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COMMERCIAL REAL ESTATE
VALUATION ADVISORY SERVICES

***An Appraisal of the
Warm Mineral Springs Property
Located at
12220 San Servano Avenue
North Port, FL 34287***

For

***City Of North Port
Attn: Tricia Wisner, Assistant Director, Public Works***

By

***Roger L. Hettema, MAI, SRA
State-Certified General Real Estate Appraiser RZ45***

***H.S. File No. 223C084
North Port PO 050469***

ROGER L. HETTEMA, MAI, State-Certified General Appraiser RZ45

RONALD M. SABA, MAI, State-Certified General Appraiser RZ2213





In-Depth Insight
Since 1977™

COMMERCIAL REAL ESTATE
VALUATION ADVISORY SERVICES

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December 19, 2023

City of North Port
4970 City Hall Blvd
North Port, FL 34286-4100
Attention: Tricia Wisner, MBA, Assistant Director, Public Works

Roger L. Hetteema, MAI, SRA
State-Certified General Appraiser 45
Ronald M. Saba, MAI
State-Certified General Appraiser 2213

RE: Warm Mineral Springs, North Port, FL

Dear Ms. Wisner:

As requested, I have performed an appraisal of Warm Mineral Springs property as described within this report. The City is engaged in negotiations with Warm Mineral Springs Development Group (WMSDG) to lease and purchase parts of the property to redevelop it into a major resort and spa. The purpose of this appraisal is to provide my opinion of the current rent for the Springs property, Phase I, and the market value of the adjacent undeveloped 59.6 acres, Phase II, as of the effective date of appraisal. The intended use of this appraisal to provide this information to facilitate these negotiations. This appraisal is not intended for any other use.

This appraisal report is provided in accordance with current USPAP Standards. You are urged to consult the Scope of Work, the introduction and General Assumptions and Limiting Conditions to ensure its proper use and context.

Based on the known factors creating and affecting value, I have concluded the following opinions of value, as of November 29, 2023:

**PHASE I : CURRENT ANNUAL TRIPLE NET MARKET RENT
FOUR HUNDRED NINETY-FIVE THOUSAND DOLLARS (\$495,000)**
**PHASE II: PROSPECTIVE MARKET VALUE ASSUMING UTILITIES ARE AT THE SITE
SIXTEEN MILLION FOUR HUNDRED THOUSAND DOLLARS (\$16,400,000)**

ASSUMPTION AND CLARIFICATION:

It is understood that WMSDG has presented a proposal to the City of North Port that outlines the acquisition and development responsibilities for the Warm Mineral Springs property. There are a number of factors that are addressed in the proposal and some deal with various deductions and credits against the subject property. Probably the most important are certain costs associated with bringing adequate utilities to the site to accommodate the new development. If the utility costs are directly related to bringing service to the site but do not include any development within the property relative to the proposed improvements, then these costs against the Phase II value would be a reasonable deduction. Additional costs related to fill on developed land and public amenity requirements are part of development process and should not be charged against the Phase II land value.

Letter to City of North Port
December 19, 2023
Page Two of Two

This letter must remain attached to the report, which contains 47 pages plus exhibits, in order for the value opinion set forth to be considered valid.

It has been my pleasure to serve you in this matter, and I trust that you will contact me if you have any questions concerning this report.

Respectfully submitted,



ROGER L. HETTEMA, MAI, SRA
State-Certified General Real Estate Appraiser RZ45

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Addendum (p47)

General Overview of the Springs Market

Appraiser's Qualifications & Evidence of State Licensure

Certification -- Appraisal #223C084

Subject Property: Warm Mineral Springs, North Port, FL

I hereby certify that to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and is 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 I have no personal interest with respect to the parties involved. I have no bias with respect to the subject property or the parties involved with this assignment.
- I have performed no services, as an appraiser or in any other capacity, regarding the properties that are the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal. Specifically, this appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Uniform Standards of Professional Appraisal Practice (USPAP), and the State of Florida.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, I, Roger L. Hettema, MAI, SRA, have completed the requirements under the continuing education program of the Appraisal Institute.
- State-Certified General Real Estate Appraiser: The use of this report is subject to the requirements of the State of Florida relating to review by the Real Estate Appraisal Sub-committee of the Florida Real Estate Commission.
- No one other than the signatories to this report provided significant professional assistance in its preparation.
- I have made a personal inspection of the property that is the subject of this report.



Date Signed: December 19, 2023

Roger L. Hettema, MAI, SRA
State-Certified General Real Estate Appraiser RZ45

GENERAL ASSUMPTIONS

This appraisal report, #223C084, has been made with the following General Assumptions.

No responsibility is assumed for the legal description or for matters including legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated. The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated. Responsible ownership and competent property management are assumed.

The information furnished by others is believed to be reliable. However, no warranty is given for its accuracy. All engineering is assumed to be correct. The plot plans and illustrative material in this report are included to assist the reader in visualizing the property. It is assumed that there are no hidden or unapparent conditions of the property, subsoil or structures that render it more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.

It is assumed that there is full compliance with all applicable federal, state and local environmental regulations and laws unless noncompliance is stated, defined and considered in the appraisal report. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a non-conformity has been stated, defined and considered in the appraisal report. It is assumed that the appropriate governing authority will allow the property to be used or developed in accordance with zoning and use regulations. It is assumed that all required licenses, Certificates of Occupancy, consents or other legislative or administrative authority from any local, state or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based. If any of the foregoing does not come to pass, is changed or is prohibited by subsequent action on the part of a governing authority, the values herein may be adversely affected, and this appraisal may be rendered null and void or require revision.

It is assumed that the utilization of the land will be within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report. The sketches in this report, which are approximate only, and the photographs are included to assist the reader in visualizing the property. All data, cost estimates and statements are, in most cases, gathered from reliable sources and from reputable local or area business concerns, but in no sense guaranteed. If a survey has been included, or relied upon, it is assumed to be correct. No responsibility is assumed in the contrary and should an error in the survey sufficiently alter the subject property, this appraisal is considered null and void.

Real estate investment has an element of risk involved. Performance and success are dependent upon many factors, such as management capability, market liquidity at time of eventual sale, or subsequent events of a local, national or world character. Consequently, this estimate of market value does not absolutely fix or set the price at which the property will sell.

GENERAL LIMITING CONDITIONS

This appraisal report, #223C084, has been made with the following General Limiting Conditions.

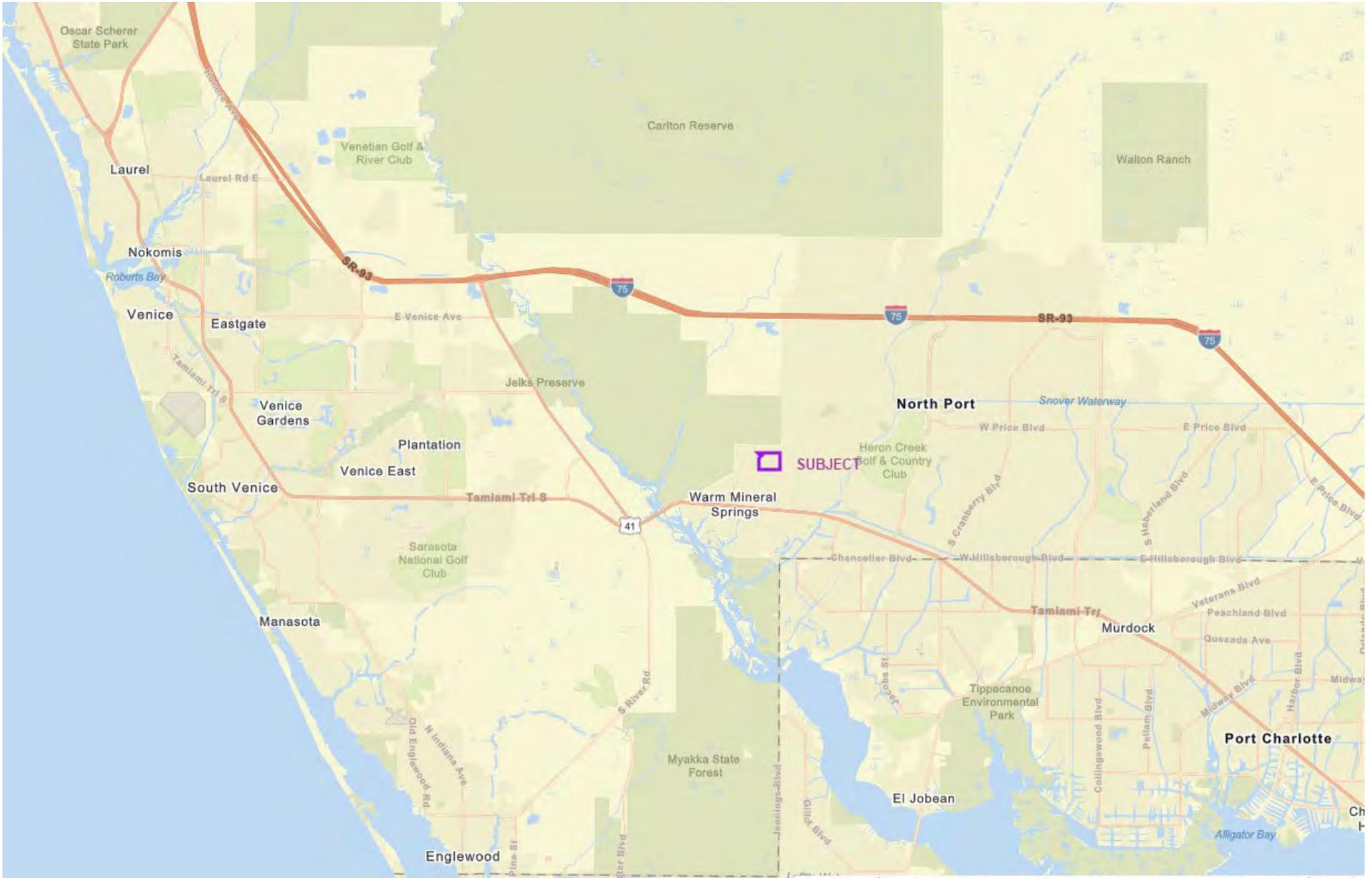
1. There appraisal deals only with rent for Phase I and the market value for Phase II. No improvement values are included.
2. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event, only with the proper written qualifications, and only in its entirety.
3. The appraiser herein, by reason of this appraisal, is not required to give further consultation, testimony or be in attendance in court with reference to the property in question unless arrangements have been previously made.
4. Neither all nor any part of the contents of this report (especially any conclusion as to value, the identity of the appraiser or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news, sales or other media without the prior written consent and approval of the appraiser.
5. This appraisal is based on the Environmental Hazards Statement, Americans with Disabilities Act Statement and Concurrency Statement located in the Hettema Saba LLC Master file.

Extraordinary Assumptions and Limiting Conditions

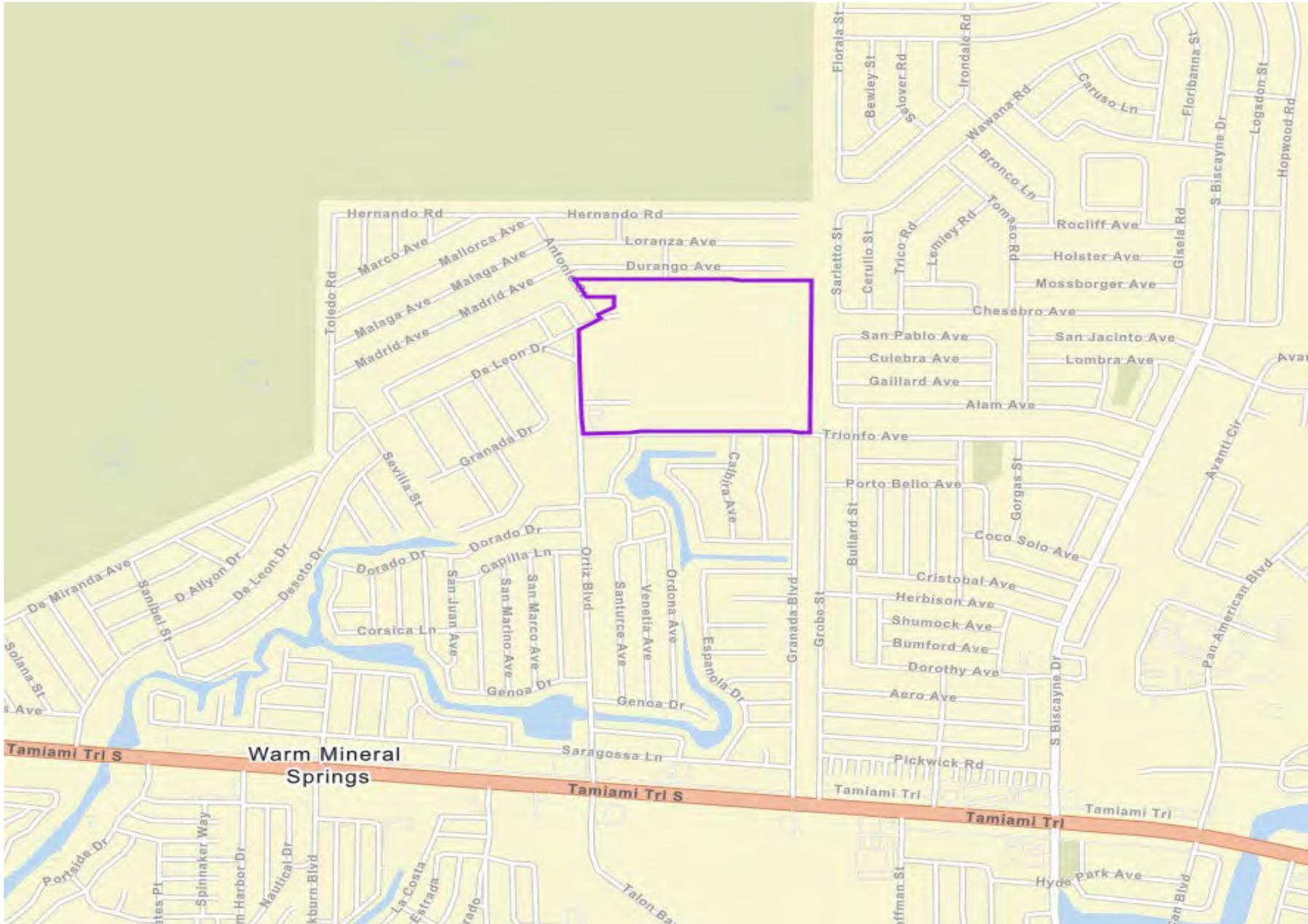
1. This report addressed only that pertinent information necessary to convey my opinions of value. All data utilized to formulate the value conclusions is summarized in this appraisal.
2. This report is provided to the client with the understanding that it is solely for use in providing information to facilitate the negotiations with WMSDG by CBRE to conclude the PPP.
3. This appraisal and the valuation analyses performed herein are based on the following extraordinary assumption:

It is understood that WMSDG has presented a proposal to the City of North Port that outlines the acquisition and development responsibilities for the Warm Mineral Springs property. There are a number of factors that are addressed in the proposal and some deal with various deductions and credits against the subject property. Probably the most important are certain costs associated with bringing adequate utilities to the site to accommodate the new development. If the utility costs are directly related to bringing service to the site but do not include any development within the property relative to the proposed improvements, then these costs against the Phase II value would be a reasonable deduction. Additional costs related to fill on developed land and public amenity requirements are part of development process and should not be charged against the Phase II land value.

