band of Investment Technique, I have also consulted with the published investor survey as compiled by PwC Real Estate Investor Survey (formerly Korpacz) and various local/regional surveys completed by Sperry Van Ness, Realtec, Cushman & Wakefield, and the Colorado State University Everitt Real Estate Center with the local surveys given the most emphasis. These surveys indicate a range from 8.00% to 10.00% for average to good quality office and special purpose buildings. The subject property is considered to be an average to good quality office/special purpose (institutional) in the east Loveland area. While the rental market declined from its peak during the recession, especially for Class B/C office space, there is reported to be some increased interest and strengthening rates in the past one to two years according to most Brokers interviewed. Although general uncertainty remains in the market, most Brokers expect some improvement over the next several years. The lower end of the range is typically seen in well located Class A/B buildings with the upper portion of the range

typically applied to older Class B/C buildings needing significant remodeling and/or substantial vacancy. A capitalization rate at the lower portion of the range is also not applied due to the somewhat unique concept of the subject combined with the secondary/tertiary location for office/special purpose space similar to that proposed for the subject. Additionally, several of the leases (although shorter term) tend to be below the projected economic rent although it is reported to be partially influenced by tenants interest in the building combined with some reduction in order to keep services together. Increasing the capitalization rate where there is some uncertainty related to the leases as well as the property in general is a typical method used by many investors. An indicated overall capitalization rate of 8.50% appears reasonable for the subject property based upon these factors.

The overall rate selection tends to be bracketed between 8.00% and 9.50% by the three techniques of analysis. The Band of Investment does not recognize property appreciation which may be viewed as the main difference between the techniques. In a five-year projection, the appreciation necessary to justify the 1.50% difference in overall rates is the equivalent of just over 15% property appreciation. Commercial market conditions in the Northern Colorado area are likely to remain somewhat uncertain for office/special purpose space in secondary/tertiary locations, especially if additional competition enters the market. Some consideration was given to the Band of Investment Method although it appears to be optimistic for the subject property. As a result, the most emphasis was given to the market surveys and discussions with local Brokers in order to establish a capitalization rate for the subject property. The Market Extraction Technique was also considered, but the lower portion of the range also appears to be optimistic. Considering the design of the subject property, existing and proposed finishes, existing and proposed lease rates, and the location, an overall rate of 8.50% will be applied in the Summary of the Income Approach which outlines the previous discussion and uses a direct capitalization technique to arrive at a value estimate by way of the Income Approach.

Discussions with local Brokers and market participants indicates that, although conditions in the Northern Colorado market are described as better than many other areas of the nation, there is still stagnation resulting from recent market declines, although there is some apparent/reported improvement in activity, rental rates, and sale prices in the past one to two years as some companies are considering slow/moderate expansion or relocation. However, any growth and/or improvement is at a moderate level as the long-term economic conditions still remain somewhat uncertain. This is supported by the capitalization rates indicated by the comparable sales used in the Sales Comparison Approach as well as the Realtec, Cushman & Wakefield, and Sperry Van Ness studies indicating rates for newer office properties from 8.00% to 10.00% with the lower portion of this range likely representing stronger locations and well-occupied properties with strong attributes and few to no negative impacts. Additionally, there may also be some disconnect between the prices paid by owner/users who are still purchasing properties for their individual uses versus investors who are currently reluctant to invest capital when considering the current lease rates. The capitalization rate of 8.50% may appear to be pessimistic when considering the current office market for remodeled space, but it also considers the estimated economic and actual rents combined with the overall uniqueness of the concept in the local area. To raise the capitalization any further (when considering the estimated economic rent and projected occupancy) would result in penalizing the property twice. The rate is not considered to be optimistic as the property does have good overall appeal and strong current occupancy including significant owner occupancy.

**Summary of the Income Approach**  
Professional Office/Special Purpose Building  
1511 East 11<sup>th</sup> Street  
Loveland, Colorado

Estimated Gross Annual Income		\$ 836,865
Less: Vacancy and Credit Loss (8%)		<u>– 66,949</u>
Effective Gross Annual Income		\$ 769,916
Less: Operating Expenses	<u>Per Annum</u>	<u>Per sf</u>
Real Estate Taxes	\$ 80,600	\$1.30
Insurance	\$ 12,400	\$0.20
Repair and Maintenance	\$ 15,500	\$0.25
Water and Sewer	\$ 18,600	\$0.30
Prof. Management (3%)	\$ 23,100	\$0.37
Trash Removal	\$ 6,200	\$0.10
Supplies	\$ 6,200	\$0.10
Legal and Accounting	\$ 6,200	\$0.10
Utilities	\$ 31,000	\$0.50
Site Maintenance	\$ 12,400	\$0.20
Janitorial Service	\$ 24,500	\$0.40
Elevator Maintenance	\$ 9,300	\$0.15
Miscellaneous Expense	\$ 6,200	\$0.10
Reserves for Replacement (2%)	<u>\$ 15,400</u>	<u>\$0.25</u>
Total Operating Expenses	\$267,600 per year	\$4.32/sf (rd.)
Net Operating Income		<u>– 267,600</u>
Capitalization at 8.50%		= \$ 502,316
Value Indicated By Income Approach		= \$5,909,600
		= \$5,910,000 (rd.)

Alternative Scenarios:

Capitalization at 8.00%	\$6,279,000 (rd.)
Capitalization at 9.00%	\$5,581,000 (rd.)

### **Discounted Cash Flow Analysis**

Typically, the Income Approach estimates potential gross annual income, deducts normal vacancy and collection loss as well as applicable operating expenses. The resultant net operating income is then capitalized into a value estimate by means of an overall capitalization rate, developed in the Sales Comparison Approach or through other sources of data. However, in valuing properties with some vacancies, a discounted cash flow analysis more accurately demonstrates the income-producing potential of the subject. Consequently, the discounted cash flow is generally considered most reflective of investor attitudes.

The subject property is currently over 60% occupied by the current owners with several additional non-profit agencies currently or projected to occupy the remainder of the building. Based upon current rent rolls submitted by the owner's representatives (Glorie Magrum and Gary Mitchell), the property is projected to be fully occupied within the next nine months upon completion of tenant finish which appears to be reasonable based upon the projected economic rent. Currently, the majority of the leasable space is occupied with approximately 5,500 square feet remaining to be finished and approximately 3,500 square feet of common area to be finished. While the property has its strongest appeal as multi-tenant building for non-profit agencies (as is), it also has strong appeal as an owner/user property which is supported by the current majority owner occupancy and the report that most of the tenants actually also have an interest in the building. If the subject property were to become vacant, it is likely that it could easily be leased to several tenants (especially non-profit entities) at market rates within one year or less based upon the size and appeal of the property, although this marketing period depends upon the property being priced within market ranges (based upon existing features at the time of lease/marketing) and marketed in an aggressive manner. If vacated, the property would also have strong owner/user appeal.

As a result of these factors combined with the current and projected subject occupancy, a stabilized vacancy rate of 8% appears realistic for the subject based upon the projected economic rent for the property. This stabilized vacancy/collection loss rate of 8% should be obtained within a one-year time frame (or less) based upon the projected economic rent, and no discounting is deemed necessary. Additionally, the Discounted Cash Flow Analysis is considered to be less applicable when projecting/estimating the market value of the Fee Simple Estate. Elimination of the Discounted Cash Flow Analysis is not considered to alter the credibility of the report or the reliability of the results.

## **SALES COMPARISON APPROACH**

The Sales Comparison Approach for improved properties has good application in this appraisal, especially when considering that many purchasers of this type of property tend to be owner/users. The majority of the subject is owner occupied with many of the tenants also reported to have an interest in the property. As such, the Fee Simple Estate is considered to be most reflective for the subject property type. The summaries on the following pages provide a comparative analysis of available market data. The sales data has been analyzed to develop the sale price per square foot of the contributing value of improvements. The market data available represents similar office and special purpose buildings in the Northern Colorado area is considered to be adequate to formulate reliable analysis and conclusions. The sales data presented is deemed to be accurate and reliable based upon conversations with the buyers and sellers. In addition to the sales data presented in the report, several additional sales from the Fort Collins, Loveland, Windsor, Greeley, Longmont/Boulder, and the Denver Metro areas were analyzed; however, due to the wide differences in physical characteristics, location, quality, etc., these sales have been eliminated.

### **Improvement Allocation – Price per Square Foot**

A unit value developed by the data on the following pages is the contributing value of the improvements based upon the sale price. The market data developed an unadjusted range from \$75.60 to \$131.96 per square foot depending upon size, extra features, appeal, interior finish, location, condition, etc. The sales are located in the Fort Collins, Loveland, and Greeley areas. There is limited recent sale data of special purpose buildings resulting in a wide array of sales (some requiring larger adjustments) typical in the special purpose market. Due to the limited data, multi-tenant office buildings, flex, schools, and houses of worship were considered although some were investor sales. All adjustments are based primarily upon market evidence as there are limited sales to perform an actual paired sales analysis on each adjustment. The adjustments applied within the Sales Comparison Approach are intended to identify the *relative* direction of the required adjustment, and they are not necessarily meant to establish mathematical certainty.

**COMPARABLE SALE NO. 1**

NAME	House of Worship/Special Purpose Building
LOCATION	250 Mountain Avenue Berthoud, Colorado
PARCEL NUMBERS	94144-51-905 and 94144-00-902
SALE DATE	December 28, 2015
SALE PRICE	\$1,100,000
GRANTOR	Christ Advent Ministries (Grace Place)
GRANTEE	New Freedom, Inc.
RECEPTION NO.	20150087036
TERMS OF SALE	Private short term financing (minimal impact on price)
DOM	Over 360 days



BUILDING SIZE	14,550 square feet
PRICE PER SQUARE FOOT	\$75.60
PARKING AND ACCESS	Fair to average onsite parking and access
AGE AND CONDITION	1947/Remod 2000/Average to Good condition
OVERALL RATE	8.00% to 9.00% (estimated)
CONFIRMATION OF SALE	Julius Tabert with CBRE

REMARKS: This sale involves an average to good quality house of worship (former light industrial) building in the east Berthoud area. The property is considered to be a fully functional house of worship with generally modern finishes/features. The property also has potential for retail, office, or community center. The building features a mezzanine level, partially paved parking, etc. The property was previously listed at \$1,399,000 with the most recent asking price of \$1,100,000. The sale included furniture/fixtures but overall contribution is reported to be minimal.

**COMPARABLE SALE NO. 2**

NAME	Ranch Acres Commercial Building
LOCATION	5202 Granite Street Loveland, Colorado
PARCEL NUMBER	96351-15-003
SALE DATE	September 15, 2015
SALE PRICE	\$1,350,000
GRANTOR	WSA Fraternal Life
GRANTEE	Park Place Plaza RE, LLC
RECEPTION NO.	20150061852
TERMS OF SALE	Seller Carry - Market Terms
DOM	Less than 360 days

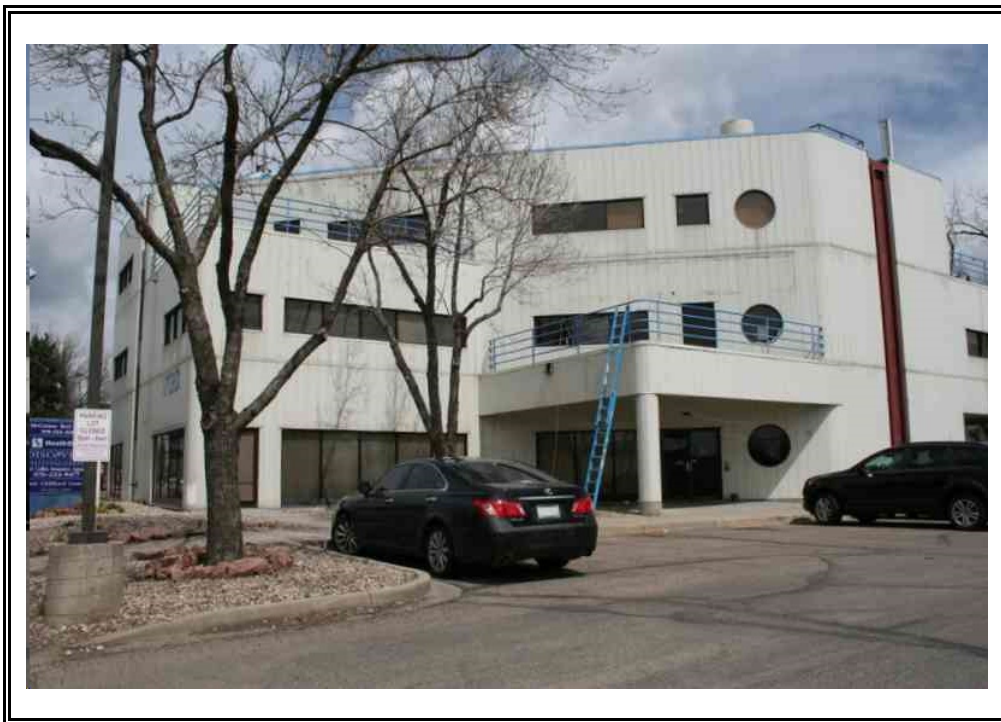


BUILDING SIZE	11,120 square feet (one level)
PRICE PER SQUARE FOOT	\$121.40
PARKING AND ACCESS	Adequate onsite parking and access
AGE AND CONDITION	1997/Average to good
EGRM/OVERALL RATE	8.00% (estimated)
CONFIRMATION OF SALE	Julius Tabert with CBRE

REMARKS: This sale involved an average to good quality flex building with approximately 70% of the area finished into offices, training rooms, etc. and the remainder used as warehouse/storage area. The property previously sold in October of 2009 for a reported price of \$1,390,000. The property was listed for sale with the most recent asking price of \$1,395,000, and the building was vacant for nine months to a year prior to the most recent sale which impacted price.

**COMPARABLE SALE NO. 3**

NAME	California Plaza
LOCATION	1730 South College Avenue Fort Collins, Colorado
PARCEL NUMBERS	97242- 40- 001 and 97242- 40- 005
SALE DATE	March 4, 2016
SALE PRICE	\$2,400,000
GRANTOR	Perry McCormac Properties, LLC and Highland Properties (intermediary)
GRANTEE	Imago Enterprises, Inc.
RECEPTION NO.	20160014102
TERMS OF SALE	New conventional loan
DOM	Less than 360 Days



BUILDING SIZE	18,188 square feet
PRICE PER SQUARE FOOT	\$131.96
PARKING AND ACCESS	Good onsite parking and access
AGE AND CONDITION	1982/Average condition
OVERALL RATE	8.00% to 9.00% (estimated)
CONFIRMATION OF SALE	Nate Heckel with Cushman & Wakefield

REMARKS: This sale involved an average to good quality multi-tenant professional office building was purchased by an investor through a 1031 Exchange. Plans call for significant remodeling/updating of the interior and exterior. The property is reported to be somewhat under-rented with upside potential in net operating income upon completion of the remodeling.



**COMPARABLE SALE NO. 4**

NAME	Timberline Plaza
LOCATION	2057 Vermont Drive Fort Collins, Colorado
PARCEL NUMBER	97351-20-001
SALE DATE	January 15, 2015
SALE PRICE	\$2,810,000
GRANTOR	L & W Properties, LLC
GRANTEE	Highland Properties 4914, LLC
RECEPTION NO.	20150003041
TERMS OF SALE	New Conventional Loan
DOM	Less than 360 days



BUILDING SIZE	24,850 square feet
PRICE PER SQUARE FOOT	\$113.08
PARKING AND ACCESS	Good onsite parking and access
AGE AND CONDITION	1987/Remod 1999/Good condition
OVERALL RATE	8.00% to 9.00% (estimated)
CONFIRMATION OF SALE	Jason Ells with Cushman & Wakefield

REMARKS: This sale involved an average to good quality professional office/flex building that was purchased by an owner-user. The building has a small warehouse component but is primarily office finish. The property was purchased by an owner/user. A subsequent transfer in July of 2015 is reported to be an in-house transfer.

**COMPARABLE SALE NO. 5**

NAME	Golden Meadows Business Park
LOCATION	4512 McMurry Avenue Fort Collins, Colorado
PARCEL NUMBERS	97351-20-001, -002, -003, and -019
SALE DATE	December 22, 2015
SALE PRICE	\$5,060,000
GRANTOR	T.R. Paul Academy Foundation, Etal.
GRANTEE	Colorado Early Colleges-FTC Building Corp.
RECEPTION NO.	20150085981
TERMS OF SALE	New conventional loan
DOM	Not formally listed



BUILDING SIZE	43,958 square feet
PRICE PER SQUARE FOOT	\$115.11
PARKING AND ACCESS	Average onsite parking and access
AGE AND CONDITION	1989/Average to good condition
OVERALL RATE	8.00% to 9.00% (estimated)
CONFIRMATION OF SALE	Sandi Brown with Colorado Early Colleges

REMARKS: This sale involved an average to good quality professional office building that has been used as a private school for several years. The seller in the transaction has continued to lease back a portion of the building. The building is reported to have been somewhat dated at the time of sale. Parking is reported to be adequate for an elementary school but may be limited for a higher intensity user. Building is designated by two improved parcels and two parcels for parking/playground. Size is based upon multiple listing records.

**COMPARABLE SALE NO. 6**

NAME	Midtown Office Buildings
LOCATION	2900, 3000, and 3030 South College Avenue Fort Collins, Colorado
PARCEL NUMBERS	97252-43-001 and 97252-67-003
SALE DATE	December 23, 2014
SALE PRICE	\$8,375,000
GRANTOR	2900, LLC and Everitt Plaza, LLC
GRANTEE	3842 Mason, LLC, Rockstone Leasing, LLC, Midtown Associates, LLC, Etal.
RECEPTION NO.	20140074825
TERMS OF SALE	New conventional loan
DOM	Not formally listed for sale



BUILDING SIZE	75,522 square feet (three buildings)
PRICE PER SQUARE FOOT	\$110.89
PARKING AND ACCESS	Avg/Good onsite parking and access
AGE AND CONDITION	1974 and 1984/Average to good
EGRM/OVERALL RATE	7.00% to 7.50% (on actual)
CONFIRMATION OF SALE	Aki Palmer with Cushman & Wakefield

REMARKS: This sale involves a three building office complex in the Midtown Fort Collins area. The buildings were somewhat dated on the exterior but updated interior finishes. Suites range in size with the tenants including the State of Colorado, Colorado Department of Revenue, Guaranty Bank, Etc. The capitalization rate is based upon actual, although the property was reported to be under-rented with a more realistic rate projected at 8.00% to 9.00% based upon projected rent.

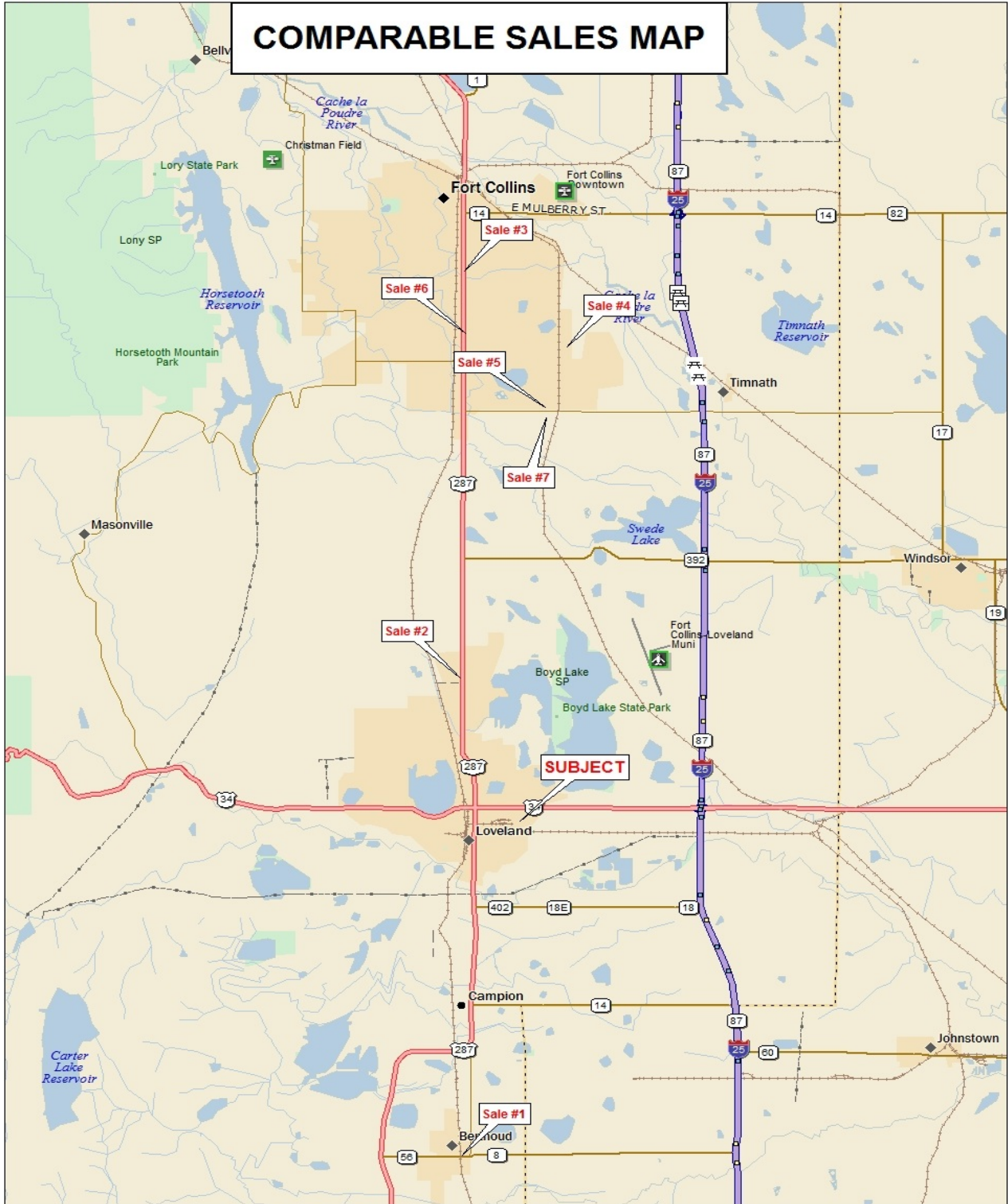
**COMPARABLE SALE NO. 7**

NAME	Oakridge Business Park
LOCATION	1609 Oakridge Drive and 4700 McMurry Avenue Fort Collins, Colorado
PARCEL NUMBERS	86061-12-003 and 86061-12-001
SALE DATE	October 7, 2014
SALE PRICE	\$3,599,000
GRANTOR	Oak Tech I, LLC and Oak Tech II, LLC
GRANTEE	Duncan Oakridge, LLC, Etal.
RECEPTION NO.	20140057901 and 20140057900
TERMS OF SALE	New conventional loan
DOM	Less than 360 days



BUILDING SIZE	29,135 square feet (two buildings)
PRICE PER SQUARE FOOT	\$123.53
PARKING AND ACCESS	Good onsite parking and access
AGE AND CONDITION	1989 and 1987/Good condition
EGRM/OVERALL RATE	8.00% to 8.50% (actual)
CONFIRMATION OF SALE	Jason Ells with Cushman & Wakefield

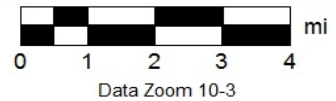
REMARKS: This sale involves a two building office complex in the Oakridge Business Park. The two parcels were purchased by the same buyer. Buildings have primarily office characteristics with some warehouse and classroom type area. . The capitalization rate was based upon actual, although several leases were scheduled to terminate within eighteen months of the purchase. Some upgraded finishes within the building.



