

REAL PROPERTY APPRAISAL REPORT

PARTIAL ACQUISITION FOR PERMANENT TRAIL EASEMENT

**(West End of Ruxton Avenue and South of the Manitou Incline)
Manitou Springs, Colorado**

Project: Proposed Land Trade Between The Broadmoor Hotel
And the City of Colorado Springs

Parcel ID No.: PTE-1
Effective Date of the Report: March 17, 2016
Date of Appraisal Report: March 30, 2016
Type of Report: Appraisal Report Opinion
Type of Property: Vacant Land
File No: 2016-08

Prepared For:

**The Broadmoor Hotel
c/o Mr. Tom Schmidt
One Lake Avenue
Colorado Springs, Colorado 80906**

Prepared By:

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March 30, 2016

The Broadmoor Hotel
c/o Mr. Thomas Schmidt
One Lake Avenue
Colorado Springs, Colorado 80906

Re: Partial Acquisition for a Permanent Trail Easement
Location: West End of Ruxton Avenue and South of Manitou Incline
Manitou, Springs, Colorado
Project: Proposed Land Trade Between The Broadmoor Hotel and the City of
Colorado Springs
Parcel ID No.: PTE-1
Date of Valuation: March 17, 2016
File No.: 2016-08

Dear Mr. Schmidt,

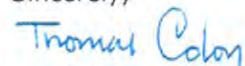
As you have requested, I have developed an Appraisal Report opinion for the above captioned permanent trail easement. This report was prepared for the Manitou & Pikes Peak Railway Co. (aka The Broadmoor Hotel) and the City of Colorado Springs whom are the intended users of this report. The intended use of this appraisal is to estimate the reasonable market value of the permanent trail easement as of the date of valuation to be used in negotiations with the City of Colorado Springs for a possible land trade.

To best accomplish my appraisal assignment and because there is a permanent easement that needs to be valued, I have used an eminent domain type appraisal format. Thus, in the report I have hypothetically assumed that the City of Colorado Springs would be acquiring the permanent trail easement from The Broadmoor Hotel through the eminent domain process. However, unlike an eminent domain appraisal this appraisal report does not include a compensation estimate for compensable damages, if any, to the residue; and specific benefits, if any, to the residue.

The market value and compensation estimate are subject to certain definitions, assumptions and limiting conditions, and certification of appraiser set forth in the attached appraisal report. Based upon my independent appraisal and exercise of my professional judgment, my compensation estimate for the acquisition as of March 17, 2016, is **\$35,000**. My estimate of compensation was made with two extraordinary assumptions and one hypothetical condition as discussed in the Scope of Work (Part 1) section in the attached report.

This letter is an integral part of this appraisal report. I appreciate the opportunity of undertaking this assignment.

Sincerely,



THOMAS COLON
Colorado Certified General
License No. CGO1315531
Expiration Date: December 31, 2016

PRIVACY POLICY

Thomas Colon & Associates, Inc., like all providers of financial services, is now required by law to inform their clients of their policies regarding privacy of client information.

The Federal Trade Commission (FTC) has ruled that appraisers are now considered to be financial institutions. This stems from the statements by FannieMae, FreddieMac, and FHA that appraisers are considered as part of the financial institution for their participation in the lending process.

Licensed/Certified Appraisers have been and continue to be bound by the Uniform Standards of Professional Appraisal Practice (USPAP) and Ethics Rules which consist of conduct, management, confidentiality, and record keeping sections. These rules and standards are more stringent than those required by law. Therefore, Thomas Colon & Associates, Inc. has always been diligent about protecting information deemed to be private or confidential in nature.

Types of Nonpublic Personal Information Collected

Personal information about you and your property is collected during the course of developing the appraisal process. This is generally accomplished with your prior knowledge and approval. Nonpublic information is provided to our agency by you or obtained by us with your authorization. The purpose of the appraisal process is normally to develop a specific value opinion for a client. The specific value opinion is a part of the requirement for the successful completion of a particular real estate financial transaction.

Parties to Whom We Disclose Information

For current and former clients, this agency does not disclose any nonpublic personal information obtained during the course of developing a property's specific value opinion except as required by law or at the direction of the client to assist in the completion of the particular financial transaction. Such nonpublic information may be disclosed to the client and any identified intended users of the specific appraisal, review, or consultant reporting process. A fiduciary agreement is automatically in effect between our agency and the identified client and intended users per Ethics Rules of the USPAP. In all such situations, it is specifically stated that all confidential information, analyses, conclusions, survey results, adjustments, and opinions be safeguarded by the appraiser.

Record Keeping Requirements

Our agency retains records relating to the professional services that we provide so that we are better able to assist you with your professional needs and to comply with the requirements of the Ethics Rules contained within the USPAP. In order to secure your nonpublic personal information, our agency maintains physical, electronic, and procedural safeguards that comply with our professional stands.

Please call if you have any questions. Your privacy, our professional ethics, and the ability to provide you with a quality product or service are very important to us.

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EXECUTIVE SUMMARY

Subject Property Data	
Project:	Proposed Land Trade Between the Broadmoor Hotel and the City of Colorado Springs
Trail Easement No.:	PTE-1 (8.6 Acres or 374,616 SF)
Name of Owner(s):	Manitou & Pikes Peak Railway Co. PO Box 351 Manitou Springs, Colorado 80829 - 0351
Name of Tenant(s)	N/A
Property Address or Location:	The Larger Parcel is located at the westerly end of Ruxton Avenue approximately 1,300 feet south of the Manitou Incline and ¼ mile west of downtown Manitou Springs, Colorado.
Legal Description (Larger Parcel):	North ½ of the North ½ of SEC 7, Township 14 South, Range 67 West, El Paso County, State of Colorado.
Date of Property Inspection:	I inspected the subject property on March 17, 2016. No one accompanied me during my inspection of the subject property. (See Part 1 - Date of Property Inspection and Owner Accompaniment).
Property Interest Appraised:	Fee Simple
Effective Appraisal/Value Date:	March 17, 2016
Date of Appraisal Report:	March 30, 2016
Summary of Environmental Concerns:	None
Larger Parcel Land/Site Area:	157.69 Acres – 6,868,976.4 Square Feet
Owner Off-Premise Sign Site:	N/A
Owner Improvements:	Site improvements to the Larger Parcel include a cog type railroad track associated with the Pikes Peak Cog Railway. The railway crosses the northwest corner of the site and would not appear to be affected by the taking.
Owner Fixtures:	N/A
Owner Trade Fixtures (Real property):	N/A
Owner On-Premise Signs:	N/A
Tenant Improvements:	N/A
Tenant Fixtures	N/A
Tenant Trade Fixtures (Real property):	N/A
Tenant On-Premise Sign(s):	N/A
Tenant Off-Premise Sign(s):	N/A
Subject Use History:	Open Space/Recreational associated with the Pikes Peak Cog Railway.
Tax Schedule No.:	74000-00-003
Subject 5-Year Sales History:	No Sales History within the past five years.
Zoning:	F-5 (Forestry and Recreation District, Minimum 5 Acre Lot Size – El Paso County).
Highest/Best Use Before the Take:	Open Space/Recreational Use
Highest/Best Use After the Take:	Open Space/Recreational Use
Purpose of Easement(s):	The permanent trail easement (PTE-1) is being taken to secure public access for segment of Barr Trail.
Summary of Affect of Take on the Residue:	Highest and best use of the Residue after the take is the same as before the take. Therefore there would be no damages to the Residue after the take.
Summary of Specific Benefits Considerations:	There are no special benefits that would have a positive effect on the value of the Residue after the take.

VALUE AND COMPENSATION CONCLUSION

Larger Parcel Value before Take:	Total Value	
Total Land/Site Value (Table 1)	\$710,000	
Total Improvements Contributory Value	\$0	
Total Larger Parcel Value before Take		\$710,000

Compensation Estimate Summary

Compensation Summary		
Value of Part(s) Taken:		
Total Easement Value of Part(s) Taken	\$34,830	
Total Owner Improvements Contributory Value of Part(s) Taken	\$0	
Total Value of Part(s) Taken		\$34,830
Compensation Estimate (Effective Date March 17, 2016) Rounded		\$35,000

My estimate of compensation was made with two extraordinary assumptions and one hypothetical condition as discussed in the Scope of Work (Part 1) section in the attached report.

CERTIFICATION OF APPRAISER

The undersigned certifies that, to the best of my knowledge and belief:

- Statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- I have performed no 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.
- I have no bias with respect to the property that is the subject of this report or to the parties involved.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*
- I have made a personal inspection of the property that is subject of this report.
- No one provided significant real property appraisal assistance to the person signing this certification.



THOMAS COLON

Colorado Certified General Appraiser

License No.: CG 1315531

Expiration Date: 12/31/2016

Subject Photographs



Looking Southwest Across a Portion of the Larger Parcel



Looking South Across a Portion of the Larger Parcel



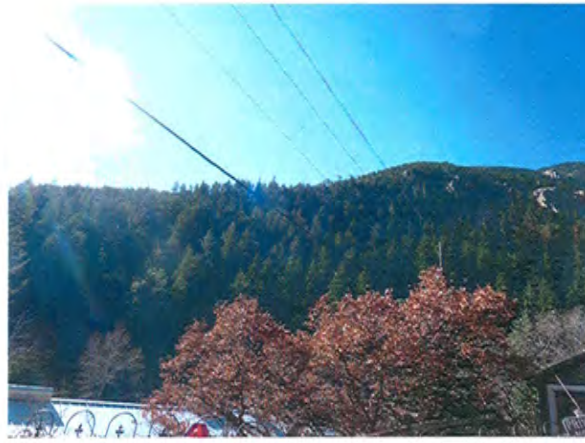
Looking Northwest Across a Portion of the Larger Parcel



Looking North Across a Portion of the Larger Parcel



Looking West Along the Forest Service Road Through the Larger Parcel



Looking South Towards the Easterly Portion of the Larger Parcel

Subject Photographs



Ruxton Creek on Larger Parcel



Typical View of Barr Trail On the Larger Parcel



Looking West Along Ruxton Road Near the Larger Parcel



Looking East Along Ruxton Road Near the Larger Parcel

The Larger Parcel photographs were taken March 17, 2016 by Tom Colon.

PART 1

SCOPE OF WORK

Assumptions And Limiting Conditions

The certification of the appraiser appearing in the appraisal report is subject to the following conditions, and to such other specific and limiting conditions as are set forth by the appraiser in the report.

Extraordinary Assumptions

I have made two extraordinary assumptions.

1. I have not reviewed the proposed Trail Easement Document. Therefore, for valuation purposes I have made an extraordinary assumption that the Trail Easement document would contain the following provisions.
 - The easement is for general public access.
 - The easement can be used for walking, running, bicycling and horseback riding.
 - No motorized vehicles are allowed – except for the City's maintenance vehicles.
 - The City of Colorado Springs will maintain both the trail and the entire easement.
 - The trail/easement will only be open to the public during normal City Park operating hours.
 - Other than trail improvements, the construction of any building or site improvements within the easement is prohibited.
 - The City of Colorado Springs will indemnify and hold harmless the land owner from any lawsuit arising from the public use of the easement.
 - The land owner is prohibited from subdividing or developing the easement.
 - Once the trail easement is recorded, it will exist forever as part of the deed, even if the landowner sells the property.

If the provisions of the final trail easement document are significantly different than what I have outlined above it could alter my opinions and conclusions. This extraordinary assumption is necessary to support a credible appraisal analysis which is a requirement of my appraisal assignment.

2. While requested from the City of Colorado Springs I do not have a complete and accurate legal description for the proposed permanent trail easement (PTE-1). I do have a legal graphic which shows the size and location of the proposed easement. Therefore, I have made an extraordinary assumption that the legal graphic accurately represents the location and land area of the proposed trail easement. However, if the land area and the location of the easement are found to be false it could alter my opinions and conclusions. This extraordinary assumption is necessary to support a credible appraisal analysis which is a requirement of my appraisal assignment.

Hypothetical Conditions

I have made one hypothetical condition.

1. This report was prepared for the Manitou & Pikes Peak Railway Co. (aka the Broadmoor Hotel). The intended use of this appraisal is to estimate the value of a permanent trail easement as of the date of valuation to be used in negotiations with the City of Colorado Springs for a possible land trade. To best accomplish my appraisal assignment and because there is a permanent easement involved, I have decided to use an eminent domain type appraisal format. Thus, in this report, I have hypothetically assumed that City of Colorado Springs would be acquiring the permanent trail easement from the Broadmoor Hotel similar to the eminent domain process. Valuing the permanent trail easement as though it were being acquired through the eminent domain process is hypothetical because the acquisition of the easement is actually part of the negotiations involving a possible land trade with the City involving other properties. This hypothetical condition is necessary to support a credible appraisal analysis which is a requirement of my appraisal assignment.

General Assumptions and Limiting Conditions

1. The legal descriptions, land areas, surveying and engineering data provided by others, if any, are assumed to be correct. The sketches and maps in this report are included to assist the reader in visualizing the property and are not necessarily to scale. Various photographs are included for the same purpose. Site plans are not surveys unless prepared by a separate surveyor.
2. This is an Appraisal Report opinion which is intended to comply with the reporting requirements set forth under Standards Rule 2-2 of the Uniform Standards of Professional Appraisal Practice (USPAP) for an Appraisal Report. The report presents summary discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's workfile. The depth of discussion contained in this report is specific to the needs of the client and for the intended use.
3. No responsibility is assumed for legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated in this report. The property is appraised "as if free and clear" of liens and encumbrances, but subject to existing easements, covenants, deed restrictions, and rights-of-way of record. No investigation nor review of deed restrictions, covenants and easements has been conducted on the subject property or comparable sales.
4. Information furnished by others, to include the client, the client's representative, or persons designated by the client or the City of Colorado Springs, is believed to be reliable. No warranty, however, is given for its reliability or accuracy. Unless otherwise noted in the appraisal report, there is no reason to believe that any data furnished by others contains a material error. A material error of any of the pertinent data could have a substantial impact on the value reported. Accordingly, the client-addressee should carefully review all assumptions, data, and relevant conclusions and should notify the appraisers in a timely manner of any questions or errors.
5. This report is as of the date set out and is not intended to reflect subsequent fluctuations in market conditions, up or down. As an assignment condition, no specific exposure time is linked to the value and compensation conclusions in this appraisal report, however, reasonable exposure time is presumed. This is in accordance with the Uniform Appraisal Standards for Federal Land Acquisitions, which is a guiding document in eminent domain appraisal procedures and policies followed by CDOT, City of Colorado Springs and by other agencies, organizations and appraisal professionals.
6. It is assumed there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or arranging for engineering studies that may be required to discover them.

7. It is assumed the subject property complies with all applicable zoning and use regulations and restrictions, unless non-conformity has been stated, defined, and considered in this appraisal report.
8. It is assumed the use of land is within the boundaries or property lines of the property described and there is no encroachment or trespass unless otherwise stated in this report.
9. The value estimated herein specifically assumes that the subject property does not contain any endangered or threatened species pursuant to the Federal Endangered Species Act of 1973.
10. Unless otherwise stated in this report, the existence of hazardous substances, including without limitation asbestos, polychlorinated biphenyl, petroleum leakage, or agricultural chemicals, which may or may not be present on the property, was not called to the attention of nor did the appraiser become aware of such during the appraiser's inspection of the subject property. I am not qualified to test for such substances. The presence of such hazardous substances could affect the value of the subject property. My value opinion developed in this report is predicated on the assumption that no such hazardous substances exist on or in the property or in such proximity thereto, which would cause a loss in value. No responsibility is assumed for any such hazardous substances, or for any expertise or knowledge required to discover them.
11. The Americans with Disabilities Act (ADA) became effective January 26, 1992. The appraiser has not made a specific compliance survey and analysis of the subject property to determine whether or not it is in conformity with the various detailed requirements of the ADA. The subject property is vacant land.
12. No geotechnical reports concerning subject property or information relating to geologic conditions and hazards were available to the appraiser. This area of the county has been known for expansive soils and other geological hazards, the effects of which can be minimized when properly engineered foundations are employed. The valuations contained herein are based upon the premise that soil and underlying geologic conditions are adequate to support standard construction consistent with highest and best use. No evidence to the contrary was observed during the physical inspection of the property.
13. Possession of this report, or a copy thereof, does not carry with it the right of publication. The report may only be used by the person or persons to whom it is addressed or for the purpose stated in the report. It may not be used for any purpose by any person other than the parties to whom it is intended without the written consent of the appraiser, and in any event only with proper written qualification and only in its entirety.
14. Neither all or any part of the contents of this report especially any conclusions as to value, the identity of the appraiser(s), or the firm which the appraiser(s) is connected) shall be disseminated to the public through advertising, public relations, news, sales, or other media without prior written consent and approval of the appraiser.

Identity of the Client and Intended Users

This appraisal report has been prepared for Manitou & Pikes Peak Railway Co. and The Broadmoor Hotel. The intended users are the client, the client's accountant(s), attorneys and the City of Colorado Springs. The appraisal has not and cannot be re-addressed. Use of this report by others not associated with the client or the City of Colorado Springs is not intended by the appraiser.

Intended Use of the Appraisal

The intended use of this appraisal is to estimate the market value of a permanent trail easement as of the date of valuation (March 17, 2016) to be used in negotiations with the City of Colorado Springs for a possible land trade.

Real Property Interest Appraised

The real property interest of the subject Larger Parcel before the take and the part(s) taken, are valued as fee simple title. The property is appraised "as if free and clear" of all liens, bond assessments, and indebtedness, but subject to existing easements, covenants, deed restrictions, and rights-of-way of record. No separate value is estimated for mineral rights, water rights or other non-realty items which may or may not be associated with the property.

Definition of Market Value

The current economic definition of market value:

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, 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:

- a. buyer and seller are typically motivated;
- b. both parties are well informed or well advised, and each acting in what he considered his own best interest;
- c. a reasonable time is allowed for exposure in the open market;
- d. payment is made in terms of cash in U.S. Dollars or in terms of financial arrangements comparable thereto; and
- e. 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.

From the OCC's Final Rule, 12 CFR Part 34, Subpart C-Appraisals, Section 34.42(f), effective August 24, 1990, 55 Federal Register 34696, as amended at 57 Federal Register 12202, April 9, 1992; 59 Federal Register 29499 June 7, 1994.

Effective Date of Appraisal

The effective date of appraisal, market value opinion, and compensation estimate for the permanent trail easement is as of March 17, 2016.