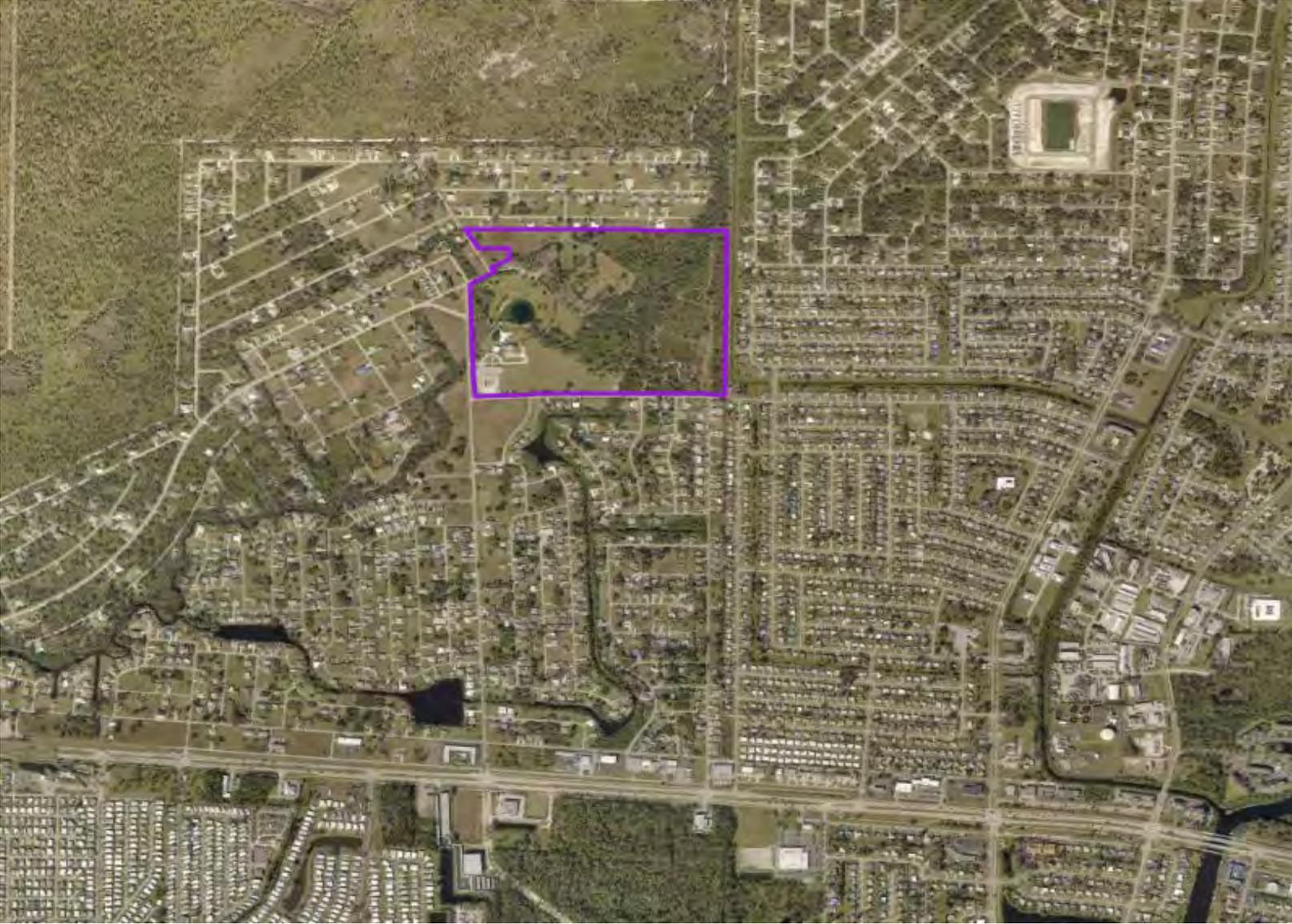
AREA LOCATION MAP



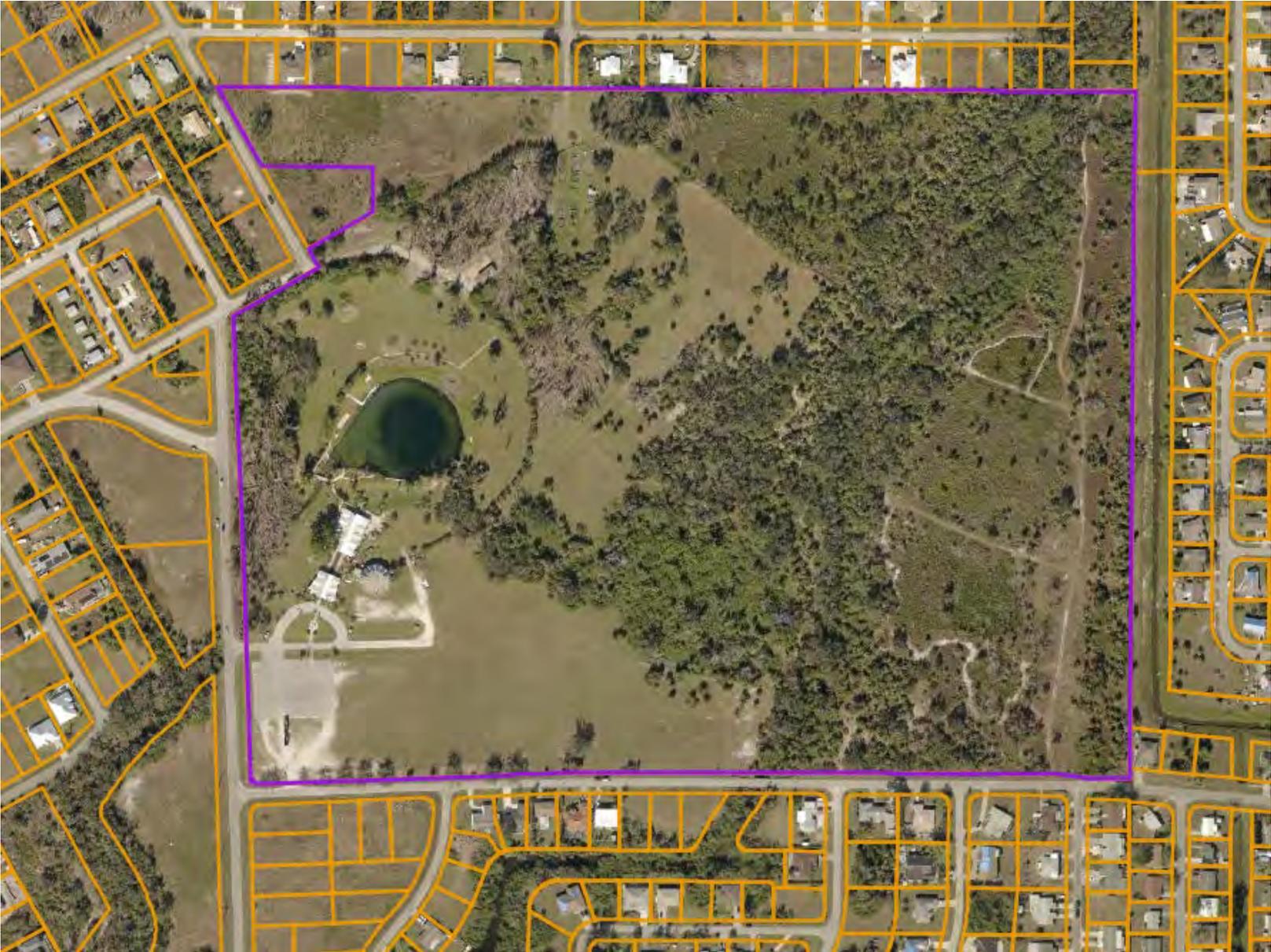
NEIGHBORHOOD LOCATION MAP



NEIGHBORHOOD LOCATION AERIAL



SUBJECT PROPERTY AERIAL



Part One- Introduction

Certification -- Appraisal #223C084

Subject Property: Warm Mineral Springs, a tourist and health attraction on 21.6 acres, and adjacent excess 59.6 acres of vacant land located at the northeast corner of Ortiz Boulevard and Trionfo Avenue, 12220 San Servano Avenue, in North Port, Florida

I hereby certify that to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest with respect to the parties involved. I have no bias with respect to the subject property or the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal. Specifically, this appraisal assignment was not based on a requested minimum valuation or a specific valuation.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute.
- The use of this appraisal report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, I, Roger L. Hettema, have completed the requirements under the continuing education program of the Appraisal Institute.
- This report conforms to the Uniform Standards of Professional Appraisal Practice (USPAP) and the appraisal requirements of the State of Florida.
- State-Certified General Appraiser: The use of this report is subject to the requirements of the State of Florida relating to review by the Real Estate Appraisal Sub-committee of the Florida Real Estate Commission.
- No one other than the signatories to this report provided significant professional assistance in its preparation.
- I have inspected the subject property and the comparable land sales. The owners' designated representative accompanied me during my inspection of the subject property.
-

Date Signed: December 19, 2023



ROGER L. HETTEMA, MAI, SRA
State-Certified General Appraiser RZ 45

Confidential Executive Summary

Project Identification:

Name: Warm Mineral Springs, 12220 San Servano Ave., North Port

Parcel Identification:

Parcel No.: 0769070014

Owner's Name: City of North Port

Appraiser:

Roger L. Hetteima, MAI, SRA
State-Certified General Real Estate Appraiser RZ45
Hetteima Saba LLC

Dates:

Date of Value: November 29, 2023

Date of Report: December 19, 2023

Interest Appraised:

Fee Simple

Parcel Size:

Gross Acreage: 81.2 Acres (21.6 acres-land associated with the springs/ 59.6 acres– excess vacant land)

Ownership History, Listings, Contracts

(Past 5 Years – Price, Option or Contract):

City of North Port (No transfers or acquisitions in past five years)

Parcel Access:

Legal: Ortiz Boulevard, Muscogee Road, Antonio Street and Trionfo Avenue

Physical: Primary - San Servano Avenue via Ortiz Blvd.
Secondary - Muscogee Rd., Antonio St., Trionfo Ave.

Zoning/Land Use:

Zoning & Future Land Use Designation: Activity Center 7/ PCD, City of North Port

Assessed Value:

\$6,128,800

Utilities:

Private well & on-site package sewer system (Public water and sewer available in the area)

Flood Zone Information:

Zones X & X500
Community Panel Map #120279 00370F
(As of November 6, 2023)

Mineral Rights:

All Included

EXECUTIVE SUMMARY (Continued)

Page 2

Easements:

Type & Area Encumbered: 75-Foot Buffer along canal on east side
Impact on Value: No Adverse Impact on Value

Other Encumbrances:

Type: None
Impact on Value: None

Highest and Best Use – As Vacant:

Develop consistent with PCD zoning

Highest and Best Present Use As Is:

Redevelop Continue Warm Mineral Springs attraction with new structures and develop excess land to compliment springs

Opinions of Value as of November 29, 2023:

Triple Net Annual Rent for Phase I: \$495,000 (By Income Approach)

Total Market Value of Phase II Land: \$16,400,000 (By Sales Comparison Approach)
(Subject to the following assumption)

ASSUMPTION AND CLARIFICATION:

It is understood that WMSDG has presented a proposal to the City of North Port that outlines the acquisition and development responsibilities for the Warm Mineral Springs property. There are a number of factors that are addressed in the proposal and some deal with various deductions and credits against the subject property. Probably the most important are certain costs associated with bringing adequate utilities to the site to accommodate the new development. If the utility costs are directly related to bringing service to the site but do not include any development within the property relative to the proposed improvements, then these costs against the Phase II value would be a reasonable deduction. Additional costs related to fill on developed land and public amenity requirements are part of development process and should not be charged against the Phase II land value.

