SPECIAL MEETING
DESTIN CITY COUNCIL
DECEMBER 9, 2019
ANNEX COUNCIL CHAMBERS
6:00 PM

Core Value of the Month - Integrity*

CALL TO ORDER

PLEDGE OF ALLEGIANCE

NEW BUSINESS

A. Bert J. Harris Claims:

1) 91 Dolphin Street
2) 82 Shirah Street
3) 71 Stingray Street
4) 86 Hutchison Street
5) 4488 Ocean View Drive
6) 3893 Sandprint Drive
7) 3890 Sandprint Drive
8) 3487 Scenic Hwy 98
9) 3473 Scenic Hwy 98
10) 3461 Scenic Hwy 98
11) 2968 Scenic Hwy 98
12) 633 Gulf Shore Drive
13) 627 Gulf Shore Drive
14) 85 Woodward Street
15) 84 Hutchison Street
16) 83 Woodward Street
17) 82 Hutchison Street
18) 80 Hutchison Street
19) 78 Hutchison Street
20) 75 Shirah Street
21) 64 Cobia Street
22) 8 Magnolia Drive
23) 3 Magnolia Drive
24) 4782 Ocean Blvd
25) 4729 Ocean Blvd
26) 4722 Ocean Blvd

27) 4659 Destiny Way
28) 4646 Destiny Way
29) 3892 Sandprint Drive
30) 3485 Scenic Highway
31) 3467 Scenic Highway
32) 3425 Scenic Highway
33) 112 Sandprint Circle
34) 93 Tarpon Street
35) 92 Pompano Street
36) 4443 Clipper Cove

PUBLIC COMMENTS

ADJOURNMENT

****** Any invocation that is offered before the official start of the City Council meeting shall be the voluntary offering of a private person, to and for the benefit of the City Council. The views or beliefs expressed by the invocation speaker have not been previously reviewed or approved by the City Council, or the City staff, and the City is not allowed by law to endorse the religious beliefs or views of this, or any other speaker. Persons in attendance at the City Council meeting are invited to stand during the opening invocation and Pledge of Allegiance. However, such invitation shall not be construed as a demand, order, or any other type of command. No person in attendance at the meeting shall be required to participate in any opening invocation that is offered. A person may exit the City Council Chambers and return upon completion of the opening invocation if a person does not wish to participate in or witness the opening invocation.***

Persons with disabilities who require assistance to participate in City meetings are requested to notify the City Clerk's Office at (850) 837-4242 in advance. Hearing Impaired: TTY: 711. Assistance also available through Human Resources, Title VI Coordinator, at (850) 837-4242.
Personas con discapacidades que necesitan asistencia o personas que necesiten ayuda con un idioma para participar en las reuniones de la ciudad, deberán notificar la oficina de la Secretaria Municipal al (850) 837-4242 antes de la reunión. Discapacidad auditiva: TTY: 711 (Solicitar Espanol CA). La ayuda tambien está disponible por Recursos Humanos, Coordinador del Título VI, al (850) 837-4242.

ITEM # 2019-1880

CITY OF DESTIN

AGENDA ITEM

COUNCIL MEETING DATE: December 9, 2019
TYPE OF AGENDA ITEM: Action Item

TO: City Council

THRU: Lance Johnson, City Manager

FROM: Kimberly Kopp, Land Use Attorney

DATE:

SUBJECT: Bert J. Harris Claims:

I. BACKGROUND:

On January 22, 2019, the City enacted Ordinance 18-29-CC, the Short-Term Rental Occupancy Ordinance ("Ordinance"), which limits the occupancy of short-term rental homes to two (2) people per bedroom plus an additional four (4) persons.

At various points after the Ordinance's enactment, the City received claims from affected property owners pursuant to § 70.001, Florida Statutes, the Bert J. Harris, Jr., Private Property Rights Protection Act (the "Harris Act"). In general, the various claims allege that the property owners' respective properties have been inordinately burdened by the adoption of the Ordinance (the "Claims").

The Harris Act requires property owners filing Claims pursuant to the Harris Act to, 150 days prior to the filing of a lawsuit, present their Claim in writing to the governmental entity it intends to sue. Part of this written presentation includes the submission of a bona fide, valid appraisal that supports the Claim and demonstrates a loss in fair market value of the property. The Claims considered at this Special Meeting have ostensibly met the pre-suit litigation requirements described in this paragraph and are included in the Agenda package.

Upon submission of a Claim, the City must, within 150 days (unless otherwise extended by the parties), either (1) make a written settlement offer to the property owner; or (2) take no action. If the City makes a written settlement offer to the property owner which is rejected, then the property owner may file a claim in the circuit court seeking compensation pursuant

to the Harris Act. The Harris Act allows the City to enter into a settlement agreement which effectively provides a modification or variance to the application of a regulation or ordinance as it would otherwise apply to the subject real property, provided the relief granted protects the public interest served by the regulations at issue and is the appropriate relief necessary to prevent the governmental regulatory effort from inordinately burdening the real property.

If the City makes a written settlement which the property owner rejects and the City later prevails in the litigation, then the City is entitled to recovery of its reasonable costs and attorneys' fees upon a showing that the settlement offer was bona fide and would have resolved the Claim fairly to the property owner.

As previously directed by Council, staff is now making recommendations for settlement based upon the unique characteristics of each Claim and respective property. The City Council should settle each Claim if the City Council determines that the modifications within each settlement agreement protect the public interest served by the Ordinance and are the appropriate relief necessary to prevent the regulatory effect of the Ordinance from inordinately burdening the Property.

II. DISCUSSION:

- **A. Link to Strategic Goals / Objectives:**
- **B. Effect on Budget (EOB):**
- **C. Level of Service (LOS):**

III. CONCLUSION:

IV. RECOMMENDED MOTION:

Attachments:

1. Bert J Harris Act FS 70.001

Bert J. Harris Act

Title VI	Chapter 70	View Entire Chapter
CIVIL PRACTICE AND PROCEDURE	RELIEF FROM BURDENS ON REAL PROPERTY RIGHTS	

70.001 Private property rights protection.—

(1) This act may be cited as the "Bert J. Harris, Jr., Private Property Rights Protection Act." The Legislature recognizes that some laws, regulations, and ordinances of the state and political entities in the state, as applied, may inordinately burden, restrict, or limit private property rights without amounting to a taking under the State Constitution or the United States Constitution. The Legislature determines that there is an important state interest in protecting the interests of private property owners from such inordinate burdens. Therefore, it is the intent of the Legislature that, as a separate and distinct cause of action from the law of takings, the Legislature herein provides for relief, or payment of compensation, when a new law, rule, regulation, or ordinance of the state or a political entity in the state, as applied, unfairly affects real property.

(2) When a specific action of a governmental entity has inordinately burdened an existing use of real property or a vested right to a specific use of real property, the property owner of that real property is entitled to relief, which may include compensation for the actual loss to the fair market value of the real property caused by the action of government, as provided in this section.

(3) For purposes of this section:

(a) The existence of a "vested right" is to be determined by applying the principles of equitable estoppel or substantive due process under the common law or by applying the statutory law of this state.

(b) The term "existing use" means:

1. An actual, present use or activity on the real property, including periods of inactivity which are normally associated with, or are incidental to, the nature or type of use; or

2. Activity or such reasonably foreseeable, nonspeculative land uses which are suitable for the subject real property and compatible with adjacent land uses and which have created an existing fair market value in the property greater than the fair market value of the actual, present use or activity on the real property.

(c) The term "governmental entity" includes an agency of the state, a regional or a local government created by the State Constitution or by general or special act, any county or municipality, or any other entity that independently exercises governmental authority. The term does not include the United States or any of its agencies, or an agency of the state, a regional or a local government created by the State Constitution or by general or special act, any county or municipality, or any other entity that independently exercises governmental authority, when exercising the powers of the United States or any of its agencies through a formal delegation of federal authority.

(d) The term "action of a governmental entity" means a specific action of a governmental entity which affects real property, including action on an application or permit.

(e) The terms "inordinate burden" and "inordinately burdened":

1. Mean that an action of one or more governmental entities has directly restricted or limited the use of real property such that the property owner is permanently unable to attain the reasonable, investment-backed expectation for the existing use of the real property or a vested right to a specific use of the real property with respect to the real property as a whole, or that the property owner is left with existing or vested uses that are

unreasonable such that the property owner bears permanently a disproportionate share of a burden imposed for the good of the public, which in fairness should be borne by the public at large.

2.¤ Do not include temporary impacts to real property; impacts to real property occasioned by governmental abatement, prohibition, prevention, or remediation of a public nuisance at common law or a noxious use of private property; or impacts to real property caused by an action of a governmental entity taken to grant relief to a property owner under this section. However, a temporary impact on development, as defined in s. 380.04, that is in effect for longer than 1 year may, depending upon the circumstances, constitute an "inordinate burden" as provided in this paragraph.

In determining whether reasonable, investment-backed expectations are inordinately burdened, consideration may be given to the factual circumstances leading to the time elapsed between enactment of the law or regulation and its first application to the subject property.

(f)¤ The term "property owner" means the person who holds legal title to the real property that is the subject of and directly impacted by the action of a governmental entity. The term does not include a governmental entity.

(g)¤ The term "real property" means land and includes any appurtenances and improvements to the land, including any other relevant real property in which the property owner has a relevant interest. The term includes only parcels that are the subject of and directly impacted by the action of a governmental entity.

(4)(a)¤ Not less than 150 days prior to filing an action under this section against a governmental entity, a property owner who seeks compensation under this section must present the claim in writing to the head of the governmental entity, except that if the property is classified as agricultural pursuant to s. 193.461, the notice period is 90 days. The property owner must submit, along with the claim, a bona fide, valid appraisal that supports the claim and demonstrates the loss in fair market value to the real property. If the action of government is the culmination of a process that involves more than one governmental entity, or if a complete resolution of all relevant issues, in the view of the property owner or in the view of a governmental entity to whom a claim is presented, requires the active participation of more than one governmental entity, the property owner shall present the claim as provided in this section to each of the governmental entities.

(b)¤ The governmental entity shall provide written notice of the claim to all parties to any administrative action that gave rise to the claim, and to owners of real property contiguous to the owner's property at the addresses listed on the most recent county tax rolls. Within 15 days after the claim is presented, the governmental entity shall report the claim in writing to the Department of Legal Affairs, and shall provide the department with the name, address, and telephone number of the employee of the governmental entity from whom additional information may be obtained about the claim during the pendency of the claim and any subsequent judicial action.

(c)¤ During the 90-day-notice period or the 150-day-notice period, unless extended by agreement of the parties, the governmental entity shall make a written settlement offer to effectuate:

1.¤ An adjustment of land development or permit standards or other provisions controlling the development or use of land.

2.¤ Increases or modifications in the density, intensity, or use of areas of development.

3.¤ The transfer of developmental rights.

4.¤ Land swaps or exchanges.

5.¤ Mitigation, including payments in lieu of onsite mitigation.

6.¤ Location on the least sensitive portion of the property.

7.¤ Conditioning the amount of development or use permitted.

8.¤ A requirement that issues be addressed on a more comprehensive basis than a single proposed use or development.

9.¤ Issuance of the development order, a variance, special exception, or other extraordinary relief.

10.¤ Purchase of the real property, or an interest therein, by an appropriate governmental entity or payment of compensation.

11.¤ No changes to the action of the governmental entity.

If the property owner accepts a settlement offer, either before or after filing an action, the governmental entity may implement the settlement offer by appropriate development agreement; by issuing a variance, special exception, or other extraordinary relief; or by other appropriate method, subject to paragraph (d).

(d)1.¤ When a governmental entity enters into a settlement agreement under this section which would have the effect of a modification, variance, or a special exception to the application of a rule, regulation, or ordinance as it would otherwise apply to the subject real property, the relief granted shall protect the public interest served by the regulations at issue and be the appropriate relief necessary to prevent the governmental regulatory effort from inordinately burdening the real property.

2.¤ When a governmental entity enters into a settlement agreement under this section which would have the effect of contravening the application of a statute as it would otherwise apply to the subject real property, the governmental entity and the property owner shall jointly file an action in the circuit court where the real property is located for approval of the settlement agreement by the court to ensure that the relief granted protects the public interest served by the statute at issue and is the appropriate relief necessary to prevent the governmental regulatory effort from inordinately burdening the real property.

This paragraph applies to any settlement reached between a property owner and a governmental entity regardless of when the settlement agreement was entered so long as the agreement fully resolves all claims asserted under this section.

(5)(a)¤ During the 90-day-notice period or the 150-day-notice period, unless a settlement offer is accepted by the property owner, each of the governmental entities provided notice pursuant to paragraph (4)(a) shall issue a written statement of allowable uses identifying the allowable uses to which the subject property may be put. The failure of the governmental entity to issue a statement of allowable uses during the applicable 90-day-notice period or 150-day-notice period shall be deemed a denial for purposes of allowing a property owner to file an action in the circuit court under this section. If a written statement of allowable uses is issued, it constitutes the last prerequisite to judicial review for the purposes of the judicial proceeding created by this section, notwithstanding the availability of other administrative remedies.

(b)¤ If the property owner rejects the settlement offer and the statement of allowable uses of the governmental entity or entities, the property owner may file a claim for compensation in the circuit court, a copy of which shall be served contemporaneously on the head of each of the governmental entities that made a settlement offer and a statement of allowable uses that was rejected by the property owner. Actions under this section shall be brought only in the county where the real property is located.

(6)(a)¤ The circuit court shall determine whether an existing use of the real property or a vested right to a specific use of the real property existed and, if so, whether, considering the settlement offer and statement of allowable uses, the governmental entity or entities have inordinately burdened the real property. If the actions of more than one governmental entity, considering any settlement offers and statement of allowable uses, are responsible for the action that imposed the inordinate burden on the real property of the property owner, the court shall determine the percentage of responsibility each such governmental entity bears with respect to the inordinate burden. A governmental entity may take an interlocutory appeal of the court's determination that the action of the governmental entity has resulted in an inordinate burden. An interlocutory appeal does not automatically stay the proceedings; however, the court may stay the proceedings during the pendency of the interlocutory appeal. If the governmental entity does not prevail in the interlocutory appeal, the court shall award to the prevailing property owner the costs and a reasonable attorney fee incurred by the property owner in the interlocutory appeal.

(b)¤ Following its determination of the percentage of responsibility of each governmental entity, and following the resolution of any interlocutory appeal, the court shall impanel a jury to determine the total amount of compensation to the property owner for the loss in value due to the inordinate burden to the real property. The award of compensation shall be determined by calculating the difference in the fair market value of the real property, as it existed at the time of the governmental action at issue, as though the owner had the ability to attain the reasonable investment-backed expectation or was not left with uses that are unreasonable, whichever the case may be, and the fair market value of the real property, as it existed at the time of the governmental action at issue, as inordinately burdened, considering the settlement offer together with the statement of allowable uses, of the governmental entity or entities. In determining the award of compensation, consideration may not be given to business damages relative to any development, activity, or use that the action of the governmental entity or entities, considering the settlement offer together with the statement of allowable uses has restricted, limited, or prohibited. The award of compensation shall include a reasonable award of prejudgment interest from the date the claim was presented to the governmental entity or entities as provided in subsection (4).

(c)1.¤ In any action filed pursuant to this section, the property owner is entitled to recover reasonable costs and attorney fees incurred by the property owner, from the governmental entity or entities, according to their proportionate share as determined by the court, from the date of the filing of the circuit court action, if the property owner prevails in the action and the court determines that the settlement offer, including the statement of allowable uses, of the governmental entity or entities did not constitute a bona fide offer to the property owner which reasonably would have resolved the claim, based upon the knowledge available to the governmental entity or entities and the property owner during the 90-day-notice period or the 150-day-notice period.

2.¤ In any action filed pursuant to this section, the governmental entity or entities are entitled to recover reasonable costs and attorney fees incurred by the governmental entity or entities from the date of the filing of the circuit court action, if the governmental entity or entities prevail in the action and the court determines that the property owner did not accept a bona fide settlement offer, including the statement of allowable uses, which reasonably would have resolved the claim fairly to the property owner if the settlement offer had been accepted by the property owner, based upon the knowledge available to the governmental entity or entities and the property owner during the 90-day-notice period or the 150-day-notice period.

3.¤ The determination of total reasonable costs and attorney fees pursuant to this paragraph shall be made by the court and not by the jury. Any proposed settlement offer or any proposed decision, except for the final written

settlement offer or the final written statement of allowable uses, and any negotiations or rejections in regard to the formulation either of the settlement offer or the statement of allowable uses, are inadmissible in the subsequent proceeding established by this section except for the purposes of the determination pursuant to this paragraph.

(d)¤ Within 15 days after the execution of any settlement pursuant to this section, or the issuance of any judgment pursuant to this section, the governmental entity shall provide a copy of the settlement or judgment to the Department of Legal Affairs.

(7)(a)¤ The circuit court may enter any orders necessary to effectuate the purposes of this section and to make final determinations to effectuate relief available under this section.

(b)¤ An award or payment of compensation pursuant to this section shall operate to grant to and vest in any governmental entity by whom compensation is paid the right, title, and interest in rights of use for which the compensation has been paid, which rights may become transferable development rights to be held, sold, or otherwise disposed of by the governmental entity. When there is an award of compensation, the court shall determine the form and the recipient of the right, title, and interest, as well as the terms of their acquisition.

(8)¤ This section does not supplant methods agreed to by the parties and lawfully available for arbitration, mediation, or other forms of alternative dispute resolution, and governmental entities are encouraged to utilize such methods to augment or facilitate the processes and actions contemplated by this section.

(9)¤ This section provides a cause of action for governmental actions that may not rise to the level of a taking under the State Constitution or the United States Constitution. This section may not necessarily be construed under the case law regarding takings if the governmental action does not rise to the level of a taking. The provisions of this section are cumulative, and do not abrogate any other remedy lawfully available, including any remedy lawfully available for governmental actions that rise to the level of a taking. However, a governmental entity shall not be liable for compensation for an action of a governmental entity applicable to, or for the loss in value to, a subject real property more than once.

(10)(a)¤ This section does not apply to any actions taken by a governmental entity which relate to the operation, maintenance, or expansion of transportation facilities, and this section does not affect existing law regarding eminent domain relating to transportation.

(b)¤ This section does not apply to any actions taken by a county with respect to the adoption of a Flood Insurance Rate Map issued by the Federal Emergency Management Agency for the purpose of participating in the National Flood Insurance Program, unless such adoption incorrectly applies an aspect of the Flood Insurance Rate Map to the property in such a way as to, but not limited to, incorrectly assess the elevation of the property.

(11)¤ A cause of action may not be commenced under this section if the claim is presented more than 1 year after a law or regulation is first applied by the governmental entity to the property at issue.

(a)¤ For purposes of determining when this 1-year claim period accrues:

1.¤ A law or regulation is first applied upon enactment and notice as provided for in this subparagraph if the impact of the law or regulation on the real property is clear and unequivocal in its terms and notice is provided by mail to the affected property owner or registered agent at the address referenced in the jurisdiction’s most current ad valorem tax records. The fact that the law or regulation could be modified, varied, or altered under any other process or procedure does not preclude the impact of the law or regulation on a property from being clear or unequivocal pursuant to this subparagraph. Any notice under this subparagraph shall be provided after the enactment of the law or regulation and shall inform the property owner or registered agent that the law or regulation may impact the property

owner’s existing property rights and that the property owner may have only 1 year from receipt of the notice to pursue any rights established under this section.

2.¤ Otherwise, the law or regulation is first applied to the property when there is a formal denial of a written request for development or variance.

(b)¤ If an owner seeks relief from the governmental action through lawfully available administrative or judicial proceedings, the time for bringing an action under this section is tolled until the conclusion of such proceedings.

(12)¤ No cause of action exists under this section as to the application of any law enacted on or before May 11, 1995, or as to the application of any rule, regulation, or ordinance adopted, or formally noticed for adoption, on or before that date. A subsequent amendment to any such law, rule, regulation, or ordinance gives rise to a cause of action under this section only to the extent that the application of the amendatory language imposes an inordinate burden apart from the law, rule, regulation, or ordinance being amended.

(13)¤ In accordance with s. 13, Art. X of the State Constitution, the state, for itself and for its agencies or political subdivisions, waives sovereign immunity for causes of action based upon the application of any law, regulation, or ordinance subject to this section, but only to the extent specified in this section.

History.—s. 1, ch. 95-181; s. 1, ch. 2006-255; s. 1, ch. 2011-191; s. 2, ch. 2012-94; s. 1, ch. 2015-142.

ITEM # 2019-1881

CITY OF DESTIN

AGENDA ITEM

COUNCIL MEETING DATE: December 9, 2019
TYPE OF AGENDA ITEM: Action Item

TO: City Council

THRU: Lance Johnson, City Manager

FROM: Kimberly Kopp, Land Use Attorney
Louis Zunguze, Community Development Director

DATE:

SUBJECT: 1) 91 Dolphin Street

I. BACKGROUND:

On January 22, 2019, the City enacted Ordinance 18-29-CC, the Short-Term Rental Occupancy Ordinance ("Ordinance"), which limits the occupancy of short-term rental homes to two (2) people per bedroom plus an additional four (4) persons.

The subject property owner owns the real property and improvements located at 91 Dolphin Street, Destin, FL 32541, as more particularly described in Exhibit "A" (the"Property") to the proposed settlement agreement.

Owner filed a claim with the City, pursuant to the provisions of §70.001, Florida Statutes, the Bert J. Harris Jr., Private Property Rights Protection Act (the "Harris Act"), alleging that the Property had been inordinately burdened by the adoption of the Ordinance, (the "Claim).

The Harris Act provides for the City to have the ability to enter into a settlement agreement which would have the effect of a modification or variance to the application of a regulation or ordinance as it would otherwise apply to the subject real property, provided the relief granted protects the public interest served by the regulations at issue and is the appropriate relief necessary to prevent the governmental regulatory effort from inordinately burdening the real property.

The City Council should settle the claim if the City Council determines that the modifications within the settlement agreement protect the public interest served by the Ordinance and are the appropriate relief necessary to prevent the regulatory effect of the Ordinance from inordinately burdening the Property.

II. DISCUSSION: The property owner has requested a maximum occupancy of twenty-eight (28) occupants. City staff is recommending an occupancy of seventeen (17) occupants based on the square footage of the property. The building official utilized a one-occupant per 200 square feet methodology for recommending the above-stated occupancy.

Additionally, staff is recommending at least three (3) trash cans on the property. This recommendation is based on staff's determination that, on average, one trash can is required for every six occupants in order to ensure adequate garbage disposal. Therefore, if the maximum number of occupants exceeds any multiple of six (6, 12, 18, 24, 30, 36, etc.), then an extra trash can will be needed to accommodate the additional occupants. For example, if thirteen (13) is the maximum occupation, then three (3) trash cans are required. This is because, on average, two (2) trash cans will only accommodate twelve (12) occupants. The third trash can will be needed to accommodate the thirteenth occupant.

Further, the property owner must agree to annual life safety inspections, as provided in the proposed settlement agreement.

Finally, staff is recommending that no greater than seven (7) vehicles be parked on this property.

As stated in the agreement, the property owner remains bound by all other provisions of City codes.

A. **Link to Strategic Goals / Objectives:**
B. **Effect on Budget (EOB):**
C. **Level of Service (LOS):**

III. CONCLUSION:

IV. RECOMMENDED MOTION: 1. I move to approve the settlement agreement prepared by the City Land Use Attorney and Staff.

or

2. I move to approve the settlement agreement prepared by the City Land Use Attorney and Staff with the following modifications:_____.

or

3. I move to direct the City Land Use Attorney to negotiate in good faith with the property owner and to bring back an alternate settlement proposal to the City Council for consideration.

or

4. I move to deny settlement of the subject claim at this time.

Attachments:

1. Burt Harris Case - 91 Dolphin Street
2. 91 Dolphin Bert Harris Proposed Settlement Draft 11_1_2019

NAJMY | THOMPSON PL
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WWW.NAJMYTHOMPSON.COM

October 23, 2019
Via Hand Delivery

City of Destin
c/o Major Gary Jarvis
4200 Indian Bayou Trail
Destin, FL 32541

Re: 91 Dolphin Street, Destin, FL 32541
Bert J. Harris Claim, §70.001, *Fla. Stat.*, July 1, 2012

Dear Mayor Jarvis,

This firm represents Asit K. Jena & Rajashri Banerjee, owners of an improved property described as 91 Dolphin Street, Destin, FL 32541. My clients constructed and have been operating the house as a short-term rental property within the City of Destin for approximately one (1) year. The City of Destin has authorized the use of this property as a short-term vacation rental.

The "before" condition of the subject property is a seven-bedroom, two-story residence able to accommodate twenty-eight (28) guests as part of the authorized and approved short-term rental use of this property and others within the City.

By the City of Destin's passage on January 22, 2019 of Ordinance 18-29-CC and application of Ordinance 18-29-CC to the subject property on September 18, 2019 (when the City of Destin denied my clients' request for a variance), this property is now restricted to an occupancy of eighteen (18) guests.[1]

The Florida Legislature has passed Section 70.001, *Fla. Stat.*, known as the "Bert J. Harris Jr. Private Property Rights Protection Act as Amended."

Chapter 70.001, *Fla. Stat.*, "*inter alia*", created a separate and district cause of action which provides for relief or payment of compensation when a new law, rule, regulation or ordinance of

[1] The subject property was issued a grandfather certificate on April 17, 2019, permitting the property to rent to twenty-four (24) occupants until April 17, 2024.

NT

the state or a political entity in the state, as applied, unfairly affects real property. "When a specific action of a governmental entity has inordinately burdened an existing use of real property or a vested right to a specific use of real property, the property owners of that real property are entitled to relief, which may include compensation for the actual loss to the fair market value of the real property caused by the action of government, as provided in this section." *Fla Stat.* §70.001(2).

The owners of the subject property assert that their actual and existing use of said real property has been inordinately burdened by the City of Destin's adoption and application of Ordinance 18-29-CC by restricting its occupancy to only two (2) persons per bedroom plus four (4).

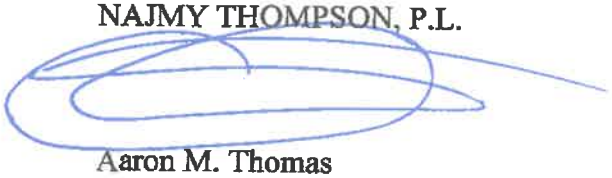
To that end, this letter should serve as a formal, written claim pursuant to §70.001, *Fla. Stat.*, the Bert J. Harris Jr. Private Property Rights Protection Act as Amended. Attached to this letter is a bona fide, valid appraisal that supports the claim and demonstrates the loss in value to the real property. This appraisal establishes the loss in value of the subject property, as a result of the application of the occupancy limitation of Ordinance 18-29-CC, to be $570,000.00.

Pursuant to §70.001(4)(c), *Fla. Stat.*, the City of Destin has 150 days to respond to this claim with a written settlement offer. You should consult your counsel as to any other obligations and settlement opportunities contained within this statute.

PLEASE BE GOVERNED ACCORDINGLY.

Sincerely,

NAJMY THOMPSON, P.L.



Aaron M. Thomas
athomas@najmythompson.com

Enclosure: Appraisal

cc:

Kyle Bauman
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Fort Walton Beach, Fl 32547-6711
kbauman@asglegal.com

Kimberly Kopp
Romano Kopp Law, P.A.
P.O. Box 622562
Oviedo, Florida 32762-2562
kopp@romanokopplaw.com

AMT/kls

Appraisal Report

Detached Single Family Residential Home

3,458 ± HVAC SF Existing Structure

91 Dolphin Street
Destin, FL 32541

DIMINUTION IN VALUE ANALYSIS
91 DOLPHIN STREET
DESTIN, FL 32541

FOR
ASIT JENA
AND
DESIGNATED ATTORNEYS

RETROSPECTIVE TO SEPTEMBER 18, 2019

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APPRAISAL REPORT

SUBJECT PROPERTY

3,458 ± HVAC SF Existing Detached Residential Improvement

Seven Bedrooms and Six and One Half Bathrooms

91 Dolphin Street
Destin, FL 32541

EFFECTIVE DATE OF APPRAISAL

Retrospective to September 18, 2019

REPORT DATE

October 2, 2019

VIEWING DATE

July 27, 2019 and September 25, 2019

CLIENT/INTENDED USER

Asit Jena
91 Dolphin Street
Destin, FL 32541

File № 190744A

PREPARED BY:

Thomas A. Marr

State-certified General Real Estate Appraiser № RZ 2645 (FL)
tom@panappraisal.com

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PANHANDLE APPRAISAL GROUP

REAL ESTATE VALUATION AND RESEARCH
Specializing in Residential and Commercial Valuation Support
Fort Walton Beach, Florida

Thomas A. Marr
State-certified General Real Estate Appraiser № RZ2645 (FL)

220 Hospital Drive
Fort Walton Beach, Florida 32548

Telephone: (850) 243-0958
Facsimile: (850) 226-8462

October 2, 2019

Asit Jena
91 Dolphin Street
Destin, FL 32541

Re: Diminution in value appraisal of an approximate 3,458 HVAC SF detached residential improvement, 'as is', identified as 91 Dolphin Street in Destin, FL 32541. **Panhandle Appraisal Group File № 190744A.**

Dear Mr. Jena:

I have completed the requisite personal viewing, research, and analysis necessary to determine if a diminution in value has occurred for the subject parcel.

The subject property is a two level, detached single family residential structure with an approximate 3,458 HVAC SF. The subject features seven bedrooms and six and one half baths. The current sleeping capacity of the subject is twenty eight (28) guests.

The purpose of the appraisal analysis was to develop an opinion of the market value of the subject property prior to the first application of the city of Destin Ordinance No. 18-29-CC to the subject on September 18, 2019 when 28 guests were allowed. The second step is to derive a value after the first application of the ordinance on September 18, 2019, which limited the subject to eighteen (18) guests, based on two guests per bedroom, plus four. I note that the designation as a bedroom is based on data in the Okaloosa County Property Appraiser web site.

The authorized user is the client at the address above. The understood intended use of the appraisal report will be for reference in determining if the first application of Ordinance No. 18-29-CC resulted in a diminution of value. No other use of this report by any other entity or person is authorized.

Subject to the above and the assumptions, limiting conditions, and certification set forth herein, it is my professional opinion the retrospective market value of the fee simple interest in the subject property, 'as is', as of September 18, 2019, prior to the first application of Ordinance No. 18-29-CC, was:

ONE MILLION SIX HUNDRED THOUSAND DOLLARS
$1,600,000

Subject to the above and the assumptions, limiting conditions, and certification set forth herein, it is my professional opinion the current market value of the fee simple interest in the subject property, 'as is', after the first application of Ordinance No. 18-29-CC is:

ONE MILLION THIRTY THOUSAND DOLLARS
$1,030,000

The diminution of value is a rounded $570,000.

Exposure Time
The exposure time linked to the final value opinion is a range to nine (9) to twelve (12) months based on market sales of similar properties and current market activity.

Analysis of recent trends and current market supply and demand strongly indicate the highest and best use of the subject property, is continued use as a seasonal rental home.

I hereby certify I possess no interest, present or contemplated, in the appraised property. The undersigned appraiser is competent or has taken the necessary steps to become competent for the property type being appraised. This appraisal has been prepared utilizing all of the requirements set forth as standards for real estate appraisals established for federally related transactions by the Comptroller of the Currency, the Federal Reserve Board, the Federal Deposit Insurance Corporation, and the State of Florida. The appraisal is in conformity with the standards for real estate appraisals as established by the Appraisal Foundation and its Appraisal Standards Board. The appraisal also conforms to *the 2018/2019 edition of the Uniform Standards of Professional Appraisal Practice (USPAP)* and your instructions. The fee for this appraisal was not based on value, nor was the assignment undertaken based on a predetermined value, a trend in value, or a minimum or maximum value.

Respectfully submitted,

Thomas A. Marr

Thomas A. Marr
State-Certified General Real Estate Appraiser № RZ 2645 (Florida)

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APPRAISAL REPORT

This is an Appraisal Report which is intended to comply with the reporting requirements in accordance with the 2018/2019 edition of the Uniform Standards of Professional Appraisal Practice (USPAP) for an Appraisal Report. As such, it represents summary discussions of the data, reasoning, and analyses used in the appraisal process to develop the appraisers' opinion of value. Supporting documentation concerning the data, reasoning, and analyses may be retained in the appraiser's files. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated below. The appraisers are not responsible for unauthorized use of this report.

CLIENT:

Asit Jena
91 Dolphin Street
Destin, FL 32541

APPRAISERS:

Thomas A. Marr
State-certified General Real Estate Appraiser № RZ 2645 (Florida)

Panhandle Appraisal Group
220 Hospital Drive
Fort Walton Beach, Florida 32548

SUBJECT PROPERTY:

Legal Description
Lot 12, Block 27, Crystal Beach SD

Tax ID №: 00-2S-22-0580-0027-0120.

PURPOSE OF THE APPRAISAL:

The purpose of this appraisal was to develop an estimate of the diminution in value prior to the first application of the City of Destin Ordinance No. 18-29-CC and after the first application of the ordinance on September 18, 2019.

INTENDED USE OF REPORT:

The understood intended use of the appraisal report will be for client use in legal proceedings.

INTENDED USER:

The intended user is the client stated above, the client's attorneys, courts of law and regulatory authorities. This report is not intended or authorized for any other user or audience.

PROPERTY RIGHTS APPRAISED:

Fee Simple, one hundred percent (100%) ownership interest in the subject property.

EFFECTIVE DATE OF VALUE:

Retrospective to September 18, 2019.

DATE OF REPORT:

October 2, 2019.

DATE OF INSPECTION:

Thomas A. Marr viewed the subject property on July 27, 2019 and September 25, 2019.

SCOPE OF WORK:

I note you have not requested an appraisal report format. Based on the Scope of Work requirements included in the 2018/2019 version of USPAP, which indicates the appraiser is responsible to coordinate the scope of work with the client, I am informing you I will perform an appraisal report. **It is my opinion this process of work meets all applicable 2018/2019 USPAP standards.**

DEFINITIONS:

The definitions, commencing on the page following, are provided to assist the reader in understanding this appraisal report.

Market Value[1]

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

- Purchaser and seller are typically motivated;
- Both parties are well informed or well advised and each acting in what they consider their best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

The four (4) time differential values typically considered in the appraisal of existing developments are defined as follows:

(1) **'As Is'** means an estimate of the market value of a property in the condition observed upon inspection and as it physically and legally exists without hypothetical conditions, assumptions, or qualifications as of the date of appraisal.

(2) **'Value Upon Completion'** means the market value of a property with all existing construction, conversion, or rehabilitation hypothetically completed, or under other specified hypothetical conditions as of the date of appraisal. With regard to properties wherein anticipated market conditions indicate stabilized occupancy is not likely as of the date of completion, this estimate of value shall reflect the market value of the property as if complete and prepared for occupancy by tenants.

(3) **'Prospective Future Value Upon Completion'** means the prospective future value of a property on the date construction is completed, based upon market conditions forecast to exist as of completion date.

(4) **'Prospective Future Value Upon Achievement of Stabilized Occupancy'** means the prospective future value of a property at a point in time when all improvements have been physically constructed and the property has been leased to its optimum level of long term occupancy.

Fee Simple Estate[2]

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.

Leased Fee Interest[3]

An ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the lessee are specified by contract terms contained within the lease.

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1 Title XI, Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), [Pub. L. No. 101-73, 103 Stat. 183 (1989)], 12 U.S.C. 3310, 3331-3351, and section 5(b) of the Bank Holding Company Act, 12 U.S.C. 1844(b); Part 225, Subpart G: Appraisals; Paragraph 225.62 (f).
Uniform Standards of Professional Appraisal Practice, 2003 Edition, Page 3
Federal Reserve System, 12 CFR Parts 208 and 225, Sec. 225.62
Office of the Comptroller of the Currency, 12 CFR Part 34, Sec. 34.42 (g)
FDIC, 12 CFR Part 323, Sec. 323.2 (g) (2000)
Office of Thrift Supervision, 12 CFR Part 564, Sec. 564.2
NCUA, 12 CFR Part 722, Sec. 722.2

2 The Dictionary of Real Estate Appraisal, Appraisal Institute, Fourth Edition, 2002, Page 113.

3 Ibid., Page 161.

Leasehold Interest[4]
The interest held by the lessee (the tenant or renter) through a lease transferring the rights of use and occupancy for a stated term under certain conditions.

Condominium[5]
A multi-unit structure or property in which persons hold fee simple title to individual units and an undivided interest in common areas.

Highest and Best Use[6]
The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and which results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability.

...of land or a site as though vacant:

Among all reasonable, alternative uses, the use yielding the highest present land value, after payments are made for labor, capital, and coordination. The use of property based on the assumption the parcel of land is vacant or can be made vacant by demolishing any improvements.

...of property as improved:

The use which should be made of a property as it exists. An existing improvement should be renovated or retained as is so long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing building and constructing a new one.

Marketing Time[7]
The time it takes an interest in real property to sell on the market subsequent to the date of an appraisal.

Exposure Time[8]
A retrospective estimate based on an analysis of past events assuming a competitive and open market.

Advocacy[9]
Representing the cause or interest of another, even if cause or interest does not necessarily coincide with one's own beliefs, opinions, conclusions, or recommendations.

Appraisal[10]
(Noun) The act or process of developing an opinion of value; an opinion of value. (Adjective) of, or pertaining to appraising and related functions such as appraisal practice or appraisal services.

Appraisal Practice[11]
Valuation services performed by an individual acting as an appraiser, including, but not limited to appraisal, appraisal review, or appraisal consulting.

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4 Ibid., Page 162.

5 Ibid., Page 59.

6 Ibid., Page 135.

8 Ibid., Page 175

9 Ibid., Page 105

9 2018/2019 edition, *Uniform Standards of Professional Appraisal Practice (USPAP)*, Page 1

10 Ibid, Page 1

11 Ibid, Page 1

Appraisal Review[12]
The act or process of developing and communicating an opinion about the quality of another appraiser's work was performed as part of an appraisal, appraisal review, or appraisal consulting assignment.

Appraiser[13]
One who is expected to perform valuation services competently, and in a manner, is independent, impartial, and objective.

Appraiser's Peers[14]
Other appraisers who possess expertise and competency in a similar type of assignment.

Assignment[15]
A valuation service provided as a consequence if an agreement between an appraiser and a client.

Assignment Results[16]
An appraiser's opinions and conclusions developed specific to an assignment.

Assumption[17]
An occurrence which is taken to be true.

Bias[18]
A preference or inclination which precludes an appraiser's impartiality, independence, or objectivity in an assignment.

Business Enterprise[19]
An entity pursuing an economic entity.

Business Equity[20]
The interests, benefits, and rights inherent in the ownership of a business enterprise or a part thereof in any form (including, but not necessarily limited to, capital stock, partnership interests, cooperatives, sole proprietorships, options, and warrants).

Client[21]
The party or parties who engage an appraiser (by employment or contract) in a specific assignment.

Confidential Information[22]
Information is either:

- identified by the Client as confidential when providing it to an appraiser and is not available from any other source; or,

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12 Ibid, Page 1

13 Ibid, Page 1

14 Ibid, Page 2

15 Ibid, Page 2

16 Ibid, Page 2

17 Ibid, Page 2

18 Ibid, Page 2

19 2018/2019 edition, USPAP, Page 2

20 Ibid, Page 2

21 Ibid, Page 2

22 Ibid, Page 2

- classified as confidential or private by applicable law or regulation.

Cost[23]
The amount required to create, produce, or obtain a property.