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### **Comparable Sale No. 1**

This sale involves a special purpose (house of worship) property in the Berthoud area that was a former light industrial building that was converted to special purpose use several years ago. The property sold in December of 2015 for a reported price of \$1,100,000 which equates to approximately \$75.60 per square foot. No adjustment is applied for conditions of sale with the seller carry having no significant impact upon the sale according to the Broker involved. No adjustment is applied for market conditions as the sale is of recent date. The property is considered similar to the subject in many respects, but it requires adjustments for the following:

1.	Inferior location in the Berthoud area.	+ 20%
2.	Size (much smaller than the subject).	- 10%
3.	Inferior overall design/appeal	+ 15%
	Total	+ 25%

Overall, this sale requires a new net upward adjustment of 25% which gives an adjusted sale price of \$94.50 per square foot. No adjustment is applied for overall age/condition at this level of the market as the sale was remodeled/updated. No adjustment is applied for some furnishings/fixtures included in the sale as the Broker reports minimal contribution.

### **Comparable Sale No. 2**

This sale involves a single-tenant office/flex building in the north Loveland area. The building was purchased in September of 2015 for a reported price of \$1,350,000 which equates to \$121.40 per square foot. No adjustment is applied for market conditions or conditions of sale. The property is considered similar to the subject in many respects, but it requires adjustments for the following:

1.	Superior location in north Loveland along US Highway 287.	- 5%
2.	Superior design/appeal.	- 10%
3.	Inferior features/amenities.	+ 10%
4.	Size (much smaller than the subject).	- 10%
	Total	- 15%

Overall, this sale requires a net downward adjustment of 15% which gives an adjusted sale price of \$103.19 per square foot. The building was purchased for partial owner occupancy with a portion recently subleased. The property previously sold in 2009 at a reported price of \$1,390,000 although no distress is reported in the most recent transaction.

### **Comparable Sale No. 3**

This sale involves a good quality multi-tenant building in the Midtown area of Fort Collins. The property is sold in March of 2016 at a reported price of \$2,400,000 which equates to \$131.96 per square foot. No adjustment is applied for market conditions or conditions of sale. Expenditures after the sale (including interior/exterior remodeling and updating) is not included in the analysis as estimates are not available. The property is considered similar to the subject in many respects, but it requires adjustments for the following:

1.	Superior location in central Fort Collins.	– 10%
2.	Size (much smaller than the subject).	– 10%
3.	Inferior age/condition and updating.	+ 10%
4.	Inferior features/amenities.	+ 5%
5.	Superior design/appeal (greater investor appeal).	<u>– 20%</u>
	Total	– 25%

Overall, this sale requires a net downward adjustment of 25% which gives an adjusted sale price of \$98.97 per square foot. A prior transfer in late 2015 is between a 1031 Exchange intermediary only.

### **Comparable Sale No. 4**

This sale involves an office/flex building that was purchased by an owner/user who relocated from another part of the city. The property was purchased in January of 2015 for a reported price of \$2,810,000 which equates to \$113.08 per square foot based upon the reported building area of approximately 24,850 square feet. No adjustment is applied for market conditions or conditions of sale. The property is considered similar to the subject in many respects, but it requires adjustments for the following:

1.	Superior location appeal in southeast Fort Collins.	– 15%
2.	Size (much smaller than the subject).	– 5%
3.	Slightly inferior features/amenities.	<u>+ 5%</u>
	Total	– 15%

Overall, this sale requires a net downward adjustment of 15% which gives an adjusted sale price of \$96.12 per square foot.

### **Comparable Sale No. 5**

This sale involves a good quality special purpose (private school) building in the southeast Fort Collins area. The property sold in December of 2015 for a reported price of \$5,060,000 which equates to approximately \$115.11 per square foot. No adjustment is applied for conditions of sale or market conditions. The property is considered similar to the subject in many respects, but it requires an adjustment for the following:

1.	Superior location in southeast Fort Collins.	<u>- 15%</u>
	Total	- 15%

Overall, this sale requires a new net downward adjustment of 15% which gives an adjusted sale price of \$97.84 per square foot. No size adjustment is applied. No adjustment is applied for overall age/condition at this level of the market. The purchaser is currently occupying a portion of the building with a partial seller leaseback although the buyer reports potential of ultimate full owner occupancy.

### **Comparable Sale No. 6**

This sale involves a complex of three good quality multi-tenant buildings in the Midtown area of Fort Collins. The property is sold in December of 2014 at a reported price of \$8,375,000 which equates to \$110.89 per square foot. No adjustment is applied for market conditions or conditions of sale. Expenditures after the sale (including exterior remodeling of exteriors) is not included in the analysis as estimates are not available. The property is considered similar to the subject in many respects, but it requires adjustments for the following:

1.	Superior location in central Fort Collins.	- 10%
2.	Inferior age/condition and updating.	+ 5%
3.	Inferior features/amenities.	+ 5%
4.	Superior design/appeal (greater investor appeal).	<u>- 20%</u>
	Total	- 20%

Overall, this sale requires a net downward adjustment of 20% which gives an adjusted sale price of \$88.71 per square foot. This sale appears to represent the lower portion of the market ranges with the price reflecting the fact that the property is somewhat under rented.



**Comparable Sale No. 7**

This sale involves an office/flex complex (two buildings) that was purchased by one investor. The property was purchased in two separate transfers totaling a reported price of \$3,599,000 which equates to approximately \$123.53 per square foot based upon the reported building area of approximately 29,135 square feet. No adjustment is applied for market conditions or conditions of sale. The property is considered similar to the subject in many respects, but it requires adjustments for the following:

1.	Superior location appeal in southeast Fort Collins.	- 15%
2.	Size (much smaller than the subject).	- 5%
3.	Slightly inferior features/amenities.	+ 10%
4.	Superior design/appeal (greater investor appeal partially offset by expiring and below market leases).	<u>- 10%</u>
	Total	- 20%

Overall, this sale requires a net downward adjustment of 20% which gives an adjusted sale price of \$98.82 per square foot.

The adjustments applied within the Sales Comparison Approach are intended to identify the *relative* direction of the required adjustment, and they are not necessarily meant to establish mathematical certainty.

**ADJUSTMENT GRID (Page 1)**  
**Selected Sales**

	Subject	Sale 1	Adjustments	Sale 2	Adjustments	Sale 3	Adjustments
Sale Price	NA	\$1,100,000		\$1,350,000		\$2,400,000	
Sale Price Per Square Foot	NA	\$75.60/sf		\$121.40/sf		\$131.96/sf	
Property Rights Conveyed	Fee Simple	Fee Simple	-0-	Fee Simple	-0-	LF/FS	-0-
Adjusted Sale Price	NA	\$75.60/sf		\$121.40/sf		\$131.96/sf	
Financing	Conventional	Private Loan	-0-	Seller Carry-Market	-0-	Conventional	-0-
Adjusted Sale Price	NA	\$75.60/sf		\$121.40/sf		\$131.96/sf	
Conditions of Sale	Arms Length	Arms Length	-0-	Arm's Length	-0-	Arm's Length	-0-
Adjusted Sale Price	NA	\$75.60/sf		\$121.40/sf		\$131.96/sf	
Expenditures After the Sale	NA	Not Included	-0-	Not Included	-0-	Not Included	-0-
Adjusted Sale price	NA	\$120.78/sf (w/ Espan)		\$121.40/sf		\$131.96/sf	
Market Conditions	NA	12/2015	-0-	09/2015	-0-	03/2016	-0-
Adjusted Sale Price	NA	\$75.60/sf		\$121.40/sf		\$131.96/sf	
Physical Characteristics							
A. Location and Visibility	SE Loveland	Berthoud Inferior	+20%	North Loveland	- 5%	Central Fort Collins	-10%
B. Design/Appeal	Two-Level	One Level w/ Mezz Inferior	+15%	One Level Superior	- 10%	Three-Level Superior Investor Appeal	-20%
C. Quality	Avg/Good	Avg/Good	=	Avg/Good	=	Avg/Good	=
D. Parking and Access	Avg Onsite Parking	Avg Onsite Parking	=	Avg/Good Onsite Pkg	=	Avg Onsite Parking	=
E. Size (NRA)	61,990 sf	14,550 sf	-10%	11,120 sf	-10%	18,188 sf	- 10%
F. Age, Condition, and Updating	2003/Remod Avg/Good	1947/2000 Avg/Good	=	1997 Avg/Good	=	1982 Average	+10%
G. Amenities and Features	Good	Good	=	Inferior	+10%	Inferior	+ 5%
H. Functional Utility	Avg/Good	Avg/Good	=	Avg/Good	=	Avg/Good	=
I. Interior Finish	Office and Special Purpose	Special Purpose	=	Office and Special Purpose	=	Office	=
Total Adjustments			+25%		-15%		-25%
Adjusted Price Per Square Foot			\$94.50/sf		\$103.19/sf		\$98.97/sf

**ADJUSTMENT GRID (Page 2)**  
**Selected Sales**

	Subject	Sale 4	Adjustments	Sale 5	Adjustments	Sale 6	Adjustments	Sale 7	Adjustments
Sale Price	NA	\$2,810,000		\$5,060,000		\$8,375,000		\$3,599,000	
Sale Price Per Square Foot	NA	\$113.08/sf		\$115.11/sf		\$110.89/sf		\$123.53/sf	
Property Rights Conveyed	Fee Simple	Fee Simple	-0-	Fee Simple	-0-	LF/FS	-0-	LF/FS	-0-
Adjusted Sale Price	NA	\$113.08/sf		\$115.11/sf		\$132.13/sf		\$123.53/sf	
Financing	Conventional	Conventional	-0-	Conventional	-0-	Conventional	-0-	Conventional	-0-
Adjusted Sale Price	NA	\$113.08/sf		\$115.11/sf		\$132.13/sf		\$123.53/sf	
Conditions of Sale	Arms Length	Arm's Length	-0-	Arm's Length	-0-	Arm's Length	-0-	Arm's Length	-0-
Adjusted Sale Price	NA	\$113.08/sf		\$115.11/sf		\$132.13/sf		\$123.53/sf	
Expenditures After the Sale	NA	Not Included	-0-	Not Included	-0-	Not Included	-0-	Not Included	-0-
Adjusted Sale price	NA	\$113.08/sf		\$115.11/sf		\$168.55/sf		\$123.53/sf	
Market Conditions	NA	02/2012	-0-	12/2015	-0-	12/2014	-0-	10/2014	- 10%
Adjusted Sale Price	NA	\$113.08/sf		\$115.11/sf		\$168.55/sf		\$123.53/sf	
<b>Physical Characteristics</b>									
<b>A. Location and Visibility</b>	SE Loveland	SE Fort Collins	-15%	SE Fort Collins	-15%	Mid Town Fort Collins	-10%	SE Fort Collins	- 15%
<b>B. Design/Appeal</b>	Two-Level	Two-Story	=	Three-Level	=	Two and Three-Story Superior Investor Appeal	-20%	One and Two Level Superior Investor Appeal	-10%
<b>C. Quality</b>	Avg/Good	Avg/Good	=	Avg/Good	=	Avg/Good	=	Avg/Good	=
<b>D. Parking and Access</b>	Avg Onsite Parking	Avg Onsite Parking	=	Avg Onsite Parking	=	Avg Onsite Parking	=	Avg Onsite Parking	=
<b>E. Size (NRA)</b>	61,990 sf	24,850 sf	- 5%	43,958 sf	=	75,522 sf	=	29,135 sf	- 5%
<b>F. Age, Condition, and Updating</b>	2003/Remod Avg/Good	1987/Rem Avg/Good	=	1989 Avg/Good	=	1974 & 1984 Avg/Good	+ 5%	1987 & 1989 Average	=
<b>G. Amenities and Features</b>	Good	Inferior	+ 5%	Good	=	Inferior	+ 5%	Inferior	+10%
<b>H. Functional Utility</b>	Avg/Good	Avg/Good	=	Avg/Good	=	Avg/Good	=	Avg/Good	=
<b>I. Interior Finish</b>	Office and Special Purpose	Office/Flex	=	School Office	=	Professional Office	=	Flex & Office	=
<b>Total Adjustments</b>			-15%		-15%		-20%		-20%
<b>Adjusted Price Per Square Foot</b>			\$96.12/sf		\$97.84/sf		\$88.71/sf		\$98.82/sf

After adjustments, the sales form a range from \$88.71 to \$103.19 per square foot with an average of \$96.88 per square foot and a median of \$97.84 per square foot. Sales 1, 4, 5, and 7 area considered to be the most comparable to the subject, and they form a range from \$94.50 to \$98.82 per square foot. The middle portion of the indicated range of value is appropriate for the subject due to the location, size, design, and overall appeal of the property. To arrive at a conclusion, several scenarios were considered based upon the available data as follows:

Low:	61,990 square feet x \$ 89.00/sf	=	\$5,517,000 (rd.)
High:	61,990 square feet x \$103.00/sf	=	\$6,385,000 (rd.)
Reconciled"	61,990 square feet x \$ 98.00/sf	=	\$6,075,000 (rd.)

\*\*In the Sales Comparison Approach, no deduction is given for estimated rent loss, leasing commissions, or unpaid triple net expenses as several of the sales were impacted by similar expenses and several were sold to owner/users. The subject is considered to be primarily an owner user (and related entities) type property.

The two scenarios presented above (based upon the Price Per Square Foot Technique) give a range from \$5,517,000 to \$6,385,000. The upper portion of the range appears to be strong for the subject "as complete" with the features projected, especially when considering the secondary-type location, the fact that is limited remodeling of the exterior, and the overall design of the property including the building and parking. The lower portion of the range may be slightly conservative when considering the design and finish within the building. The Sales Comparison Approach does indicate a value above the value indicated by the Income Approach which indicates some upside potential in the subject property, especially if an owner/user (full or partial) were to purchase the property. As a result, the Projected Market Value as Complete as indicated by the Sales Comparison Approach for the subject property is estimated to be as follows:

Value Indicated By Sales Comparison Approach	\$6,075,000
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Two commercial/flex buildings located at 244 Dundee Avenue and 1250 H Street in northwest Greeley sold in January of 2016 (as part of a two property purchase) reported price of \$10,400,000 which equates to approximately \$84.59 per square foot for approximately 122,944 square foot building. The buildings have a variety of finishes including classrooms, office, conference rooms, etc. A multi-tenant office building located at 2850 McClelland Drive in the MidTown area of Fort Collins is currently reported to be under contract at a reported price of \$4,000,000 which equates to approximately \$109.40 per square foot for the 36,562 square foot building. The property is considered to have a stronger location and investor appeal as compared to the subject. A building located at 3842 South Mason Street in Fort Collins sold in August of 2014 for a reported price of \$4,585,000 which equates to approximately \$214.61 per square foot for the 21,364 square foot building. This sale is distorted by a long-term lease on the building by IBMC, and the property is also considered to have a stronger location. A house of worship at 1000 Country Acres Drive in Johnstown sold in July of 2014 for a reported price of \$63.40 per square foot for the 11,830 square foot building. The overall location and design/appeal is considered inferior to the subject. While not directly analyzed, these sales are also considered to provide support to the conclusions.

The building just west of the subject at 1303 East 11<sup>th</sup> Street sold in December of 2012 for a reported price of \$1,269,880 which equates to approximately \$53.00 per square foot. This light industrial (office/warehouse) building is reported to have significant functional obsolescence with a low land to building ratio, low wall height, and some deferred maintenance. The purchaser completed significant remodeling/conversion and now occupies the building with a senior care facility known as InnovAge.

House of Neighborly Service which purchased the subject property (as a vacant building) in December of 2012 for a recorded price of \$2,950,000 which equates to approximately \$76.74 per square foot based upon the original building size of approximately 33,750± square feet plus a partial mezzanine level. The net price is reported to be \$2,900,000 when considering a reported seller credit of \$50,000 according to the Broker involved. The owners are in the final stages of completing extensive remodeling/conversion of the subject property from its original office/warehouse and light industrial design to a office and institutional (classroom, meeting rooms, etc.) space. A second level deck was added internally to support a second floor, and the building size was increased to approximately 61,990± square feet with virtually no warehouse characteristics remaining with the exception of a small receiving area. The owners occupy the majority of the building with several additional non-profit agencies to occupy the remainder.

## "AS IS" MARKET VALUE

The second purpose of this appraisal is to estimate the "As Is" Market Value of the subject property. In its current condition, the property has approximately 3,500 square feet of primarily common area on the main level that lacks final build out with approximately 5,500 square feet of primarily office space on the second level that lacks final tenant finish/build-out. The owner's representative projects a total final cost of approximately \$300,000. This estimate includes approximately \$120,000 for upgrades to the exterior entry (not considered to be a significant value contribution or necessary for the function of the property) with the remainder reflecting full completion of all interior finishes/build out.

In order to estimate the "As Is" Market Value, the Projected Market Value is utilized with the estimated cost of the final completion (not including the entry) deducted from the conclusion. Applying a moderate tenant finish allowance of \$20.00 per square foot for basic finishes to the estimated 9,000 square feet unfinished gives an estimated cost of \$180,000. This falls in line with the owner's estimates (deducting the exterior entry modifications - see above). As such, the *As Is* Market Value estimate (Fee Simple Estate), as of April 9, 2016 is estimated as follows:

Indicated "As Complete" Market Value	\$6,000,000
Less: Cost to Complete	<u>– 180,000</u>
Final Indicated As Is Value	\$5,820,000 (rd.)

## CORRELATION AND FINAL VALUE ESTIMATE

Final reconciliation is defined as, "the application of the process of evaluating alternative conclusions and selecting from the indications of value derived from each of the approaches utilized in the appraisal problem to arrive at a final estimate of value. The appraiser weighs the relative significance, applicability and defensibility of the indication of value derived from each approach and places most weight and reliance on the one which, in his professional judgment, best approximates the value being sought in the appraisal. The facts, trends and observations developed in his analysis are reconciled and developed into conclusions based upon their validity and reliability.

I have considered all three approaches to a final estimate of value in detail in the previous sections of the report. The results of these individual approaches indicate the following:

Value Estimate By the Cost Approach  
Not Applied

Value Estimate By the Income Approach  
\$5,910,000

Value Estimate By the Sales Comparison Approach  
\$6,075,000

In most instances, dependent upon the type of property appraised or the purpose of the appraisal, one of the approaches may carry more weight or be more reliable as an indication to the value of the property under appraisal than the others. In other instances because of the inadequacy or unavailability of data one approach may be accorded little weight in the final value estimate.

However, prior to weighing the relative significance, applicability, defensibility of the indication of value derived from each approach, the appraiser is of the opinion a review of the factors that influence the value elements is appropriate.

Initially, it is important to note that the appraiser's problem is to estimate the attitudes of general investors in the marketplace as opposed to those who have specific requirements or desires. Thus, the final value estimate is predicated upon the appraisers opinion of the market value of the subject property as opposed to its investment value to a particular investor.

Additionally, it is important to observe that nationally, the economy appears to have approximated a crossroad and that the outlook is difficult to assess with any degree of certainty. The erratic motion of the stock and bond markets, the international monetary funds, etc., the movement of interest rates, the persistent impact of inflation and the instability of the gross national product, all attest to the indecisiveness of national economic growth.

Rising construction costs and relativity of interest rates have influenced the values of real estate. Rising construction costs and relativity of interest rates have influenced the values of real estate and net incomes have not brought commensurate increase in cash dividend yields in income producing property. Project costs have escalated significantly over the past ten to fifteen years and will probably continue to rise thereby affecting the economic viability proposed real estate projects resulting in postponement of a certain number of projects. Almost from necessity, investor return expectations are being partially deferred in anticipation of higher reversions.

The value estimate by the Income Approach attempts to consider current market attitudes toward similar property types and the risks inherent in these types of investment. The indicated value by the Income Approach was given consideration in this valuation because a prudent purchaser of the subject property would be most likely to depend upon his/her findings in this approach in determining his interest as of the valuation date. An important element of any value estimate by the Income Approach is contained in the capitalization process and/or the capitalization rate utilized. An important element of the capitalization rate is related to the ranges of alternative yields available in the current market, an attitude paralleling that of prudent investors. Therefore, if risk rating real estate, the aforementioned alternatives must be considered inasmuch as an investor with available capital is not restricted to real estate situations. Therefore, a buyer's investment in equity real estate must be adequately rewarded in terms of the risks undertaken in relation to alternatives wherein the risk, non-liquidity, management, etc. are not as great.

In this approach, a special effort was made to obtain an accurate estimate of economic rent and to carefully analyze the expenses to develop a stabilized net operating income. Little judgment was required in developing the economic rent because of the similar properties in the market place. However, when considering the market alternatives and the inflationary trend, the economic rent schedule present appears to be realistic. In reconstructing the items of expenses, it is important to note that many of the expense items are contractual or tend to be fixed and rather easily identified. There does not appear to be a significant amount of room for adjustment. It should be emphasized that the expenses are estimated at approximately 35% of the effective gross schedule income, excluding vacancy. Analyzed on an annual cost per square foot, the costs are equivalent to \$4.32 per square foot and are similar to other comparable properties in the Northern Colorado area. Typically, office and special purpose (institutional) buildings in the area are running an expense ratio of approximately 30% to 40%. Analyzed on a per square foot basis, the competition appears to be in the range of \$4.00 to \$7.00 per square foot.



An overall rate of 8.50% was applied to the net operating income in the Direct Capitalization. This was based upon market indicators along with some consideration given to rate selection by the Band of Investment Technique. Again emphasizing the property location, size, remodeling, projected occupancy, and market conditions (current and projected), this rate appears to be justified based upon the existing and proposed office/special purpose (institutional) finish. The capitalization rates are based upon the estimated economic rent as outlined within the body of the report which is considered to be reflective of current market conditions.

In further consideration of the Income Approach, it must be recognized that the construction of the operating statement is based strongly upon the actual performance of similar properties, as there is minimal data available for the subject property. Not specifically recognized is the fact that a buyer of the property may obtain more efficiency from the property than indicated by the income stream projected, for example, with repair and maintenance, vacancy and credit loss, management, etc. For these reasons the property may have more potential than reflected by the Income Approach and in the final analysis.

The Cost Approach typically provides a good physical analysis of the property when the property is new and when there is balance in the market. The Cost Approach was considered, but was not used as it has limited utility in valuing existing buildings in a market that currently does not justify full construction costs for most property types. Additionally, the building was constructed as a light industrial building that has been remodeled/converted to an alternate use with an office/special purpose (institutional building). Significant judgment would also be required with regard to estimating accrued depreciation and any possible forms of obsolescence.

The Sales Comparison Approach gives careful consideration to the reactions of buyers and sellers to similar properties in the market. An extensive investigation was made of the market activity and recent sales of properties that are considered comparable to the subject property. Each of these sales were reasonably similar, of recent date, and within the Northern Colorado area. The prices paid were verified by the participants in the sale, as well as by the public records of the county. The exterior of each property was personally inspected, but information with regard to the interior of the properties was based upon discussions with the Brokers involved. This approach is considered to be the strongest of the three approaches since a reasonable active market does exist, ample reliable data was available, and a significant portion of the building is owner occupied. This approach is also most applicable in estimating the Fee Simple Estate.