Part Two – Premises of the Appraisal

GENERAL ASSUMPTIONS

This appraisal report, 223C084, has been made with the following General Assumptions.

No responsibility is assumed for the legal description or for matters including legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated. The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated. Responsible ownership and competent property management are assumed.

The information furnished by others is believed to be reliable. However, no warranty is given for its accuracy. All land planning and environmental reports are assumed to be correct. The plot plans and illustrative material in this report are included to assist the reader in visualizing the property. It is assumed that there are no hidden or unapparent conditions of the property, and subsoil that render it more or less valuable. No responsibility is assumed for such conditions or for arranging for studies that may be required to discover them.

It is assumed that there is full compliance with all applicable federal, state and local environmental regulations and laws unless noncompliance is stated, defined and considered in the appraisal report. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a non-conformity has been stated, defined and considered in the appraisal report. It is assumed that the appropriate governing authority will allow the property to be used or developed in accordance with zoning and use regulations. It is assumed that all required licenses, Certificates of Occupancy, consents or other legislative or administrative authority from any local, state or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based. If any of the foregoing does not come to pass, is changed or is prohibited by subsequent action on the part of a governing authority, the values herein may be adversely affected, and this appraisal may be rendered null and void or require revision.

It is assumed that the utilization of the land is within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report. The sketches in this report, which are approximate only, and the photographs are included to assist the reader in visualizing the property. All data, cost estimates and statements are, in most cases, gathered from reliable sources and from reputable local or area business concerns, but in no sense guaranteed. If a survey has been included, or relied upon, it is assumed to be correct. No responsibility is assumed in the contrary and should an error in the survey sufficiently alter the subject property, this appraisal is considered null and void.

GENERAL LIMITING CONDITIONS

This appraisal report, 223C084, has been made with the following General Limiting Conditions.

1. The allocation if any, of the total valuation in this report between land and improvements applies only under the conditions stated in this report. The separate allocations for land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.
2. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may be used only by those persons authorized by the party to whom it is addressed, and only in its entirety.
3. This report is valid only in its entirety. The reader must ascertain that a full and complete copy is being reviewed. The client is directed not to copy and disseminate parts of this report. Doing so renders all value conclusions null and void.
4. The appraiser herein, by reason of this appraisal, is not required to give further consultation, testimony or be in attendance in court with reference to the property in question unless arrangements have been previously made.
5. Neither all nor any part of the contents of this report (especially any conclusion as to value, the identity of the appraiser or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news, sales or other media without the prior written consent and approval of the appraiser.
6. Please refer to the appraisal for the Environmental Hazards Statement.
7. Unless stated otherwise herein, the current owner of record is taken from the Sarasota County Tax Roll. This is not from a recent abstract of title and thus is the apparent owner. It should not be used for legal purposes without verification. The reader is advised to obtain an abstract of title if this issue is in question.
8. The subject maps are for illustrative purposes and should not be construed to represent the exact legal boundaries of the subject property. The reader should refer to the legal description for the legal identification of the subject property for analysis purposes. Likewise, the maps depicting the comparable market data are an aid to the reader in locating these properties. These maps may not represent the exact legal boundaries of these properties.

EXTRAORDINARY ASSUMPTIONS OR SPECIAL LIMITING CONDITIONS

The market value of the spring property is based on its current operation by the City of North using temporary modular structures in place of the permanent buildings which had deteriorated over the years and were damaged beyond repair by several recent storms but are still in place. This value will be used to set a leasehold estate value and to indicate a market rent for a 99-year lease. The market value of the vacant acreage is based on its proposed use as described herein. **It is acknowledged that certain adjustments must be made to these values to bring needed utilities to each site but this will be accomplished in the overall negotiations. These two values are meant to be starting points for the process.**

PURPOSE AND INTENDED USE OF THE APPRAISAL

The purpose of this appraisal assignment is to conclude an opinion of the market value of the fee simple and rental values in the Warm Mineral Springs in “as is condition” as of the effective date of appraisal. The report is intended to set values to be used by Michael B. McShea of CBRE, Inc, in analyzing and negotiating an operation and purchase proposal by WMS Development Group, LLC on behalf of the City of North Port.

HETTEMA SABA FILE NUMBER 223C084

CITY OF NORTH PORT PO NUMBER 050469

OWNER OF RECORD

City of North Port
4970 City Hall Blvd
North Port, FL 34286-4100

CLIENT AND INTENDED USER

City of North Port
4970 City Hall Blvd
North Port, FL 34286-4100

Attention: Tricia Wisner, MBA, Assistant Director, Public Works

Other Intended Users

CBRE, Inc. 1900 N. Street, NW Suite 700, Washington, DC 200036
Attn: Michael B. McShea, Executive Vice President
Kevin McShea, Jacksonville, FL
Lee Ann Korst, Jacksonville, FL

Commissioners, Authorized Employees and Officials of the City of North Port

EFFECTIVE DATE OF APPRAISAL AND REPORT PREPARATION DATE

The effective date of this appraisal is November 29, 2023. This establishes the date on which my analyses are based. The appraisal report was prepared on date the certification was signed.

PROPERTY RIGHTS APPRAISED – Leasehold Estate and Fee Simple Estate

The springs property is being appraised as a leasehold estate:

"Leasehold Estate" is defined as:

"...the right to use and occupy real estate for a stated term under the conditions conveyed in the lease".¹

The adjacent vacant land is being appraised as a fee simple estate.

"Fee Simple Estate" is defined as:

"...absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."²

SCOPE OF THE APPRAISAL

This appraisal report of the subject property is being performed and reported as provided for in the most recent version to the Uniform Standards of Professional Appraisal Practice referring to Standards Rule 2. The Uniform Standards set the requirements to communicate analyses, opinions and conclusions in a manner that will be meaningful and not misleading in the marketplace. This appraisal assignment was performed in accordance with a proposal dated November 6, 2023 and accepted issuance of Purchase Order Number 050469, on November 18, 2023.

The subject property data such as size, location, quality, and zoning are considered. Market data, including comparable land sales gathered from 2021 through the effective date of appraisal and supply/demand are among the items researched, analyzed, and presented. The data is used to consider the highest and best use of the subject property and to conclude an opinion of the subject's market value as specified herein.

I lack the knowledge and experience to detect and measure hazardous substances. Therefore, this assignment does not cover the presence or absence of such substances as discussed in the General Assumptions and Limiting Conditions section, and in a separate section titled "Environmental Hazards." .

The documentation necessary to arrive at my opinions of value is contained in this appraisal report. Photographs of the subject site have been provided as additional descriptive materials for this assignment. The market data has been collected, confirmed, and analyzed. Comparable sales and listings were chosen for their similar highest and best uses, as outlined within the report. All sales are analyzed and compared to the subject property based on their similarities and dissimilarities.

1 The Appraisal of Real Estate (Chicago, IL,).
2 The Appraisal of Real Estate,(Chicago, IL)

The following independent investigations and analyses are undertaken in performing the appraisal, as follows:

- The property was inspected by Roger L. Hettema, MAI, SRA, on November 29, 2023 and on several previous occasions in the past from 2010 to 2014. The subject photographs contained herein were taken on the latest inspection. Tricia Wisner of the City of North Port was present and accompanied me on the latest inspection.
- The area and neighborhood data are based on physical inspection of the surrounding neighborhood, as well as information available from the Sarasota County Chamber of Commerce and the recent edition of the Florida Statistical Abstract (census data).
- The site description is based on physical inspection of the property and consultation of the Sarasota County Tax and City of North Port Zoning Maps. The proposed uses to the subject property are outlined in the Public Private Partnership (PPP) proposal prepared by WMS Development Group, LLC with portions copied and contained herein.
- The highest and best use analysis incorporates the four criteria described later herein. Land sales comparables sharing the same highest and best use are selected and used. The land value conclusion in this report is consistent with the subject property being used in accordance with its highest and best use.
- The subject's market area, with respect to the excess land and the underlying land, is local, with specific emphasis placed on the North Port and Venice markets due to proximity to the subject and similar locational influences. With respect to the going concern, consisting of the business of the spring, the subject caters to a wide market area, both within the local community, the state and the country. In fact, there are even visitors from Europe and particularly the Balkan countries.
- The land sales were assembled from the office library which is constantly updated, and through researching recent activity within the subject's market area. The sales information was verified with either the seller, buyer, listing or sales agents, CoStar, MFCRE and researching public records.
- The valuation techniques used are the Sales Comparison Approach and the Income Approach and a detailed description of each approach is presented in the report. The Sales Comparison Approach is used in the valuation of the vacant land parcel. **An extensive search was conducted for spring sales, and it was concluded that there was too much variation in type of use, location, and physical make-up so as to virtually preclude any kind of common unit of comparison. Warm Mineral Springs is so unique in Florida there simply are no comparables. Granted there are larger springs such as Weeki Wachee Springs, Ichetucknee Springs, and Madison Blue Springs, but these are State Parks that have not sold in years. Thus, I concluded that the only viable method to value the subject spring is to use the Income Approach based on the current income being produced by the existing improvements in their current "as is" condition. These approaches will produce my opinions of current market value which can be used to support a lease for the leasehold estate in the negotiations to complete this PPP.**

DEFINITION OF MARKET VALUE

“Market Value” is hereby defined and qualified as:

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 they consider their best interest;*
- c. a reasonable time is allowed for exposure in the open market;*
- d. payment is made in terms of cash in United States 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 amounts or sales concessions granted by anyone associated with the sale.³*

CONFORMANCE STATEMENT

This appraisal conforms to my understanding of the appraisal standards and guidelines set forth by the Uniform Standards of Professional Appraisal Practice (USPAP) and the Appraisal Institute. This report also complies with the Appraisal Standards of the State of Florida.

Roger L. Hetteema is State-Certified General Appraiser RZ45 and has completed all current required continuing education.

COMPETENCY STATEMENT

The Competency Provision of the Uniform Standards of Professional Appraisal Practice (USPAP) requires that an appraiser have the knowledge and experience to complete an assignment competently or that steps be taken and disclosed to gain such knowledge and experience during the course of the appraisal assignment. I previously appraised the subject property on two occasions and I have conducted numerous appraisals of properties with similar income and risk characteristics. These properties consist of hospitality related properties, health care properties, recreational properties, and properties such as restaurants which require an analysis of real property and going concern or business value. Therefore, I believe I am competent to undertake and complete this assignment.

Part Three – Presentation of Data

SUBJECT PROPERTY

The subject of this appraisal is a tourist and health attraction known as Warm Mineral Springs, located at the northeast corner of Ortiz Boulevard and Trionfo Avenue in the City of North Port, Florida. The property has a specific address of 12220 San Servano Avenue in North Port, and this location is approximately three-quarters mile north of Tamiami Trail (U.S. Highway 41) in North Port, an incorporated city in Sarasota County, Florida. According to the Sarasota County Property Appraiser, the property consists of approximately 81.2 acres of which 21.6 acres are the land associated with the spring, the buildings thereon, and the buffer land and the remaining 59.6 acres make up the land that is vacant and unimproved at this time. This land does have certain entitlements as a result of zoning and land use designations assigned to this property by the City of North Port.

The property has legal access by way of Ortiz Boulevard, Muscogee Road and Antonio Street and Trionfo Avenue.

The subject parent is irregular in shape and the total property size is 81.2 acres. With respect to the current appraisal assignment being performed to analyze the proposed transaction, the subject property has been delineated into two parcels. These parcels are as follows:

Phase I: This land area encompasses the spring, existing building improvements, parking area (approximately 11.6 acres), and future expansion area of about 10 acres. Phase I contains a total of 21.6 acres.

Phase II: This land area is the vacant land surrounding Phase I on the north and east sides and contains 59.6 acres. This land is proposed to be developed with a 200-unit resort hotel and spa and 270 resort residences (condominiums) and various outdoor entertainment and recreational amenities.

Warm Mineral Springs has been operated as a tourist and health attraction since the 1950's attracting more than 150,000 visitors annually. The present buildings that serve as the welcome center and health facility were built in 1960. Unfortunately, these structures deteriorated over the years to the point of being unusable and they suffered significant damage from Hurricane Ian in 2022 causing significant deferred maintenance requiring use of temporary structures and closing of concession services onsite. Warm Mineral Springs (WMS) is a Third-magnitude Spring in the State of Florida and it is 230 feet deep and is filled by an underground mineral spring that introduces approximately 9,000,000 gallons of new water daily at a temperature of 97 degrees. As this water mixes with other springs that feed the lake, the constant year-round water temperature is about 87 degrees. Warm Mineral Springs is one of only two hot springs known to be located in the State of Florida. The rich mineral content of WMS makes it known world-wide and it is known to draw a steady stream of visitors seeking to cure or alleviate a wide range of ailments. The belief of the healing value of this spring is more widely held with European, Canadian, Asian, Russian, Polish, German and Ukrainian countries. As a result, they form a large contingent of regular visitors to WMS.

The spring has another interesting aspect and that is its historical value. Because there is a lack of oxygen below 30 feet from the surface, any artifacts or human remains are surprisingly well preserved. In fact, in the late 1950's an 11,000 year old human skull was found in one of the caves in the springs with some brain matter still intact. Saber tooth tigers, sloths and camels, as well as stalactites and

stalagmites are some of the other items that have been discovered in the various caves below the surface of the water. Because of the discovery of these prehistoric items, the National Registry of Historic Places listed WMS in 1977 with Registration #77000408. This listing describes the historical significance of the spring as being informational in nature with regard prehistoric native burial sites in and around a time period of 8,000 to 8,500 B.C. It appears that the historic designation applies only to the spring and not to the surrounding land areas.