Date of Appraisal Report

The date of the appraisal report is March 30, 2016.

Date of Property Inspection and Owner Accompaniment

I inspected the subject property on March 17, 2016. March 17, 2016 is also my effective date of value for this appraisal report. I was not accompanied by anyone during my inspection of the Larger Parcel.

Project Identification and Description

Project: Possible land trade between The Broadmoor Hotel and the City of Colorado Springs.
Parcel ID No.: PTE-1 (Permanent Trail Easement Taking of 8.6 Acres)

The project is identified as the possible land trade between The Broadmoor Hotel and the City of Colorado Springs. The proposed land trade has The Broadmoor Hotel trading 8.596 acres of vacant land off Cresta Road, along with 156.4 acres near Barr Trail and the Manitou Incline, as well as 198 acres to the south of the west side of North Cheyenne Canon Park. In exchange for giving those properties to the city, The Broadmoor Hotel would get about 185.2 acres of North Cheyenne Canon Park that lies to the south of Mesa Avenue, an area commonly known as "Strawberry Fields." The Strawberry Fields land is adjacent to The Broadmoor's Seven-Falls property, and may be utilized for horse stables and a horseback riding area. The trade would also include 115.4 acres of permanent trail and access easements through the Strawberry Fields property and other properties owned by the Broadmoor, including easements for the Chamberlain Trail, which is proposed to extend from North Cheyenne Canon Park to Cheyenne Mountain State Park and the City of Fountain. The land the city would receive near the Incline would ensure future public access to that trail. The Broadmoor Hotel would also acquire 0.55 acres of land presently being leased for Pikes Peak Cog Railway employee parking off Ruxton Avenue. The Broadmoor owns and operates the Cog.

As part of the trade The Broadmoor Hotel would take possession of the entire Strawberry Fields parcel, but will only use less than 10% of the land for its riding stables and a picnic facility. The city of Colorado Springs and The Broadmoor Hotel have been working with The Palmer Land Trust about securing a conservation easement for the remaining 166.68 acres. The trust believes that, if done appropriately, a conservation easement could also ensure public access and use of the trail network. Depending on the goals of the community and the city of Colorado Springs, a conservation easement on the Strawberry Fields property would be a positive component of the proposed land trade.

Overall, the proposed trade would place all of the Barr Trail and the Manitou Incline in public ownership or control. Additionally, the deal would allow the city to complete part of its trail system and will help the city meet goals identified in the Parks Master Plan. The City's ownership of the property would in accordance with community open space plans, protect important natural features and preserve views of the foothills. The proposed trade would ensure, in perpetuity, that most of this land would be preserved and protected for future generations.

Property Identification and Description

The Larger Parcel is identified as a parcel of vacant land containing a total of 157.69 acres. The Larger Parcel is located at the westerly end of Ruxton Avenue approximately 1,300 feet south of the Manitou Incline and ¼ mile west of downtown Manitou Springs, Colorado. The Larger Parcel is located in the Manitou Springs Market area of the City of Colorado Springs.

Barr Trail meanders through the northwest corner of the site. Barr Trail is a 13-mile (21 km) trail in the Pike National Forest that begins in Manitou Springs, Colorado and ends at the Pikes Peak summit. A trail was first created by a prospector Fred Barr. Beginning in 1914, Fred Barr built the burro trail, with a maximum 12% grade to the top of the peak for his burro train business. In 1948, the U.S. Forest Service rebuilt the trail, following the original route. Burro trains were used to transport people along the trail until the 1960s. The 13-mile trail was designated a National Recreation Trail in 1979. It is one of the most frequently used trails in Colorado. El Paso County held an agreement with the Broadmoor that permitted public access to the trail. This agreement expired in 2012.

Plans Relied on for Valuation Purposes

This appraisal was made under the assumption that the taking will occur as depicted on the legal graphic contained in Part 4 of this report. I have relied upon this legal graphic in developing my estimate of compensation for the property actually taken. If any modifications are made to the legal graphic, I reserve the right to revise the appraisal and appraisal report to reflect the change.

In addition, please recall that while requested I do not have a complete and accurate legal description for the proposed permanent trail easement (PTE-1). Therefore, I have made an extraordinary assumption that the legal graphic accurately represents the location and land area of the proposed trail easement.

Purpose of the Appraisal

The purpose of this appraisal is to develop an estimate of the market value of the property actually taken or to be traded with the City of Colorado Springs.

Data Search Parameters and Analysis Approaches

1. A physical inspection of the property.
2. A search of the public records relative to the subject. This search encompasses, among other things, tax and assessment information, easement, and other private, as well as public, deed restrictions, zoning, history of the property, etc.
3. A summary of neighborhood and regional area characteristics, as well as an analysis of supply and demand within the subject's market segment.
4. Analysis of physically possible uses, legally permissible uses, and all feasible uses in order to estimate the highest and best use of the subject property.
5. Research of public records for comparable sales and listings. Telephone verification, where possible, of all the sales and listings with the buyer, seller, or their representative. A physical inspection of each of the properties, as well as deed verification in some cases. Comparison of the comparable properties to the subject with consideration of such differences as legal encumbrances, financing terms, conditions of sale, market conditions, location, physical characteristics, availability of utilities, zoning, stage of development and highest and best use.

6. The cost approach was not used to estimate the value of the subject property because there are no building improvements. There are site improvements to the Larger Parcel associated with the Pikes Peak Cog Railway but they do not appear to be affected by the taking.
7. The sales comparison approach was used to estimate the value of the subject property. The sales comparison approach is based upon the proposition that an informed buyer would pay no more for a property than what he would have to pay for a comparable property with the same utility as the subject property. The process involves the comparison of the subject property with comparable properties that have sold recently or that are now listed for sale on the market making adjustments as necessary to compensate for differences between them and the subject property.
8. The income approach was not used to estimate the value of the Larger Parcel. This method has application only in properties which have income producing potential. The Larger Parcel has little income potential as an operating ranch or farm.

Summary of Appraisal Problems

There are a couple of appraisal problems. There are few recent sales of similar sized properties in the subject's Market Area. Furthermore, not only is there a lack of similarly sized sales, there is a lack of recent sales with similar physical characteristics as the subject. Land sales that were available with similar physical characteristics as the subject were purchases of open space parcels a few of which were used in my sales comparison approach. The problem with these sales is that they are older and they were purchased by governmental and or public entities for preservation of open space, recreation and or park use. The problem is being governmental and or public entities their motivations for purchase are different than what is traditionally seen in the marketplace. In many cases the standard type of comparison adjustments employed by appraisers may not be totally relevant.

Overall, every effort was made to gather and analyze sales and the listing of properties so that sales with the fewest differences from the subject could be used in this report. The comparable sales that were selected for direct comparison with the subject property were considered the best ones available; however, as always a better selection of comparable land sales would have been more desirable to perform the analysis.

Definition of Terms

Following are definitions of significant terms used in this appraisal report. Sources and authorities for the following definitions are shown as text-notes.

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 an analysis.

Hypothetical Condition. That which is contrary to what exists but is supposed for the purpose of 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 an analysis.

Fee Simple Title – “A title that signifies ownership of all the rights in a parcel of real property, subject only to the limitations of the four powers of government.” (Appraisal Institute, The Dictionary of Real Estate Appraisal, Fourth Edition, Chicago, 2002, p. 135)

Cash Equivalent. A price expressed in terms of cash as distinguished from a price which is expressed all or partly in terms of the face amount of notes or other securities which cannot be sold at their face amount. The cash equivalent price, of a sale property, may differ from its contract price, and should represent the present worth at time of sale, of all cash and other considerations paid for the real property, as opposed to other portions of stated consideration, which may be paid for services, fees and/or non-realty items.

Compensation - “...ascertain the reasonable market value of the property actually taken and the amount of compensable damages, if any, and amount and value of any specific benefit, if any, to the residue of any land not taken.” (CJI-Civ. 4th, 36:1)

“(a) For highway acquisition, the right to compensation and the amount thereof, including damages and benefits, if any, shall be determined as of the date the petitioner is authorized by agreement, stipulation, or court order to take possession or the date of trial or hearing to assess compensation, whichever is earlier, but any amount of compensation determined initially shall remain subject to adjustment for one year after the date of the initial determination to provide for additional damages or benefits not reasonably foreseeable at the time of the initial determination. (b) If an entire tract or parcel of property is condemned, the amount of compensation to be awarded is the reasonable market value of the said property on the date of valuation. (c) If only a portion of a tract or parcel of land is taken, the damages and special benefits, if any, to the residue of said property shall be determined. When determining damages and special benefits, the appraiser shall take into account a proper discount when the damages and special benefits are forecast beyond one year from the date of appraisal. (d) In determining the amount of compensation to be paid for such a partial taking, the compensation for the property taken and damages to the residue of said property shall be reduced by the amount of any special benefits which result from the improvement or project, but not to exceed fifty percent of the total amount of compensation to be paid for the property actually taken.” (§ 38-1-114(2), C.R.S.)

Damages - “...Any damages are to be measured by the decrease, if any, in the reasonable market value of the residue, that is, the difference between the reasonable market value of the residue before the property actually taken is acquired and the reasonable market value of the residue after the property actually taken has been acquired. Any damages which may result to the residue from what is expected to be done on land other than the land actually taken from the respondent and any damages to the residue which are shared in common with the community at large are not to be considered.” (CJI-Civ. 4th, 36:4)

Benefits (Specific Benefits) - “...any benefits to the residue are to be measured by the increase, if any, in the reasonable market value of the residue due to the (construction) (improvement) of the (...proposed improvement). For anything to constitute a specific benefit, however, it must result directly in a benefit to the residue and be peculiar to it. Any benefits which may result to the residue but which are shared in common with the community at large are not to be considered.” (CJI-Civ. 4th, 36:4)

Easement - “An easement can generally be described as an interest in land of another entitling the owner of that interest to a limited use of the land in which it exists, or a right to preclude specified uses in the easement area by others. An easement is an interest less than the fee estate, with the landowner retaining full dominion over the realty subject only to the easement; the landowner may make any use of the realty that does not interfere with the easement holder’s reasonable use of the easement and is not specifically excluded by

the terms of the easement." (Interagency Land Acquisition Conference, Uniform Appraisal Standards for Federal Land Acquisitions, Washington, D.C., 2000, p.63)

Larger Parcel - "That tract, or those tracts, of land which possess a unity of ownership and have the same, or an integrated, highest and best use. Elements of consideration by the appraiser in making a determination in this regard are contiguity, or proximity, as it bears on the highest and best use of the property, unity of ownership, and unity of highest and best use." (Interagency Land Acquisition Conference, Uniform Appraisal Standards for Federal Land Acquisitions, Washington, D.C., 2000, p. 17)

Part Taken (Partial Taking) - "The taking of part of any real property interest for public use under the power of eminent domain; requires the payment of compensation." (Appraisal Institute, The Dictionary of Real Estate Appraisal, Fourth Edition, Chicago, 2002, p. 209)

Residue (Remainder) - "'Residue' means that portion of any property which is not taken but which belongs to the respondent, ..., and which has been used by, or is capable of being used by, the respondent, together with the property actually taken, as one economic unit." (CJI-Civ. 4th, 36:4)

Highest and Best Use. The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest market value of the property as of the date of the appraisal. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability.

The Sales Comparison Approach - The market comparison approach is based upon the proposition that an informed buyer would pay no more for a property than what he would have to pay for a comparable property with the same utility as the subject property. The process involves the comparison of the subject property with comparable properties that have sold recently or that are now listed for sale on the market making adjustments as necessary to compensate for differences between them and the subject property. Where, sale, financing terms are considered to affect the price paid in a given transaction; an adjustment to the price of the comparable transaction for cash equivalence is made.

The Endangered Species Act. The Endangered Species Act ("Act") prohibits the "take" of listed species. Take, as defined under the Act, means to harass, harm, pursue, hunt, shoot, wound, kill, trap, capture, or collect, or to attempt to engage in any such conduct. This also applies to the knowing removal of habitat that is necessary for the survival of the mouse including suitable streamside vegetation and adjacent uplands. **Civil penalties** for violations under the Act include a civil penalty of up to \$25,000 for each violation. Any person who knowingly violates any provision of any other regulation issued under the Act may be assessed a civil penalty of up to \$12,000 for each violation. **Criminal penalties** for violations under the Act include a fine of up to \$50,000 or imprisonment of up to one year, or both. Any person who knowingly violates any provision of any other regulation issued under the Act, upon conviction, may be fined up to \$25,000 or imprisoned for up to than six months, or both.

PART 2

FACTUAL DATA - LARGER PARCEL BEFORE TAKE

Identification of Larger Parcel Before Take

The Larger Parcel is identified as a parcel of vacant land containing a total of 157.69 acres. The Larger Parcel is located at the westerly end of Ruxton Avenue approximately 1,300 feet south of the Manitou Incline and ¼ mile west of downtown Manitou Springs, Colorado. The Larger Parcel is located in the Manitou Springs Market area of the City of Colorado Springs.

Barr Trail meanders through the northwest corner of the site. Barr Trail is a 13-mile (21 km) trail in the Pike National Forest that begins in Manitou Springs, Colorado and ends at the Pikes Peak summit. A trail was first created by a prospector Fred Barr. Beginning in 1914, Fred Barr built the burro trail, with a maximum 12% grade to the top of the peak for his burro train business. In 1948, the U.S. Forest Service rebuilt the trail, following the original route. Burro trains were used to transport people along the trail until the 1960s. The 13-mile trail was designated a National Recreation Trail in 1979. It is one of the most frequently used trails in Colorado. El Paso County held an agreement with the Broadmoor that permitted public access to the trail. This agreement expired in 2012.

Regional/Metro and Neighborhood Data

Regional/Metro Data Overview

Below is a summary of pertinent metropolitan influences.

Economic Base. The economic base of Colorado Springs consists of a broad mix of industries. Key industries include high-tech manufacturing, software development, call centers, defense contractors, information processing, back office, Olympic sports, national associations and the military.

Community Assets. Wage and utility rates in the area compare favorably with cities of similar size. Excellent industrial sites are still available in planned industrial parks. The well educated work force, central location, dry moderate climate and adequate transportation facilities have proved to be advantageous in attracting new industries to the community.

Population. Population in the Colorado Springs metro area was estimated to be 663,519 as of April 1, 2014. Over the 10 years between 2000 and 2010, population grew at a rate of about 2% per year, adding an estimated 105,300 people. Some of the increase was due to expansion at Fort Carson, with the addition of about 7,000 soldiers and 10,500 dependents. An estimated 52% of the increase was due to natural increase and 48% was due to net migration. Population in the Colorado Springs metro area over the long term has increased at a rate of 2.4% per year. Long term projections indicate that population in the Colorado Springs metro area is expected to grow annually at a rate of about 1.5% to 2% in future years.

Population Growth Metro Area 1970 – 2014

Year	Population	Change	Annual Percent Change	Births	Deaths	Natural Increase	Net Migration
Decade							
1970	240,100						
1980	312,600	72,500	2.7%	56,324	15,748	40,576	31,924
1990	397,500	84,900	2.4%	69,412	19,009	50,403	34,497
2000	516,929	119,429	2.7%	76,506	24,591	51,915	67,514
2010	622,263	105,334	1.9%	87,717	33,073	54,644	50,690
2013	655,453	33,190	1.6%	29,854	12,395	17,459	15,731
2014	663,519	8,066	1.2%	9,305	4,178	5,127	2,939
Totals							
Totals		423,419		329,118	108,994	220,124	203,295
Percent						52%	48%

Source: US Bureau of the Census and Colorado State Demographer. 1970-2010 Data is for April 1st of each year. 2013-2014 data is for July 1.

Job Growth. Job growth in Colorado Springs showed strong growth third quarter of 2015. The number of wage and salary (payroll) jobs increased (year-over) by close to 6,000 compared to the 1st quarter of 2014. The local economy saw three consecutive years of job losses in 2008-2010, then went into positive territory over the past four years. This was in spite of federal spending cuts in 2014 and the shift away from both the Manufacturing and Information Technology sectors, which were key components of the local economic base. Job sectors that have contributed to recent job gains include healthcare, construction and some of the services sector.

Over the past decade the structure of the Colorado Springs economy experienced a dramatic change. Since 2004 the Information and Manufacturing sectors lost 8,500 jobs. At the same time the Education and Health Services sector grew by 9,900. The economy's largest employer, is still the Government sector with 48,700 employees.

The Colorado Springs Regional Business Alliance plays a key role in reinventing the local economy. CSRBA's focus includes: (1) attracting, retaining and growing primary industry, (2) building a strong business climate, (3) providing support for local businesses. The CSRBA recently announced the expansion and/or relocation of three companies and 2,194 new primary jobs in the first three months of 2015. The largest announcement was Sierra Completions, a firm that will locate at the municipal airport, with 2,100 jobs announced.

New primary job announcements in the first three months of 2015 were up significantly compared to the 459 announced for all of 2014. The loss of primary jobs continues to have a negative impact on the local economy. A total of 178 primary job layoffs were announced in the first three months of 2015. The largest was Sinton Dairy with an announced 120 job cut-back.

Primary jobs are a major driver of economic growth because they bring new dollars into the local economy. The new dollars support jobs at supermarkets, real estate offices, gas stations, home building companies and the like. Then, as the workers in these local industries spend their earnings, even more jobs are supported. Thus, primary industry activity has an expansive multiplier effect on the local economy.

Military Economic Base. The military makes up a significant part of the Colorado Springs economic base. Total employment at the four military bases is about 55,900 including 37,245 military personnel and almost 19,000 civilian workers. Employment on local military bases amounts to about 19% of the total jobs in the Colorado Springs area. As a footnote, these figures include about 4,000 soldiers deployed to the middle east, but do not include about 4,000 cadets at the Air Force Academy. The four local military bases all provide some on-base family housing, with units totaling almost 4,700.

With the war winding down in Afghanistan and the expected cut-backs in defense spending, the future level of military and civilian defense contractor personnel assigned to bases in the Colorado Springs area is a big unknown at the present time.

Latest Economic Indicators. The latest economic data indicates that the local economy is finally out of the deep hole dug by the 2007-2009 recession. However, the recovery is plodding along at a very slow pace. Most all of the monthly economic indicators show good news:

- **Wage and Salary Jobs:** El Paso County's job growth remained strong in the second quarter and likely passed the statewide average during the third quarter, according to a new report. Employers in the county added jobs in the second quarter at the same rate as the first quarter, which was the fastest growth rate since mid-2006, according to data posted Tuesday on the Colorado Department of Labor and Employment's website. The 3% growth rate from the second quarter of 2014 is up from the 2.3% growth rate in the second quarter of 2014 and just slightly behind the state's 3.3% growth rate in the second quarter. The county's growth rate for the quarter is double the 1.5% gain reflected in payroll data for the same period from the U.S. Bureau of Labor Statistics generated from monthly surveys.