After taking into consideration all of the data and factors involved with the subject property, the most weight was given to the Sales Comparison Approach due to the quality and quantity of data combined with the fact that the subject property is primarily occupied by the owner. This approach indicated a value of ranging from \$5,517,000 to \$6,385,000, and was reconciled at \$6,075,000. Some consideration was also given to the Income Approach which indicated a value of in the range of \$5,581,000 to \$6,279,000 (reconciled at \$5,910,000) using the Direct Capitalization method. This approach indicates that there may be some upside potential in the subject property but is given less consideration in the Fee Simple analysis and the significant owner occupancy and likelihood of associated parties (additional non-profit agencies) located within the building. Based upon the analysis, it is my opinion that the estimated ***Prospective Market Value Upon Completion of Final/Full Interior Finish*** of the subject property (Fee Simple Estate) as of January 9, 2017, is:

**SIX MILLION DOLLARS  
(\$6,000,000).**

I am also considering the current “As Is” condition of the subject property without the completion of the final interior finish. Without completion of this finish, the subject property is mostly finished with approximately 9,000 square feet lacking final interior build-out. In order to estimate the “As Is” Market Value, the Projected Market Value is utilized with the estimated cost of the final build-out/finish not completed deducted from the conclusion. As such, the *As Is* Market Value estimate, as of April 9, 2016 is estimated as follows:

**FIVE MILLION EIGHT HUNDRED TWENTY THOUSAND DOLLARS  
\$5,820,000**



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Shelley K. Kechter, MAI  
#CG01314175

## CERTIFICATION

I certify that, to the best of my knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported contingent and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. 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.
4. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
5. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. 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.
7. 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, which include the *Uniform Standards of Professional Appraisal Practice*.
8. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
9. I have made a personal inspection of the property that is the subject of this report.
10. No one provided significant real property appraisal assistance to the person signing this certification.
11. The appraisal assignment was not based upon a requested minimum valuation, specific valuation, or the approval of a loan.
12. As of the date of this report, I have completed the requirements under the continuing education program of the Appraisal Institute.
13. The Americans with Disabilities Act (ADA) became effective January 26, 1992. I have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property together with a detailed analysis of the requirements of the ADA could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have negative effect upon the value of the property. Since I have no direct evidence relating to this issue, I did not consider possible noncompliance with the requirements of ADA in estimating the value of the property.
14. I previously appraised the subject property in January of 2014. I have performed no other services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment (with the exception of that mentioned).




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Shelley K. Kechter, MAI  
#CG01314175

# **QUALIFICATIONS OF SHELLEY K. KECHTER**

## **Education**

Bachelor of Science Degree in Business Administration-Finance and Real Estate,  
Colorado State University, Fort Collins, Colorado.

Completion of Appraisal Institute classes, including

Advanced Income Capitalization	Highest and Best Use and Market Analysis
Advanced Sales Comparison and Cost Approaches	Report Writing and Valuation Analysis
Advanced Applications	Business Practices and Ethics
Income Valuation of Small Mixed-Use Properties	Sales Comparison Valuation of Small Mixed-Use Properties
Evaluating Commercial Construction	Uniform Appraisal Standards for Federal Land Acquisitions
Subdivision Appraisal	Condemnation Appraising: Basic Principles & Applications
National USPAP Update	Commercial Appraisal Engagement and Review
Real Estate Finance, Statistics, and Valuation Modeling	Appraising Distressed Commercial Real Estate
Uniform Appraisal Dataset	Appraising the Appraisal: Appraisal Review - General
Fundamentals of Separating Real, Personal Property, and Intangible Business Assets	

Completion of numerous other appraisal educational classes, seminars, and conferences.

## **Memberships**

- Member of the Appraisal Institute (MAI).
- State of Colorado Certified General Appraiser through December 31, 2016 (License Number: CGO1314175).
- Everitt Real Estate Center-Colorado State University (member since 2010)

## **Experience**

- November 1990 to March 1995 employed as an independent real estate appraiser.
- Employed as Senior Commercial Appraiser at the Larimer County Assessor's Office from March 1995 through August 2004.
- August 2004 to present, independent real estate appraiser.

## **Clients Served**

Advantage Bank, Vectra Bank, Guaranty Bank and Trust Company, Home State Bank, Wells Fargo Bank, Pinnacle Bank, US Bank, Bank of Colorado, Solera National Bank, First American State Bank, Farmers Bank, Wray State Bank, Points West Community Bank, First National Bank, State of Colorado, Everitt Companies, Colorado State University, and various private entities and relocation companies.

## **Types of Properties Appraised**

Commercial to include various types of retail stores, restaurants, commercial land, multi-tenant retail, carwash facilities, single and multi-tenant office buildings, apartment buildings, warehouses, subdivision land, child care facilities, and other special purpose commercial uses. Industrial to include various types of light to medium industrial properties as well as light industrial land. Residential to include single-family, multi-family, condominiums, and recreational homes. Mass appraisal of residential and commercial properties.

**EXHIBITS**

EXHIBIT A

CURRENT ASSESSMENT AND REAL PROPERTY TAX DATA

### Assessor Exempt Property Information

- General Info
- Tax History
- Property Map
- Nearby Sales

 Print Property Info

#### General Information

Parcel Number: **85182-69-901**  
 Tax District: **2200**  
 Property Tax Year: **2016**

Schedule Number: **R1617251**  
 Current Mill Levy: **0.000**

<b>Owner Name &amp; Address</b> HOUSE OF NEIGHBORLY SERVICE 1511 E 11TH ST STE 100 LOVELAND, CO 805375006	<b>Property Address</b> 1511 E 11TH ST LOVELAND 80537-0000
<b>Subdivision #:</b> 2735 - WARD INDUSTRIAL PARK FIRST SUBDIVISION	
<b>Neighborhood #:</b> 275	
<b>Legal Description:</b> LOT 1, WARD INDUSTRIAL PARK FIRST SUBDIVISION, LOV (2002030496)	

#### Sales Information

Click a Sale Date to recorded document details or Reception No. to view the document.

Sale Date	Reception No.	Sale Price	Deed Type
<a href="#">12/28/2012</a>	<a href="#">20130000068</a> 	\$2,950,000	Special Warranty Deed
<a href="#">11/02/2011</a>	<a href="#">20110067483</a> 	\$4,726,000	Special Warranty Deed

#### Building Improvements

No building improvement information is currently available for this property.

**\*The subject property is currently exempt from real property taxes.**

EXHIBIT B

RENT ROLL -2016/2017

HMS  
 RENTAL INCOME - 1511  
 TOTAL RENT  
 FYE 06-2017

AGENCY	SQ. FT.	TOTAL 1 YR RENT	16-Jul	16-Aug	16-Sep	16-Oct	16-Nov	16-Dec	17-Jan	17-Feb	17-Mar	17-Apr	17-May	17-Jun	TOTAL	Lease Terms	Rent/SF
<b>Signed Leases (All except INZN and Cath. Chr. Home Investment Building)</b>																	
CALL	4,012	34,102.00	2,841.83	3,343.33	3,343.33	3,343.33	3,343.33	3,343.33	3,343.33	3,343.33	3,343.33	3,343.33	3,343.33	3,343.33	39,618.47	2 year-term ends 7/31/16. New lease in final negotiations - either 3 or 4 years	\$ 8.87
INZN	932	6,116.56	518.00	674.33	674.33	674.33	674.33	674.33	674.33	674.33	674.33	674.33	674.33	674.33	7,933.68	2 year-term ends 7/31/16 with one 2 year option at prevailing rate	\$ 8.34
S. Matthews	343	3,103.00	248.75	248.75	248.75	248.75	248.75	248.75	248.75	248.75	248.75	248.75	248.75	248.75	3,160.25	2 year lease-term ends 2/28/17 with 4 two year options at prevailing rate	\$ 9.43
Birmingham	1,228	16,434.00	1,369.30	1,369.30	1,369.30	1,369.30	1,369.30	1,369.30	1,369.30	1,369.30	1,374.93	1,374.93	1,374.93	1,374.93	17,234.70	2 year-term ends 2/28/17 with 4 two year options at prevailing rate	\$ 9.43
Larimer Co. (PHS)	1,080	9,720.00	810.00	810.00	810.00	810.00	810.00	810.00	810.00	810.00	810.00	810.00	810.00	810.00	10,206.00	Annual contract with Larimer county. Current contract ends 6/30/16.	\$ 9.43
Workplace Partners	462	4,148.00	346.50	346.50	346.50	346.50	346.50	346.50	346.50	346.50	346.50	346.50	346.50	346.50	4,364.90	2 year-term ends 2/28/17 with 4 two year options at prevailing rate	\$ 9.43
Goodwill	1,215	10,935.00	911.25	911.25	911.25	911.25	911.25	911.25	911.25	1,047.94	1,047.94	1,047.94	1,047.94	1,047.94	11,793.13	2 year-term ends 12/31/16 with 4 two year options at prevailing rate	\$ 9.68
Catholic Charities	154	1,386.00	113.50	113.50	132.83	132.83	132.83	132.83	132.83	132.83	132.83	132.83	132.83	132.83	1,553.30	2 year-term ends 8/31/16. Option for another 2 year term at prevailing rate	\$ 10.13
<b>Phase III (Occupancy Est's/16)</b>																	
First right - Birmingham	676	6,084.00	507.00	507.00	507.00	507.00	507.00	507.00	507.00	507.00	507.00	507.00	507.00	507.00	6,388.20	Amendment to above lease. Will roll into lease renewal at 3/1/17.	\$ 9.43
Church at Loveland and Kingdom Way Ministries	983	10,342.30	861.88	861.88	861.88	861.88	861.88	861.88	861.88	861.88	861.88	861.88	861.88	861.88	9,174.28	Month to month bill Phase III finished then a new lease for Phase III space	\$ 9.25
Banner Health - Healthy Beginnings	883	11,677.50	973.13	973.13	973.13	973.13	973.13	973.13	973.13	973.13	973.13	973.13	973.13	973.13	11,677.56	Finalizing lease structure - looking for 4 year lease with 2 year options	\$ 13.30
2,268	28,104.00	2,342.01	2,342.01	2,342.01	2,342.01	2,342.01	2,342.01	2,342.01	2,342.01	1,480.13	1,480.13	1,480.13	1,480.13	1,480.13	23,237.03		\$ 9.20
<b>Total Leased and potential</b>																	
Angel House	3,029	17,861.00	1,648.88	2,271.75	2,271.75	2,271.75	2,271.75	2,271.75	2,271.75	2,271.75	2,271.75	2,271.75	2,271.75	2,271.75	26,657.53	HMS Intro agency to generate cashflow	\$ 8.79
<b>Phase III (Occupancy Est's/17)</b>																	
Wings	983	13,397.50	1,108.13	1,108.13	1,108.13	1,108.13	1,108.13	1,108.13	1,108.13	1,108.13	1,108.13	1,108.13	1,108.13	1,108.13	6,648.78		\$ 6.73
Matthew House / Other	1,120	16,903.00	1,383.75	1,383.75	1,383.75	1,383.75	1,383.75	1,383.75	1,383.75	1,383.75	1,383.75	1,383.75	1,383.75	1,383.75	8,302.50		\$ 6.73
Church At Loveland	1,148	12,149.00	1,013.25	1,013.25	1,013.25	1,013.25	1,013.25	1,013.25	1,013.25	1,013.25	1,013.25	1,013.25	1,013.25	1,013.25	6,079.50	Will move from month to month to long term lease	\$ 5.23
Not Committed	780	10,330.00	877.50	877.50	877.50	877.50	877.50	877.50	877.50	877.50	877.50	877.50	877.50	877.50	5,265.00		\$ 6.73
Not Committed	640	8,640.00	720.00	720.00	720.00	720.00	720.00	720.00	720.00	720.00	720.00	720.00	720.00	720.00	4,320.00		\$ 6.73
Not Committed	700	9,420.00	787.50	787.50	787.50	787.50	787.50	787.50	787.50	787.50	787.50	787.50	787.50	787.50	4,722.00		\$ 6.73
3,683	70,881.30	5,890.13	5,890.13	5,890.13	5,890.13	5,890.13	5,890.13	5,890.13	5,890.13	5,890.13	5,890.13	5,890.13	5,890.13	5,890.13	33,340.78		\$ 6.43
21,094	11,161.66	12,442.83	12,460.23	12,460.23	12,460.23	12,460.23	12,460.23	12,460.23	12,460.23	17,623.18	18,118.93	18,118.93	18,118.93	18,118.93	181,171.76		\$ 8.58

## RENT ROLL -2017/2018

HNS

RENTAL INCOME - 1511  
TOTAL RENT

FYE 06-2018

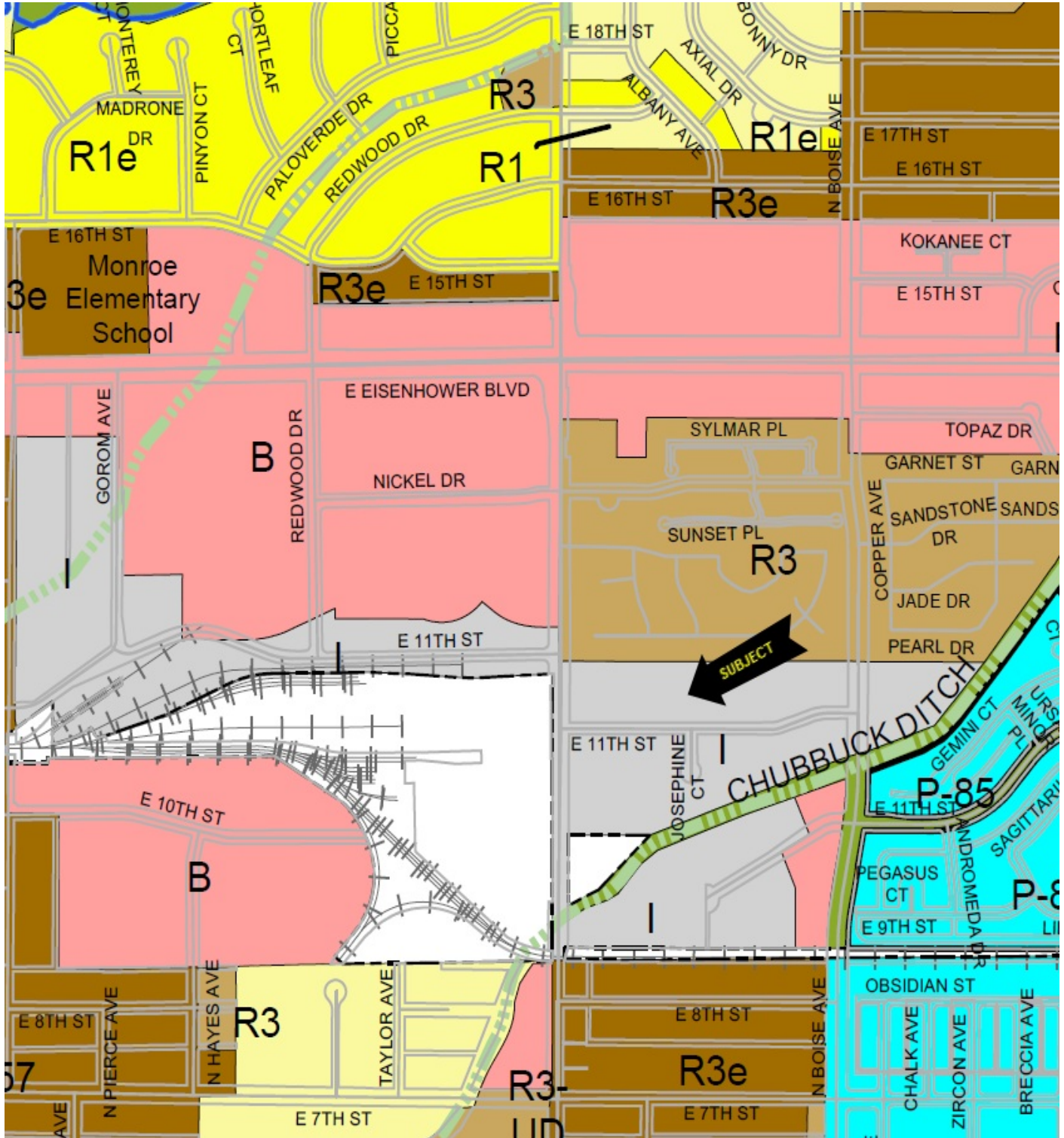
AGENCY	SQ. FT.	TOTAL 1 YR RENT	17-Jul	17-Aug	17-Sep	17-Oct	17-Nov	17-Dec	18-Jan	18-Feb	18-Mar	18-Apr	18-May	18-Jun	TOTAL	RevYr
<b>Signed Leases</b>																
CALL	4,012	40,120.00	3,343.33	3,343.33	3,343.33	3,343.33	3,343.33	3,343.33	3,343.33	3,343.33	3,343.33	3,343.33	3,343.33	3,343.33	40,119.97	\$ 10.00
MZN	952	8,082.00	674.33	674.33	674.33	674.33	674.33	674.33	674.33	674.33	674.33	674.33	674.33	674.33	8,091.97	\$ 8.00
St Matthews	343	3,370.75	297.56	297.56	297.56	297.56	297.56	297.56	297.56	297.56	297.56	297.56	297.56	297.56	3,370.72	\$ 10.35
Birchline	2,502	25,885.70	2,157.98	2,157.98	2,157.98	2,157.98	2,157.98	2,157.98	2,157.98	2,157.98	2,157.98	2,157.98	2,157.98	2,157.98	25,895.76	\$ 10.35
Lanier Co. (DHS)	1,080	11,178.00	931.50	931.50	931.50	931.50	931.50	931.50	931.50	931.50	931.50	931.50	931.50	931.50	11,178.00	\$ 10.35
Workplace Partners	482	4,781.70	398.48	398.48	398.48	398.48	398.48	398.48	398.48	398.48	398.48	398.48	398.48	398.48	4,781.76	\$ 10.35
Goodwill	1,215	12,575.25	1,047.94	1,047.94	1,047.94	1,047.94	1,047.94	1,047.94	1,047.94	1,047.94	1,047.94	1,047.94	1,047.94	1,047.94	12,575.28	\$ 10.35
Catholic Charities	154	1,583.90	132.83	132.83	132.83	132.83	132.83	132.83	132.83	132.83	132.83	132.83	132.83	132.83	1,583.90	\$ 10.35
10,722	107,807.30	8,983.95	8,983.95	8,983.95	8,983.95	8,983.95	8,983.95	8,983.95	8,983.95	8,983.95	8,983.95	8,983.95	8,983.95	8,983.95	107,807.34	\$ 10.05
<b>Phase II B</b>																
Banner Health - Healthy Beginnings	865	11,677.50	973.13	973.13	973.13	973.13	973.13	973.13	973.13	973.13	973.13	973.13	973.13	973.13	11,677.56	\$ 13.50
11,677.50	973.13	973.13	973.13	973.13	973.13	973.13	973.13	973.13	973.13	973.13	973.13	973.13	973.13	973.13	11,677.56	
119,484.80	9,937.08	9,937.08	9,937.08	9,937.08	9,937.08	9,937.08	9,937.08	9,937.08	9,937.08	9,937.08	9,937.08	9,937.08	9,937.08	9,937.08	119,484.90	
3,029	27,261.00	2,271.75	2,271.75	2,271.75	2,271.75	2,271.75	2,271.75	2,271.75	2,271.75	2,271.75	2,271.75	2,271.75	2,271.75	2,271.75	27,261.00	\$ 9.00
<b>Phase III</b> (Occupancy Est 1/17)																
Wings	985	13,287.50	1,108.13	1,108.13	1,108.13	1,108.13	1,108.13	1,108.13	1,108.13	1,108.13	1,108.13	1,108.13	1,108.13	1,108.13	13,297.56	\$ 13.50
Mathews House	1,230	16,605.00	1,383.75	1,383.75	1,383.75	1,383.75	1,383.75	1,383.75	1,383.75	1,383.75	1,383.75	1,383.75	1,383.75	1,383.75	16,605.00	\$ 13.50
Church At Loveland	1,158	12,159.00	1,013.25	1,013.25	1,013.25	1,013.25	1,013.25	1,013.25	1,013.25	1,013.25	1,013.25	1,013.25	1,013.25	1,013.25	12,159.00	\$ 10.50
NotCommitted	780	10,530.00	877.50	877.50	877.50	877.50	877.50	877.50	877.50	877.50	877.50	877.50	877.50	877.50	10,530.00	\$ 13.50
NotCommitted	640	8,640.00	720.00	720.00	720.00	720.00	720.00	720.00	720.00	720.00	720.00	720.00	720.00	720.00	8,640.00	\$ 13.50
NotCommitted	700	9,450.00	787.50	787.50	787.50	787.50	787.50	787.50	787.50	787.50	787.50	787.50	787.50	787.50	9,450.00	\$ 13.50
70,681.50	5,890.13	5,890.13	5,890.13	5,890.13	5,890.13	5,890.13	5,890.13	5,890.13	5,890.13	5,890.13	5,890.13	5,890.13	5,890.13	5,890.13	70,681.56	
21,094	18,118.84	18,118.86	18,118.96	18,118.96	18,118.96	18,118.96	18,118.96	18,118.96	18,118.96	18,118.96	18,118.96	18,118.96	18,118.96	18,118.96	21,427.45	\$ 10.91





EXHIBIT D

CITY OF LOVELAND ZONING MAP  
SUBJECT ZONING: "I"  
(Developing Industrial District)



**EXHIBIT E****Chapter 18.36****I DISTRICT-DEVELOPING INDUSTRIAL DISTRICT****Sections:**

<b>18.36.000</b>	<b>Purpose.</b>
<b>18.36.010</b>	<b>Uses permitted by right.</b>
<b>18.36.020</b>	<b>Uses permitted by special review.</b>
<b>18.36.025</b>	<b>Site development plan review.</b>
<b>18.36.030</b>	<b>Lot area.</b>
<b>18.36.040</b>	<b>Yards.</b>
<b>18.36.045</b>	<b>Height limitations.</b>
<b>18.36.050</b>	<b>Off-street parking area.</b>
<b>18.36.060</b>	<b>Special review performance standards.</b>
<b>18.36.070</b>	<b>Open space.</b>
<b>18.36.080</b>	<b>Applicability.</b>

**18.36.000 Purpose.**

The developing industrial (I) district is intended to provide a location for a variety of employment opportunities such as manufacturing, warehousing and distribution, and a wide range of commercial and higher intensity industrial operations. The I District is intended to implement the industrial category as depicted on the Comprehensive Master Plan Land Use Plan Map. The I district also accommodates complementary and supporting uses such as convenience shopping centers and appropriately located accessory commercial child day care centers. Locations for the I district require good access to major arterial streets.