'Credible'[24]
Worthy of belief.

Extraordinary Assumption[25]
An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions.

Feasibility Analysis[26]
A study of the cost-benefit relationship of an economic endeavor.

Hypothetical Condition[27]
An assertion which is contrary to what exists but is supposed for the purpose of analysis.

Intangible Property[28]
(Intangible Assets) Nonphysical assets, including, but not limited to, franchises, trademarks, patents, copyrights, goodwill, equities, securities, and contracts as distinguished from physical assets such as facilities and equipment.

Intended Use[29]
The use or uses of an appraiser's reported appraisal, appraisal review, or appraisal consulting assignment opinions and conclusions, as identified by the appraiser based on communication with the Client at the time of the assignment.

Intended User[30]
The Client and any other party as identified, by name or type, as users of the appraisal, appraisal review, or appraisal consulting report by the appraiser on the basis of communication with the Client at the time of the assignment.

Jurisdictional Exception[31]
...an assignment condition which voids the force of a part or parts of *USPAP*, when compliance with part or parts of *USPAP* is contrary to law or public policy applicable to the assignment.

IDENTIFY THE PROBLEM TO BE SOLVED
The problem to be solved in this appraisal analysis was to develop an opinion of the market value of the subject property, both prior to the first application of the city of Destin Ordinance No. 18-29-CC to the subject on September 18, 2019 when 28 guest occupancy was allowed and after the first application of the Destin Ordinance N0. 18-29-CC on September 18, 2019, which limited the subject to eighteen (18) guests, based on two guests per bedroom, plus four. Utilizing the before and after values, I derived a diminution of value to the subject property.

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23 Ibid, Page 2

24 Ibid, Page 3

25 Ibid, Page 3

26 Ibid, Page 3

27 Ibid, Page 3

28 Ibid, Page 3

29 Ibid, Page 3

30 Ibid, Page 3

31 2018 edition, *USPAP*, Page 3

EXTENT OF THE PROCESS OF COLLECTING, CONFIRMING, AND REPORTING DATA:

Preparation of this appraisal included the following scope of work:

- The subject site, improvements, and parking improvements were inspected by the appraiser, the property was photographed. File data for similar properties was reviewed.
- The public records were reviewed.
- The appraiser examined the economic, social, governmental, and environmental forces affecting value in the subject neighborhood and the entire market area as a whole.
- The appraiser identified recent and projected actual rents for the subject, based on occupancy of up to 28 guests. The appraiser then identified the annual rentals of other comparable properties which accommodated up to or beyond 28 guests. This data was used to verify or support the historical performance and the projected rents for the subject. These comparable rentals provided market support for the subject actual and projected gross rental income.
- The appraiser identified market rental comparables for properties limited to 18 guests.
- The appraiser then reduced gross rent to net operating rent and capitalized the net operating rent to identify value for the subject as a 28 guest rental and an 18 guest rental. The difference between these two values is the diminution in value.

IDENTIFICATION OF THE TYPE OF APPRAISAL AND APPRAISAL REPORT FORMAT:
I have provided an **Appraisal Report**, as defined by the *2018/2019 edition of the Uniform Standards of Professional Appraisal Practice*, containing a summary of all relevant conclusions, data, and analyses used in the report.

TERMS OF THE FINAL VALUE OPINION:
The final opinion of the current market values of the subject property, 'as is' is expressed in terms of cash or financing terms equivalent to cash.

POLICY STATEMENT OF THE APPRAISAL INSTITUTE:
It is improper to base a conclusion or opinion of value upon the premise the racial, ethnic, or religious homogeneity of the inhabitants of an area or of a property is necessary for maximum value.

Racial, religious, and ethnic factors are deemed unreliable predictors of value trends or price variance.

It is improper to base a conclusion or opinion of value, or a conclusion with respect to neighborhood trends, upon stereotyped, biased presumptions relating to the effective age or remaining life of the property being appraised or the life expectancy of the neighborhood in which it is located.

The undersigned appraiser is not a member of the Appraisal Institute.

GENERAL ASSUMPTIONS:

1. No responsibility is assumed for the legal description provided or for matters relevant to legal or title considerations. Title to the property is assumed to be marketable unless otherwise stated. The legal description used in this report is assumed to be correct.

2. The subject property is appraised free and clear of any or all liens, leases, or encumbrances unless otherwise stated. All mortgages, liens, encumbrances, leases, and servitudes have been disregarded unless so specified within the report.

3. No survey of the property has been made by the appraisers and no responsibility is assumed in connection with such matters. Sketches, plot plans, or illustrative material presented in this report are included only to assist the reader in visualizing the property.

4. Information and data furnished by others is usually assumed to be true, correct and reliable. When such information and data appears to be dubious and when it is critical to the appraisal, a reasonable effort has been made to verify all such information; however, no responsibility for its accuracy is assumed by the appraiser.

5. Responsible ownership and competent property management are assumed unless otherwise stated in this report.

6. It is assumed there are no hidden or unapparent conditions of the property, subsoil or structures which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.

7. It is assumed 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.

8. It is assumed the subject property is in compliance with all applicable zoning and land use regulations, unless a nonconformity has been stated, defined and considered in the appraisal report.

9. It is assumed all required licenses, consents or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use which the value estimate contained in this report is based.

10. It is assumed the utilization of the land and improvements is within the boundaries or property lines of the property described and there is no encroachment or trespass unless noted within the report.

EXTRAORDINARY ASSUMPTIONS:

I am using data provided to me by the client and other vacation home owners.

I am also using rental projections from the current property manager.

I am making the extraordinary assumption that the data provided is accurate, credible and reliable.

If, for any reason, the data provided is not accurate, credible and reliable, the values derived in the analysis is subject to review.

GENERAL LIMITING CONDITIONS:

1. This is an Appraisal Report which is intended to comply with the reporting requirements set forth in accordance with the *2018/2019 edition of the Uniform Standards of Professional Appraisal Practice* for an Appraisal Report. As such, it includes summarized discussions of the data, reasoning, and analyses used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses may be retained in the appraiser's files. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraiser is not responsible for unauthorized use of this report.

2. Appraisers are not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraisers suggesting the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert in the field of environmental assessment. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The appraiser's value estimate is predicated on the assumption there exists no such material on or in the property causing a loss in value unless otherwise stated in this report. No responsibility is assumed for any environmental conditions, or for any expertise or engineering knowledge required to discover them. The appraisers' descriptions and resulting comments are the result of the routine observations made during the appraisal process.

3. The subject property is appraised without a specific compliance survey having been conducted to determine if the property is or is not in conformance with the requirements of *The Americans with Disabilities Act*. The presence of architectural and communications barriers which are structural in nature which would otherwise restrict access by disabled individuals may adversely affect the property's value, marketability, or utility.

4. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event, only with proper written qualification and only in its entirety.

5. Neither all nor any part of the contents of this report shall be conveyed to any person or entity, other than the appraiser's or firm's client, through advertising, solicitation materials, public relations, news, sales, or other media without the written consent and approval of the authors, particularly as to valuation conclusions, the identity of the appraiser or firm with which the appraiser is connected, or any reference to affiliation with any professional appraisal organization. Further, the appraiser or firm assumes no obligation, liability, or accountability to any third party. If this report is placed in the hands of anyone but the client, client shall make party aware of all the assumptions and limiting conditions of the assignment.

6. The appraiser affixing his signatures to this appraisal report will not be required to give testimony or appear in court because of having made this appraisal, with reference to the property in question, unless arrangements have been previously made thereof.

7. No environmental impact studies were either requested or made in conjunction with this appraisal, and the appraiser hereby reserves the right to alter, amend, revise, or rescind any of the value opinions based upon any subsequent environmental impact studies, research, or investigation.

8. The appraiser has not been supplied with a report of the subsoil conditions indicating the exact capacity of the subsoil. I do not have the benefit of subsoil test results of the properties and detection of possible soil defects would be beyond my realm of expertise. However, there appear to be no hidden or apparent conditions of the subject sites or subsoil structures which would render them more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.

9. Acceptance of and/or use of this appraisal report constitutes acceptance of the foregoing General Assumptions, Special Assumptions, General Limiting Conditions, and Special Limiting Conditions.

EXTRAORDINARY LIMITING CONDITIONS AND HYPOTHETICAL CONDITIONS:

I note that the ordinance in question allows a five (5) year 'grandfather' period. I considered if this 'grandfather' status should receive some analysis in the discussion of diminution of value. After consideration, I concluded that a potential market participant, aware that the grandfather status will be eliminated, would be very wary to enter into a financial arrangement where he may have to liquidate in an unknown market within a time line that may not be available . Thus, I am not considering any impact of the 'grandfather' status.

CERTIFICATION:

I certify, to the best of my knowledge and belief:

1. The statements of fact contained in this report are true and correct.

2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions and conclusions.

3. I possess no present or prospective interest in the property which is the subject of this report and no personal interest with respect to the parties involved.

4. I possess no bias with respect to the property which is the subject of this report or to the parties involved with this assignment.

5. The engagement in this assignment was not contingent upon developing or reporting predetermined results.

6. The compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value favoring the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

7. The analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *2018/2019 edition of the Uniform Standards of Professional Appraisal Practice.*

8. Thomas A. Marr has made a personal viewing of the property which is the subject of this report. No one else has rendered significant real estate appraisal knowledge and input to the compilation of this report.

9. I have not performed any services, to include appraisal services, regarding the subject in the previous three years.

10. The opinion of market value 'as is' of the one hundred percent (100%) fee simple ownership interest in the subject property, as of the date prior to the first application of Destin Ordinance 18-29-CC is ONE MILLION SIX HUNDRED THOUSAND DOLLARS ($1,600,000) and the value after the first application of Destin Ordinance 18-29-CC is ONE MILLION THIRTY THOUSAND DOLLARS ($1,030,000). The diminution of value is estimated as FIVE HUNDRED SEVENTY THOUSAND DOLLARS ($570,000).

Thomas A Marr

Thomas A. Marr
State-certified General Real Estate Appraiser № RZ 2645 (Florida)

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DESCRIPTION OF THE SUBJECT PROPERTY
Ownership:

The current owner is Asit K. Jena and Rajashri Banerjee, husband and wife. The following deed indicates ownership via a transfer from Bart and LeAnn Hunt to Asit K. Jena and Rajashri Banerjee, husband and wife.

FILE #3150247 OCT: 7/28/2017 10:19 AM, BK: 3310 PG: 2658, RECORDING: $6.00 RECORDING ARTICLE V: $4.00
D Doc Stmp: $2,131.50 DEPUTY CLERK CCLARK
JD PEACOCK II CLERK OF COURTS, OKALOOSA COUNTY, FLORIDA

Recrd Deed $10.00
Deed Documentary Stamps: $2,131.50
Total Paid $2,141.50

THIS INSTRUMENT PREPARED BY AND RETURN TO:

Shoreline Title, LLC
98 Clayton Lane Suite B
Santa Rosa Beach, FL 32459
Property Appraisers Parcel Identification (Folio) Number 00 25 22 0580 0021 0120

WARRANTY DEED

SPACE ABOVE THIS LINE FOR RECORDING DATA

THIS WARRANTY DEED, made the **21st** day of **July, 2017** by **Bart Hunt and LeAnn Hunt, husband and wife**, whose post office address is **1555 Old Jackson Rd., Bradenton, TN 38340** hereon called the Grantor, to **Asit K. Jena and Rajashri Banerjee, husband and wife**, whose post office address is **3019 Belston Place, Suwanee, GA 30024**, hereinafter called the Grantee:
(Wherever used herein the terms "Grantor" and "Grantee" include all the parties to this instrument and the heirs, legal representatives and assigns of individuals, and the successors and assigns of corporations)

W I T N E S S E T H: That the Grantor, for and in consideration of the sum of TEN AND 00/100S ($10.00) Dollars and other valuable considerations, receipt whereof is hereby acknowledged, hereby grants, bargains, sells, aliens, remises, releases, conveys and confirms unto the Grantee all that certain land situate in OKALOOSA County, State of Florida, viz.:

LOT 12, BLOCK 27, ACCORDING TO THE PLAT OF THE SUBDIVISION KNOWS AS CRYSTAL BEACH, A SUBDIVISION OF A PORTION OF TIS, R22W, ACCORDING TO THE PLAT THEREOF BY C.H. OVERMAN, C.E., FILED FOR RECORD IN THE OFFICE OF THE CLERK OF THE CIRCUIT COURT OF OKALOOSA COUNTY, FLORIDA, IN PLAT BOOK 1, PAGE 17. IN ADDITION TO THE PROPERTY THE FEE SIMPLE TITLE TO WHICH GRANTOR HEREBY CONVEYS TO GRANTEES, THE GRANTOR HEREBY GRANTS, BARGAINS AND SELLS TO THE GRANTEES AN EASEMENT OVER THAT PORTION OF BLOCK "A" OF THE SAID CRYSTAL BEACH SUBDIVISION LYING BETWEEN PROLONGATIONS OF THE EAST AND WEST LINES OF FOURTH STREET OVER AND ACROSS U.S. HIGHWAY 98 AND THE SAID BLOCK "A" IN A SOUTHERLY DIRECTION TO THE WATERS OF THE GULF OF MEXICO, FOR INGRESS AND EGRESS TO THE BEACH AND WATERS OF SAID GULF.

Subject to easements, restrictions and reservations of record and taxes for the current and subsequent years.

TOGETHER, with all the tenements, hereditaments and appurtenances thereto belonging or in anywise appertaining.

TO HAVE AND TO HOLD, the same in fee simple forever.

AND, the Grantor hereby covenants with said Grantee that the Grantor is lawfully seized of said land in fee simple; that the Grantor has good right and lawful authority to sell and convey said land, and hereby warrants the title to said land and will defend the same against the lawful claims of all persons whomsoever.

Grantor does further warrant that neither the Grantor nor any of their family reside on the property conveyed by this deed and that the property is not the Grantor's homestead under Florida law.

IN WITNESS WHEREOF, the said grantors have signed and sealed these presents the day and year first above written.

Signed, sealed and delivered in the presence of:

Witness #1 Signature

Witness #1 Printed Name

Witness #2 Signature

Witness #2 Printed Name

Bart Hunt

LeAnn Hunt

STATE OF FLORIDA
COUNTY OF WALTON

Site:

Location:
The subject is located on the east side of Dolphin Street in the mature Crystal Beach Subdivision. It is located an approximate 50 feet south of the Luke Avenue and Dolphin Street intersection, within easy walking distance of the Gulf of Mexico.

This area is east of the community of Henderson Beach and west of the Destiny/Destiny West/Destiny By The Sea communities.

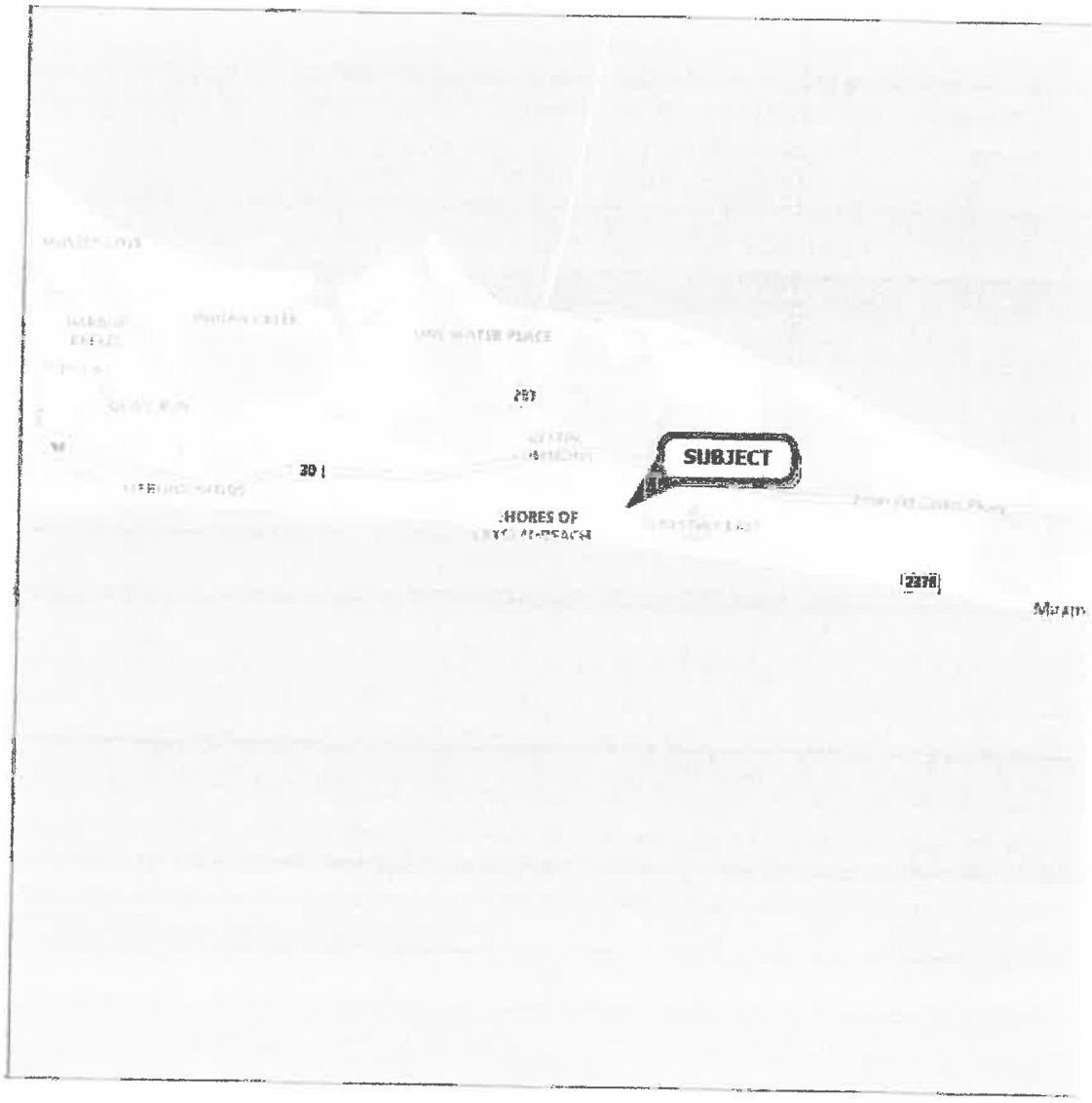
Along the south side of Scenic Highway 98 are many condominium projects, individual homes and some commercial use, typically restaurants, which cater to the tourist industry.

Along Scenic Highway 98 to the north are other residential uses, primarily detached homes with a interspersion of condominium and town home projects, which are a mix of owner occupant and seasonal rental use.

Within the Crystal Beach Subdivisions is an eclectic mix of housing, ranging from 1950s Florida Cottages to newly constructed large beach homes.

This entire area of Destin, in close proximity to the Gulf of Mexico, is a desired location and well considered by the market.

See the following map for the subject location in the broad Destin market.



The following map indicates the local market area surrounding the subject.

The following aerial photograph indicates the subject parcel. This aerial indicates a vacant lot as the aerial was taken prior to the construction of the subject.

Land Size:

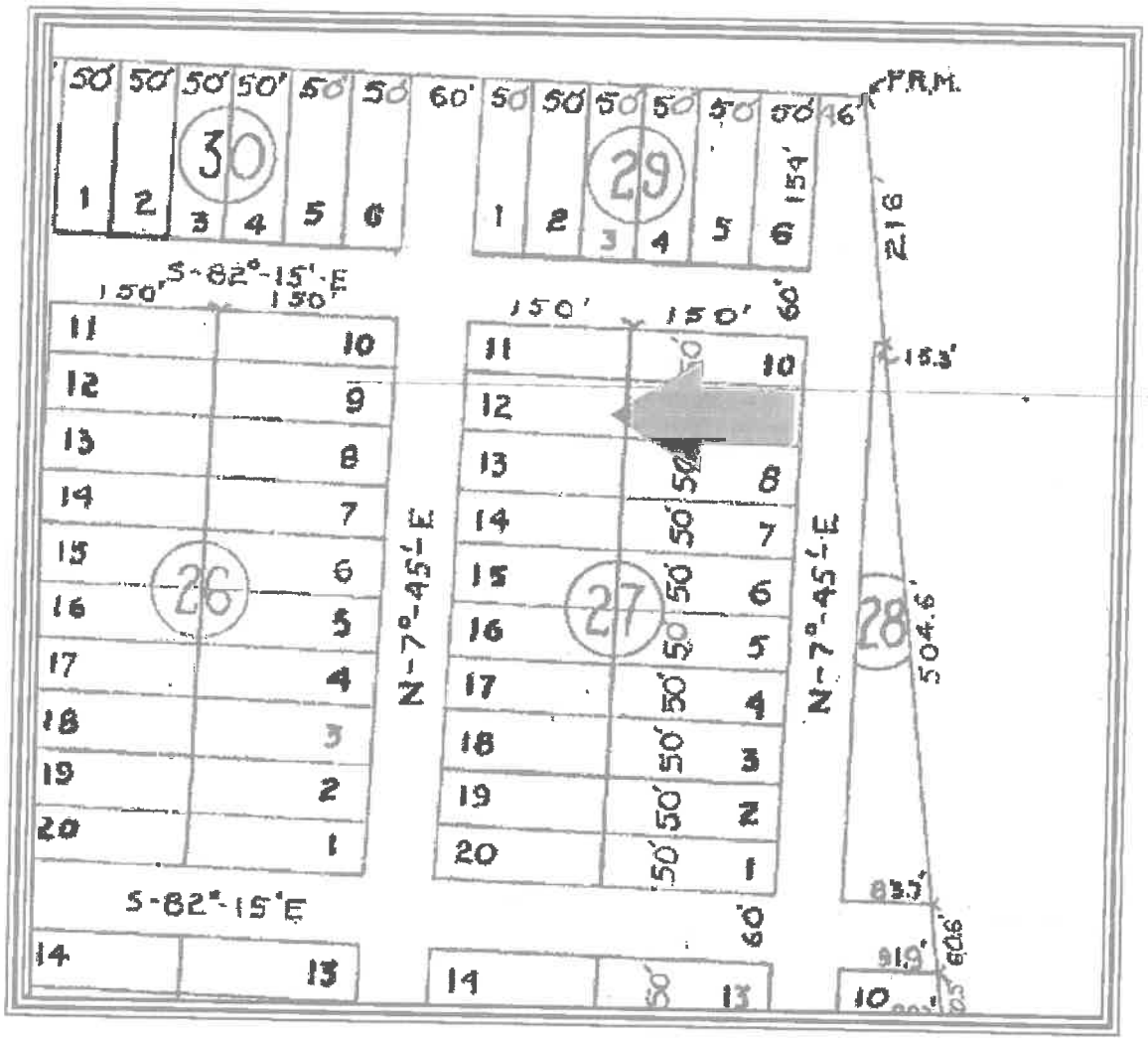
The subject is a single residential lot.

The rounded dimensions are as follows:

50.00 feet on the west side, fronting on Dolphin Street
150.00 feet on the north side,
50.00 feet on the east side,
150.00 feet on the south side.

These dimensions result in a land size of an approximate 0.17 acres, or 7,500 SF. This land size is typical of lots in the Crystal Beach Subdivision.

See the following excerpt from the recorded plat map.



Site Topography:

Per the Okaloosa County GIS site and my viewing, the subject is at the road grade of Dolphin Street.

Based on the following excerpt from the Okaloosa County GIS system, the subject slopes substantially to the east.

However, site work has been performed in the process of constructing the existing subject improvement in 2018, with the site now almost level.

The subject lot contour is now typical for most Crystal Beach lots.

Utilities:

Utility	*Provider*	*Utility*	*Provider*
Electricity	Gulf Power	Stormwater Drainage	Destin
Water and Sewer	Destin Water Users	Fire Department	Destin
Natural Gas	Okaloosa Gas	Police Department	Contract with the Okaloosa County Sheriff
Telephone	Verizon	Refuse Removal	By contract
Cable Television	Cox Cable		

The utilities for the subject site are considered as typical in the market.

Easements/Encroachments:
I was not furnished a copy of a recent survey of the subject property. A review of the site plan, various maps and my personal viewing did not indicate any easements or encroachments.

The warranty deed references that the subject has deeded access to the Gulf of Mexico.

I assume there are additional utility easements of record.

It is my opinion that there are no easements or encroachments which would affect value or transferability.

Ingress/Egress:
The subject property is reached directly from Pompano Street, which fronts on the entire subject east side.

Pompano Street is a two lane, paved public roadway which connects to Scenic Highway 98 to the south and Luke Avenue to the north.

Scenic Highway 98 is a paved, two lane public roadway.

Scenic Highway 98 is the original U. S. Highway 98 which was the main east/west arterial in the Destin market. Now that the six lane U. S. Highway 98 has been developed to the north, Scenic Highway 98 is now a coastal road running parallel to, and just north of, the Gulf of Mexico.

Ingress/egress is viewed as similar to most access typically found in the market.

Parking is viewed as superior to most parking found in the market as the subject features six driveway spaces on the west side of the subject lot.

Flood Risk:

FEMA Map Panel	*Map Area*	*Dated*	*Flood Zone*
12091C 0493H	Okaloosa County	December 6, 2002	"X"

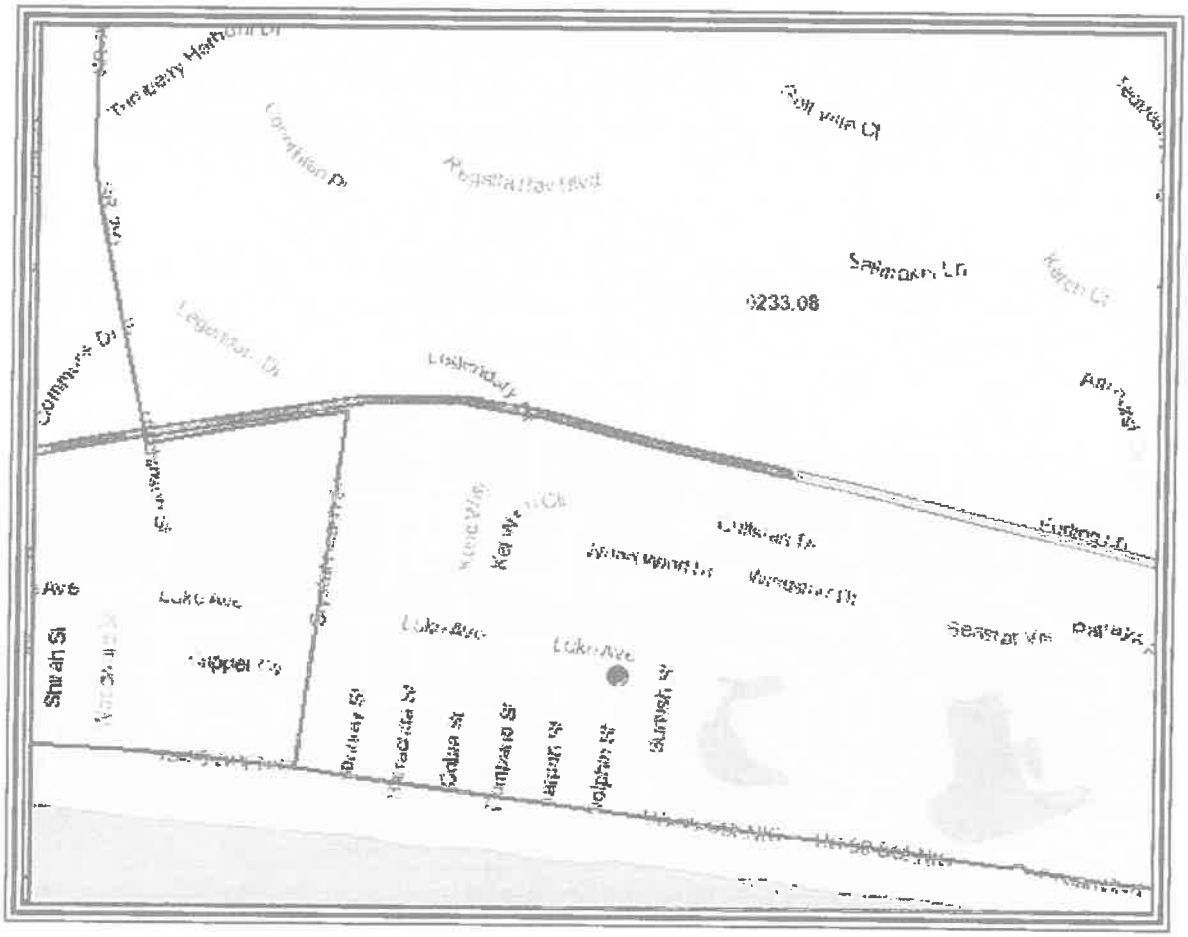
* The client is advised appraisers are not surveyors, and accordingly, any final determination as to flood zone status should only be made by a licensed, adequately insured, Florida surveyor utilizing the latest FEMA flood panels. However, it appears the entire subject area is considered as Flood Zone 'X', an area of substantial flood risk. The subject is located at the red circle in the following flood map.

Wetlands:

None, per the Okaloosa County GIS site.

The wetland map is consistent with the flood panel on the previous page.

Census Data:
The subject is located in census tract 0233.08.



IMPROVEMENTS 'AS IS'

Size:
The subject is a single family detached improvement with two levels.

The subject features no garage. It does features exterior balconies and porches, as well as an in ground swimming pool, pool deck/lanai, landscaping, and fencing. These features result in 4,096 total SF and 3,458 HVAC SF, per the Okaloosa County Property Appraiser.

The first level features typical living areas in the form of the kitchen, living room, dining room and half bath. This level also features two bedrooms with a king, sleeping a total of four (4) and one bedroom with two fulls, sleeping four (4). There is a total of eight (8) guests on the first level.

The second level features two bedrooms with kings, each sleeping two (2) for a total of four (4) guests, a bedroom with two fulls, sleeping four (4), a bunk room with a trundle, sleeping six (6), a family room with two sofa sleepers, sleeping four (4) and a roll away bed, sleeping two (2). This is a total of twenty (20) guests on the second level.

The first level sleeps eight (8) and the second level sleeps twenty (20) for a total of twenty (28) guests.

Construction Quality:
The quality of construction for the subject improvement is *Class D* average. Details of construction are summarized below:

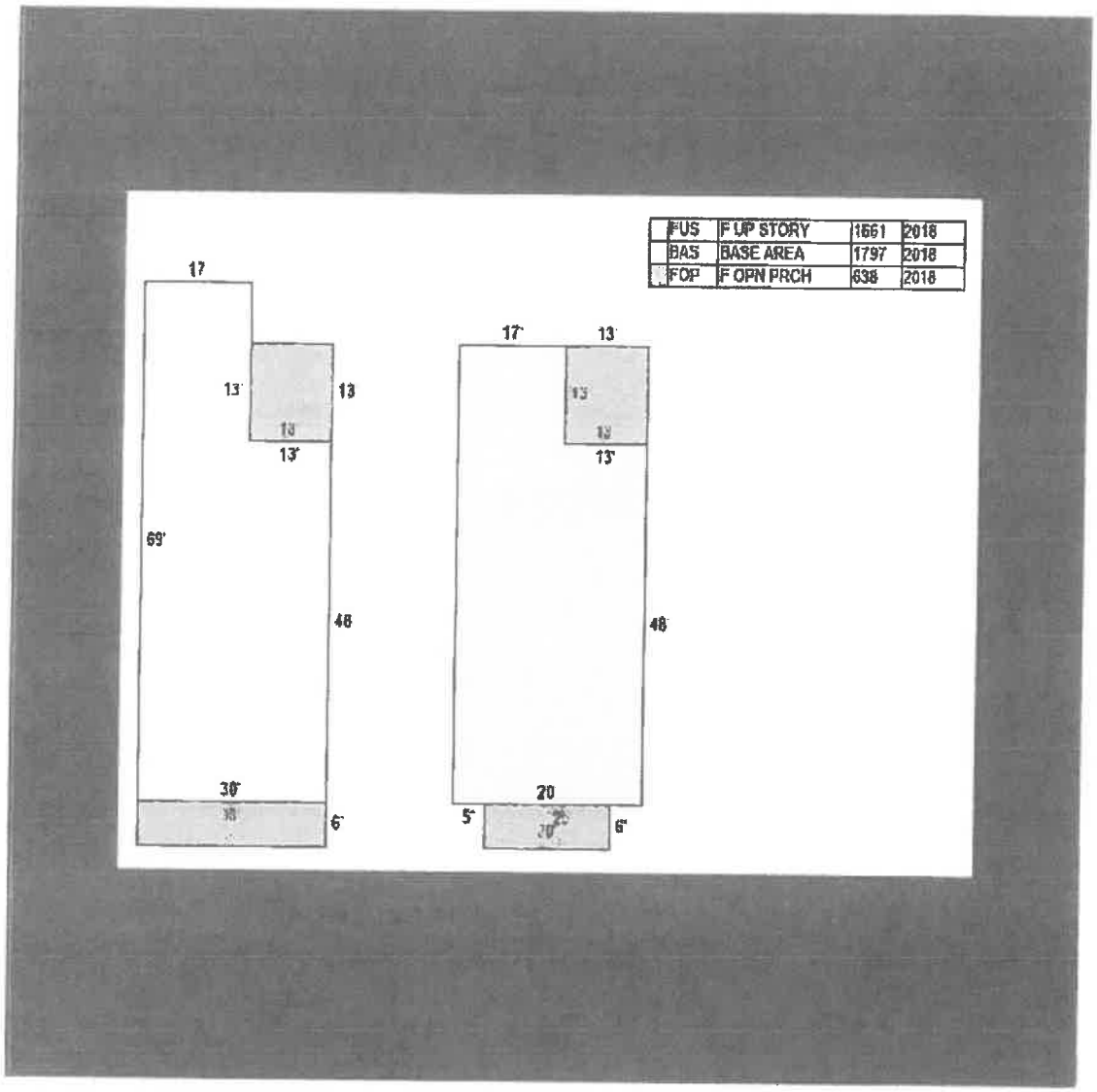
Construction Component	
Foundation	Concrete
Exterior walls	Wood frame with hardi board
Roof	Metal
Trim	Base and crown molding
Windows	Double pane aluminum
Exterior doors	Insulated metal with glass
Insulation	Unknown. Assumed to be R38 behind sheet rock
HVAC	Forced Air and Central HVAC
Ceiling	9 and 10 foot with sheet rock and can lights
Interior Walls	Painted sheet rock
Interior flooring	Average tile and carpet
Interior doors	Six and four panel wood
Restrooms	Six full bathrooms and one half bath
Lighting	Can lights
Kitchens	One typical residential kitchen with good cabinetry
Other	Many porches/swimming pool and lanai.

Condition of Improvements:
The subject improvement is in good condition.

Age:
Public records indicate that the subject improvement was just constructed in 2018.

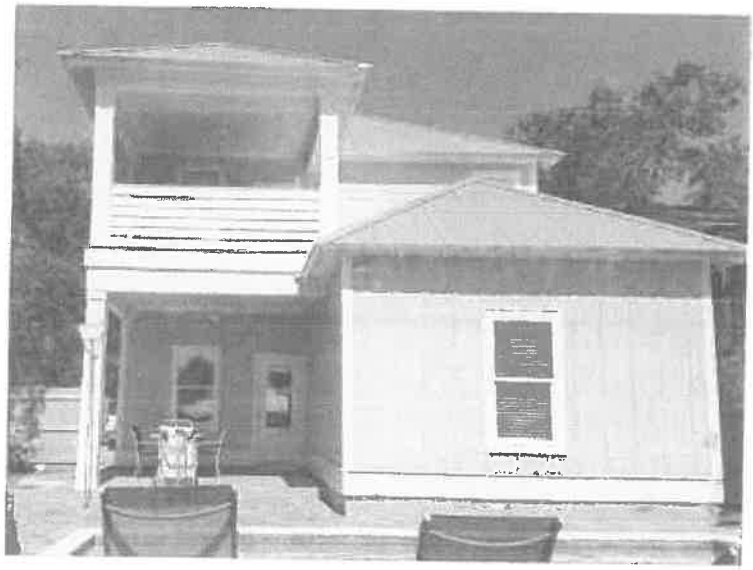
I consider the actual age to be one (1) year and the effective age to be one year. I estimate an economic life of fifty five (55) years and a physical life of seventy five (75) years.

See the following sizes indicated for the subject in the Okaloosa County Property Appraiser web site.