Nearly half of the county's job growth — 46.8% — came from the health care and social assistance sector and the accommodation and food service sector, with outpatient health care (including physician offices) and food service and drinking places each generating more than 1,100 jobs, growing more than 5% from a year earlier. The retailing and professional and technical services industries each added more than 800 jobs. Together the four categories make up nearly 70% of the 7,542 jobs added during the 12 months ended June 30.

- **Sales and Use Tax:** Sales tax revenue collected by the city in January rose by 9% when compared with the same month the previous year, according to a recent report by the Colorado Springs Finance Department. This was the biggest monthly increase since collection increased 10.4% in August and the 11th increase in 12 months. January's sales tax collections reflect retail activity that took place in December. Colorado Springs collected \$3.04 million in sales tax from measure 2C in January, the first month of collections. Other details from the report released Tuesday include:

- February revenue from the use tax, collected on equipment and machinery purchased outside the city, fell 5.6% to nearly \$600,000, the lowest total in 11 months. Combined sales and use taxes in February rose 8.1% from February 2015 to \$10.5 million.

- Nine of the 14 key retail sectors tracked by the city increased in February. Commercial machines, grocery stores, the lodging industry, clothing stores and furniture, appliance and electronics retailers all posted double-digit gains. Utilities, auto dealers, business services and miscellaneous retailers all reported declines.

- Revenue from the city's tax on hotel rooms and rental cars in February surged 19.9% from a year ago to \$263,879, the 11th consecutive monthly increase from the same month a year earlier.

- Sales tax paid on medical marijuana in February jumped 23.3% from February 2015 to \$119,827.

- **New Vehicle Registrations:** El Paso County's new car market started 2016 the same way it finished 2015 — with another year-over-year increase in February. County residents registered 1,834 new cars and trucks in February, up 10.4% from February 2015, according to a report released March 2, 2016 by the El Paso County Clerk and Recorder's Office. February generally is one of the slowest months of the year for new vehicle registrations, but last month was the second-highest February total in 13 years after 2014. The industry is coming off a record year in 2015 and everyone is pleased to see momentum continuing in 2016," said Phil Emmert, executive director of the Colorado Springs Auto Dealers Association. Registrations for the first two months of the year were up 10.6% from the same period in 2015 to 4,194.

Statewide registration numbers aren't yet available for February, but the January total was up 25.4% from January 2015 to 14,933, led by a big increase in compact sport utility vehicle sales. Nationwide vehicle sales in February rose 6.9% from February 2014 to 1.34 million with a 12.8%

jump in truck sales more than making up from a slight decline in passenger car sales. Nationwide sales in the first two months of the year are up 3.5% from the same period a year ago.

- **Unemployment Rate:** The Colorado Springs-area unemployment rate fell in December to a 7½-year low of 4.1% amid signs that workers are trickling back into the labor market, according to the latest data released by the U.S. Bureau of Labor Statistics. The local jobless rate declined in five of the past six months to the lowest monthly rate since June 2007 and just 0.1% point above the prerecession low of 4%. The area's unemployment rate had been 4.3% in both October and November and was 5.1% in December 2014. The number of area residents in the labor force rose in December for the first time since March, while the number of people looking for work in December fell to within 667 of its prerecession low in April 2007 despite the addition of 4,643 people to the labor force. "Overall this is good news, showing job growth and the unemployment rate dropping. The best news is that the labor force is finally starting to expand in Colorado Springs, at least according to the household survey," said Tom Binnings, a senior partner of Summit Economics LLC, a local economic research and consulting firm. Other information in the report included:

- The area's unemployment rate averaged 4.8% in 2015, down from 6% in 2014.

- Payroll totals in the Colorado Springs area in December rose 0.8% from December 2014, up from 0.2% year-over-year growth in November but still reflecting a slowing in the second half of the year. Most of the 2,100 jobs added during the 12 month period were either in the restaurant or health care industries, which added 1,800 and 1,200 jobs, respectively. Payroll growth remained sluggish last year mostly as a result of a 2,600-job decline in the business and professional services sector, which includes many defense contractors. The information sector also shed 200 jobs, while manufacturing remained unchanged and the finance, government, retailing and construction sectors all added positions.

- Unemployment rates fell in every metropolitan area in Colorado but Grand Junction, with Boulder the lowest at 2.9% and Grand Junction the highest at 5.5%. Colorado's jobless rate fell in December to 3.5% from 3.6% in November, matching the prerecession low of 3.5% in April 2007.

- **Foreclosure Filings:** Colorado Springs-area foreclosure activity has spiked during the first two months of 2016, although El Paso County Public Trustee Tom Mowle said it's too early to predict if that trend will continue. A report released Tuesday by Mowle's office shows foreclosure notices filed against local residential and commercial property owners totaled 156 in February — the highest number for any month since October 2014. February's foreclosure notices also rose by two-thirds over the same month last year and increased 17.3% from January. For the first two months of 2016, foreclosure notices totaled 289, or 52.1% higher than the same period last year. But it's premature to say what those numbers mean, Mowle said. "In 2014 and 2015, the first few months were very poor predictors for the rest of the year," he said in an emailed summary of his report. "So it is a bit early to draw conclusions for 2016 as a whole." The increase in foreclosure notices during the first two months of 2016 runs counter to the downward trend in foreclosure activity over the past several years. As the economy and single-family housing market have recovered after recession, foreclosure notices have declined each year since setting a record high in 2009.

- **Hotel occupancy:** According to Rocky Mountain Lodging Report tourists visited the Pikes Peak region and stayed in hotels in bigger numbers last year than they had in any other year since the boom years of the late 1990s. The average occupancy rate for local hotels rose for a second consecutive year from 62% in 2014 to 64.8% in 2015, matching 1999 as the highest annual occupancy rate during the past 16 years, the report said. The region's occupancy rate had averaged under 60% for six consecutive years between 2004 and 2009, reaching a 19-year low of 56.6% in 2009. Occupancy was up from the same month a year earlier in every month but February and August, and the July occupancy rate was the highest for any month in four years at 88.3%.

Doug Price, CEO of the Colorado Springs Convention and Visitors Bureau, called 2015 a "banner year" for the tourism industry, which he attributed to "a strong national economy coupled with a good regional economy, low fuel prices, strong convention and meeting attendance along with the weather cooperating." Price expects the tourism industry to be even stronger this year, pointing to a forecast by the city of Colorado Springs that collections from its tax on hotel rooms and rental cars will grow 17% this year. Local hotels didn't have to sell rooms at bargain rates

to fill them — the average room rate rose 7% from 2014 to \$100.05 last year, the biggest percentage increase since 2007. The average rate increasing from the same month a year earlier every month but September and jumped by double-digit percentages in April and July.

Much of the improvement in both occupancy and average rate came among limited-service hotels, where occupancy jumped to 66.8% in 2015 from 61.8% in 2014 and the average room rate surged 9.2% during the same period to \$91.03. Occupancy in full-service hotels — properties with extensive meeting space, a restaurant and other amenities — edged up to 63.6% from 62.2% and the average rate rose 6.4% to \$105.75.

The Broadmoor hotel and Cheyenne Mountain Resort are not included in the totals for Colorado Springs but are part of a separate category, “other resorts,” with many of the state’s ski resorts. The occupancy rate for that category rose to 53.8% in 2015 from 50.4% in 2014, while the average room rate increased 5.5% to \$259.66.

The statewide hotel occupancy edged up to 68.8% in 2015 from 68.3% in 2014 despite occupancy rates declining in three of the final five months of the year. Occupancy rates rose for hotels in most of the state’s ski resorts, but fell in the Fort Collins, Greeley, Loveland and in the rest of southern and eastern Colorado and were up just 0.1% points in the Denver area. The state’s average room rate in 2015 rose 7.2% from 2014 to \$145.30.

The key local economic indicators show that the corner may have been turned, but it is still a long way to go to get back to a normal level of activity. The local economy has recovered all of the nearly 14,000 jobs it lost during the recession. The local economy is definitely in the rebound mode and hopefully the city can continue on this positive path.

New Single Family Home Permits. New housing construction in the Colorado Springs Metro area has averaged almost 3,996 per year over the ten year period between 1999 through 2008. The peak year was 2005 with over 5,314 units constructed (does not include multi-family). New home construction remained strong through 2005 but in 2006 the trend reversed itself with permits totaling only 3,446, which represented a -35.2% decline compared to 2005. For 2007 new home permits were down -38.0% compared to 2006. In 2008 new single family home permits were down -42.79% compared to 2007. New detached single family building permits for 2009 were down -9.72% compared to 2008. 2009 marked the fourth year in a row with declining building permit numbers but the trend was slowing. In 2010 the negative trend reversed itself and detached single family building permits were up 27.1% compared to 2009. In 2011 it appears that the market is still recovering slowly with 1,399 detached single family building permits which was five permits less than in 2010 or down a -0.36% compared to 2010. In 2012 detached single family building permits totaled 2,218 up +58.54%, compared to 2011, which was a five year high for single family building permits. New home construction continued its recovery in 2013, as the pace of homebuilding climbed to its highest level in seven years. Building permits totaled 2,676 in 2013, a 20.65% over 2012. However, the pace of Colorado Springs-area homebuilding declined in 2014, single family building permits totaled 2,438, down -8.89% compared to 2013. In 2015 the Building Department issued 2,739 permits, an increase of 12.3% over 2014 and was the highest number of permits since 2006 when 3,446 permits were issued.

It’s been only two months, but the local homebuilding industry is off to its best start in a decade. Building permits issued for the construction of single-family homes in Colorado Springs and El Paso County totaled 434 in January and February, according to a report released March 1, 2016 by the Pikes Peak Regional Building Department. That’s a nearly 48% increase over the same period in 2015 and the highest total since 704 permits were issued during the first two months of 2006. In February, single-family permits totaled 247, up by a little more than one-third from the same month last year. A stronger economy and more jobs being added by the Colorado Springs Regional Business Alliance have boosted homebuilding, said Tim Seibert, owner of land planning firm N.E.S. Inc. and board president of the Housing and Building Association of Colorado Springs. “That helps create more

demand,” Seibert said. “We hope this is just the beginning of that. There seems to be a lot of optimism as far as the whole community is concerned”. At the same time, area workers seem more confident in their ability to hold onto their jobs or their opportunity to get hired elsewhere, which helps spur purchases of new homes, he said.

Detached Single Family Permits		
Year	Permits	% Change
2001	4,925	+5.3%
2002	4,466	-9.3%
2003	4,356	-2.5%
2004	5,059	+16.1%
2005	5,314	+5.0%
2006	3,446	- 35.2%
2007	2,136	- 38.0%
2008	1,223	- 42.7%
2009	1,105	-9.6%
2010	1,404	+27.1%
2011	1,399	-0.36%
2012	2,218	+58.54%
2013	2,676	+20.65%
2014	2,439	-8.89%
2015	2,739	+12.3%
2015 – Jan. – Feb.	294	
2016 – Jan. – Feb.	434	+47.65%

Home builders and economists have credited a stronger local economy and historically low mortgage rates with helping to boost the homebuilding industry. Long-term, fixed-rate mortgages averaged below 4% for much of 2015; they ticked up to 4.01% last week, the highest since late July, according to mortgage buyer Freddie Mac. Some homebuilders also have said that an extremely tight inventory on the resale side of the single-family housing market has contributed to the demand for new homes. Economists and government officials closely watch building permit activity because of the housing industry’s impact on the local economy. The industry employs thousands, while taxes collected on the purchase of building materials help fill the coffers of area governments, which use the money for roads, public safety and other services.

Resale Residential Market. The pace of buying and selling homes showed no signs of slowing last month (February 2016) in Colorado Springs and surrounding communities, according to a new report from the Pikes Peak Association of Realtors. Single family home sales totaled 871 last month, which was a 21.3% increase compared to February 2015. Home sales have risen for 19 straight months on a year-over-year basis, and last month’s total was the highest for any February in at least 23 years, association records show. Sales during the first two months of the year totaled 1,719, up 27.1% over the same period in 2015. As demand has remained strong, so have prices. The median price of all homes sold last month rose to \$240,000 or 6.7% higher than in February 2015. Prices have increased for 15 consecutive months. One reason for higher prices: an exceptionally tight inventory of homes listed for sale. Listings totaled 1,762 in February — down nearly 28% from a year earlier and the fewest number of homes for sale in any month over the last 20 years that records were available.

“It’s really a disadvantage for buyers,” said Joe Clement, broker/owner of Re/Max Properties in Colorado Springs. Clement said. “First of all, they don’t have the choices. Second of all, they find something they really want, and they’re in the middle of a contest with two or three other offers.” But the market isn’t crazy for everyone. While there’s a shortage of homes priced at \$300,000 and less, there still are plenty of \$500,000-and-up properties for sale, Clement said. The current pace of home sales rivals that of about a decade ago, he

said. However, sales in the mid-2000s were inflated by interest-only and other so-called exotic loans made to unqualified buyers, Clement said. Now, a stronger economy and jobs picture, buoyed by low mortgage rates, are making the market much stronger, he said.

Apartment Market. New apartment construction has been cyclical, with building activity occurring when vacancies are low and rents are rising. The apartment market took a triple hit early in this decade as a result of (1) the big loss of tech jobs in 2001 and 2002; (2) the deployment of troops to Iraq and Afghanistan that started in late 2002; and (3) easy mortgage credit in 2004 to 2006 that made it possible for many renters to become home owners. Since 2007 the vacancy rate has been slowly declining and within the past five years the vacancy rate has generally hovered in the 5% to 7% range.

According to a report by the Colorado Division of Housing, rents continue to increase at Colorado Springs-area apartments. Average rents soared to a record high of \$932.25 a month in the third quarter. The latest figure increased \$33 a month from the second quarter's \$899.22, the previous record high. Rents have increased for 23 straight quarters on a year over-year basis. At the same, the local apartment vacancy rate dropped to 4.2% in the third quarter from 4.6% in the second quarter. That is the lowest rate since the second quarter of 2001, the Housing Division report showed. Several factors have combined to increase demand and, in turn, drive up rents. Generally, millennials who don't want to be tied down to homes and mortgages are driving much of the demand, experts have said. Empty nesters who have downsized or who want maintenance-free living also have contributed to lower vacancy rates.

Meanwhile, even as developers have built more than 2,000 apartments in the last three years, the pace of construction isn't keeping pace with demand. Construction might continue to lag until rents rise even higher. Developers are looking for double-digit rent increases on an annual basis to cover rising construction costs. Third-quarter rents in the Springs rose 5.8% percent over the same period last year, but annual rents are increasing at a double-digit clip in the Denver area, where many more construction projects are underway. Developers have added 567 units to the supply of Springs-area apartments so far in 2015. According to the Bamberger report there is approximately 800 units currently under construction and about 1,300 in the planning pipeline.

Retail Market. The total shopping center market consists of over 331 centers with a total of 19,818,242 square feet of space. The figure does not include the two Colorado Springs regional malls, Chapel Hills located in the northern part of the city and the Citadel located in the eastern part of the city. Academy Boulevard and Powers Boulevard, on the eastern side of the city, are the city's two major retail corridors. Much of the new retail construction over the past 15 years has occurred in the Powers Boulevard corridor.

According to the Turner Commercial Report at the end of the 4th quarter of 2015 there were 11 new retail centers or new additions under construction containing 152,343 square feet. In 2014 six new buildings had been completed containing approximately 47,138 square feet.

Retail Market Trends – 2009 through the 4th Quarter of 2015							
Year	2009	2010	2011	2012	2013	2014	2015
Vacancy Rate	10.7%	11.2%	11.6%	12.2%	11.7%	10.2%	10.3%
Avg. Rents - \$/SF NNN	\$13.85	\$13.37	\$12.72	\$12.34	\$12.80	\$13.08	\$13.39
Leasing Activity	414,967	473,817	404,574	506,948	519,533	577,824	555,896
Absorption	162,570	95,536	-71,496	-93,284	116,917	296,189	80,673
Number of Building Sales	36	56	64	78	88	74	85
Avg. Bldg. Sales - \$/SF	\$85.14	\$60.33	\$117.12	\$85.77	\$156.27	\$98.70	\$148.96
Wt. Avg. Bldg. Sales - \$/SF	\$120.24	\$117.63	\$124.48	\$139.33	\$170.44	\$157.32	\$191.82

In 2006 the citywide retail vacancy rate reached the bottom of a downward trend, at the end of 2006 the commercial vacancy rate had fallen to 6.4%. Since the end of 2006 the retail vacancy rate has been increasing. At the end of the 4th quarter 2008 the reported citywide retail vacancy rate had reached 8.4%. By the end of the 4th quarter 2012 the reported citywide retail vacancy rate had reached 12.2%. In 2013 the retail vacancy rate trend reversed itself and fell to 11.7%. In 2014 the retail vacancy continued to fall 1.5% percentage points to 10.2%. Through the 4th quarter 2015 the vacancy rate has increased slightly to 10.3%.

Turner indicates that the asking retail lease rates, on a citywide basis, averaged \$13.30 NNN at year-end 2006. In 2007 retail lease rates increased 4.96% to an average rate of \$13.96 per square foot NNN and in 2008 they increased 2.4% to an average \$14.30 NNN. Starting in 2009 the average asking retail rate started declining and this downward trend continued through the 4th quarter of 2012. At the end of the 4th quarter of 2012 the average asking retail lease rate had fallen to \$12.34 per square foot NNN, a -13.71% decrease from 2008's yearend asking rate. In 2013 the asking rate trend reversed a four year trend and increased to \$12.80 per square foot NNN. Asking rates increased to \$13.08 in 2014 and at the end of the 4th quarter of 2015 the average asking rate has increased to \$13.39 per square foot NNN.