**18.36.010 Uses permitted by right.**

The following uses are permitted by right in an I district:

- A. Administrative, insurance and research facilities;
- B. Experimental or testing laboratories;
- C. Manufacturing, assembly or packaging of products from previously prepared materials;
- D. Manufacture of electric or electronic instruments and devices;
- E. Manufacture and preparation of food products;
- F. Warehouses, distribution and wholesale uses;
- G. Any industrial or manufacturing use similar in character and external effects to above uses;
- H. Utility service facilities;
- I. Retail and wholesale sales of products produced on site or products incidental to such products, provided such use is incidental to the primary manufacturing use;
- J. Minor recycling processing facilities;
- K. Accessory uses which are reasonably required to provide necessary maintenance or security of the principal use, including, a dwelling unit for occupancy as a caretaker's quarters or for occupancy by the business or property owner;
- L. Accessory buildings and uses including commercial child day care centers when incorporated as part of a development project and compatible with surrounding uses;
- M. Antennas, as defined in Section 18.55.020, located on an existing tower or structure as provided in Section 18.55.030 and meeting all other requirements of Chapter 18.55;
- N. Art gallery, studio, and workshop including live/work studio and workshop. Such facilities may include the display, sale, fabrication or production of paintings, sculptures, ceramics and other art media. Limited outdoor fabrication of art work may be permitted subject to special review as provided in Chapter 18.40.

- O. Bar or tavern;
- P. Car wash;
- Q. Clubs and lodges;
- R. Convention and conference center;
- S. Domestic animal day care facility;
- T. Food catering;
- U. Funeral home;
- V. Greenhouse;
- W. Health care service facility;
- X. Indoor recreation;
- Y. Light industrial;
- Z. Lodging establishments (hotel and motel);
- AA. Lumber yards with outdoor storage screened as required by Section 4.06 of Site Development Performance Standards and Guidelines;
- BB. Parking garage and parking lot;
- CC. Personal and business service shop;
- DD. Place of worship or assembly;
- EE. Special trade contractor's shop (any outdoor storage screened as required by Section 4.06 of the Site Development Performance Standards and Guidelines);
- FF. Medical or professional office/clinic;
- GG. Office, general administrative;
- HH. Outdoor storage subject to Section 4.06 of the Site Development Performance Standards and Guidelines;
- II. Restaurant, standard;
- JJ. Retail store;
- KK. Self-service storage facility;
- LL. Vehicle minor and major repair, servicing, and maintenance;
- MM. Vehicle rentals for cars, light trucks and light equipment;
- NN. Vehicle rentals for heavy equipment, large trucks and trailers;
- OO. Vehicle sales and leasing for cars and light trucks;
- PP. Sales and leasing of farm equipment, mobile homes, recreational vehicles, large trucks and boats with outdoor storage;
- QQ. Veterinary facility, clinic, or hospital;
- RR. Workshop and custom small industry. Limited outdoor fabrication of products may be permitted subject to special review as provided in Chapter 18.40;
- SS. Crematorium located more than five hundred feet, as measured by a straight line, from any property boundary zoned R1, R1e, R2, R3, R3e, or located more than five hundred feet from any residential property within a planned unit development, subject to Section 18.52.080; and
- TT. Firing range, indoor.

**18.36.020 Uses permitted by special review.**

The following uses are permitted by special review in an I district subject to the provisions of Chapter 18.40:

- A. Any business, commercial, industrial, or manufacturing use which by virtue of its site, location, traffic, or other external impacts, as determined by the development director, warrants exceptional review and public hearing, as set forth in Chapter 18.40;
- B. Parks and recreation areas;
- C. Community facility;
- D. Major recycling processing facilities;

- E. Personal wireless service facility as defined in Section 18.55.020, located on a new structure, meeting all requirements of Chapter 18.55;
- F. Sexually oriented businesses;
- G. Essential public utility uses, facilities, services, and structures (above ground);
- H. Heavy industrial use;
- I. Open-air farmers market;
- J. Plant nursery;
- K. Kennel;
- L. Truck stop;
- M. Junkyard;
- N. Packing facility;
- O. Recycling collection facility, attended;
- P. Recycling collection facility, unattended;
- Q. Resource extraction, process, and sales;
- R. Restaurant, drive-in or fast food;
- S. Airport and heliport;
- T. Jails, detention, and penal centers;
- U. Crematorium located five hundred feet or less, as measured by a straight line, from any property boundary zoned R1, R1e, R2, R3, R3e, or located five hundred feet or less from any residential property within a planned unit development, subject to Section 18.52.080; and
- V. Safety training facility.

**18.36.025 Site development plan review.**

Development of any use within the I district shall be subject to the provisions of Chapters 18.39 and 18.46, and to the design standards and guidelines specified in chapter 18.47.

**18.36.030 Lot area.**

The minimum area of lot in an I district shall be two times the total floor area of the building.

**18.36.040 Yards.**

The minimum yards in an I district, being the minimum distance of any building from an alley, street, or zoning district line, shall be twenty-five feet.

**18.36.045 Height limitations.**

Buildings and structures in an I district shall comply with Chapter 18.54.

**18.36.050 Off-street parking area.**

The minimum off-street parking area for all permitted uses in an I district shall be as provided in Chapter 18.42.

**18.36.060 Special review performance standards.**

Uses permitted by special review within an I district shall be subject to the performance standards set forth in Section 18.46.020.

**18.36.070 Open space.**

The open space in an I district, exclusive of streets and off-street parking areas, shall be not less than ten percent of the total lot area.

**18.36.080 Applicability.**

Compliance with Section 18.36.025 for a use permitted by right under Section 18.36.010 shall satisfy any requirement imposed upon the annexation of any property prior to October 1, 1980, requiring compliance with special review provisions of this Code for any use thereon.

## EXHIBIT F

## ENGAGEMENT LETTER



March 25, 2016

Shelley K Kechter, MAI  
 Real Estate Appraiser-Consultant  
 2614 South Timberline Rd, #109-175  
 Fort Collins, CO 80525

RE: House of Neighborly Service

Dear Shelley,

I am requesting to engage your services for a certified appraisal on the following property:

Address: 1511 E 11<sup>th</sup> St., Loveland, CO 80537  
 Legal Description: Lot 1, Block 1, Ward Industrial Park First Subdivision, County of Larimer, State of Colorado  
 Property Owner: House of Neighborly Service  
 Borrower: House of Neighborly Service  
 Borrower/Representative Contact Info: Glorie Magrum (970) 667-4939  
 Transaction Type: Commercial  
 Property Type: Commercial  
 Lender: Waypoint Bank  
 Delivery/Loan Closing Date: ASAP  
 Agreed upon price:

The purpose of this appraisal is to formulate an opinion of the market value as defined in the Agencies Appraisal Regulations and within accordance of the Uniform Standards of Professional Appraisal Practice (USPAP) for the use of loan underwriting. The scope of work should be consistent with the extent of the research and analyses employed for similar property types, market conditions, and transactions.

Please return the appraisal to me for proper documentation. If you should need any further assistance or information concerning this request, please contact me at (308) 784-4636.

Sincerely,



Meggan Bowers  
 Universal Operations Representative

Waypoint Bank  
 2114 N Lincoln Ave, Suite 206  
 Loveland, CO 80538



Phone: (970) 829-6131  
 Phone: (970) 445-8304  
[firstbankandtrustcozad.com](http://firstbankandtrustcozad.com)

**EXHIBIT G**

<b>STATE OF COLORADO</b> Department of Regulatory Agencies Division of Real Estate		
Active Cert Gen Appraiser	PRINTED ON SECURE PAPER	
1314175 Number	Jan 1 2014 Issue Date	Dec 31 2016 Expires
SHELLEY K KECHTER FORT COLLINS, CO 80525		
<b>COPY</b>		
 _____ Program Administrator	 _____ Licensee Signature	



**AGENDA ITEM:** 10  
**MEETING DATE:** 5/17/2016  
**TO:** City Council  
**FROM:** Elizabeth Anderson, Parks and Recreation Department  
**PRESENTER:** Elizabeth Anderson, P&R Director; CDOT Staff

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**TITLE:**

A Resolution Approving Possession And Use Agreement Between The City Of Loveland, Colorado And The Colorado Department Of Transportation For Public Rights Of Way For Construction On Highway 34 And Authorizing The City Manager To Execute The Agreement

**RECOMMENDED CITY COUNCIL ACTION:**

Adopt the action as recommended.

**OPTIONS:**

1. Adopt the action as recommended.
2. Deny the action. Denial would hold up the re-construction of US 34 in the Big Thompson Canyon.
3. Adopt a modified action.
4. Refer back to staff for further development and consideration. Further review could delay the re-construction of the US 34 project, and might affect the timing of the reconstruction of Viestenz-Smith Mountain Park, due to the lack of rock materials needed for the park project.

**SUMMARY:**

This is an Administrative action item. The City of Loveland and the Colorado Department of Transportation ("CDOT") seek a mutual decision that benefits both the City of Loveland and CDOT regarding the reconstruction of US 34. A Possession and Use Agreement ("Agreement") will allow CDOT to move forward with the first phase of re-construction for US 34, in the Big Thompson Canyon. Construction package one includes the rock blasting to construct the new roadway alignment at the horseshoe curve west of VSMP. The Agreement will permit CDOT to move forward with construction prior to a final agreement on the value of the required Loveland right of way. Final plans and values will be determined in the next 90 days and will be presented to Council in July along with a formal intergovernmental agreement for construction and use of additional City property.

**BUDGET IMPACT:**

- Positive  
 Negative  
 Neutral or negligible

There is no compensation from CDOT at this time for the Possession and Use Agreement. Compensation from CDOT will be presented to Council at the July 5<sup>th</sup> hearing.

**BACKGROUND:**

Staff has been working with CDOT for the past year to determine the best alignment for the roadway through the Big Thompson Canyon. One key goal for road reconstruction is to create a safer and more resilient roadway alignment that works in harmony with the Big Thompson River. Eliminating the horseshoe curve west of the Viestenz-Smith Mountain Park ("VSMP") is one of the greatest opportunities to accomplish this goal. This section of road was scoured away completely in both the 1976 and 2013 floods. With the anticipated completion of the first CDOT

construction package, CDOT wishes to enter into the Possession and Use agreement for right-of-way (ROW) and temporary construction easement areas, prior to finalizing ROW for the new alignment. The Agreement would allow CDOT to begin time sensitive construction, while still being able to minimize impacts to travelers during the peak tourism season. CDOT is planning to start the first phase of construction in early July, 2016.

The new alignment of US 34 will cross through property owned by the City. CDOT needs to secure both temporary construction easements and ROW for the new roadway west of VSMP at the horseshoe curve, located on property owned by the City known as the Rosedale property. CDOT along with its construction manager and general contractor, Kiewit, also needs to move excess rock material out of the Canyon over the course of the 3-year reconstruction and is seeking a location for a staging area and a site to dispose of the rock spoils on the east edge of Round Mountain, south of US 34 and VSMP. Issues related to these matters will be addressed in a formal master intergovernmental agreement between the City and CDOT as well as a lease agreement between the City and Kiewit. The terms of the master IGA and lease are still in negotiation and the final IGA and lease will be presented to Council for approval at the July 5, 2016 hearing.

Staff believes it is mutually beneficial to the City of Loveland to cooperate with CDOT for both the new roadway alignment and for the removal and storage of the rock spoils in a location that benefit all parties. See Exhibit A for the general location of both sites of interest.

#### **Overview of the Possession and Use Agreement:**

The preferred US 34 roadway alignment will remove the old horseshoe curve west of VSMP and blast through the mountain, elevating the road and connecting it with 2 bridges (Exhibits B & C). This new design lets the river run naturally around the existing curve, and removes the roadway from a section that is prone to significant future flood damage. During reconstruction CDOT will blast the rock, haul and crush the rock and use it as road base for the entire new roadway. This agreement will permit CDOT to clear their ROW requirements and allow them to start the negotiations with Kiewit for the first phase of construction. Phase one will begin in mid-July and run through the spring of 2017.

Typically, CDOT ROW plans are approved after environmental clearance is received. Once the ROW Plans are approved, the parcels in question are appraised and reviewed, an offer is made and then negotiated for a means of payment (cash, in-kind trade or a blend of both). After an agreement is reached, ROW clearance is granted for construction. The Possession and Use Agreement allows CDOT ROW clearance right after environmental clearance is complete. This saves time, as construction can begin prior to the completion of appraisals and an agreed upon offer. The Agreement will permit CDOT to move forward with construction while negotiations to determine just compensation and means of payment continue.

The ROW needed for the roadway reconstruction includes approximately 3.57 acres located west of the Rosedale house at mile post 78.4. In order to start construction in July, CDOT needs a Possession and Use Agreement with the City prior to finalizing the ROW for both temporary and permanent road needs. CDOT is also willing to exchange property in the final ROW agreement and return the existing or abandoned ROW to the City in a dollar for dollar exchange in value for the existing ROW and new ROW. Again, based on the expedited needs, this final exchange of land and value of the exchange would be determined later this summer once the final clearances for the ROW process is completed. The Agreement provides that any agreement for transfer of the ROW property is contingent upon approval by Council by ordinance. The formal CDOT intergovernmental agreement shall include the use of City property for a staging and excess rock fill site, restoration of the staging area, determination of rock needs for VSMP and compensation for the use of the staging area.

- Staff recommends that the City continue to cooperate with CDOT and Kiewit and that Council approve the Possession and Use Agreement as a temporary measure to allow CDOT to proceed with construction this summer.

We further recommend:

- That in the near future a master IGA be approved between the City of Loveland and CDOT that resolves the final temporary and permanent ROW documents once values are determined for the ROW.
- Additionally, staff recommends that the abandoned ROW be transferred back to the City for future recreation needs in the Canyon which will be addressed in the master IGA.

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**REVIEWED BY CITY MANAGER:**



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**LIST OF ATTACHMENTS:**

1. Resolution
2. Exhibit A – vicinity map
3. Exhibit B – plan view of horseshoe curve alignment
4. Exhibit C – 3D visual graphic of new road alignment
5. CDOT Power Point Presentation

**RESOLUTION #R-37-2016****A RESOLUTION APPROVING POSSESSION AND USE AGREEMENT BETWEEN THE CITY OF LOVELAND, COLORADO AND THE COLORADO DEPARTMENT OF TRANSPORTATION FOR PUBLIC RIGHTS OF WAY FOR CONSTRUCTION ON HIGHWAY 34 AND AUTHORIZING THE CITY MANAGER TO EXECUTE THE AGREEMENT**

**WHEREAS**, the State of Colorado acting through the Department of Transportation (hereinafter “CDOT”) has planned a multi-phase construction project for permanent repairs to U.S. Highway 34 between Estes Park and Loveland; and

**WHEREAS**, each phase of construction is known as a “construction package,” and each construction package will require CDOT to identify and purchase certain property for permanent rights-of-way as well as temporary construction easements; and

**WHEREAS**, CDOT plans to start work under its first construction package (“CP-1”) in July of 2016, and has identified certain parcels of property owned by the City that CDOT needs for permanent right-of-way and temporary construction easements for CP-1 (the “Loveland Parcels”); and

**WHEREAS**, CDOT requires possession and use of the Loveland Parcels to meet its construction schedule before the parties are able to negotiate and finalize agreements regarding final conveyance and payment of just compensation to the City for the Loveland Parcels; and

**WHEREAS**, CDOT acknowledges that approval by City Council by ordinance of any agreement conveying the Loveland Parcels in fee simple is required; and

**WHEREAS**, CDOT agrees that it will pay just compensation to the City for the Loveland Parcels, whether in cash or trade or a combination of both, and the parties will continue negotiating to reach an agreement on such just compensation; and

**WHEREAS**, the City believes that granting the possession and use of the Loveland Parcels to CDOT in order to permit the CDOT to begin CP-1 for permanent repairs to U.S. Highway 34 is in the best interests of its citizens; and

**WHEREAS**, as governmental entities in Colorado, the City and CDOT are authorized, pursuant to C.R.S. § 29-1-203, to cooperate or contract with one another to provide any function, service, or facility lawfully authorized to each; and

**WHEREAS**, the City Council desires to approve the Possession and Use Agreement on behalf of the City.

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF LOVELAND, COLORADO:**

**Section 1.** That the Possession and Use Agreement is hereby approved.

**Section 2.** That the City Manager is hereby authorized, following consultation with the City Attorney, to modify the Possession and Use Agreement in form or substance as deemed necessary to effectuate the purposes of this Resolution or to protect the interests of the City.

**Section 3.** That the City Manager and the City Clerk are hereby authorized and directed to execute the Possession and Use Agreement on behalf of the City.

**Section 4.** That this Resolution shall take effect as of the date of its adoption.

**ADOPTED** this 17th day of May, 2016.

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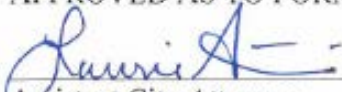
Cecil A. Gutierrez, Mayor

ATTEST:

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City Clerk

APPROVED AS TO FORM:



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Assistant City Attorney

## POSSESSION AND USE AGREEMENT

**THIS AGREEMENT** made and entered into this \_\_\_\_\_ day of \_\_\_\_\_, 2016, by and between the STATE OF COLORADO for the use and benefit of the **COLORADO DEPARTMENT OF TRANSPORTATION** hereinafter referred to as “CDOT”, and **THE CITY OF LOVELAND, COLORADO**, hereinafter referred to as “Loveland”. CDOT and Loveland are collectively referred to hereinafter as the “Parties.”

### RECITALS:

**A.** CDOT has a project for permanent repairs to US 34 between Estes Park and Loveland which includes restoring bridges and retaining walls, building the roadway to be more resilient to flood damage, repairing the roadway to pre-flood conditions, replacing guardrails and revegetating certain areas (“US 34 Project”).

**B.** The current plan for construction of the US 34 Project is to roll out iterative construction packages sequentially in 2016 and 2017. Specific right of way parcels will be identified and purchased for each construction package, including parcels needed from Loveland.

**C.** CDOT has identified specific Loveland parcels needed for the first US 34 Project construction package (CP-1). Due to CDOT’s construction schedule, the Parties have not been able to determine just compensation for the identified Loveland parcels prior to a grant of possession and use. CDOT has requested and Loveland has agreed to grant CDOT possession and use of such parcels for the construction of CP-1 pursuant to this Possession and Use Agreement subject to the agreement that CDOT and Loveland will continue negotiating the ultimate consideration for such parcels. Negotiations for a trade of the Loveland parcels needed for CP-1 for certain CDOT-owned excess parcels are currently being conducted. If a trade of property cannot be agreed to, CDOT will pay Loveland just compensation in the form of cash for the Loveland parcels needed for CP-1.

**D.** The purpose of this Agreement is to define the rights and remedies of the Parties for this Possession and Use Agreement.

**E.** In accordance with the Colorado Constitution and state statutes, Loveland and CDOT are authorized to enter into agreements of this nature;

**NOW, THEREFORE**, in consideration of the premises, the mutual agreements herein contained, and subject to the terms and conditions hereinafter stated, it is hereby understood and agreed by the parties hereto as follows:

**1. LOVELAND PARCELS.** The following parcels of property are owned by Loveland and are needed by CDOT for the US 34 Project in fee simple:

<b>Parcel Number</b>	<b>Area in sq ft</b>
RW-3	535 sf
RW-3A	127,651 sf
RW-10	27,538 sf
RW-12	911 sf
<b>Total Fee Parcels</b>	<b>156,635 sf</b>

These parcels shall hereinafter be referred to as the “Loveland ROW Parcels”.

The following parcels of property are owned by Loveland and CDOT needs temporary occupancy of these parcels as temporary construction easements for construction of the US 34 Project:

<b>Parcel Number</b>	<b>Area in sq ft</b>	<b>Duration that CDOT Needs Temporary Occupancy</b>
TE-3	188,584 sf	three years
TE-3A	71,936 sf	three years
TE-10	9,258 sf	three years
TE-12	1,919 sf	three years
TE-13	1,968 sf	three years
TE-14	1,868 sf	three years
TE-15	3,039 sf	three years
<b>Total Temporary Construction Easements</b>	<b>278,572 sf</b>	

These parcels shall hereinafter be referred to as the “Loveland Temporary Construction Easement Parcels”.

Copies of right of way plan sheets illustrating the Loveland ROW Parcels and the

Loveland Temporary Construction Easement Parcels are attached hereto and incorporated herein as Exhibit “A”. Copies of legal descriptions for the Loveland ROW Parcels and Loveland Temporary Construction Easement Parcels are attached hereto and incorporated herein as Exhibit “B”.

2. Loveland hereby grants to CDOT the irrevocable right to possession of the Loveland ROW Parcels and Loveland Temporary Easement Parcels to CDOT, its contractors, agents, and all others deemed necessary by CDOT for the purpose of construction of a portion of the US 34 Project. CDOT’s irrevocable right to possession of the Loveland Temporary Easement Parcels shall expire on August 31, 2019.

3. In consideration of this irrevocable grant of possession, CDOT has tendered Loveland the sum of \$10.00, which Loveland hereby acknowledges receiving.

4. CDOT acknowledges Loveland’s authority to grant the possession and use rights set forth in this Possession and Use Agreement and Loveland by its issuance represents it has the authority to do so. Loveland shall not convey any of its interests in the Loveland ROW Parcels and Loveland Temporary Easement Parcels without CDOT’s consent during the term of this Possession and Use Agreement. The right to use and occupy the Loveland ROW Parcels and Loveland Temporary Easement Parcels granted hereunder is granted with respect to such parcels in its “AS IS” physical condition without any warranty, express or implied.

5. **CDOT PARCELS.** The following parcels of property are owned by CDOT, which CDOT is willing to convey to Loveland in fee simple, and are being considered by Loveland as a trade for the Loveland Parcels:

<b>Parcel Number</b>	<b>Area in sq ft</b>
8-EX	13,733 sf
9-EX	38,474 sf
<b>TOTAL</b>	<b>52,207 sf</b>



These parcels shall hereinafter be referred to as the “CDOT Excess ROW Parcels”. Copies of right of way plan sheets illustrating the CDOT Excess ROW Parcels are attached hereto and incorporated herein as Exhibit “A.” The size, shape and location of Parcel Nos. 8-EX and 9-EX may change as the Parties continue to negotiate a possible trade involving these parcels. As a result, the size, shape and location of these parcels, as identified in this Agreement and its exhibits is considered preliminary and subject to change.