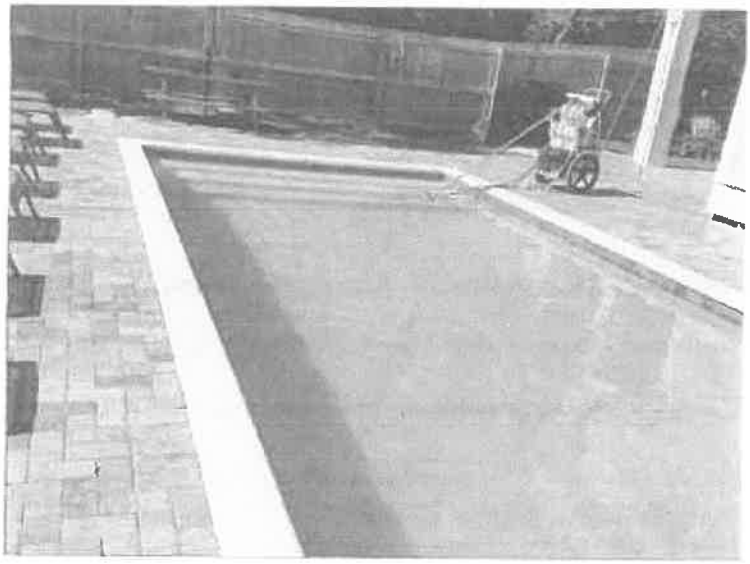
Exterior Photographs:

FRONT OF SUBJECT



REAR OF SUBJECT

SWIMMING POOL AND DECK

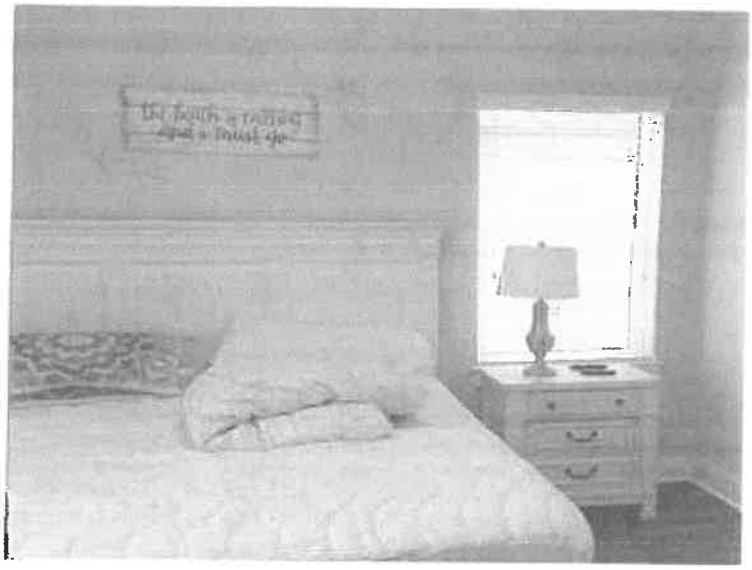


SWIMMING POOL

First Level Sleeping Eight (8);

KITCHEN

LIVING ROOM/DINING ROOM



BEDROOM WITH KING SLEEPING TWO - (2) - BEDROOM #1

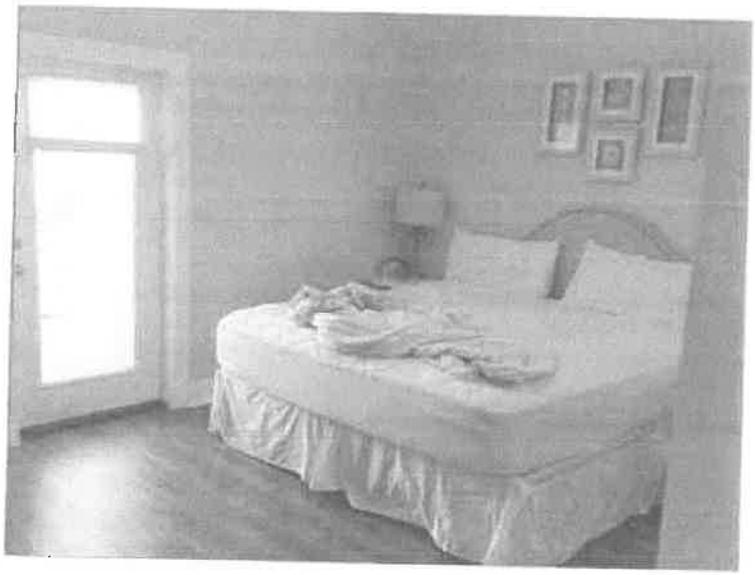
BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #2

BEDROOM WITH TWO FULLS SLEEPING FOUR (4) - BEDROOM #3

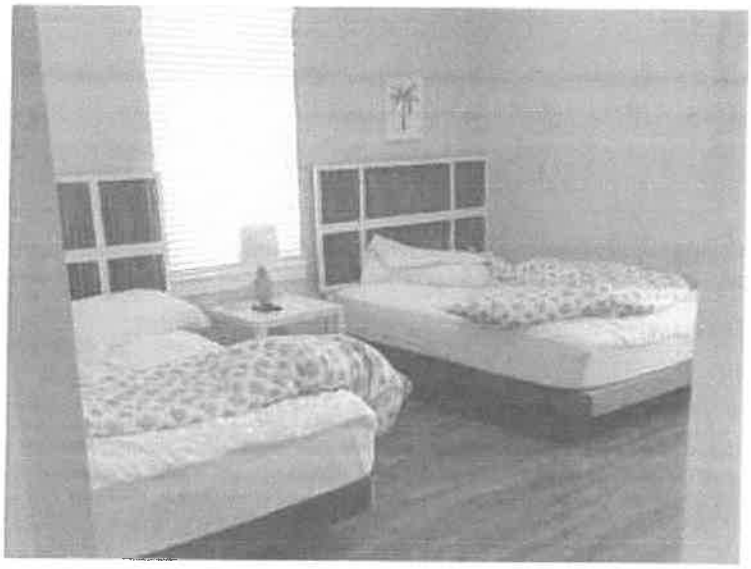
TYPICAL BATH

Second Level Sleeping Twenty (20):

BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #4

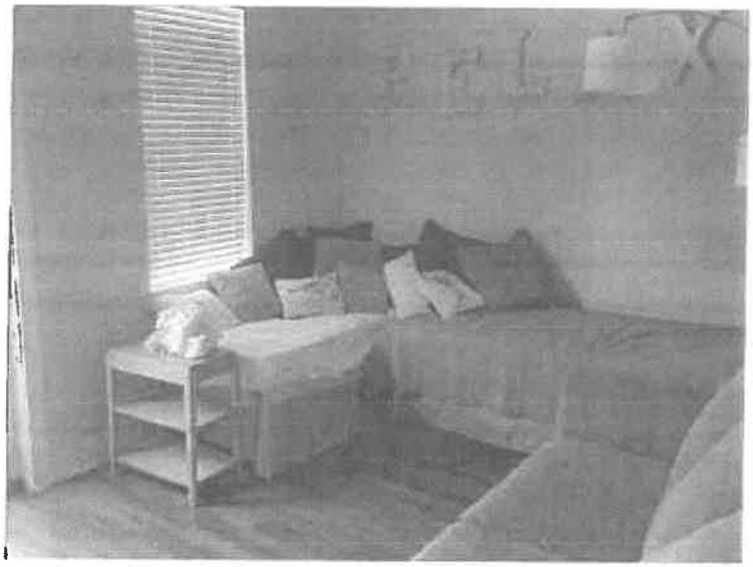


BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #5



BEDROOM WITH TWO FULLS SLEEPING FOUR (4) - BEDROOM #6

BEDROOM WITH BUNKS AND TRUNDLE SLEEPING SIX (6) - BEDROOM #7



ADDITIONAL ROOM WITH SOFAS SLEEPING FOUR (4)

ADDITIONAL ROOM FOR ROLL AWAY BED SLEEPING TWO (2)

Tax Identification number, gross tax amount due, amount paid, and assessed value for the 2018 tax year.

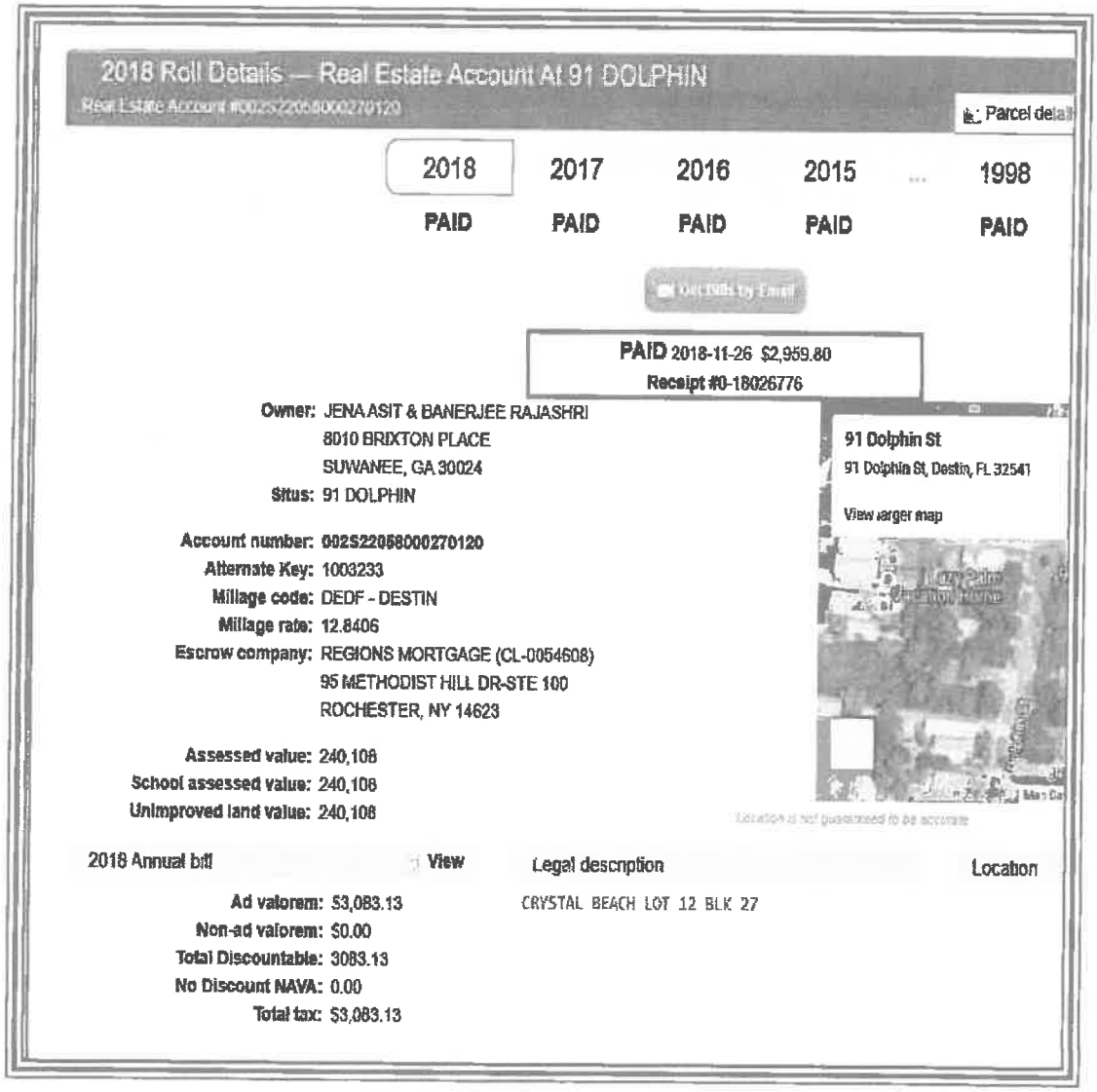
Tax Identification Number	Assessed Value	Gross Tax Amount Due	Amount paid	Amt. Due
00-2S-22-0580-0027-0120	$240,108	$3,083.13	$2,959.80	None

I note that the subject was assessed as vacant land in 2018. The 2019 assessed value will include the improvement and will be much higher.

The 2018 taxes were paid early, resulting in a discount.

There are no previous year taxes owing.

It is my experience that assessed value has little correlation with current market value and are typically lower than market value with a few exceptions.



2018 Roll Details — Real Estate Account At 91 DOLPHIN

Real Estate Account #00-2S-22-0580-0027-0120

Parcel detail

2018	2017	2016	2015	...	1998
PAID	PAID	PAID	PAID		PAID

Get Bills by Email

PAID 2018-11-26 $2,959.80
Receipt #0-18026776

Owner: JENA ASIT & BANERJEE RAJASHRI
8010 BRIXTON PLACE
SUWANEE, GA 30024
Situs: 91 DOLPHIN

Account number: 002S220580000270120
Alternate Key: 1003233
Millage code: DEDF - DESTIN
Millage rate: 12.8406
Escrow company: REGIONS MORTGAGE (CL-0054608)
95 METHODIST HILL DR-STE 100
ROCHESTER, NY 14623

Assessed value: 240,108
School assessed value: 240,108
Unimproved land value: 240,108

91 Dolphin St
91 Dolphin St, Destin, FL 32541
View larger map

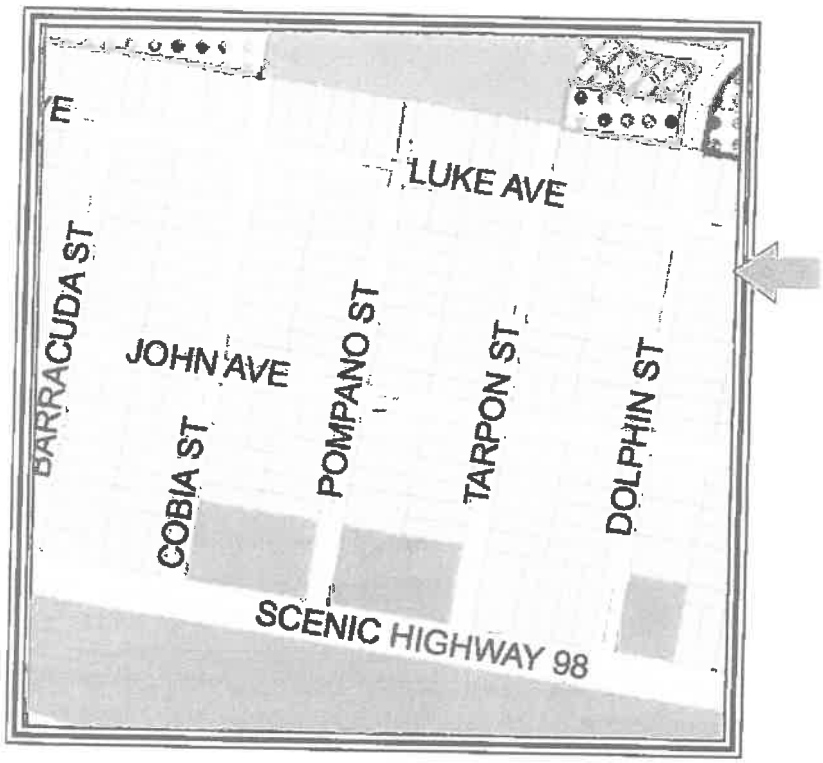
Location is not guaranteed to be accurate

2018 Annual bill | View | Legal description | Location

Ad valorem: $3,083.13
Non-ad valorem: $0.00
Total Discountable: 3083.13
No Discount NAVA: 0.00
Total tax: $3,083.13

CRYSTAL BEACH LOT 12 BLK 27

Zoning:
The following map indicates zoning for the subject parcel. The subject is zoned Crystal Beach Neighborhood by Destin. See following pages for detailed identification of allowable uses.



LAND DEVELOPMENT CODE COMMENTS

The following excerpts were taken from the Destin Land Development Code, currently on line.

This first excerpt states that Crystal Beach Neighborhood designates seasonal or short-term residential uses for single-family detached dwellings as a permitted use. I note that this description of the Crystal Beach Neighborhood zoning designation is silent regarding the number of allowable guests and does not limit guest numbers.

Community Development Department
Planning Division
4200 Indian Bayou Trail, Destin, FL 32541
Phone (850) 337-3123 • Fax (850) 837-7949
www.cityofdestin.com/index.aspx?nid=91

ZONING DISTRICT FACTSHEET

The purpose and intent of establishing zoning districts is to ensure that all development is consistent with the goals, objectives and policies of the Comprehensive Plan, by establishing a series of zoning districts that indicate what uses are allowed and site development regulations that control the use of land in each district. All development within each zoning district shall be consistent with the purposes stated for each district. (LDC 7.12.05)

CRYSTAL BEACH NEIGHBORHOOD (CBN)

Purpose and intent: The Crystal Beach Neighborhood zoning district shall apply to areas developed, redeveloped and/or maintained and conserved as permanent or seasonal single-family detached or multi-family attached residential dwelling units. Very limited supportive non-residential uses are allowed and are strictly limited to: places of worship, parks, playgrounds, community buildings and similar public service facilities serving the residents of the area, childcare centers and other ancillary neighborhood commercial uses which are approved as part of a planned unit development (PUD) for the exclusive use of the residents of the PUD. It is the intent of the CBN zoning district to specifically not allow the following uses to be located in the district: commercial hotels, motels, bed and breakfast establishments, or other commercial transient living accommodations.

Table 7-2: Table of Allowable Uses (excerpt from LDC 7.12.06)

PERMITTED USES:

Permanent or long-term residential uses

Single-family detached dwelling
Guest house [1]
Accessory dwelling
Single room occupancy housing
Museums, historical sites, zoos & parks [10]
Religious organizations

Seasonal or short-term residential uses

Single-family detached dwelling

Other residential uses

Community residential home, small (1-6)
Family day care home

CONDITIONAL USES:

Other residential uses

Permanent or long-term Multi-family attached dwelling
Seasonal or short-term Multi-family attached dwelling
Community residential home, large (7-14)
Child day care services

ACCESSORY USES:

Uses and structures which are customarily accessory, clearly incidental and subordinate to permitted uses and structures, including home occupations and off-site businesses.

Footnotes:

1 Guest houses are permitted only if the owner of the subject property occupies the primary dwelling as his/her main residence. However, guest houses shall not be rented out separately from the main residence. (refer to LDC section 7.12.04.M).

10 Zoos are only allowed in the Industrial zoning district.

This second excerpt defines long term rental and short term rental. I again note that the definition of short term rental is silent regarding the number of allowable guests.

Policy 1-2.1.1: Residential Uses Defined. Residential uses shall include several structure types used for housing, including single-family detached dwellings and multiple-family structures including duplex structures units, town homes and other detached single-family structures, apartments, patio homes, atrium homes, and similar multiple-family structures. The specific FLUM designations shall identify where single-family and multiple-family structures may be located. Following are the definitions for long-term residential and short-term residential.

1. **Long-Term Residential.** Long-term residential uses shall be defined as any residential accommodation that is available for occupancy for 181 days or more. Long-term residential uses shall include lock-out units, as defined in the Glossary.
2. **Short-Term Residential.** Short-term residential uses shall be defined as any residential accommodation that is available for occupancy for 180 days or less. Short-Term Residential uses shall include lock-out units, as defined in the Glossary.

This third excerpt defines the grandfather clause. This clause states clearly that the grandfather status may be released only by the vested entity

Policy 1-2.1.5: Grandfather Clause. Existing land uses that were lawfully conforming uses prior to the effective date of the Comprehensive Plan, shall continue as lawful uses and shall be regulated through administrative remedies for vested rights issues that shall be included in the LDC. Building heights, density and/or intensity which (a) are actual present and which lawfully existed prior to the effective date of the Comprehensive Plan, or (b) were authorized pursuant to a development order, which development order remained unexpired as of the effective date of the Comprehensive Plan, shall continue to be legal building heights, density and/or intensity (as applicable) after adoption of the Comprehensive Plan. All duly approved and recorded lots, subdivision and condominium plats of record, which existed as legal lots, subdivision and condominium plats of record prior to the adoption of this Comprehensive Plan shall continue to be legal lots, subdivision and condominium plats of record after adoption of the Comprehensive Plan. This grandfather status may only be relinquished voluntarily by the vested entity. All future subdivisions, condominium plats and all replats shall comply with the Comprehensive Plan objectives and Policies, including maximum density provisions. Similarly, all new development shall comply with the Comprehensive Plan and LDC unless the development is found to have a vested right in a land use, building height, density or intensity that is in conflict with the Comprehensive Plan and LDC. Under such condition the grandfather clause shall be applicable unless voluntarily relinquished by the vested entity. The intent is to sustain demonstrated private property rights while preserving the public interest, welfare, health, and safety. Notwithstanding, any single-family home that is subject to redevelopment shall be allowed to reconstruct, providing adopted building and construction codes as well as this ordinance and the size and dimension criteria of the LDC are met.

CONCLUSION

Based on these excerpts, I conclude that prior to the first application of Ordinance 18-29-CC, there were no restrictions to the number of allowable guests.

History:
The subject was transferred on 7/21/2017 from Bart and LeAnn Hunt to Asit Jena and Rajashri Banerjee per ORB/P 3310/2658.

This sale was the selling price of the vacant lot and has no relevance to the current market value.

I was unable to identify this sale in MLS.

Active Listings:
None.

Current Use:
The subject is currently a detached single family home used for seasonal rental, catering to large family groups.

Surrounding Uses:
The surrounding use in the Crystal Beach/Destiny/Destiny By The Sea area is a mix of full time occupants and seasonal renters.

MARKET AREA ANALYSIS - SEASONAL RENTAL MARKET

I am restricting this analysis to the seasonal rental market.

Up until perhaps 2000, the great majority of seasonal rentals were condominium units.

However, the growing demand for larger spaces to accommodate extended families in one place led to the conversion of many larger homes to seasonal rentals. It also spurred the construction of homes specifically designed for large rental parties.

Such homes feature typical living areas but emphasize a substantial number of bedrooms and baths. Often bedrooms are equipped with multiple built - in bunks for sleeping children.

Most homes also feature sofa sleepers which can sleep additional children.

Many of these homes, and certainly those recently constructed for this purpose, featured swimming pools and lanai areas as an exterior amenity.

This market has flourished as Destin is nationally recognized as a tourist attraction.

It is common to see Realtors addressing gross rental amounts or gross rental projections in MLS Listings. While the value of homes similar to the subject is partially estimated by a size / value per SF component, the fact that a home generates a substantial amount of income makes it a more attractive and safe purchase than a home which is not rented for seasonal income. In the past few years, income has become as important as selling prices, per SF.

Another factor worthy of discussion is that many owners now self - manage. Typically in the past, management of rentals was performed by one of several large real estate companies, such as Resort Quest, Dale Peterson, Newman Dailey and Southern Resorts. However, in the past 10 years a substantial number of smaller management companies have surfaced.

Management fees for seasonal rentals range from perhaps 15% to 25% of gross revenue.

Entrepreneurial owners have recognized this expense line and many now self - manage with the aid of Vacation Rental By Owner (VRBO) or some similar search engine.

The seasonal rental market is increasing in the Destin/Miramar Beach market as the thriving national economy allows discretionary vacations.

Without the first application of Destin Ordinance 18-29-CC, allowing the existing capacity of 28 guests, I would consider the seasonal rental market to continue to flourish over the next several years.

However, with the first application of Ordinance 18-29-CC, limiting the subject to 18 guests, I would project a diminution in value.

HIGHEST AND BEST USE 'AS IS'

Legally Permissible
The subject property is zoned (and designated for future land use) as *Crystal Beach Neighborhood (CBN)* by the City of Destin, Florida.

This zoning and land use designation allows for single-family use and specifically indicates that short term rentals is a permitted use (See page 32). The use of the subject for single-family short-term rentals is therefore allowed in this district.

Physically Possible
The subject property appears to be relatively level and well drained. Soil and subsoil conditions nearby appear compatible with both low-rise, multi-story use and traditional commercial development. All utilities required for commercial or 'mixed use' are presently at the site. The size and dimensions of the site are sufficient to allow a wide variety of legally permissible uses. The shape of the site is rectangular and this shape does not limit utility. Transportation of construction materials or labor to the site is estimated to be relatively simple due to the central location of the site within the overall market. Access to the site is above average.

However, the most compelling substantiation that the subject is physically possible is the fact that it already exists.

Therefore, use of the subject property for single family use as a seasonal rental is physically possible.

Financially Feasible
Value opinions derived in the income approach to value indicate the existing improvement contributes value to the underlying land. There is substantial other ongoing seasonal rental use in the market, suggesting that there is broad appeal for seasonal rental properties.

Therefore, continued use of the subject property for a detached single family residence used for seasonal rental income is financially feasible.

Maximally Productive
The alternatives of addition, demolition, expansion, modernization, or conversion to alternate uses have been considered within the legal, physical, and financially feasible parameters. Several alternatives exist.

Alternatives for use of improvements:

Expansion
The existing subject improvement is 3,458 HVAC SF. The subject is typical of most seasonal rental homes. Thus, there is no need for expansion. Any expansion would come at a cost of parking and/or access. Thus, expansion beyond what is existing, does not appear to be appropriate and feasible.

Renovation
Typically, any existing property could benefit from renovation. However, the subject has been well maintained and is in good condition. Thus, I would not consider imminent renovation to be required or practical.

Downsizing
The existing subject improvements are 3,458 HVAC SF. I see no reason to downsize the subject improvement as it appeared that all of it is usable space. Thus, downsizing beyond what is existing does not appear to be appropriate, physically possible or feasible.

Subdividing
The purpose of the subject is to lease it seasonally to large parties of guests. Subdivision would not be legally approved and does not appear to be financially prudent as the parties of guests would be smaller and grouping smaller parties together in the same pool could prove problematic. I would not consider subdivision to be prudent or feasible.

Demolition
The subject is a recently constructed home in 2018 and is currently in good condition. It features a probable 55 years of remaining economic life and a probable 60-75 years of remaining physical life.

I do not consider demolition and replacement with alternative improvements to be a superior use to the current use as a rental property. No alternative use would be certain to serve the land better. Thus, the subject is not a candidate for demolition.

Utilizing existing improvements
Continued use 'as is' as a seasonal rental, is considered the maximally productive use.

Conclusion of Highest and Best Use 'as is'
Analysis of recent trends and current market supply and demand indicate that the maximally productive highest and best use of the subject property is continued use as a detached single family residence used for seasonal rental income.

Conclusion of Highest and Best User 'as is'
Analysis of recent trends and current market supply and demand strongly indicate the most probable user is an entrepreneurial user who leases the subject for seasonal rental income with a small amount of personal use.

SUMMARY OF ANALYSIS AND VALUATION

Methodology

Site valuation derived from Sales Comparison Analysis involves direct comparisons of the subject property to similar properties selling in the marketplace to derive a comparative value indication for the subject property 'as if vacant,' as of the effective date of value. This approach is also called the 'direct sales comparison approach', or the 'market approach', and tends to be the most reliable approach for developing an opinion of the value of vacant land or sites available for development. Other methods of developing the value of land are available. Allocation, extraction, land residual, ground rent capitalization, and discounted cash flow analysis are all recognized as reasonable methods of valuation.

The cost approach is a reliable methodology for new, or nearly new, buildings. I estimate the replacement cost or reproduction cost, in this case replacement construction cost, of the existing or existing improvements and site improvements (including direct and indirect costs as well as an appropriate developer profit), deducting accrued depreciation from physical, functional, and external sources from the total replacement or reproduction cost new. The depreciated replacement or reproduction cost of the improvements is added to the value of the site resulting in a value indication of the fee simple interest in the property.

The sales comparison approach is based on the 'Principle of Substitution' which indicates an informed purchaser would pay no more for a property than the cost of acquiring an equally desirable substitute property with the same or similar utility. This approach is applicable when an active market provides sufficient quantities of reliable data which can be verified from authoritative sources. The Sales Comparison Approach is reliable in an active market or if an opinion of value is related to properties which there are comparable sales available. This approach to value is also relevant when sales data can be verified with the principals to the transaction. Heavy emphasis is usually placed on this approach to value in an active market.

The income approach is recognized as a reliable approach for developing an opinion of the value of 'income producing' property to an investor. The income approach consists of methods, techniques, and mathematical procedures an appraiser uses to analyze a property's capacity to generate income and convert income into an indication of present value either by capitalizing the current income at a market capitalization rate or discounting the future cash flows into a present value estimate using an appropriate yield (discount) rate. The appraisal process emulates the market, and the most probable purchaser would be an investor. Two (2) techniques associated with the income approach are direct capitalization and discounted cash flow analysis.

Methodology employed and explanation of the exclusion of any of the three (3) approaches to value

I am not performing cost analysis. The problem to be solved is to derive the diminution in value based on the guest restrictions included in Destin Ordinance 18-29-CC. The number of guests would have no impact on the cost to construct.

I am not performing sales comparison analysis. The impact of Destin Ordinance 18-29-CC may not be evident in the market for several years in the selling prices of homes. The ordinance allows a five year grandfather period. Homes sold in this grandfather period may not indicate a decline in selling prices and it would not be reliable to estimate diminution in value based on comparable sales until a larger array of data was available for use in sales comparison analysis.

I am performing income analysis. I will identify probable annual income for the subject with twenty eight (28) guests, based on historical income and projected income from the owner; and then identify market rents which support the subject contract rent. I will then identify operating expenses and subtract operating expense from gross rent to arrive at a net operating income (NOI). I will then apply a market based capitalization rent to the NOI to arrive at a value for the subject, prior to the first application of Destin Ordinance 18-29-CC on September 18, 2019.

I will then identify the rental incomes for homes which are allowed only 18 guests. I will then subtract expenses for the rents of 18 guest homes and arrive at their NOI. I will then derive a value by capitalizing this NOI.

Finally I will subtract the value for a 18 guest house from the value of a 28 guest house and this figure will be the diminution in value.

COST ANALYSIS
NOT PERFORMED

SALES COMPARISON ANALYSIS NOT PERFORMED

INCOME ANALYSIS
'AS IS'

DESCRIPTION OF INCOME ANALYSIS METHODOLOGY

The income approach to value is based on the principle of anticipation, in that the value of the subject property correlates to the present worth of the future right to receive benefits in the form of income to be received by the owner. The income approach considers the property from an investment interest with the assumption that the amount of income, coupled with the regularity and quality of the income stream, are the basis for valuing the property based on income analysis.

The income approach is applied by identifying the net income by first identifying gross income and then deducting from the gross income the expenses of operating a property to arrive at a net income, generally identified a Net Operating Income (NOI).

The estimated NOI is then converted to a value opinion by utilizing either a Discounted Cash Flow Analysis, or a Direct Capitalization Analysis, or both.

Discounted cash Flow Analysis:
The Discounted Cash Flow Analysis (DCF) is an analysis where a discount rate is applied to a series (typically several years) of income streams with a reversion after typically 7 to 10 years. The appraiser must specify the quantity, variable nature of the income, timing of payments (monthly/quarterly/annually) to a present value at a specified yield rate. The DCF analysis is most applicable when the net income is projected to be variable and when the property is on a sufficient size and investment value to influence market participants to evaluate purchase decisions based on DCF. A large strip retail center would be a good candidate for DCF analysis, as would a project to be constructed in phases, where the income would increase as new construction is added.

I note that I did not perform DCF analysis as it is my opinion that market participants would not use DCF analysis to base decisions to either purchase or sell properties such as the subject.

Direct Capitalization:
The conversion of a net income to a current value is called capitalization. Capitalization is a method which is used to convert the estimate of a single year's net income actual figures and/or expectancy of income into a value opinion by dividing the income by a appropriate rate of capitalization, as estimated by the appraiser. This technique employs capitalization rates derived from the market, using both capitalization rates from recent sales of similar properties, generally augmented by national indices, or other mathematical progressions. This process provides a one year snap shot of the property value. Future yields and values are not directly identified. The direct capitalization analysis is most appropriate for small to medium sized income producing properties, in stable markets with a forecast of generally stable income.

The procedural steps involved in capitalization are as follows:

Develop the probable gross income by identifying historical performance, income projections and market incomes from comparable properties which support the historical or projected subject income.

Estimate vacancy and collection losses to arrive at Effective Gross Income (EGI).

Estimate and subtract operating expenses to arrive at NOI.

Develop a capitalization rate which is supported by the market.

Divide the NOI by the capitalization rate to derive a value opinion.

I am employing the direct capitalization analysis to derive values in this analysis.

I note for the reader that steps #1 and #2 are generally combined in the analysis of seasonal resort properties. Owners and management companies tend to provide actual income which has already accounted for vacancy and collection loss.

INCOME ANALYSIS - ESTIMATE OF CAPITALIZATION RATE

The capitalization rate is a rate which is applied to the Net Operating Income (NOI) to derive a value for a property. As the chart below indicates, you can derive a capitalization rate by dividing the NOI by the purchase price.

The following excerpt will provide some explanation of capitalization rates.

Capitalization rates are used in a formula. As seen below, dividing the net operating income by the purchase price indicates the capitalization rate.

Another variation of the formula is to divide the net operating income by the capitalization rate and this process will indicate the value of the property.

What Is a Cap Rate?

A cap rate is simply a formula. It's the ratio of a rental property's net operating income to its purchase price (including any upfront repairs):

$$\text{Cap Rate} = \frac{\text{Net Operating Income (NOI)}}{\text{Purchase Price}}$$

The formula can be used on the level of an individual property by looking at its net operating income compared to its value. But it can also be used on the level of an entire market by taking *average* cap rates for a large group of properties.

Importantly, the cap rate formula does NOT include any mortgage expenses. As you can see in the formula for net operating income below, the expenses do not include a mortgage or interest payment.

Gross Rental Income
- Vacancy/Credit Loss Reserve
- Property Taxes
- Property Insurance
- Maintenance/Repairs
- Common Utilities (if any)
- Other expenses (ex: license)

= Net Operating Income

MARKET DATA BASED ON TYPICAL INDICES

Capitalization rates range widely in the market. The following table derived from Realty rates.com indicate a wide variety of capitalization rates base on property types. This table contains very recent data from the first quarter 2019.

As can be seen, properties such as restaurants and lodging (motels and hotels) have high capitalization rates. Apartments (residential) have the lowest capitalization rates.

Realty rates does not include a separate category of single family detached homes.

RealtyRates.com INVESTOR SURVEY - 1st Quarter 2019*

CURRENT & HISTORICAL CAP RATE INDICES

Method-Weighted* Property Category Indices

	Apts		Golf		Healthcare Senior Housing		Industrial		Lodging		MH/RV Park		Office		Retail		Restaurant		Self Storage		Special Purpose		Weighted* Composite Indices	
		BP		BP		BP		BP		BP		BP		BP		BP		BP		BP		BP		BP
Year	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg
2018	8.42	26	12.02	30	9.01	14	9.19	23	10.53	25	9.56	30	9.04	10	9.38	20	11.57	15	9.86	29	11.64	40	9.64	22
4th Qtr	8.46	9	12.09	11	9.07	11	9.23	7	10.53	1	9.62	13	9.08	13	9.44	10	11.62	11	9.92	13	11.71	11	9.68	9
3rd Qtr	8.37	-4	11.97	-5	8.96	-2	9.16	-5	10.52	-7	9.50	-5	8.95	-6	9.33	-3	11.51	-4	9.79	-7	11.60	-3	9.59	-5
2nd Qtr	8.41	3	12.02	5	8.99	3	9.21	5	10.59	6	9.55	5	9.00	0	9.38	4	11.56	4	9.86	6	11.63	5	9.64	4
1st Qtr	8.38	23	11.97	28	8.96	13	9.16	22	10.62	31	9.50	28	9.00	5	9.32	17	11.52	28	9.81	25	11.58	34	9.60	21
2017	8.16	4	11.73	-2	8.97	-6	8.96	-12	10.28	5	9.26	11	8.94	-22	9.19	-8	11.42	-15	9.57	-9	11.25	4	9.42	-6
2016	8.13	-2	11.75	6	8.92	12	9.08	15	10.22	0	9.15	15	9.16	16	9.27	12	11.57	-10	9.67	14	11.21	10	9.48	9
2015	8.15	-9	11.69	-14	8.90	-9	8.93	-10	10.22	-28	8.99	-19	9.00	-6	9.15	-11	11.66	-13	9.52	-22	11.11	-32	9.40	-12
2014	8.24	-15	11.83	-9	8.89	-1	9.03	-4	10.43	-17	9.17	-5	9.06	-22	9.26	15	11.79	-6	9.76	-20	11.24	14	9.52	-7
2013	8.39	14	11.92	-14	8.90	5	9.07	-2	10.60	3	9.22	14	9.28	-19	9.11	-4	11.86	9	9.95	-24	11.10	1	9.58	-2
2012	8.25	-35	12.07	6	8.85	-36	9.09	-40	10.57	-24	9.08	-39	9.47	3	9.15	-13	11.77	6	10.19	-49	11.09	-4	9.60	-21
2011	8.60	-28	12.00	-22	9.21	-48	9.49	-11	10.81	-24	9.48	-9	9.44	-10	9.28	-26	11.70	-14	10.69	-3	11.12	-17	9.81	-19
2010	8.88	4	12.22	5	9.62	15	9.60	12	11.05	7	9.55	22	9.54	16	9.54	25	11.84	12	10.72	21	11.30	0	10.00	13
2009	8.85	8	12.17	16	9.47	10	9.48	10	10.98	-7	9.33	1	9.38	29	9.29	20	11.72	15	10.50	37	11.30	8	9.87	14
2008	8.77	-4	12.01	29	9.37	-16	9.38	-14	11.05	58	9.32	-5	9.08	-16	9.08	-11	11.57	-29	10.13	20	11.22	-7	9.74	-1
2007	8.81	-45	11.72	-21	9.53	-65	9.52	-25	10.49	-28	9.37	-25	9.25	-47	9.20	-12	11.86	61	9.93	-38	11.29	-24	9.75	-28
2006	9.26	12	11.93	47	10.18	15	9.77	35	10.77	27	9.63	41	9.72	26	9.32	30	11.24	18	10.31	27	11.53	9	10.03	26
2005	9.14	14	11.46	80	10.03	-18	9.42	-30	10.50	-21	9.22	19	9.46	6	9.02	15	11.06	5	10.04	13	11.44	-30	9.77	2
2004	9.00	-19	10.66	28	10.19	-37	9.72	19	10.71	-38	9.03	-48	9.40	-4	8.88	-19	11.01	-15	9.91	-13	11.74	-30	9.75	-19
2003	9.19	-2	10.38	-32	10.56	64	9.53	33	11.69	56	9.51	-11	9.44	1	9.05	-19	11.16	8	10.04	-53	12.04	106	9.94	12
2002	9.21	-40	10.70	16	9.92	-39	9.20	-61	11.13	26	9.62	-60	9.49	-35	9.23	-52	11.68	-3	10.57	-12	10.99	-177	9.82	-48
2001	9.61	64	10.52	133	10.31	80	9.81	16	10.97	98	10.22	-68	9.78	-35	9.86	-53	11.11	47	10.69	13	12.76	32	10.23	21
2000	8.97		9.19		9.41		9.65		9.89		10.90		10.13		10.38		10.64		10.56		12.44		10.01	

*Weighted by methodology: Band-of-Investment, DCR Technique, Sales Survey

^Further weighted by property category

The following chart provides some additional data regarding capitalization rates for apartments in some major metropolitan centers.

These rates are lower than the overall national rate for apartments identified on the previous page. I attribute this to the fact that the cities below are major metropolitan areas with a high density of population which keeps occupancy high and inspires investor confidence. In this regard, the Destin seasonal rental market is similar in its high density and national appeal.

Cap Rates For Stabilized, Class A Multifamily Apartments By City – 2017 (2nd Half)	
San Diego	4.25%
Chicago	4.75%
Atlanta	5.00%
Philadelphia	5.25%
St. Louis	5.75%
Cleveland	6.25%
Pittsburgh	6.50%
Detroit	7.25%

Single family homes are seldom valued via income capitalization. Most homes are owner occupied and the issue of rent and valuation through rent is generally not applicable. However, I identified the following excerpt rom the internet which indicates a range of capitalization rates from 4% to 10% for single family homes. The reader will note in the excerpt immediately above that high demand areas feature lower capitalization rates and lower demand areas feature higher capitalization rates. I would again observe that Destin is a high demand area in the seasonal rental market. Thus, I would consider it probable that capitalization rates for singe family homes in Destin were toward the low side of the 4% to 10% range.

Cap Rate for Single Family Home

Professionals purchasing commercial properties, for example, may buy at a 4% cap rate in high demand areas, or a 10% (or even higher) cap rate in low-demand areas. Generally, 4% to 10% per year is a reasonable range to earn for your investment property. Continuing with our example from above, $17,000/ **5%** = $340,000.

The following are two excerpts from the internet indicating that Panama City Beach, Florida boasts a very low capitalization rate of 4.9% and that the Destin, Florida market features a 4.7% capitalization rate for Airbnb rentals.

9. PANAMA CITY BEACH, FL

- *Short-Term Rental Cap Rate: 4.9%*

White sandy beaches, clear water, fishing piers, protected nature reserves, hiking trails... what more do you need to be convinced that Panama City Beach is one of the best places around the US to invest in a vacation rental.

Property prices are affordable with a median level of $334,700, while short-term rental income stands around $3,260. The average cap rate for vacation rentals is 4.9%.

2. Destin

- *Median Property Price:* $695,000
- *Airbnb Rental Income:* $2,720
- *Traditional Rental Income:* $1,610
- *Airbnb CoC Return:* 2.3%
- *Traditional CoC Return:* 0.5%
- *Airbnb Cap Rate:* 4.7%
- *Traditional Cap Rate:* 2.8%
- *Airbnb Occupancy Rate:* 58.4%

The second among the best places to buy a vacation home in Florida is Destin, with rental income from Airbnb just a few dollars below St. Augustine. However, this location is significantly more expensive. But it has a very important advantage for all those loving nature and sports – it is very famous for the fishing opportunities that it offers.

Conclusion:

I have provided an array of capitalization rates from national data ranging from a low of 4.7% to a high of 8.42%.

I am selecting a rounded rate of 6.25%, recognizing that there are established capitalization rates both higher than, and lower than, the reconciled 6.25%.

I am confident that a capitalization rate of 6.25% is well supported by national data.

I also note that the most similar rate is the 4.7% Airbnb rate in Destin, which suggests that a 6.25% rate may be conservative.

MARKET CAP RATE DATA BASED ON LOCAL SALES OF HOMES USED FOR SEASONAL RENTAL

In addition to the national data provided above, I am also providing some data from actual sales in the local market.

I have some professional acquaintances who specialize in the management of large homes used for seasonal rentals. I have asked them to provide me some actual data from recent sales to help derive a local data base of capitalization rates.