Turner reports that during the time period 2004 through 2006 approximately 2.3 million square feet of retail space was absorbed. During the same time period approximately one million square feet of new owner occupied retail space was constructed. This still resulted in a net absorption gain of 1.3 million square feet. The downward absorption trend returned in 2007. Retail leasing activity reached 715,870 square feet during 2007 but absorption was -624,369 square feet. Again, in 2008 leasing activity was 451,027 square feet and absorption was -98,776 square feet. In 2009 the negative absorption trend reversed itself with a positive absorption of 162,570 square feet after leasing activity of 414,967 square feet. In 2010 the positive absorption trend continued with 95,536 square feet absorbed after leasing activity of 473,817 square feet. In 2011 absorption went negative with -71,496 square feet after leasing activity of 404,574 square feet. The downward trend has continued through 2012 with negative absorption of -93,284 square feet after leasing activity of 506,948 square feet. In 2013 absorption turned positive with 116,917 square feet after leasing activity of 519,533 square feet. The positive absorption trend continued in 2014 with 296,189 square feet after leasing activity of 577,824 square feet. Today at the end of the 4th quarter 2015 absorption has been positive with 80,673 square feet after leasing activity of 555,896 square feet.

Office Market. The office market in Colorado Springs consists of over 1,508 buildings and 29,191,478 square feet of space. About 40%+ of these buildings were owner-occupied. At this time according to the Turner Commercial Report at the end of the 4th quarter of 2015 there was 41,973 square feet of new office space in two buildings under construction in the city, most all of the space is reportedly preleased or will be owner occupied. Approximately 17,379 square was constructed this past year (2015). This is compared to 276,415 square feet constructed in 2014 and 63,342 square feet constructed in 2013.

Office Market Trends – 2009 through the 4th Quarter of 2015							
Year	2009	2010	2011	2012	2013	2014	2015
Vacancy Rate	15.9%	14.3%	14.3%	14.5%	12.8%	13.6%	12.5%
Avg. Rents - \$/SF NNN	\$10.95	\$10.66	\$10.26	\$10.27	\$10.12	\$10.42	\$10.58
Leasing Activity	820,743	969,508	696,875	890,463	910,781	710,393	840,647
Absorption	-176,747	658,158	27,870	152,330	546,959	-104,137	305,553
Number of Building Sales	43	51	63	59	90	90	81
Avg. Bldg. Sales - \$/SF	\$122.01	\$106.08	\$81.22	\$71.61	\$82.32	\$104.28	\$97.48
Wt. Avg. Bldg. Sales - \$/SF	\$114.48	\$130.05	\$99.23	\$98.28	\$105.42	\$112.69	\$117.17

In 2007 the city wide office vacancy rate was 8.6%. Over the next two years (2008 and 2009) the vacancy rate increased and at the end of 2009 the city wide office vacancy rate had risen to 15.9%. In 2010 the vacancy rate came down to 14.3% and remained there for the past three years. In 2013 the metro office vacancy rate fell significantly down to 12.8%. However, for 2014 the vacancy rate increased to 13.6% and today at the end of the 4th quarter 2015 the office vacancy rate is estimated at 12.5%.

The office trends data would indicate that the asking lease rates peaked around the end of 2007 at \$11.56 per square foot NNN. At the end of the 4th quarter of 2011 the average asking office lease rate citywide had dropped to \$10.26 per square foot NNN. In 2012 the average asking lease rate remained at about \$10.27 NNN, but in 2013 asking lease rate fell to \$10.12. Asking rates increased to \$10.42 in 2014 and at the end of the 4th quarter of 2015 the average asking rate has increased to \$10.58 per square foot NNN.

Turner reports that leasing activity over the last five years has remained fairly stable, generally between 700,000 to 980,000 square feet of activity. Absorption, over the same time period, went negative in 2008 and 2009 and positive in 2010 and 2011. In 2010 absorption was a positive +658,158 square feet but in 2011 it was only 27,870 square feet. In 2012 an upward trend reemerge with positive absorption of +152,330 square feet after leasing of 890,463 square feet. Again in 2013 the upward trend continued with positive absorption of +546,959 square feet after leasing of 910,781 square feet. For 2014 absorption went negative with -104,137 square feet of absorption after leasing activity of 710,393 square feet. Today at the end of the 4th quarter 2015 absorption trend has turned positive with 305,553 square feet after leasing activity of 840,647 square feet.

Industrial Market. The industrial market consists of slightly over 1,668 buildings totaling 34,092,743 square feet of space. More than half of these buildings (60%) are owner-occupied. According to the Turner Commercial Report at the end of the 4th quarter of 2015 there were 7 buildings of new industrial space under construction in the city containing a total of 286,147 square feet. Approximately 50,488 square feet of new industrial space was completed this past year (2015). This is compared to 183,432 square feet of new industrial space completed in 2014 and 75,649 square feet completed in 2013.

Industrial Market Trends – 2008 through the 4th Quarter of 2015							
Year	2009	2010	2011	2012	2013	2014	2015
Vacancy Rate	11.5%	11.6%	9.3%	9.3%	9.2%	8.7%	8.3%
Avg. Rents - \$/SF NNN	\$6.49	\$6.19	\$6.17	\$6.12	\$6.48	\$6.65	\$7.16
Leasing Activity	1,152,590	976,840	1,091,241	687,485	1,070,653	649,123	671,988
Absorption	-1,926,104	4,938	800,711	125,587	138,839	297,295	168,595
Number of Building Sales	40	46	44	49	78	75	61
Avg. Bldg. Sales - \$/SF	\$23.75	\$42.41	\$49.55	\$58.96	\$56.30	\$55.04	\$47.70
Wt. Avg. Bldg. Sales - \$/SF	\$77.24	\$68.83	\$62.56	\$62.11	\$68.39	\$69.51	\$72.57

At the end of the year 2000 citywide industrial vacancy rates had fallen to 3.2%. The vacancy rate increased over the next four years and at the end of 2004 vacancy rates stood at 10.5%. From 2004 the vacancy rate went on a downward trend and at year end 2006 the vacancy rate had decreased to 6.4%. Between 2006 and 2010 the vacancy rate increased and at the end of 2010 it had reached 11.6%. In 2011 absorption was significant and the vacancy rate decreased to 9.3% where it remained through 2012. For 2013 the vacancy dropped slightly to 9.2%. The downward trend continued in 2014 dropping to 8.7%. Today at the end of the 4th quarter of 2015 the vacancy rate has continued to decrease to 8.3%.

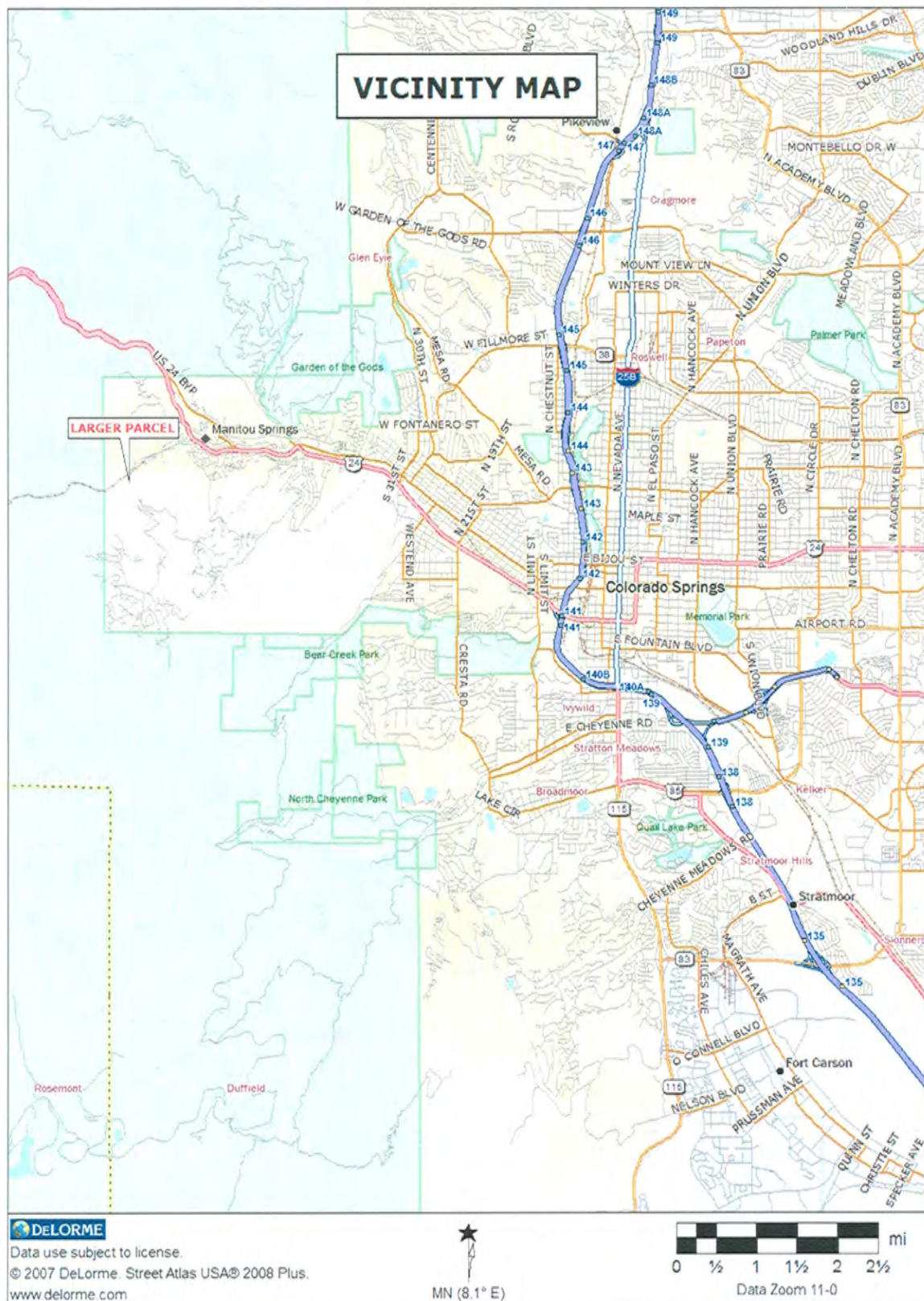
Turner indicates that the industrial asking lease rates, on a citywide basis, averaged \$7.15 NNN at year-end 2006. Since the end of 2006 asking industrial lease rates have been on a downward trend. At the end of the 4th quarter of 2012 the asking rate appeared to have

bottomed out at \$6.12 per square foot NNN, which represented -14.41% from 2006's asking rate of \$7.15. In 2013 the average asking rent climbed to \$6.48 per square foot NNN and in 2014 it increased to \$6.65 NNN. At the end of the 4th quarter 2015 has increased slightly to \$7.16 per square foot NNN.

For the year end 2006 leasing activity was 1,034,628 square feet and absorption was 1,076,401 square feet. Over the next four years (2007-2010) there was a negative absorption of 2,339,827 square feet, while leasing activity remained relatively constant. In 2011 the trend reversed itself with positive absorption of 803,711 square feet. The upward trend continued through 2012 with absorption of 125,587 square feet and into 2013 with absorption of 138,839 square feet. For 2014 the positive absorption trend continued with 297,295 square feet after leasing activity and 649,123 square feet. Today at the end of the 4th quarter 2015 absorption has been positive with 168,595 square feet after leasing activity of 671,988 square feet.

Neighborhood Data Overview

According to the MLS and the Turner Report the subject property lies in the Manitou Springs Market area of the city. See Vicinity Map below.



Location. The subject's neighborhood is identified as Manitou Springs, Colorado. Manitou Springs is centered on Manitou Avenue which runs east and west through the city. The borders of the neighborhood are State Highway 24 on the north, the Manitou Incline and Barr Trail to the west, Iron and Red Mountains to the south, and the City of Colorado Springs to the east.

Access. East west access to the Manitou Springs neighborhood is via Colorado Avenue, which becomes Manitou Avenue, and via Cimarron Expressway (aka US Highway 24). US Highway 24 has exits at both the east and west ends of Manitou Springs. The highway continues west to Woodland Park, Buena Vista, and Leadville and east to Limon.

Streets. Manitou Avenue runs east out of Manitou Springs, becomes Colorado Avenue as it runs east through Old Colorado City, and finally merges with Pikes Peak Avenue as it runs east through the central business district of Colorado Springs. The road is four lanes, paved, curbed, and with street lighting for most of its length.

Topography. The topography of the neighborhood is the foothills to the Rocky Mountains. Many areas have views towards the east, northeast towards downtown or to the west and the mountains. The topography of the subject's immediate neighborhood is rolling Rocky Mountain foot hills with valleys, valley walls and rock formations. Many areas have views towards the east, southeast, and north towards downtown or to the west and the surrounding mountains.

Public Utilities. Water and sewer utilities are provided by the City of Manitou Springs. Natural gas, and electricity are provided by the City of Colorado Springs. CenturyLink, formerly Qwest, provides telephone service. Electric and telephone utilities are underground and overhead in the immediate neighborhood.

Public Services. The City of Manitou Springs police protection and fire protection. Local governmental services are provided by the jurisdiction of the City of Manitou Springs and El Paso County. Adequacy of services is rated good.

Public Transportation. Colorado Springs Bus Transit Route #1 runs along Manitou Avenue and into downtown Colorado Springs.

Predominant Land Uses. Manitou Springs, along Manitou Avenue, shows mostly commercial land uses, the majority of which cater to the local tourism business. There are numerous motels, gift shops, restaurants, and entertainment shops all along Manitou Avenue. The building design is a one/two story with a minimally finished walkout basement used for retail sales. The main (street) level is used for retail sales and restaurant while the upper level is an apartment. Motels in Manitou Springs include the Foothills Lodge, the Eagle Motel, the Skyway Motel, Super 8, La Fon Motel, and the Silver Saddle Motel. The remainder of Manitou Springs is mainly residential areas. Manitou Springs is located near many local tourist attractions such as the Cave of the Winds, Cliff Dwellings and the Pikes Peak Cog Railway. To the west there is Pikes Peak and the northwest is the Garden of the Gods Park.

The Pike National Forest forms the westerly boundary of the neighborhood. The Pike National Forest covers approximately 117,000 acres (8.5% of the total county land area). It is confined to the mountainous western portion of the county in an area extending south from the Douglas County line to south of Cheyenne Mountain. Nearly all of the mountain slope area that can be seen from the I-25 corridor is U.S. Forest Service land, and nearly all that are accessible are open to the public for multipurpose recreational use, including hiking, mountain biking and limited motorized uses. Cheyenne State Park is located approximately seven miles southeast of the subject property. The Park covers approximately 1,600 acres and the park amenities includes camp sites and hiking trails.

Potential Inharmonious Uses. There does not appear to be any potential inharmonious uses in the neighborhood.

Public Schools. Public Schools in the neighborhood consists of Manitou School District Number 14.

Conclusion - Future Trends. This subject neighborhood is characterized by commercial activity including motels, restaurants, retail shops, offices, and residential properties. Manitou Springs and Old Colorado City are considered the second most visited tourist attractions in El Paso County, second only to the United States Air Force Academy. Overall, the neighborhood is well situated in the city with good access to Interstate 25 and US Highway 24. The neighborhood benefits from its close proximity to the Central Business District of Colorado Springs, recreational facilities, parks and employment centers.

Recent downtown renovation efforts has produced satisfactory results in visual and economic benefits for the commercial core of the area. Overall, the fortunes of Manitou Springs are tied to those of the city's tourist industry as a whole. I would anticipate that values will remain stable and possibly increasing over the next two years.

Property Description - Larger Parcel Before Take

Land/Site Data

Location. The Larger Parcel is located at the westerly end of Ruxton Avenue approximately 1,300 feet south of the Manitou Incline and ¼ mile west of downtown Manitou Springs, Colorado. The Larger Parcel is located in the Manitou Springs Market area of the City of Colorado Springs. The Larger Parcel is outlined in red in the satellite view below.

Satellite Photo



Legal Descriptions. According to El Paso County Assessor's records the Larger Parcel is legally described as: N2 N2 SEC 7, T14S, R67W, El Paso County, State of Colorado.

Tax Schedule Number, Actual Value, Assessed Value, and Taxes. The Larger Parcel is identified as tax schedule number 74000-00-003. Actual Value, Assessed Value, and Taxes for the tax schedule number 74000-00-003 are as follows:

	2015 Actual Value	2015 Assessed Value	2015 Mill Levy	Estimated Property Taxes
74000-00-003				
Land	\$47,300	\$13,720		
Building Improvements	\$0	\$0		
Total	\$47,300	\$13,720	64.667	\$887.23

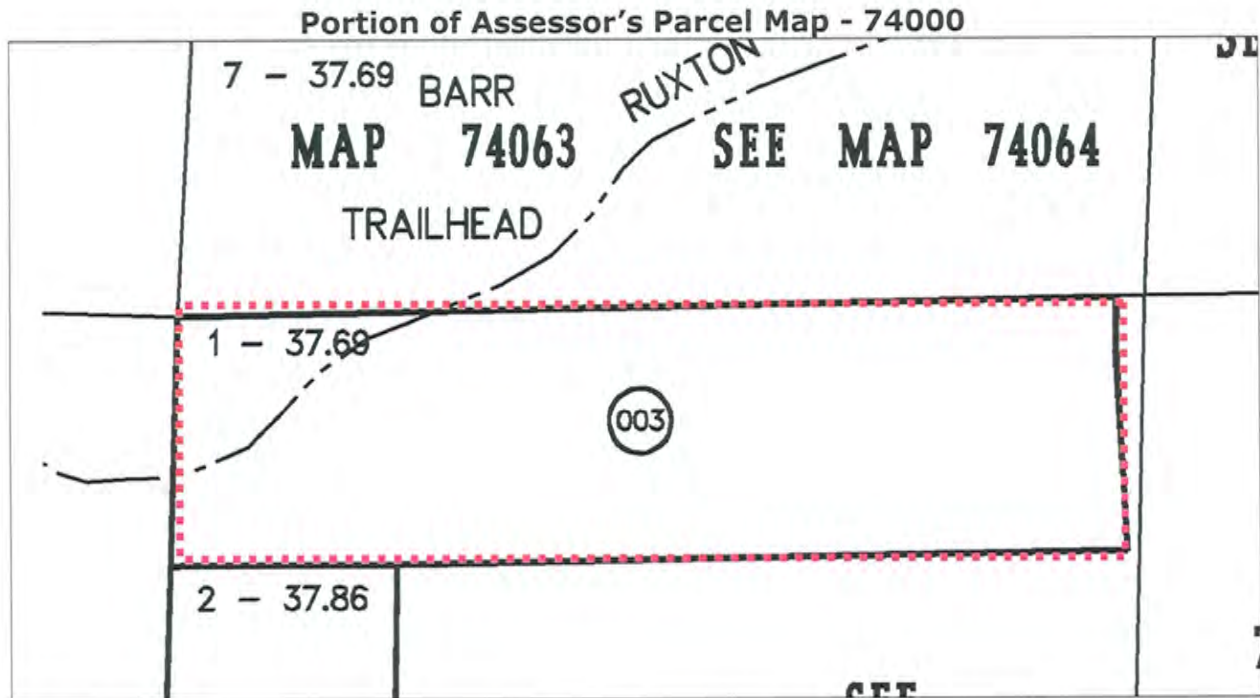
Overall, Colorado are paid one year in arrears, i.e., the 2015 taxes are due and payable in 2016. The assessed values for 2015 are 29% of market value for improved non-residential properties and vacant land. The assessment ratio for residential properties slides to meet the requirements of the Gallagher Amendment and is currently set at 7.96% of the market value. Overall property taxes are reassessed every two years in Colorado. 2015 was the last reassessment year.