**6. JUST COMPENSATION NEGOTIATIONS.**

a. This Possession and Use Agreement is made subject to the agreement that CDOT and Loveland will continue to negotiate in good faith regarding the just compensation that CDOT shall pay to Loveland for the Loveland ROW Parcels and the Loveland Temporary Easement Parcels.

b. The Parties will continue to negotiate in good faith a potential trade of the Loveland ROW Parcels and Loveland Temporary Easement Parcels, from Loveland to CDOT, in exchange for the CDOT Excess ROW Parcels, from CDOT to Loveland, based on the value of such parcels.

c. The Parties acknowledge that any agreement for the transfer of the Loveland ROW Parcels is expressly subject to approval of an ordinance by the Loveland City Council for such transfer.

d. If an agreement for a trade is ultimately reached and approved by the Loveland City Council by ordinance, and the value of one of the Party’s parcels exceeds the value of the other Party’s parcels, a payment from one Party to the other of the value difference may be required.

e. If an agreement acceptable to both Parties for a land trade is not executed within three (3) months of the date of this Possession and Use Agreement, then CDOT will initiate all steps to determine the just compensation value and negotiate the acquisition of the Loveland ROW Parcels and Loveland Temporary Easement Parcels in compliance with the requirements of the CDOT Right of Way Manual, including but not limited to: (i) providing Loveland with a notice of interest to acquire the Loveland ROW Parcels and Loveland Temporary Easement Parcels that includes notification of Loveland’s appraisal rights pursuant to §38-1-121, C.R.S., (ii) determining the fair

market value of the Loveland ROW Parcels and Loveland Temporary Easement Parcels pursuant to an appraisal, with such appraisal reviewed and approved by a CDOT appraisal reviewer. Such appraisal and appraisal review must be completed in compliance with the CDOT ROW Manual and 49 CFR Part 24, (iii) tendering Loveland a written offer to purchase the Loveland ROW Parcels and Loveland Temporary Easement Parcels based on the value established by the CDOT review appraiser, and (iv) negotiating a purchase price in good faith for the Loveland ROW Parcels and Loveland Temporary Easement Parcels. If a purchase agreement acceptable to both parties is not reached within sixty (60) days of the date of the written offer, failure to agree shall trigger the following dispute resolution process: The Parties shall resolve disputes at the lowest staff level possible. The escalation process shall be, in ascending order: 1. the CDOT Region 4 North Program Engineer and the Loveland Parks and Recreation Director; 2. CDOT's Region 4 Transportation Director and the Loveland City Manager. If a purchase agreement is still unattainable after implementation of this dispute resolution process, the matter will be filed for condemnation and set for a valuation trial. The purchase price for the Loveland ROW Parcels and Loveland Temporary Easement Parcels will be determined at such condemnation valuation trial.

7. **SUBJECT TO LOCAL LAWS; VENUE.** Each and every term, provision or condition herein is subject to and shall be construed in accordance with the provisions of Colorado law. Venue for any legal action relating to this Agreement shall lie in the District Court in and for the City and County of Denver, Colorado.

8. **TAXES AND CHARGES.** Loveland and CDOT shall not be liable for the payment of taxes, late charges or penalties of any nature to each other.

9. **PARAGRAPH HEADINGS.** The captions and headings set forth herein are for convenience of reference only, and shall not be construed so as to define or limit the terms and provisions hereof.

10. **EXECUTION OF AGREEMENT.** This Agreement is expressly subject to, and shall not be or become effective or binding on Loveland and CDOT until fully executed by all signatories of Loveland and CDOT.

11. **LEGAL AUTHORITY.** The Parties each represent that they possess the legal

authority, pursuant to any proper, appropriate and official motion, resolution or action passed or taken, to enter into this Agreement.

**12. COUNTERPARTS OF AGREEMENT.** This Agreement may be executed in counterparts, each of which shall be deemed to be an original of this Agreement, and all of which, taken together, shall constitute one and the same document.

**IN WITNESS WHEREOF**, the parties have caused this Possession and Use Agreement to be executed as of the day and year first above written.

**CITY OF LOVELAND**

By: \_\_\_\_\_  
William D. Cahill, City Manager

APPROVED AS TO FORM:

\_\_\_\_\_  
Assistant City Attorney

**COLORADO DEPARTMENT OF  
TRANSPORTATION**

By: \_\_\_\_\_  
Bob Grube  
Region 4 Right of Way Manager

**EXHIBIT "A"**  
**TO POSSESSION AND USE AGREEMENT**

**EXCERPTS OF RIGHT OF WAY PLANS FOR**  
**PR US 34 BIG THOMPSON CANYON PROJECT**

**CDOT PROJECT NUMBER ER 0341-084 UNIT 1**  
**CDOT PROJECT CODE 20279**

Colorado Department of Transportation

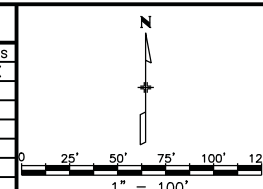


10601 West 10th Street  
Greeley, CO 80634  
Phone: 970-350-2161

Region 4 Right of Way

PTS

Sheet Revisions			Sheet Revisions			Sheet Revisions		
Date	Description	Initials	Date	Description	Initials	Date	Description	Initials
mm/dd/yy	XXXXXXXX	XXX	mm/dd/yy	XXXXXXXX	XXX	mm/dd/yy	XXXXXXXX	XXX



Right of Way Plans			
Plan Sheet			
Project Number: ER 0341-084 Unit 1			
Project Location: PR US34 Big Thompson Canyon			
Project Code:	Last Mod. Date:	Subset:	Sheet No.:
20279	mm-dd-yy	7.01 of 7.03	7.01

- TE-1 AP-1 TILLMAN WILLIAM H III SHARON T
- TE-2 RW-2 AP-4 COUNTY OF LARIMER
- TE-3 RW-3 CITY OF LOVELAND
- TE-5 C. Kevin Stees
- AP-7 AP-6 HOWARD N. AND LENA R. CARMAN

T.5N.,R.71W.,6th P.M.

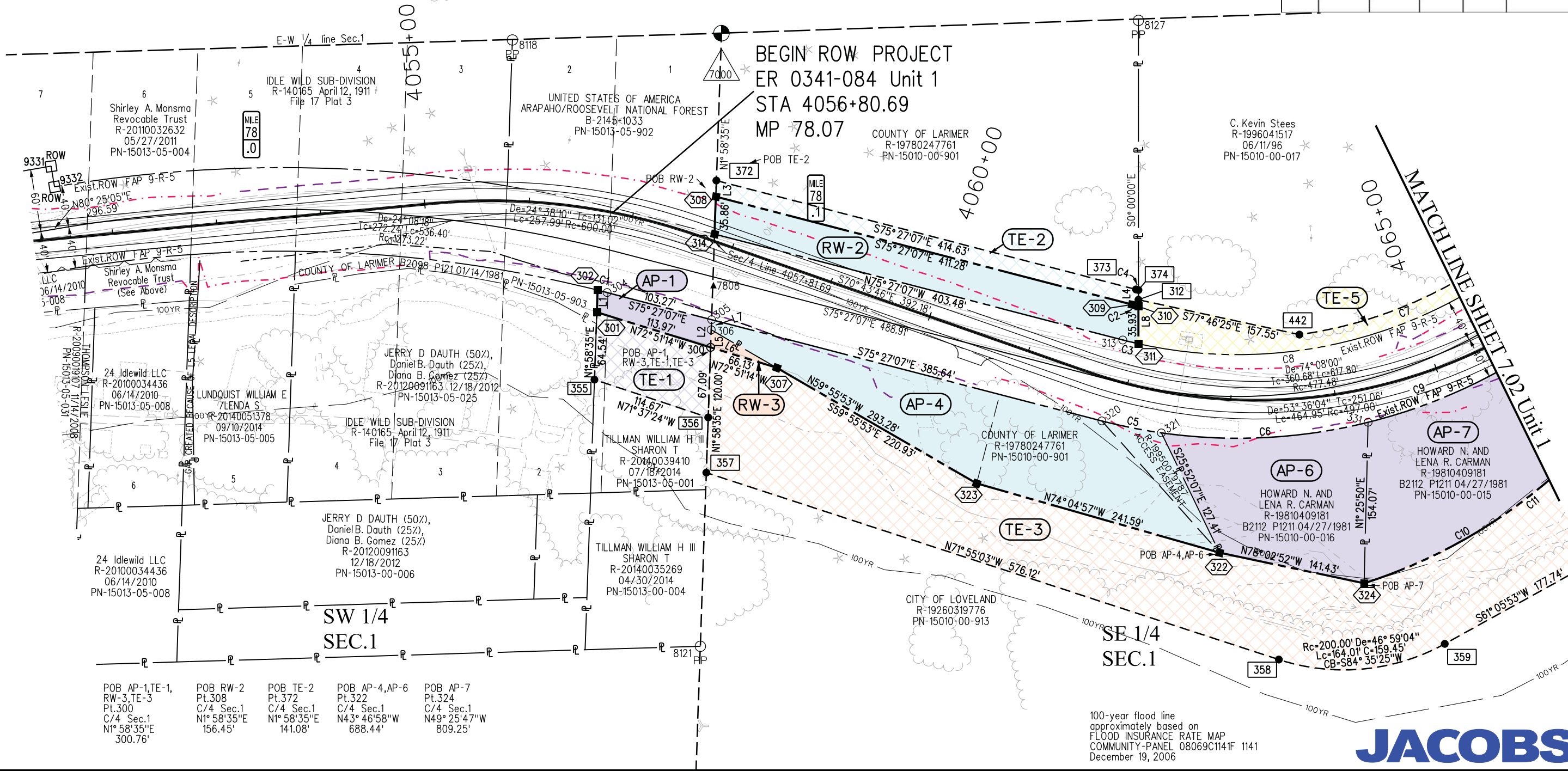
NW 1/4  
SEC.1

NE 1/4  
SEC.1

UNITED STATES OF AMERICA  
BUREAU OF LAND MANAGEMENT  
NO REC DOCS  
PN-15010-00-914

NAME	BEARING	DISTANCE	NAME	RADIUS	DELTA	ARC	CHORD	BEARING
L1	N1°58'35"E	21.16'	C1	1233.22'	0°26'16"	9.42'	9.42'	S75°40'15"E
L2	S1°58'35"W	26.49'	C2	402.48'	0°54'28"	6.38'	6.38'	S75°54'21"E
L3	N1°58'35"E	15.37'	C3	437.48'	2°01'03"	15.40'	15.40'	N76°27'39"W
L4	S0°00'00"E	15.45'	C4	387.48'	0°22'08"	2.49'	2.49'	S75°38'11"E
L5	N1°58'35"E	16.76'	C5	517.48'	6°26'02"	58.11'	58.08'	S78°40'08"E
L6	S59°55'53"E	72.35'	C6	517.48'	22°03'54"	199.29'	198.06'	N87°04'53"E
L7	N1°58'35"E	9.73'	C7	422.48'	28°16'13"	208.46'	206.35'	N67°49'44"E
L8	N0°00'00"W	42.09'	C8	437.48'	48°50'12"	372.89'	361.71'	N78°06'44"E
			C9	517.48'	45°38'03"	412.16'	401.35'	S78°40'08"E
			C10	508.37'	48°34'35"	431.00'	418.21'	S48°02'26"W
			C11	508.37'	40°09'45"	356.35'	349.10'	N52°14'51"E

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POB AP-1,TE-1, RW-3,TE-3 Pt.300 C/4 Sec.1 N1° 58'35"E 300.76'	POB RW-2 Pt.308 C/4 Sec.1 N1° 58'35"E 156.45'	POB TE-2 Pt.372 C/4 Sec.1 N1° 58'35"E 141.08'	POB AP-4,AP-6 Pt.322 C/4 Sec.1 N43° 46'58"W 688.44'	POB AP-7 Pt.324 C/4 Sec.1 N49° 25'47"W 809.25'
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100-year flood line  
approximately based on  
FLOOD INSURANCE RATE MAP  
COMMUNITY-PANEL 08069C114F 1141  
December 19, 2006



Colorado Department of Transportation



10601 West 10th Street  
Greeley, CO 80634  
Phone: 970-350-2161

Region 4 Right of Way

PTS

Sheet Revisions

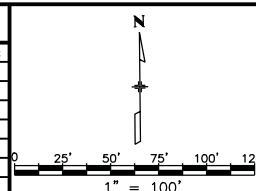
Date	Description	Initials
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Sheet Revisions

Date	Description	Initials
mm/dd/yy	XXXXXXXX	XXX

Sheet Revisions

Date	Description	Initials
mm/dd/yy	XXXXXXXX	XXX



Right of Way Plans

Plan Sheet

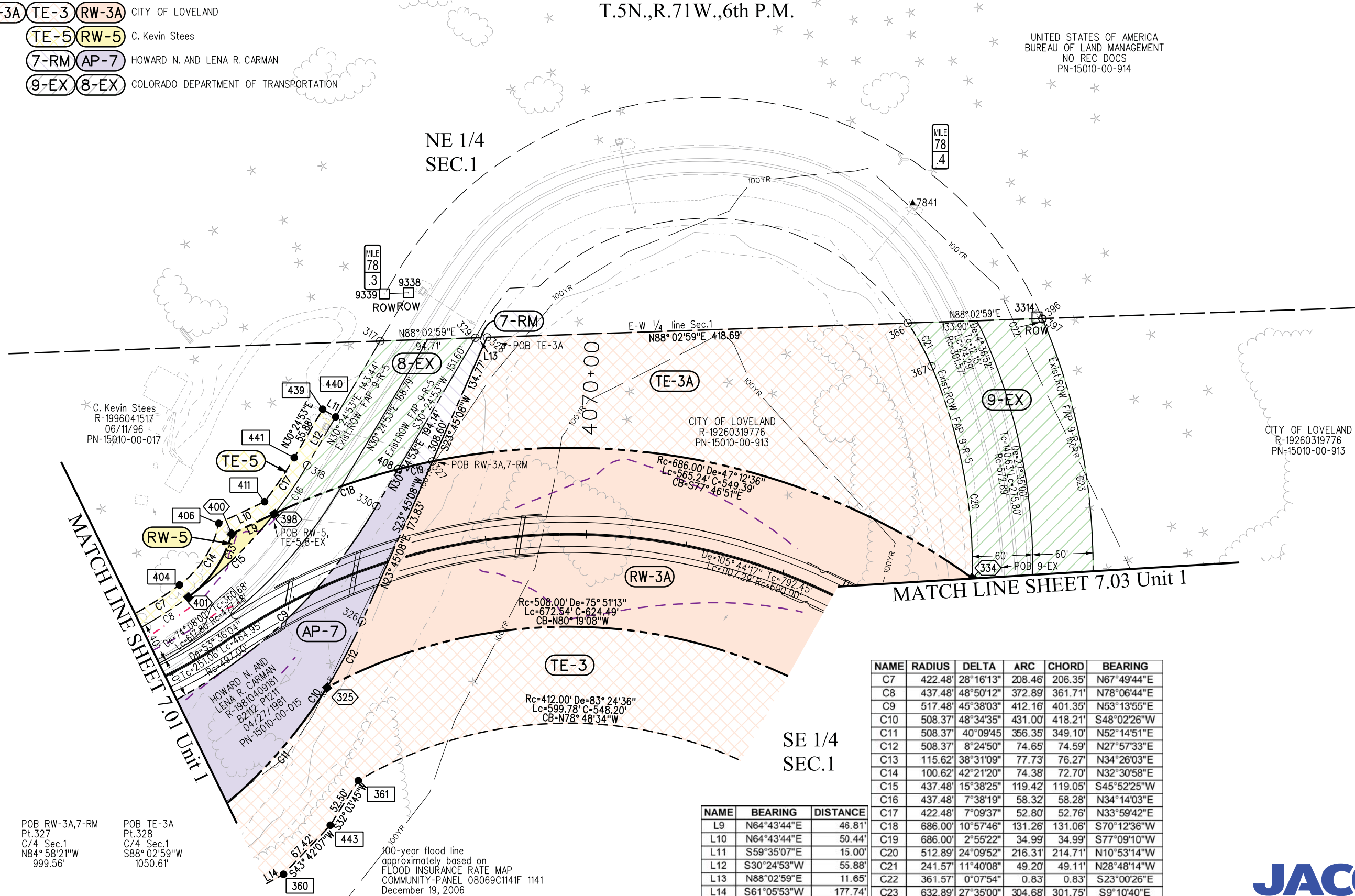
Project Number: ER 0341-084 Unit 1  
Project Location: PR US34 Big Thompson Canyon

Project Code:	Last Mod. Date	Subset	Sheet No.
20279	mm-dd-yy	7.02 of 7.03	7.02

- TE-3A TE-3 RW-3A CITY OF LOVELAND
- TE-5 RW-5 C. Kevin Stees
- 7-RM AP-7 HOWARD N. AND LENA R. CARMAN
- 9-EX 8-EX COLORADO DEPARTMENT OF TRANSPORTATION

T.5N.,R.71W.,6th P.M.

UNITED STATES OF AMERICA  
BUREAU OF LAND MANAGEMENT  
NO REC DOCS  
PN-15010-00-914



MATCH LINE SHEET 7.01 Unit 1

MATCH LINE SHEET 7.03 Unit 1

NAME	RADIUS	DELTA	ARC	CHORD	BEARING
C7	422.48'	28°16'13"	208.46'	206.35'	N67°49'44"E
C8	437.48'	48°50'12"	372.89'	361.71'	N78°06'44"E
C9	517.48'	45°38'03"	412.16'	401.35'	N53°13'55"E
C10	508.37'	48°34'35"	431.00'	418.21'	S48°02'26"W
C11	508.37'	40°09'45"	356.35'	349.10'	N52°14'51"E
C12	508.37'	8°24'50"	74.65'	74.59'	N27°57'33"E
C13	115.62'	38°31'09"	77.73'	76.27'	N34°26'03"E
C14	100.62'	42°21'20"	74.38'	72.70'	N32°30'58"E
C15	437.48'	15°38'25"	119.42'	119.05'	S45°52'25"W
C16	437.48'	7°38'19"	58.32'	58.28'	N34°14'03"E
C17	422.48'	7°09'37"	52.80'	52.76'	N33°59'42"E
C18	686.00'	10°57'46"	131.26'	131.06'	S70°12'36"W
C19	686.00'	2°55'22"	34.99'	34.99'	S77°09'10"W
C20	512.89'	24°09'52"	216.31'	214.71'	N10°53'14"W
C21	241.57'	11°40'08"	49.20'	49.11'	N28°48'14"W
C22	361.57'	0°07'54"	0.83'	0.83'	S23°00'26"E
C23	632.89'	27°35'00"	304.68'	301.75'	S9°10'40"E

NAME	BEARING	DISTANCE
L9	N64°43'44"E	45.81'
L10	N64°43'44"E	50.44'
L11	S59°35'07"E	15.00'
L12	S30°24'53"W	55.88'
L13	N88°02'59"E	11.65'
L14	S61°05'53"W	177.74'

POB 9-EX  
Pt.334  
C/4 Sec.1  
N82°25'22"W  
1546.16'

POB RW-5,  
TE-5,8-EX  
Pt.398  
C/4 Sec.1  
N80°32'07"W  
849.86'

POB RW-3A,7-RM  
Pt.327  
C/4 Sec.1  
N84°58'21"W  
999.56'

POB TE-3A  
Pt.328  
C/4 Sec.1  
S88°02'59"W  
1050.61'

100-year flood line  
approximately based on  
FLOOD INSURANCE RATE MAP  
COMMUNITY-PANEL 08069C1141F 1141  
December 19, 2006



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Colorado Department of Transportation

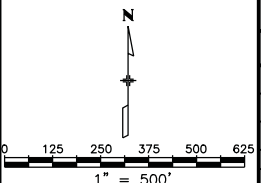


10601 West 10th Street  
Greeley, CO 80634  
Phone: 970-350-2161

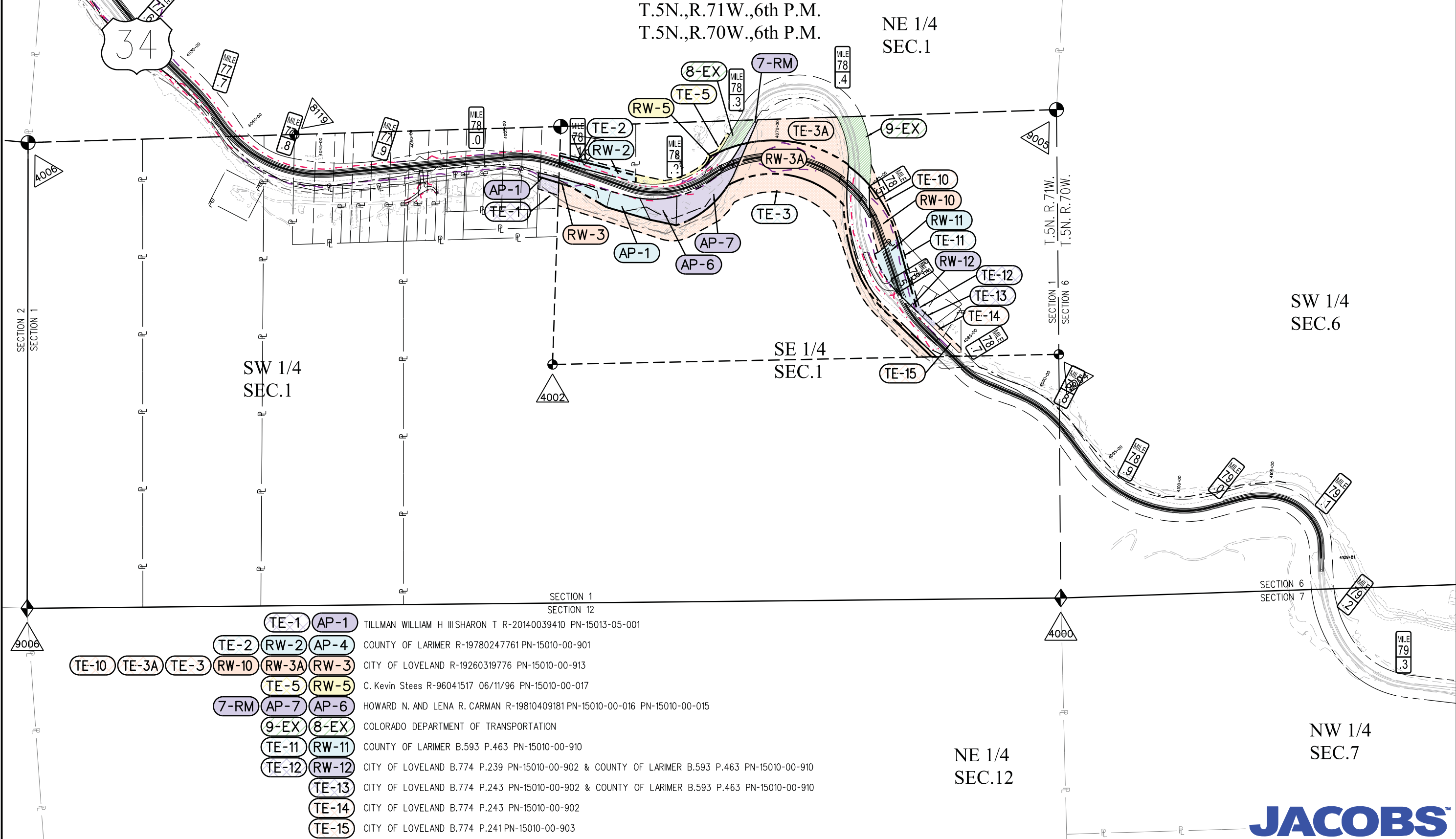
Region 4 Right of Way

MDG

Sheet Revisions			Sheet Revisions			Sheet Revisions		
Date	Description	Initials	Date	Description	Initials	Date	Description	Initials
mm/dd/yy	XXXXXXXX	XXX	mm/dd/yy	XXXXXXXX	XXX	mm/dd/yy	XXXXXXXX	XXX



Right of Way Plans			
Ownership Sheet			
Project Number: ER 0341-084 Unit 1			
Project Location: PR US34 Big Thompson Canyon			
Project Code:	Last Mod. Date:	Subset:	Sheet No.:
20279	mm-dd-yy	8.01 of 8.01	8.01