LEGAL DESCRIPTION

The following legal description is taken from the Sarasota County tax roll and is intended to identify the subject property for appraisal purposes. This legal should be verified before being used in any legal documents.

THOSE LANDS LYING & BEING IN N 1/2 OF SEC 25-39-20 BEING DESC AS, BEG AT NE CORNER OF INTERSECTION OF TRIONFO AVE & ORTIZ BLVD, BEING THE SW CORNER OF LOT 10 BLK 50 WARM MINERAL SPRINGS UNIT 86, TH NLY ALONG ELY R/W LINE OF ORTIZ BLVD TO ITS INTERSECTION WITH SLY R/W LINE OF MOSCOGEE RD TH NELY ALONG SLY R/W LINE OF MOSCOGEE RD TO ITS INTERSECTION WITH ELY R/W LINE OF ANTONIO ST, AS EXTENDED, TH NWLY ALONG ELY R/W LINE OF ANTONIO ST TO A POINT AT THE NWLY CORNER OF LOT 1 BLK 58 WARM MINERAL SPRINGS UNIT 88 TH ELY ALONG THE LINE THAT MARKS THE NLY BOUNDARY OF LOTS 1 THROUGH 10 BLK 58 & LOTS 1 THROUGH 16 BLK 59 WARM MINERAL SPRINGS UNIT 88, AS THE SAME WOULD BE EXTENDED TO ELY LINE OF SAID SEC 25, TH SLY ALONG SAID SEC LINE TO ITS INTERSECTION WITH NLY R/W LINE OF TRIONFO AVE TH WLY ALONG NLY R/W LINE OF TRIONFO AVE TO ITS INTERSECTION WITH ELY R/W LILNE OF ORTIZ BLVD BEING THE POB, LESS & EXCEPT PARCEL NO. 3, WARM MINERAL SPRINGS UNIT 88, SARASOTA COUNTY, FLORIDA

AREA ANALYSIS

The City of North Port was incorporated in 1959. It occupies over 100 square miles in southeast Sarasota County, making it one of the largest cities in terms of land area in the State of Florida. Interstate 75 passes through North Port, giving it access to major international airports both to the north and south in the Cities of Tampa, Sarasota and Fort Myers. Since 1980, North Port's population has grown from 6,205 persons to approximately 85,000 persons in 2022, according to the US Census Department. North Port has approximately 95 miles of freshwater canals and has a portion of the Myakka State Forest within its boundaries that includes the Myakkahatchee Creek. North Port does have water and wastewater utilities, however, a bulk of the land area must utilize private septic systems.

The median house price for the North Port as of July 1, 2022, was \$227,400 according to the Census Bureau and some 80% of the housing units are owner-occupied.

NEIGHBORHOOD ANALYSIS AND MARKET OVERVIEW

The subject's neighborhood is best described as the Sarasota County – North Port City Limits line to the south, Interstate 75 to the east, the City of Venice to the north, and the Gulf of Mexico to the west. The subject's market area is all of Sarasota County and northern Charlotte County to the south. The West Villages Improvement District (WVID) about two miles north of the subject property consisting of 6,022 acres is the largest area under single ownership within the City of North Port. It will be an area of significant growth over the next 25 years. The subject is 0.7 mile north of Tamiami Trail which provides convenient connections to Interstate-75 at River Road (2.5 miles to the west) or Sumter Blvd (2.5 miles to the east) opening up access to all of Florida and the United States.

On the next two pages are facts sheets on Warm Mineral Springs Park prepared by the City.



FACT SHEET

Warm Mineral Springs Park

TRANSPARENCY

The Warm Mineral Springs Park Master Plan was adopted in April 2019 following extensive stakeholder meetings, community engagement sessions and public surveys. The City Commission has since held numerous public meetings to discuss the future of the springs. City Code requires that a transparent procurement process be followed before any public-partnership agreement is approved by the commission. All commission meetings are open to the public and can be viewed live or on demand at NorthPortFL.gov.

PUBLIC-PRIVATE PARTNERSHIP

In June 2022 - several months before Hurricane Ian damaged the park on Sept. 28 - the City Commission directed staff to explore a potential public-private partnership to achieve the goals of the Warm Mineral Springs Master Plan. Bids for the initial phase of construction had come in at more than double the \$9.3 million budget the City has available in park revenues for the project, and the historic buildings at the springs continued to fall further into disrepair. The City Commission has determined that a public-private partnership is the best option for achieving the shared vision of the master plan without burdening the City's taxpayers.

REOPENING ASAP

The City has been working to safely reopen the park as soon as possible since the damage caused by Hurricane Ian. We are projecting a reopening sometime in March, based on the time needed to mobilize a modular admissions building and portable restrooms, install ADA accessible walkways, restore electrical and potable water connections and successfully hire, train and certify the 10 staff members needed to operate the park.

PRESERVING THE SPRINGS

The City is pursuing the designation of Warm Mineral Springs as an Outstanding Florida Spring, which would limit or prohibit certain activities nearby that could harm or pollute the water. An extensive archaeological study conducted for the City in 2019 found that the acreage surrounding the spring and buffer area does not contain dense concentrations of artifacts or archaeological sites. As part of the City's permitting and development review process, any future development at the site may require additional cultural resource assessment surveys or other testing. The City is committed to protecting the springs' natural environment and historic character. We are seeking a partner who will enhance the service and quality of life while preserving the integrity of this unique amenity.

STAY INFORMED

Park status updates have been shared weekly with local media outlets and posted on the City of North Port's social media accounts and online at NorthPortFL.gov/WarmMineralSpringsPark. On the website, you can also enter your email address and subscribe to receive updates directly in your inbox.

Plans to reopen Warm Mineral Springs in the works

Hurricane Ian brought many negative impacts to the city of North Port, and some of those can still be felt months later. One that still lingers involves Warm Mineral Springs Park, which has remained temporarily closed since Sept. 27.

This beloved attraction and the historic structures around it suffered extensive damage as Ian tore through our city. In addition to the debris the storm left behind and the safety hazards that were created in its immediate aftermath, the facilities at the park have not met the criteria for safe reopening. These include the necessity for reliable power, safe air quality and drinking water, air conditioning and buildings that are safe to occupy.

All of us in North Port, including our city commissioners and professional staff, recognize the importance of Warm Mineral Springs Park to our community. We understand and appreciate the passion of city residents and visitors from around the world who are drawn to the springs' unique character and history. At the direction of the commission in a special meeting last week, we are working to reopen the park to the public as soon as possible. But what does ASAP mean, and what does it entail?

Our priority as a local government is the health, safety and welfare of our citizens. While we've made significant progress on repairs to the buildings at the park, they are still not safe to be occupied at this time, so we're considering other options. There's been much discussion about bringing in a modular building and portable restroom trailer, but that's not as simple as you might think.

There's an increased demand for those structures in the aftermath of the hurricane, and they also require building permits as well as electrical and plumbing connections. Ideally, we'd love to repair and reopen the historic buildings in time for our grand comeback, but we're not going to wait for the perfect solution. The modular units, although not ideal, will be the simplest and fastest way to get the park safely reopened for people to enjoy.

There's other behind-the-scenes work that needs to be done, such as the installation of ADA-accessible pathways to and from the parking lot, repairs to the pump house, water quality testing of potable water and the recruitment and training of city staff to operate the park. Our goal is to reopen before spring break.

At the same time, we are also pursuing a strategic partnership for the restoration of the buildings and the future development and operation of the park. While we are grateful for the service provided by the previous concessionaire, the City Commission's recent decision to terminate their management agreement allows us greater flexibility to keep both these efforts moving quickly. We must still do a competitive solicitation, which takes time, but our outside legal counsel has commended us for our transparency throughout this process so far and the swift pace that this approach allows.

We are committed to keeping the public informed throughout this process. Regular status updates are available at NorthPortFL.gov/WarmMineralSpringsPark, shared with local media outlets and posted on the city's social media pages. You can also sign up to receive email updates directly to your inbox. We'll keep you posted on our progress and hope to see you all again ASAP at the springs.



JEROME FLETCHER, *North Port City Manager*

SITE DESCRIPTION

The following description of the subject site, including the dimensions and land area, is based on physical inspection of the property, various exhibits copied herein, and consulting the Sarasota County Tax and Zoning Maps.

Location:	The subject is located at the northeast corner of Ortiz Blvd. and Trionfo Avenue, North Port, FL about ¾ mile north of US Highway 41, the specific property address is 12220 San Servano Avenue
Size:	81.2 acres
Shape:	Irregular
Access:	
Primary:	Ortiz Blvd & San Servano Avenue
Secondary:	Muscogee Rd., Antonio St., Trionfo Ave.
Easements & Encroachments:	There is a 75-foot easement along the canal along the eastern boundary of the property – this does not adversely affect the use of the property
Topography:	The predominant ground elevation is 10 to 13 feet except for an area near the spring and creek which is about 7 feet
Soils:	Eau Gallie and Myakka Fine Sands, Pomello fine sand, both are considered upland soils
Features:	Mineral Spring approximately 230 feet deep with a lake approximately 1.4 acres in size
Drainage:	Appears to be adequate
Utilities:	
Electric:	Florida Power & Light Company
Water:	Private Well (Public Water Available)
Sewer:	Private Septic System (Public Sewer Available)
Telephone:	Verizon
Police & Fire Protection:	City of North Port
Flood Zone:	HUD Zones X & X500
Community-Panel Map #:	120279 0370 F
Nuisances and/or Hazards Affecting Value:	None noted
Oil, Gas and Mineral Rights Included in Value:	Yes

DESCRIPTION OF IMPROVEMENTS

For this appraisal, the main tract of Warm Mineral Springs (WMS) consists of approximately 21.6 acres designated Phase I of the total 81.2-acre parent tract. Situated on the main tract are remnants of building improvements that served as the welcome and admissions center and supported the health and spa functions in the business operation of the spring for a number of years. The improvements were designed and built in 1960 and had a very 1960's vintage appearance and feel. Their unique character added to the historical nature of WMS for many visitors returning year after year, Unfortunately these buildings, due to a number of weather events and minimal maintenance have suffered a considerable amount of deferred maintenance to the extent that they could no longer adequately and safely serve the public and they were closed and replaced by two modular structures that serve as an administration building and a restroom facility. The PPP calls for the total replacement and enhancement of all support buildings. The balance of the land is Phase II and is vacant with no improvements.

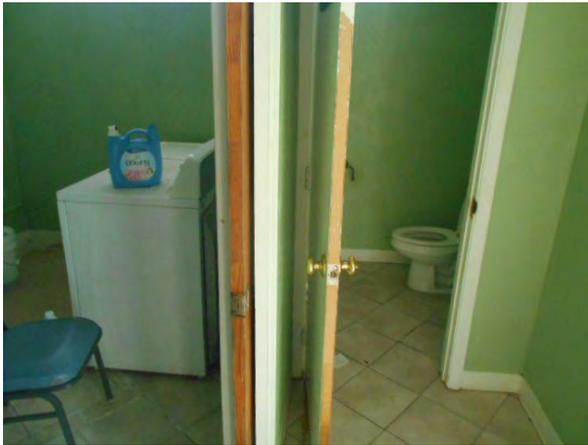
The following pages contain pictures of the springs property showing the condition of these buildings.

PHOTOGRAPHS OF TAKEN NOVEMBER 29, 2023

SPRING AND EXISTING BUILDINGS









MODULAR BUILDINGS FOR TEMPORARY USE



VIEWS OF ADJACENT LAND



ENVIRONMENTAL HAZARDS STATEMENT

The presence of hazardous materials in the improvements, if any, and within the soil requiring environmental clean-up and/or protection may adversely affect the value of the property. I have no knowledge of such materials on the subject property.

This is not a statement that such materials do not exist and they may be present on the subject site. Therefore, the client is urged to retain an environmental engineer in this field, to provide an appropriate environmental audit. If hazardous environmental conditions were discovered on or in the subject land, their existence could affect the market value concluded herein.

ZONING AND OTHER LEGAL RESTRICTIONS

The subject property is zoned PCD (Planned Commerce Development) by the City of North Port. The subject property is predominantly vacant and the existing improvements are permitted, and thus, the subject property conforms to this zoning designation which is described next.

PCD (Planned Community Development)

The purpose of the PCD (Planned Community Development) District is to provide an area for coordinated development of industrial, commercial, service, residential and government uses within a park-like setting. The establishment of this district provides a mechanism to attract major employers to the city, which can contribute to the diversification of the economic base in a manner consistent with the city's adopted Comprehensive Plan. Generally, PCD land uses include manufacturing, wholesaling, and warehousing, construction services, transportation activities, retail trade and service, residential and government uses. It is the intent of these regulations to facilitate the harmonious interaction of land uses, not individually provided for in other industrial, commercial, service, residential or government use districts through grouping of similar uses.

The permitted principal uses and structures include any use permitted by right or as a conditional use in the CG (Commercial General) district, GU (Government Use) district, ILW (Light Industrial Warehousing) district, or the OPI (Office, Professional, Institutional) district and any permitted uses or conditional uses in any of the residential districts described elsewhere in the regulations, shall be permitted, provided that the proposed use is shown to be consistent with the city's Comprehensive Plan and the standards and criteria set forth further below regulating development in PCD Districts.

All prohibited uses and structures as set forth in the regulations governing CG, ILW, GU, OPI and all residential and agricultural land use districts and described elsewhere in the regulations are prohibited.