On 7/13/2018, Frangista Beach E16 LLC (Nick Athens - a professional acquaintance well known to me) sold 3491 Scenic Highway 98 to Rich Rentals for $3,000,000. This house is 6,008 HVAC SF and features nine (9) bedrooms and 9.5 baths. It is very similar to the subject and is a very good comparable indicator of capitalization rates. Mr. Athens stated that the net operating income was $172,340. Dividing $172,340 by $3,000,000 indicates a capitalization rate of 5.74%.

On 9/4/2015, Nick and Tina Athens sold 1850 - 1852 Scenic Gulf Drive in Miramar Beach to Forty-Four Holdings for $2,205,000. This was two side by side homes in Frangista Beach which were an aggregate 3,460 HVAC SF and which features Five (5) bedrooms and 7 baths. Mr. Athens stated that the net operating rent was $133,200. Dividing $133,200 by $2,025,000 indicates a capitalization rate of 6.58%. I do not consider it a coincidence that the home with the fewest bedrooms featured the highest capitalization rate.

On 2/10/2016, Destiny Real Estate Ventures LLC sold 3463 Scenic Highway 98 to Charles Barone for $3,615,000. This house is 6,465 HVAC SF and features eight (8) bedrooms and 6.5 baths. It is very similar to the subject and is a very good comparable indicator of capitalization rates. Mr. Giles stated that the net operating income was $222,125. Dividing $222,125 by $3,615,000 indicates a capitalization rate of 6.15%.

On 1/11/2019, Kevin Hense sold 2984 Scenic Highway 98 to Russell and Susan Hancock for $3,000,000. This house is 3,997 HVAC SF and features six (6) bedrooms and 5.5 baths. It is very similar to the subject and is a very good comparable indicator of capitalization rates. Mr. Hense stated that the net operating income was $176,000. Dividing $176,000 by $3,000,000 indicates a capitalization rate of 5.87%.

On May 18, 2018, Sapp Investments LLC sold 4659 Destiny Way to the Lindholm Family Revocable Living Trust for $2,500,000. Mr. Lindholm stated to me that income for 2018 was an aggregate of $293,500. He also stated that expenses were an approximate $115,025, resulting in approximate $178,475 of net operating income (NOI). Dividing $178,475 by $2,500,000 indicates a capitalization rate of 7.14%.

RECAPITULATION OF LOCAL MARKET CAPITALIZATION RATES

The following table summarizes the capitalization rates identified in the narrative above.

Property Address	Capitalization Rate
3491 Scenic Highway 98, Destin	5.74%
1850 Scenic Gulf Drive, Mirimar Beach	6.58%
3463 Scenic Highway 98, Destin	6.15%
2984 Scenic Highway 98, Destin	5.87%
4659 Destiny Way, Destin	7.14%
Average	6.29%
Rounded	6.25%

I consider a rounded capitalization rate of 6.25%, derived from local market data, to be a market supported rate which is both credible and reliable, as well as being consistent with national data which brackets the final capitalization rate selection.

For this reason, I am selecting a 6.25% capitalization rate.

ESTIMATE OF VALUE PRIOR TO THE FIRST APPLICATION OF ORDINANCE 18-29-CC

Based on the current zoning and the Destin Land Development Code, and prior to the first application of Ordinance 18-29-CC, there was no limit to the number of guests allowed in the subject improvement. The subject can accommodate up to twenty eight (28) guests based on the data provided by the owner and my identification of sleeping capacity previously identified.

CURRENT CONTRACT RENT

I note that seasonal rentals are typically described with annual rental amounts as opposed to more consistent monthly rental rates.

Such rental amounts are generally described using gross income data, and/or projections of gross income data.

Appraisers need to then examine expenses to arrive at a net operating rent to capitalize. Expenses to gross revenue are ad valorem taxes, flood and hazard insurance, HOA dues, maintenance and repairs, utilities, lawn maintenance, pest control, professional fees and reserves. I note that interest/mortgage payments and depreciation are not expenses when capitalizing property for value.

The subject was acquired in December 2018 as a newly constructed home. Thus, there is no 2018 historical income data.

The owner self manages the subject and he estimated that the 2019 gross rent would be an approximate $150,000.

On 7/16/2019 3:21 PM, ajena11@gmail.com wrote:
Dolphin we just built in 2018 so Data is March till end of 2018
Tarpon I bought in 2016. Most of the booking are in.
In Tarpon I expect $125k
And Dolphin $150K

Assuming that the owner is generally correct regarding the gross rent of $150,000, dividing $150,000 by 28 guests indicates a per guest rate of $5,357, rounded.

I will attempt to provide support to the 2019 projection by researching other homes in Destin which rent to similar number of guests.

MARKET SUPPORT FOR GROSS INCOME ESTIMATE

Some of these comparables were provided to me by Jordan Shane, Florida Luxury Vacation Rentals, Cheryl St.Pe', Destin Comforts and Ben Giles.

Some of these comparables were provided to me by Ben Giles, an owner of several large homes. Other owners who provided data were Tari Furey, Nick Athens, Kevin Hense, Doris Reel, Brad Lindholm, and Andrea Farrell.

Number	Address	Gross Income	Guest capacity	Annual Income per Guest
1	3587 Scenic Highway 98	$305,393	32	$9,545
2	3463 Scenic Highway 98	380,000	32	$11,875
3	3461 Scenic Highway 98	$364,723	36	$10,131
4	107 Hollywood Street	$289,647	38	$7,622
5	112 Sandprint Circle	$325,000	30	$10,833
6	4659 Destiny Way	$293,500	28	$10,482
7	3485 Scenic Highway 98	$145,100	22	$6,595
8	3489 Scenic Highway 98	$160,900	20	$8,045
9	92 Pompano	$144,000	24	$6,000

The average of these nine market comparable rentals is $9,041 per guest annually.

Many of these comparables are closer to the gulf and many have gulf views.

I would consider the subject location to be generally inferior to this array of comparable rentals.

This market data supports the owner's projection as many of the above, per guest, rates are higher than the owner's projection.

I note that comparable rental #9 is also a new house in Crystal Beach, constructed in 2018. It is the most similar comparable rental. Its average guest rental of $6,000 is consistent with the owner's estimate.

I am selecting a rounded $5,500 per guest income.

The subject can accommodate 28 guests. Multiplying 28 by $5,500 per guest results in an annual gross income of $154,000, a figure consistent with the owner's projection. I note for the reader that income capitalization is the current value of future benefits. I also note that the subject was newly constructed in 2018 and had no traction in the market prior to 2019.

I assume that the income could increase in future years.

MARKET SUPPORT FOR GROSS TO NET RATIO

I have attempted to derive gross and net income figures for comparable properties in the market. However, my research indicates that many owners and property managers are unwilling to divulge private financial information, especially the net income.

Thus, I will provide some market examples of properties where clients or close associates did divulge data.

The first example is a detached home located at 112 Sandprint Circle in the Dunes of Destin. The owners, Edward and Tari Furey, provided me with detailed data regarding income and expenses. They indicted annual revenue of $325,000 and annual expense of $100,000. This suggests an expense ratio of $100,000 / $325,000, or 31%, rounded.

I again spoke to Nick Athens who still owns a detached house at 4664 Destiny Way which grossed $275,000 in 2018. The expenses for this property were an approximate $89,000. This suggests an expense ratio of $89,000 / $275,000, or 32% rounded.

As a third indicator, I spoke to Kevin Hense, who sold a detached house at 2984 Scenic Highway 98 for $3,000,000 on 1/11/2019. Mr. Hense indicated that the 2018 gross rent was $263,000 and that the expenses were $87,000. This suggests an expense ratio of $87,000 / $263,000, or 33%, rounded.

There is no historical expense ratio for the subject.

I am assuming that the subject expense ratio is relatively consistent with the market comparables above.

I am using a 35% expense ratio in this analysis.

The next step is applying the previously calculated expense ratio to the gross rent to arrive at a net operating income (NOI). Applying a 35% expense ratio to $154,000 results in a net rent of $100,100.

Capitalizing $100,100 with a 6.25% capitalization rate results in a value of $1,601,600, rounded to $1,600,000.

It is my professional opinion that the subject value, prior to the first application of Destin Ordinance 18-29-CC is $1,600,000, based on income analysis.

$1,600,000

ESTIMATE OF VALUE AFTER THE FIRST APPLICATION OF ORDINANCE 18-29-CC

Destin Ordinance 18-29-CC reduces the subject sleeping capacity to 16 guests as the limit is two guests per bedroom, plus four (4) additional guests. There are seven (7) bedrooms. Thus, 2 x 7 = 14 + 4 = 18.

I note for the reader that the ordinance states clearly that a bedroom must meet the requirements of the Okaloosa County Property Appraiser who states that a bedroom has a door, a window and a closet. The Okaloosa County Property Appraiser states that the subject is a seven bedroom house. It is my opinion that the limit of 18 guests will have a negative impact on value.

To estimate the difference, I need to research the market for homes which are limited to smaller guest totals. Market research results in the following comparable rentals.

MARKET SUPPORT FOR GROSS INCOME ESTIMATE

Some of these comparables were provided to me by Jordan Shane, Florida Luxury Vacation Rentals, Cheryl St.Pe', Destin Comforts and Ben Giles.

#	Address	Gross Income	Guest capacity	Income per guest
1	3892 Sandprint Circle	$176,500	30	$5,883
2	113 Los Angeles Street	$137,308	19	$7,227
3	1737 Scenic Highway 98	$144,814	20	$7,241
4	100 Sandprint Circle	$105,000	20	$5,250
5	84 Woodward Street	$80,560	12	$6,713
6	212 Kono Way	$74,815	12	$6,235
7	82 Shirah Street	$110,000	17	$6,470
8	75 Shirah Street	$79,885	14	$5,706
9	76 Dolphin Street	$101,300	20	$5,065
10	3489 Scenic Highway 98	$160,900	20	$8,045
11	3485 Scenic Highway 98	$145,100	20	$6,595

The average of these ten market comparable rentals is $6,396.

I would still consider a per guest rate of $5,500 per year to be credible.

Based on the first application of Ordinance 18-29-CC, the subject will be limited to 18 guests.

Multiplying $5,500 per guest by 18 guests results in gross annual rent of $99,000.

Applying a 35% expense ratio to $99,000 results in a net rent of $64,350.

Capitalizing $62,400 with a 6.25% capitalization rate results in a value of $1,029,600, rounded to $1,030,000.

It is my professional opinion that the subject value, after to the first application of Destin Ordinance 18-29-CC is $1,030,000 based on income analysis.

$1,030,000

ESTIMATE OF THE DIMINUTION OF VALUE

My research and analysis indicates that the value of the subject based on the right to sleep 28 guests is a rounded $1,600,000.

My research and analysis indicates the value of the subject based on the limit to sleep only 18 guests is a rounded $1,030,000.

It is my opinion the first application of Destin Ordinance results in an approximate $570,000 diminution of value.

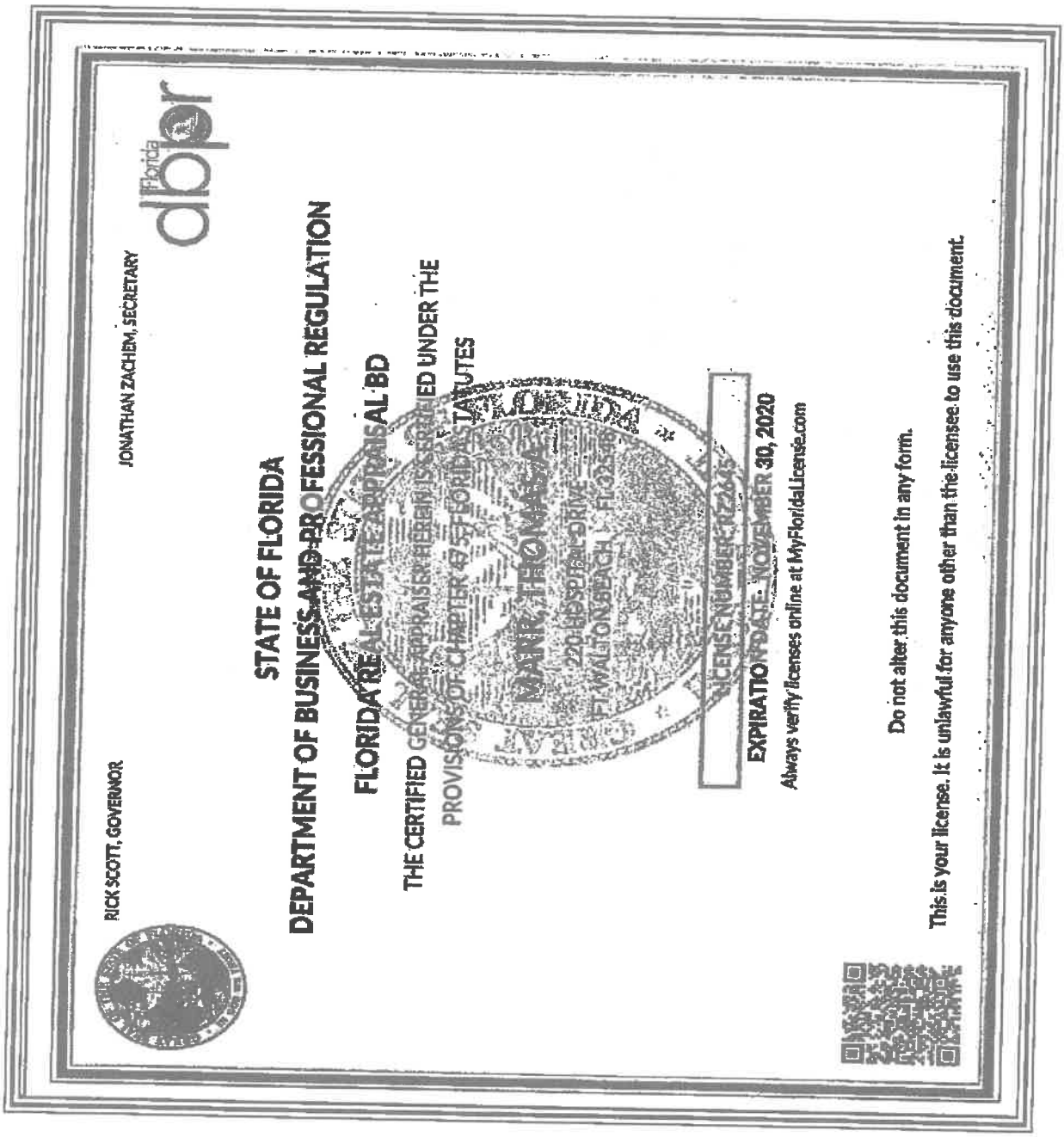
DIMINUTION OF VALUE

$570,000

ADDENDA

Appraiser License

APPRAISER LICENSE



THIS INSTRUMENT PREPARED BY
AND AFTER RECORDING RETURN TO:

Kimberly Romano Kopp, Esq.
Romano Kopp Law, P.A.
P.O. Box 445
Destin, Florida 32541

For Recording Purposes Only

SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is entered into this _____day of _____ 2019, ("Effective Date") by and between, Asit K. Jena & Rajashri Banerjee ("**Owner**") and the City of Destin ("**City**"), collectively referred to as the "Parties."

RECITALS

WHEREAS, on January 22, 2019, the City enacted Ordinance 18-29-CC, the Short-Term Rental Occupancy Ordinance ("Ordinance"), which limits the occupancy of short-term rental homes to two (2) people per bedroom plus an additional four (4) persons; and

WHEREAS, Owner owns the real property and improvements located at 91 Dolphin Street, Destin, FL, 32541, as more particularly described in the attached Exhibit "A" (the "Property"); and

WHEREAS, on October 23, 2019, Owner filed a claim with the City, pursuant to the provisions of §70.001, Florida Statutes, the Bert J. Harris, Jr., Private Property Rights Protection Act (the "Harris Act"), alleging that the Property had been inordinately burdened by the adoption of the Ordinance, (the "Claim"); and

WHEREAS, the Harris Act provides for the City to have the ability to enter into a settlement agreement which would have the effect of a modification or variance to the application of a regulation or ordinance as it would otherwise apply to the subject real property, provided the relief granted protects the public interest served by the regulations at issue and is the appropriate relief necessary to prevent the governmental regulatory effort from inordinately burdening the real property; and

WHEREAS, the City has determined that the modifications to the effect of the Ordinance effected by this Agreement protect the public interest served by the Ordinance and are the appropriate relief necessary to prevent the regulatory effect of the Ordinance from inordinately burdening the Property; and

WHEREAS, the Parties now desire to settle and finally resolve all disputes between and among them concerning the Claim.

NOW, THEREFORE, the Parties hereby agree as follows:

1. **Recitals.** The above recitals are true and correct and are incorporated herein by reference.

2. **Occupancy Allowable Under Ordinance.**

(a) Owner is hereby granted a variance from the provisions of the Ordinance so that the Owner shall have the right to apply under the Ordinance for a maximum occupancy of seventeen (17) overnight guests at the seven (7) bedroom vacation rental property noted above and the City shall grant such occupancy. The right shall continue in perpetuity, regardless of any future changes in ownership, provided that this right shall expire permanently if the Property were to be voluntarily remodeled or voluntarily rebuilt in such a manner as to change the number of bedrooms that existed at the date of the Claim. The Property remains subject to all other requirements of the City's regulations, including but not limited to regulations for short-term rentals, parking, trash, and noise.

(b) No greater than ___ (_) vehicles may be parked on the Property. No vehicle may encroach upon the City's right-of way.

(c) Owner shall ensure that at least three (3) outdoor trash receptacles are provided by the applicable trash hauler and available for use by occupants at all times.

(d) Owner agrees that the City shall be permitted to access the property on an annual basis for the purpose of life-safety inspections to ensure code compliance with minimum egress and emergency egress requirements pursuant to the Florida Building Code (Residential) and to ensure the property has adequate and working smoke detectors. Owner shall submit to the City a separate application and fee for such inspection, on a form provided by the City, at the time Owner submits its annual short-term rental registration application to the City

3. **Development in Accordance with Code.** Notwithstanding any provisions contained herein, the Owner shall at any time have the right and option to remodel, develop, or use the Property in accordance with the applicable ordinances of the City of Destin in effect at the time of application therefor, and this variance shall not be construed as making the Property in any way non-conforming.

4. **Entire Agreement.** The Parties acknowledge that this Agreement constitutes the entire agreement between them regarding the settlement of their dispute and any prior statements, whether oral or written, are merged herein. This Agreement may not be modified or amended without a written instrument signed by the party against whom enforcement is sought.

5. **Duration of Agreement.** This Agreement shall be perpetual and deemed to run with the land, and shall be binding upon and the benefits shall inure to the parties hereto and their respective heirs, devisees, personal representatives, successors and assigns.

6. **Authority.** The signatories to this Agreement are expressly authorized to resolve their dispute as set forth herein and by their signatures here represent and affirm their authority to execute this Agreement.

7. **Governing Law.** The law of the State of Florida shall apply to this Agreement. Any dispute regarding this Agreement shall be litigated exclusively in the courts of Okaloosa County, Florida. The parties expressly consent to such agreed jurisdiction and venue, and waive any objections thereto.

8. **Notices.** Any notice required or permitted to be given hereunder shall be in writing and shall be (i) delivered by hand, (ii) delivered by reputable national or local courier (such as United Parcel Service or Federal Express), (iii) mailed by United States registered or certified mail, return receipt requested and postage prepaid, or (iv) sent by facsimile transmission provided a confirmation of such facsimile transmission is sent the same day by one of the methods of delivery in (i), (ii), or (iii) above. Any notice shall be addressed to each party at its address as set forth below. Any such notice shall be considered given on the date of such hand delivery, deposit with such courier for same day or next business day delivery, upon receipt of return receipt of certified mail, or receipt of facsimile transmissions, as the case may be, and the time period (if any is provided herein) in which to respond to such notice shall commence on the date of receipt. Rejection or other refusal to accept or inability to deliver because of changed address of which no notice was given shall be deemed to be receipt of the notice. By giving to the other party at least ten (10) days' notice thereof, any party shall have the right from time to time to change the addresses thereof and to specify up to two (2) additional addresses within the United States of America to which copies of notices to it shall be sent. Notice may be given on behalf of any party by such party's counsel. In the event the subject property owner changes, notices shall be addressed to the current owner as indicated in the records of the Okaloosa County Property Appraiser. Otherwise, notices shall be sent as follows:

Each notice shall be addressed as follows:

To City: City of Destin, Florida
Attn:
4200 Indian Bayou Trail
Destin, Florida 32541

With a copy to:
City Land Use Attorney
Romano Kopp Law, PA
PO Box 445
Destin, Florida 32541
Attn: Kimberly Romano Kopp, Esq.

To Owner: Asit K. Jena & Rajashri Banerjee
91 Dolphin Street
Destin, FL 32541

With a copy to: Najmy Thompson, PL
1401 8th Avenue West
Bradenton, Florida 34205
Attention: Aaron M. Thomas, Esq.

Attorney's Fees. In the event of any action, whether pre-suit, mediation, litigation or appellate proceeding to enforce the terms and conditions of this Agreement, each party to the action shall pay its own attorney's fees and costs incurred therein.

(d) Venue over any action to enforce the terms and conditions of this Agreement, including mediation, shall lie solely in Okaloosa County, Florida.

OWNERS: ASIT K. JENA & RAJASHRI BANERJEE

_____ _____
Signature of Witness #1 Asit K. Jena

_____ _____
Print or type name Date

_____
Signature of Witness # 2

_____
Print or type name

_____ _____
Signature of Witness #1 Rajashri Banerjee

_____ _____
Print or type name Date

_____
Signature of Witness # 2

_____
Print or type name

STATE OF_____
COUNTY OF_____

The foregoing instrument was acknowledged before me this _____ day of _____ 2019, by _____ _____ and _____, who are personal known to me or who have produced _____ as identification and who did not (did) take an oath.

_____
Signature of Notary

(NOTARY SEAL)

_____
Print or type name

STATE OF_____
COUNTY OF_____

The foregoing instrument was acknowledged before me this _____ day of _____ 2019, by _____ _____ and _____, who are personal known to me or who have produced _____ as identification and who did not (did) take an oath.

_____
Signature of Notary

(NOTARY SEAL)

_____
Print or type name

CITY OF DESTIN

By:_____
Gary Jarvis, Mayor

Date:_____

ATTEST:

_____
Rey Bailey, City Clerk

Date:_____

STATE OF_____
COUNTY OF_____

The foregoing instrument was acknowledged before me this _____ day of _____ 2019, by _____ _____ and _____, who are personal known to me or who have produced _____ as identification and who did not (did) take an oath.

_____
Signature of Notary

(NOTARY SEAL)

_____
Print or Type Name

Approved as to form and legality for use and reliance
by the City of Destin, Florida, only.

_____
Kimberly Romano Kopp, Esq.
City Land Use Attorney

Exhibit "A"

Legal Description of Property

ITEM # 2019-1882

CITY OF DESTIN

AGENDA ITEM

COUNCIL MEETING DATE: December 9, 2019
TYPE OF AGENDA ITEM: Action Item

TO: City Council

THRU: Lance Johnson, City Manager

FROM: Kimberly Kopp, Land Use Attorney

DATE:

SUBJECT: 2) 82 Shirah Street

I. BACKGROUND:

On January 22, 2019, the City enacted Ordinance 18-29-CC, the Short-Term Rental Occupancy Ordinance ("Ordinance"), which limits the occupancy of short-term rental homes to two (2) people per bedroom plus an additional four (4) persons.

The subject property owner owns the real property and improvements located at 82 Shirah Street, Destin, FL 32541, as more particularly described in Exhibit "A" (the"Property") to the proposed settlement agreement.

The Harris Act provides for the City to have the ability to enter into a settlement agreement which would have the effect of a modification or variance to the application of a regulation or ordinance as it would otherwise apply to the subject real property, provided the relief granted protects the public interest served by the regulations at issue and is the appropriate relief necessary to prevent the governmental regulatory effort from inordinately burdening the real property.

The City Council should settle the claim if the City Council determines that the modifications within the settlement agreement protect the public interest served by the Ordinance and are the appropriate relief necessary to prevent the regulatory effect of the Ordinance from inordinately burdening the Property.

II. DISCUSSION: The property owner has requested a maximum occupancy of seventeen (17) occupants. City staff is recommending an occupancy of twelve (12) occupants based on the square footage of the property. The building official utilized a one-occupant per 200 square feet methodology for recommending the above-stated occupancy.

Additionally, staff is recommending at least two (2) trash cans on the property. This recommendation is based on industry standard (Waste Management) that, on average, one trash can is required for every six occupants in order to ensure adequate garbage disposal. Therefore, if the maximum number of occupants exceeds any multiple of six (6, 12, 18, 24, 30, 36, etc.), then an extra trash can will be needed to accommodate the additional occupants. For example, if thirteen (13) is the maximum occupation, then three (3) trash cans are required. This is because, on average, two (2) trash cans will only accommodate twelve (12) occupants. The third trash can will be needed to accommodate the thirteenth occupant.

Further, the property owner must agree to annual life safety inspections, as provided in the proposed settlement agreement.

Finally, staff is recommending that no greater than four (4) vehicles be parked on this property

As stated in the agreement, the property owner remains bound by all other provisions of City codes.

- **A. Link to Strategic Goals / Objectives:**
- **B. Effect on Budget (EOB):**
- **C. Level of Service (LOS):**

III. CONCLUSION:

IV. RECOMMENDED MOTION: 1. I move to approve the settlement agreement prepared by the City Land Use Attorney and Staff.

or

2. I move to approve the settlement agreement prepared by the City Land Use Attorney and Staff with the following modifications:_____.

or

3. I move to direct the City Land Use Attorney to negotiate in good faith with the property owner and to bring back an alternate settlement proposal to the City Council for consideration.

or

4. I move to deny settlement of the subject claim at this time.

Attachments:

1. Burt Harris Case - 82 Shirah Street
2. 82 Shirah Street_Bert Harris Proposed Settlement Draft 11_1_2019

NAJMY | THOMPSON PL
ATTORNEYS AT LAW

1401 8th Avenue West
Bradenton, FL 34205

PHONE: (941) 748 - 2216
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Lakewood Ranch (941) 907 - 3999
Sarasota (941) 907 - 3999
New York (212) 220 - 6616

WWW.NAJMYTHOMPSON.COM

October 23, 2019
Via Hand Delivery

City of Destin
c/o Major Gary Jarvis
4200 Indian Bayou Trail
Destin, Fl 32541

Re: 82 Shirah Street, Destin, FL 32541
Bert J. Harris Claim, §70.001, *Fla. Stat.*, July 1, 2012

Dear Mayor Jarvis,

This firm represents Michas Properties Florida, LLC, owner of an improved property described as 82 Shirah Street, Destin, FL 32541. My client and its principals and affiliates have owned and utilized the home as a short-term rental property for over two and a half (2 1/2) years. The City of Destin has authorized the use of this property as a short-term vacation rental.

The "before" condition of the subject property is a four-bedroom, three-story residence able to accommodate seventeen (17) guests as part of the authorized and approved short-term rental use of this property and others within the City.

By the City of Destin's passage on January 22, 2019 of Ordinance 18-29-CC and application of Ordinance 18-29-CC to the subject property on September 18, 2019 (when the City of Destin denied my client's request for a variance), this property is now restricted to an occupancy of twelve (12) guests. [1]

The Florida Legislature has passed Section 70.001, *Fla. Stat.*, known as the "Bert J. Harris Jr. Private Property Rights Protection Act as Amended."

Chapter 70.001, *Fla. Stat.*, "*inter alia*", created a separate and district cause of action which provides for relief or payment of compensation when a new law, rule, regulation or ordinance of

[1] The subject property was issued a grandfather certificate on May 21, 2019, permitting the property to rent to seventeen (17) occupants until May 21, 2024.

NT

the state or a political entity in the state, as applied, unfairly affects real property. "When a specific action of a governmental entity has inordinately burdened an existing use of real property or a vested right to a specific use of real property, the property owners of that real property are entitled to relief, which may include compensation for the actual loss to the fair market value of the real property caused by the action of government, as provided in this section." *Fla Stat.* §70.001(2).

The owner of the subject property asserts that its actual and existing use of said real property has been inordinately burdened by the City of Destin's adoption and application of Ordinance 18-29-CC by restricting its occupancy to only two (2) persons per bedroom plus four (4).

To that end, this letter should serve as a formal, written claim pursuant to §70.001, *Fla. Stat.*, the Bert J. Harris Jr. Private Property Rights Protection Act as Amended. Attached to this letter is a bona fide, valid appraisal that supports the claim and demonstrates the loss in value to the real property. This appraisal establishes the loss in value of the subject property, as a result of the application of the occupancy limitation of Ordinance 18-29-CC, to be $340,000.00.

Pursuant to §70.001(4)(c), *Fla. Stat.*, the City of Destin has 150 days to respond to this claim with a written settlement offer. You should consult your counsel as to any other obligations and settlement opportunities contained within this statute.

PLEASE BE GOVERNED ACCORDINGLY.

Sincerely,

NAJMY THOMPSON, P.L.

Aaron M. Thomas
athomas@najmythompson.com

Enclosure: Appraisal

cc:

Kyle Bauman
Anchors Smith Grimsley, PLC
909 Mar Walt Drive, Suite 1014
Fort Walton Beach, Fl 32547-6711
kbauman@asglegal.com

Kimberly Kopp
Romano Kopp Law, P.A.
P.O. Box 622562
Oviedo, Florida 32762-2562
kopp@romanokopplaw.com

AMT/kls

Appraisal Report

Detached Single Family Residential Home

2,514 ± HVAC SF Existing Structure

82 Shirah Street
Destin, FL 32541

DIMINUTION IN VALUE ANALYSIS
82 SHIRAH STREET
DESTIN, FL 32541

FOR
MICHAS PROPERTIES FLORIDA LLC
AND
DESIGNATED ATTORNEYS

RETROSPECTIVE TO SEPTEMBER 18, 2019

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APPRAISAL REPORT

SUBJECT PROPERTY

2,514 ± HVAC SF Existing Detached Residential Improvement

Four Bedrooms and Five Bathrooms

82 Shirah Street
Destin, FL 32541

EFFECTIVE DATE OF APPRAISAL

Retrospective to September 18, 2019

REPORT DATE

October 3, 2019

VIEWING DATE

July 27, 2019 and September 25, 2019

CLIENT/INTENDED USER

Michas Properties Florida LLC
82 Shirah Street
Destin, FL 32541

File № 190746A

PREPARED BY:

Thomas A. Marr

State-certified General Real Estate Appraiser № RZ 2645 (FL)
tom@panappraisal.com

Panhandle Appraisal Group
220 Hospital Drive
Fort Walton Beach, Florida 32548
Telephone: (850) 243-0958
Facsimile: (850) 226-8462

PANHANDLE APPRAISAL GROUP

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Specializing in Residential and Commercial Valuation Support
Fort Walton Beach, Florida

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220 Hospital Drive
Fort Walton Beach, Florida 32548

Telephone: (850) 243-0958
Facsimile: (850) 226-8462

October 3, 2019

Julie Michas
82 Shirah Street
Destin, FL 32541

Re: Diminution in value appraisal of an approximate 2,514 HVAC SF detached residential improvement, 'as is'. identified as 82 Shirah Street in Destin, FL 32541. **Panhandle Appraisal Group File № 190746A.**

Dear Ms. Michas:

I have completed the requisite personal viewing, research, and analysis necessary to determine if a diminution in value has occurred for the subject parcel.

The subject property is a three level, detached single family residential structure with an approximate 2,514 HVAC SF, to include a guest house. There area is an aggregate four bedrooms and five bathrooms. The current sleeping capacity of the subject is seventeen (17) guests. I note that I am basing the four bedrooms on my viewing and a strict definition of the Okaloosa County Property Appraiser definition of a bedroom which is a room with a door, a window and a closet. The sleeping room on the third level of the main house is identified as a bedroom in the Property Appraiser card, however, does not include a closet. The Property Appraiser card states there are five bedrooms, however, I am using what I observed on the viewing date.

The purpose of the appraisal analysis was to develop an opinion of the market value of the subject property prior to the first application of the city of Destin Ordinance No. 18-29-CC to the subject on September 18, 2019 when 17 guest occupancy was allowed. The second step was to derive a value after the first application of Destin Ordinance No. 18-29-CC on September 18, 2019, which limited the subject to twelve (12) guests, based on two guests per bedroom, plus four. I note that the designation as a bedroom is based on data in the Okaloosa County Property Appraiser web site and I consider the subject to be a four (4) bedroom house.

The authorized user is the client at the address above. The understood intended use of the appraisal report will be for reference in determining if the first application of Ordinance No. 18-29-CC resulted in a diminution of value. No other use of this report by any other entity or person is authorized.

Subject to the above and the assumptions, limiting conditions, and certification set forth herein, it is my professional opinion the retrospective market value of the fee simple interest in the subject property, 'as is', as of September 18 , 2019, prior to the first application of Ordinance No. 18-29-CC, was:

ONE MILLION ONE HUNDRED FIFTY THOUSAND DOLLARS
$1,150,000

Subject to the above and the assumptions, limiting conditions, and certification set forth herein, it is my professional opinion the current market value of the fee simple interest in the subject property, 'as is', after the first application of Ordinance No. 18-29-CC is:

EIGHT HUNDRED TEN THOUSAND DOLLARS
$810,000

The diminution of value is a rounded $340,000.

Exposure Time
The exposure time linked to the final value opinion is a range to nine (9) to twelve (12) months based on market sales of similar properties and current market activity.

Analysis of recent trends and current market supply and demand strongly indicate the highest and best use of the subject property, is continued use as a seasonal rental home.

I hereby certify I possess no interest, present or contemplated, in the appraised property. The undersigned appraiser is competent or has taken the necessary steps to become competent for the property type being appraised. This appraisal has been prepared utilizing all of the requirements set forth as standards for real estate appraisals established for federally related transactions by the Comptroller of the Currency, the Federal Reserve Board, the Federal Deposit Insurance Corporation, and the State of Florida. The appraisal is in conformity with the standards for real estate appraisals as established by the Appraisal Foundation and its Appraisal Standards Board. The appraisal also conforms to *the 2018/2019 edition of the Uniform Standards of Professional Appraisal Practice (USPAP)* and your instructions. The fee for this appraisal was not based on value, nor was the assignment undertaken based on a predetermined value, a trend in value, or a minimum or maximum value.

Respectfully submitted,

Thomas A. Marr

Thomas A. Marr
State-Certified General Real Estate Appraiser № RZ 2645 (Florida)

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APPRAISAL REPORT

This is an Appraisal Report which is intended to comply with the reporting requirements in accordance with the 2018/2019 edition of the Uniform Standards of Professional Appraisal Practice (USPAP) for an Appraisal Report. As such, it represents summary discussions of the data, reasoning, and analyses used in the appraisal process to develop the appraisers' opinion of value. Supporting documentation concerning the data, reasoning, and analyses may be retained in the appraiser's files. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated below. The appraisers are not responsible for unauthorized use of this report.

CLIENT:

Julie Michas
82 Shirah Street
Destin, FL 32541

APPRAISERS:

Thomas A. Marr
State-certified General Real Estate Appraiser № RZ 2645 (Florida)

Panhandle Appraisal Group
220 Hospital Drive
Fort Walton Beach, Florida 32548

SUBJECT PROPERTY:

Legal Description
Lot 10, Block 12, Crystal Beach SD

Tax ID №: 00-2S-22-0580-0012-0100.

PURPOSE OF THE APPRAISAL:

The purpose of this appraisal was to develop an estimate of the diminution in value from prior to the first application of City of Destin Ordinance No. 18-29-CC and after the first application of the ordinance on September 18, 2019.

INTENDED USE OF REPORT:

The understood intended use of the appraisal report will be for client use in legal proceedings.

INTENDED USER:

The intended user is the client stated above, the client's attorneys, courts of law and regulatory authorities. This report is not intended or authorized for any other user or audience.

PROPERTY RIGHTS APPRAISED:

Fee Simple, one hundred percent (100%) ownership interest in the subject property.

EFFECTIVE DATE OF VALUE:

Retrospective to September 18, 2019.

DATE OF REPORT:

October 3, 2019.

DATE OF INSPECTION:

Thomas A. Marr viewed the subject property on July 27, 2019 and September 25, 2019.

SCOPE OF WORK:

I note you have not requested an appraisal report format. Based on the Scope of Work requirements included in the 2018/2019 version of USPAP, which indicates the appraiser is responsible to coordinate the scope of work with the client, I am informing you I will perform an appraisal report. **It is my opinion this process of work meets all applicable 2018/2019 USPAP standards.**

DEFINITIONS:

The definitions, commencing on the page following, are provided to assist the reader in understanding this appraisal report.

Market Value[1]
The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the purchaser and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and passing of title from seller to purchaser under conditions whereby:

- Purchaser and seller are typically motivated;
- Both parties are well informed or well advised and each acting in what they consider their best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Fee Simple Estate[2]
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.

Leased Fee Interest[3]
An ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the lessee are specified by contract terms contained within the lease.

Leasehold Interest[4]
The interest held by the lessee (the tenant or renter) through a lease transferring the rights of use and occupancy for a stated term under certain conditions.

Condominium[5]
A multi-unit structure or property in which persons hold fee simple title to individual units and an undivided interest in common areas.

Highest and Best Use[6]
The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and which results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability.

...of land or a site as though vacant:

Among all reasonable, alternative uses, the use yielding the highest present land value, after payments are made for labor, capital,

---

1 Title XI, Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), [Pub. L. No. 101-73, 103 Stat. 183 (1989)], 12 U.S.C. 3310, 3331-3351, and section 5(b) of the Bank Holding Company Act, 12 U.S.C. 1844(b); Part 225, Subpart G: Appraisals; Paragraph 225.62 (f).
Uniform Standards of Professional Appraisal Practice, 2003 Edition, Page 3
Federal Reserve System, 12 CFR Parts 208 and 225, Sec. 225.62
Office of the Comptroller of the Currency, 12 CFR Part 34, Sec. 34.42 (g)
FDIC, 12 CFR Part 323, Sec. 323.2 (g) (2000)
Office of Thrift Supervision, 12 CFR Part 564, Sec. 564.2
NCUA, 12 CFR Part 722, Sec. 722.2

2 The Dictionary of Real Estate Appraisal, Appraisal Institute, Fourth Edition, 2002, Page 113.

3 Ibid., Page 161.

4 Ibid., Page 162.

5 Ibid., Page 59.

6 Ibid., Page 135.

and coordination. The use of property based on the assumption the parcel of land is vacant or can be made vacant by demolishing any improvements.

...of property as improved:

The use which should be made of a property as it exists. An existing improvement should be renovated or retained as is so long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing building and constructing a new one.

Marketing Time[7]
The time it takes an interest in real property to sell on the market subsequent to the date of an appraisal.

Exposure Time[8]
A retrospective estimate based on an analysis of past events assuming a competitive and open market.

Advocacy[9]
Representing the cause or interest of another, even if cause or interest does not necessarily coincide with one's own beliefs, opinions, conclusions, or recommendations.

Appraisal[10]
(Noun) The act or process of developing an opinion of value; an opinion of value. (Adjective) of, or pertaining to appraising and related functions such as appraisal practice or appraisal services.

Appraisal Practice[11]
Valuation services performed by an individual acting as an appraiser, including, but not limited to appraisal, appraisal review, or appraisal consulting.

Appraisal Review[12]
The act or process of developing and communicating an opinion about the quality of another appraiser's work was performed as part of an appraisal, appraisal review, or appraisal consulting assignment.

Appraiser[13]
One who is expected to perform valuation services competently, and in a manner, is independent, impartial, and objective.