The market, assessed values and taxes, as shown above, are as determined by using the Assessor's value for the year of 2015 and with the 2015 mill levy. The subject property's assessed value and taxes appear to conform to similar properties assessed values and taxes.

It is noted that the Assessor's Actual Value is significantly less than what I have estimated for the Larger Parcel. Assessor's values are generally lower than an appraiser's value mainly due

to way the properties are appraised. The Assessor employs a mass appraisal methodology versus a site specific appraisal methodology employed by an appraiser. Value differences are significantly less for improved properties like residential and significantly more for vacant land properties particularly like the subject.

See Assessor's Parcel Map below – the Larger Parcel is outline in the dashed red lines.



Special Assessments. The Larger Parcel would not appear to be subject to general obligation indebtedness that are paid by revenues produced from annual tax levies on the taxable property within such districts. Property owners in such districts may be placed at risk for increased mill levies and excessive tax burdens to support the servicing of such debt where circumstances arise resulting in the inability of such a district to discharge such indebtedness without such an increase in mill levies.

Ownership. According to information from the Assessor's office the Larger Parcel is owned by Manitou and Pikes Peak Railway Co. PO Box 351, Manitou Springs, CO 80829-0351.

Property Sales History. Assessor's records did not indicate that the Larger Parcel has been the subject of sale or transfer for valuable consideration within the past 29 years. The subject property is not listed for sale or lease.

Census Tract Number. The Larger Parcel lies within the El Paso County area 2010 census tract number 67 (Manitou Springs).

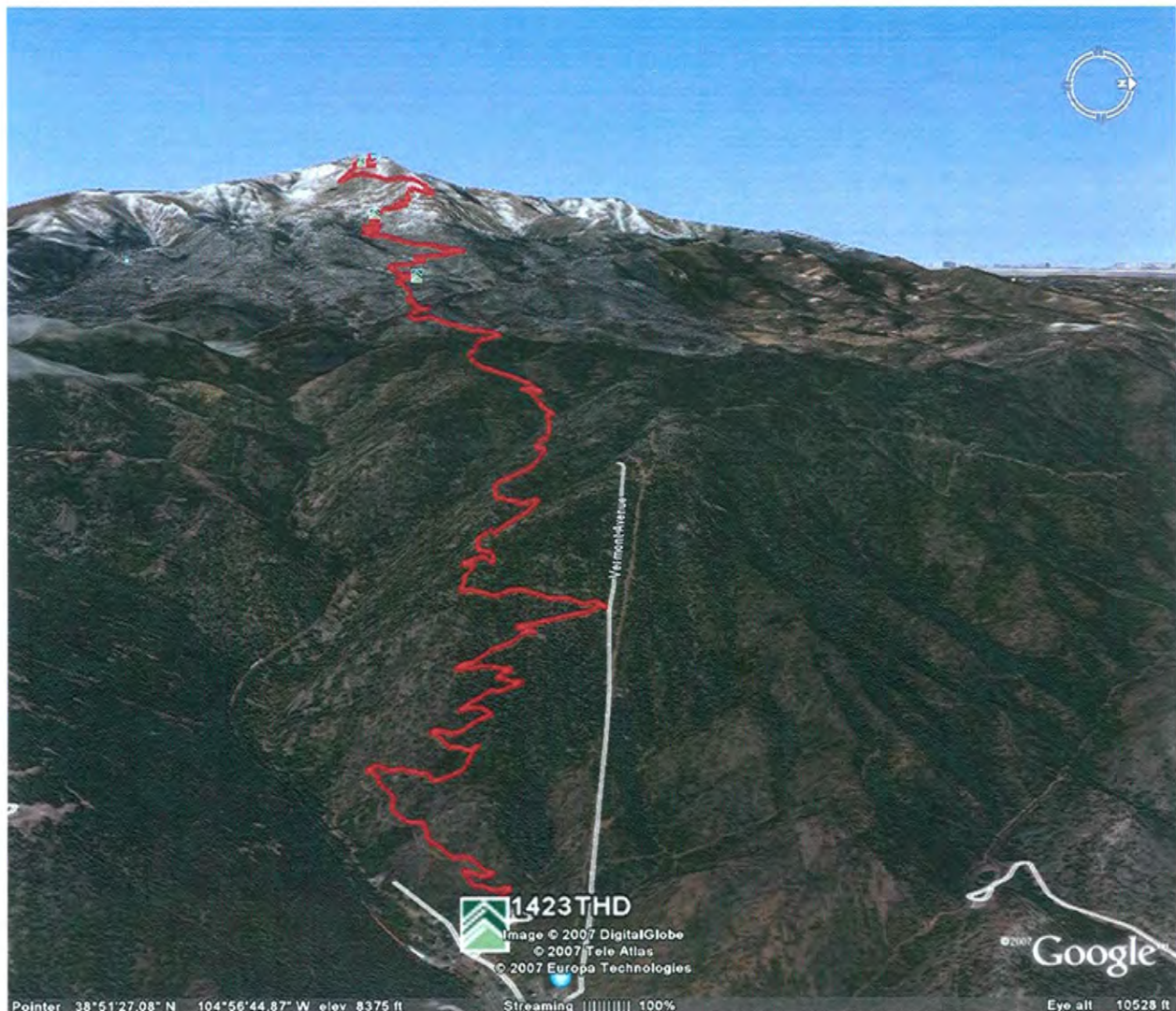
Easements. I have not reviewed a survey or title information on the Larger Parcel. Barr Trail meanders through the northwest corner of the Larger Parcel. The owner's agent reported that the access agreement with the US Forest Service/El Paso County for Barr Trail expired in 2012. See description of Barr Trail Below.

I assume no responsibility for the existence of any unknown easements or encroachments, and this appraisal is subject to the absence of any adverse easements, encroachments, or violations, except as stated herein. Overall, my opinion is that there are no unknown easements which would adversely affect the value of the subject property.

Zoning. The Larger Parcel is located in unincorporated El Paso County and is zoned F-5. F-5 (Forestry and Recreation District). The F-5 zoning district is a 5 acre district intended to accommodate the conservation of forest resources, protect the natural environment and preserve open space, while accommodating limited residential use. The minimum lot area for a single family dwelling in the district is 5 acres. Most all of the Larger Parcel could not meet the criteria to be developed as five acre residential lots because of excessive slope conditions (slopes exceeding 30%).

Well Information. A review of the Colorado Division of Water Resources (CDWR) Internet Web Site revealed that there are no wells on the Larger Parcel. My inspection of the Larger Parcel did not result in visual evidence of any wells on the property. For valuation purposes I have assumed that there are no wells (domestic or livestock) and/or adjudicated water rights to the Larger Parcel.

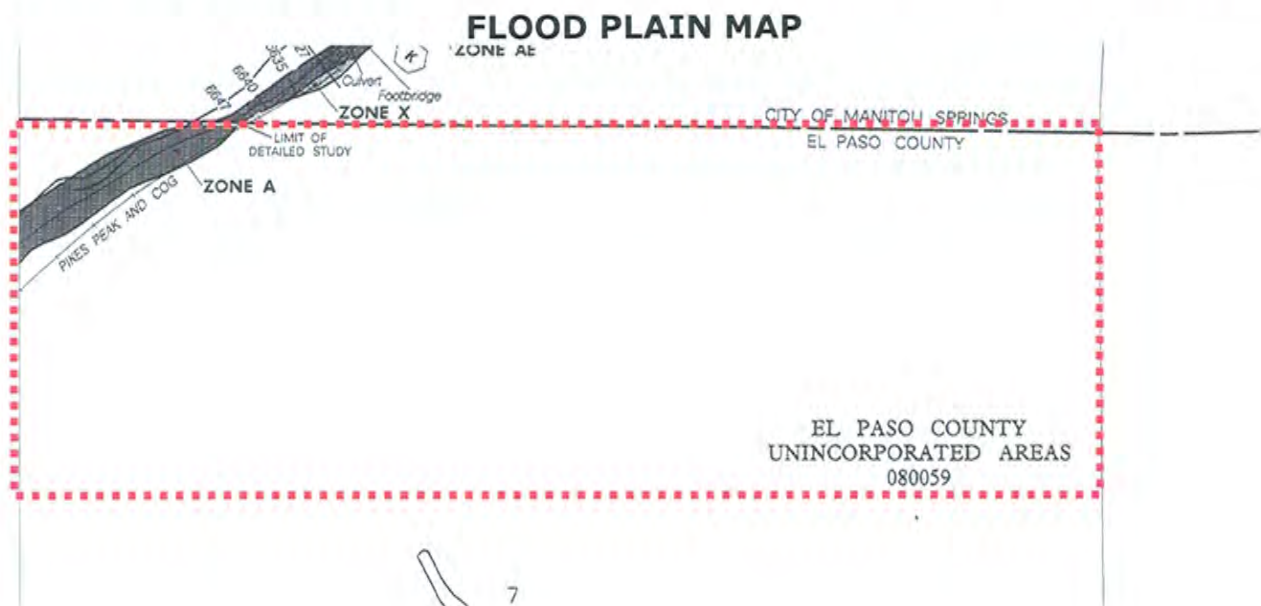
Barr Trail. Barr Trail is a 13-mile (21 km) trail in the Pike National Forest that begins in Manitou Springs, Colorado and ends at the Pikes Peak summit. The high elevation trail with a long sustained grade is rated more difficult by the U.S. Forest Service. With a 7,800 feet (2,400 m) elevation gain to reach the summit, the Colorado Springs Convention & Visitors Bureau states that it is an advanced trail and is the most difficult trail in the Pikes Peak region.



A trail was first created by a prospector in the mid-1800s, but the trail did not allow for travel by burro from Mount Manitou to the summit of Pikes Peak. Beginning in 1914, Fred Barr built the burro trail, with a maximum 12% grade to the top of the peak for his burro train business. Aside from his work on the major portion of the trail, he supervised a crew of ten men for the U.S. Forest Service in 1917 who built the portion of the trail from the top of the Manitou Incline down to Manitou Springs. He hiked the entire trail and made it to the top of Pikes Peak on Christmas Eve, 1918.

Barr Camp was built by Barr between 1922 and 1924. It was used by Barr and his burro train customers for an overnight stay between Manitou Incline and the summit. Staffed by year-round caretakers, the camp continued to provide overnight accommodations for Barr Trail hikers. In 1948, the U.S. Forest Service rebuilt the trail, following the original route. Burro trains were used to transport people along the trail until the 1960s. The 13-mile trail was designated a National Recreation Trail in 1979. It is one of the most frequently used trails in Colorado.

Flood Plain Statement. It would appear that a portion of the Larger Parcel along Ruxton Creek is located within a designated 100 year floodplain area. Flood Hazard Boundary Map No. 08041C00706F, dated 3/17/97, for Colorado Springs and El Paso County published by the Federal Emergency Management Agency (FEMA). See map below – the Larger Parcel is outline in the dashed red lines.

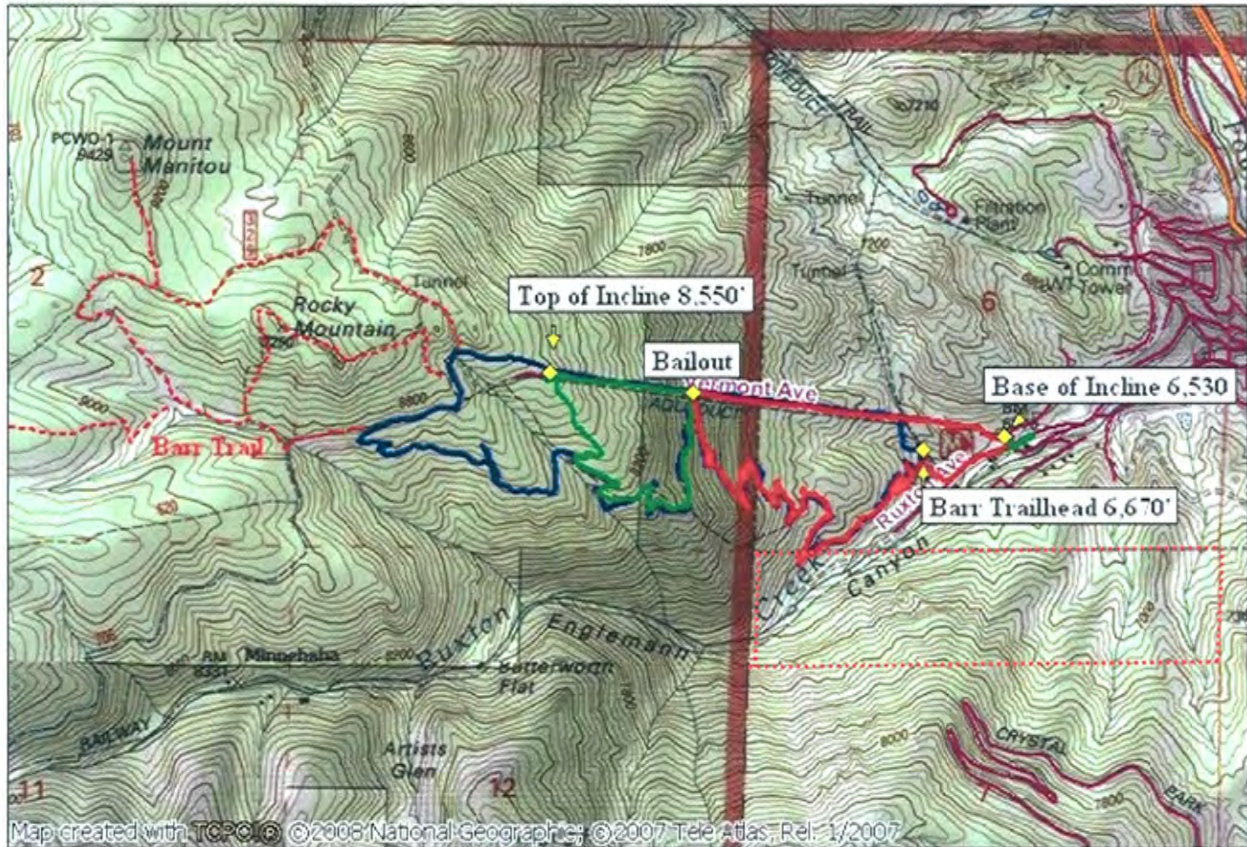


Site Description

Land Area. According to Assessor's records the Larger Parcel contains 157.69 Acres - 6,868,976.4 square feet.

Land Shape/Land Form. The Larger Parcel is rectangular in shape. The land form of both subject parcels is best described as eastern Rocky Mountain hillside. Elevations on the property range from approximately 6,500 feet to over 7,800 feet. The Larger Parcel is outlined in the dash red lines.

USGS Topographical Map



Frontage/Exposure. The Larger Parcel has a small amount of road frontage at the end of Ruxton Avenue. The Larger Parcel is part of the mountain backdrop visible from both Interstate Highway 25 and US Highway 24.

Access. Access to the Larger Parcel is from Ruxton Avenue which crosses the northwest corner of the site.

Topography and Drainage. The topography of the site is described as sloping (mountainous) with grades exceeding 30% in most places. Ruxton Creek crosses the northwest corner of the site with drainage basically flowing in two directions. The northwest corner of the site, north of Ruxton Creek, flows from northwest towards the southeast. The balance of the site, south of Ruxton Creek, flows from the southwest towards the northeast.

Vegetation. Vegetation to the Larger Parcel is typical of the Pikes Peak region: mountain shrub land at lower elevations transitioning into coniferous forest in the upper reaches of the Incline and on north-facing slopes. Mountain shrub land communities are characterized by

dense stands of gambel oak interspersed with ponderosa pine, and an understory of yucca and both native and introduced grasses. Coniferous forest communities are dominated by ponderosa pine interspersed with gambel oak, mountain mahogany, smaller shrubs, and native and introduced grasses.

Views. The views from the Larger Parcel are considered excellent with views of Manitou Springs and Colorado Springs.

Wildlife Habitat. The Larger Parcel provides habitat for a variety of wildlife that is typical of the region. Common mammals include golden-mantled ground squirrel, mountain cottontail, mule deer, black bear, and mountain lion. Common birds include western scrub jay, mountain chickadee, Steller's jay, magpie, and turkey vulture.

Public Utilities. Water and sewer utilities are provided by the City of Manitou Springs. Natural gas, and electricity are provided by the City of Colorado Springs. These utilities are basically to the northwest corner of the site. However, to use the water and sewer utilities the Larger Parcel would probably need to be annexed into the City of Manitou. CenturyLink, formerly Qwest, provides telephone service. Electric and telephone utilities are underground and overhead in the immediate neighborhood.

Public Improvements. Public improvements to the Larger Parcel consists of a two lane paved road (Ruxton Avenue).

Site Improvements. There are site improvements to the Larger Parcel associated with the Pikes Peak Cog Railway. The railway crosses the northwest corner of the site and would not appear to be affected by the taking.

Pikes Peak Cog Railway. The Manitou and Pike's Peak Railway (also known as the Pikes Peak Cog Railway) is an Abt rack system cog railway with 4 foot 8 1/2 inch (1,435 mm) standard gauge track in Colorado, USA, climbing the well-known mountain Pikes Peak. The base station is in Manitou Springs, Colorado near Colorado Springs. The railway is the highest in North America by a considerable margin. It was built and is operated solely for the tourist trade. See map below.

Pikes Peak Cog Railway



Stage of Development. The Larger Parcel is not platted but is zoned F-5. Water, sanitary sewer, natural gas and electric utilities are basically to the northwest corner of the site. Legally the Larger Parcel could not meet the criteria to be developed as five acre lots mainly due to excessive slope conditions (slopes exceeding 30%).