Each lot or parcel of land for use as non-residential within a PCD district shall be a minimum land area of at least ½ acre. For lands proposed as planned residential, the following minimum requirements shall apply:

- A. Multifamily, cluster housing or townhouses. No minimum lot size shall be required; provided, however, that no structure shall be located closer to any peripheral property line than two times the height of such structure, that maximum density shall be maintained in accordance with §53-81 of these regulations and that 30% of the total gross residential acreage be provided as usable open space. Usable open space shall include active and passive recreation areas, such as playgrounds, golf courses, waterways, lagoons, flood plains, nature trails, and other similar open spaces.
- B. Single-family dwellings and duplexes. All detached single-family dwellings and duplexes shall be platted in accordance with Chapter 177 of Florida Statutes, and each lot shall have a minimum land area of 7,500 square feet.

- C. Other nonresidential uses. All other nonresidential uses permitted by right or by special exception within this residential land use group shall have a minimum land area of 15,000 square feet. Each lot or parcel of land within a PCD District proposed for use as nonresidential shall have a minimum frontage of 100 feet on an approved public or private street. Each lot or parcel of land proposed as detached single-family dwellings or duplexes shall have minimum frontage of 50 feet on an approved public or private street. No minimum lot frontage is required for residential land uses proposed as multifamily, cluster housing, or townhouses.

The subject property is in Activity Center 7. Activity Centers are described below.

ACTIVITY CENTERS – CITY OF NORTH PORT

These lands are designated to provide an area for coordinated development of industrial, commercial, professional office, residential, public and recreational uses. This designation provides for a variety of uses where project components and land use relationships are physically and functionally integrated.

The densities and intensities established for Activity Centers shall not be altered except by amendment of this Comprehensive Plan or as allowed (excluding bonuses, incentives or transfer of development rights). The percentage figures are intended to be used as guidelines and to reflect the desired land use mixture at build-out to achieve an economically feasible development pattern relative to taxes received and services provided. Hotels, motels, restaurants or other highway uses are permitted. Because the exact boundaries of wetlands and other environmentally sensitive areas in Activity Centers and other areas can only be determined by detailed site analysis, the Planning Director is authorized to determine precise boundaries of Conservation and Recreation/Open Space areas shown on the Future Land Use Map based on the findings of appropriate environmental analysis without amending the Comprehensive Plan. To protect or mitigate the impact of Activity Center development upon viable wetlands, the City shall, at the time of initiation of PCD rezoning and approval of the Development Concept Plan, work with the Applicant to place the development in locations to ensure that incompatible uses are located outside of, and at the appropriate distance away from wetlands. The type, intensity, extent, distribution and location of allowable land uses and the types, values, functions, sizes, conditions, and locations of wetlands are land use factors which shall be considered when directing incompatible land uses away from wetlands. All proposed developments shall comply with, or exceed, the criteria for wetland protection of all appropriate local, state, or federal regulatory agencies. When no reasonable alternatives to avoid wetland impacts exist, mitigation shall be considered as one of the means to compensate for loss of wetland functions.

Concurrency Statement

The State of Florida enacted the “Growth Management Act” in 1985, to manage the future growth within the state. The Act requires all counties and municipalities to enact “Comprehensive Plans” to manage future growth within their boundaries. These comprehensive plans include standards for water, sewer, roads, trash, drainage, parks and mass transit. Future development must meet “concurrency” standards dictated by the County, City and State. Future development of the site will require the developer to extend water and sewer to the site which is available from the City of North Port and it may trigger some offsite improvements to roads.

Other Legal Restrictions

There are no other significant legal restrictions to this property.

TAX INFORMATION

The subject property is identified on the Sarasota County Tax Roll under Property ID number 0769070014 and the total assessments for 2023 are shown below. Being a public asset owned by the City there are no taxes assessed.

PROPERTY ASSESSMENT AND TAXES - - 2023

Subject: Warm Mineral Springs
 File #: 223C084
 Plate #: TAX CHART

PROPERTY NUMBER	IDENTIFICATION	LAND	ASSESSMENTS	TOTAL JUST VALUE	ASSESSED VALUE	TAXABLE VALUE	2023
			IMPROVEMENTS				ASSESSMENTS AND TAXES
0769070014	Springs & Vacant Land	\$5,351,100	\$777,700	\$6,128,800	\$5,940,220	\$0	\$0.00

HISTORY OF THE SUBJECT PROPERTY

The Uniform Standards of Professional Appraisal Practice require that any prior sales of the subject over the previous three years be considered and analyzed. Also, any current sales agreement, option, or listing of the subject property must be considered and analyzed.

There have been no title transfers in the previous three years. The City is presently considering a Public Private Partnership (PPP) proposal by WMS Development Group, LLC (WMSDG) which could lead to the leasing of the springs property and a sale of the adjacent vacant land.

Part Four– Analysis of Data and Conclusions

HIGHEST AND BEST OR MOST PROBABLE USE

Highest and Best Use is defined 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.*⁴

There are four specific criteria examined in relation to the subject's highest and best use, as follows:

- Physically Possible
- Legally Permissible
- Financially Feasible
- Maximally Productive

On the following two pages are excerpts from the WMS Development Group LLC revised plan describing the planned development of the springs site and the vacant land. In my opinion, this plan certainly represents an alternative that is consistent with the highest and best use of the subject property meeting all of the above criteria.

The Revised Plan



WARM MINERAL SPRINGS REDEVELOPMENT PLAN

- A. WARM MINERAL SPRING
- B. REDEVELOPED WMS FACILITY
- C. EXPANDED PARKING & OVERFLOW PARKING
- D. INDIGENOUS VILLAGE & MUSEUM
- E. AMPHITHEATER & EVENT VENUE
- F. EVENT LAWN
- G. FOOD TRUCK PARK & EVENT PLAZA
- H. URBAN GARDENS
- I. CITRUS GROVES
- J. RESORT HOTEL & SPA (2 STORY-150 ROOMS)
- K. ECO CABINS (50 ROOMS)
- L. LEGACY TRAIL HEAD
- M. ROPES COURSE
- N. RESTAURANT
- O. 36 HOLE PUTTING COURSE
- P. MULTI-FLOOR RESIDENTIAL BUILDING (20 UNITS EACH)
- Q. MULTI-FLOOR RESIDENTIAL BUILDING (115 UNITS EACH)
- R. RESORT AMENITY
- S. CREATED WETLAND (WATER MANAGEMENT)
- T. FUTURE DEVELOPMENT

The Revised Plan

- 1. Phase I Renovated to City Plans & Specs**
- 2. 150 Unit, 2 Story Max Health & Wellness Hotel & Spa**
- 3. 50 Eco Retreat 'Cabins'**
- 4. 270 Resort Residences (Condominiums)**
- 5. Event Lawn, Outdoor Amphitheater, Food Trucks**
- 6. 3.4 Miles of Walking Trails & Connection to Legacy Trail**
- 7. 67% Open Area in Phase 2**
- 8. Restaurant, Entertainment, & Putting Course Amenity**
- 9. Enhanced Stormwater and Parking**
- 10. Relocation of Community Garden**
- 11. Ropes Course for Outdoor Activity**
- 12. Indigenous Museum | Honoring History & Florida**
- 13. Meditation Garden, Picnic, and Screened Structures**

DISCUSSION OF THE APPRAISAL PROCESS

The purpose of the appraisal is to provide opinions of the current of market value of the leasehold estate for the spring property and the fee simple interest for the adjacent vacant land parcel. Two of the three traditional valuation techniques, the Sales Comparison and Income Approaches, are utilized in the appraisal. The Income Approach is used for the spring property and the Sales Comparison Approach is used for the vacant land valuation in this appraisal.

An extensive search for similar properties that had a spring as its main attraction was made. Some of the states searched besides Florida were New Mexico, Colorado, and California. While sales were found and they are discussed generally in a Market Overview section included in the addendum, I concluded that there were too many variables to be able to develop a meaningful unit of comparison that could be used to develop a value indication for the subject property. For instance, a number of the springs in Florida are used for bottling spring water for sale to the public, a totally different income structure than the subject. A number of the springs in Florida have been purchased by various public entities to preserve water conditions or produce public recreation opportunities. Most do not offer the health aspects of a mineral spring which is the main attraction for the subject property. Most of the warm or hot mineral springs that sold were found in the western part of the United States and these can vary from an actual spring, like the subject, or in many cases, a well that produces naturally hot mineral water that is diverted to pools or hot tubs. Other than the 2010 purchase of the subject, no sales of mineral springs as large as the subject were found. After analyzing the results of the research, I concluded that about the only information I could glean from the different properties found was a general range of prices that were paid for these widely varying properties. I concluded that these sales could not be used in a formal Sales Comparison Approach relative to the spring. Further, the current proposal calls for a 99-year lease on the spring property thus creating a leasehold estate which is best analyzed using an income Approach.

The use of the Income Approach for the Spring property and the Sales Comparison Approach for the excess land valuation will produce creditable appraisal results in this case.

Sales Comparison Approach

The land value is indicated through the Sales Comparison Approach, which involves an analysis of land sales of sites considered similar to the subject. The comparables selected for comparison to the subject are the most similar properties within the market area occurring within a reasonable time period around the date of appraisal. The sales meet the criteria as set forth in the definition of market value and have similar physical and functional characteristics. They also share a similar highest and best use.

Income Approach

The Income Approach reflects the fact that a property's earning potential has a significant impact on value. The market value of investment property is generally considered to be the present worth of the future benefits derived from the income produced by the property. The future benefits are expressed as a net income stream to the owner and are usually in the form of periodic income and reversion. These benefits are reduced to a present value indication through a process known as capitalization, which can be analyzed using one of several methods.

SALES COMPARISON APPROACH

LAND VALUATION – PHASE II

Phase II is all of the land surrounding adjacent to and surrounding the springs, Phase I, on its north and east sides. This land area is 59.6 acres and is zoned so that it could be developed with various residential and commercial uses. The proposed development by WMSDG is a 200-unit resort hotel complex and a 270-unit multi-family residential development along with a commercial component and various recreational amenities. The vacant land value is estimated through the Sales Comparison Approach (also called the Market Approach). This approach involves an analysis of land sales and listings considered similar to the subject. The comparables selected for comparison to the subject are the most similar properties within the market area occurring within a reasonable time period around the date of appraisal. The comparables meet the criteria as set forth in the definition of market value and have similar physical and functional characteristics. They also share a similar highest and best use.

The best comparables available are selected, but no two parcels of land are identical. The elements of comparison include:

- Property Rights
- Financing Terms
- Conditions of Sale
- Market Conditions (Date of Sale)
- Location
- Physical Characteristics (Including Size, Zoning, Land use & Density)

In the subject case, every effort was made to select sales from areas that were as similar as possible and recent in time. There are simply not enough sales to do a paired sales analysis to extract each adjustment for the subject. Therefore, sales were selected within similar market conditions and that were as similar as possible in all of the other elements of comparison with the main exceptions being location and the types of mixed use. The upcoming land chart consists of qualitative comparisons of the subject parcel in each of the elements of comparison. The result is an overall net adjustment to each comparable and the result is an indicated value. The unit of comparison used in this appraisal is the sales price per gross acre. This is the typical and customary unit of comparison for larger mixed use tracts used by buyers, sellers, real estate agents, and appraisers in this market. It is easily understood by all parties and it is a valid and appropriate method to compare land sales with the subject property and to reach an opinion of market value. The land sales write-ups are shown next followed by the sales comparison and adjustment chart and then the final analysis of the sales and land value opinion.

LAND SALE ONE - - PIDS 0855050010, 0012, 0014 & 0855120001, 0003, 0005.



Grantor: Jay and Premala Raja (H & W)

Grantee: Kaplan Englewood, LLC

Legal:

ALL OF LOTS 569, AND 570 AND LOTS 571, 572, 573 AND 574, LESS THE WEST 7 FEET THEREOF, ENGLEWOOD GARDENS, UNIT 6, A SUBDIVISION ACCORDING TO THE PLAT THEREOF, RECORDED IN PLAT BOOK 4, PAGES 74 AND 75, OF THE PUBLIC RECORDS OF SARASOTS COUNTY, FLORIDA.

Sale Date: August 24, 2023 (Inst# 2023135610)

Size: 901,692 SF (20.7 Acres) Zoning: RMF-3 – Residential, Multi-family

Remarks: The buyer plans to develop this land with a 306-unit rental apartment complex including a 10,000 SF clubhouse, dog park, walking trails, and outdoor grilling stations.

Sales Price: \$5,200,000 (Cash Sale) \$5.77 per SF \$16,993 per Unit

LAND SALE TWO - - PID 0784081000



Grantor: Main Street Ranchlands LLLP

Grantee: EPC Sparrow Wellen LLC

Legal: TRACT 101, MAIN STREET RANCLANDS PLAT NO 3, PB 56 PG 252-253, SARASOTA COUNTY, FL

Sale Date: May 23, 2022 (Inst# 2022088054)

Size: 398,744 SF (9.2 Acres) Zoning: V - Village

Remarks: The property was developed with Solea Wellen Park a 55+, 204-unit apartment complex with pool, dog park, cabanas, pickleball, fitness center, and community garden.