- TE-1 AP-1 TILLMAN WILLIAM H III SHARON T R-20140039410 PN-15013-05-001
- TE-2 RW-2 AP-4 COUNTY OF LARIMER R-19780247761 PN-15010-00-901
- TE-10 TE-3A TE-3 RW-10 RW-3A RW-3 CITY OF LOVELAND R-19260319776 PN-15010-00-913
- TE-5 RW-5 C. Kevin Stees R-96041517 06/11/96 PN-15010-00-017
- 7-RM AP-7 AP-6 HOWARD N. AND LENA R. CARMAN R-19810409181 PN-15010-00-016 PN-15010-00-015
- 9-EX 8-EX COLORADO DEPARTMENT OF TRANSPORTATION
- TE-11 RW-11 COUNTY OF LARIMER B.593 P.463 PN-15010-00-910
- TE-12 RW-12 CITY OF LOVELAND B.774 P.239 PN-15010-00-902 & COUNTY OF LARIMER B.593 P.463 PN-15010-00-910
- TE-13 CITY OF LOVELAND B.774 P.243 PN-15010-00-902 & COUNTY OF LARIMER B.593 P.463 PN-15010-00-910
- TE-14 CITY OF LOVELAND B.774 P.243 PN-15010-00-902
- TE-15 CITY OF LOVELAND B.774 P.241 PN-15010-00-903



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**EXHIBIT "B"**  
**TO POSSESSION AND USE AGREEMENT**

**LEGAL DESCRIPTIONS FOR:  
PARCEL NOS. RW-3, RW-3A, RW-10, RW-12  
TE-3, TE-3A, TE-10, TE-12, TE-13, TE-14, TE-15**

**PR US 34 BIG THOMPSON CANYON PROJECT**

**CDOT PROJECT NUMBER ER 0341-084 UNIT 1  
CDOT PROJECT CODE 20279**

**COLORADO DEPARTMENT OF TRANSPORTATION  
REAL PROPERTY**

**TO BE ACQUIRED**


Parcel Number: RW-3

**FROM**

City of Loveland  
410 E 5<sup>th</sup> St  
Loveland, CO 80537

**FOR**

Project Code: 20279  
Project Number: ER 0341-084 Unit 1  
Location: US34 – MP78.07 – MP78.69

  
**PROJECT CODE: 20279**  
**PROJECT NUMBER: ER 0341-084 UNIT 1**  
**PARCEL NUMBER: RW-3**  
**DATE: April 14, 2016**

**LEGAL DESCRIPTION**

Parcel No. RW-3 of the Department of Transportation, State of Colorado, Project No. ER 0341-084 UNIT 1, containing 535 square feet (0.012 acres), lying in the SE 1/4 of Section 1, Township 5 North, Range 71 West of the 6th P.M., being a portion of that certain parcel of land described in deed recorded at Reception No. 19260319776, Book 534, Page 160, on December 22, 1926, in the Larimer County Clerk and Recorder's office, being more particularly described as follows:

Commencing at the Center Quarter Corner of said Section 1 (a found 2" steel pipe with a 3.25" BLM Brass Cap Stamped "T5N R71W C1/4 S1 1976"), whence the East Quarter Corner of said Section 1 (a found 2.5" steel pipe with a 3.25" BLM Brass Cap Stamped "1/4 S1/S6 1976 T5N R71W") bears N88°02'59"E, a distance of 2,641.70 feet (basis of bearing - assumed); Thence S01°58'35"W, coincident with the westerly line of the Southeast Quarter of said Section 1, a distance of 300.76 feet to the POINT OF BEGINNING;

1. Thence N.01°58'35"E., coincident with said westerly line, a distance of 16.76 feet to the southerly line of a parcel of land described in deed recorded at Reception No. 19780247761, on May 5, 1978;
2. Thence S59°55'53"E, coincident with said southerly line, a distance of 72.35 feet;
3. Thence N72°51'14"W, a distance of 66.13 feet, more or less, to the POINT OF BEGINNING.

The above described parcel contains 535 square feet (0.012 acres), more or less.

Robert A. Boehm, PLS 34992  
Colorado Licensed Professional Land Surveyor  
For and on Behalf of Jacobs Engineering Group Inc.  
707 17th Street, Suite 2400  
Denver, CO 80202



**COLORADO DEPARTMENT OF TRANSPORTATION  
REAL PROPERTY**

**TO BE ACQUIRED**


Parcel Number: RW-3A

**FROM**

City of Loveland  
410 E 5<sup>th</sup> St  
Loveland, CO 80537

**FOR**

Project Code: 20279  
Project Number: ER 0341-084 Unit 1  
Location: US34 – MP78.07 – MP78.69

  
**PROJECT CODE: 20279**  
**PROJECT NUMBER: ER 0341-084 UNIT 1**  
**PARCEL NUMBER: RW-3A**  
**DATE: April 14, 2016**

**LEGAL DESCRIPTION**

Parcel No. RW-3A of the Department of Transportation, State of Colorado, Project No. ER 0341-084 UNIT 1, containing 127,651 square feet (2.930 acres), lying in the SE 1/4 of Section 1, Township 5 North, Range 71 West of the 6th P.M., being a portion of that certain parcel of land described in deed recorded at Reception No. 19260319776, Book 534, Page 160, on December 22, 1926, in the Larimer County Clerk and Recorder's office, being more particularly described as follows:

Commencing at the Center Quarter Corner of said Section 1 (a found 2" steel pipe with a 3.25" BLM Brass Cap Stamped "T5N R71W C1/4 S1 1976"), whence the East Quarter Corner of said Section 1 (a found 2.5" steel pipe with a 3.25" BLM Brass Cap Stamped "1/4 S1/S6 1976 T5N R71W") bears N88°02'59"E, a distance of 2,641.70 feet (basis of bearing - assumed); Thence S84°58'21"E, non-tangent with the following described curve, a distance of 999.56 feet to the westerly line of said parcel of land and the POINT OF BEGINNING;

1. Thence along the arc of a curve to the right, non-tangent with the following described curve, having a central angle of 47°12'36", a radius of 686.00 feet, a chord bearing of S77°46'51"E a distance of 549.39 feet, and an arc distance of 565.24 feet to the westerly Right of Way line of the Department of Transportation, State of Colorado, Project No. 9-R-5;
2. Thence along the arc of a curve to the right, contiguous with said westerly Right of Way line, having a central angle of 3°25'08", a radius of 512.89 feet, a chord bearing of S2°54'16"W a distance of 30.60 feet, and an arc distance of 30.60 feet;
3. Thence S4°36'50"W, continuing along said westerly Right of Way line, tangent with the previous and following described curves, a distance of 50.70 feet;
4. Thence along the arc of a curve to the left, tangent with the following described curve, continuing along the westerly Right of Way line, having a central angle of 22°20'00", a radius of 1,101.84 feet, a chord bearing of S6°33'10"E a distance of 426.77 feet, and an arc distance of 429.49 feet;
5. Thence along the arc of a curve to the left, continuing along said westerly Right of Way line, having a central angle of 27°54'00", a radius of 632.96 feet, a chord bearing of S31°40'10"E a distance of 305.18 feet, and an arc distance of 308.22 feet;
6. Thence S45°37'10"E, continuing along said westerly Right of Way line, tangent with the previous described curve, a distance of 369.40 feet to the South line of the North Half of said SE 1/4;
7. Thence S88°51'07"W, contiguous with said South line, a distance of 25.22 feet;
8. Thence N45°37'10"W, tangent with the following described curve, a distance of 351.73 feet;

9. Thence along the arc of a curve to the right, tangent with the following described curve, having a central angle of  $27^{\circ}54'00''$ , a radius of 650.96 feet, a chord bearing of  $N31^{\circ}40'10''W$  a distance of 313.86 feet, and an arc distance of 316.98 feet;
10. Thence along the arc of a curve to the right, non-tangent with the following described curve, having a central angle of  $15^{\circ}28'04''$ , a radius of 1,119.84 feet, a chord bearing of  $N9^{\circ}59'08''W$  a distance of 301.40 feet, and an arc distance of 302.32 feet;
11. Thence along the arc of a curve to the left, non-tangent with the following described curve, having a central angle of  $75^{\circ}51'13''$ , a radius of 508.00 feet, a chord bearing of  $N80^{\circ}19'08''W$  a distance of 624.49 feet, and an arc distance of 672.54 feet to the westerly line of said parcel of land;
12. Thence along the arc of a curve to the left, along said westerly line, having a central angle of  $8^{\circ}24'50''$ , a radius of 508.37 feet, a chord bearing of  $N27^{\circ}57'33''E$  a distance of 74.59 feet, and an arc distance of 74.65 feet;
13. Thence  $N23^{\circ}45'08''E$ , continuing along said westerly line, tangent with the previous described curve, a distance of 173.83 feet, more or less, to the POINT OF BEGINNING.

The above described parcel contains 127,651 square feet (2.930 acres), more or less.

Robert A. Boehm, PLS 34992  
 Colorado Licensed Professional Land Surveyor  
 For and on Behalf of Jacobs Engineering Group Inc.  
 707 17th Street, Suite 2400  
 Denver, CO 80202



**COLORADO DEPARTMENT OF TRANSPORTATION  
REAL PROPERTY**

**TO BE ACQUIRED**


Parcel Number: RW-10

**FROM**

City of Loveland  
410 E 5<sup>th</sup> St  
Loveland, CO 80537

**FOR**

Project Code: 20279  
Project Number: ER 0341-084 Unit 1  
Location: US34 – MP78.07 – MP78.69

  
**PROJECT CODE: 20279**  
**PROJECT NUMBER: ER 0341-084 UNIT 1**  
**PARCEL NUMBER: RW-10**  
**DATE: April 14, 2016**

**LEGAL DESCRIPTION**

Parcel No. RW-10 of the Department of Transportation, State of Colorado, Project No. ER 0341-084 UNIT 1, containing 27,538 square feet (0.632 acres), lying in the SE 1/4 of Section 1, Township 5 North, Range 71 West of the 6th P.M., being a portion of that certain parcel of land described in deed recorded at Reception No. 19260319776, Book 534, Page 160, on December 22, 1926, in the Larimer County Clerk and Recorder's office, being more particularly described as follows:

Commencing at the Center Quarter Corner of said Section 1 (a found 2" steel pipe with a 3.25" BLM Brass Cap Stamped "T5N R71W C1/4 S1 1976"), whence the East Quarter Corner of said Section 1 (a found 2.5" steel pipe with a 3.25" BLM Brass Cap Stamped "1/4 S1/S6 1976 T5N R71W") bears N88°02'59"E, a distance of 2,641.70 feet (basis of bearing - assumed); Thence S71°39'57"E, a distance of 1,886.37 feet to the northerly line of a parcel of land described in deed recorded in Book 593, Page 463, on January 22, 1937 and the POINT OF BEGINNING;

1. Thence S52°08'05"W, non-tangent with the following described curve, coincident with said northerly line, a distance of 127.68 feet to the easterly Right of Way line of the Department of Transportation, State of Colorado, Project No. 9-R-4;
2. Thence along the arc of a curve to the right, coincident with said easterly Right of Way line, non-tangent with the following described curve, having a central angle of 21°06'01", a radius of 981.84 feet, a chord bearing of N7°07'36"W a distance of 359.54 feet, and an arc distance of 361.58 feet;
3. Thence along the arc of a curve to the right, having a central angle of 25°14'23", a radius of 680.00 feet, a chord bearing of S28°16'07"E a distance of 297.14 feet, and an arc distance of 299.55 feet;
4. Thence S15°38'56"E, tangent with the previous described curve, a distance of 17.34 feet, more or less, to the POINT OF BEGINNING.

The above described parcel contains 27,538 square feet. (0.632 acres), more or less.

Robert A. Boehm, PLS 34992  
Colorado Licensed Professional Land Surveyor  
For and on Behalf of Jacobs Engineering Group Inc.  
707 17th Street, Suite 2400  
Denver, CO 80202





**COLORADO DEPARTMENT OF TRANSPORTATION  
REAL PROPERTY**

**TO BE ACQUIRED**

Parcel Number: RW-12

**FROM**

City of Loveland  
410 E 5<sup>th</sup> St  
Loveland, CO 80537

**FOR**

Project Code: 20279  
Project Number: ER 0341-084 Unit 1  
Location: US34 – MP78.07 – MP78.69



**PROJECT CODE: 20279**  
**PROJECT NUMBER: ER 0341-084 UNIT 1**  
**PARCEL NUMBER: RW-12**  
**DATE: April 15, 2016**

**LEGAL DESCRIPTION**

Parcel No. RW-12 of the Department of Transportation, State of Colorado, Project No. ER 0341-084 UNIT 1, containing 911 square feet (0.021 acres), lying in the SE 1/4 of Section 1, Township 5 North, Range 71 West of the 6th P.M., being a portion of that certain parcel of land described in deed recorded at Reception No. 19440540989, Book 774, Page 239, on July 18, 1944, in the Larimer County Clerk and Recorder’s office, being more particularly described as follows:

Commencing at the Center Quarter Corner of said Section 1 (a found 2” steel pipe with a 3.25” BLM Brass Cap Stamped “T5N R71W C1/4 S1 1976”), whence the East Quarter Corner of said Section 1 (a found 2.5” steel pipe with a 3.25” BLM Brass Cap Stamped “1/4 S1/S6 1976 T5N R71W”) bears N88°02'59"E, a distance of 2,641.70 feet (basis of bearing - assumed); Thence S63°51'08"E, a distance of 2,098.13 feet to the westerly line of said parcel of land and the POINT OF BEGINNING;

1. Thence S15°38'56"E, a distance of 69.32 feet to the northerly Right of Way line of the Department of Transportation, State of Colorado, Project No. 9-R-4;
2. Thence N45°37'10"W, coincident with said Right of Way line, a distance of 52.61 feet to the westerly line of said parcel of land;
3. Thence N32°14'42"E, coincident with said westerly line, a distance of 35.42 feet, more or less, to the POINT OF BEGINNING.

The above described parcel contains 911 square feet (0.021 acres), more or less.

Robert A. Boehm, PLS 34992  
Colorado Licensed Professional Land Surveyor  
For and on Behalf of Jacobs Engineering Group Inc.  
707 17th Street, Suite 2400  
Denver, CO 80202



**COLORADO DEPARTMENT OF TRANSPORTATION  
REAL PROPERTY**

**TO BE ACQUIRED**


Temporary Easement Number: TE-3

**FROM**

City of Loveland  
410 E 5<sup>th</sup> St  
Loveland, CO 80537

**FOR**

Project Code: 20279  
Project Number: ER 0341-084 Unit 1  
Location: US34 – MP78.07 – MP78.69

  
**PROJECT CODE: 20279**  
**PROJECT NUMBER: ER 0341-084 Unit 1**  
**TEMPORARY EASEMENT NUMBER: TE-3**  
**DATE: APRIL 15, 2016**

**LEGAL DESCRIPTION**

Temporary Easement No. TE-3 of the Department of Transportation, State of Colorado, Project Number ER 0341-084 Unit 1, containing 188,584 square feet (4.329 Acres), lying in the SE 1/4 of Section 1, Township 5 North, Range 71 West of the 6th P.M., being a portion of that certain parcel of land described in deed recorded at Reception No. 19260319776, Book 534, Page 160, on December 22, 1926, in the Larimer County Clerk and Recorder's office, being more particularly described as follows:

Commencing at the Center Quarter Corner of said Section 1 (a found 2" steel pipe with a 3.25" BLM Brass Cap Stamped "T5N R71W C1/4 S1 1976"), whence the East Quarter Corner of said Section 1 (a found 2.5" steel pipe with a 3.25" BLM Brass Cap Stamped "1/4 S1/S6 1976 T5N R71W") bears N88°02'59"E, a distance of 2,641.70 feet (basis of bearing - assumed); Thence S01°58'35"W, coincident with the westerly line of the Southeast Quarter of said Section 1, a distance of 300.76 feet to the POINT OF BEGINNING;

1. Thence S72°51'14"E, a distance of 66.13 feet to the northerly line of said parcel;
2. Thence S59°55'53"E, coincident with said northerly line, a distance of 220.93 feet;
3. Thence S74°04'57"E, continuing along said northerly line, a distance of 241.59 feet;
4. Thence S78°02'52"E, continuing along said northerly line, non-tangent with the following described curve, a distance of 141.43 feet;
5. Thence along the arc of a curve to the left and continuing along said northerly line, a radius of 508.37 feet, a central angle of 40°09'45", a chord bearing N52°14'51"E a distance of 349.10 feet, and an arc distance of 356.35 feet,
6. Thence along the arc of a curve to the right, non-tangent with the previous and following described curves, a radius of 508.00 feet, a central angle of 75°51'13", a chord bearing S80°19'08"E a distance of 624.49 feet, and an arc distance of 672.54 feet;
7. Thence along the arc of a curve to the left, a radius of 1,119.84 feet, a central angle of 15°28'04", a chord bearing S09°59'08"E a distance of 301.40 feet, and an arc distance of 302.32 feet;
8. Thence along the arc of a curve to the left, tangent with the previous described curve, a radius of 650.96 feet, a central angle of 27°54'00", a chord bearing S31°40'10"E a distance of 313.86 feet, and an arc distance of 316.98 feet;
9. Thence S45°37'10"E, tangent with the previous described curve, a distance of 351.73 feet to the South line of the North Half of the said Southeast Quarter;
10. Thence S88°51'07"W, contiguous with said South line, a distance of 70.67 feet;
11. Thence N45°02'11"W, tangent with the following described curve, a distance of 318.02 feet;

12. Thence along the arc of a curve to the right, a radius of 500.00 feet, a central angle of  $26^{\circ}43'06''$ , a chord bearing  $N31^{\circ}40'38''W$  a distance of 231.05 feet, and an arc distance of 233.16 feet;
13. Thence  $N18^{\circ}19'05''W$ , tangent with the previous described curve and non-tangent with the following described curve, a distance of 311.88 feet;
14. Thence along the arc of a curve to the left, a radius of 412.00 feet, a central angle of  $83^{\circ}24'36''$ , a chord bearing  $N78^{\circ}48'34''W$  a distance of 548.20 feet, and an arc distance of 599.78 feet;
15. Thence  $S32^{\circ}03'45''W$ , non-tangent with the previous described curve, a distance of 52.50 feet;
16. Thence  $S43^{\circ}42'07''W$ , a distance of 67.42 feet;
17. Thence  $S61^{\circ}05'53''W$ , tangent with the following described curve, a distance of 177.74 feet;
18. Thence along the arc of a curve to the right, a radius of 200.00 feet, a central angle of  $46^{\circ}59'04''$ , a chord bearing  $S84^{\circ}35'25''W$  a distance of 159.45 feet, and an arc distance of 164.01 feet;
19. Thence  $N71^{\circ}55'03''W$ , tangent with the previous described curve, a distance of 576.12 feet to the said westerly line of the Southeast Quarter of said Section 1;
20. Thence  $N01^{\circ}58'35''E$ , coincident with said westerly line, a distance of 120.00 feet, more or less, to the POINT OF BEGINNING.

The above described parcel contains 188,584 square feet (4.329 Acres), more or less, for construction of highway and drainage facilities.

Robert A. Boehm, PLS 34992  
 Colorado Licensed Professional Land Surveyor  
 For and on the behalf of  
 Jacobs Engineering Group, Inc  
 707 17<sup>th</sup> Street, Suite 2400  
 Denver, CO 80202



**COLORADO DEPARTMENT OF TRANSPORTATION  
REAL PROPERTY**

**TO BE ACQUIRED**

Temporary Easement Number: TE-3A

**FROM**

City of Loveland  
410 E 5<sup>th</sup> St  
Loveland, CO 80537

**FOR**

Project Code: 20279  
Project Number: ER 0341-084 Unit 1  
Location: US34 – MP78.07 – MP78.69

**PROJECT CODE: 20279**  
**PROJECT NUMBER: ER 0341-084 Unit 1**  
**TEMPORARY EASEMENT NUMBER: TE-3A**  
**DATE: APRIL 22, 2016**

**LEGAL DESCRIPTION**

Temporary Easement No. TE-3A of the Department of Transportation, State of Colorado, Project Number ER 0341-084 Unit 1, containing 71,936 square feet (1.651 Acres), lying in the SE 1/4 of Section 1, Township 5 North, Range 71 West of the 6th P.M., being a portion of that certain parcel of land described in deed recorded at Reception No. 19260319776, Book 534, Page 160, on December 22, 1926, in the Larimer County Clerk and Recorder's office, being more particularly described as follows:

Commencing at the Center Quarter Corner of said Section 1 (a found 2" steel pipe with a 3.25" BLM Brass Cap Stamped "T5N R71W C1/4 S1 1976"), whence the East Quarter Corner of said Section 1 (a found 2.5" steel pipe with a 3.25" BLM Brass Cap Stamped "1/4 S1/S6 1976 T5N R71W") bears N88°02'59"E, a distance of 2,641.70 feet (basis of bearing - assumed); Thence N88°02'59"E, coincident with the northerly line of the Southeast Quarter of said Section 1, a distance of 1,050.61 feet to the POINT OF BEGINNING;

1. Thence N88°02'59"E, non-tangent with the following described curve, continuing along said northerly line, a distance of 418.69 feet to the westerly Right of Way line of the Department of Transportation, State of Colorado, Project No. 9-R-5 and the easterly line of said parcel of land;
2. Thence along the arc of a curve to the right, coincident with said westerly Right of Way line and said easterly parcel line, a central angle of 11°40'08", a radius of 241.57 feet, a chord bearing S28°48'14"E a distance of 49.11 feet, and an arc distance of 49.20 feet;
3. Thence along the arc of a curve to the right, tangent with the previous described curve and non-tangent with the following described curve, continuing along said westerly Right of Way line and said easterly parcel line, a central angle of 24°09'52", a radius of 512.89 feet, a chord bearing S10°53'14"E a distance of 214.71 feet, and an arc distance of 216.31 feet;
4. Thence along the arc of a curve to the left, a central angle of 47°12'36", a radius of 686.00 feet, a chord bearing N77°46'51"W a distance of 549.39 feet, and an arc distance of 565.24 feet;
5. Thence N23°45'08"E, non-tangent with the previous described curve, a distance of 134.77 feet, more or less, to the POINT OF BEGINNING.

The above described parcel contains 71,936 square feet (1.651 Acres), more or less, for construction of highway and drainage facilities.