Appraiser's Peers[14]
Other appraisers who possess expertise and competency in a similar type of assignment.

Assignment[15]
A valuation service provided as a consequence if an agreement between an appraiser and a client.

---

8 Ibid., Page 175

9 Ibid., Page 105

9 2018/2019 edition, *Uniform Standards of Professional Appraisal Practice (USPAP)*, Page 1

10 Ibid, Page 1

11 Ibid, Page 1

12 Ibid, Page 1

13 Ibid, Page 1

14 Ibid, Page 2

15 Ibid, Page 2

Assignment Results[16]
An appraiser's opinions and conclusions developed specific to an assignment.

Assumption[17]
An occurrence which is taken to be true.

Bias[18]
A preference or inclination which precludes an appraiser's impartiality, independence, or objectivity in an assignment.

Business Enterprise[19]
An entity pursuing an economic entity.

Business Equity[20]
The interests, benefits, and rights inherent in the ownership of a business enterprise or a part thereof in any form (including, but not necessarily limited to, capital stock, partnership interests, cooperatives, sole proprietorships, options, and warrants).

Client[21]
The party or parties who engage an appraiser (by employment or contract) in a specific assignment.

Confidential Information[22]
Information is either:

- identified by the Client as confidential when providing it to an appraiser and is not available from any other source; or,
- classified as confidential or private by applicable law or regulation.

Cost[23]
The amount required to create, produce, or obtain a property.

'Credible'[24]
Worthy of belief.

Extraordinary Assumption[25]
An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions.

Feasibility Analysis[26]
A study of the cost-benefit relationship of an economic endeavor.

---

16 Ibid, Page 2

17 Ibid, Page 2

18 Ibid, Page 2

19 2018/2019 edition, USPAP, Page 2

20 Ibid, Page 2

21 Ibid, Page 2

22 Ibid, Page 2

23 Ibid, Page 2

24 Ibid, Page 3

25 Ibid, Page 3

26 Ibid, Page 3

Hypothetical Condition[27]
An assertion which is contrary to what exists but is supposed for the purpose of analysis.

Intangible Property[28]
(Intangible Assets) Nonphysical assets, including, but not limited to, franchises, trademarks, patents, copyrights, goodwill, equities, securities, and contracts as distinguished from physical assets such as facilities and equipment.

Intended Use[29]
The use or uses of an appraiser's reported appraisal, appraisal review, or appraisal consulting assignment opinions and conclusions, as identified by the appraiser based on communication with the Client at the time of the assignment.

Intended User[30]
The Client and any other party as identified, by name or type, as users of the appraisal, appraisal review, or appraisal consulting report by the appraiser on the basis of communication with the Client at the time of the assignment.

Jurisdictional Exception[31]
...an assignment condition which voids the force of a part or parts of *USPAP*, when compliance with part or parts of *USPAP* is contrary to law or public policy applicable to the assignment.

IDENTIFY THE PROBLEM TO BE SOLVED
The problem to be solved in this appraisal analysis was to develop an opinion of the market value of the subject property, both prior to the first application of the city of Destin Ordinance No. 18-29-CC to the subject on September 18, 2019 when seventeen (17) guest occupancy was allowed and after the first application of the Destin Ordinance No. 18-29-CC on September 18, 2019, which limited the subject to twelve (12) guests, based on two guests per bedroom, plus four. Utilizing the before and after values, I derived a diminution of value to the subject property.

EXTENT OF THE PROCESS OF COLLECTING, CONFIRMING, AND REPORTING DATA:
Preparation of this appraisal included the following scope of work:

- The subject site, improvements, and parking improvements were inspected by the appraiser, the property was photographed. File data for similar properties was reviewed.
- The public records were reviewed.
- The appraiser examined the economic, social, governmental, and environmental forces affecting value in the subject neighborhood and the entire market area as a whole.
- The appraiser identified recent and projected actual rents for the subject, based on occupancy of up to 17 guests. The appraiser then identified the annual rentals of other comparable properties which accommodated up to or beyond 12 guests. This data was used to verify or support the historical performance and the projected rents for the subject. These comparable rentals provided market support for the subject actual and projected gross rental income.
- The appraiser identified market rental comparables for properties limited to 12 guests.
- The appraiser then reduced gross rent to net operating rent and capitalized the net operating rent to identify value for the subject as a 17 guest rental and a 12 guest rental. The difference between these two values is the diminution in value.

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27 Ibid, Page 3

28 Ibid, Page 3

29 Ibid, Page 3

30 Ibid, Page 3

31 2018 edition, *USPAP*, Page 3

IDENTIFICATION OF THE TYPE OF APPRAISAL AND APPRAISAL REPORT FORMAT:
I have provided an **Appraisal Report**, as defined by the *2018/2019 edition of the Uniform Standards of Professional Appraisal Practice*, containing a summary of all relevant conclusions, data, and analyses used in the report.

TERMS OF THE FINAL VALUE OPINION:
The final opinion of the current market values of the subject property, 'as is' is expressed in terms of cash or financing terms equivalent to cash.

POLICY STATEMENT OF THE APPRAISAL INSTITUTE:
It is improper to base a conclusion or opinion of value upon the premise the racial, ethnic, or religious homogeneity of the inhabitants of an area or of a property is necessary for maximum value.

Racial, religious, and ethnic factors are deemed unreliable predictors of value trends or price variance.

It is improper to base a conclusion or opinion of value, or a conclusion with respect to neighborhood trends, upon stereotyped, biased presumptions relating to the effective age or remaining life of the property being appraised or the life expectancy of the neighborhood in which it is located.

The undersigned appraiser is not a member of the Appraisal Institute.

GENERAL ASSUMPTIONS:

1. No responsibility is assumed for the legal description provided or for matters relevant to legal or title considerations. Title to the property is assumed to be marketable unless otherwise stated. The legal description used in this report is assumed to be correct.

2. The subject property is appraised free and clear of any or all liens, leases, or encumbrances unless otherwise stated. All mortgages, liens, encumbrances, leases, and servitudes have been disregarded unless so specified within the report.

3. No survey of the property has been made by the appraisers and no responsibility is assumed in connection with such matters. Sketches, plot plans, or illustrative material presented in this report are included only to assist the reader in visualizing the property.

4. Information and data furnished by others is usually assumed to be true, correct and reliable. When such information and data appears to be dubious and when it is critical to the appraisal, a reasonable effort has been made to verify all such information; however, no responsibility for its accuracy is assumed by the appraiser.

5. Responsible ownership and competent property management are assumed unless otherwise stated in this report.

6. It is assumed there are no hidden or unapparent conditions of the property, subsoil or structures which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.

7. It is assumed 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.

8. It is assumed the subject property is in compliance with all applicable zoning and land use regulations, unless a nonconformity has been stated, defined and considered in the appraisal report.

9. It is assumed all required licenses, consents or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use which the value estimate contained in this report is based.

10. It is assumed the utilization of the land and improvements is within the boundaries or property lines of the property described and there is no encroachment or trespass unless noted within the report.

EXTRAORDINARY ASSUMPTIONS:

I am using data provided to me by the client and other vacation home owners.

I am also using rental projections from the current property manager.

I am making the extraordinary assumption that the data provided is accurate, credible and reliable.

If, for any reason, the data provided is not accurate, credible and reliable, the values derived in the analysis is subject to review.

GENERAL LIMITING CONDITIONS:

1. This is an Appraisal Report which is intended to comply with the reporting requirements set forth in accordance with the *2018/2019 edition of the Uniform Standards of Professional Appraisal Practice* for an Appraisal Report. As such, it includes summarized discussions of the data, reasoning, and analyses used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses may be retained in the appraiser's files. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraiser is not responsible for unauthorized use of this report.

2. Appraisers are not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraisers suggesting the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert in the field of environmental assessment. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The appraiser's value estimate is predicated on the assumption there exists no such material on or in the property causing a loss in value unless otherwise stated in this report. No responsibility is assumed for any environmental conditions, or for any expertise or engineering knowledge required to discover them. The appraisers' descriptions and resulting comments are the result of the routine observations made during the appraisal process.

3. The subject property is appraised without a specific compliance survey having been conducted to determine if the property is or is not in conformance with the requirements of *The Americans with Disabilities Act*. The presence of architectural and communications barriers which are structural in nature which would otherwise restrict access by disabled individuals may adversely affect the property's value, marketability, or utility.

4. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event, only with proper written qualification and only in its entirety.

5. Neither all nor any part of the contents of this report shall be conveyed to any person or entity, other than the appraiser's or firm's client, through advertising, solicitation materials, public relations, news, sales, or other media without the written consent and approval of the authors, particularly as to valuation conclusions, the identity of the appraiser or firm with which the appraiser is connected, or any reference to affiliation with any professional appraisal organization. Further, the appraiser or firm assumes no obligation, liability, or accountability to any third party. If this report is placed in the hands of anyone but the client, client shall make party aware of all the assumptions and limiting conditions of the assignment.

6. The appraiser affixing his signatures to this appraisal report will not be required to give testimony or appear in court because of having made this appraisal, with reference to the property in question, unless arrangements have been previously made thereof.

7. No environmental impact studies were either requested or made in conjunction with this appraisal, and the appraiser hereby reserves the right to alter, amend, revise, or rescind any of the value opinions based upon any subsequent environmental impact studies, research, or investigation.

8. The appraiser has not been supplied with a report of the subsoil conditions indicating the exact capacity of the subsoil. I do not have the benefit of subsoil test results of the properties and detection of possible soil defects would be beyond my realm of expertise. However, there appear to be no hidden or apparent conditions of the subject sites or subsoil structures which would render them more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.

9. Acceptance of and/or use of this appraisal report constitutes acceptance of the foregoing General Assumptions, Special Assumptions, General Limiting Conditions, and Special Limiting Conditions.

EXTRAORDINARY LIMITING CONDITIONS AND HYPOTHETICAL CONDITIONS:

I note that the ordinance in question allows a five (5) year 'grandfather' period. I considered if this 'grandfather' status should receive some analysis in the discussion of diminution of value. After consideration, I concluded that a potential market participant, aware that the grandfather status will be eliminated, would be very wary to enter into a financial arrangement where he may have to liquidate in an unknown market within a time line that may not be available Thus, I am not considering any impact of the 'grandfather' status.

CERTIFICATION:

I certify, to the best of my knowledge and belief:

1. The statements of fact contained in this report are true and correct.

2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions and conclusions.

3. I possess no present or prospective interest in the property which is the subject of this report and no personal interest with respect to the parties involved.

4. I possess no bias with respect to the property which is the subject of this report or to the parties involved with this assignment.

5. The engagement in this assignment was not contingent upon developing or reporting predetermined results.

6. The compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value favoring the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

7. The analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *2018/2019 edition of the Uniform Standards of Professional Appraisal Practice.*

8. Thomas A. Marr has made a personal viewing of the property which is the subject of this report. No one else has rendered significant real estate appraisal knowledge and input to the compilation of this report.

9. I have not performed any services, to include appraisal services, regarding the subject in the previous three years.

10. The opinion of market value 'as is' of the one hundred percent (100%) fee simple ownership interest in the subject property,'as is' prior to the first application of Destin Ordinance 18-29-CC is ONE MILLION ONE HUNDRED FIFTY THOUSAND DOLLARS ($1,150,000) and the value after the first application of Destin Ordinance 18-29-CC is EIGHT HUNDRED TEN THOUSAND DOLLARS ($810,000). The diminution of value is estimated as THREE HUNDRED FORTY THOUSAND DOLLARS ($340,000).

Thomas A Marr

Thomas A. Marr
State-certified General Real Estate Appraiser № RZ 2645 (Florida)

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DESCRIPTION OF THE SUBJECT PROPERTY
Ownership:

The current owner is Michas Properties Florida LLC. The following deed indicates ownership via a transfer from Michas Properties LLC to Michas Properties Florida LLC.

FILE #3213927 RCD: 6/18/2018 12:22 PM, BK: 3353 PG: 4092, RECORDING: $10.50 RECORDING ARTICLE V: $0.00
D Doc Stmp: $0.70 DEPUTY CLERK BOHARA
JD PEACOCK II CLERK OF COURTS, OKALOOSA COUNTY, FLORIDA

THIS INSTRUMENT PREPARED BY
[illegible]
[illegible]
[illegible]

(The above space provided for recording information)

QUIT CLAIM DEED

THIS QUIT CLAIM DEED made this 14th day of June, 2018, between Michas Properties, LLC, a Georgia limited liability company, whose mailing address is 154 Hank Drive, Leesburg, Georgia 31763, hereinafter referred to as "grantor", and Michas Properties Florida, LLC, a Georgia limited liability company, hereinafter referred to as "grantee", whose mailing address is 154 Hank Drive, Leesburg, Georgia 31763. (Wherever used herein the terms "grantor" and "grantee" include all the parties to this instrument and the heirs, legal representatives and assigns of individuals, and the successors and assigns of corporations.)

WITNESSETH

That the grantor, for and in consideration of ten dollars ($10.00) and other good and valuable considerations, receipt of which is hereby acknowledged, does hereby remise, release, and quit claim unto the grantee and the grantees heirs and assigns forever, all the right, title, interest, claim and demand which the said grantor has in and to the following described real property situated, lying, and being in Okaloosa County, Florida:

Lot 10, Block 12, CRYSTAL BEACH, according to the map or plat thereof, as recorded in Plat Book 1, Page(s) 17, of the Public Records of Okaloosa County, Florida.

Parcel Identification No. 00-2S-22-0580-0012-0100

The preparer of this deed represents that: This deed has been prepared at the express direction and request of the above Grantor(s) and/or Grantee(s) solely from legal description(s) provided to the preparer by the said Grantor(s) and/or Grantee(s); that no title search, survey, or inspection of the above property has been performed by the preparer, nor has the preparer been provided such documents; that the title to the above described real property has not been examined by the preparer; that the preparer makes absolutely no representations, warranties, or guarantees whatsoever as to the status of the title or the ownership of the real property described above; that this conveyance is subject to, and may be affected by, any and all reservations, liens, restrictions, and other encumbrances of record, and by any unpaid ad valorem real property taxes, past or present; and that these matters have been explained to, and understood by, the above said Grantor(s) and/or Grantee(s).

TOGETHER with all the tenements, hereditaments and appurtenances thereto belonging or in anywise appertaining.

TO HAVE AND TO HOLD, the same together with all and singular the appurtenances thereunto belonging or in anywise appertaining, and all the estate, right, title, interest, lien, equity and claim whatsoever of the said grantor, either in law or equity, to the only proper use, benefit and behoof of the said grantee and the grantee's heirs and assigns forever.

Site:

Location:
The subject is located on the west side of Shirah Street in the mature Crystal Beach Subdivision. It is located an approximate 325 feet north of the Shirah Street and Scenic Highway 98 intersection, within easy walking distance of the Gulf of Mexico.

This area is east of the community of Henderson Beach and west of the Destiny/Destiny West/Destiny By The Sea communities.

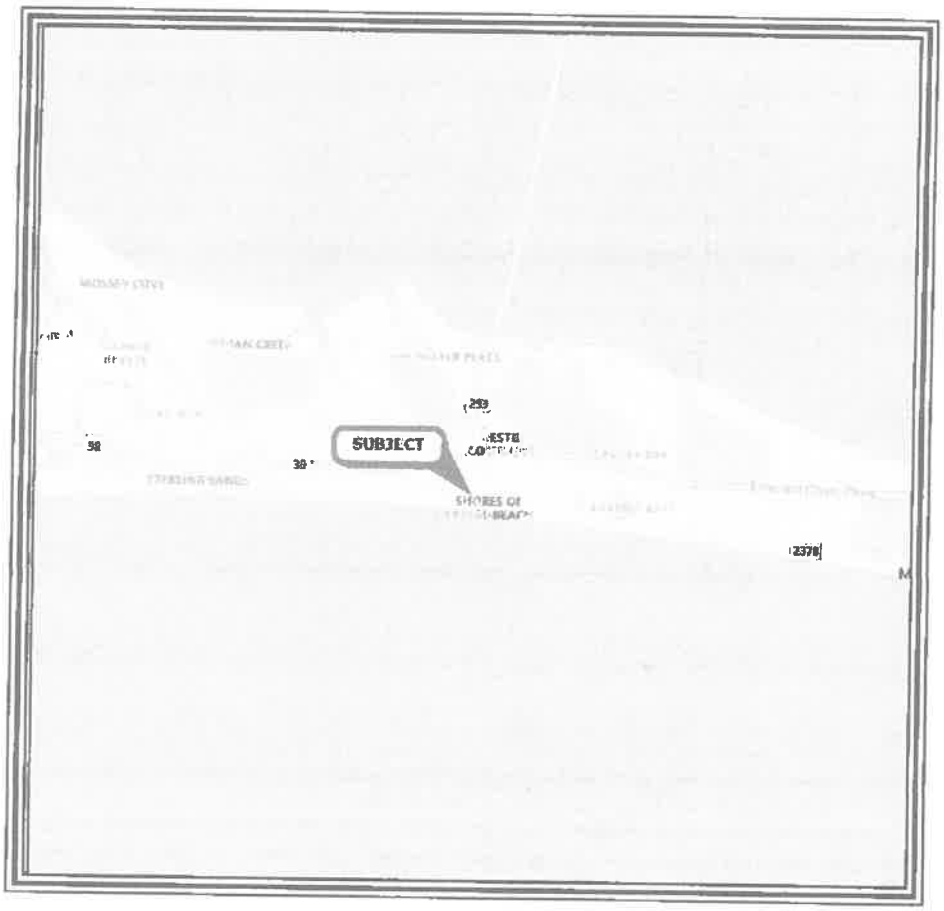
Along the south side of Scenic Highway 98 are many condominium projects, individual homes and some commercial use, typically restaurants, which cater to the tourist industry.

Along Scenic Highway 98 to the north are other residential uses, primarily detached homes with a interspersion of condominium and town home projects, which are a mix of owner occupant and seasonal rental use.

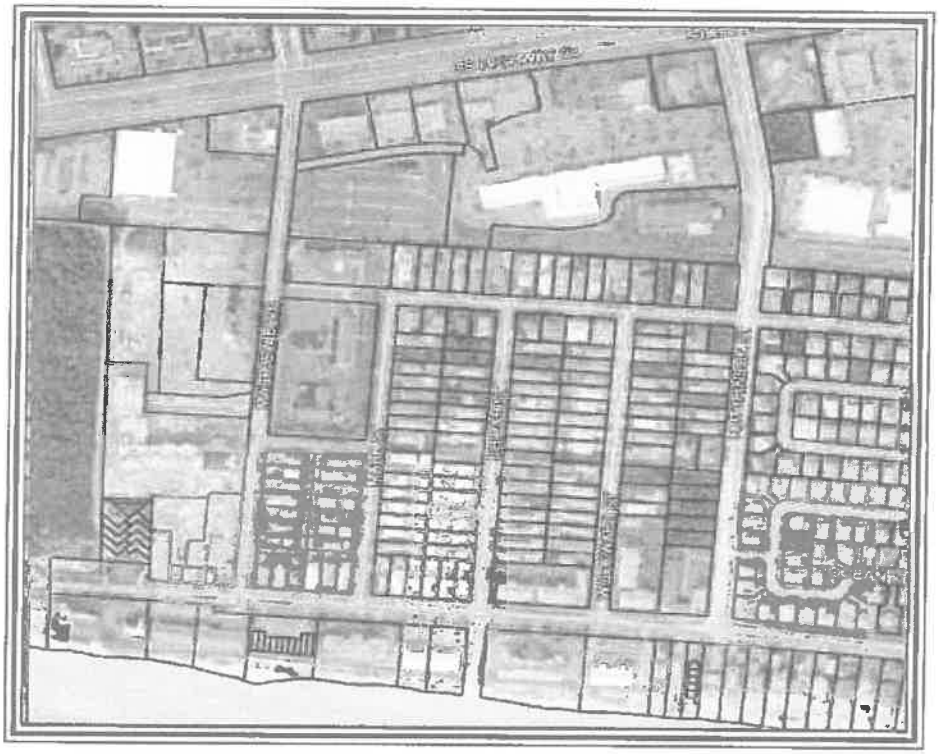
Within the Crystal Beach Subdivisions is an eclectic mix of housing, ranging from 1950s Florida Cottages to newly constructed large beach homes.

This entire area of Destin, in close proximity to the Gulf of Mexico, is a desired location and well considered by the market.

See the following map for the subject location in the broad Destin market.



The following map indicates the local market area surrounding the subject.



The following aerial photograph indicates the subject parcel.

Land Size:

The subject is a single residential lot.

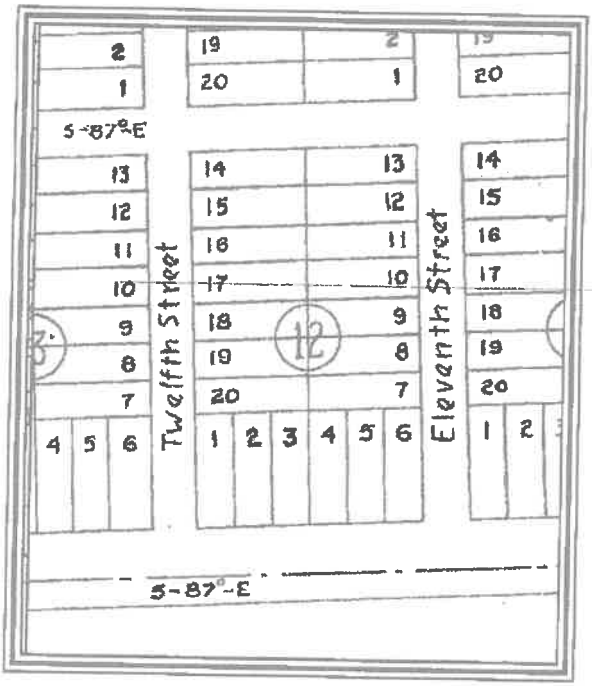
The rounded dimensions are as follows:

50.00 feet on the west side,
150.00 feet on the north side,
50.00 feet on the east side, fronting Shirah Street
150.00 feet on the south side.

These dimensions result in a land size of an approximate 0.17 acres, or 7,500 SF. This land size is typical of lots in the Crystal Beach Subdivision.

See the following excerpt from the recorded plat map.

I note that Crystal Beach is an old subdivision. In the following excerpt from the plat map, Shirah Street is identified as Eleventh Street.



Site Topography:

Per the Okaloosa County GIS site and my viewing, the subject is at the road grade of Shirah Street.

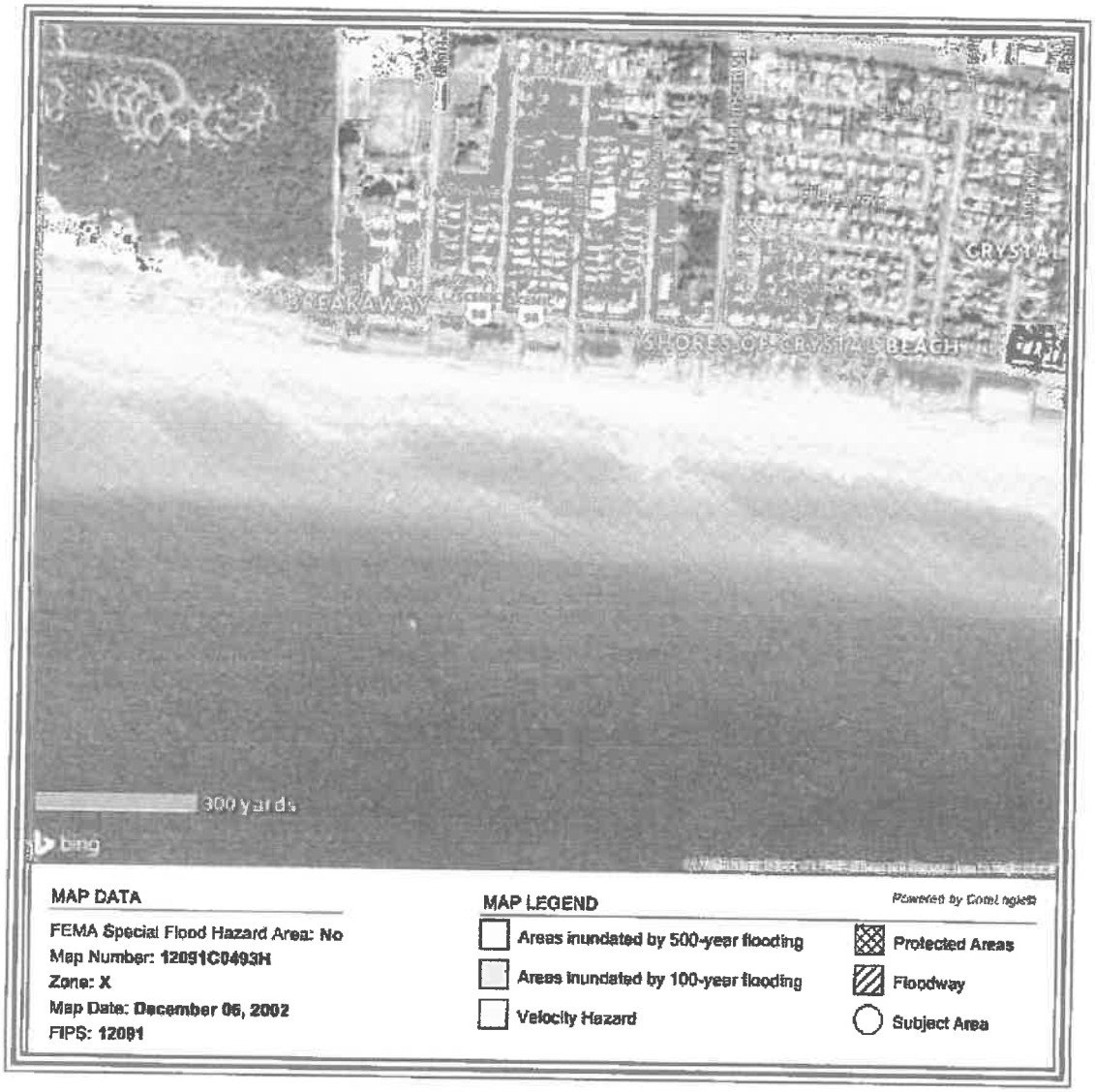
The subject is generally level.

The subject lot contour is typical for most Crystal Beach lots.

Flood Risk:

FEMA Map Panel	*Map Area*	*Dated*	*Flood Zone*
12091C 0493H	Okaloosa County	December 6, 2002	"X"

* The client is advised appraisers are not surveyors, and accordingly, any final determination as to flood zone status should only be made by a licensed, adequately insured, Florida surveyor utilizing the latest FEMA flood panels. However, it appears the entire subject area is considered as Flood Zone 'X', an area of substantial flood risk. The subject is located at the red circle in the following flood map.

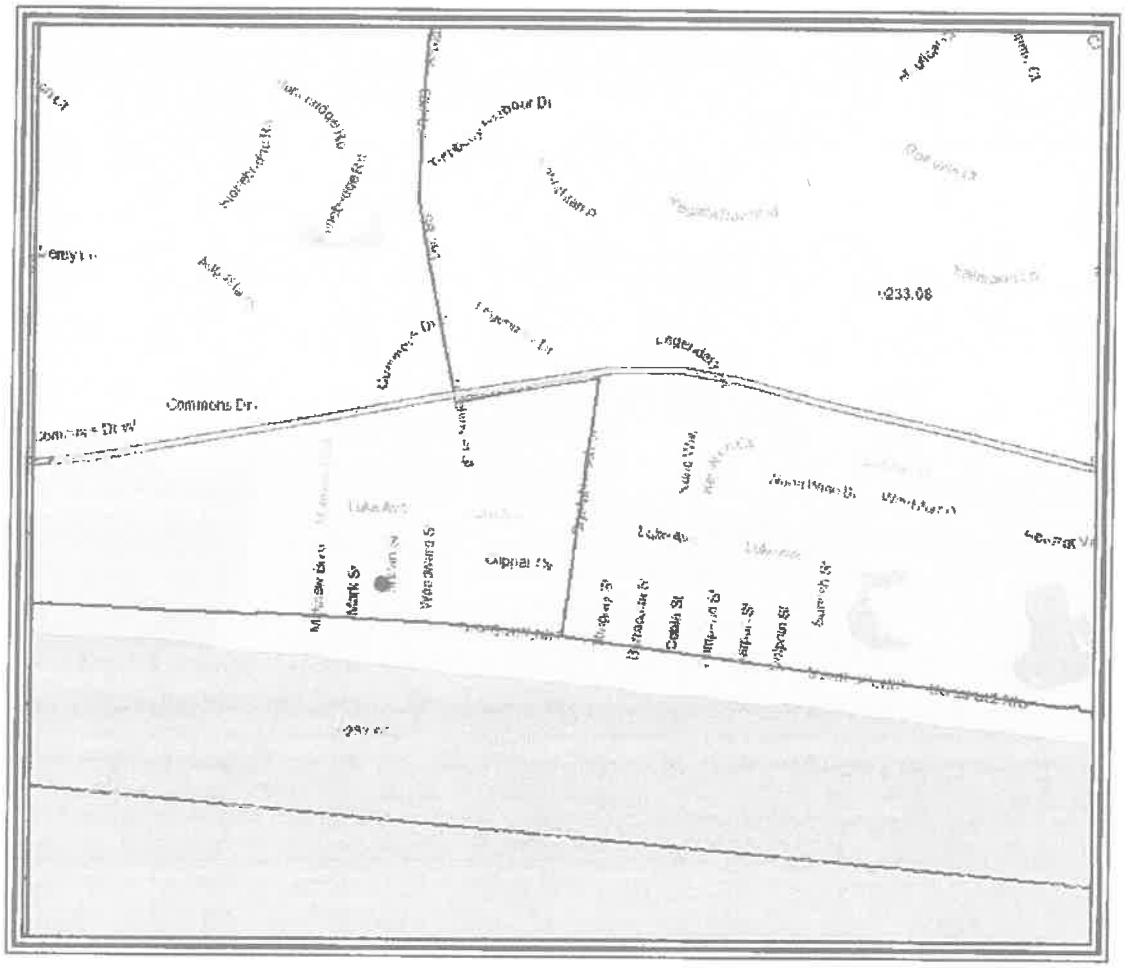


Wetlands:

None, per the Okaloosa County GIS site.

The wetland map is consistent with the flood panel on the previous page.

Census Data:
The subject is located in census tract 0233.08.



Utilities:

Utility	*Provider*	*Utility*	*Provider*
Electricity	Gulf Power	Stormwater Drainage	Destin
Water and Sewer	Okaloosa County	Fire Department	Destin
Natural Gas	Okaloosa Gas	Police Department	Contract with the Okaloosa County Sheriff
Telephone	Verizon	Refuse Removal	By contract
Cable Television	Cox Cable		

The utilities for the subject site are considered as typical in the market.

Easements/Encroachments:
I was not furnished a copy of a recent survey of the subject property. A review of the site plan, various maps and my personal viewing did not indicate any easements or encroachments.

I assume there are utility easements of record.

It is my opinion that there are no easements or encroachments which would affect value or transferability.

Ingress/Egress:
The subject property is reached directly from Shirah Street, which fronts on the entire subject east side.

Shirah Street is a two lane, paved public roadway which connects to Scenic Highway 98 to the south.

Scenic Highway 98 is a paved, two lane public roadway.

Scenic Highway 98 is the original U. S. Highway 98 which was the main east/west arterial in the Destin market. Now that the six lane U. S. Highway 98 has been developed to the north, Scenic Highway 98 is now a coastal road running parallel to, and just north of, the Gulf of Mexico.

Ingress/egress is viewed as similar to most access typically found in the market.

Parking is viewed as superior to most parking found in the market as the subject features five driveway spaces on the north side of the subject lot.

IMPROVEMENTS 'AS IS'

Size:
The subject is a single family detached improvement with three levels as well as a detached guest house.

The subject features no garage. It does feature parking spaces and exterior balconies and porches, as well as an in ground swimming pool, pool, pool deck, landscaping, and fencing. These features result in 3,368 total SF and 2,514 HVAC SF, per the Okaloosa County Property Appraiser.

The first level features typical living areas in the form of the kitchen, living room, dining room and laundry. This level also features one bedroom with a king, sleeping two (2). There is a total of two (2) guests on the first level.

The second level features a bedroom with a king, sleeping two (2) and a bedroom with a full, sleeping two and bunks with a trundle, sleeping three (3). There is a total of seven (7) guests on the second level.

The third level features a bedroom with a full, sleeping two (2) and bunks in a hall, sleeping two (2). There are a total of four guests on the third level. I note this is the 'bedroom' without a closet.

The guest house features a bedroom with a full, sleeping two (2) and a sofa with a futon, sleeping two (2). There are a total of four guests in the guest house/cabana.

The first level sleeps two (2); the second level sleeps seven (7), the third level sleeps four (4) and the guest house/cabana sleeps four (4) for a total of seventeen (17) guests.

Construction Quality:
The quality of construction for the subject improvement is *Class D* average. Details of construction are summarized below:

Construction Component	
Foundation	Concrete Pilings - Subject is off grade
Exterior walls	Wood frame with hardi board
Roof	Metal
Trim	Base and crown molding
Windows	Double pane aluminum
Exterior doors	Insulated metal with glass
Insulation	Unknown. Assumed to be R38 behind sheet rock
HVAC	Forced Air and Central HVAC
Ceiling	8 and 9 foot with sheet rock and can lights
Interior Walls	Painted sheet rock
Interior flooring	Average tile and carpet
Interior doors	Six and four panel wood/luan
Restrooms	Five full bathrooms
Lighting	Can lights
Kitchens	One typical residential kitchen with good cabinetry and small kitchen in guest house
Other	Typical porches/swimming pool and pool deck area

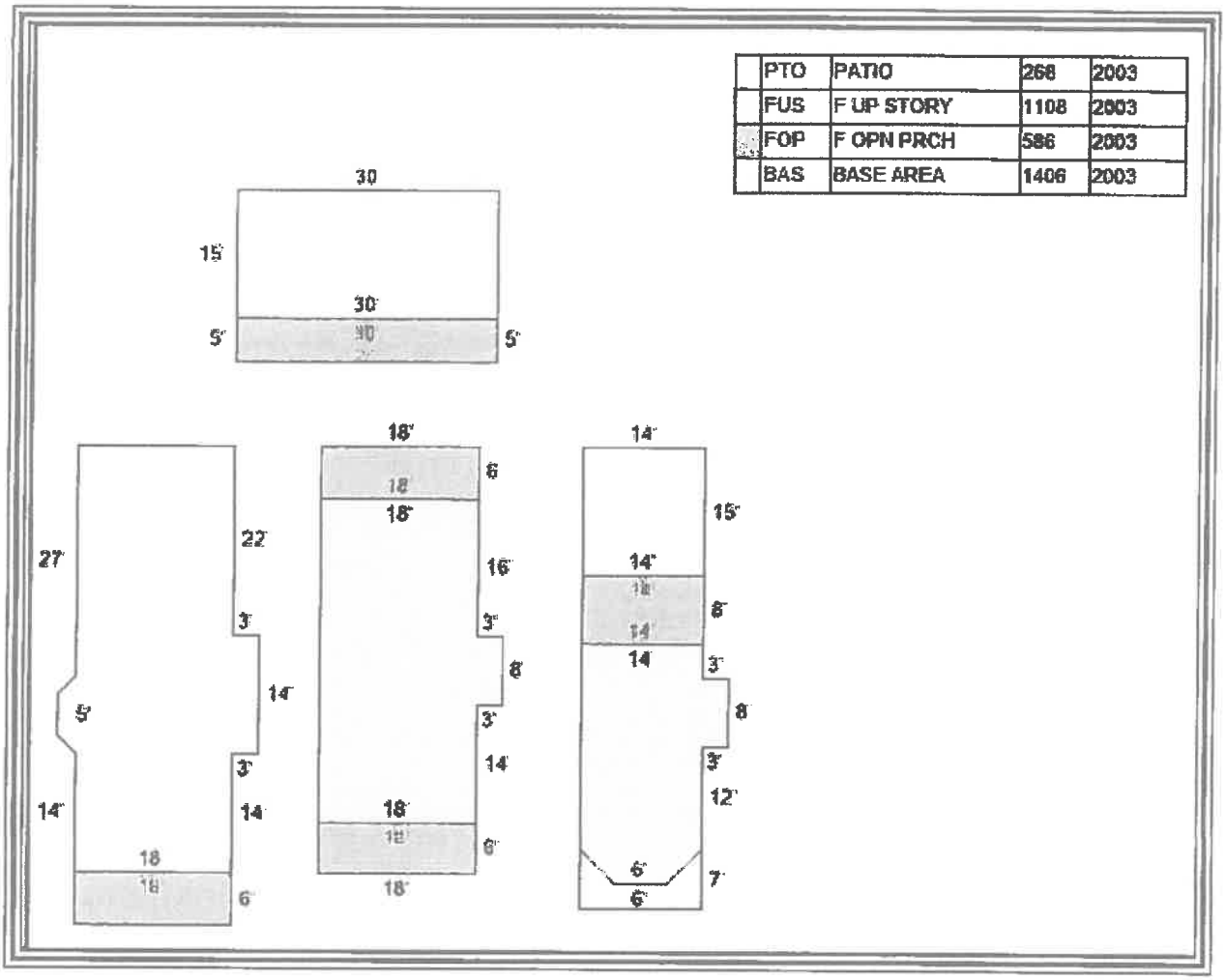
Condition of Improvements:
The subject improvement is in good condition.

Age:
Public records indicate that the main subject improvement, as well as the guest house, were constructed in 2003.

I consider the actual age to be sixteen (16) years. I estimate an economic life of fifty five (55) years from Marshall Valuation Service, and a remaining economic life of thirty nine (39) years.

See the following sizes indicated for the subject in the Okaloosa County Property Appraiser web site.

	PTO	PATIO	268	2003
	FUS	F UP STORY	1108	2003
	FOP	F OPN PRCH	586	2003
	BAS	BASE AREA	1406	2003



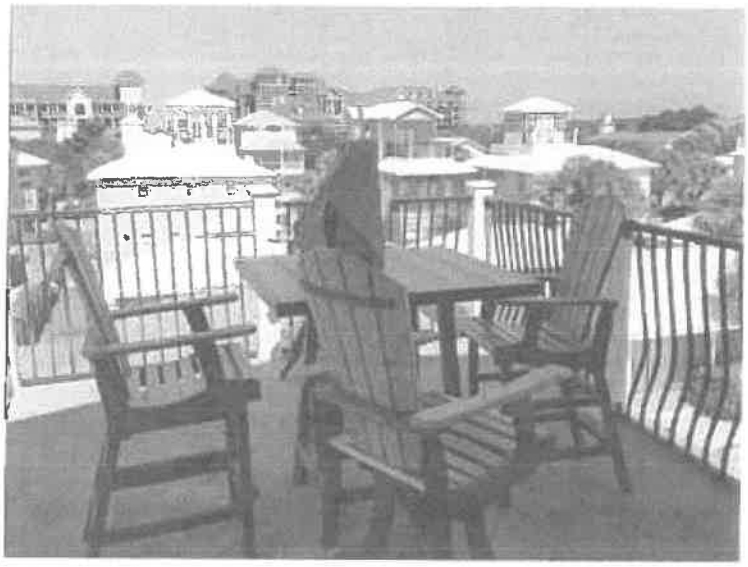
Exterior Photographs:

FRONT OF SUBJECT

REAR OF SUBJECT

GUEST HOUSE AND POOL AREA

GUEST HOUSE AND POOL AREA



BALCONY

Main House First Level Sleeping Two (2).