Sales Price: \$3,060,000 (Cash Sale) \$7.67 per SF \$15,000 per Unit

LAND SALE THREE - - PID 0362001002



Grantor: Meritage Homes of Florida, Inc

Grantee: SCP Venice Florida Owner LLC

Legal: PARCEL OF LAND LYING IN SEC 20-38-19 DESC AS COM AT SW COR OF NW 1/4 OF SAID SEC 20 TH N 89-55-13 E 2606.83 FT FOR POB TH CONT N 89-55-13 E 1054.23 FT TH SELY ALONG CURVE TO LEFT 21.80 FT TH SELY ALONG CURVE TO RIGHT 45.53 FT TO WLY R/W ACCESS RD UNDER I-75 TH ALONG SAID WLY R/W S 19-13-25 W 1133.60 FT TO NELY LIMITED ACCESS R/W NWLY ALONG CURVE TO RIGHT 1255.75 FT TH N 19-11-42 E 121.47 FT TO POB, BEING SAME LANDS AS DESC IN ORI 2023071408, SARASOTA COUNTY, FL

Sale Date: April 28, 2023 (Inst# 2023071408)

Size: 696,841 SF (15.99 Acres) **Zoning:** PUD – Planned Unit Development

Remarks: This site is adjacent to a developing subdivision named Magnolia Bay. It will be developed with 303 rental apartment units

Sales Price: \$7,800,000 (Cash Sale) \$11.19 per SF \$25,743 per Unit

LAND SALE FOUR - - PID 0978010012



Grantor: North Port MF South LLC

Grantee: TTRES FL North Port Sumter LLC

Legal: PORTION OF PARCEL 1, HERON CREEK PLACE PH 1, DESC AS SOUTH MULTI FAMILY PARCEL
DESC IN ORI 2023018054, SARASOTA COUNTY, FL

Sale Date: November 2, 2023 (Inst# 2023166573)

Size: 1,196,540 SF (27.5 Acres) **Zoning:** PCDN – Planned Community Development

Remarks: This site will be developed with The Hadley, a 268-unit luxury resort-style 1-4 BR villa rental apartment complex with pool and spa, fitness center, pickleball courts, community grilling areas, and dog park.

Sales Price: \$8,220,000 (Cash Sale) \$6.87 per SF \$30,372 per Unit

VACANT LAND SALES COMPARISON AND ADJUSTMENT CHART

File#: 223C084
 Plate: LAND SALES CHART - PHASE II

	SUBJECT Tax Parcel #:	LAND SALE # 1 0855050010, 12, 14 085512001, 003, 005	LAND SALE # 2 0784081000	LAND SALE # 3 0362001002	LAND SALE # 4 0978010012
VALUE PARAMETERS					
SALEPRICE (TOTAL)		\$5,200,000	\$3,060,000	\$7,800,000	\$8,220,000
PROPERTY RIGHTS CONVEYED	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
ADJUSTMENT		\$0	\$0	\$0	\$0
FINANCING TERMS		Cash	Cash	Cash	Cash
ADJUSTMENT		\$0	\$0	\$0	\$0
CASH EQUIVALENT SALES PRICE		\$5,200,000	\$3,060,000	\$7,800,000	\$8,220,000
CONDITIONS OF SALE	Arms- Length	Arms-Length	Arms-Length	Arms-Length	Arms-Length
ADJUSTMENT		\$0	\$0	\$0	\$0
CONDITIONS OF SALE ADJUSTED PRICE		\$5,200,000	\$3,060,000	\$7,800,000	\$8,220,000
CONDITIONS OF SALE ADJUSTED PRICE PER ACRE		\$251,208	\$332,609	\$487,805	\$298,909
DATE OF SALE	November 29, 2023	August, 2023	May, 2022	April, 2023	November, 2023
MARKET CONDITIONS ADJUSTMENT	(Appraisal Date)	0.0%	10.0%	0.0%	0.0%
MKT CONDITIONS ADJ. PRICE PER ACRE		\$251,208	\$365,870	\$487,805	\$298,909
LOCATION	Vacant Land Surrounding Warm Mineral Springs, 12220 San Servando Ave City of North Port, Sarasota County	Pine St & Crestwood Ln Englewood SIMILAR	West Villages Parkway Wellen Park (North Port) SUPERIOR	Ranch Road @ Magnolia Bay Nokomis/Venice SUPERIOR	S Sumter Blvd, So of W. Price Blvd, North Port SL SUPERIOR
ADJUSTMENT		0%	-40%	-50%	-10%
Size (Acres)	59.60	20.70	9.20	15.99	27.50
Shape	Irregular	Rectangular	Irregular	Triangular	Irregular
ZONING	PCD (Planned Commerce Developemnt)	RMF-3	V-Village	Mixed Use Corridor	PCDN - Planned Community Dev
FUTURE LAND USE DESIGNATION	Activity Center #7	Office/Multi-Family Residential	Office/Multifamily	Residential	Residential
HIGHEST & BEST USE or PROPOSED USE	Hotel/Residential/Commercial Coincide with Springs Redevelopment	306-Unit Rental Apartment Complex with Amenities	204-Unit Rental Apartment Complex with Amenities	303-Unit Rental Apartment Complex with Amenities	268-Unit Rental Apartment Complex with Amenities
TOTAL UNITS	470 Units	306 Units	204 Units	303 Units	268 Units
DENSITY	7.9/Acre	14.8 / Acre	22.2 / Acre	18.9 / Acre	9.8 / Acre
ADJUSTMENT		10%	15%	15%	0%
NET ADJUSTMENT		10%	-25%	-35%	-10%
ADJUSTED PRICE PER ACRE		\$276,329	\$274,402	\$317,073	\$269,018

Reconciliation and Opinion of Land Value

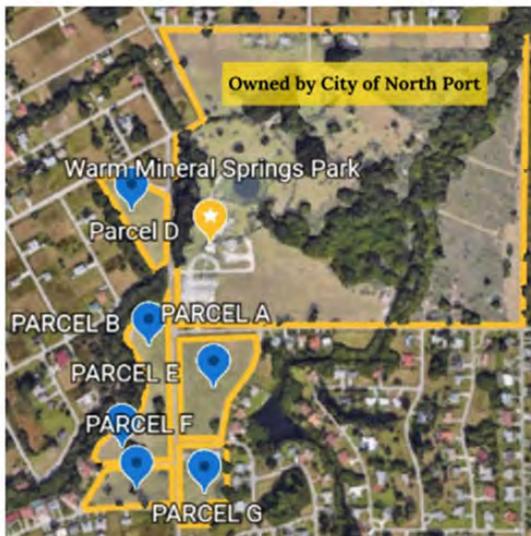
The four land sales have been gathered from a search of the subject’s neighborhood and market area and represent the best available data upon which to base opinion of market value. All of the sales were cash equivalent with no unusual conditions of sale so no adjustments were necessary for these elements of comparison. Sale 2 did sell in 2002 and the market is increasing so a 10% time adjustment was made. The remaining sales all occurred in the current year so no other time adjustments were made.

Sales 2, 3 and 4 were all considered to be in superior locations relative to the subject and downward adjustments were made. Sales 2 and 3 were in more intensely developing areas making them much superior so larger adjustments were made to each. Sale 4 was only slightly superior. The next and final adjustment category was for the Physical Characteristics encompassing Size, Zoning, Land Use & Density. With regard to zoning and land use, all four sales were generally similar to the subject land. There is an established and widely accepted appraisal principle that size has a direct effect on unit price where smaller sites tend to sell for more per acre than larger sites and vice versa. In this case Sales 1, 2, and 3 were smaller in size which also resulted in a higher density so adjustments of 10% and 15% were made to account for the effect of size on unit price.

Also considered is the following current listing that is located adjacent to Warm Mineral Springs.

SALE UNIQUE MIXED USE DEVELOPMENT SITE 19± AC W/ MULTIPLE ENTITLEMENTS

In a Qualified Opportunity Zone adjoining the Warm Mineral Springs North Port, FL 34287



MULTIPLE ENTITLEMENTS HIGHLIGHTS

- 145,000 square feet as Commercial/Retail/Hotel
- 124,000 square feet as Medical/Office/Institutional
- Development entitlements increased to non-residential intensity of 269,000 square feet with height limit of three stories and 72 residential multifamily units
- The City might increase the above density variance if it's in compliance with their zoning code and harmonious to the WMS Master Plan

CUSTOM TABLE HEADLINE

LOT #	SIZE	PRICE	ZONING	SOME OF THE PERMITTED USES
A	4.7 AC	\$3,000,000 \$14.65/SF	Activity Center 7A Multi-use development	Hotel, assisted living or other commercial uses
B, E, C & F	9.7 AC	\$3,950,000 \$9.35/SF	Activity Center 7A Multi-use development	Residential, apartment units (standard or senior)
D	2.7 AC	\$1,000,000 \$8.50/SF	CN - Commercial Neighborhood Multi-use development	Hospitality or other commercial uses
G	1.9 AC	\$550,000 \$6.65/SF	OPI - Office, Professional Institutional	Health and Wellness Center or Office Building

This group of potential sales underscores the potential in the neighborhood when the subject Phases I and II are developed. I discussed this listing with the agent who said there was good interest but no sales as yet. The combined price of the four component tracts is \$8,500,000 or \$447,368 per acre. It is a listing and much smaller in size so these would be two negative adjustments. Also it is highly unlikely these prices can be attained until there is significant development of the subject property so it is more of a look into the future.

After making the adjustments to the comparable sales the adjusted prices per acre ranged from \$269,018 to \$317,073 per acre. Collectively these four sales support a market value of \$275,000 per acre and when applied to the 59.6 acres the total is \$16,390,000 which is rounded to \$16,400,000. This is my opinion of the prospective market value of the Phase II land assuming utilities are at the side and it is ready for development as proposed.

INCOME APPROACH

The Income Approach reflects the fact that a property's earning potential has a significant impact on value. The market value of income-producing property is generally considered to be the present worth of the future benefits derived from owning the property. The future benefits are expressed as a net income stream to the owner and are usually in the form of periodic income and a reversion.

The process of projecting an income stream and discounting the total future dollars to present worth is referred to as the capitalization of income. The technique utilized in this appraisal is the Direct Capitalization Technique. The Direct Capitalization Technique is a method used to convert a single year's anticipated net operating income into an estimate of property value in one direct step. The income estimate is divided by an appropriate overall capitalization rate, resulting in the current estimated value of the property via this technique.

In a typical real estate appraisal, the Income Approach deals with the capitalization of the net operating income expected to be derived from the real estate. The net operating income (NOI) is the remaining amount after deducting any expenses that are not paid by the tenant/lessee from contract or market rental income. The rent is usually established by market comparables and/or an existing lease document. The lease document accounts for who pays which expenses and the appraiser applies these expenses appropriately in a pro forma operating statement leading to an indication of NOI. An overall capitalization rate is a single rate that is divided into the NOI and these rates can come from market comparables or other methods of deriving them using market derived sources.

In this appraisal, the subject property offers a level of complication in that even though Phase I property (the Springs) will be totally redeveloped, it is necessary considering the PPP from WMSDG to set a value of the Phase I property, as is, in order to estimate a market rent for the property in as is condition. This rent will be paid to the City of North Port as landlord or leased fee owner so that WMSDG as the leasehold interest holder can redevelop and operate the property for 99 years. As stated earlier, the Sales Comparison Approach is not capable of indicating this value, leaving the Income Approach as the only alternative.

The valuation method will be the Direct Capitalization Technique which involves analyzing the current income production from Warm Mineral Springs in its current condition as operated by the City of North Port reflecting current income and expense sources to derive a pro forma income statement to be used to estimate the net operating income (NOI) which will then yield an income value from which an appropriate rent can be derived to be used in the negotiations.

Pro Forma Projection Based on Historic Income and Expenses

Three sets of operating statements are shown next. The first is an operating statement for fiscal year 2022 ending in September which is significant because it is right before Hurricane Ian which caused a shutdown of operations. The next is a proforma operating statement prepared by WMSDG and was included in their presentation materials. The final statement shown was prepared by me with input from the City of North Port and again reflects the best estimate of performance for 2024 assuming no changes were to occur at the Springs.

WARM MINERAL SPRINGS

Fiscal Year Ending

**September
2022**

REVENUES

Admissions (net of sales tax)	\$ 1,928,817
Gift shop commissions	18,233
Investment income	<u>(77,791)</u>

TOTAL EFFECTIVE GROSS INCOME 1,869,259

EXPENDITURES*

Professional fees	\$600,361
Water sampling	9,600
Utility services	8,379
Rentals & leases	83,324
Repairs	17,695
Landscaping	33,964
Promotional activities	5,725
Bank/transaction & other fees	31,586
Cost allocation to General Fund	109,780
Minor operating supplies	8,003
Capital improvements	<u>-</u>