PART 3

ANALYSIS AND VALUATION **LARGER PARCEL BEFORE TAKE**

Highest and Best Use - Larger Parcel Before Take

Highest and best use is defined as that reasonable and probable use, or succession of potential uses, that support the highest market value of the property as of the date of the appraisal.

The Appraisal Institute in The Dictionary of Real Estate Appraisal, Fourth Edition, Chicago, 2002, p. 135, defines highest and best use as:

"The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity."

First, in this analysis, the subject site is considered as if the subject ownership is vacant land or a vacant site or land that can be made vacant by demolishing any existing improvements. Second, the site is considered as it is currently improved ("as is") or as an improved property. There are no building improvements and the existing site improvements are not affected by the taking, therefore, only the as vacant highest and best use will be considered.

Highest and Best Use - As Though Vacant

Legally Permissible. The subject property is not platted but is zoned F-5. The F-5 zoning district permits limited agricultural uses and rural residential uses on lots with a minimum area of 5 acres. Legally most all of the Larger Parcel could not meet the criteria to be developed as five acre lots mainly due to excessive slope conditions (slopes exceeding 30%).

Barr Trail meanders through the northwest corner of the Larger Parcel. The owner's agent reported that the access agreement with the US Forest Service/El Paso County for Barr Trail expired in 2012. I have assumed for valuation purposes that the permissive use of Barr Trail through the Larger Parcel has not ripened into a prescriptive easement.

Overall, the land uses adjacent to or in close proximity to the Larger Parcel are either national forest, open space/recreational use to the north, west and south with residential and commercial uses to the east. Thus, based upon the principle of conformity open space/recreational use would be the most likely use of the Larger Parcel.

Physically Possible. The Larger Parcel contains a total of 157.69 acres and is located in a scenic area just west of the City of Manitou Springs. The site has a rectangular shape and its land form is best described as eastern Rocky Mountain hillside with elevations ranging from approximately 6,400 feet to over 7,800 feet. Most all of the property could be described as sloping with grades exceeding 30%. Most of the site is heavily treed except for where there are rock outcroppings. The Larger Parcel has generally stable soil conditions and is believed to be free from environmental contaminants. The existing utilities and roadway systems would appear to adequately support most open space/recreation and rural residential use of the site. The physical characteristics of the site would lend itself well for open

space/recreational use but the topography and the presence of Ruxton Creek and the Cog Railway would limit its use for any type of residential development.

Financially Feasibility. The global and US economies have limped along for the past six years. The effect of slowdown has been felt in almost every sector and every country world-wide. The recovery has been described as anemic and the US and global economies still have a way to go before returning to normal. However, the US economy has shown signs of steady growth, led by professional services, healthcare, and leisure, while housing and manufacturing are holding steady. Job growth is up, equity markets are sending positive news. Federal austerity continues to create some drag on growth. The Federal Reserve is watching the recovery closely and is signaling an increase in interest rates later this year.

As the market moves forward there is a mixture of positives and negatives that add some uncertainty about the path the market will take in 2016 and 2017. The positives include job growth in 2015 was strong; mortgage rates are still historically low; existing home prices are rising; primary job announcements are up so far this year; and new and resale home inventories remain low. The election of new city council members and a new mayor last year could mean an end to the recent political turmoil that has weighed heavily on local business and consumer confidence. The negatives include cuts in defense spending remain uncertain and their potential to slow local job growth could dampen future real estate market; the possibility of rising mortgage rates looms heavily over the real estate market.

The F-5 zoning district permits limited agricultural uses and rural residential uses on lots with a minimum area of 5 acres. Legally most all of the Larger Parcel could not meet the criteria to be developed as five acre lots mainly due to excessive slope conditions (slopes exceeding 30%). The presence of Ruxton Creek and the Cog Railway would also limit its use for any type of residential development. The Larger Parcel does offer a valued historical, biological, visual resource and provides connection with adjacent public lands and trails. It also helps form the mountain backdrop and the edge of the populated area. In addition, there is also community support for conserving similar properties for open space and recreational use.

In my opinion, given what is physically and legally possible for the Larger Parcel, the only financial feasible use of the property would be for public open space/recreational use.

Maximum Productive. Because of the site's physical and legal limitations, public open space/recreational use appears to be the most economically feasible use of the Larger Parcel. It would also then be considered to be the maximally productive use of the property.

Conclusion Highest and Best Use As Vacant. The highest and best use of the Larger Parcel would be for open space/recreational use.

Appraisal Valuation Methodology

This appraisal is intended to provide a narrative presentation of those facts and techniques of analysis believed appropriate for providing a reasonably supported value estimate. The data and analysis considered most relevant are discussed in the remainder of this report. The value of the Larger Parcel is estimated using the appraisal technique as described below.

Land/Site Valuation – Larger Parcel Before Take

I have determined that the most reliable valuation methodology applicable for the Larger Parcel before the take is the Sales Comparison Approach.

The sales comparison Approach is the technique most frequently used in the appraisal of vacant land. The sales comparison approach is based upon the proposition that an informed buyer would pay no more for a property than what he would have to pay for a comparable property with the same utility as the subject. The process involves the comparison of the subject property with comparable properties that have sold recently or that are now listed for sale on the market making adjustments as necessary to compensate for differences between them and the subject. Where sale financing terms are considered to affect the price paid in a given transaction, an adjustment to the price of the comparable transaction for cash equivalence is made.

Sale Comparison Approach

To estimate the value of the Larger Parcel I first researched recent sales and listings of similar sized properties in all of El Paso County with particular emphasis on properties with similar physical characteristics (mountainous land forms) as the subject located west of Interstate 25. Overall, recent land sales of similar sized properties with similar physical characteristics have been rare therefore I expanded my search to include the past eight years. Most of the land sales that have occurred in the past eight years with similar physical characteristics were purchased by non-profits or government entities for the preservation of open space and recreation.

In my expanded search I found 12 sales and 3 current listings. From the 12 land sales and 3 comparable listings I have selected four of the land sales and one of the listings for direct comparison with the subject property. Three of the land sales were purchased for open space and one of the sales contained a conservation easement.

The four comparable sales and the current listing were selected on the basis of similarity to the subject property as to time of transaction, proximity of location, size, physical characteristics and similarity as to zoning and highest and best use. The five comparable properties are detailed on the following pages, then discussed and compared to the Larger Parcel on a sales comparison (adjustment) grid. The selected comparable land sales are also keyed to the Comparable Land Sales Map.

Comparable Land Sale No. 1



View:	Looking southeast from Old Stage Road		
Date Inspected/Photo by:	January 12, 2016/Tom Colon		
Location/Address:	East Face of Cheyenne Mountain		
Tax Schedule #:	7500000290		
Legal Description:	TR IN PORT OF SEC 14 & PORT OF N2N2 SEC 23-15-67 DESC AS FOLS: BEG AT NW COR OF SW4NE4 OF SD SEC 14 FROM WHICH THE N4 OF SD SEC 14 BEARS N 00<00'00" E, TH S 90<00'00" E ALG N LN OF SD SW4NE4 & N LN OF SE4NE4 1374.93 FT, S 25<42'58" W 2200.74 FT, S 00<00'00" W 2200.00 FT, N 90<00'00" W 947.15 FT, N 00<00'00" E 2684.64 FT TO A PT ON SELY LN OF TRACT CONV BY REC #99059463, N 33<08'06" E 153.02 FT, N 13<42'00" W 136.92 FT, N 31<18'00" E 200.00 FT, N 13<41'59" W 212.13 FT TO A PT ON SELY LN OF TRACT CONV BY BK 1896-836, N 31<17'56" E ALG SD SELY LN 95.53 FT TO MOST ELY COR THEREOF, TH N 25<34'59" E 862.97 FT TO POB, CSC		
Grantor:	Myra Benjamin (Cheyenne Mountain Reserve LLC)		
Grantee:	State of Colorado		
Sale Confirmed with/Date:	County Assessor Records, Seller/January 2016		
Appraiser Confirming:	Tom Colon		
Recordation/Sale Deed:	R# 208012321/Warranty Deed		
Property Rights Conveyed:	Fee Simple		
Conditions of Sale:	Arm's Length		
Financing Source and Method:	Cash to Seller	Date of Sale:	1/31/2008
Post Sale Expense:	None	Selling Price:	\$441,000
Project Influence:	N/A	Unit Price:	\$4,179/ Acre
Physical Characteristics – Legal Aspects			
Land Area:	4,597,332 SF (105.54 AC)	Access:	Private – Road to Antennas
Shape:	Irregular	Utilities:	None
Topography:	Mountainous, Grades +30%	Zoning:	A-5 (County)
Drainage/Flood Plain:	Average, No FP involvement	Platted:	No
Visibility:	Excellent	Corner/Interior Parcel	Interior Parcel
Surrounding Properties:	Residential, Open Space	Stage of Development:	No Platted, Undeveloped
Use at time of sale:	Vacant Land		
Highest and Best Use:	Single Family Rural Residential – Open Space		
Remarks:	Terms of the sale were cash to the seller. The comparable property is located on the southeast face of Cheyenne Mountain - west of SH 115. Access to the site is by the road used to service the antennas on the top of Cheyenne Mountain and from Old Stage Road which crosses the northerly portion of the site. The property has good exposure and can be seen from miles around. Mountain hillside topography with grades exceeding 30% on most of the site. Native grass vegetation with moderate trees. Sales History: No unrelated transfers within the previous five years.		

Comparable Land Sale No. 2



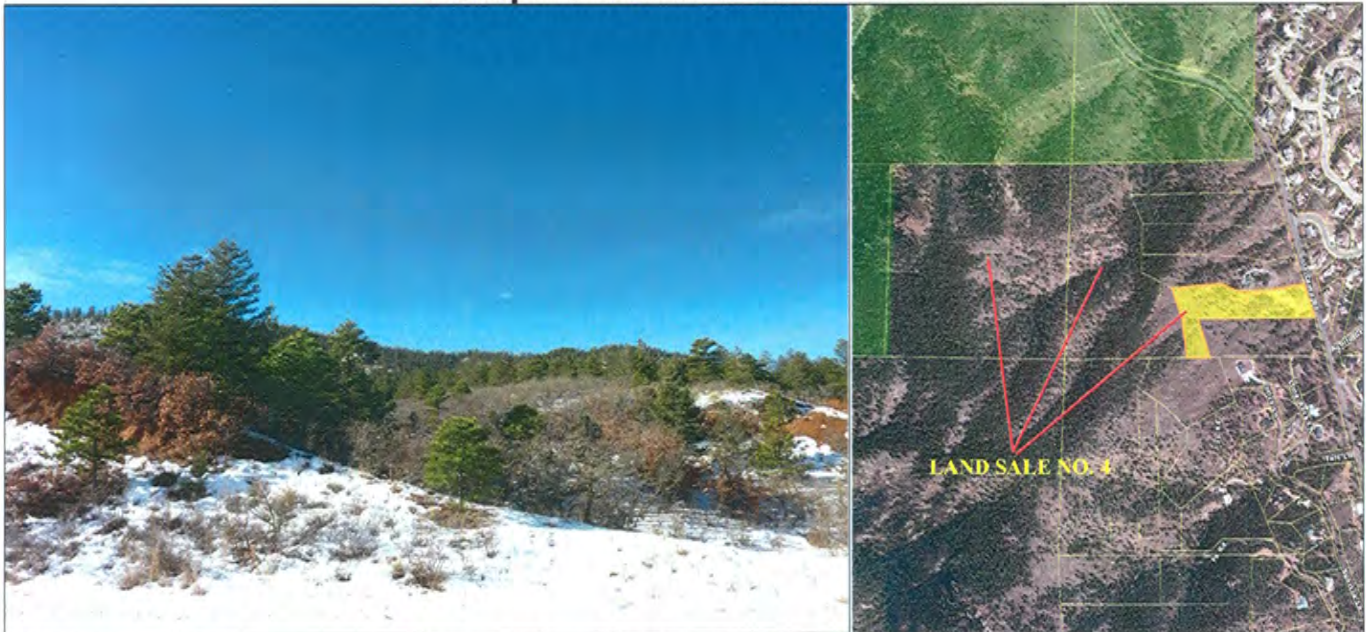
View:	Looking Northwest From Crystal Park Road		
Date Inspected/Photo by:	February 12, 2014/Tom Colon		
Location/Address:	0 Crystal Park Road		
Tax Schedule #:	7400000165		
Legal Description:	NE4SE4 TOG WITH NON-EXCLUSIVE PERPETUAL R/W FOR INGRESS, + EGRESS, MINERAL RIGHTS, WATER RIGHTS AS DES IN BK 2794-360 SEC 8-14-67		
Grantor:	Estate of Kil Jo Lee, JA Chang Lee Personal Representative		
Grantee:	City of Manitou Springs		
Sale Confirmed with/Date:	County Assessor Records, Broker and owner's attorney/ March 2010		
Appraiser Confirming:	Tom Colon		
Recordation/Sale Deed:	R# 209140067/Warranty Deed		
Property Rights Conveyed:	Fee Simple		
Conditions of Sale:	Arm's Length - Court Order Sale (+10%)		
Financing Source and Method:	Cash to Seller	Date of Sale:	12/07/2009
Post Sale Expense:	None	Selling Price:	\$160,000
Project Influence:	N/A	Unit Price:	\$4,000/ Acre
Physical Characteristics - Legal Aspects			
Land Area:	1,742,400 SF (40 AC)	Access:	Fair - Crystal Park Road
Shape:	Square	Utilities:	Elec. & Tel.
Topography:	Sloping, Grades +25%	Zoning:	F-5 (El Paso County)
Drainage/Flood Plain:	Average - No Flood Plain	Platted:	No
Visibility	Average	Corner/Interior Parcel	Interior Parcel
Surrounding Properties:	Residential, Open Space	Stage of Development:	No Platted, Undeveloped
Use at time of sale:	Vacant Land		
Highest and Best Use:	Single Family Rural Residential		
Remarks:	Terms of the sale were cash to the seller. The listing Broker stated that there had been infighting among the heirs. As a result the estate ended up in court which ordered the property sold. I have adjusted this sale upward 10% for being a court ordered sale. The comparable property is located approximately 500 feet northwest of Crystal Park Road. The subject property does not have frontage on any public or private street. The property does have good exposure and can be seen from miles around. Mountain hillside topography with grades exceeding 30% on most of the site. Mostly native grass vegetation and sparsely treed. Sales History: No unrelated transfers within the previous five years.		

Comparable Land Sale No. 3



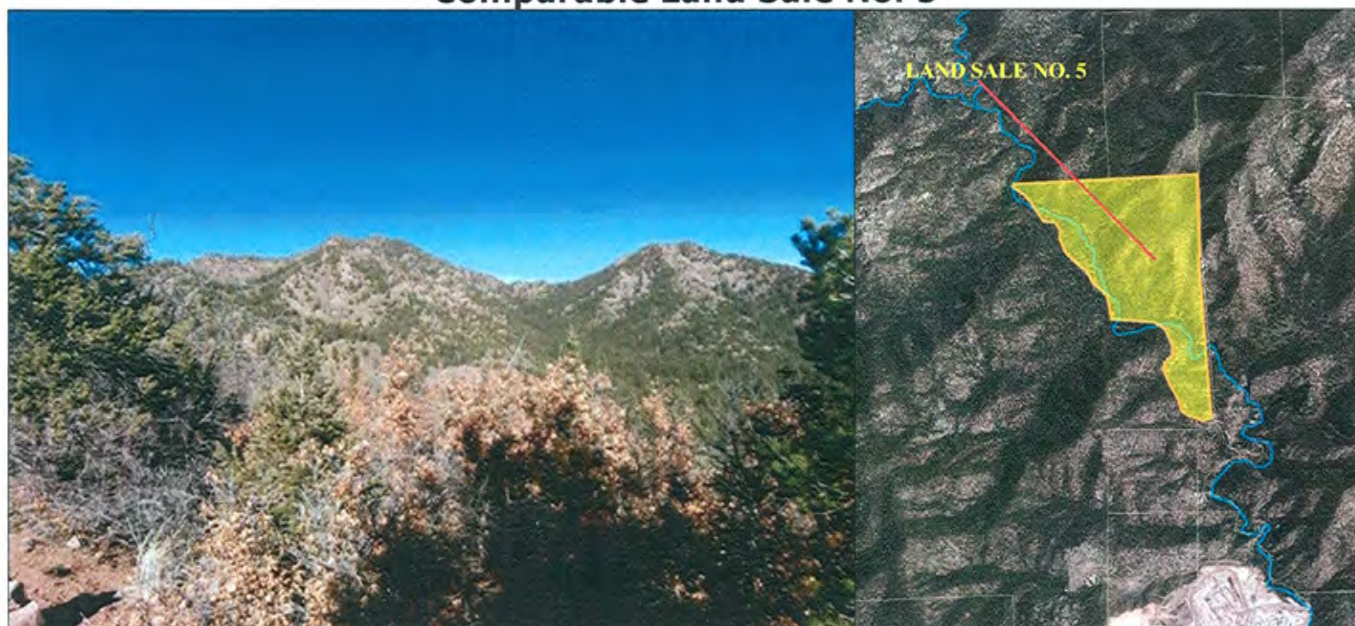
View:	Looking west from Myrtle Street		
Date Inspected/Photo by:	February 12, 2014/Tom Colon		
Location/Address:	Myrtle Street (NW4NW4 08-13-68)		
Tax Schedule #:	El Paso County - 8308201042 and Teller County - R0024188 and R0011067.		
Legal Description:	Not Platted Meets and Bounds Legal, Teller and El Paso County, Colorado		
Grantor:	Howard R and Margret A Burgess		
Grantee:	Yogev Erez and Victoria A. Rust		
Sale Confirmed with/Date:	El Paso County Assessor's Records, MLS and Broker		
Appraiser Confirming:	Tom Colon		
Recordation/Sale Deed:	R# 213131277 /Warranty Deed		
Property Rights Conveyed:	Fee Simple		
Conditions of Sale:	Arm's Length		
Financing Source and Method:	Cash to Seller	Date of Sale:	October 22, 2013
Post Sale Expense:	None	Selling Price:	\$150,000
Project Influence:	N/A	Unit Price:	\$1,250 / Acre
Physical Characteristics – Legal Aspects			
Land Area:	5,227,200 SF (120 AC)	Access:	Average (Common Easement)
Shape:	Irregular	Utilities:	Limited public utilities available
Topography:	Mountainous	Zoning:	R-T (County)
Drainage/Flood Plain:	No Flood Plain	Platted:	No
Visibility	Average	Corner/Interior Parcel	Interior Parcel
Surrounding Properties:	Vacant Land, Residential	Stage of Development:	Not Platted
Use at time of sale:	Vacant site.		
Highest and Best Use:	Highest and best use is as a single lot or possibly three rural residential lots.		
Remarks:	Terms of this sale were cash to the seller. DOM-34. Three contiguous parcels of vacant land containing a total land area of 120 acres. The 3 parcels are 40 acres each. One is in El Paso County with access to Co Spgs Utilities at the lot line. The other two are in Teller County and will need wells. All three lots need sewer/septic. The lots have access to Pike National Forest and ingress from the west end of Green Mtn. Falls, CO. Sloping mountainous topography. Native grass vegetation with scrub oak and trees - approximately 40% of the site is treed. The views were considered average to above average for the neighborhood. Sales History: No unrelated sales history within the previous ten years. This comparable was resold in 2014 in two parcels – one of which was to the Historic Green Mountain Falls for \$150,000.		