KITCHEN

LAUNDRY

LIVING ROOM

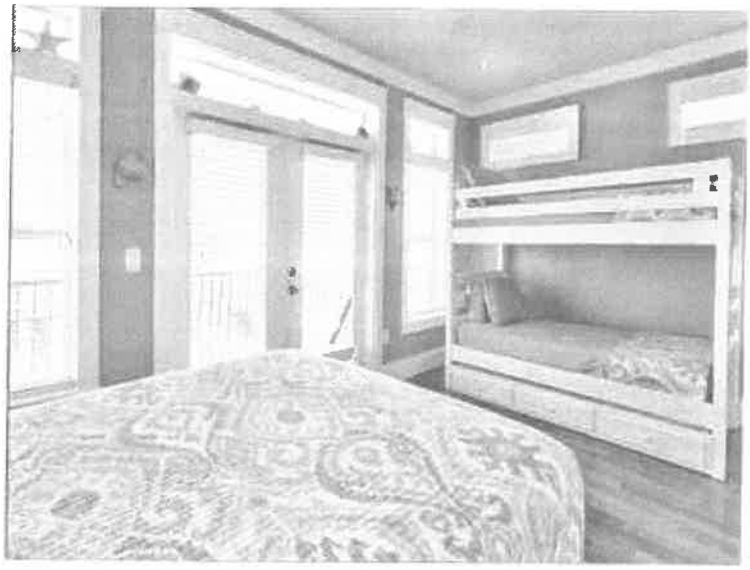
BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #1

FULL BATH IN HALL SUPPORTING ENTIRE FIRST LEVEL - BATH #1

Main House Second Level Sleeping Seven (7)

BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #2

FULL BATH SUPPORTING BEDROOM #2 - BATH #2



BEDROOM WITH FULL SLEEPING TWO AND BUNKS WITH TRUNDLE SLEEPING THREE (3) - BEDROOM #3

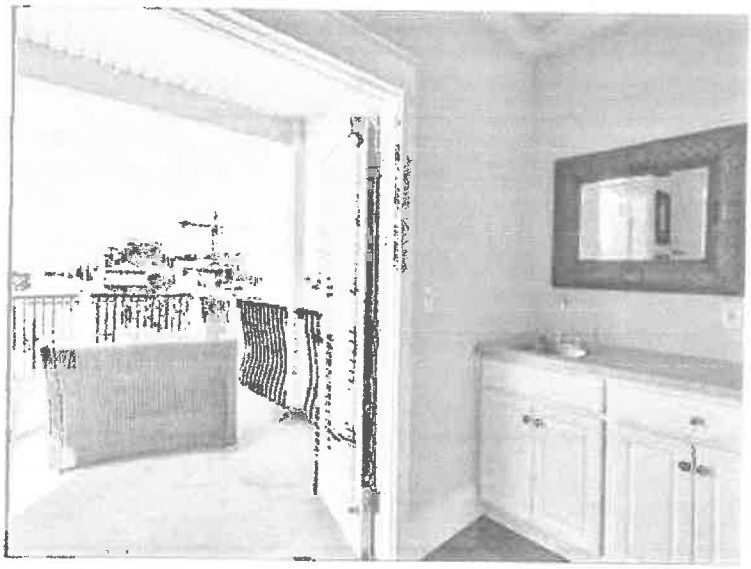
FULL BATH SUPPORTING BEDROOM #3 - BATH #3

Main House Third Level Sleeping Four (4)

BEDROOM WITH FULL SLEEPING TWO - THIS WOULD BE BEDROOM #4
HOWEVER NO CLOSET - NOTE ARMOIRE TO RIGHT

FULL BATH SUPPORTING BEDROOM ABOVE - BATH #4

HALL BUNKS SLEEPING TWO (2)



WET BAR AND BALCONY

Guest House Sleeping Four (4)

BEDROOM WITH FULL SLEEPING TWO - BEDROOM #4

FULL BATH SUPPORTING BEDROOM #4 - BATH #5

KITCHEN AND LIVING AREA OF GUEST HOUSE

SOFA/FUTON SLEEPING TWO

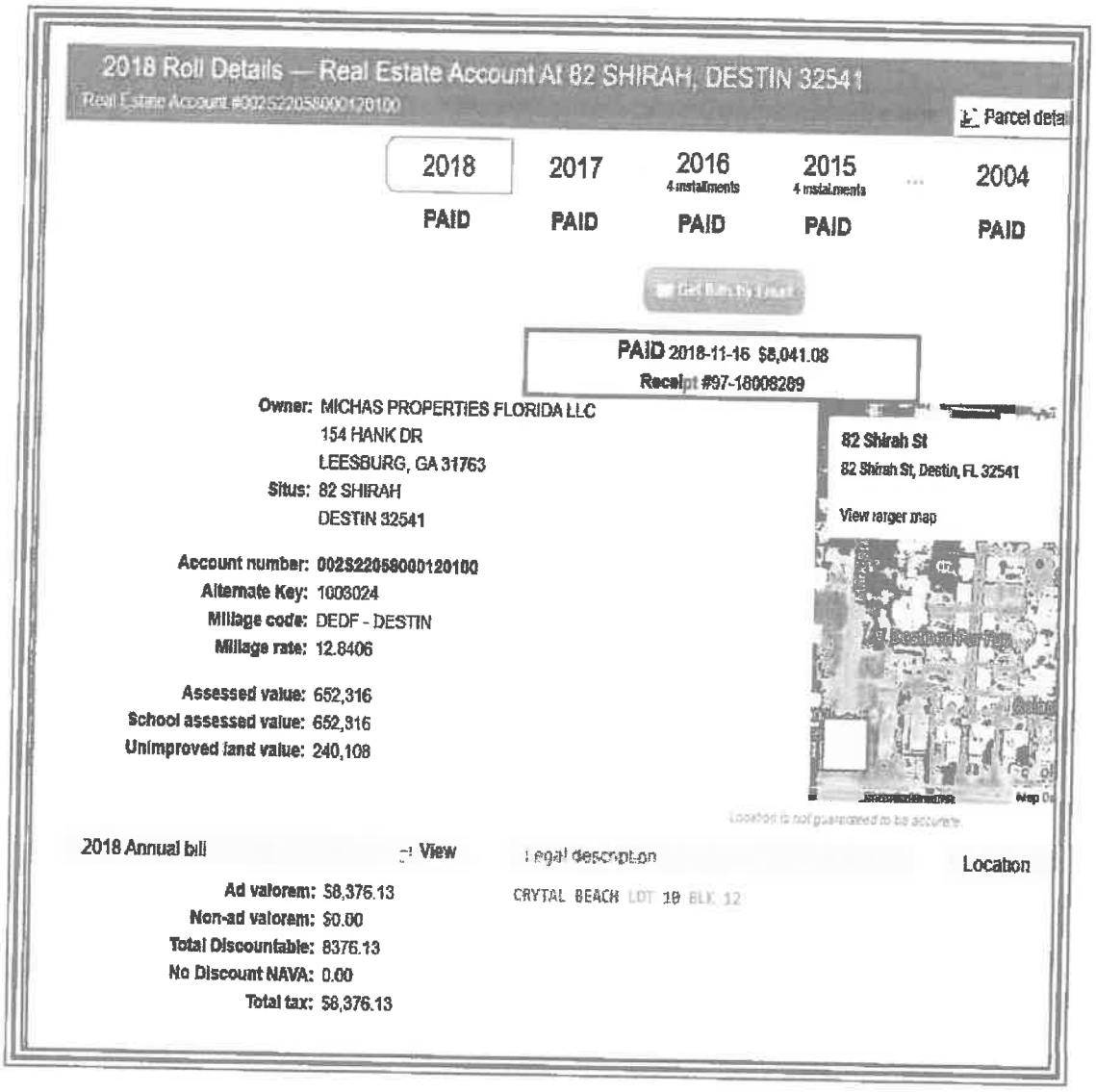
Tax Identification number, gross tax amount due, amount paid, and assessed value for the 2018 tax year.

Tax Identification Number	Assessed Value	Gross Tax Amount Due	Amount paid	Amt. Due
00-2S-22-0580-0012-0100	$652,316	$8,376.13	$8,041.08	None

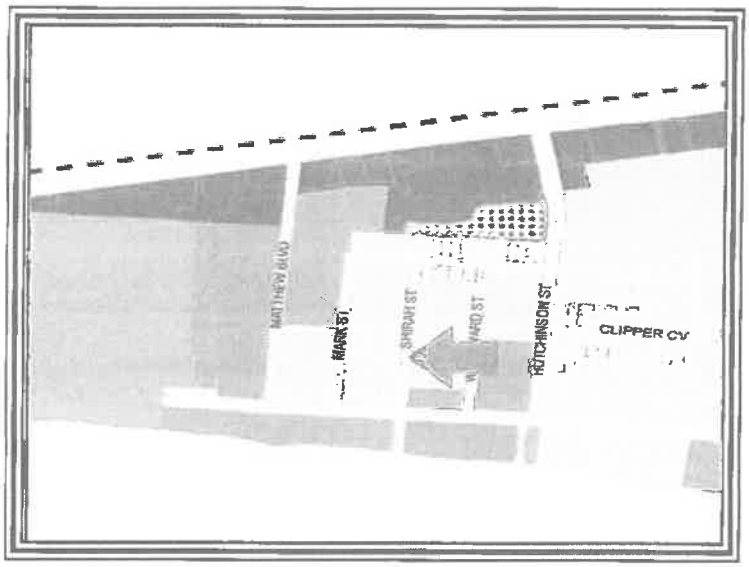
The 2018 taxes were paid early, resulting in a discount.

There are no previous year taxes owing.

It is my experience that assessed value has little correlation with current market value and are typically lower than market value with a few exceptions.



Zoning:
The following map indicates zoning for the subject parcel. The subject is zoned Crystal Beach Neighborhood by Destin. See following pages for detailed identification of allowable uses.



LAND DEVELOPMENT CODE COMMENTS

The following excerpts were taken from the Destin Land Development Code, currently on line.

This first excerpt states that Crystal Beach Neighborhood designates seasonal or short-term residential uses for single-family detached dwellings as a permitted use. I note that this description of the Crystal Beach Neighborhood zoning designation is silent regarding the number of allowable guests and does not limit guest numbers.

Community Development Department
Planning Division
4200 Indian Bayou Trail, Destin, FL 32541
Phone (850) 337-3123 • Fax (850) 837-7949
www.cityofdestin.com/index.aspx?nid=91

ZONING DISTRICT FACTSHEET

The purpose and intent of establishing zoning districts is to ensure that all development is consistent with the goals, objectives and policies of the Comprehensive Plan, by establishing a series of zoning districts that indicate what uses are allowed and site development regulations that control the use of land in each district. All development within each zoning district shall be consistent with the purposes stated for each district. (LDC 7.12.05)

CRYSTAL BEACH NEIGHBORHOOD (CBN)

Purpose and intent: The Crystal Beach Neighborhood zoning district shall apply to areas developed, redeveloped and/or maintained and conserved as permanent or seasonal single-family detached or multi-family attached residential dwelling units. Very limited supportive non-residential uses are allowed and are strictly limited to: places of worship, parks, playgrounds, community buildings and similar public service facilities serving the residents of the area, childcare centers and other ancillary neighborhood commercial uses which are approved as part of a planned unit development (PUD) for the exclusive use of the residents of the PUD. It is the intent of the CBN zoning district to specifically not allow the following uses to be located in the district: commercial hotels, motels, bed and breakfast establishments, or other commercial transient living accommodations.

Table 7-2: Table of Allowable Uses (excerpt from LDC 7.12.06)

PERMITTED USES:

Permanent or long-term residential uses

Single-family detached dwelling
Guest house [1]
Accessory dwelling
Single room occupancy housing
Museums, historical sites, zoos & parks [10]
Religious organizations

Seasonal or short-term residential uses

Single-family detached dwelling

Other residential uses

Community residential home, small (1-6)
Family day care home

CONDITIONAL USES:

Other residential uses

Permanent or long-term Multi-family attached dwelling
Seasonal or short-term Multi-family attached dwelling
Community residential home, large (7-14)
Child day care services

ACCESSORY USES:

Uses and structures which are customarily accessory, clearly incidental and subordinate to permitted uses and structures, including home occupations and off-site businesses.

Footnotes:

1 Guest houses are permitted only if the owner of the subject property occupies the primary dwelling as his/her main residence. However, guest houses shall not be rented out separately from the main residence. (refer to LDC section 7.12.04.M).

10 Zoos are only allowed in the Industrial zoning district.

This second excerpt defines long term rental and short term rental. I again note that the definition of short term rental is silent regarding the number of allowable guests.

> **Policy 1-2.1.1: Residential Uses Defined.** Residential uses shall include several structure types used for housing, including single-family detached dwellings and multiple-family structures including duplex structures units, town homes and other detached single-family structures, apartments, patio homes, atrium homes, and similar multiple-family structures. The specific FLUM designations shall identify where single-family and multiple-family structures may be located. Following are the definitions for long-term residential and short-term residential.
>
> 1. **Long-Term Residential.** Long-term residential uses shall be defined as any residential accommodation that is available for occupancy for 181 days or more. Long-term residential uses shall include lock-out units, as defined in the Glossary.
> 2. **Short-Term Residential.** Short-term residential uses shall be defined as any residential accommodation that is available for occupancy for 180 days or less. Short-Term Residential uses shall include lock-out units, as defined in the Glossary.

This third excerpt defines the grandfather clause. This clause states clearly that the grandfather status may be released only by the vested entity

> **Policy 1-2.1.5: Grandfather Clause.** Existing land uses that were lawfully conforming uses prior to the effective date of the Comprehensive Plan, shall continue as lawful uses and shall be regulated through administrative remedies for vested rights issues that shall be included in the LDC. Building heights, density and/or intensity which (a) are actual present and which lawfully existed prior to the effective date of the Comprehensive Plan, or (b) were authorized pursuant to a development order, which development order remained unexpired as of the effective date of the Comprehensive Plan, shall continue to be legal building heights, density and/or intensity (as applicable) after adoption of the Comprehensive Plan. All duly approved and recorded lots, subdivision and condominium plats of record, which existed as legal lots, subdivision and condominium plats of record prior to the adoption of this Comprehensive Plan shall continue to be legal lots, subdivision and condominium plats of record after adoption of the Comprehensive Plan. This grandfather status may only be relinquished voluntarily by the vested entity. All future subdivisions, condominium plats and all replats shall comply with the Comprehensive Plan objectives and Policies, including maximum density provisions. Similarly, all new development shall comply with the Comprehensive Plan and LDC unless the development is found to have a vested right in a land use, building height, density or intensity that is in conflict with the Comprehensive Plan and LDC. Under such condition the grandfather clause shall be applicable unless voluntarily relinquished by the vested entity. The intent is to sustain demonstrated private property rights while preserving the public interest, welfare, health, and safety. Notwithstanding, any single-family home that is subject to redevelopment shall be allowed to reconstruct, providing adopted building and construction codes as well as this ordinance and the size and dimension criteria of the LDC are met.

CONCLUSION

Based on these excerpts, I conclude that prior to the first application of Ordinance 18-29-CC, there were no restrictions to the number of allowable guests.

History:
The subject was most recently transferred on 6/14/2018 from Michas Properties LLC to Michas Properties Florida LLC per ORB/P 3354/4692. This was an administrative transfer.

The second most recent transfer was on 4/3/2017 when Julie M. Michas transferred the subject to Michas Properties LLC per ORB/P 3294/2594. This was also an administrative transfer.

The subject was acquired by Julie M. Michas on 3/1/2017 for $860,000 per ORB/P 3289/2905. The subject was listed in MLS at MLS listing 762315.

Active Listings:
None.

Current Use:
The subject is currently a detached single family home used for seasonal rental, catering to large family groups.

Surrounding Uses:
The surrounding use in the Crystal Beach/Destiny/Destiny By The Sea area is a mix of full time occupants and seasonal renters.

MARKET AREA ANALYSIS - SEASONAL RENTAL MARKET

I am restricting this analysis to the seasonal rental market.

Up until perhaps 2000, the great majority of seasonal rentals were condominium units.

However, the growing demand for larger spaces to accommodate extended families in one place led to the conversion of many larger homes to seasonal rentals. It also spurred the construction of homes specifically designed for large rental parties.

Such homes feature typical living areas but emphasize a substantial number of bedrooms and baths. Often bedrooms are equipped with multiple built - in bunks for sleeping children.

Most homes also feature sofa sleepers which can sleep additional children.

Many of these homes, and certainly those recently constructed for this purpose, featured swimming pools and lanai areas as an exterior amenity.

This market has flourished as Destin is nationally recognized as a tourist attraction.

It is common to see Realtors addressing gross rental amounts or gross rental projections in MLS Listings. While the value of homes similar to the subject is partially estimated by a size / value per SF component, the fact that a home generates a substantial amount of income makes it a more attractive and safe purchase than a home which is not rented for seasonal income. In the past few years, income has become as important as selling prices, per SF.

Another factor worthy of discussion is that many owners now self - manage. Typically in the past, management of rentals was performed by one of several large real estate companies, such as Resort Quest, Dale Peterson, Newman Dailey and Southern Resorts. However, in the past 10 years a substantial number of smaller management companies have surfaced.

Management fees for seasonal rentals range from perhaps 15% to 25% of gross revenue.

Entrepreneurial owners have recognized this expense line and many now self - manage with the aid of Vacation Rental By Owner (VRBO) or some similar search engine.

The seasonal rental market is increasing in the Destin/Miramar Beach market as the thriving national economy allows discretionary vacations.

Without the first application of Destin Ordinance 18-29-CC, allowing the sleeping capacity of 17 guests, I would consider the seasonal rental market to continue to flourish over the next several years.

However, with the first application of Ordinance 18-29-CC, limiting the subject to 12 guests, I would project a diminution in value.

HIGHEST AND BEST USE 'AS IS'

Legally Permissible
The subject property is zoned (and designated for future land use) as *Crystal Beach Neighborhood (CBN)* by the City of Destin, Florida.

This zoning and land use designation allows for single-family use and specifically indicates that short term rentals is a permitted use (See page 36). The use of the subject for single-family short-term rentals is therefore allowed in this district.

Physically Possible
The subject property appears to be relatively level and well drained. Soil and subsoil conditions nearby appear compatible with both low-rise, multi-story use and traditional commercial development. All utilities required for commercial or 'mixed use' are presently at the site. The size and dimensions of the site are sufficient to allow a wide variety of legally permissible uses. The shape of the site is rectangular and this shape does not limit utility. Transportation of construction materials or labor to the site is estimated to be relatively simple due to the central location of the site within the overall market. Access to the site is above average.

However, the most compelling substantiation that the subject is physically possible is the fact that it already exists.

Therefore, use of the subject property for single family use as a seasonal rental is physically possible.

Financially Feasible
Value opinions derived in the income approach to value indicate the existing improvement contributes value to the underlying land. There is substantial other ongoing seasonal rental use in the market, suggesting that there is broad appeal for seasonal rental properties.

Therefore, continued use of the subject property for a detached single family residence used for seasonal rental income is financially feasible.

Maximally Productive
The alternatives of addition, demolition, expansion, modernization, or conversion to alternate uses have been considered within the legal, physical, and financially feasible parameters. Several alternatives exist.

Alternatives for use of improvements:

Expansion
The existing subject improvement is 2,514 HVAC SF. The subject is typical of most seasonal rental homes. Thus, there is no need for expansion. Any expansion would come at a cost of parking and/or access. Thus, expansion beyond what is existing, does not appear to be appropriate and feasible.

Renovation
Typically, any existing property could benefit from renovation. However, the subject has been well maintained and is in good condition. Thus, I would not consider imminent renovation to be required or practical.

Downsizing
The existing subject improvements are 2,514 HVAC SF. I see no reason to downsize the subject improvement as it appeared that all of it is usable space. Thus, downsizing beyond what is existing does not appear to be appropriate, physically possible or feasible.

Subdividing
The purpose of the subject is to lease it seasonally to large parties of guests. Subdivision would not be legally approved and does not appear to be financially prudent as the parties of guests would be smaller and grouping smaller parties together in the same pool could prove problematic. I would not consider subdivision to be prudent or feasible.

Demolition
The subject is a recently constructed home in 2003 and is currently in good condition. It features a probable 39 years of remaining economic life and a probable 40-50 years of remaining physical life.

I do not consider demolition and replacement with alternative improvements to be a superior use to the current use as a rental property. No alternative use would be certain to serve the land better. Thus, the subject is not a candidate for demolition.

Utilizing existing improvements
Continued use 'as is' as a seasonal rental, is considered the maximally productive use.

Conclusion of Highest and Best Use 'as is'
Analysis of recent trends and current market supply and demand indicate that the maximally productive highest and best use of the subject property is continued use as a detached single family residence used for seasonal rental income.

Conclusion of Highest and Best User 'as is'
Analysis of recent trends and current market supply and demand strongly indicate the most probable user is an entrepreneurial user who leases the subject for seasonal rental income with a small amount of personal use.

SUMMARY OF ANALYSIS AND VALUATION

Methodology

Site valuation derived from Sales Comparison Analysis involves direct comparisons of the subject property to similar properties selling in the marketplace to derive a comparative value indication for the subject property 'as if vacant,' as of the effective date of value. This approach is also called the 'direct sales comparison approach', or the 'market approach', and tends to be the most reliable approach for developing an opinion of the value of vacant land or sites available for development. Other methods of developing the value of land are available. Allocation, extraction, land residual, ground rent capitalization, and discounted cash flow analysis are all recognized as reasonable methods of valuation.

The cost approach is a reliable methodology for new, or nearly new, buildings. I estimate the replacement cost or reproduction cost, in this case replacement construction cost, of the existing or existing improvements and site improvements (including direct and indirect costs as well as an appropriate developer profit), deducting accrued depreciation from physical, functional, and external sources from the total replacement or reproduction cost new. The depreciated replacement or reproduction cost of the improvements is added to the value of the site resulting in a value indication of the fee simple interest in the property.

The sales comparison approach is based on the 'Principle of Substitution' which indicates an informed purchaser would pay no more for a property than the cost of acquiring an equally desirable substitute property with the same or similar utility. This approach is applicable when an active market provides sufficient quantities of reliable data which can be verified from authoritative sources. The Sales Comparison Approach is reliable in an active market or if an opinion of value is related to properties which there are comparable sales available. This approach to value is also relevant when sales data can be verified with the principals to the transaction. Heavy emphasis is usually placed on this approach to value in an active market.

The income approach is recognized as a reliable approach for developing an opinion of the value of 'income producing' property to an investor. The income approach consists of methods, techniques, and mathematical procedures an appraiser uses to analyze a property's capacity to generate income and convert income into an indication of present value either by capitalizing the current income at a market capitalization rate or discounting the future cash flows into a present value estimate using an appropriate yield (discount) rate. The appraisal process emulates the market, and the most probable purchaser would be an investor. Two (2) techniques associated with the income approach are direct capitalization and discounted cash flow analysis.

Methodology employed and explanation of the exclusion of any of the three (3) approaches to value

I am not performing cost analysis. The problem to be solved is to derive the diminution in value based on the guest restrictions included in Destin Ordinance 18-29-CC. The number of guests would have no impact on the cost to construct.

I am not performing sales comparison analysis. The impact of Destin Ordinance 18-29-CC may not be evident in the market for several years in the selling prices of homes. The ordinance allows a five year grandfather period. Homes sold in this grandfather period may not indicate a decline in selling prices and it would not be reliable to estimate diminution in value based on comparable sales until a larger array of data was available for use in sales comparison analysis.

I am performing income analysis. I will identify probable annual income for the subject with seven teen (17) guests, based on historical income and projected income from the manager; and then identify market rents which support the subject contract rent. I will then identify operating expenses and subtract operating expense from gross rent to arrive at a net operating income (NOI). I will then apply a market based capitalization rent to the NOI to arrive at a value for the subject, prior to the first application of Destin Ordinance 18-29-CC.

I will then identify the rental incomes for homes which are allowed only 12 guests, and/or will compute income based on 12 guests as compared to 17 guests. I will then subtract expenses for the rents of 12 guest homes and arrive at their NOI. I will then derive a value by capitalizing this NOI.

Finally I will subtract the value for a 12 guest house from the value of a 17 guest house and this figure will be the diminution in value.

COST ANALYSIS
NOT PERFORMED

SALES COMPARISON ANALYSIS NOT PERFORMED

INCOME ANALYSIS
'AS IS'

DESCRIPTION OF INCOME ANALYSIS METHODOLOGY

The income approach to value is based on the principle of anticipation, in that the value of the subject property correlates to the present worth of the future right to receive benefits in the form of income to be received by the owner. The income approach considers the property from an investment interest with the assumption that the amount of income, coupled with the regularity and quality of the income stream, are the basis for valuing the property based on income analysis.

The income approach is applied by identifying the net income by first identifying gross income and then deducting from the gross income the expenses of operating a property to arrive at a net income, generally identified a Net Operating Income (NOI).

The estimated NOI is then converted to a value opinion by utilizing either a Discounted Cash Flow Analysis, or a Direct Capitalization Analysis, or both.

Discounted cash Flow Analysis:
The Discounted Cash Flow Analysis (DCF) is an analysis where a discount rate is applied to a series (typically several years) of income streams with a reversion after typically 7 to 10 years. The appraiser must specify the quantity, variable nature of the income, timing of payments (monthly/quarterly/annually) to a present value at a specified yield rate. The DCF analysis is most applicable when the net income is projected to be variable and when the property is on a sufficient size and investment value to influence market participants to evaluate purchase decisions based on DCF. A large strip retail center would be a good candidate for DCF analysis, as would a project to be constructed in phases, where the income would increase as new construction is added.

I note that I did not perform DCF analysis as it is my opinion that market participants would not use DCF analysis to base decisions to either purchase or sell properties such as the subject.

Direct Capitalization:
The conversion of a net income to a current value is called capitalization. Capitalization is a method which is used to convert the estimate of a single year's net income actual figures and/or expectancy of income into a value opinion by dividing the income by a appropriate rate of capitalization, as estimated by the appraiser. This technique employs capitalization rates derived from the market, using both capitalization rates from recent sales of similar properties, generally augmented by national indices, or other mathematical progressions. This process provides a one year snap shot of the property value. Future yields and values are not directly identified. The direct capitalization analysis is most appropriate for small to medium sized income producing properties, in stable markets with a forecast of generally stable income.

The procedural steps involved in capitalization are as follows:

Develop the probable gross income by identifying historical performance, income projections and market incomes from comparable properties which support the historical or projected subject income.

Estimate vacancy and collection losses to arrive at Effective Gross Income (EGI).

Estimate and subtract operating expenses to arrive at NOI.

Develop a capitalization rate which is supported by the market.

Divide the NOI by the capitalization rate to derive a value opinion.

I am employing the direct capitalization analysis to derive values in this analysis.

I note for the reader that steps #1 and #2 are generally combined in the analysis of seasonal resort properties. Owners and management companies tend to provide actual income which has already accounted for vacancy and collection loss.

INCOME ANALYSIS - ESTIMATE OF CAPITALIZATION RATE

The capitalization rate is a rate which is applied to the Net Operating Income (NOI) to derive a value for a property. As the chart below indicates, you can derive a capitalization rate by dividing the NOI by the purchase price.

The following excerpt will provide some explanation of capitalization rates.

Capitalization rates are used in a formula. As seen below, dividing the net operating income by the purchase price indicates the capitalization rate.

Another variation of the formula is to divide the net operating income by the capitalization rate and this process will indicate the value of the property.

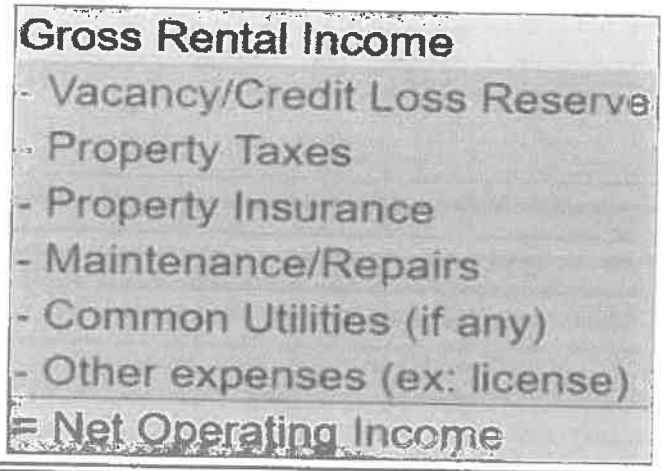
What Is a Cap Rate?

A cap rate is simply a formula. It's the ratio of a rental property's net operating income to its purchase price (including any upfront repairs):

$$\text{Cap Rate} = \frac{\text{Net Operating Income (NOI)}}{\text{Purchase Price}}$$

The formula can be used on the level of an individual property by looking at its net operating income compared to its value. But it can also be used on the level of an entire market by taking *average* cap rates for a large group of properties.

Importantly, the cap rate formula does NOT include any mortgage expenses. As you can see in the formula for net operating income below, the expenses do not include a mortgage or interest payment.



MARKET DATA BASED ON TYPICAL INDICES

Capitalization rates range widely in the market. The following table derived from Realty rates.com indicate a wide variety of capitalization rates base on property types. This table contains very recent data from the first quarter 2019.

As can be seen, properties such as restaurants and lodging (motels and hotels) have high capitalization rates. Apartments (residential) have the lowest capitalization rates.

Realty rates does not include a separate category of single family detached homes.

RealtyRates.com INVESTOR SURVEY - 1st Quarter 2019*
CURRENT & HISTORICAL CAP RATE INDICES

Method-Weighted* Property Category Indices

	Apts		Golf		Healthcare Senior Housing		Industrial		Lodging		MH/RV Park		Office		Retail		Restaurant		Self Storage		Special Purpose		Weighted* Composite Indices	
Year	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg
2019	8.42	25	12.02	30	9.01	14	9.19	23	10.53	25	9.56	30	9.04	10	9.38	20	11.57	15	9.86	29	11.64	40	9.64	22
4th Qtr	8.46	8	12.08	11	9.07	11	9.23	7	10.53	1	9.62	13	9.08	13	9.44	10	11.62	11	9.92	13	11.71	11	9.68	9
3rd Qtr	8.37	-4	11.97	-5	8.96	-2	9.16	-5	10.52	-7	9.50	-5	8.95	-6	9.33	-3	11.51	-4	9.79	-7	11.60	-3	9.59	-5
2nd Qtr	8.41	3	12.02	5	8.98	3	9.21	5	10.59	6	9.55	5	9.00	0	9.36	4	11.56	4	9.86	6	11.63	5	9.64	4
1st Qtr	8.39	23	11.97	28	8.98	13	9.16	22	10.52	31	9.50	28	9.00	5	9.32	17	11.52	26	9.81	25	11.58	34	9.60	21
2017	8.16	4	11.73	-2	8.87	-9	8.96	-12	10.28	5	9.28	11	8.94	-22	9.19	-9	11.42	-15	9.57	-9	11.25	9	9.42	-6
2016	8.13	-2	11.75	6	8.92	12	9.09	16	10.22	0	9.15	15	9.16	16	9.27	12	11.57	-10	9.67	14	11.21	10	9.48	9
2015	8.15	-3	11.69	-14	8.90	-9	8.93	-10	10.22	-20	8.99	-18	9.00	-8	9.15	-11	11.68	-13	9.52	-22	11.11	-12	9.40	-12
2014	8.24	-15	11.83	-9	8.99	-1	9.03	-4	10.43	-17	9.17	-5	9.06	-22	9.26	15	11.79	-6	9.75	-20	11.24	14	9.52	-7
2013	8.39	14	11.92	-14	8.90	5	9.07	-2	10.60	3	9.22	14	9.28	-19	9.11	-4	11.86	9	9.95	-24	11.10	1	9.59	-2
2012	8.25	-35	12.07	6	8.85	-36	9.09	-40	10.57	-24	9.08	-39	9.47	3	9.15	-13	11.77	6	10.19	-43	11.09	-4	9.60	-21
2011	8.60	-28	12.00	-22	9.21	-40	9.49	-11	10.81	-24	9.49	-8	9.44	-10	9.28	-26	11.70	-14	10.69	-3	11.12	-17	9.81	-19
2010	8.89	4	12.22	5	9.62	15	9.60	12	11.05	7	9.56	22	9.54	18	9.54	25	11.94	12	10.72	21	11.30	0	10.00	13
2009	8.85	8	12.17	16	9.47	10	9.48	10	10.98	-7	9.33	1	9.38	29	9.29	20	11.72	15	10.50	37	11.30	8	9.87	14
2008	8.77	-4	12.01	29	9.37	-16	9.38	-14	11.05	56	9.32	-5	9.09	-16	9.09	-11	11.57	-28	10.13	20	11.22	-7	9.74	-1
2007	8.81	-45	11.72	-21	9.53	-65	9.52	-25	10.49	-28	9.37	-26	9.25	-47	9.20	-12	11.85	61	9.83	-38	11.29	-24	9.75	-28
2006	9.26	12	11.93	47	10.18	15	9.77	35	10.77	27	9.63	41	9.72	26	9.32	30	11.24	19	10.31	27	11.53	9	10.03	26
2005	9.14	14	11.46	80	10.03	-16	9.42	-30	10.50	-21	9.22	19	9.46	6	9.02	16	11.06	5	10.04	13	11.44	-30	9.77	2
2004	9.00	-19	10.66	28	10.19	-37	9.72	19	10.71	-98	9.03	-48	9.40	-4	8.86	-19	11.01	-15	9.91	-13	11.74	-30	9.75	-19
2003	9.19	-2	10.38	-32	10.56	64	9.53	33	11.69	56	9.51	-11	9.44	1	9.05	-16	11.16	8	10.04	-53	12.04	105	9.94	12
2002	9.21	-40	10.70	18	9.92	-39	9.20	-61	11.13	26	9.62	-60	9.43	-35	9.23	-62	11.09	-3	10.57	-12	10.99	-177	9.82	-41
2001	9.61	64	10.52	133	10.31	90	9.81	16	10.87	98	10.22	-69	9.78	-35	9.85	-53	11.11	47	10.69	13	12.76	32	10.23	21
2000	8.97		9.19		9.41		9.65		9.89		10.90		10.13		10.39		10.64		10.56		12.44		10.01	

* Weighted by methodology: Band-of-Investment, DCR Technique, Sales Survey

^ Further weighted by property category

The following chart provides some additional data regarding capitalization rates for apartments in some major metropolitan centers.

These rates are lower than the overall national rate for apartments identified on the previous page. I attribute this to the fact that the cities below are major metropolitan areas with a high density of population which keeps occupancy high and inspires investor confidence. In this regard, the Destin seasonal rental market is similar in its high density and national appeal.

Cap Rates For Stabilized, Class A Multifamily Apartments By City – 2017 (2nd Half)

San Diego	4.25%
Chicago	4.75%
Atlanta	5.00%
Philadelphia	5.25%
St. Louis	5.75%
Cleveland	6.25%
Pittsburgh	6.50%
Detroit	7.25%

Single family homes are seldom valued via income capitalization. Most homes are owner occupied and the issue of rent and valuation through rent is generally not applicable. However, I identified the following excerpt rom the internet which indicates a range of capitalization rates from 4% to 10% for single family homes. The reader will note in the excerpt immediately above that high demand areas feature lower capitalization rates and lower demand areas feature higher capitalization rates. I would again observe that Destin is a high demand area in the seasonal rental market. Thus, I would consider it probable that capitalization rates for singe family homes in Destin were toward the low side of the 4% to 10% range.

Cap Rate for Single Family Home

Professionals purchasing commercial properties, for example, may buy at a 4% cap rate in high demand areas, or a 10% (or even higher) cap rate in low-demand areas. Generally, 4% to 10% per year is a reasonable range to earn for your investment property. Continuing with our example from above, $17,000/ 5% = $340,000.

The following are two excerpts from the internet indicating that Panama City Beach, Florida boasts a very low capitalization rate of 4.9% and that the Destin, Florida market features a 4.7% capitalization rate for Airbnb rentals.

9. PANAMA CITY BEACH, FL

Short-Term Rental Cap Rate: 4.9%

White sandy beaches, clear water, fishing piers, protected nature reserves, hiking trails... what more do you need to be convinced that Panama City Beach is one of the best places around the US to invest in a vacation rental.

Property prices are affordable with a median level of $334,700, while short-term rental income stands around $3,260. The average cap rate for vacation rentals is 4.9%.

2. Destin

- *Median Property Price:* $695,000
- *Airbnb Rental Income:* $2,720
- *Traditional Rental Income:* $1,610
- *Airbnb CoC Return:* 2.3%
- *Traditional CoC Return:* 0.5%
- *Airbnb Cap Rate:* 4.7%
- *Traditional Cap Rate:* 2.8%
- *Airbnb Occupancy Rate:* 58.4%

The second among the best places to buy a vacation home in Florida is Destin, with rental income from Airbnb just a few dollars below St. Augustine. However, this location is significantly more expensive. But it has a very important advantage for all those loving nature and sports – it is very famous for the fishing opportunities that it offers.

Conclusion:

I have provided an array of capitalization rates from national data ranging from a low of 4.7% to a high of 8.42%.

I am selecting a rounded rate of 6.25%, recognizing that there are established capitalization rates both higher than, and lower than, the reconciled 6.25%.

I am confident that a capitalization rate of 6.25% is well supported by national data.

I also note that the most similar rate is the 4.7% Airbnb rate in Destin, which suggests that a 6.25% rate may be conservative.

MARKET CAP RATE DATA BASED ON LOCAL SALES OF HOMES USED FOR SEASONAL RENTAL

In addition to the national data provided above, I am also providing some data from actual sales in the local market.

I have some professional acquaintances who specialize in the management of large homes used for seasonal rentals. I have asked them to provide me some actual data from recent sales to help derive a local data base of capitalization rates.

On 7/13/2018, Frangista Beach E16 LLC (Nick Athens - a professional acquaintance well known to me) sold 3491 Scenic Highway 98 to Rich Rentals for $3,000,000. This house is 6,008 HVAC SF and features nine (9) bedrooms and 9.5 baths. It is very similar to the subject and is a very good comparable indicator of capitalization rates. Mr. Athens stated that the net operating income was $172,340. Dividing $172,340 by $3,000,000 indicates a capitalization rate of 5.74%.

On 9/4/2015, Nick and Tina Athens sold 1850 - 1852 Scenic Gulf Drive in Miramar Beach to Forty-Four Holdings for $2,205,000. This was two side by side homes in Frangista Beach which were an aggregate 3,460 HVAC SF and which features Five (5) bedrooms and 7 baths. Mr. Athens stated that the net operating rent was $133,200. Dividing $133,200 by $2,025,000 indicates a capitalization rate of 6.58%. I do not consider it a coincidence that the home with the fewest bedrooms featured the highest capitalization rate.

On 2/10/2016, Destiny Real Estate Ventures LLC sold 3463 Scenic Highway 98 to Charles Barone for $3,615,000. This house is 6,465 HVAC SF and features eight (8) bedrooms and 6.5 baths. It is very similar to the subject and is a very good comparable indicator of capitalization rates. Mr. Giles stated that the net operating income was $222,125. Dividing $222,125 by $3,615,000 indicates a capitalization rate of 6.15%.

On 1/11/2019, Kevin Hense sold 2984 Scenic Highway 98 to Russell and Susan Hancock for $3,000,000. This house is 3,997 HVAC SF and features six (6) bedrooms and 5.5 baths. It is very similar to the subject and is a very good comparable indicator of capitalization rates. Mr. Hense stated that the net operating income was $176,000. Dividing $176,000 by $3,000,000 indicates a capitalization rate of 5.87%.