TOTAL OPERATING EXPENSES \$908,417

NET OPERATING INCOME **\$960,842**

PROJECTED FINANCIAL DATA

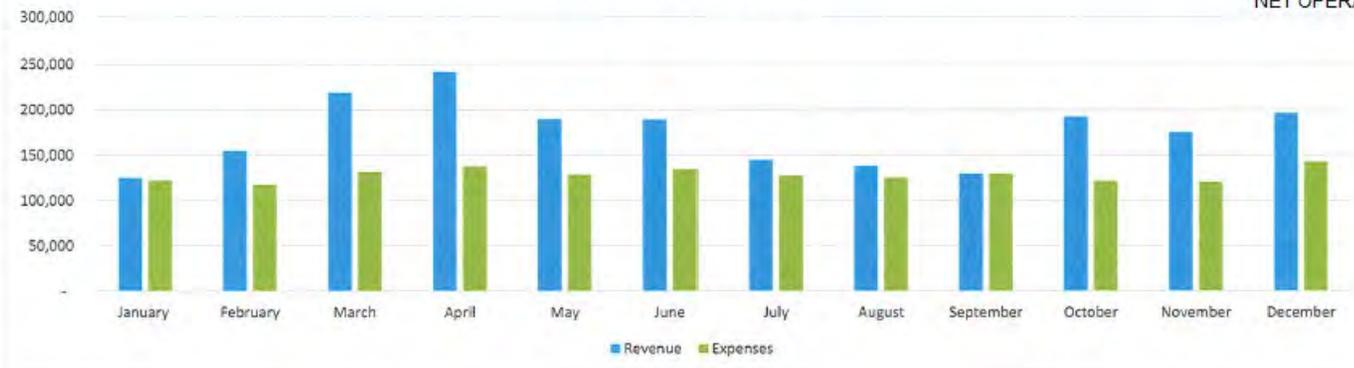
WMS Development Group LLC

Calendar Year 2024

	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTALS
REVENUES													
Admissions (net of sales tax)	\$ 123,255	\$ 153,062	\$ 216,950	\$ 239,489	\$ 187,306	\$ 186,914	\$ 143,356	\$ 136,699	\$ 126,421	\$ 191,989	\$ 172,614	\$ 194,117	\$ 2,072,372
Gift shop commissions	1,868	1,372	1,577	2,065	2,016	1,964	1,233	1,543	2,723	-	1,686	1,528	19,575
Total Revenues	125,123	154,434	218,527	241,554	189,322	188,878	144,589	138,242	129,144	191,989	174,500	195,645	2,091,947
EXPENDITURES*													
Professional & Consulting fees	50,692	50,583	50,587	51,599	51,645	51,594	51,599	51,594	51,612	51,612	51,624	51,599	616,240
Water sampling	800	800	800	816	816	816	816	816	816	816	816	816	9,744
Utility services	670	760	280	510	510	510	510	816	785	1,428	1,122	836	8,737
Rentals	-	-	12,768	13,118	6,429	6,690	8,480	5,370	10,491	-	-	21,772	85,118
Rent Expense	25,000	25,000	25,000	25,500	25,500	25,500	25,500	25,500	25,500	25,500	25,500	25,500	304,500
Repairs	8,000	8,000	8,000	8,160	8,160	8,160	8,160	8,160	8,160	8,160	8,160	8,160	97,440
Landscaping	6,000	6,000	6,000	6,120	6,120	6,120	6,120	6,120	6,120	6,120	6,120	6,120	73,080
Promotional activities	351	-	-	3,209	1,965	-	62	471	-	-	87	-	6,145
Marketing	15,000	10,000	10,000	10,200	10,200	10,200	10,200	10,200	10,200	10,200	10,200	10,200	126,800
Bank/transaction & other fees	3,441	4,247	6,009	6,160	4,828	4,816	3,687	3,525	3,294	4,896	4,450	4,989	54,342
Salaries, payroll tax, insurance	12,000	12,000	12,000	12,240	12,240	12,240	12,240	12,240	12,240	12,240	12,240	12,240	146,160
Minor operating supplies	100	110	100	173	102	7,577	122	102	102	102	102	102	8,794
Total Expenditures	121,954	117,500	131,544	137,805	128,515	134,223	127,496	124,914	129,320	121,074	120,421	142,334	1,537,100
Net Operating Income (Loss)	\$ 3,169	\$ 36,934	\$ 86,983	\$ 103,749	\$ 60,807	\$ 54,655	\$ 17,093	\$ 13,328	\$ (176)	\$ 70,915	\$ 54,079	\$ 53,311	\$ 554,847

2024 Financial Projection

Add Back Rent \$304,500
NET OPERATING INCOME \$859,347



* Please note that the above proforma does not include capital expenditures

PROFORMA OPERATING STATEMENT - - WARM MINERAL SPRINGS

File #: 223C084
Plate : PROFOMA INCOME STATEMENT
Source: City of North Port Records

FISCAL YEAR 2024

GROSS INCOME

General Admissions	2,035,480
Gift Shop Commissions	10,000
Miscellaneous Income	<u>30,000</u>
TOTAL GROSS INCOME	\$2,075,480

EXPENSES

Salaries and Employee Expenses	\$732,030
Professional & Other Contracted Services	\$180,660
Communication Services	\$11,520
Water & Sewer Service	\$8,160
Electricity	\$6,360
Rentals & Leases	\$126,000
Insurance	\$10,680
Repaires, Maintenance and Landscaping	\$54,140
Printing & Promotion	\$1,000
Bank Charges & Fees	\$25,800
Ads & Public Notices	\$3,480
Fees & Permits	\$50
Solid Waste	\$4,600
Supplies	\$22,000
Operating Supplies & Minor Equipment	\$31,500
Chairs, Lounges, & Floats	\$2,000
Training & Education	<u>\$2,000</u>
TOTAL OPERATING EXPENSES	\$1,221,980
NET OPERATING INCOME	\$853,500

The operating statement above which I prepared using City records is an estimation of the likely incomes and expenses to be incurred in 2024 assuming the City continued to operate the Springs as it has in past years using present staffing levels and the facilities in their present condition with continued use of the modular structures.

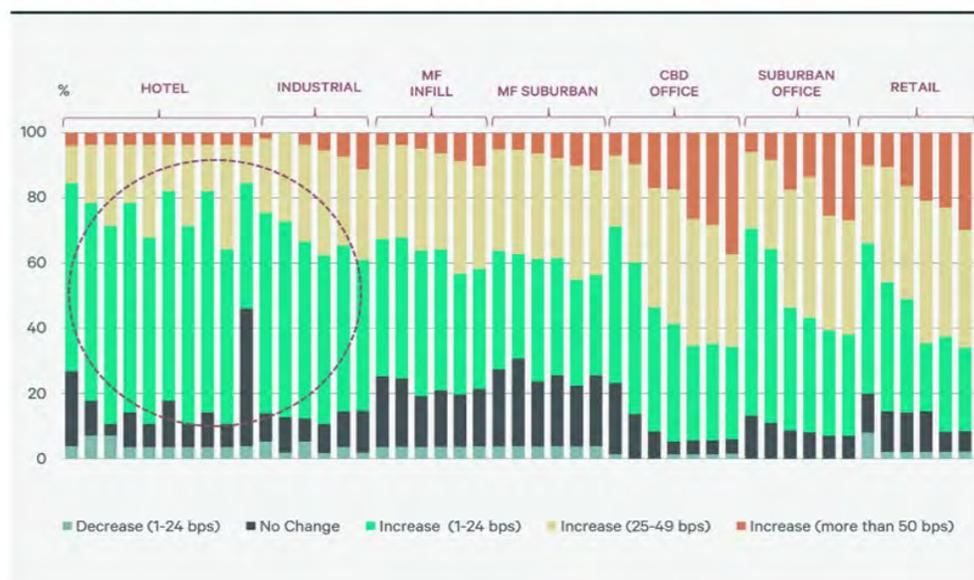
The proforma from WMSDG and the one I prepared are in virtual agreement showing an average Net Operating Income of \$856,500. This NOI will be used to indicate a market value as is. The next step is to conclude an overall capitalization rate (OAR) that will be divided into the NOI to indicate a market value as is. The following sources were relied upon to conclude the appropriate OAR for the next step. Shown first is a cap rate study by CBRE.

Figure 1: Real Estate Cap Rate and Bond Yields



Source: Macrobond, CBRE Econometric Advisors.

Figure 6: How did respondents expect cap rates to trend in H1 2023?



Each bar represents property type delineation by class (e.g. A, B and C) and investment style (e.g. Stabilized, Value-Add).
 With exception to luxury destination resort properties, most H2 2022 respondents expect yields to increase across all classes and investment styles.
 Source: CBRE Econometric Advisors.

Next is a cap rate report by CoStar on Hospitality and Specialty properties for Sarasota and Manatee Counties.

**CoStar Hospitality & Specialty - Sarasota & Manatee Counties
Quick Stats Report**

Comps Statistics					
	Low	Average	Median	High	Count
Sale Price	\$180,000	\$20,908,973	\$6,800,000	\$207,000,000	37
Building Size	1,976 SF	61,990 SF	38,171 SF	305,000 SF	39
Price per SF	\$7.38	\$369.40	\$284.68	\$1,181.32	37
Actual Cap Rate	5.20%	7.67%	8.00%	9.40%	5
# of Rooms	4	86	72	382	39
Price per Room	\$3,000	\$250,447	\$173,529	\$593,750	37
Days on Market	44	308	304	665	5
Sale Price to Asking Price Ratio	78.13%	93.04%	94.25%	105.56%	4
Totals					
Sold Transactions	Total Sales Volume:	\$773,631,984	Total Sales Transactions:	39	
Survey Criteria					
basic criteria: Type of Property - Hospitality ; Sale Date - from 12/11/2021 ; Sale Status - Sold, Under Contract/Pending ; Return and Search on Portfolio Sales as Individual Properties - Yes ; Exclude Non-Arms Length Comps - Yes					

Specialty					
Price					
For Sale & UC/Pending	\$520,000	\$7,260,000	\$7,260,000	\$14,000,000	2
Sold Transactions	\$103,500	\$3,636,308	\$1,200,000	\$31,133,900	119
Building Size					
For Sale & UC/Pending	6,124 SF	16,915 SF	8,392 SF	36,229 SF	3
Sold Transactions	285 SF	29,020 SF	8,488 SF	155,080 SF	153
Price per SF					
For Sale & UC/Pending	\$61.96	\$325.41	\$224.20	\$386.43	2
Sold Transactions	\$2.47	\$169.48	\$136.39	\$8,520.26	119
Actual Cap Rate					
For Sale & UC/Pending	-	-	-	-	-
Sold Transactions	4.00%	5.47%	5.32%	7.24%	4
Days on Market					
For Sale & UC/Pending	133	152	158	165	3
Sold Transactions	37	289	184	1,032	20
Sale Price to Asking Price Ratio					
Sold Transactions	73.58%	92.48%	94.61%	100.56%	12

Market Cap Rate



These sources show a typical range of overall capitalization rates of 6 to 9.5%. Both sources show a potential for possible increase in 2024. Given the unique nature of the subject, it shares most similarity to the hospitality market and it is my opinion that an overall cap rate of 9.5% is appropriate and dividing the net operating income of \$856,500 by 9.5% yields a rounded market value of \$9,000,000. The next and final step is to conclude a market rent based on this value.

Calculation of Annual Rent for Phase I Real Property

Now that the value of the Phase I property has been concluded at \$9,000,000, the next step is to conclude an appropriate annual rent to the City for leasing this property to WMSDG for 99 years. Shown below are examples of land rent rates and as land prices continue to increase and as most land leases contain escalation provisions, land rental rates have gradually declined over the years. The following chart depicts a representative of land lease rates that are typical in the Sarasota County market.

LAND LEASE CAPITALIZATION AND RENTAL RATES			
<i>Sheet:</i> LAND RENTS ONLY			
Date	Property Description	RATE	Duration
	Leased Fee Purchases:	RL	
1993	US Postal Service properties	10.8%	3-5 yrs.
1988	Sarasota Downtown Post Office Site	10.0%	19 yrs.
1984	Holiday Inn Riverfront (Bradenton, FL)	9.1%	94 yrs.
1990	Verbal Offer for Mettlers land lease	11.7%	29.5 yrs.
	Land Rent Rate Indicators:	Rent Rate	
1998	Service Station Out Parcel, Sarasota	10.00%	10 yrs.+ Opt
1999	Branch Bank Land Lease, Sarasota	9.01%	45 yrs
2001	Branch Bank Land Lease, Sarasota	9.70%	60 yrs
2001	Branch Bank Land Lease, Sarasota	11.30%	55 yrs
2001	Chain Reataurant Land Lease, Sarasota	9.70%	60 yrs
2002	Office Land Lease, Sarasota	10.00%	50 yrs
2003	Chain Reataurant Land Lease, Sarasota	12.97%	35 yrs
2006	SRQ-Bradenton Airport Authority	10.00%	10-35 yrs
2007	SRQ Memorial Hospital - Core Sites	6 to 8.00%	20-40 yrs
2007	BSG Investments - Land Only	8 to 9.00%	30-50yrs
2007	Starling Build-to-Suit, Heritage Harbour	6.00%	60 yrs
2008-09	Sarasota-Manatee Airport	8-10%	20-30 yrs
2009	CVS Land Lease - Fort Myers	8.50%	25 yrs.
2010	CVS Land Lease - Sarasota Area	8.50%	25 yrs.
2013	Outparcel for Fast Food - Sarasota Area	7.80%	20 yrs. + Opt
2013	Site for Restaurant - Sarasota Area	7.80%	25 yrs. + Opt

2022	Land leased to Arby's Jacaranda Junction, Venice	6.5%	35 yrs.
2023	Land leased to Taco Bell Jacaranda Junction, Ven	4.7%	40 yrs.
2023	Land leased to Starbucks Jacaranda Junction, Ven	4.6%	40 yrs.

Looking at the above and recognizing that the subject land is a much larger piece than these comparables with a very specialized use, it would be my opinion that the triple net rent rate would be in the 4.5% to 6% range. Therefore, I am concluding a land rent rate for Phase I of 5.5% which when applied to my opinion of value at \$9,000,000 results in a triple net market rent of \$495,000 per year. This lease should include an annual escalation based on a commonly accepted rate such as the Consumer Price Index. It would also be advisable to have a periodic adjustment, say every 5 to 10 years, based on the annual income generated by the Springs.

RECONCILIATION AND FINAL MARKET VALUE CONCLUSIONS

The subject of this appraisal is a tourist and health attraction known as Warm Mineral Springs, located at the northeast corner of Ortiz Boulevard and Trionfo Avenue in the City of North Port, Florida. The property has a specific address of 12220 San Servano Avenue in North Port, and this location is approximately three-quarters of a mile north of Tamiami Trail (U.S. Highway 41) in North Port, an incorporated city in Sarasota County, Florida. The property consists of approximately 81,2 acres of which approximately 21.6 acres designated as Phase I is the land associated with the springs and the buildings thereon, and the remaining 59.6 acres of land designated Phase II is vacant and unimproved surrounding the springs property and zoned for redevelopment. The property has legal access by way of Ortiz Boulevard, Muscogee Road and Antonio Street and Trionfo Avenue.