Robert A. Boehm, PLS 34992  
 Colorado Licensed Professional Land Surveyor  
 For and on Behalf of Jacobs Engineering Group Inc.  
 707 17th Street, Suite 2400  
 Denver, CO 80202



**COLORADO DEPARTMENT OF TRANSPORTATION  
REAL PROPERTY**

**TO BE ACQUIRED**

Temporary Easement Number: TE-10


**FROM**

City of Loveland  
410 E 5<sup>th</sup> St  
Loveland, CO 80537

**FOR**

Project Code: 20279  
Project Number: ER 0341-084 Unit 1  
Location: US34 – MP78.07 – MP78.69



  
**PROJECT CODE: 20279**  
**PROJECT NUMBER: ER 0341-084 UNIT 1**  
**TEMPORARY EASEMENT NUMBER: TE-10**  
**DATE: April 19, 2016**

**LEGAL DESCRIPTION**

Temporary Easement No. TE-10 of the Department of Transportation, State of Colorado, Project Number ER 0341-084 Unit 1, containing 9,258 square feet (0.213 Acres), lying in the SE 1/4 of Section 1, Township 5 North, Range 71 West of the 6th P.M., being a portion of that certain parcel of land described in deed recorded at Reception No. 19260319776, December 22, 1926, in the Larimer County Clerk and Recorder's office, being more particularly described as follows:

Commencing at the Center Quarter Corner of said Section 1 (a found 2" steel pipe with a 3.25" BLM Brass Cap Stamped "T5N R71W C1/4 S1 1976"), whence the East Quarter Corner of said Section 1 (a found 2.5" steel pipe with a 3.25" BLM Brass Cap Stamped "1/4 S1/S6 1976 T5N R71W") bears N88°02'59"E, a distance of 2,641.70 feet (basis of bearing - assumed); Thence S82°59'56"E, a distance of 1,665.11 feet to the easterly Right of Way line of the Department of Transportation, State of Colorado, Project No. 9-R-5 and the POINT OF BEGINNING;

1. Thence S22°12'09"E, tangent with the following describe curve, a distance of 333.40 feet;
2. Thence along the arc of a curve to the right, having a central angle of 06°33'14", a radius of 680.00 feet, a chord bearing of S18°55'32"E a distance of 77.74 feet, and an arc distance of 77.78 feet to the easterly line of a parcel of land described in deed recorded at Reception No. 1937044918, Book 593, Page 463, on January 22, 1937;
3. Thence N42°39'24"W, contiguous with said easterly line, non-tangent with the previous described curve, a distance of 1.69 feet;
4. Thence S52°08'05"W, contiguous with the north line of said parcel recorded at Reception No. 1937044918, a distance of 15.38 feet;
5. Thence N15°38'56"W, tangent with the following described curve, a distance of 17.34 feet;
6. Thence along the arc of a curve to the left, non-tangent with the following described curve, having a central angle of 25°14'23", a radius of 680.00 feet, a chord bearing of N28°16'07"W a distance of 297.14 feet, and an arc distance of 299.55 feet to the easterly Right of Way line of the Department of Transportation, State of Colorado, Project No. 9-R-5;
7. Thence along the arc of a curve to the right, contiguous with said easterly Right of Way line, having a central angle of 01°11'25", a radius of 981.84 feet, a chord bearing N04°01'07"E a distance of 20.40 feet, and an arc distance of 20.40 feet;
8. Thence N04°36'50"E, continuing along said easterly Right of Way line, tangent with the previous and following described curves, a distance of 50.70 feet;

9. Thence along the arc of a curve to the left, continuing along said easterly Right of Way line, having a central angle of  $03^{\circ}43'44''$ , a radius of 632.89 feet, a chord bearing  $N02^{\circ}44'58''E$  a distance of 41.18 feet, and an arc distance of 41.19 feet, more or less, to the POINT OF BEGINNING.

The above described parcel contains 9,258 square feet. (0.213 acres), more or less, for construction of highway & drainage facilities.

Robert A. Boehm, PLS 34992  
Colorado Licensed Professional Land Surveyor  
For and on the behalf of  
Jacobs Engineering Group, Inc  
707 17th Street, Suite 2400  
Denver, CO 80202



**COLORADO DEPARTMENT OF TRANSPORTATION  
REAL PROPERTY**

**TO BE ACQUIRED**

Temporary Easement Number: TE-12

**FROM**

City of Loveland  
410 E 5<sup>th</sup> St  
Loveland, CO 80537

**FOR**

Project Code: 20279  
Project Number: ER 0341-084 Unit 1  
Location: US34 – MP78.07 – MP78.69

**PROJECT CODE: 20279**  
**PROJECT NUMBER: ER 0341-084 Unit 1**  
**TEMPORARY EASEMENT NUMBER: TE-12**  
**DATE: APRIL 25, 2016**

**LEGAL DESCRIPTION**

Temporary Easement No. TE-12 of the Department of Transportation, State of Colorado, Project Number ER 0341-084 Unit 1, containing 1,919 square feet (0.044 Acres), lying in the SE 1/4 of Section 1, Township 5 North, Range 71 West of the 6th P.M., being a portion of that certain parcel of land described in deed recorded at Reception No. 19440540989, Book 774, Page 239, on July 18, 1944, in the Larimer County Clerk and Recorder's office, being more particularly described as follows:

Commencing at the Center Quarter Corner of said Section 1 (a found 2" steel pipe with a 3.25" BLM Brass Cap Stamped "T5N R71W C1/4 S1 1976"), whence the East Quarter Corner of said Section 1 (a found 2.5" steel pipe with a 3.25" BLM Brass Cap Stamped "1/4 S1/S6 1976 T5N R71W") bears N88°02'59"E, a distance of 2,641.70 feet (basis of bearing - assumed); Thence S64°24'03"E, a distance of 2,100.37 feet to the northwesterly line of said parcel of land, and the POINT OF BEGINNING;

1. Thence S15°38'56"E, a distance of 58.85 feet;
2. Thence S45°37'10"E, a distance of 42.29 feet to the southeasterly line of said parcel;
3. Thence S32°14'42"W, coincidence with said southeasterly line, a distance of 25.57 feet to the northeasterly Right of Way line of the Department of Transportation, State of Colorado, Project No. 9-R-4;
4. Thence N45°37'10"W, coincident with the northeasterly Right of Way line, a distance of 34.34 feet;
5. Thence N15°38'56"W, a distance of 69.32 feet to the said northwesterly line;
6. Thence N32°14'42"E, coincident with said northwesterly line, a distance of 20.22 feet to the POINT OF BEGINNING.

The above described parcel contains 1,919 square feet (0.044 Acres), more or less, for construction of highway and drainage facilities.

Robert A. Boehm, PLS 34992  
Colorado Licensed Professional Land Surveyor  
For and on the behalf of  
Jacobs Engineering Group, Inc  
707 17<sup>th</sup> Street, Suite 2400  
Denver, CO 80202



**COLORADO DEPARTMENT OF TRANSPORTATION  
REAL PROPERTY**

**TO BE ACQUIRED**

Temporary Easement Number: TE-13

**FROM**

City of Loveland  
410 E 5<sup>th</sup> St  
Loveland, CO 80537

**FOR**

Project Code: 20279  
Project Number: ER 0341-084 Unit 1  
Location: US34 – MP78.07 – MP78.69



**PROJECT CODE: 20279**  
**PROJECT NUMBER: ER 0341-084 Unit 1**  
**TEMPORARY EASEMENT NUMBER: TE-13**  
**DATE: APRIL 21, 2016**

**LEGAL DESCRIPTION**

Temporary Easement No. TE-13 of the Department of Transportation, State of Colorado, Project Number ER 0341-084 Unit 1, containing 1,968 square feet (0.045 Acres), lying in the SE 1/4 of Section 1, Township 5 North, Range 71 West of the 6th P.M., being a portion of that certain parcel of land described in deed recorded at Reception No. 19440540991, Book 774, Page 243, on July 18, 1944, in the Larimer County Clerk and Recorder’s office, being more particularly described as follows:

Commencing at the Center Quarter Corner of said Section 1 (a found 2” steel pipe with a 3.25” BLM Brass Cap Stamped “T5N R71W C1/4 S1 1976”), whence the East Quarter Corner of said Section 1 (a found 2.5” steel pipe with a 3.25” BLM Brass Cap Stamped “1/4 S1/S6 1976 T5N R71W”) bears N88°02'59"E, a distance of 2,641.70 feet (basis of bearing - assumed); Thence S62°52'47"E, a distance of 2,179.97 feet to the intersection of a line parallel with and 25 feet northeasterly from the northeasterly Right of Way line of the Department of Transportation, State of Colorado, Project No. 9-R-4 and the northwesterly line of said parcel of land, and the POINT OF BEGINNING;

1. Thence S45°37'10"E, parallel with and 25 feet northeasterly from said northeasterly Right of Way line, a distance of 83.22 feet;
2. Thence S52°40'54"W, a distance of 25.26 feet to the said northeasterly Right of Way line;
3. Thence N45°37'10"W, coincident with said northeasterly Right of Way line, a distance of 74.19 feet to said northwesterly line;
4. Thence N32°14'42"E, coincident with said northwesterly line, a distance of 25.57 feet, more or less, to the POINT OF BEGINNING.

The above described parcel contains 1,968 square feet (0.045 Acres), more or less, for construction of highway and drainage facilities.

Robert A. Boehm, PLS 34992  
Colorado Licensed Professional Land Surveyor  
For and on the behalf of  
Jacobs Engineering Group, Inc  
707 17<sup>th</sup> Street, Suite 2400  
Denver, CO 80202



**COLORADO DEPARTMENT OF TRANSPORTATION  
REAL PROPERTY**

**TO BE ACQUIRED**

Temporary Easement Number: TE-14

**FROM**

City of Loveland  
410 E 5<sup>th</sup> St  
Loveland, CO 80537

**FOR**

Project Code: 20279  
Project Number: ER 0341-084 Unit 1  
Location: US34 – MP78.07 – MP78.69

**PROJECT CODE: 20279**  
**PROJECT NUMBER: ER 0341-084 Unit 1**  
**TEMPORARY EASEMENT NUMBER: TE-14**  
**DATE: APRIL 21, 2016**

**LEGAL DESCRIPTION**

Temporary Easement No. TE-14 of the Department of Transportation, State of Colorado, Project Number ER 0341-084 Unit 1, containing 1,868 square feet (0.043 Acres), lying in the SE 1/4 of Section 1, Township 5 North, Range 71 West of the 6th P.M., being a portion of that certain parcel of land described in deed recorded at Book 774, Page 243, on July 18, 1944, in the Larimer County Clerk and Recorder's office, being more particularly described as follows:

Commencing at the Center Quarter Corner of said Section 1 (a found 2" steel pipe with a 3.25" BLM Brass Cap Stamped "T5N R71W C1/4 S1 1976"), whence the East Quarter Corner of said Section 1 (a found 2.5" steel pipe with a 3.25" BLM Brass Cap Stamped "1/4 S1/S6 1976 T5N R71W") bears N88°02'59"E, a distance of 2,641.70 feet (basis of bearing - assumed); Thence S61°45'32"E, a distance of 2,326.94 feet to the intersection of a line parallel with and 25 feet northeasterly from the northeasterly Right of Way line of the Department of Transportation, State of Colorado, Project No. 9-R-4 and the southeasterly line of said parcel of land, and the POINT OF BEGINNING;

1. Thence S32°14'42"W, coincident with said southeasterly line, a distance of 25.57 feet to the said northeasterly Right of Way line;
2. Thence N45°37'10"W, coincident with said northeasterly Right of Way line, a distance of 79.23 feet;
3. Thence N52°40'54"E, a distance of 25.26 feet to said parallel line;
4. THENCE S45°37'10"E, parallel with and 25 feet northeasterly from said northeasterly Right of Way line, a distance of 70.21 feet, more or less, to the POINT OF BEGINNING.

The above described parcel contains 1868 square feet (0.043 Acres), more or less, for construction of highway and drainage facilities.

Robert A. Boehm, PLS 34992  
Colorado Licensed Professional Land Surveyor  
For and on the behalf of  
Jacobs Engineering Group, Inc  
707 17<sup>th</sup> Street, Suite 2400  
Denver, CO 80202





**COLORADO DEPARTMENT OF TRANSPORTATION  
REAL PROPERTY**

**TO BE ACQUIRED**

Temporary Easement Number: TE-15

**FROM**

City of Loveland  
410 E 5<sup>th</sup> St  
Loveland, CO 80537

**FOR**

Project Code: 20279  
Project Number: ER 0341-084 Unit 1  
Location: US34 – MP78.07 – MP78.69

**PROJECT CODE: 20279**  
**PROJECT NUMBER: ER 0341-084 Unit 1**  
**TEMPORARY EASEMENT NUMBER: TE-15**  
**DATE: APRIL 20, 2016**

**LEGAL DESCRIPTION**

Temporary Easement No. TE-15 of the Department of Transportation, State of Colorado, Project Number ER 0341-084 Unit 1, containing 3,039 square feet (0.070 Acres), lying in the SE 1/4 of Section 1, Township 5 North, Range 71 West of the 6th P.M., being a portion of that certain parcel of land described in deed recorded at Reception No. 19440540990, Book 774, Page 241, on July 18, 1944, in the Larimer County Clerk and Recorder's office, being more particularly described as follows:

Commencing at the Center Quarter Corner of said Section 1 (a found 2" steel pipe with a 3.25" BLM Brass Cap Stamped "T5N R71W C1/4 S1 1976"), whence the East Quarter Corner of said Section 1 (a found 2.5" steel pipe with a 3.25" BLM Brass Cap Stamped "1/4 S1/S6 1976 T5N R71W") bears N88°02'59"E, a distance of 2,641.70 feet (basis of bearing - assumed); Thence S61°45'32"E, a distance of 2,326.94 feet to the intersection of a line parallel with and 25 feet northeasterly from the northeasterly Right of Way line of the Department of Transportation, State of Colorado, Project No. 9-R-4 and the northwesterly line of said parcel of land, and the POINT OF BEGINNING;

1. Thence S45°37'10"E, parallel with and 25 feet northeasterly from said northeasterly Right of Way line, a distance of 114.53 feet to the easterly line of said parcel of land;
2. Thence S00°01'56"E, coincident with said easterly line, a distance of 23.79 feet to said northeasterly Right of Way line;
3. Thence S88°59'46"W, coincident with said northeasterly Right of Way line, a distance of 11.25 feet;
4. Thence N45°37'10"W, continuing along with said northeasterly Right of Way line, a distance of 117.90 feet to said northwesterly parcel line;
5. Thence N32°14'42"E, coincident with said northwesterly parcel line, a distance of 25.57 feet, more or less, to the POINT OF BEGINNING;

The above described parcel contains 3,039 square feet (0.070 Acres), more or less, for construction of highway and drainage facilities.

Robert A. Boehm, PLS 34992  
Colorado Licensed Professional Land Surveyor  
For and on the behalf of  
Jacobs Engineering Group, Inc  
707 17<sup>th</sup> Street, Suite 2400  
Denver, CO 80202



EXHIBIT A

INDIAN VILLAGE

HORSESHOE CURVE

VIESTENZ-SMITH MOUNTAIN PARK

CEDAR COVE

NORTH



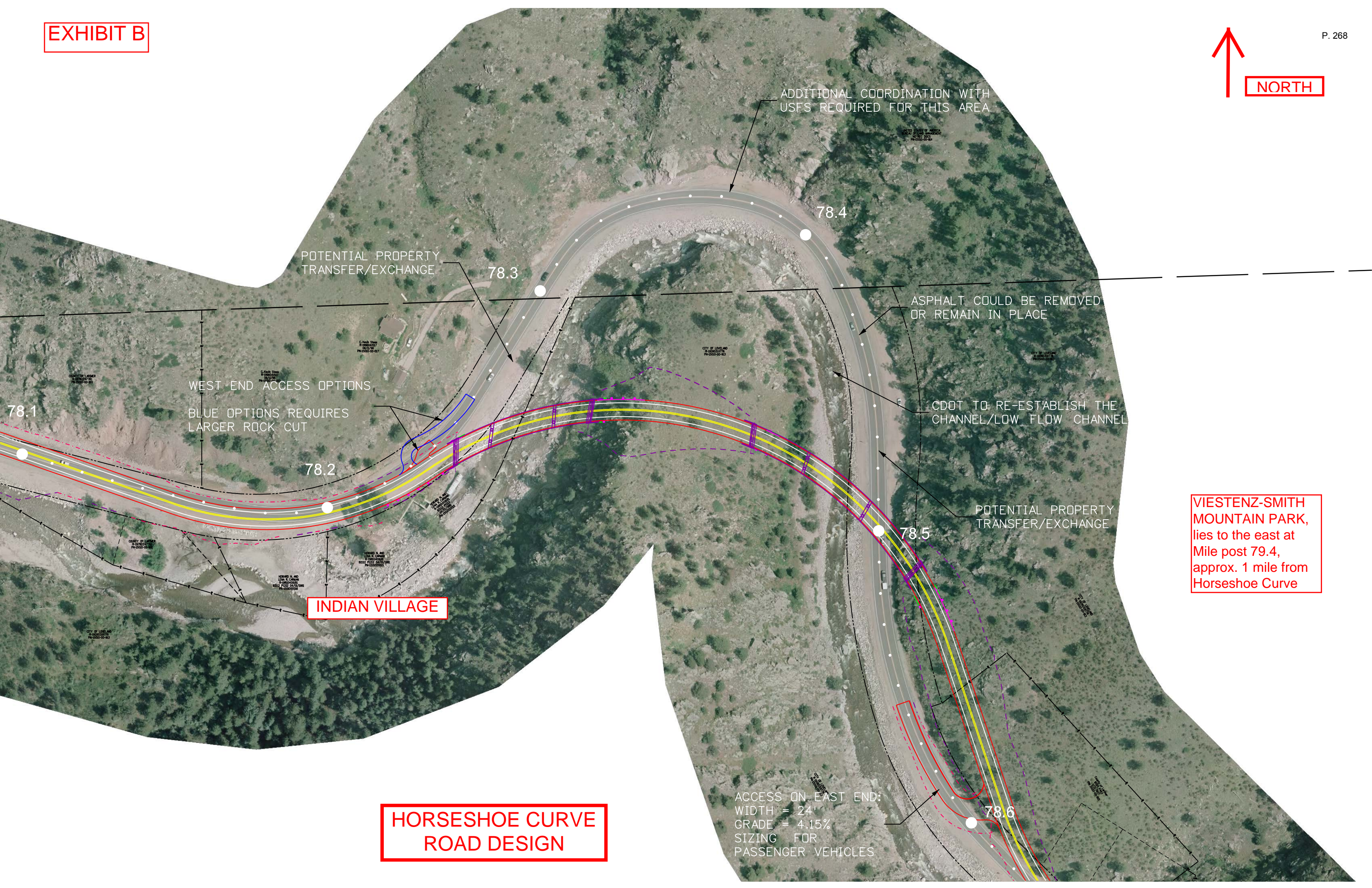
P. 267

Google earth

© 2016 Google

1999

Imagery Date: 6/19/2014 40°25'18.49" N 105°17'02.28" W elev 5828 ft eye alt 14751 ft



POTENTIAL PROPERTY TRANSFER/EXCHANGE

78.3

ADDITIONAL COORDINATION WITH USFS REQUIRED FOR THIS AREA

78.4

ASPHALT COULD BE REMOVED OR REMAIN IN PLACE

WEST END ACCESS OPTIONS

BLUE OPTIONS REQUIRES LARGER ROCK CUT

78.2

CDOT TO RE-ESTABLISH THE CHANNEL/LOW FLOW CHANNEL

POTENTIAL PROPERTY TRANSFER/EXCHANGE

78.5

INDIAN VILLAGE

VIESTENZ-SMITH MOUNTAIN PARK, lies to the east at Mile post 79.4, approx. 1 mile from Horseshoe Curve

HORSESHOE CURVE ROAD DESIGN

ACCESS ON EAST END: WIDTH = 24' GRADE = 4.15% SIZING FOR PASSENGER VEHICLES

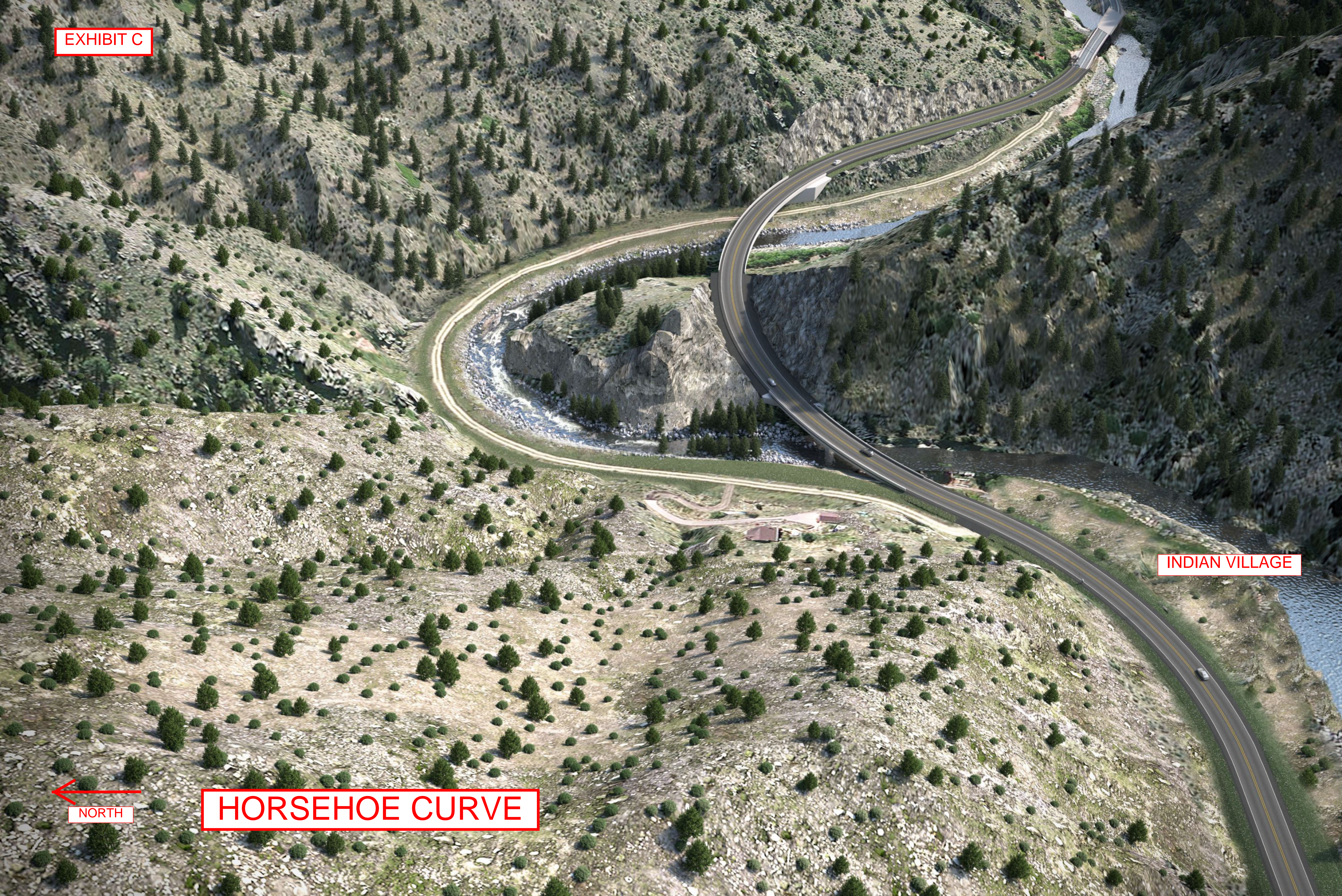
78.6

EXHIBIT C

INDIAN VILLAGE

← NORTH

HORSEHOE CURVE





**COLORADO**

Department of  
Transportation

# City of Loveland / CDOT Possession and Use Agreement

Heather Paddock, CDOT Flood Recovery  
Office

Nicole Hahn, Project Engineer  
Bob Grube, R4 ROW Manager



# Why We're Doing All This Work

It will flood again!