On May 18, 2018, Sapp Investments LLC sold 4659 Destiny Way to the Lindholm Family Revocable Living Trust for $2,500,000. Mr. Lindholm stated to me that income for 2018 was an aggregate of $293,500. He also stated that expenses were an approximate $115,025, resulting in approximate $178,475 of net operating income (NOI). Dividing $178,475 by $2,500,000 indicates a capitalization rate of 7.14%.

RECAPITULATION OF LOCAL MARKET CAPITALIZATION RATES

The following table summarizes the capitalization rates identified in the narrative above.

Property Address	Capitalization Rate
3491 Scenic Highway 98, Destin	5.74%
1850 Scenic Gulf Drive, Mirimar Beach	6.58%
3463 Scenic Highway 98, Destin	6.15%
2984 Scenic Highway 98, Destin	5.87%
4659 Destiny Way, Destin	7.14%
Average	6.29%
Rounded	6.25%

I consider a rounded capitalization rate of 6.25%, derived from local market data, to be a market supported rate which is both credible and reliable, as well as being consistent with national data which brackets the final capitalization rate selection.

For this reason, I am selecting a 6.25% capitalization rate.

ESTIMATE OF VALUE PRIOR TO THE FIRST APPLICATION OF ORDINANCE 18-29-CC

Based on the current zoning and the Destin Land Development Code, and prior to the first application of Ordinance 18-29-CC, there was no limit to the number of guests allowed in the subject improvement. The subject can accommodate up to seventeen (17) guests based on the data provided by the owner and my identification of sleeping capacity previously identified.

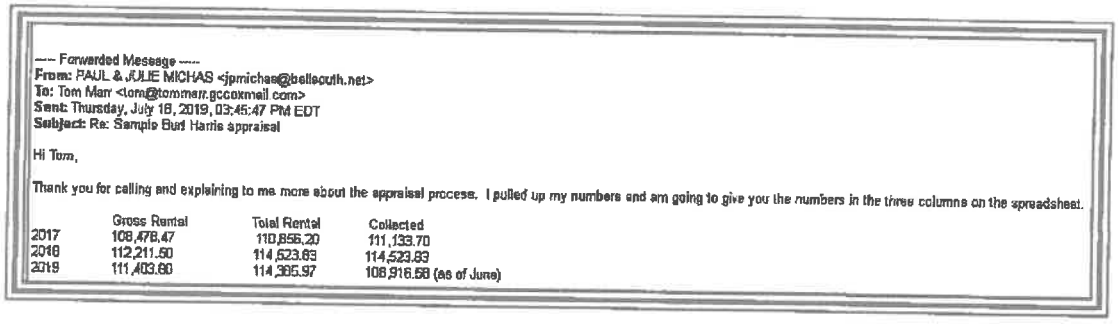
CURRENT CONTRACT RENT
I note that seasonal rentals are typically described with annual rental amounts as opposed to more consistent monthly rental rates.

Such rental amounts are generally described using gross income data, and/or projections of gross income data.

Appraisers need to then examine expenses to arrive at a net operating rent to capitalize. Expenses to gross revenue are ad valorem taxes, flood and hazard insurance, HOA dues, maintenance and repairs, utilities, lawn maintenance, pest control, professional fees and reserves. I note that interest/mortgage payments and depreciation are not expenses when capitalizing property for value.

The subject was acquired in early 2017 and I consider any historical income from 2017 to be unreliable as there were two owners in that year.

I asked the owner for more recent data and the owner provided the following data via email.



----- Forwarded Message -----
From: PAUL & JULIE MICHAS <jpmichas@bellsouth.net>
To: Tom Marr <tom@tommarr.gccoxmail.com>
Sent: Thursday, July 18, 2019, 03:45:47 PM EDT
Subject: Re: Sample Burt Harris appraisal

Hi Tom,

Thank you for calling and explaining to me more about the appraisal process. I pulled up my numbers and am going to give you the numbers in the three columns on the spreadsheet.

	Gross Rental	Total Rental	Collected
2017	108,478.47	110,856.20	111,133.70
2018	112,211.50	114,523.63	114,523.63
2019	111,403.60	114,395.97	108,916.58 (as of June)

I spoke to the owners who stated that most of the 2019 bookings were included in the 2019 figures above.

We agreed that a total of $110,000 was reasonable and credible for the 2019 totals.

Thus, I consider gross rent of $110,000 for 2019 to be market rent.

As the subject can sleep 17 guests, dividing $110,000 by 17 guests results in a per guest average of $6,470.

I will attempt to provide support to the 2019 projection by researching other homes in Destin which rent to similar number of guests. See the following page.

MARKET SUPPORT FOR GROSS INCOME ESTIMATE

Some of these comparables were provided to me by Jordan Shane, Florida Luxury Vacation Rentals, Cheryl St.Pe', Destin Comforts, Jeanne Petrillo and Ben Giles.

#	Address	Gross Income	Guest capacity	Income per guest
1	3893 Sandprint Circle	$118,796	20	$5,939
2	113 Los Angeles Street	$137,308	19	$7,227
3	1737 Scenic Highway 98	$144,814	20	$7,241
4	100 Sandprint Circle	$105,000	20	$5,250
5	84 Woodward Street	$80,560	12	$6,713
6	212 Kono Way	$74,815	12	$6,235
7	71 Stingray Street	$120,150	20	$6,007
8	75 Shirah Street	$79,885	14	$5,706
9	76 Dolphin Street	$101,300	20	$5,065

The average of these nine market comparable rentals is $6,164.

Many of these comparables are closer to the gulf and many have gulf views.

This market data supports the owner's projection.

Comparables #5, #6, #7 and #8 are all located in Crystal Beach. These four comparable sales averaged $5,945 per guest annually.

The general market data and the Crystal Beach market data is relatively consistent.

This market data supports a per guest income of $6,470 per guest.

I am estimating a rounded $6,500 per guest per year as a credible rate.

The subject can accommodate 17 guests. Multiplying 17 by $6,500 per guest results in an annual gross income of $110,500, a figure consistent with the professional management company projection.

I assume that the income could increase in future years.

MARKET SUPPORT FOR GROSS TO NET RATIO

I have attempted to derive gross and net income figures for comparable properties in the market. However, my research indicates that many owners and property managers are unwilling to divulge private financial information, especially the net income.

Thus, I will provide some market examples of properties where clients or close associates did divulge data.

The first example is a detached home located at 112 Sandprint Circle in the Dunes of Destin. The owners, Edward and Tari Furey, provided me with detailed data regarding income and expenses. They indicted annual revenue of $325,000 and annual expense of $100,000. This suggests an expense ratio of $100,000 / $325,000, or 31%, rounded.

I again spoke to Nick Athens who still owns a detached house at 4664 Destiny Way which grossed $275,000 in 2018. The expenses for this property were an approximate $89,000. This suggests an expense ratio of $89,000 / $275,000, or 32% rounded.

As a third indicator, I spoke to Kevin Hense, who sold a detached house at 2984 Scenic Highway 98 for $3,000,000 on 1/11/2019. Mr. Hense indicated that the 2018 gross rent was $263,000 and that the expenses were $87,000. This suggests an expense ratio of $87,000 / $263,000, or 33%, rounded.

The subject features projected and market supported income of $110,500. Including management expense of 15% ($16,575), plus typical expenses of ad valorem taxes, insurance, maintenance, utilities, credit card fees and pest control, I estimate expenses of $38,000. This is an expense ratio of 35%, rounded.

Thus, the subject expense ratio is relatively consistent with the market comparables above.

I consider the historical operating expense ratio for the subject to be typical for the market.

I am using a 35% expense ratio in this analysis.

The next step is applying the previously calculated expense ratio to the gross rent to arrive at a net operating income (NOI). Applying a 35% expense ratio to $110,500 results in a net rent of $71,825.

Capitalizing $71,825 with a 6.25% capitalization rate results in a value of $1,149,200, rounded to $1,150,000.

It is my professional opinion that the subject value, prior to the first application to Destin Ordinance 18-29-CC on September 18, 2019 is $1,150,000, based on income analysis.

$1,150,000

ESTIMATE OF VALUE AFTER THE FIRST APPLICATION OF ORDINANCE 18-29-CC

Destin Ordinance 18-29-CC reduces the subject sleeping capacity to 12 guests as the limit is two guests per bedroom, plus four (4) additional guests. There are four (4) bedrooms. Thus, 2 x 4 = 8 + 4 = 12.

I note for the reader that the ordinance states clearly that a bedroom must meet the requirements of the Okaloosa County Property Appraiser who states that a bedroom has a door, a window and a closet. The Okaloosa County Property Appraiser states that the subject is a five bedroom house, however, my viewing indicated that one of the five bedrooms did not include a closet. Thus, I consider the subject a four bedroom house. It is my opinion that the limit of 12 guests will have a negative impact on value.

To estimate the difference, I need to research the market for homes which are limited to smaller guest totals and/or use similar data to apply to only 12 guests.

Market research results in the following comparable rentals.

#	Address	Gross Income	Guest capacity	Income per guest
1	3893 Sandprint Circle	$118,796	20	$5,939
2	113 Los Angeles Street	$137,308	19	$7,227
3	1737 Scenic Highway 98	$144,814	20	$7,241
4	100 Sandprint Circle	$105,000	20	$5,250
5	84 Woodward Street	$80,560	12	$6,713
6	212 Kono Way	$74,815	12	$6,235
7	71 Stingray Street	$120,150	20	$6,007
8	75 Shirah Street	$79,885	14	$5,706
9	76 Dolphin Street	$101,300	20	$5,065

The average of these nine market comparable rentals is $6,164.

Comparables #5, #6, #7, #8 and #9 are all located in Crystal Beach. These four comparable sales averaged $5,945 per guest annually.

The general market data and the Crystal Beach market data is relatively consistent.

The market data generally supports the owner's estimate of $6,470 per guest and I am selecting a rounded $6,500 per guest.

Based on the impact of Ordinance 18-29-CC, the subject will be limited to 12 guests.

Multiplying $6,500 per guest by 12 guests results in gross annual rent of $78,000.

Applying a 35% expense ratio to $78,000 results in a net rent of $50,700.

Capitalizing $50,700 with a 6.25% capitalization rate results in a value of $811,200, rounded to $810,000.

It is my professional opinion that the subject value, after to the first application of Destin Ordinance 18-29-CC is $810,000, based on income analysis.

$810,000

ESTIMATE OF THE DIMINUTION OF VALUE

My research and analysis indicates that the value of the subject based on the right to sleep 17 guests is a rounded $1,150,000.

My research and analysis indicates the value of the subject based on the limit to sleep only 12 guests is a rounded $810,000.

It is my opinion the first application of Destin Ordinance 18-29-CC on September 18, 2019 results in an approximate $340,000 diminution of value.

DIMINUTION OF VALUE

$340,000

ADDENDA

Appraiser License

APPRAISER LICENSE

THIS INSTRUMENT PREPARED BY
AND AFTER RECORDING RETURN TO:

Kimberly Romano Kopp, Esq.
Romano Kopp Law, P.A.
P.O. Box 445
Destin, Florida 32541

For Recording Purposes Only

SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is entered into this _____day of _____ 2019, ("Effective Date") by and between, Michas Properties Florida, LLC ("**Owner**") and the City of Destin ("**City**"), collectively referred to as the "Parties."

RECITALS

WHEREAS, on January 22, 2019, the City enacted Ordinance 18-29-CC, the Short-Term Rental Occupancy Ordinance ("Ordinance"), which limits the occupancy of short-term rental homes to two (2) people per bedroom plus an additional four (4) persons; and

WHEREAS, Owner owns the real property and improvements located at 82 Shirah Street, Destin, FL 32541, as more particularly described in the attached Exhibit "A" (the "Property"); and

WHEREAS, on October 23, 2019, Owner filed a claim with the City, pursuant to the provisions of §70.001, Florida Statutes, the Bert J. Harris, Jr., Private Property Rights Protection Act (the "Harris Act"), alleging that the Property had been inordinately burdened by the adoption of the Ordinance, (the "Claim"); and

WHEREAS, the Harris Act provides for the City to have the ability to enter into a settlement agreement which would have the effect of a modification or variance to the application of a regulation or ordinance as it would otherwise apply to the subject real property, provided the relief granted protects the public interest served by the regulations at issue and is the appropriate relief necessary to prevent the governmental regulatory effort from inordinately burdening the real property; and

WHEREAS, the City has determined that the modifications to the effect of the Ordinance effected by this Agreement protect the public interest served by the Ordinance and are the appropriate relief necessary to prevent the regulatory effect of the Ordinance from inordinately burdening the Property; and

WHEREAS, the Parties now desire to settle and finally resolve all disputes between and among them concerning the Claim.

NOW, THEREFORE, the Parties hereby agree as follows:

1. **Recitals.** The above recitals are true and correct and are incorporated herein by reference.

2. **Occupancy Allowable Under Ordinance.**

(a) Owner is hereby granted a variance from the provisions of the Ordinance so that the Owner shall have the right to apply under the Ordinance for a maximum occupancy of twelve (12) overnight guests at the five (5) bedroom vacation rental property noted above and the City shall grant such occupancy. The right shall continue in perpetuity, regardless of any future changes in ownership, provided that this right shall expire permanently if the Property were to be voluntarily remodeled or voluntarily rebuilt in such a manner as to change the number of bedrooms that existed at the date of the Claim. The Property remains subject to all other requirements of the City's regulations, including but not limited to regulations for short-term rentals, parking, trash, and noise.

(b) No greater than four (4) vehicles may be parked on the Property. No vehicle may encroach upon the City's right-of way.

(c) Owner shall ensure that at least two (2) outdoor trash receptacles are provided by the applicable trash hauler and available for use by occupants at all times.

(d) Owner agrees that the City shall be permitted to access the property on an annual basis for the purpose of life-safety inspections to ensure code compliance with minimum egress and emergency egress requirements pursuant to the Florida Building Code (Residential) and to ensure the property has adequate and working smoke detectors. Owner shall submit to the City a separate application and fee for such inspection, on a form provided by the City, at the time Owner submits its annual short-term rental registration application to the City

3. **Development in Accordance with Code.** Notwithstanding any provisions contained herein, the Owner shall at any time have the right and option to remodel, develop, or use the Property in accordance with the applicable ordinances of the City of Destin in effect at the time of application therefor, and this variance shall not be construed as making the Property in any way non-conforming.

4. **Entire Agreement.** The Parties acknowledge that this Agreement constitutes the entire agreement between them regarding the settlement of their dispute and any prior statements, whether oral or written, are merged herein. This Agreement may not be modified or amended without a written instrument signed by the party against whom enforcement is sought.

5. **Duration of Agreement.** This Agreement shall be perpetual and deemed to run with the land, and shall be binding upon and the benefits shall inure to the parties hereto and their respective heirs, devisees, personal representatives, successors and assigns.

6. **Authority.** The signatories to this Agreement are expressly authorized to resolve their dispute as set forth herein and by their signatures here represent and affirm their authority to execute this Agreement.

7. **Governing Law.** The law of the State of Florida shall apply to this Agreement. Any dispute regarding this Agreement shall be litigated exclusively in the courts of Okaloosa County, Florida. The parties expressly consent to such agreed jurisdiction and venue, and waive any objections thereto.

8. **Notices.** Any notice required or permitted to be given hereunder shall be in writing and shall be (i) delivered by hand, (ii) delivered by reputable national or local courier (such as United Parcel Service or Federal Express), (iii) mailed by United States registered or certified mail, return receipt requested and postage prepaid, or (iv) sent by facsimile transmission provided a confirmation of such facsimile transmission is sent the same day by one of the methods of delivery in (i), (ii), or (iii) above. Any notice shall be addressed to each party at its address as set forth below. Any such notice shall be considered given on the date of such hand delivery, deposit with such courier for same day or next business day delivery, upon receipt of return receipt of certified mail, or receipt of facsimile transmissions, as the case may be, and the time period (if any is provided herein) in which to respond to such notice shall commence on the date of receipt. Rejection or other refusal to accept or inability to deliver because of changed address of which no notice was given shall be deemed to be receipt of the notice. By giving to the other party at least ten (10) days' notice thereof, any party shall have the right from time to time to change the addresses thereof and to specify up to two (2) additional addresses within the United States of America to which copies of notices to it shall be sent. Notice may be given on behalf of any party by such party's counsel. In the event the subject property owner changes, notices shall be addressed to the current owner as indicated in the records of the Okaloosa County Property Appraiser. Otherwise, notices shall be sent as follows:

Each notice shall be addressed as follows:

To City: City of Destin, Florida
Attn:
4200 Indian Bayou Trail
Destin, Florida 32541

With a copy to:
City Land Use Attorney
Romano Kopp Law, PA
PO Box 445
Destin, Florida 32541
Attn: Kimberly Romano Kopp, Esq.

To Owner: Michas Properties Florida, LLC
82 Shirah Street
Destin, FL 32541

With a copy to: Najmy Thompson, PL
1401 8th Avenue West
Bradenton, Florida 34205
Attention: Aaron M. Thomas, Esq.

Attorney's Fees. In the event of any action, whether pre-suit, mediation, litigation or appellate proceeding to enforce the terms and conditions of this Agreement, each party to the action shall pay its own attorney's fees and costs incurred therein.

(d) Venue over any action to enforce the terms and conditions of this Agreement, including mediation, shall lie solely in Okaloosa County, Florida.

OWNER: Michas Properties Florida, LLC

_____
Signature of Witness #1

_____
By:
Michas Properties Florida, LLC

_____
Print or type name

_____

_____
Signature of Witness # 2

_____
Print or type name

STATE OF_____
COUNTY OF_____

The foregoing instrument was acknowledged before me this _____ day of _____ 2019, by _____ _____ and _____, who are personal known to me or who have produced _____ as identification and who did not (did) take an oath.

_____
Signature of Notary

(NOTARY SEAL)

_____
Print or type name

CITY OF DESTIN

By:_____
Gary Jarvis, Mayor

Date:_____

ATTEST:

_____
Rey Bailey, City Clerk

Date:_____

STATE OF_____
COUNTY OF_____

The foregoing instrument was acknowledged before me this _____ day of _____ 2019, by _____ _____ and _____, who are personal known to me or who have produced _____ as identification and who did not (did) take an oath.

_____
Signature of Notary

(NOTARY SEAL)

_____
Print or Type Name

Approved as to form and legality for use and reliance
by the City of Destin, Florida, only.

_____
Kimberly Romano Kopp, Esq.
City Land Use Attorney

Exhibit "A"

Legal Description of Property

ITEM # 2019-1883

CITY OF DESTIN

AGENDA ITEM

COUNCIL MEETING DATE: December 9, 2019
TYPE OF AGENDA ITEM: Action Item

TO: City Council

THRU: Lance Johnson, City Manager

FROM: Kimberly Kopp, Land Use Attorney
Louis Zunguze, Community Development Director

DATE: December 5, 2019

SUBJECT: 3) 71 Stingray Street

I. BACKGROUND:

On January 22, 2019, the City enacted Ordinance 18-29-CC, the Short-Term Rental Occupancy Ordinance ("Ordinance"), which limits the occupancy of short-term rental homes to two (2) people per bedroom plus an additional four (4) persons.

The subject property owner owns the real property and improvements located at 71 Stingray Street, Destin, FL 32541, as more particularly described in Exhibit "A" (the"Property") to the proposed settlement agreement.

Owner filed a claim with the City, pursuant to the provisions of §70.001, Florida Statutes, the Bert J. Harris Jr., Private Property Rights Protection Act (the "Harris Act"), alleging that the Property had been inordinately burdened by the adoption of the Ordinance, (the "Claim).

The Harris Act provides for the City to have the ability to enter into a settlement agreement which would have the effect of a modification or variance to the application of a regulation or ordinance as it would otherwise apply to the subject real property, provided the relief granted protects the public interest served by the regulations at issue and is the appropriate relief necessary to prevent the governmental regulatory effort from inordinately burdening the real property.

The City Council should settle the claim if the City Council determines that the modifications within the settlement agreement protect the public interest served by the Ordinance and are the appropriate relief necessary to prevent the regulatory effect of the Ordinance from inordinately burdening the Property.

II. DISCUSSION: The property owner has requested a maximum occupancy of twenty (20) occupants. City staff is recommending an occupancy of fifteen (15) occupants based on the square footage of the property. The building official utilized a one-occupant per 200 square feet methodology for recommending the above-stated occupancy.

Additionally, staff is recommending at least three (3) trash cans on the property. This recommendation is based on industry standard (Waste Management) that, on average, one trash can is required for every six occupants in order to ensure adequate garbage disposal. Therefore, if the maximum number of occupants exceeds any multiple of six (6, 12, 18, 24, 30, 36, etc.), then an extra trash can will be needed to accommodate the additional occupants. For example, if thirteen (13) is the maximum occupation, then three (3) trash cans are required. This is because, on average, two (2) trash cans will only accommodate twelve (12) occupants. The third trash can will be needed to accommodate the thirteenth occupant.

Further, the property owner must agree to annual life safety inspections, as provided in the proposed settlement agreement.

Finally, staff is recommending that no greater than two (2) vehicles be parked on this property.

As stated in the agreement, the property owner remains bound by all other provisions of City codes.

A. **Link to Strategic Goals / Objectives:**
B. **Effect on Budget (EOB):**
C. **Level of Service (LOS):**

III. CONCLUSION:

IV. RECOMMENDED MOTION: 1. I move to approve the settlement agreement prepared by the City Land Use Attorney and Staff.

or

2. I move to approve the settlement agreement prepared by the City Land Use Attorney and Staff with the following modifications:_____.

or

3. I move to direct the City Land Use Attorney to negotiate in good faith with the property owner and to bring back an alternate settlement proposal to the City

Council for consideration.

or

4. I move to deny settlement of the subject claim at this time.

Attachments:

1. Burt Harris Case - 71 Stringray Street
2. 71 Stingray Street

NAJMY | THOMPSON PL
ATTORNEYS AT LAW

1401 8th Avenue West
Bradenton, FL 34205

PHONE: (941) 748 - 2216
FAX: (941) 748 - 2218

OTHER OFFICES:
Lakewood Ranch (941) 907 - 3999
Sarasota (941) 907 - 3999
New York (212) 220 - 6616

WWW.NAJMYTHOMPSON.COM

October 23, 2019
Via Hand Delivery

City of Destin
c/o Major Gary Jarvis
4200 Indian Bayou Trail
Destin, FL 32541

Re: 71 Stingray Street, Destin, FL 32541
Bert J. Harris Claim, §70.001, *Fla. Stat.*, July 1, 2012

Dear Mayor Jarvis,

This firm represents Petrillo Family Holdings - Stingray, LLC and its principal and affiliates, owner of an improved property described as 71 Stingray Street, Destin, FL 32541. My client has been utilizing and operating the house as a short-term rental property within the City of Destin for over one (1) year. The City of Destin has authorized the use of this property as a short-term vacation rental.

The "before" condition of the subject property is a five-bedroom, three-story residence able to accommodate twenty (20) guests as part of the authorized and approved short-term rental use of this property and others within the City.

By the City of Destin's passage on January 22, 2019 of Ordinance 18-29-CC and application of Ordinance 18-29-CC to the subject property on September 18, 2019 (when the City of Destin denied my client's request for a variance), this property is now restricted to an occupancy of fourteen (14) guests. [1]

The Florida Legislature has passed Section 70.001, *Fla. Stat.*, known as the "Bert J. Harris Jr. Private Property Rights Protection Act as Amended."

[1] The subject property was issued a grandfather certificate on April 12, 2019, permitting the property to rent to twenty (20) occupants until April 12, 2024.

NT

Chapter 70.001, *Fla. Stat.*, "*inter alia*", created a separate and district cause of action which provides for relief or payment of compensation when a new law, rule, regulation or ordinance of the state or a political entity in the state, as applied, unfairly affects real property. "When a specific action of a governmental entity has inordinately burdened an existing use of real property or a vested right to a specific use of real property, the property owners of that real property are entitled to relief, which may include compensation for the actual loss to the fair market value of the real property caused by the action of government, as provided in this section." *Fla Stat.* §70.001(2).

The owner of the subject property asserts that its actual and existing use of said real property has been inordinately burdened by the City of Destin's adoption and application of Ordinance 18-29-CC by restricting its occupancy to only two (2) persons per bedroom plus four (4).

To that end, this letter should serve as a formal, written claim pursuant to §70.001, *Fla. Stat.*, the Bert J. Harris Jr. Private Property Rights Protection Act as Amended. Attached to this letter is a bona fide, valid appraisal that supports the claim and demonstrates the loss in value to the real property. This appraisal establishes the loss in value of the subject property, as a result of the application of the occupancy limitation of Ordinance 18-29-CC, to be $375,000.00.

Pursuant to §70.001(4)(c), *Fla. Stat.*, the City of Destin has 150 days to respond to this claim with a written settlement offer. You should consult your counsel as to any other obligations and settlement opportunities contained within this statute.

PLEASE BE GOVERNED ACCORDINGLY.

Sincerely,

NAJMY THOMPSON, P.L.

Aaron M. Thomas
athomas@najmythompson.com

Enclosure: Appraisal

cc:

Kyle Bauman
Anchors Smith Grimsley, PLC
909 Mar Walt Drive, Suite 1014
Fort Walton Beach, Fl 32547-6711
kbauman@asglegal.com

Kimberly Kopp
Romano Kopp Law, P.A.
P.O. Box 622562
Oviedo, Florida 32762-2562
kopp@romanokopplaw.com

AMT/kls

Appraisal Report

Detached Single Family Residential Home

3,014 ± HVAC SF Existing Structure

71 Stingray Street
Destin, FL 32541

DIMINUTION IN VALUE ANALYSIS
71 STINGRAY STREET
DESTIN, FL 32541

FOR
JEANNE PETRILLO
AND
DESIGNATED ATTORNEYS

RETROSPECTIVE TO SEPTEMBER 18, 2019

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APPRAISAL REPORT

SUBJECT PROPERTY

3,014 ± HVAC SF Existing Detached Residential Improvement

Five Bedrooms and Four Bathrooms

71 Stingray Street
Destin, FL 32541

EFFECTIVE DATE OF APPRAISAL

Retrospective to September 18, 2019

REPORT DATE

October 3, 2019

VIEWING DATE

April 11, 2019 and September 25, 2019

CLIENT/INTENDED USER

Jeanne Petrillo
71 Stingray Street
Destin, FL 32541

File № 190342A

PREPARED BY:

Thomas A. Marr

State-certified General Real Estate Appraiser № RZ 2645 (FL)
tom@panappraisal.com

Panhandle Appraisal Group
220 Hospital Drive
Fort Walton Beach, Florida 32548
Telephone: (850) 243-0958
Facsimile: (850) 226-8462

PANHANDLE APPRAISAL GROUP

REAL ESTATE VALUATION AND RESEARCH
Specializing in Residential and Commercial Valuation Support
Fort Walton Beach, Florida

Thomas A. Marr
State-certified General Real Estate Appraiser № RZ2645 (FL)

220 Hospital Drive
Fort Walton Beach, Florida 32548

Telephone: (850) 243-0958
Facsimile: (850) 226-8462

October 3, 2019

Jeanne Petrillo
71 Stingray Street
Destin, FL 32541

Re: Diminution in value appraisal of an approximate 3,014 HVAC SF detached residential improvement, 'as is', identified as 71 Stingray Street in Destin, FL 32541. **Panhandle Appraisal Group File № 190342A.**

Dear Ms. Petrillo:

I have completed the requisite personal viewing, research, and analysis necessary to determine if a diminution in value has occurred for the subject parcel.

The subject property is a three level, detached single family residential structure with an approximate 3,014 HVAC SF, to include a guest house. There area is an aggregate five bedrooms and four bathrooms. The current sleeping capacity of the subject is twenty (20) guests.

The purpose of the appraisal analysis was to develop an opinion of the market value of the subject property prior to the first application of the city of Destin Ordinance No. 18-29-CC to the subject on September 18, 2019 when 20 guests were allowed. The second step is to derive a value after the first application of Destin Ordinance No. 18-29-CC on September 18, 2019 which limited the subject to fourteen (14) guests, based on two guests per bedroom, plus four. I note that the designation as a bedroom is based on data in the Okaloosa County Property Appraiser web site.

The authorized user is the client at the address above. The understood intended use of the appraisal report will be for reference in determining if the first application of Ordinance No. 18-29-CC resulted in a diminution of value. No other use of this report by any other entity or person is authorized.

Subject to the above and the assumptions, limiting conditions, and certification set forth herein, it is my professional opinion the retrospective market value of the fee simple interest in the subject property, 'as is', as of September 18, 2019, prior to the first application of Ordinance No. 18-29-CC, was:

ONE MILLION TWO HUNDRED FIFTY THOUSAND DOLLARS
$1,250,000

Subject to the above and the assumptions, limiting conditions, and certification set forth herein, it is my professional opinion the current market value of the fee simple interest in the subject property, 'as is', after the first application of Ordinance No. 18-29-CC is:

EIGHT HUNDRED SEVENTY FIVE THOUSAND DOLLARS
$875,000

The diminution of value is a rounded $375,000.

Exposure Time
The exposure time linked to the final value opinion is a range to nine (9) to twelve (12) months based on market sales of similar properties and current market activity.

Analysis of recent trends and current market supply and demand strongly indicate the highest and best use of the subject property, is continued use as a seasonal rental home.

I hereby certify I possess no interest, present or contemplated, in the appraised property. The undersigned appraiser is competent or has taken the necessary steps to become competent for the property type being appraised. This appraisal has been prepared utilizing all of the requirements set forth as standards for real estate appraisals established for federally related transactions by the Comptroller of the Currency, the Federal Reserve Board, the Federal Deposit Insurance Corporation, and the State of Florida. The appraisal is in conformity with the standards for real estate appraisals as established by the Appraisal Foundation and its Appraisal Standards Board. The appraisal also conforms to *the 2018/2019 edition of the Uniform Standards of Professional Appraisal Practice (USPAP)* and your instructions. The fee for this appraisal was not based on value, nor was the assignment undertaken based on a predetermined value, a trend in value, or a minimum or maximum value.

Respectfully submitted,

Thomas A. Marr

Thomas A. Marr
State-Certified General Real Estate Appraiser № RZ 2645 (Florida)

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APPRAISAL REPORT

This is an Appraisal Report which is intended to comply with the reporting requirements in accordance with the 2018/2019 edition of the Uniform Standards of Professional Appraisal Practice (USPAP) for an Appraisal Report. As such, it represents summary discussions of the data, reasoning, and analyses used in the appraisal process to develop the appraisers' opinion of value. Supporting documentation concerning the data, reasoning, and analyses may be retained in the appraiser's files. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated below. The appraisers are not responsible for unauthorized use of this report.

CLIENT:

Jeanne Petrillo
71 Stingray Street
Destin, FL 32541

APPRAISERS:

Thomas A. Marr
State-certified General Real Estate Appraiser № RZ 2645 (Florida)

Panhandle Appraisal Group
220 Hospital Drive
Fort Walton Beach, Florida 32548

SUBJECT PROPERTY:

Legal Description
Lot 19, Block 7, Crystal Beach SD

Tax ID №: 00-2S-22-0580-0007-0190.

PURPOSE OF THE APPRAISAL:

The purpose of this appraisal was to develop an estimate of the diminution in value from prior to the first application of City of Destin Ordinance No. 18-29-CC and after the first application of the ordinance on September 18, 2019.

INTENDED USE OF REPORT:

The understood intended use of the appraisal report will be for client use in legal proceedings.

INTENDED USER:

The intended user is the client stated above, the client's attorneys, courts of law and regulatory authorities. This report is not intended or authorized for any other user or audience.

PROPERTY RIGHTS APPRAISED:

Fee Simple, one hundred percent (100%) ownership interest in the subject property.

EFFECTIVE DATE OF VALUE:

Retrospective to September 18, 2019.

DATE OF REPORT:

October 3, 2019.

DATE OF INSPECTION:

Thomas A. Marr viewed the subject property on April 11, 2019 and September 25, 2019.

SCOPE OF WORK:

I note you have not requested an appraisal report format. Based on the Scope of Work requirements included in the 2018/2019 version of USPAP, which indicates the appraiser is responsible to coordinate the scope of work with the client, I am informing you I will perform an appraisal report. **It is my opinion this process of work meets all applicable 2018/2019 USPAP standards.**

DEFINITIONS:

The definitions, commencing on the page following, are provided to assist the reader in understanding this appraisal report.

Market Value[1]

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

- Purchaser and seller are typically motivated;
- Both parties are well informed or well advised and each acting in what they consider their best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

The four (4) time differential values on the graph which may be considered in the appraisal of existing developments are defined as follows:

(1) **'As Is'** means an estimate of the market value of a property in the condition observed upon inspection and as it physically and legally exists without hypothetical conditions, assumptions, or qualifications as of the date of appraisal.

(2) **'Value Upon Completion'** means the market value of a property with all existing construction, conversion, or rehabilitation hypothetically completed, or under other specified hypothetical conditions as of the date of appraisal. With regard to properties wherein anticipated market conditions indicate stabilized occupancy is not likely as of the date of completion, this estimate of value shall reflect the market value of the property as if complete and prepared for occupancy by tenants.

(3) **'Prospective Future Value Upon Completion'** means the prospective future value of a property on the date construction is completed, based upon market conditions forecast to exist as of completion date.

(4) **'Prospective Future Value Upon Achievement of Stabilized Occupancy'** means the prospective future value of a property at a point in time when all improvements have been physically constructed and the property has been leased to its optimum level of long term occupancy.

Fee Simple Estate[2]

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.

Leased Fee Interest[3]

An ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the lessee are specified by contract terms contained within the lease.

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1 Title XI, Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), [Pub. L. No. 101-73, 103 Stat. 183 (1989)], 12 U.S.C. 3310, 3331-3351, and section 5(b) of the Bank Holding Company Act, 12 U.S.C. 1844(b); Part 225, Subpart G: Appraisals; Paragraph 225.62 (f).
Uniform Standards of Professional Appraisal Practice, 2003 Edition, Page 3
Federal Reserve System, 12 CFR Parts 208 and 225, Sec. 225.62
Office of the Comptroller of the Currency, 12 CFR Part 34, Sec. 34.42 (g)
FDIC, 12 CFR Part 323, Sec. 323.2 (g) (2000)
Office of Thrift Supervision, 12 CFR Part 564, Sec. 564.2
NCUA, 12 CFR Part 722, Sec. 722.2

2 The Dictionary of Real Estate Appraisal, Appraisal Institute, Fourth Edition, 2002, Page 113.

3 Ibid., Page 161.

Leasehold Interest[4]
The interest held by the lessee (the tenant or renter) through a lease transferring the rights of use and occupancy for a stated term under certain conditions.

Condominium[5]
A multi-unit structure or property in which persons hold fee simple title to individual units and an undivided interest in common areas.

Highest and Best Use[6]
The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and which results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability.

...of land or a site as though vacant:

Among all reasonable, alternative uses, the use yielding the highest present land value, after payments are made for labor, capital, and coordination. The use of property based on the assumption the parcel of land is vacant or can be made vacant by demolishing any improvements.

...of property as improved:

The use which should be made of a property as it exists. An existing improvement should be renovated or retained as is so long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing building and constructing a new one.

Marketing Time[7]
The time it takes an interest in real property to sell on the market subsequent to the date of an appraisal.

Exposure Time[8]
A retrospective estimate based on an analysis of past events assuming a competitive and open market.

Advocacy[9]
Representing the cause or interest of another, even if cause or interest does not necessarily coincide with one's own beliefs, opinions, conclusions, or recommendations.

Appraisal[10]
(Noun) The act or process of developing an opinion of value; an opinion of value. (Adjective) of, or pertaining to appraising and related functions such as appraisal practice or appraisal services.

Appraisal Practice[11]
Valuation services performed by an individual acting as an appraiser, including, but not limited to appraisal, appraisal review, or appraisal consulting.

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4 Ibid., Page 162.

5 Ibid., Page 59.

6 Ibid., Page 135.

8 Ibid., Page 175

9 Ibid., Page 105

9 2018/2019 edition, *Uniform Standards of Professional Appraisal Practice (USPAP)*, Page 1

10 Ibid, Page 1

11 Ibid, Page 1

Appraisal Review[12]
The act or process of developing and communicating an opinion about the quality of another appraiser's work was performed as part of an appraisal, appraisal review, or appraisal consulting assignment.

Appraiser[13]
One who is expected to perform valuation services competently, and in a manner, is independent, impartial, and objective.

Appraiser's Peers[14]
Other appraisers who possess expertise and competency in a similar type of assignment.

Assignment[15]
A valuation service provided as a consequence if an agreement between an appraiser and a client.

Assignment Results[16]
An appraiser's opinions and conclusions developed specific to an assignment.

Assumption[17]
An occurrence which is taken to be true.

Bias[18]
A preference or inclination which precludes an appraiser's impartiality, independence, or objectivity in an assignment.

Business Enterprise[19]
An entity pursuing an economic entity.

Business Equity[20]
The interests, benefits, and rights inherent in the ownership of a business enterprise or a part thereof in any form (including, but not necessarily limited to, capital stock, partnership interests, cooperatives, sole proprietorships, options, and warrants).

Client[21]
The party or parties who engage an appraiser (by employment or contract) in a specific assignment.

Confidential Information[22]
Information is either:

- identified by the Client as confidential when providing it to an appraiser and is not available from any other source; or,
- classified as confidential or private by applicable law or regulation.

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12 Ibid, Page 1

13 Ibid, Page 1

14 Ibid, Page 2

15 Ibid, Page 2

16 Ibid, Page 2

17 Ibid, Page 2

18 Ibid, Page 2

19 2018/2019 edition, USPAP, Page 2

Ibid, Page 2

21 Ibid, Page 2

22 Ibid, Page 2

Cost[23]
The amount required to create, produce, or obtain a property.

'Credible'[24]
Worthy of belief.

Extraordinary Assumption[25]
An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions.

Feasibility Analysis[26]
A study of the cost-benefit relationship of an economic endeavor.

Hypothetical Condition[27]
An assertion which is contrary to what exists but is supposed for the purpose of analysis.

Intangible Property[28]
(Intangible Assets) Nonphysical assets, including, but not limited to, franchises, trademarks, patents, copyrights, goodwill, equities, securities, and contracts as distinguished from physical assets such as facilities and equipment.

Intended Use[29]
The use or uses of an appraiser's reported appraisal, appraisal review, or appraisal consulting assignment opinions and conclusions, as identified by the appraiser based on communication with the Client at the time of the assignment.

Intended User[30]
The Client and any other party as identified, by name or type, as users of the appraisal, appraisal review, or appraisal consulting report by the appraiser on the basis of communication with the Client at the time of the assignment.

Jurisdictional Exception[31]
...an assignment condition which voids the force of a part or parts of *USPAP*, when compliance with part or parts of *USPAP* is contrary to law or public policy applicable to the assignment.

IDENTIFY THE PROBLEM TO BE SOLVED
The problem to be solved in this appraisal analysis was to develop an opinion of the market value of the subject property, both prior to the first application of the city of Destin Ordinance No. 18-29-CC to the subject on September 18, 2019 when 20 guest occupancy was allowed and after the first application of the Destin Ordinance No. 18-29-CC on September 18, 2019, which limited the subject to 14 guests, based on two guests per bedroom, plus four. Utilizing the before and after values, I derived a diminution of value to the subject property.