Comparable Land Sale No. 4



View:	Looking west from Gold Camp Road		
Date Inspected/Photo by:	January 12, 2016/Tom Colon		
Location/Address:	1182 Gold Camp Road		
Tax Schedule #:	74223-02-021, 74000-00-021 and 74223-00-023		
Legal Description:	Lot 5 Top of Skyway West and two parcels with meets and bounds legal descriptions, Colorado Springs, CO		
Grantor:	Thomas J Stoen		
Grantee:	James Brian and Kathlyn L Farrell		
Sale Confirmed with/Date:	El Paso County Assessor's Records and Seller/January 2016		
Appraiser Confirming:	Tom Colon		
Recordation/Sale Deed:	R# 214042913 /Warranty Deed		
Property Rights Conveyed:	Fee Simple		
Conditions of Sale:	Arm's Length		
Financing Source and Method:	Seller Carry	Date of Sale:	05/21/2014
Post Sale Expense:	None	Selling Price:	\$345,000
Project Influence:	N/A	Unit Price:	\$5,504 / Acre
Physical Characteristics – Legal Aspects			
Land Area:	2,730,341 SF (62.68 AC)	Access:	Average
Shape:	Irregular	Utilities:	Public utilities available
Topography:	Sloping, Mountain Hillside	Zoning:	A, HS (CSC)
Drainage/Flood Plain:	Adequate, No FP	Platted:	One Parcel is Platted
Visibility	Average	Corner/Interior Parcel	Interior
Surrounding Properties:	Residential, Open Space	Stage of Development:	Fully Development
Use at time of sale:	Vacant Land – Residential		
Highest and Best Use:	Single Family Residential		
Remarks:	Terms were \$69,000 down (20%) with a seller carry of \$276,000 at 6% interest due in two years. Purchaser is a user who is going to construct a single family dwelling on the site that is platted. Three contiguous parcels – one of the parcels, containing 5.27 acres, is a platted lot and has all City utilities available. The parcel is located in a small six lot gated community. The remaining two parcels containing 58.37 acres are not platted and they are encumbered by a conservation easement. The conservation easement allows for recreation use of the property and the construction of two barn structures within a designated building envelope. Mountain hillside topography with grades exceeding 30% on most of the site. The soils in the area are reported to be decomposed granite. Good vegetation with pine trees, gambel oak, and other vegetation native to the area. The views were considered above average for the neighborhood. Adjacent to the west of the comparable is the Pike National Forest. Highest and best use is for detached single family residential with recreational use. Sales History: No unrelated sales history within the previous five years.		

Comparable Land Sale No. 5



View:	Looking northwest from access road		
Date Inspected/Photo by:	January 12, 2016/Tom Colon		
Location/Address:	0 Turkey Canon Road/Southwest Market Area		
Tax Schedule #:	7600000216		
Legal Description:	Metes and Bounds		
Grantor:	Portland Turkey Creek LLC		
Grantee:	TBD		
Sale Confirmed with/Date:	El Paso County Assessor's Records, MLS		
Appraiser Confirming:	Tom Colon		
Recordation/Sale Deed:	TBD/Assumed Warranty Deed		
Property Rights Conveyed:	Fee Simple		
Conditions of Sale:	Assumed Arm's Length		
Financing Source and Method:	Cash to Seller	Date of Sale:	Current Listing
Post Sale Expense:	None	Selling Price:	\$290,000
Project Influence:	N/A	Unit Price:	\$2,683/ Acre
Physical Characteristics – Legal Aspects			
Land Area:	4,708,836 SF (108.1 AC)	Access:	Average
Shape:	Irregular	Utilities:	Elec. & Tel.
Topography:	Sloping (Mountainous)	Zoning:	RR-5 (County)
Drainage/Flood Plain:	Stream Present	Platted:	No
Visibility	Average	Corner/Interior Parcel	Interior Parcel
Surrounding Properties:	Rural Residential	Stage of Development:	Not Platted, Undeveloped
Use at time of sale:	Vacant Site		
Highest and Best Use:	Highest and best use is Rural Residential		
Remarks:	Current Listing - Terms to be cash to the seller. DOM – 848. The comparable has an irregular shape and good view of the surrounding mountains. Mountain hillside topography with grades exceeding 30% on most of the site. The soils in the area are reported to be decomposed granite. Good vegetation with pine trees, gambel oak, and other vegetation native to the area. Utilities for rural residential development are to the site. Sales History: No sales history within the previous five years.		



Adjustments to Comparable Land Sales. The four comparable land sale transactions and the current listing selected for direct comparison with the Larger Parcel are shown on Table 1 (Sales Comparison Grid).

Circumstances of the Sale Adjustments. To the nominal sales price of each respective transaction there is made, if required, adjustments for circumstances of sale. Circumstances of sale adjustments include four categories, which are adjusted in a specific order. The first adjustment is for property rights conveyed, which includes adjustments for leasehold transactions where necessary or for partial interests. The transaction price adjusted for property rights conveyed is further adjusted first for financing terms, if any, and then for conditions of sale including any non-arm's length relationship between the parties to the transaction.

Property Rights Conveyed. All four land sales were sold fee simple and no adjustments were made.

Financing. Financing arrangements can affect the sale price of real estate, particularly when seller financing is involved. All the sales were cash to the seller except Land Sale No. 4 but no adjustments were made because the purchaser put down 20% and the interest rate was at market.

Conditions of Sale. All of the comparable land sales were open market, arm's length transactions without any reported extraordinary considerations or circumstances, except for Comparable Land Sale No. 2. The listing Broker stated that there had been infighting among the heirs. As a result the estate ended up in court which ordered the property sold. I have adjusted this sale upward 10% for being a court order sale.

Market Conditions. Most commonly referred to as the "time adjustment," the market conditions adjustment recognizes changes in the market (appreciation/depreciation) from the time the comparable sale closed to the subject's date of value. The comparable land sales analyzed range in age from 97.5 months before the subject's date of value to 21.5 months prior. To help estimate the change in market conditions and form my adjustment for market conditions I have analyzed two different types of market data. I first looked at the change in Agricultural Land values as reported in the Turner Commercial Availability Report. I also analyzed, the change in home values as reported by Office of Federal Housing Enterprise Oversight (OFHEO).

Agricultural Land Values. I have first analyzed the change in Agricultural Land sale prices over the past eleven years. A comparison of the weighted average sale prices per square foot for the agricultural land category, as compiled from the Turner Report, is shown in the table below.

Agricultural Land Sales				
Year	Weighted Average Sales Price	% Difference With 4th Quarter 2015	#Of Acres Sold	#Of Sales
2005	\$0.16	-37.5%	11,106.9	114
2006	\$0.07	+42.86%	12,998.0	94
2007	\$0.22	-54.55%	5,151.7	63
2008	\$0.07	+42.86%	2,844.5	35
2009	\$0.10	0.00%	2,155.0	24
2010	\$0.05	+100.00%	2,227.9	24
2011	\$0.22	-54.55%	19,972.7	25
2012	\$0.17	-41.18%	5,129.6	27
2013	\$0.08	+25.00%	7,638.6	42
2014	\$0.29	-65.52%	25,279.8	65
2015	\$0.10	-----	5,866.7	56

According to the Turner Commercial Report agricultural land values have been on a roller coaster ride up and down. In 2007, 2011 and 2014 agricultural land values reached some of their highest levels, but they were down in 2010 and 2013. For 2014 it appears that agricultural land values were increasing but 2015 it appears that agricultural land values were declining. Comparing the 2009 weight average sales price to the 2005 weighted average it would appear to indicate that there has been little change in agricultural land values.

Office of Federal Housing Enterprise Oversight's (OFHEO). I have analyzed the detached single family residential market values over the past 8 years (2008 through 2015). To accomplish this, I have relied upon data from the Office of Federal Housing Enterprise Oversight's (OFHEO). According OFHEO latest Housing Price Index Report prior to 2008 housing prices in the Colorado Springs MSA housing prices were increasing in the 4% to 6% range. In 2008 the positive trend reversed itself and housing prices started to fall. The downward trend in values continued for four years. Housing prices fell 2.4% to 3.9% per year over the time period. In 2012 the positive trend returned and the trend has continued through the end of 2015. Housing prices have been increasing in the 4% to 5% range over the past four years. The Colorado Springs MSA saw a +4.9% increase in housing prices in the past year (2nd quarter 2014 through 2nd quarter 2015). Local economists and housing industry experts have credited historically low mortgage rates, in a large part, for propelling the recovery. See Changes in Value – Single Family Homes table on the table below.

Changes in Value – Single Family Homes Colorado Springs Metro Area 2008 Through 2015			
Year	Quarter	Single Family Home Values	Percent Change Over One Year Ago
2008	2	\$181,230	-2.4%
2009	2	\$176,720	-2.5%
2010	2	\$170,550	-3.5%
2011	2	\$163,980	-3.9%
2012	2	\$164,300	+0.2%
2013	2	\$171,920	+4.6%
2014	2	\$178,920	+4.1%
2015	2	\$187,705	+4.9%

Market Conditions Adjustment Conclusion. The data would also appear to say that Agricultural land and home values have been on a roller coaster ride up and down over the past eight years. Overall, I believe that land similar to the Larger Parcel have not increased more than home values or other types of residential land over the past 96 months. As such, on Table 1 I have adjusted all of the comparable land sales market conditions based upon the table below. To a certain extent I have tried to mirror the changes in market conditions over the past eight years.

Year	Market Conditions Adjustment
2008	-2.0%
2009	-2.0%
2010	-2.5%
2011	-2.5%
2012	0.0%
2013	+2.5%
2014	+3.0%
2015	+3.0%
2016	+3.0%

Listing Adjustment. Comparable Land Sale No. 5 is a listing and its sales prices is obviously subject to negotiation and the most likely price direction would be downward. According to the Turner Commercial Availability Report the "asking price" versus the "selling price" for all

commercial buildings (retail, office and industrial). The average "asking price" versus the "selling price" in 2015 was 86.7%. The average "asking price" versus the "selling price" is shown in the table below.

Year	2008	2009	2010	2011	2012	2013	2014	2015
Adj. Per Month %	83.6%	70.5%	76.9%	73.9%	84.1%	85.0%	75.4%	86.7%

While the Turner Report did not track residential land sales specifically for "asking" price vs. "selling" price, my analysis of large acreage land sales with no entitlement indicates that selling prices are significantly lower than the asking prices, particularly given the lack of the number of sales and the extended marketing periods. On Table 1 I have adjusted the comparable listing (Comparable Land Sale No. 5) downward -10% for being a listing and not closed sale transactions.

Contributory Value Adjustments. To the sales price as adjusted for property rights conveyed, financing terms, conditions of sale, and market conditions, on Table 1 I have made adjustments for the contributory value for any water rights and building improvements.

Water Rights. All of the land comparable sales had water rights similar to how the subject is being appraised.

Building Improvements. No adjustments were warranted, all of the comparable land sales were vacant land.

Comparison Adjustments. To the sales price as adjusted for property rights conveyed, financing terms, conditions of sale, and market conditions, there are made adjustments as necessary for physical differences between the comparable properties and the subject property. Where the comparable property is considered superior to the subject property, a downward adjustment is made. Where the comparable property is considered inferior to the subject property, an upward adjustment is made. For each respective transaction the net adjustment is the sum of the individual adjustments. As shown on Table 1, I have adjusted the comparable land sales for physical differences as compared with the subject property. My adjustments are made on the purchase price per acre.

TABLE 1 - SALES COMPARISON GRID

<u>Transaction Number:</u>	<u>Larger Parcel</u>	<u>Land Sale No. 1</u>	<u>Land Sale No. 2</u>	<u>Land Sale No. 3</u>	<u>Land Sale No. 4</u>	<u>Land Sale No. 5</u>
<u>Location</u>	End of Ruxton Avenue and So. of the Manitou Incline	East Face of Cheyenne Mountain	0 Crystal Park Rd	0 Myrtle Street	1182 Gold Camp Rd	0 Turkey Canyon Ranch Road
<u>Jurisdiction</u>	El Paso County	CSC	El Paso County	Green Mountain Falls	CSC	El Paso County
<u>Market Area</u>	Manitou	Southwest	Manitou	Ute Pass	Southwest	Southwest
<u>Property Data:</u>						
<u>Date of Sale</u>	3/17/2016	1/31/2008	11/7/2009	10/22/2013	5/21/2014	Listing
<u>Land Area in Sq.Ft.</u>	6,868,976	4,597,322	1,742,400	5,227,200	2,730,341	4,708,836
<u>Land Area in Acres</u>	157.690	105.54	40.00	120.00	62.68	108.10
<u>Zoning</u>	F-5 (County)	A-5 (County)	F-5 (County)	RT (County)	A, HS	RR-5 (County)
<u>Sale Price</u>		\$441,000	\$160,000	\$150,000	\$345,000	\$290,000
<u>Property Rights Conveyed</u>		Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
<u>Adjusted Sale Price</u>		\$441,000	\$160,000	\$150,000	\$345,000	\$290,000
<u>Financing Terms</u>		Cash Out	Cash Out	Cash Out	Seiler Carry	Seiler Carry
<u>Adjusted Sale Price</u>		\$441,000	\$160,000	\$150,000	\$345,000	\$290,000
<u>Conditions of Sale</u>		Arm's Length	+10% Court	Arm's Length	Arm's Length	Arm's Length
<u>Adjusted Sale Price</u>		\$441,000	\$176,000	\$150,000	\$345,000	\$290,000
<u>Market Conditions (Time)</u>		+0.29% Mkt.	+3.79% Mkt.	+7.04% Mkt.	+5.28% Mkt.	-10% Listing
<u>Sale Price Adjusted for Property Rights, Financing, Conditions of Sale, and Time</u>		\$442,279	\$182,670	\$160,560	\$363,561	\$261,000
<u>Contributory Value - Water Rights</u>		\$0	\$0	\$0	\$0	\$0
<u>Contributory Value - Building Improvements</u>		\$0	\$0	\$0	\$0	\$0
<u>Adjusted Sales Price</u>		\$442,279	\$182,670	\$160,560	\$363,561	\$261,000
<u>Purchase Price Per Acre</u>		\$4,191	\$4,567	\$1,338	\$5,800	\$2,414
<u>Comparison Adjustments</u>						
<u>Location/Access</u>	Good/Average	Inf./Equal	10.00%	Equal/Inf.	10.00%	Inf./Equal
<u>Zoning</u>	F-5 (County)	Equal	0.00%	Equal	0.00%	Equal
<u>Size/Acres</u>	157.69	105.54	-3.48%	40.00	-11.77%	120.00
<u>Parcel Shape</u>	Rectangular	Inferior	3.00%	Equal	0.00%	Equal
<u>Topography</u>	Grades Exceeding 30%	Equal	0.00%	Equal	0.00%	Equal
<u>Soil Conditions</u>	Average	Equal	0.00%	Equal	0.00%	Equal
<u>View</u>	Good	Equal	0.00%	Equal	0.00%	Equal
<u>Vegetation</u>	Good	Equal	0.00%	Inferior	15.00%	Equal
<u>Stage of Development</u>	Zoned/Undeveloped	Equal	0.00%	Equal	0.00%	Superior
<u>Highest and Best Use</u>	Op Space/Recreational/Res.	Equal	0.00%	Equal	0.00%	Equal
<u>Net Adjustments (%)</u>		9.52%	13.23%	52.49%	-11.50%	26.69%
<u>Gross Adjustments (%)</u>		16.48%	36.77%	57.51%	17.50%	33.31%
<u>Net Adjustments (\$)</u>		\$399	\$604	\$702	-\$667	\$645
<u>Adjusted Price Per Acre</u>		\$4,590	\$5,171	\$2,040	\$5,133	\$3,059
<u>Appraisers Weighting Factor</u>		35.00%	10.00%	5.00%	35.00%	15.00%
<u>Product</u>		\$51,606	\$517	\$102	\$1,797	\$459
<u>Indicated Range of Values Per Acre</u>		\$2,040	to \$5,171			
<u>Average Value Acre</u>		\$3,999				
<u>Median Value Acre</u>		\$4,590				
<u>Weighted Value Acre</u>		\$4,481				
<u>Concluded Value Rounded Acre</u>		\$4,500				
<u>Number of Acres</u>		157.69				
<u>Concluded Value As Though Vacant</u>		\$709,605				
<u>Rounded</u>		\$710,000				

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Location/Access. Location/access adjustments considers proximity and exposure to major commercial corridors, accessibility and the surrounding general level of land values. Comparable Sale Nos. 2 and 4 were considered equivalent in location. The remaining three comparable land sales were all considered inferior to the Larger Parcel in location and were adjusted upwards. In terms of access Comparable Land Sale No. 2 was considered inferior in access and was adjusted upwards. This sale did not have access to any public street and while it had physical access to a private street it did not have legal access. The remaining four land sales were considered equivalent in access and were not adjusted.

Zoning. The zoning adjustment considers the differences in permitted, special and accessory use and development restrictions. No adjustment were made to the comparable land sales for zoning.

Size. Size adjustments are made to allow for the fact that larger land areas of a given level of utility tend to sell for less per area unit than smaller parcels and vice-versa. Simply, a larger tract with similar characteristics compared to a smaller tract will typically sell for less on a comparative unit basis. All of the comparable land sales were smaller than the Larger Parcel and downward adjustments are warranted. My adjustment for size on Table 1 is a sliding scale. Comparable Land Sale Nos. 1, 3 and 5 are the largest of the land sales. These sales were adjusted based upon a 1% adjustment per 15 acres difference in size. Comparable Land Sale Nos. 2 and 4 were the smallest land sales and they were adjusted based upon a 1% adjustment per 10 acres difference in size.