## Reduce Impact and Risk

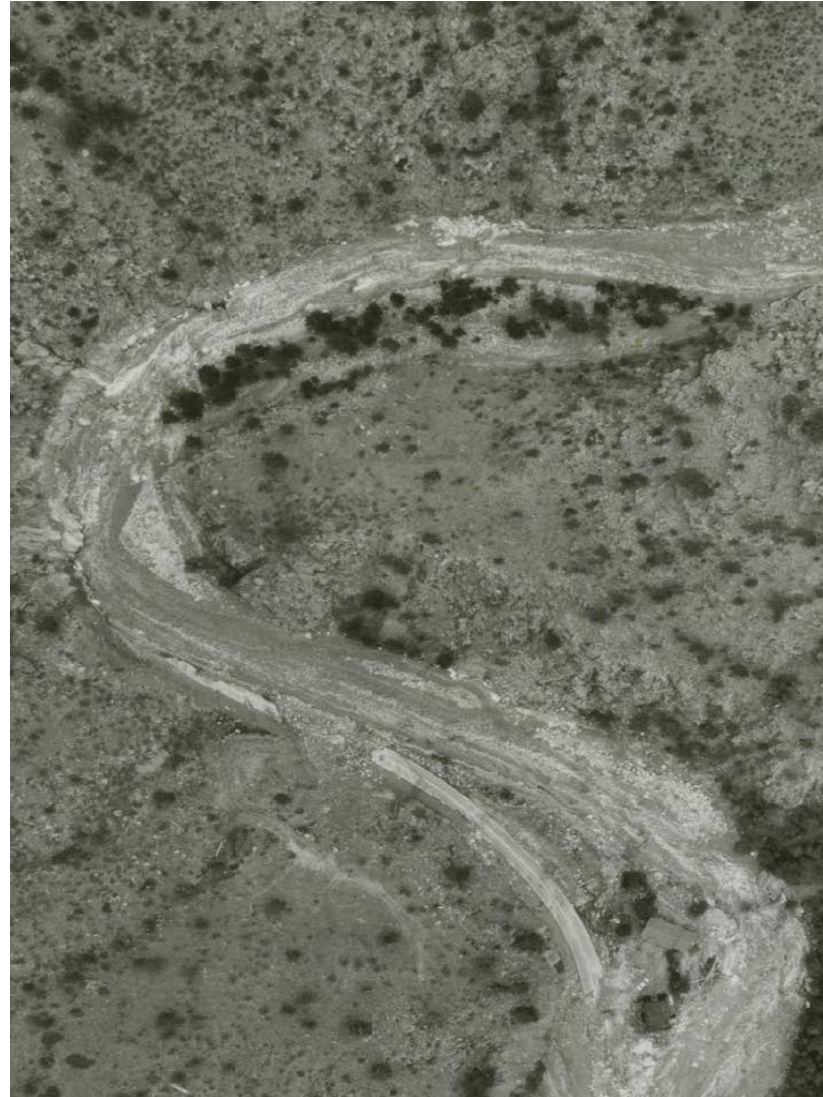
- Maintain evacuation routes and emergency access
- Avoid air evacuations
- Reestablish access to homes and businesses more quickly
- Mother Nature will do what she wants - let's give her room



# Horseshoe 1976

## Horseshoe Curve by Indian Village

- 1976 flood damage
- Loss of roadway







# Horseshoe 2013



# Horseshoe



- Alignment swap most resilient option
- Add two new structures and let river do what it wants



# Need for Agreement

- Reduce construction duration and overall Impacts
- Allow low impact construction activities this coming tourism season
- Horseshoe rock cut is time sensitive/critical path work
- Agreement allows construction schedule to be accelerated



# ROW Challenges for Construction <sup>P. 276</sup> Package 1 - Horseshoe

- Fast tracked early out construction package with aggressive preconstruction schedule.
- ROW plan approval needed at milestone in ROW process for ROW Plan approval.
- Not enough time to work through other required steps – appraisal, appraisal review, acquisition negotiation.



# Possession and Use Agreement

- Loveland grants CDOT possession of Loveland Fee Simple and Temporary Easement Parcels so Kiewit can enter and occupy the parcels to construct CP1.
- CDOT commits to attempt to negotiate trade.
- If trade cannot be worked out in three months, CDOT will acquire the parcels in the usual federal aid process:
  - Appraisal
  - Appraisal Review
  - Acquisition Negotiation



# If Parties Cannot Agree on Price for <sup>P-278</sup> Parcels

- Dispute resolution process:
  - Elevated to CDOT Region 4 North Program Engineer and the Loveland Parks and Recreation Director
  - Elevated to CDOT's Region 4 Transportation Director and the Loveland City Manager
  - If not resolved, file for a condemnation and set for a valuation trial



# Advantages of Possession and Use Agreement <sup>. 279</sup>

- ROW can be cleared for July construction
- Loveland's rights to be paid at fair market value are preserved.
- CDOT and Loveland have a reasonable time frame to attempt to negotiate a trade.

# Project Contacts



- James Usher, CDOT US 34 Project Director
- Heather Paddock, CDOT Flood Recovery Office
- Corey Stewart, CDOT Reg. 4 North Program Engr.
  
- Call (720) 263-1589
  
- Visit our website  
[www.codot.gov/projects/floodrelatedprojects/us-34-big-thompson-canyon-1](http://www.codot.gov/projects/floodrelatedprojects/us-34-big-thompson-canyon-1)



**AGENDA ITEM:** 11  
**MEETING DATE:** 5/17/2016  
**TO:** City Council  
**FROM:** Tami Yellico, City Attorney's Office  
**PRESENTER:** Tami Yellico, City Attorney

**TITLE:**

An Ordinance Granting Larimer County An Exemption From Certain Capital Expansion Fees And Other Development Fees For The Larimer County Animal Shelter Project And Authorizing The City Manager To Enter Into An Intergovernmental Agreement With The County For The Payment Of The Remainder Of The Fees

**RECOMMENDED CITY COUNCIL ACTION:**

Conduct a Public Hearing and adopt the ordinance on first reading.

**OPTIONS:**

1. Adopt the action as recommended.
2. Deny the action.
3. Adopt a modified action.
4. Refer back to staff for further development and consideration.

**SUMMARY:**

This is an administrative action to consider approving an Ordinance Granting Larimer County An Exemption from Certain Capital Expansion Fees and other Development Fees for the Larimer County Animal Shelter Project.

Staff will update City Council on discussions with Larimer County regarding waiving certain capital expansion fees (CEFs) and other impacts fees assessed to Larimer County by the City in the amount of approximately \$7,080 for the construction of a new animal shelter within the City and not to require reimbursement of such fees to the CEFs by the general fund or other fund.

**BUDGET IMPACT:**

- Positive  
 Negative  
 Neutral or negligible

**BACKGROUND:**

In November 2014 the citizens of the County voted in favor of a sales tax increase to fund construction of a new animal shelter to replace the animal shelter built in 1974 and located in south Fort Collins. The shelter will be located at 3437 East 71st Street on property owned by the Larimer Humane Society. Following construction of the shelter the County will transfer the shelter to the Larimer Humane Society.

In order to construct the shelter in the City, the County is subject to certain development fees, including capital expansion fees and other impact fees in the total amount of \$123,228. While the County has historically paid some of these fees, the County has raised concerns about the City's authority to assess fees to another governmental entity and desires to forego payment of the fees in order to maximize the use of funds raised for construction of the Shelter. The City supports the desire, but the City Code does not have a specific provision relating to the waiver of impact fees for governmental entities and the subsequent transfer of the shelter. The City Code provisions

that may allow waiver of the Development Fees would place unnecessary regulatory requirements on the County by requiring development agreements and deed restrictions, or negatively impact the general fund or other City funds by requiring reimbursement to the capital expansion funds of the Development Fees.

The proposed Ordinance was on City Council’s April 5, 2016 agenda and continued to April 19, 2016. At the April 19 meeting Council directed staff to bring the item back at a future meeting once discussions with Larimer County occurred.

The City staff is proposing an ordinance to waive certain fees because it believes that the City Code does not effectively address the unique circumstances of this project and waiver of the fees is in the best interest of the public by encouraging construction of the shelter which will provide significant social, economic and cultural benefits to the citizens. The fees that staff is recommending be waived include the following:

- \$1,900 in Law Enforcement CEFs
- \$2,280 in General Government CEFs
- \$1,450 in street inspection fees
- \$1,450 in street inspection fees

Total amount of recommended fee waiver is \$7,080.

The total amount of the impact fees that the County would agree to pay is \$116,148. The City would allocate this payment to the following fees:

- \$39,928 for road widening of County Road 30 (full amount, no waiver)
- \$63,080 for Street Capital Expansion fees (full amount, no waiver)
- \$12,000 for Stormwater Investment Fees (based on direct impact, not the customary calculation method)
- \$1,140 for Fire CEFs (full amount, no waiver)

This payment provides the total amount due for road impact fees. The payment amount for stormwater investment fees is reasonably related to the direct impact of the animal shelter on a City stormwater pipe to be built later this year. The calculation for the stormwater investment fee has been reduced to \$12,000, which is different from the customary fee calculation that uses a “per developed acre” approach that was 19.642 acres x \$4,950/acre = \$97,227.90. Staff has reviewed the direct impact of the County animal shelter and according to Public Works stormwater engineering staff a stormwater fee of \$12,000 would adequately represent the animal shelter’s impact on the system.

The payment amount includes Fire fees for Loveland Fire Rescue Authority (LFRA), which the City cannot unilaterally waive (would require the Loveland Rural Fire Protection District and the LFRA Board to act).

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**REVIEWED BY CITY MANAGER:**




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**LIST OF ATTACHMENTS:**

1. Ordinance: Waiving Fees in a total amount of \$7,080
2. Intergovernmental Agreement Between Larimer County and the City of Loveland Concerning Impact Fees Associated with the Construction of an Animal Shelter

**FIRST READING: May 17, 2016**

**SECOND READING: \_\_\_\_\_**

**ORDINANCE NO. \_\_\_\_\_**

**AN ORDINANCE GRANTING LARIMER COUNTY AN EXEMPTION FROM CERTAIN CAPITAL EXPANSION FEES AND OTHER DEVELOPMENT FEES FOR THE LARIMER COUNTY ANIMAL SHELTER PROJECT AND AUTHORIZING THE CITY MANAGER TO ENTER INTO AN INTERGOVERNMENTAL AGREEMENT WITH THE COUNTY FOR THE PAYMENT OF THE REMAINDER OF THE FEES**

**WHEREAS**, in November 2014 the citizens of Larimer County (the “County”) voted in favor of a sales tax increase to fund construction of a new animal shelter (the “Shelter”) to replace the animal shelter built in 1974 and located in south Fort Collins; and

**WHEREAS**, the County selected 3437 East 71<sup>st</sup> Street, a site located in the City of Loveland (the “City”) and owned by the Larimer Humane Society, a private nonprofit organization, for construction of the Shelter; and

**WHEREAS**, following construction of the Shelter the County intends to deliver the Shelter to the Larimer Humane Society pursuant to a deed restriction that ensures the continued use of the Shelter as an animal shelter for the benefit of the public; and

**WHEREAS**, in order to construct the Shelter in the City, the County is subject to certain development fees, including capital expansion fees and other impact fees identified and estimated in **Exhibit “A”** attached hereto and incorporated by reference (collectively, the “Development Fees”); and

**WHEREAS**, the County desires to forego payment of certain Development Fees, in order to maximize the use of funds raised through the sales tax increase for construction of the Shelter; and the City is willing to waive the Law Enforcement Capital Expansion Fees, General Government Fees, Street Inspection Fees, and Stormwater Inspection Fees; and

**WHEREAS**, the City desires to encourage use of such funds for construction of the Shelter, but the City Code does not have a specific provision relating to the waiver of capital expansion fees and other impact fees for governmental entities, and the subsequent transfer of the Shelter to a non-profit agency; and

**WHEREAS**, City Code provisions that may allow waiver of the Development Fees would place unnecessary regulatory requirements on the County by requiring development agreements and deed restrictions, or negatively impact the general fund or other City funds by requiring reimbursement to the capital expansion funds of the Development Fees; and

**WHEREAS**, the City believes that such waiver of the Law Enforcement Capital Expansion Fees, General Government Fees, Street Inspection Fees, and Stormwater Inspection Fees by ordinance to address the unique circumstances set forth above will be in the best interest of the public by encouraging construction of the Shelter that will, in turn, offer services that provide significant social, economic and cultural benefits to the citizens.

**WHEREAS**, the City and County desire to enter into an intergovernmental agreement for the payment of the remainder of the Development Fees due; and

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF LOVELAND, COLORADO:**

**Section 1.** That the City Council hereby finds that waiver of the Law Enforcement Capital Expansion Fees, General Government Fees, Street Inspection Fees, and Stormwater Inspection Fees for construction of the Shelter is in the best interest of the public by encouraging activities that provide significant social, economic or cultural benefits as identified above.

**Section 2.** That the Law Enforcement Capital Expansion Fees, General Government Fees, Street Inspection Fees, and Stormwater Inspection Fees in a total approximate amount of **\$7,080**, are hereby waived up to the actual amount of such fees assessed by the City for the purpose described above and there shall be no reimbursement to the capital expansion funds by the general fund or any other fund.

**Section 3.** The City Manager is authorized to enter into an intergovernmental agreement with the County, in a form approved by the City Attorney, for the payment by the County of \$116,148 in Development Fees for the Shelter project.

**Section 4.** That as provided in City Charter Section 4-9(a)(7), this Ordinance shall be published by title only by the City Clerk after adoption on second reading unless the Ordinance has been amended since first reading in which case the Ordinance shall be published in full or the amendments shall be published in full. This Ordinance shall be in full force and effect ten days after its final publication, as provided in City Charter Section 4-8(b).

**ADOPTED** this \_\_\_ day of \_\_\_\_\_, 2016.

\_\_\_\_\_  
Cecil A. Gutierrez, Mayor

ATTEST:

\_\_\_\_\_  
City Clerk

APPROVED AS TO FORM:

  
Assistant City Attorney

AN ORDINANCE GRANTING LARIMER COUNTY AN EXEMPTION FROM CERTAIN CAPITAL EXPANSION FEES AND OTHER DEVELOPMENT FEES FOR THE LARIMER COUNTY ANIMAL SHELTER PROJECT

**Exhibit A  
Development Fees**

CEF/Impact Fees	Animal Shelter Fees (Estimated)
Fire	1,140.00
Law Enforcement	1,900.00
General Gov't	2,280.00
Streets	63,080.00
Storm Water Investment Fee	12,000.00
Arterial Road Widening	39,928.00
Street Inspection	1,450.00
Stormwater Inspection	1,450.00
<b>Total</b>	<b>123,228</b>

**INTERGOVERNMENTAL AGREEMENT  
BETWEEN LARIMER COUNTY AND THE CITY OF LOVELAND  
CONCERNING IMPACT FEES ASSOCIATED WITH THE CONSTRUCTION OF AN  
ANIMAL SHELTER**

This Intergovernmental Agreement, hereafter referred to herein as the “Agreement,” is made this \_\_\_\_ day of May, 2016, between the **City of Loveland, Colorado**, a municipal corporation, and the **County of Larimer, Colorado**, a body politic organized and existing by virtue of the laws of the State of Colorado, by and through its **Board of County Commissioners** (“the County”) that may be individually referred to herein as a “Party” or collectively as the “Parties.”

**I. RECITALS**

1. **WHEREAS**, in November 2014 the citizens of Larimer County (the “County”) voted in favor of a sales tax increase to fund construction of a new animal shelter (the “Shelter”) to replace the animal shelter built in 1974 and located in south Fort Collins; and
2. **WHEREAS**, the County selected 3437 East 71<sup>st</sup> Street, a site located in the City of Loveland (the “City”) and owned by the Larimer Humane Society, a private nonprofit organization, for construction of the Shelter; and
3. **WHEREAS**, such site will be divided into two lots pursuant to the Bates-Larimer Humane Society First Subdivision plat (the “Plat”) and the Shelter will be constructed on Lot 1 as identified therein; and
4. **WHEREAS**, following construction of the Shelter the County intends to deliver the Shelter to the Larimer Humane Society pursuant to a deed restriction that ensures the continued use of the Shelter as an animal shelter for the benefit of the public; and
5. **WHEREAS**, The County disputes that it is subject to certain development fees, including capital expansion fees and other impact fees identified and estimated in **Exhibit “A”** attached hereto and incorporated by reference (collectively, the “Development Fees”); and
6. **WHEREAS**, the County desires to forego payment of certain Development Fees in order to maximize the use of funds raised through the sales tax increase for construction of the Shelter but is willing to pay for impacts directly related to the Shelter; and the City is willing to waive the Law Enforcement Capital Expansion Fees, General Government Fees, Street Inspection Fees, and Stormwater Inspection Fees; and
7. **WHEREAS**, the City desires to encourage use of such funds for construction of the Shelter, but the City Code does not contain a specific provision relating to the waiver of capital expansion fees and other impact fees for governmental entities, and the subsequent transfer of the Shelter to a non-profit agency; and

8. **WHEREAS**, City Code provisions that may allow waiver of the Development Fees would place unnecessary regulatory requirements on the County by requiring development agreements and deed restrictions, or negatively impact the general fund or other City funds by requiring reimbursement to the capital expansion funds of the Development Fees; and

9. **WHEREAS**, the City believes that such waiver of the Law Enforcement Capital Expansion Fees, General Government Fees, Street Inspection Fees, and Stormwater Inspection Fees by ordinance to address the unique circumstances set forth above will be in the best interest of the public by encouraging construction of the Shelter that will, in turn, offer services that provide significant social, economic and cultural benefits to the citizens; and

10. **WHEREAS**, the City and County desire to enter into an intergovernmental agreement for the payment of the remainder of the Development Fees due.

## **II. CONSIDERATION**

11. Now, therefore, in consideration of the mutual promises herein and other good and valuable consideration, receipt and adequacy of which is acknowledged, the Parties agree as follows:

## **III. TERMS**

### 12. County Payment of Impact Fees.

12.1 The County shall pay the total amount of \$116,148 in Development Fees associated with the construction of the Shelter (hereinafter referred to as the "Total Payment"). The County shall remit the Total Payment to the City within sixty (60) days of both Parties executing this Agreement.

13. Term and Termination. This Agreement shall commence on the date both Parties have executed this Agreement and shall continue in full force and effect until the date that the County pays the Total Payment to the City.

### 14. Notices.

14.1 Any notice required or desired to be given by one Party to the other Party shall be in writing and may be: (a) personally delivered; (b) sent by certified mail, return receipt requested; or (c) sent by a nationally recognized receipted overnight delivery service, including the United States Postal Service, United Parcel Service or Federal Express, for delivery the next day.

14.2 Any such notice shall be deemed to have been received as follows: (a) when personally delivered to the Party to whom it is addressed; (b) when mailed, three





15.4 If any term or condition of this Agreement is held to be illegal, invalid or unenforceable under applicable law, rule or regulation, such term or condition shall be fully severable.

16. Material Nature of Terms; General Default Remedy.

16.1 Each and every term and condition contained herein shall be deemed to be a material element of this Agreement.

16.2 In the event a Party has been declared in default, such defaulting Party shall be allowed a period of sixty (60) days within which to cure said default. In the event the default remains uncured after the sixty (60) day period, the non-defaulting Party may terminate this Agreement, sue for damages, or pursue any available equitable or legal remedy.

17. Limitation on Waiver; Binding Nature.

17.1 The failure of either Party to insist, in any one instance or more, upon the performance by the other Party of any of the duties, obligations or conditions of this Agreement, or to exercise any right or privilege herein conferred, shall not be construed as thereafter waiving any such duties, obligations, conditions, rights or privileges, but the same shall continue and remain in full force and effect.

17.2 All duties, obligations, conditions, rights and privileges contained herein shall be binding upon, inure to the benefit of, and be enforceable by, the Parties, their successors and assigns.

18. Governing Law and Court Jurisdiction. This Agreement shall be interpreted and enforced under the laws of the State of Colorado. Court jurisdiction shall lie exclusively in the District Court for Larimer County, Colorado.

19. No Third Party Beneficiaries. Other than as specifically set forth herein, no term or condition contained herein shall be deemed or construed as creating any right or entitlement which inures to the benefit of any third party.

20. Sections and Headings. Sections and headings contained herein are for organizational purposes only and shall not affect the interpretation of this Agreement.

LARIMER COUNTY, a body politic organized and existing by virtue of the laws of the State of Colorado

By: \_\_\_\_\_

ATTEST:

\_\_\_\_\_  
Clerk to the Board

APPROVED AS TO FORM:

\_\_\_\_\_  
County Attorney

CITY OF LOVELAND, a Colorado municipal corporation

By: \_\_\_\_\_  
William D. Cahill, City Manager

ATTEST:

\_\_\_\_\_  
City Clerk

APPROVED AS TO FORM:

\_\_\_\_\_  
City Attorney

**Exhibit A**  
**Development Fees**

CEF/Impact Fees	Animal Shelter Fees (Estimated)
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<b>Total</b>	<b>123,228</b>

**AGENDA ITEM:** 12  
**MEETING DATE:** 5/17/2016  
**TO:** City Council  
**FROM:** Susan Grafton, Economic Development Department  
**PRESENTER:** Susan Grafton, Director

**TITLE:**

This item includes an update on the Regional Tourism Act (RTA) Projects, and a possible executive session on the projects to develop strategy for negotiations, to instruct negotiators, and to determine positions relative to matters that may be subject to negotiations, and for the receipt of legal advice.

**RECOMMENDED CITY COUNCIL ACTION:**

If Council chooses, to go into an Executive Session for the purpose of discussing negotiating strategies and to receive legal advice, as such purposes are set forth above. After the Executive Session, Council may give direction to staff regarding future Council actions.

**OPTIONS:**

1. Adopt the action as recommended.
2. Deny the action.
3. Adopt a modified action.
4. Refer back to staff for further development and consideration.

**SUMMARY:**

This is an administrative action. The Go NoCO Board and the project team have been working on the terms and conditions for the four approval RTA projects since the end of 2015. The state Economic Development Commission (EDC) approved the projects and the state increment funding amount in November 2015 and provided additional guidance on terms and conditions in December of that year. The purpose of the possible Executive Session is to provide Council with an update on the current negotiations to develop strategy for negotiations, to instruct negotiators, and to determine positions relative to matters that may be subject to negotiations, and for the receipt of legal advice.

**BUDGET IMPACT:**

- Positive  
 Negative  
 Neutral or negligible

**BACKGROUND:**

In July of 2014, the City of Loveland, Town of Windsor, The Town of Estes Park and Larimer County began an effort to compete for a State of Colorado Regional Tourism Act (RTA) award. The purpose of the Regional Tourism Act program is to assist with the development of destination tourism attractions to bring new out of state visitors to the State of Colorado. The program offers the use of a state sales tax increment generated in a regional tourism zone for development of the projects.

The Go NoCO proposal was approved in November 2015, by the state Economic Development Commission (EDC). They approved all four project elements, including the two Loveland projects,

as well as the full funding request of \$86.1 million over 30 years as part of the State of Colorado Regional Tourism Act (RTA).

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**REVIEWED BY CITY MANAGER:**

*William D. Cahill*

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**LIST OF ATTACHMENTS:**

None.