To briefly summarize, the proposal by MWSDG, is to lease Phase I and redevelop the improvements related to the Springs and to purchase Phase II and develop it into residential and resort units and recreational improvements to create a signature health and recreational amenity and resort.

The purpose of this appraisal is to express two key values that are needed to facilitate the negotiations between WMSDG and the City of North Port as facilitated by the CBRE team led by Michael McShea. They are the annual rent for Phase I in its current, as is, condition, and the prospective market value of the Phase II land assuming it had utilities at the site subject to the following assumption.

ASSUMPTION AND CLARIFICATION:

It is understood that WMSDG has presented a proposal to the City of North Port that outlines the acquisition and development responsibilities for the Warm Mineral Springs property. There are a number of factors that are addressed in the proposal and some deal with various deductions and credits against the subject property. Probably the most important are certain costs associated with bringing adequate utilities to the site to accommodate the new development. If the utility costs are directly related to bringing service to the site but do not include any development within the property relative to the proposed improvements, then these costs against the Phase II value would be a reasonable deduction. Additional costs related to fill on developed land and public amenity requirements are part of development process and should not be charged against the Phase II land value.

FINAL OPINIONS , AS OF NOVEMBER 29, 2023:

ANNUAL TRIPLE NET RENT FOR PHASE I PROPERTY

FOUR HUNDRED NINETY-FIVE THOUSAND DOLLARS (\$495,000)

**TOTAL PROSPECTIVE MARKET VALUE OF PHASE II LAND
ASSUMING UTILITIES ARE AT THE SITE**

SIXTEEN MILLION FOUR HUNDRED THOUSAND DOLLARS (\$16,400,000)

ADDENDUM

General Overview of the Springs Market

There are numerous springs in the State of Florida; however, there are only two warm mineral springs and one is the subject. Most of the market activity that my research uncovered was freshwater springs that were either for recreation, tourist or bottling purposes. Most of these springs have been purchased by either the State or a public agency for preservation purposes. It is interesting to go through the series of sales that were found because they do indicate a certain degree of the marketability of these springs in that while they are widely different, they do sell within a fairly distinct price range. This is not an attempt to value the subject property by comparing with these sales because of the vast physical differences; rather, it is helpful for the reader to understand what the overall general market for the value of springs seems to be based on a history of these purchases.

One of the earlier sales located was Ponce de Leon Springs in Volusia County. The Florida Department of Environmental Protection purchased this second magnitude spring in 1982 for a price of \$1,000,000. It is about seven miles northwest of Deland and it is situated on about 40 acres. It is a swimming spring with a semi-circular pool, and it is the centerpiece of de Leon Springs State Park, which provides swimming, boating, fishing, picnicking and camping. Facilities at the spring included a bath house, refreshment stand and souvenir shop.

Rainbow Springs, situated in southwest Marion County, is the fourth largest spring in Florida. It was long a private tourist attraction known for exotic floral gardens and a suspended tram ride and a 30-foot submarine type boat where passengers could see below the water. This 1,700-acre site is a first magnitude spring and it was purchased by the State of Florida in 1990 for \$6,418,800. The State transformed this into a public park to preserve the recreational benefits, as well as maintaining the water quality, as this spring flows into the Withlacoochee River.

Gemini Springs is located in Debarry, Florida, which is also in Volusia County. This is a 200-acre land area and there are two springs on this property that produces approximately 6.5 million gallons of fresh water daily. The St. John's River Water Management District purchased this spring in February 1994 for \$5,350,000 to preserve the water quality in the area. Although swimming is no longer permitted in this spring, other activities such as bicycling, camping, canoeing, fishing and hiking are allowed.

Madison Blue Spring is located in Madison County on State Road 6. This property contains 34.67 acres and a spring that is approximately 40 feet in diameter and 20 to 25 feet deep. This is a first magnitude spring and it predominantly provides swimming and recreation. The State of Florida purchased this spring in 2000 for \$1,093,000 and turned it over to Madison County to manage as a State Park. Camping is available nearby and it is also a favorite spot for scuba diving.

Probably the largest spring purchase other than Silver Springs near Ocala was Weeki Wachee Springs in Spring Hill, Florida on US Highway 19. This 538-acre park features a well-known tourist attraction that attracted visitors to the State of Florida since the late 1940's. It was long known for its live mermaid shows and had a 400-seat submerged theatre to watch these shows. It also provided swimming, as well as kayaking, canoeing, picnicking and scuba diving. This is a first magnitude spring that the State purchased in 2001 for \$16,500,000. The State leased back the operation of the mermaid show and certain other features to help pay for the upkeep and maintenance of the park.

Morrison Springs is located in Walton County in northwest Florida. The springs were used for recreational purposes and improvements included a dive shop and other site improvements. This property sold in June, 2004, to the State of Florida for \$3,425,000. It contained 159 acres of which about 75% was uplands. The spring was 250 feet wide with a maximum depth of 46 feet. It produced about 1.4 million gallons per day and is used primarily for recreational purposes being operated as a park managed by Walton County.

Gainer Springs group is located in Bay County which is north of Panama City, Florida. This is a first magnitude spring. It is located on 20 acres and there are a group of five clear springs that feed into Econfina Creek. Primary activities here are canoeing, kayaking and swimming. In 2006, the North Florida Water Management District purchased this spring which had no other improvements on it for \$1,063,900 from a private owner.

Saint Marks Spring (Natural Bridge) was located in Leon County west of the Saint Marks River. The State of Florida purchased this spring in October, 2008. The property contained 55 acres of which about 19 acres were uplands and there were three single family residences. St. Marks is a first magnitude spring with an output of just over 3 million gallon per day. Dives have surveyed over 12,000 feet of underwater cave passages. The State paid \$3,395,000 for this spring in 2008.

Otter Springs is located on the Suwannee River in Gilchrist County on 636 acres and it included a store, office, recreation building, a 6,000 SF lodge, two bath houses and an enclosed in-ground heated swimming pool. There were also three housekeeping cabins, a single-family home and a 100-space recreational vehicle campground. This property has two second magnitude springs and it was purchased in 2008 by the Suwannee River Water Management District for \$6,800,000. According to Richard Rocco of the district, the RV Park was valued at \$1,000,000, making the price paid for the springs and its associated property, \$5,800,000. This spring was purchased because it could have been used for bottling water and the district purchased it to help in their effort to maintain and restore water quality in the area.

Three Sisters Spring is a second magnitude spring located in Citrus County that forms part of the head waters for Crystal River. The Southwest Florida Water Management District and the City of Crystal River purchased this spring in July, 2010 for \$10,500,000. The land area was 57 acres of which almost 80% was uplands. The site had been approved for 309 residential units and 18 docks. In addition there was a Consumptive Use Permit allowing withdrawal of 322,000 gallons per day and the sale averted a plan to build plant to sell water. The development rights and use permit accounted for about 2/3 of the sales price.

Bugg Springs is located in Okahumpka, Florida which is just southwest of Leesburg, Florida. This second magnitude spring located on 60 acres of which 70% was upland was purchased by the US Navy in December, 2011. The Navy had previously been leasing this spring to test and calibrate sonar equipment. The spring is very quiet and has no oxygen below a certain depth making it conducive for sound wave calibration. The sellers were granted a life estate on about 5 acres. The Navy paid \$2,245,500 for this spring.

Finally there is the purchase of the subject, Warm Mineral Springs, in 2010 for \$5,500,000. Purchased jointly by the City of North Port and Sarasota County, this widely known tourist attraction is one of only two hot springs in the state of Florida and reportedly one of the largest in the world.

The previous has been an overview of the sales of springs in the Florida market. Except for the subject, none of these were mineral springs. In looking for mineral springs, most of the research centered on the western part of the United States, New Mexico, Colorado, and California, where these types of springs predominate. Discussed next is a representative sampling of sales that are indicative of the market for these properties. These springs tend to trade more within private ownership.

One of the springs uncovered was Morton's Sonoma Springs in Glen Allyn, California. This is a 60-year old recreational resort that features geothermal springs, two swimming pools, a spa, and picnic areas. There is a main building that consists of a snack bar and a residence upstairs. The property included 20 acres and it sold in July 2003 for \$2,725,000. Located in wine country, known as the Valley of the Moon, this property does border Sonoma Creek and has been used by many visitors to rejuvenate in the heavily mineralized water.

Princeton Hot Springs Resort is located in Nathrop, Colorado. This hot spring's use dates back to the 1860's. Its improvements consist of a 10,700 SF motel, bath houses, a hot springs pool and it is situated on 162 acres. This spring sold in 2005 for \$4,075,000.

Tremble Hot Springs in Durango, Colorado consists of a 10-acre site with a 3,450 SF guest house and reception building. The main attraction is a pool heated and charged by mineral springs on the site. Although not included with the sale of this property, there is a 26-space RV park located next door. This property sold in 2007 for \$3,800,000.

The preceding sampling of sales is indicative of the market for these types of properties. As one can see with even the briefest of descriptions, these properties vary widely in their physical layout, their improvements and their size.

APPRAISER'S QUALIFICATIONS

Roger L. Hetteema – MAI, SRA

State-Certified General Real Estate Appraiser RZ45

Roger L. Hetteema is a partner and director with Hetteema Saba Commercial Real Estate Valuation Advisory Services, 3307 Clark Road, Suite 203, Sarasota, Florida. He is a MAI, SRA designee of the Appraisal Institute, a licensed Real Estate Broker (Certificate #0039087), and a State-Certified General Real Estate Appraiser RZ45 by the Florida Real Estate Appraisal Board and is currently certified in all. Hetteema has participated full-time in real estate appraisal and consultation since 1976. Employment prior to this time was concentrated in land development and construction and general real estate activities.

Email: roger@hettemasaba.com

General Education Background

1971	University of South Florida, Bachelor of Arts, Major in Finance
1973	Real Estate Principles & Practices for Salesman, Edison Community College
1973	Florida Real Estate Salesman's License, FREC
1974	Real Estate Principles & Practices for Broker, Edison Community College
1974	Florida Real Estate Broker's License, FREC
1978	FNMA, Approved for Category 1, #1062558
1980	Designated Senior Residential Appraiser (SRA), SREA
1981	FNMA, Approved for Category 2, #1062558
1982	Designated Member of Appraisal Institute (MAI), AIREA
1990	State-Certified General Appraiser, State of Florida 45
1993	Associate Instructor Course 111, Appraisal Institute
1993	Certified Instructor, Course 310, Appraisal Institute

Offices & Positions Held

1982-1983	-	Distinguished President - Gulf Coast Kiwanis Club
1985-1986	-	President - SREA, Chap. 212 - Now West Coast Chapter, Appraisal Institute
1984-1992	-	Team Captain, Admissions Committee, Greater Florida Chapter, AI
1986-1989	-	Director, Commercial Investment Division, Sarasota Board of REALTORS
1989-1990	-	Director, West Coast Investment Council
1990-1991	-	Special Master - Sarasota County Property Appraisal Adjustment Board
1993-1998	-	Region X Representative, West Coast Florida Chapter, AI
1994-1998	-	Director, West Coast Florida Chapter, AI
1994-2003	-	Special Master - Sarasota County Value Adjustment Board
1993-2004	-	Team Member, Admissions Committee, West Coast Florida Chapter, AI
1995-1998, 2015 – 2018		Member, Florida Bar Grievance Committee 12A

Typical Appraisal Assignments

Retail & Professional Properties
Shopping Centers
Restaurants
Multiple Family Residential Properties
Motels, Hotels, Marinas, Golf Courses
Light & Heavy Industrial Properties
Land (All classifications)
Eminent Domain Cases
Litigation Involving Real Estate Issues
Railroad Corridors

Typical Evaluation Assignments

Leased Fee/Leasehold Analyses
Income & Cash Flow Analyses
Feasibility & Consultation Studies
Buy/Sell Consultations
REO Analyses & Consultations

Qualifications of Roger L. Hetteema, MAI (Continued)

Litigation Experience

Roger L. Hetteema has extensive trial and mediation experience since 1982 representing both private and government clients. His practice includes valuation, pre-trial analyses, depositions, preparation of trial exhibits, litigation consultation, and expert testimony. He has qualified as an expert witness in County Courts, Circuit Courts, and U.S. Bankruptcy Courts. He completed the Appraisal Institute’s Litigation Professional Development Program in 2012

Seminars & Courses Attended in Last Five Years

2018	National USPAP Update, Appraisal Institute	7 Hours
	Florida Law Update, Appraisal Institute	3 Hours
	Parking & Its Impact of Commercial Properties, Appraisal Institute	3 Hours
	Unusual Litigation Assignments, Appraisal Institute	7 Hours
	Florida Broker Recertification Course	14 Hours
	Business Practices and Ethics, Appraisal Institute	7 Hours
2019	Raise Your Appraiser IQ, Appraisal Institute	7 Hours
	Solving Highest & Best Use Puzzles, Appraisal Institute	3 Hours
2020	USPAP	7 Hours
	Florida Law Update	3 Hours
	Trial Components	3 Hours
	Transferred Value	7 Hours
2022	USPAP, Appraisal Institute	7 Hours
	Florida Law Update, Appraisal Institute	3 Hours
	Recent Lawsuits Involving Appraisers, Appraisal Institute	3 Hours
	Evaluations for Commercial Assignments, Appraisal Institute	3 Hours
	Efficient & Green Homes Explored, Appraisal Institute	2 Hours
	Florida Broker Recertification Course	14 Hours
	Capital Reserve Studies , Appraisal Institute	4 Hours
	Business Practice & Ethics, Appraisal Institute	6 Hours
	Insurance Appraisals Report Contents & Valuation, Appraisal Institute	3 Hours

Evidence of State Licensure