Parcel Shape. Comparable Land Sale Nos. 1, 4 and 5 were adjusted upwards for inferior parcel shapes.

Topography. In this adjustment category I considered the fact that most all of the Larger Parcel is unbuildable due to excessive grades. All of the comparable land sales selected for direct comparison with the Larger Parcel contained mountainous land forms with grades exceeding 30%. As such, no adjustments were made for topography.

Soil Conditions. No adjustments were made for soil conditions.

View. The best views command the highest prices for most types of properties. Comparable Land Sale Nos. 3 and 5 were adjusted upwards for having inferior views. All of the remaining comparable land sales had somewhat similar views and no adjustments were made.

Vegetation. The quality and to a certain extent the quantity of vegetation that a residential property possess can greatly influence its sales price. Unlike the other adjustment categories too much vegetation/trees can also have a negative effect on value. Comparable Land Sale Nos. 1, 4 and 5 had similar vegetation and were not adjusted. Land Sale Nos. 2 and 3 had inferior vegetation because they lacked trees and were adjusted upwards.

Stage of Development. Stage of Development adjustment considers the location and extent of public utilities and road improvements, other site conditions and their impact on the developability of the comparable properties relative to the subject. Also considered under this heading is whether or not the comparable property was platted and if associated platting fees have been paid.

Land Sale No. 4 was considered superior in stage of development and were adjusted downwards. A portion of Land Sale No. 4's site was platted and fully developed as a residential lot. No adjustments were made to the remaining comparable land sales for stage of development.

Highest and Best Use. The adjustment for highest and best use compares the sale property with the subject in terms of relative value of end uses. The adjustment additionally considers ripeness for development and compares the time for optimum development of the comparable property with that of the subject. Where a differential in ripeness occurs, the size of the adjustment is based upon carrying costs over the estimated time period. No adjustments were made.

Conclusion - Sales Comparison Approach. On Table 1 the respective net adjustments expressed as dollars are the sum of the individual comparison adjustments. For each comparable sale, the sales price is adjusted by the net adjustment. The range of adjusted sales prices, the average and median adjusted sales price, and the weighted average sales price are as shown on the table.

On Table 1 the range of adjusted sale prices per acre are from \$2,040 to \$5,171 with an average of \$3,999 and a median sales price of \$4,590. The adjusted sales are then weighted according to the appraiser's estimate of the degree of comparability that each of the respective sales bears to the subject property. Land Sale No. 3 had the lowest indicated value for the Larger Parcel and required the most amount of gross adjustment. I gave this sale the least amount of weight. Comparable Land Sale No. 2 had the highest indicated value for the Larger Parcel and required the second most amount of gross adjustment. I gave this sale the second least amount of weight. Comparable Land Sale Nos. 1 and 4 required the least amount of gross adjustment and were most similar to the Larger Parcel. Therefore, I gave these two sales the most amount of weight. As indicated on Table 1 my weighted average is estimated at \$4,481 per acre. I have selected **\$4,500** per acre as my

Using the sales comparison approach methodology as described above, the indicated value of the Larger Parcel as estimated on Table 1 is **\$710,000 (rounded) or \$4,500 per acre.**

Value Indications

Land/Site Value - Larger Parcel Before Take	\$710,000 (\$4,500/Acre)
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Summary Larger Parcel Value Before Take

Larger Parcel Value Before Take:	Total Value	
Total Land/Site Value	\$710,000	
Total Improvements Contributory Value	\$0	
Total Larger Parcel Value Before Take		\$710,000

PART 4

FACTUAL DATA – PART(S) TAKEN

Identification of the Part(s) Taken

City of Colorado Springs proposes to acquire a permanent trail easement (PTE-1) along the north property line of the Larger Parcel at the northwest corner of site. Barr Trail currently traverses the Larger Parcel at this location. El Paso County held an agreement with the Broadmoor that permitted public access to the trail. This agreement expired in 2012 – jeopardizing the future of this extremely popular trail. Public ownership of this property will secure access to this segment of the trail. The City's ownership of the property would place all of the Barr Trail in public ownership or control. In accordance with community open space plans, the City of Colorado Springs and the City of Manitou seek to protect important natural features and preserve views of the foothills. Acquisition of this property would preserve and protect these resources for future generations.

Easement Data

Parcel PTE-1. In an easement the agency's rights are permanent in nature and in this case the easement is being taken to secure public access to this segment of Barr Trail.

Legal Description. I do not have a complete and accurate legal description for Parcel PTE-1. The legal description is generally described as a portion of the W2N2N2 SEC 7, T14S, R67W, El Paso County, State of Colorado.

Location of the Taking. Parcel PTE-1 is located along the north property line of the Larger Parcel at the northwest corner of the site.

Size and Shape of the Taking. The legal graphic indicates that the permanent trail easement taking (PTE-1) contains 8.6 acres, which is approximately 5.45% of the Larger Parcel's entire site area of 157.69 acres. The shape of Parcel PTE-1 is generally described as triangular with the base of the triangle being approximately 1,469' feet in length. A legal graphic for parcel PTE-1 is shown on the following page.

Site Improvements Taken. There are no site improvements affected by the taking of permanent easement parcel PTE-1.

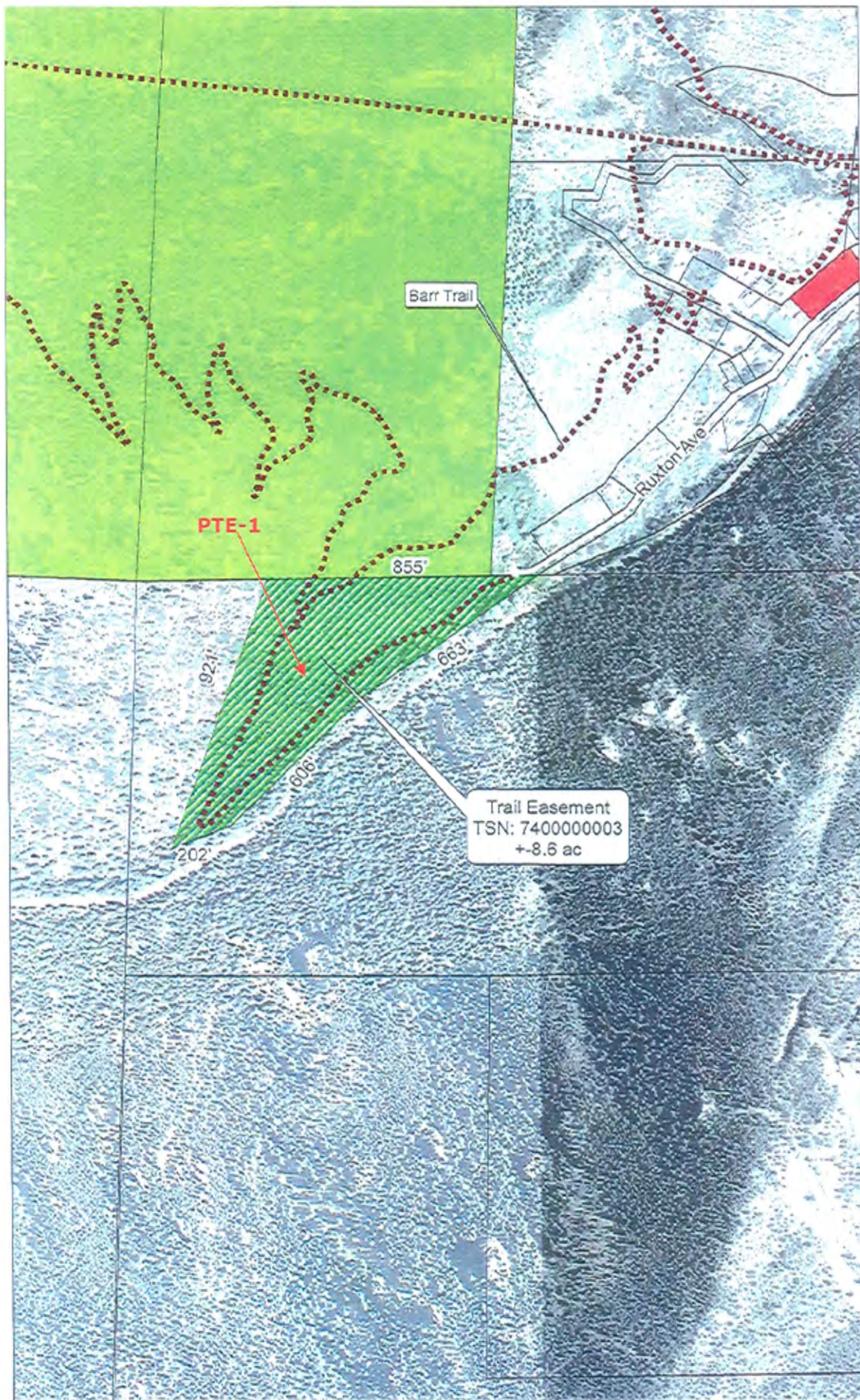


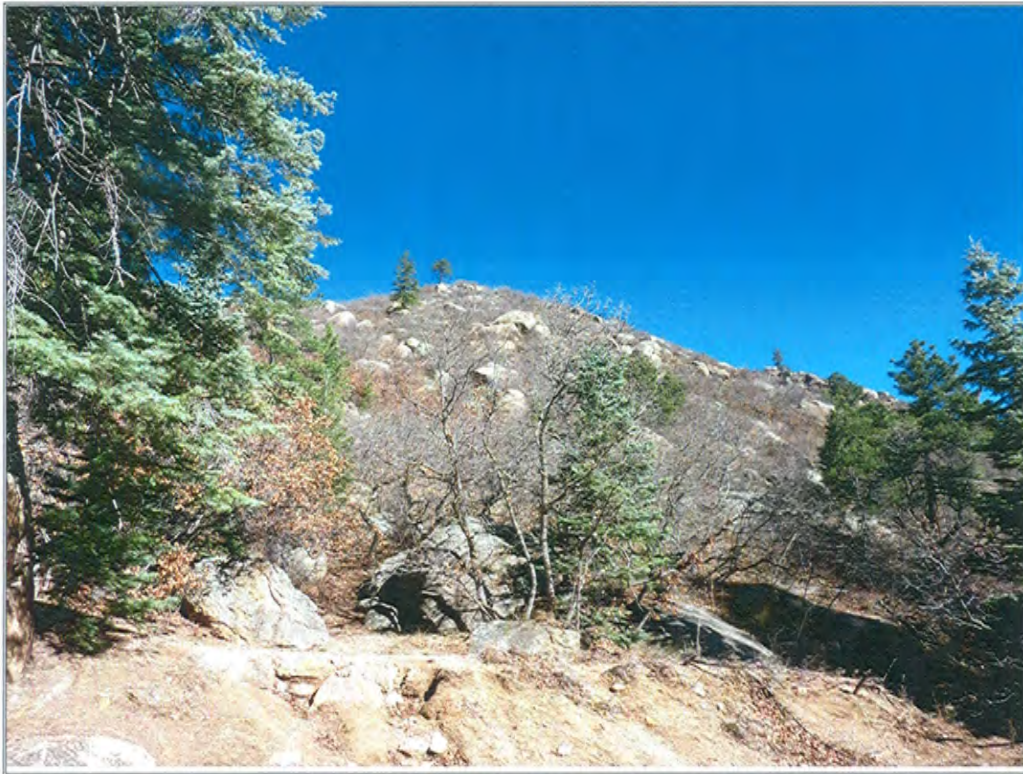
Exhibit A - Proposed Barr Trail Easement



Photographs of the Taking (Parcel PTE-1)



Looking northwest across Parcel PTE-1



Looking north across Parcel PTE-1

The subject photographs were taken on March 17, 2016 by Thomas Colon.

PART 5

ANALYSIS AND VALUATION – PART(S) TAKEN

Value of Part(s) Taken as Part of Larger Parcel

Easement Value of Part(s) Taken

Parcel PTE-1. In a permanent easement the agency's rights are permanent in nature and in this case the easement is being taken to secure public access to this segment of Barr Trail. The part taken is identified in the following table.

Parcel No.	Square Feet	Acres	Interest to be Acquired
PTE-1	374,616	8.6	Permanent Trail Easement

Permanent Trail Easement PTE-1 contains 8.6 acres or 374,616 square feet. In the taking of a permanent easement not all of the rights associated with the fee simple interest ownership are being taken away. In this case the easement is being taken to secure public access to a segment of Barr Trail.

In my opinion, the amount of ownership rights being given are significant because the owner has lost the use of the entire surface area of the easement, particularly with the introduction of public access and use. The easement area could still be used in calculating building setbacks and gross building areas, but given the loss of the surface rights and the public access and use of the site, I have estimated an easement taking of 90% of the fee simple value.

To estimate the value of the permanent trail easement taken I have used the estimated land/site value per acre, as determined for the Larger Parcel in Part 3 of this report. The land/site value estimated for the Larger Parcel was \$4,800 per acre. Using the land/site value estimated for the Larger Parcel on a per acre basis the value of the permanent trail easement is estimated as follows.

Value of Part(s) Taken							
Easement Takings:							
Parcel No.	Area (Acre)	\$/Acre	% of Fee	90% of Fee	Value	Total Value	
PTE-1	8.6	\$4,500	90%	\$4,050	\$34,830		
Total Easement Value of Part(s) Taken						\$34,830	
Total Value of Part(s) Taken							\$34,830

PART 6

COMPENSATION SUMMARY

Explanation of Compensation

Total compensation is equal to the value of the part taken – permanent trail easement PTE-1 is summarized below.

Compensation Estimate Summary

Compensation Summary		
Value of Part(s) Taken:		
Total Easement Value of Part(s) Taken	\$34,830	
Total Owner Improvements Contributory Value of Part(s) Taken	\$0	
Total Value of Part(s) Taken		\$34,830
Compensation Estimate (Effective Date March 17, 2016) Rounded		\$35,000

My estimate of compensation was made with two extraordinary assumptions and one hypothetical condition as discussed in the Scope of Work (Part 1) section in the attached report.

2016-08

PART 7

EXHIBITS AND ADDENDA

Qualifications of the Appraiser

APPRAISER QUALIFICATIONS

THOMAS COLON

EMPLOYMENT HISTORY:

11/1993 - Present: Independent real estate appraiser -Thomas Colon & Associates, Inc.

1/1989-10/1993 Hastings & Colon Real Estate Appraisers. Appraisal assignments included - Motels: existing properties along the front range and Canon City. Retail: community and neighborhood shopping centers in Colo. Spgs. and Denver. Industrial: light and heavy industrial properties along the front range. Office: office buildings in the CBD and suburban areas of Colo. Spgs. Residential: both single family and multi-family properties in all areas of El Paso County and the City of Colorado Springs.

1978-1988 Smartt Construction Company - President. Responsibilities included development of all types of land uses for company including single family, multi-family, industrial, and commercial and mobile home park. Construction of single family dwellings, office, warehouse, and retail buildings. Construction was done for company's projects or for other owners on a negotiated or competitive bid basis. Activity involved in all Company sales and leasing, from actually selling and leasing to overseeing all other sales and leasing activities for the Company.

1970 - 1978 Various Contractors and Subcontractors: Ross Construction Company, Guy Graham Construction, K.D. Rose Construction Co., Horn Brothers Construction Co., Columbine Construction Co., Ambassador Homes. Involved in various aspects of single family, multi-family, commercial, office and industrial construction.

EDUCATION:

University of Colorado: Bachelor Degree, 1974

Pikes Peak Association of Realtors: Courses include - Real Estate Law, Ethics

Jones Real Estate Collage: Approximately 165 hours of real estate courses required for Colorado Broker License.

University of Colorado Division of Continuing Education: Approximately 876 hours in appraisal courses required for Colorado Certified General Appraisers license and continuing education for both the appraisers and brokers licenses.

Northwest Center of Professional Education: Courses/Seminars included - Retail Center Feasibility and Leasing, Valuation of Real Estate, Leasing Commercial Real Estate, Commercial Property Management, Developing and Managing a Mini-Storage Warehouse.

Judy Car & Associates: Developing a Manufactured Housing Community. Manufactured Housing Resource Group Inc.: The Manufactured Housing Land Development.

AFFILIATIONS:

Housing and Building Association of Colorado Springs - (HBA): Associate Member, Board of Director for 18 years, I also chaired the HBA's Land Use/County Affairs Committee for 18 years. HBA's Associate of the Year -1996.

Colorado Springs Board of Realtors (Broker Member)

Appraiser Qualifications (Thomas Colon)
Continued
Page 2

Colorado Association of Real Estate Appraisers

El Paso County Comprehensive Plan (Former Committee and sub-Committee Member)

El Paso County Land Development Code (Former Committee Member)

El Paso County Oversight Sub-Committee (Former Board Member)

El Paso County Regulatory Review Commission (Former Board Member)

City of Colorado Springs/El Paso County Drainage Board (Former Board Member and Chairman)

City of Colorado Springs School/Park Fee Advisory Committee (Former Appraiser Member)

**PROPERTY TYPES
APPRAISED:**

Single Family Residential: Individual single family, Condominiums, and Townhomes

Multi-Family Residential: Duplex properties up to a 479 unit apartment complex.

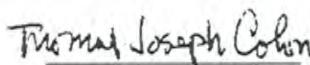
Vacant Land: Single Family and Commercial Subdivision Development, agricultural, retail, office, and industrial.

Commercial Improved: Office buildings, banks, strip retail buildings, free standing retail buildings fast food restaurant buildings, full service restaurant buildings, motels, B & Bs, multi-user and single user industrial buildings, mini-warehouse facilities, automotive buildings, car wash properties both self service and tunnel type, nursing home properties and Gaming Casinos.

LICENSES:

Colorado Certified Appraiser License No. CGO 1315531
License expires December 31, 2016

Colorado Real Estate Broker License No. EI00 321421
License expires March 21, 2019

STATE OF COLORADO		
Department of Regulatory Agencies		
Division of Real Estate		
Active	PRINTED ON SECURE PAPER	
Cert Gen Appraiser		
1315531	Jan 1 2014	Dec 31 2016
Number	Issue Date	Expires
THOMAS JOSEPH COLON		
COLORADO SPRINGS, CO 80921		
		
Program Administrator		Licensee Signature