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[23] Ibid, Page 2

[24] Ibid, Page 3

[25] Ibid, Page 3

[26] Ibid, Page 3

[27] Ibid, Page 3

[28] Ibid, Page 3

[29] Ibid, Page 3

[30] Ibid, Page 3

[31] 2018 edition, *USPAP*, Page 3

EXTENT OF THE PROCESS OF COLLECTING, CONFIRMING, AND REPORTING DATA:

Preparation of this appraisal included the following scope of work:

- The subject site, improvements, and parking improvements were inspected by the appraiser, the property was photographed. File data for similar properties was reviewed.
- The public records were reviewed.
- The appraiser examined the economic, social, governmental, and environmental forces affecting value in the subject neighborhood and the entire market area as a whole.
- The appraiser identified recent and projected actual rents for the subject, based on occupancy of up to 20 guests. The appraiser then identified the annual rentals of other comparable properties which accommodated up to or beyond 20 guests. This data was used to verify or support the historical performance and the projected rents for the subject. These comparable rentals provided market support for the subject actual and projected gross rental income.
- The appraiser identified market rental comparables for properties limited to 14 guests.
- The appraiser then reduced gross rent to net operating rent and capitalized the net operating rent to identify value for the subject as a 20 guest rental and a 14 guest rental. The difference between these two values is the diminution in value.

IDENTIFICATION OF THE TYPE OF APPRAISAL AND APPRAISAL REPORT FORMAT:
I have provided an **Appraisal Report**, as defined by the *2018/2019 edition of the Uniform Standards of Professional Appraisal Practice*, containing a summary of all relevant conclusions, data, and analyses used in the report.

TERMS OF THE FINAL VALUE OPINION:
The final opinion of the current market values of the subject property, 'as is' is expressed in terms of cash or financing terms equivalent to cash.

POLICY STATEMENT OF THE APPRAISAL INSTITUTE:
It is improper to base a conclusion or opinion of value upon the premise the racial, ethnic, or religious homogeneity of the inhabitants of an area or of a property is necessary for maximum value.

Racial, religious, and ethnic factors are deemed unreliable predictors of value trends or price variance.

It is improper to base a conclusion or opinion of value, or a conclusion with respect to neighborhood trends, upon stereotyped, biased presumptions relating to the effective age or remaining life of the property being appraised or the life expectancy of the neighborhood in which it is located.

The undersigned appraiser is not a member of the Appraisal Institute.

GENERAL ASSUMPTIONS:

1. No responsibility is assumed for the legal description provided or for matters relevant to legal or title considerations. Title to the property is assumed to be marketable unless otherwise stated. The legal description used in this report is assumed to be correct.

2. The subject property is appraised free and clear of any or all liens, leases, or encumbrances unless otherwise stated. All mortgages, liens, encumbrances, leases, and servitudes have been disregarded unless so specified within the report.

3. No survey of the property has been made by the appraisers and no responsibility is assumed in connection with such matters. Sketches, plot plans, or illustrative material presented in this report are included only to assist the reader in visualizing the property.

4. Information and data furnished by others is usually assumed to be true, correct and reliable. When such information and data appears to be dubious and when it is critical to the appraisal, a reasonable effort has been made to verify all such information; however, no responsibility for its accuracy is assumed by the appraiser.

5. Responsible ownership and competent property management are assumed unless otherwise stated in this report.

6. It is assumed there are no hidden or unapparent conditions of the property, subsoil or structures which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.

7. It is assumed 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.

8. It is assumed the subject property is in compliance with all applicable zoning and land use regulations, unless a nonconformity has been stated, defined and considered in the appraisal report.

9. It is assumed all required licenses, consents or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use which the value estimate contained in this report is based.

10. It is assumed the utilization of the land and improvements is within the boundaries or property lines of the property described and there is no encroachment or trespass unless noted within the report.

EXTRAORDINARY ASSUMPTIONS:

I am using data provided to me by the client and other vacation home owners.

I am also using rental projections from the current property manager.

I am making the extraordinary assumption that the data provided is accurate, credible and reliable.

If, for any reason, the data provided is not accurate, credible and reliable, the values derived in the analysis is subject to review.

GENERAL LIMITING CONDITIONS:

1. This is an Appraisal Report which is intended to comply with the reporting requirements set forth in accordance with the *2018/2019 edition of the Uniform Standards of Professional Appraisal Practice* for an Appraisal Report. As such, it includes summarized discussions of the data, reasoning, and analyses used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses may be retained in the appraiser's files. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraiser is not responsible for unauthorized use of this report.

2. Appraisers are not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraisers suggesting the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert in the field of environmental assessment. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The appraiser's value estimate is predicated on the assumption there exists no such material on or in the property causing a loss in value unless otherwise stated in this report. No responsibility is assumed for any environmental conditions, or for any expertise or engineering knowledge required to discover them. The appraisers' descriptions and resulting comments are the result of the routine observations made during the appraisal process.

3. The subject property is appraised without a specific compliance survey having been conducted to determine if the property is or is not in conformance with the requirements of *The Americans with Disabilities Act*. The presence of architectural and communications barriers which are structural in nature which would otherwise restrict access by disabled individuals may adversely affect the property's value, marketability, or utility.

4. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event, only with proper written qualification and only in its entirety.

5. Neither all nor any part of the contents of this report shall be conveyed to any person or entity, other than the appraiser's or firm's client, through advertising, solicitation materials, public relations, news, sales, or other media without the written consent and approval of the authors, particularly as to valuation conclusions, the identity of the appraiser or firm with which the appraiser is connected, or any reference to affiliation with any professional appraisal organization. Further, the appraiser or firm assumes no obligation, liability, or accountability to any third party. If this report is placed in the hands of anyone but the client, client shall make party aware of all the assumptions and limiting conditions of the assignment.

6. The appraiser affixing his signatures to this appraisal report will not be required to give testimony or appear in court because of having made this appraisal, with reference to the property in question, unless arrangements have been previously made thereof.

7. No environmental impact studies were either requested or made in conjunction with this appraisal, and the appraiser hereby reserves the right to alter, amend, revise, or rescind any of the value opinions based upon any subsequent environmental impact studies, research, or investigation.

8. The appraiser has not been supplied with a report of the subsoil conditions indicating the exact capacity of the subsoil. I do not have the benefit of subsoil test results of the properties and detection of possible soil defects would be beyond my realm of expertise. However, there appear to be no hidden or apparent conditions of the subject sites or subsoil structures which would render them more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.

9. Acceptance of and/or use of this appraisal report constitutes acceptance of the foregoing General Assumptions, Special Assumptions, General Limiting Conditions, and Special Limiting Conditions.

EXTRAORDINARY LIMITING CONDITIONS AND HYPOTHETICAL CONDITIONS:

I note that the ordinance in question allows a five (5) year 'grandfather' period. I considered if this 'grandfather' status should receive some analysis in the discussion of diminution of value. After consideration, I concluded that a potential market participant, aware that the grandfather status will be eliminated, would be very wary to enter into a financial arrangement where he may have to liquidate in an unknown market within a time line that may not be available . Thus, I am not considering any impact of the 'grandfather' status.

CERTIFICATION:

I certify, to the best of my knowledge and belief:

1. The statements of fact contained in this report are true and correct.

2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions and conclusions.

3. I possess no present or prospective interest in the property which is the subject of this report and no personal interest with respect to the parties involved.

4. I possess no bias with respect to the property which is the subject of this report or to the parties involved with this assignment.

5. The engagement in this assignment was not contingent upon developing or reporting predetermined results.

6. The compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value favoring the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

7. The analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *2018/2019 edition of the Uniform Standards of Professional Appraisal Practice.*

8. Thomas A. Marr has made a personal viewing of the property which is the subject of this report. No one else has rendered significant real estate appraisal knowledge and input to the compilation of this report.

9. I have not performed any services, to include appraisal services, regarding the subject in the previous three years.

10. The opinion of market value 'as is' of the one hundred percent (100%) fee simple ownership interest in the subject property as to the date prior to the first application of Destin Ordinance 18-29-CC is ONE MILLION TWO HUNDRED FIFTY THOUSAND DOLLARS ($1,250,000) and the value after the first application of Destin Ordinance 18-29-CC is EIGHT HUNDRED SEVENTY FIVE THOUSAND DOLLARS ($875,000). The diminution of value is estimated as THREE HUNDRED SEVENTY FIVE THOUSAND DOLLARS ($375,000).

Thomas A Marr

Thomas A. Marr
State-certified General Real Estate Appraiser № RZ 2645 (Florida)

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DESCRIPTION OF THE SUBJECT PROPERTY
Ownership:

The current owner is the Petrillo Family Holdings - Stingray LLC. The following deed indicates ownership via a transfer from Joseph L. Petrillo and Jeanne M. Petrillo to Petrillo Family Holdings - Stingray, LLC. The deed on the following page is the acquisition deed where the owners acquired the subject in 2018.

FILE #3245544 RCD: 11/28/2018 2:29 PM, BK: 3376 PG: 1866, RECORDING: $15.00 RECORDING ARTICLE V: $12.00
D Doc Stmp: $5,180.00 DEPUTY CLERK ASECRIST
JD PEACOCK II CLERK OF COURTS, OKALOOSA COUNTY, FLORIDA

Prepared by and return to:
Kenneth R. Fountain
Attorney at Law
Fountain, Schultz & Associates, P.L.
2845 Fountain Professional Ct Suite A
Navarre, FL 32566
850-939-3535
File Number: 18-46945.RC
Will Call No.:

[Space Above This Line For Recording Data]

Quit Claim Deed

This Quit Claim Deed made this 13th day of September, 2018 between Joseph L. Petrillo and Jeanne M. Petrillo, husband and wife whose post office address is 214 Baker Street, Berea, OH 44017, grantor, and Petrillo Family Holdings - Stingray, LLC a Florida Limited Liability Company whose post office address is 21127 Tuhun Lane, Houston, TX 77073, grantee:

(Whenever used herein the terms "grantor" and "grantee" include all the parties to this instrument and the heirs, legal representatives, and assigns of individuals, and the successors and assigns of corporations, trusts and trustees)

Witnesseth, that said grantor, for and in consideration of the sum TEN AND NO/100 DOLLARS ($10.00) and other good and valuable consideration to said grantor in hand paid by said grantee, the receipt whereof is hereby acknowledged, does hereby remise, release, and quitclaim to the said grantee, and grantee's heirs and assigns forever, all the right, title, interest, claim and demand which grantor has in and to the following described land, situate, lying and being in Okaloosa County, Florida to-wit:

Lot 10, Block 7, Crystal Beach, according to the map or plat thereof as recorded in Plat Book 1, Page 17, Public Records of Okaloosa County, Florida.

Parcel Identification Number: 00252285000070100

To Have and to Hold, the same together with all and singular the appurtenances thereto belonging or in anywise appertaining, and all the estate, right, title, interest, lien, equity and claim whatsoever of grantor, either in law or equity, for the use, benefit and profit of the said grantee forever.

FILE #3212196 RCD: 6/8/2018 10:54 AM, BK: 3353 PG: 3845, RECORDING: $10.50 RECORDING ARTICLE V: $8.00
D Doc Stmp: $6,475.00 DEPUTY CLERK ASECRIST
JD PEACOCK II CLERK OF COURTS, OKALOOSA COUNTY, FLORIDA

Prepared by and return to:
Kenneth R. Fountain
Attorney at Law
Fountain, Schultz & Associates, P.L.
2045 Fountain Professional Ct Suite A
Navarre, FL 32566
850-939-3535
File Number: 18-00343.RC

[Space Above This Line For Recording Data]

Warranty Deed

This Warranty Deed made this 1st day of June, 2018 between **3 D Destinations, LLC, a Florida Limited Liability Company** whose post office address is **678 Woodland Bayou Drive, Santa Rosa Beach, FL 32459**, grantor, and **Joseph L Petrillo and Jeanne M Petrillo, husband and wife** whose post office address is **214 Baker Street, Berea, OH 44017**, grantee:

(Whenever used herein the terms "grantor" and "grantee" include all the parties to this instrument and the heirs, legal representatives, and assigns of individuals, and the successors and assigns of corporations, trusts and trustees)

Witnesseth, that said grantor, for and in consideration of the sum of TEN AND NO/100 DOLLARS ($10.00) and other good and valuable considerations to said grantor in hand paid by said grantee, the receipt whereof is hereby acknowledged, has granted, bargained, and sold to the said grantee, and grantee's heirs and assigns forever, the following described land, situate, lying and being in **Okaloosa County, Florida** to-wit:

Lot 39, Block 7, Crystal Beach, according to the map or plat thereof as recorded in Plat Book 1, Page 17, Public Records of Okaloosa County, Florida.

Parcel Identification Number: 002S22058000079190

Subject to reservations, restrictions and easements of record which are not hereby reimposed, and any zoning ordinances.

Together with all the tenements, hereditaments and appurtenances thereto belonging or in anywise appertaining.

To Have and to Hold, the same in fee simple forever

And the grantor hereby covenants with said grantee that the grantor is lawfully seized of said land in fee simple; that the grantor has good right and lawful authority to sell and convey said land; that the grantor hereby fully warrants the title to said land and will defend the same against the lawful claims of all persons whomsoever; and that said land is free of all encumbrances, except taxes accruing subsequent to **December 31, 2017**.

Site:

Location:
The subject is located on the east side of Stingray Street in the mature Crystal Beach Subdivision. It is located an approximate 300 feet north of the Stingray Street and Scenic Highway 98 intersection, within easy walking distance of the Gulf of Mexico.

This area is east of the community of Henderson Beach and west of the Destiny/Destiny West/Destiny By The Sea communities.

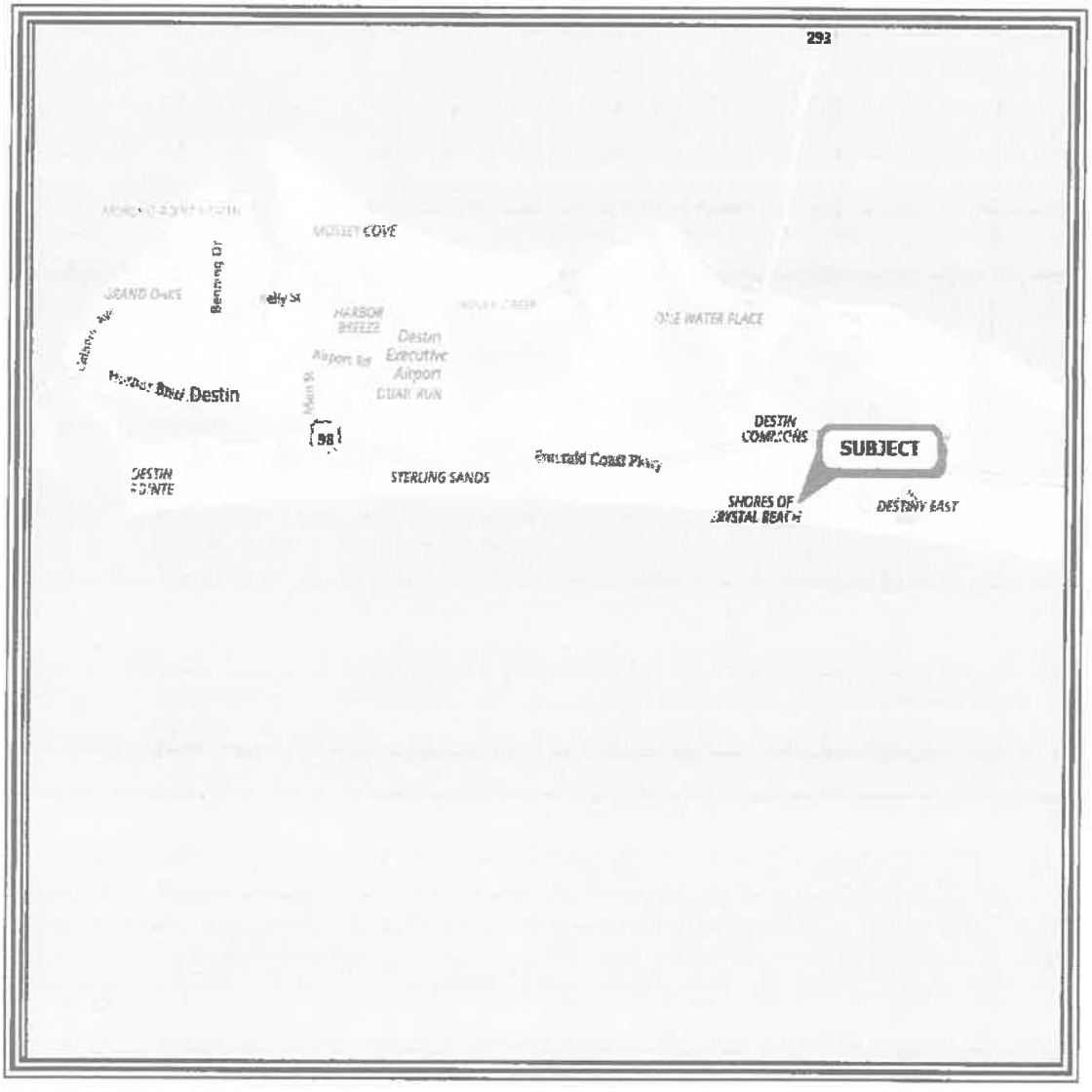
Along the south side of Scenic Highway 98 are many condominium projects, individual homes and some commercial use, typically restaurants, which cater to the tourist industry.

Along Scenic Highway 98 to the north are other residential uses, primarily detached homes with a interspersion of condominium and town home projects, which are a mix of owner occupant and seasonal rental use.

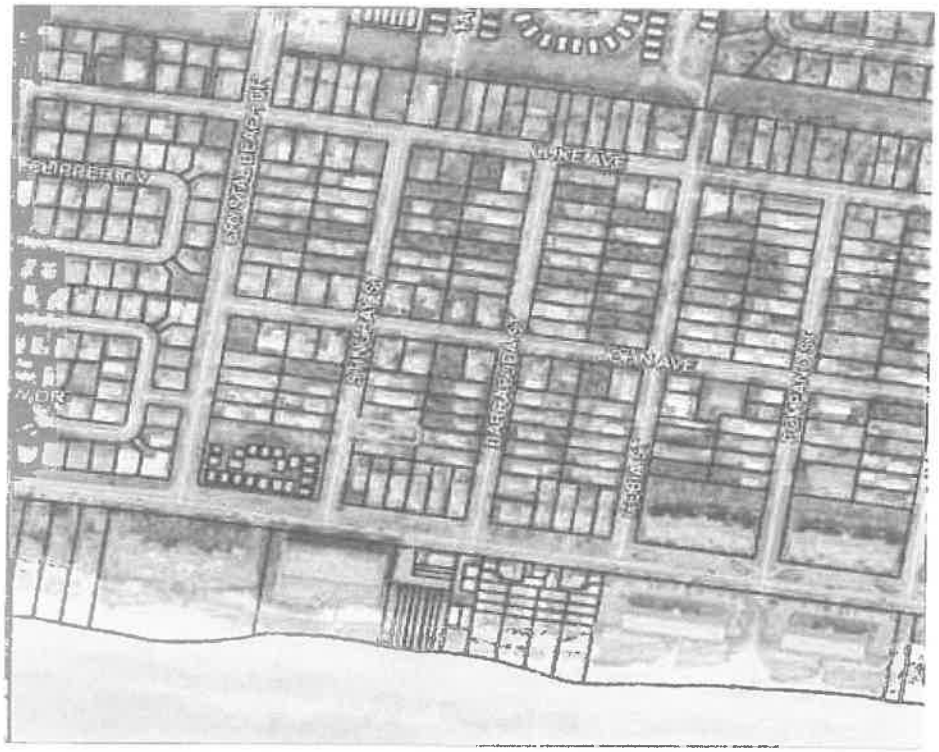
Within the Crystal Beach Subdivisions is an eclectic mix of housing, ranging from 1950s Florida Cottages to newly constructed large beach homes.

This entire area of Destin, in close proximity to the Gulf of Mexico, is a desired location and well considered by the market.

See the following map for the subject location in the broad Destin market.



The following map indicates the local market area surrounding the subject.



The following aerial photograph indicates the subject parcel.

Land Size:

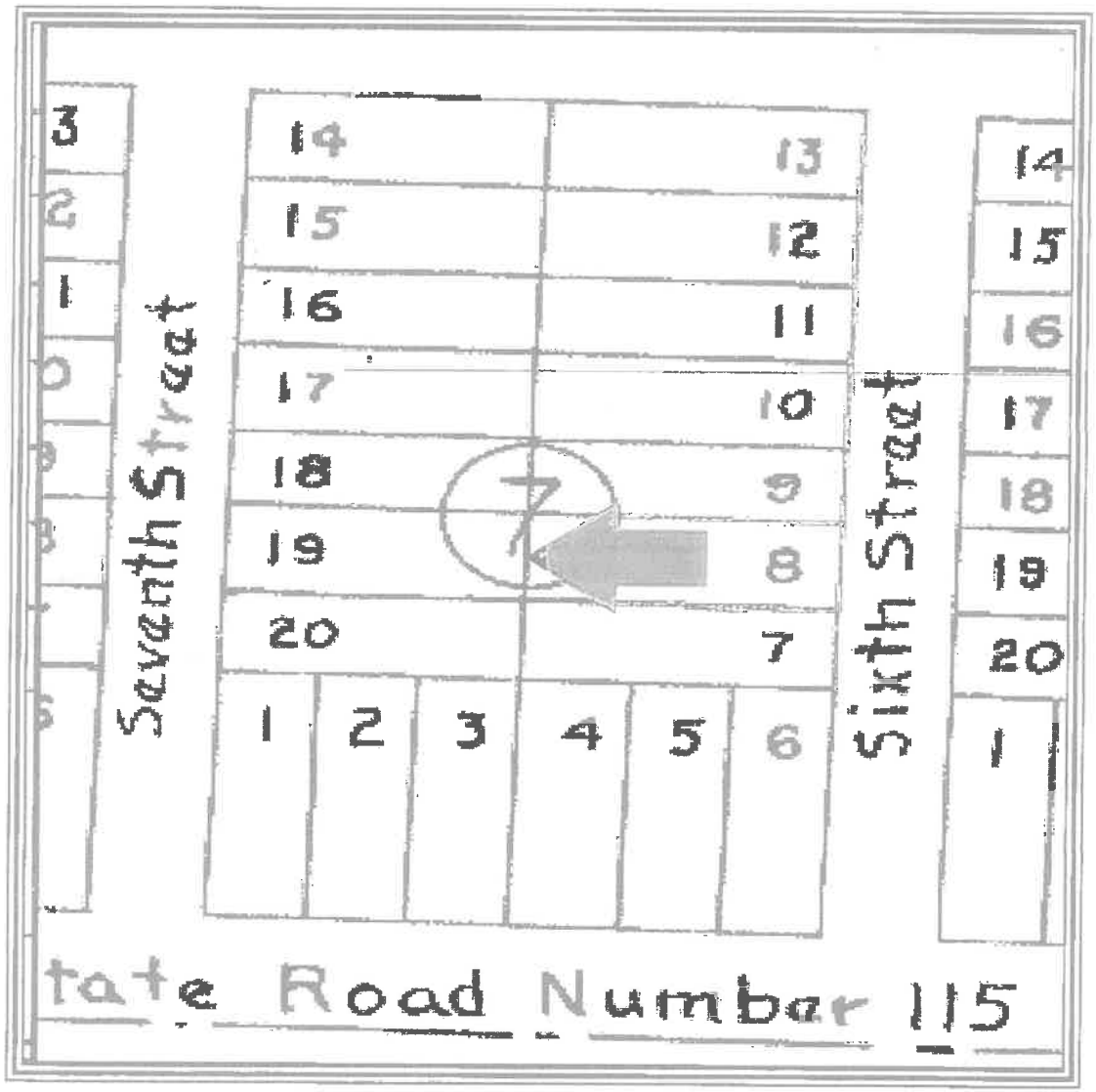
The subject is a single residential lot.

The rounded dimensions are as follows:

50.00 feet on the west side, fronting Stingray Street,
150.00 feet on the north side,
50.00 feet on the east side,
150.00 feet on the south side.

These dimensions result in a land size of an approximate 0.17 acres, or 7,500 SF This land size is typical of lots in the Crystal Beach Subdivision.

See the following excerpt from the recorded plat map.



Site Topography:

Per the Okaloosa County GIS site and my viewing, the subject is at the road grade of Stingray Street.

The subject is generally level.

The subject lot contour is typical for most Crystal Beach lots.

Utilities:

Utility	*Provider*	*Utility*	*Provider*
Electricity	Gulf Power	Stormwater Drainage	Destin
Water and Sewer	Okaloosa County	Fire Department	Destin
Natural Gas	Okaloosa Gas	Police Department	Contract with the Okaloosa County Sheriff
Telephone	Verizon	Refuse Removal	By contract
Cable Television	Cox Cable		

The utilities for the subject site are considered as typical in the market.

Easements/Encroachments:
I was not furnished a copy of a recent survey of the subject property. A review of the site plan, various maps and my personal viewing did not indicate any easements or encroachments.

I assume there are utility easements of record.

It is my opinion that there are no easements or encroachments which would affect value or transferability.

Ingress/Egress:
The subject property is reached directly from Stingray Street, which fronts on the entire subject west side.

Stingray Street is a two lane, paved public roadway which connects to Scenic Highway 98 to the south.

Scenic Highway 98 is a paved, two lane public roadway.

Scenic Highway 98 is the original U. S. Highway 98 which was the main east/west arterial in the Destin market. Now that the six lane U. S. Highway 98 has been developed to the north, Scenic Highway 98 is now a coastal road running parallel to, and just north of, the Gulf of Mexico.

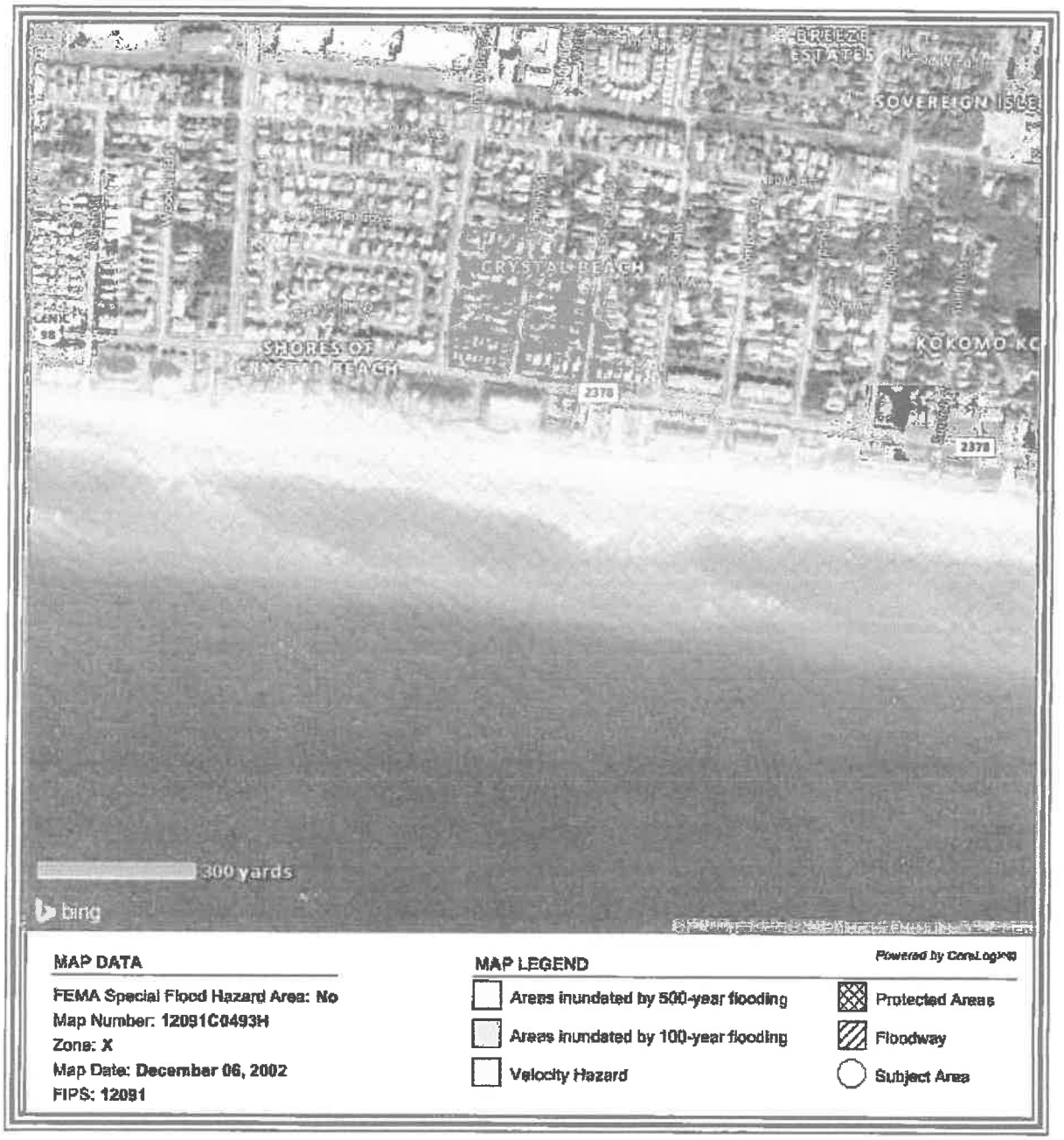
Ingress/egress is viewed as similar to most access typically found in the market.

Parking is viewed as superior to most parking found in the market as the subject features seven driveway spaces on the south side of the subject lot.

Flood Risk:

FEMA Map Panel	*Map Area*	*Dated*	*Flood Zone*
12091C 0493H	Okaloosa County	December 6, 2002	"X"

* The client is advised appraisers are not surveyors, and accordingly, any final determination as to flood zone status should only be made by a licensed, adequately insured, Florida surveyor utilizing the latest FEMA flood panels. However, it appears the entire subject area is considered as Flood Zone 'X', an area of substantial flood risk. The subject is located at the red circle in the following flood map.

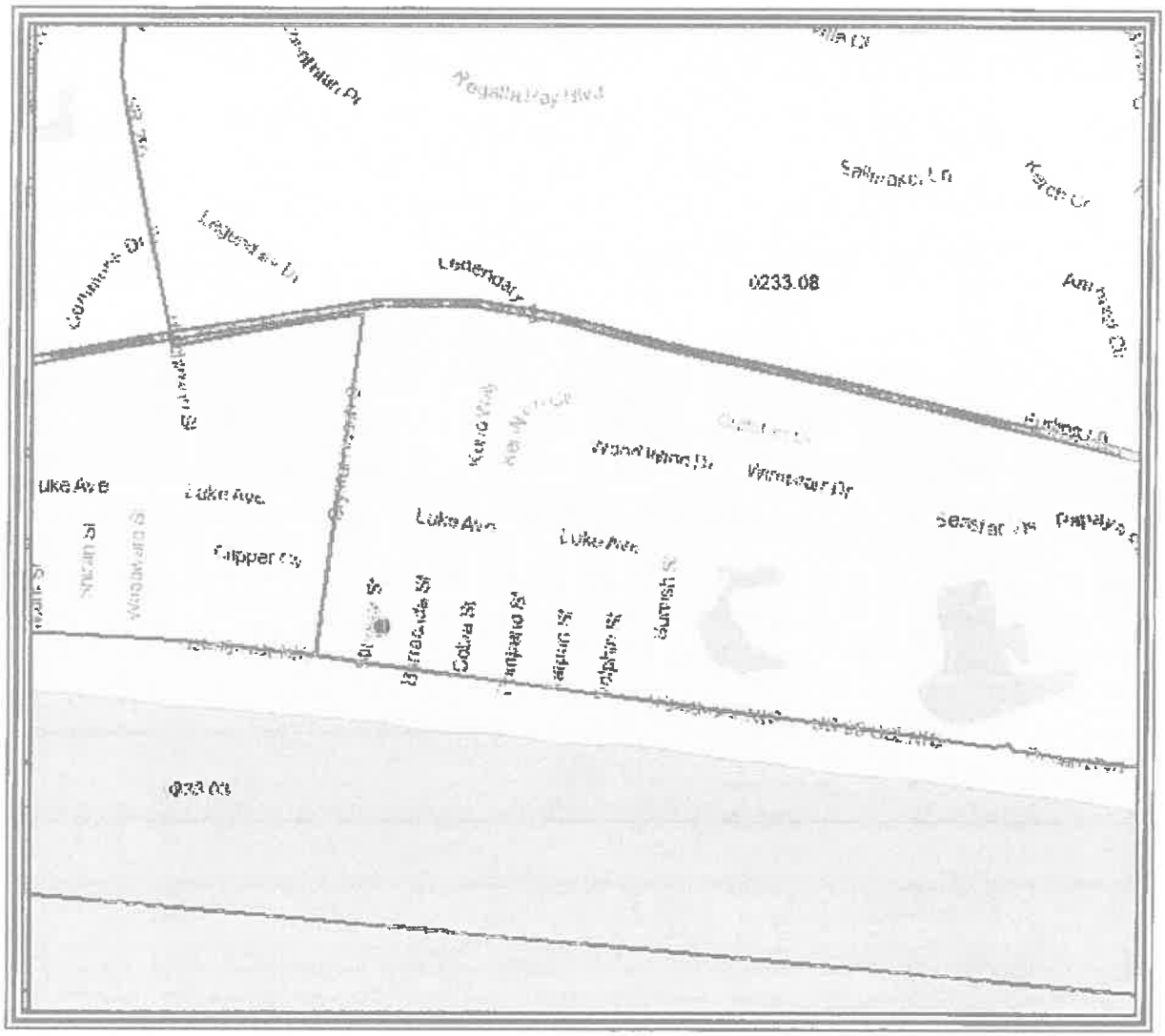


Wetlands:

None, per the Okaloosa County GIS site.

The wetland map is consistent with the flood panel on the previous page.

Census Data:
The subject is located in census tract 0233.08.



IMPROVEMENTS 'AS IS'

Size:
The subject is a single family detached improvement with three levels as well as a detached guest house.

The subject features no garage. It does features substantial exterior balconies and porches, as well as an in ground swimming pool, pool deck/lanai, landscaping, and fencing. These features result in a total area of 3,678 SF and an HVAC area of 3,014 SF, per the Okaloosa County Property Appraiser website.

The first level features typical living areas in the form of the kitchen, living room, dining room, game room and laundry. This level also features two bedrooms with kings, sleeping four (4). There is a total of four (4) guests on the first level.

The second level features a bedroom with a king, sleeping two (2) and a bedroom with bunks, sleeping four (4). There is a total of six (6) guests on the second level.

The third level is a landing to a viewing deck and features no sleeping capacity.

The guest house features a bedroom with a king, sleeping two (2) and an open area with bunks, sleeping eight (8).

The first level sleeps four (4); the second level sleeps six (6) and the guest house sleeps ten (10) for a total of twenty (20) guests.

Construction Quality:
The quality of construction for the subject improvement is *Class D* average. Details of construction are summarized below:

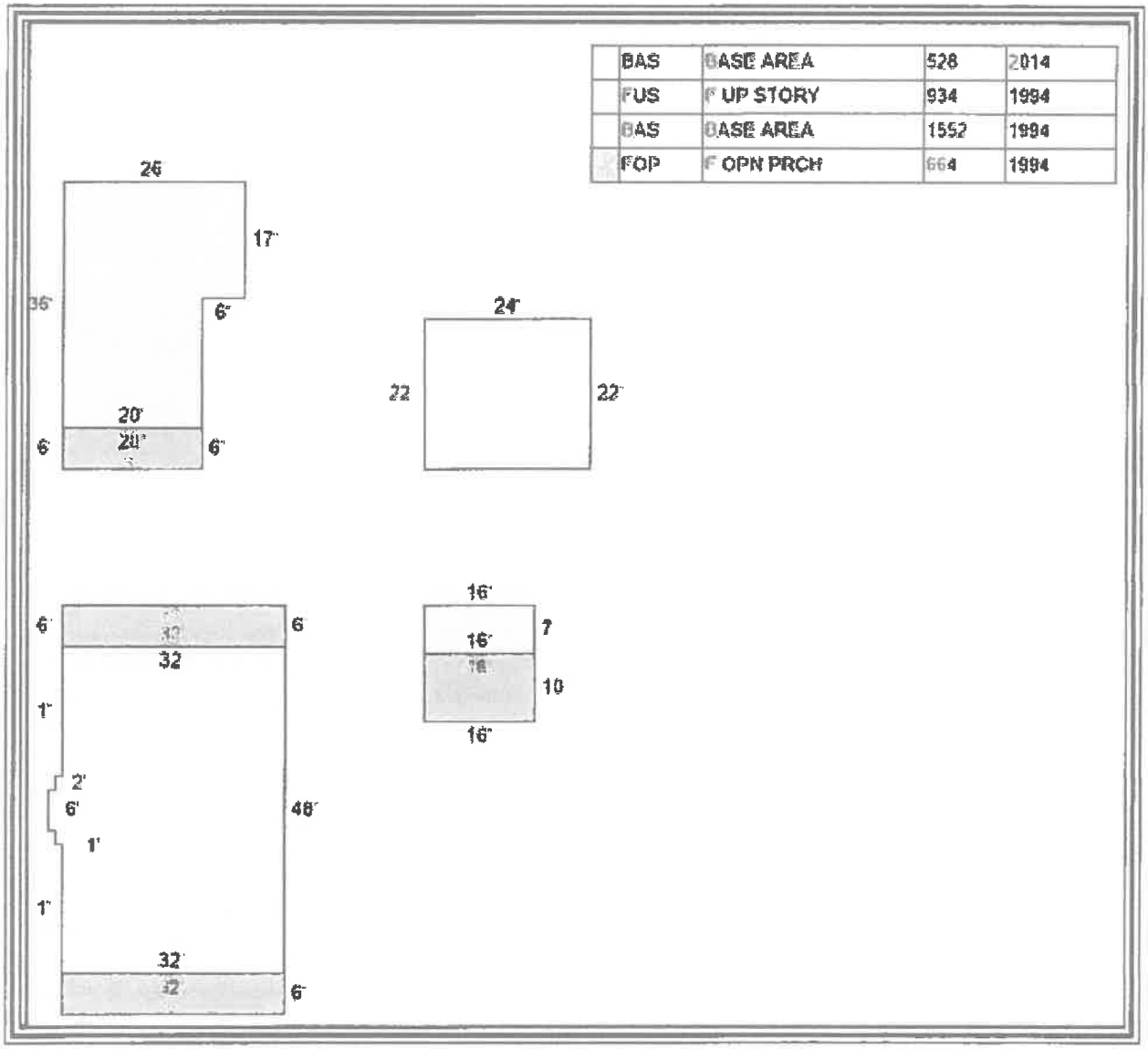
Construction Component	
Foundation	Concrete Pilings - Subject is off grade
Exterior walls	Wood frame with wood siding
Roof	Metal
Trim	Base and crown molding
Windows	Double pane aluminum
Exterior doors	Insulated metal with glass
Insulation	Unknown. Assumed to be R38 behind sheet rock
HVAC	Forced Air and Central HVAC
Ceiling	9 and 10 foot with sheet rock and can lights
Interior Walls	Painted sheet rock
Interior flooring	Average tile and carpet
Interior doors	Six and four panel wood
Restrooms	Four full bathrooms
Lighting	Can lights
Kitchens	One typical residential kitchen with average cabinetry and small kitchen in guest house
Other	Many porches/swimming pool and lanai.

Condition of Improvements:
The subject improvement is in good condition.

Age:
Public records indicate that the main subject improvement was constructed in 1994, and that the guest house was constructed in 2014.

I consider the actual age to be twenty five (25) years and the effective age to be twenty (20) years. I estimate an economic life of fifty five (55) years and a physical life of seventy five (75) years.

See the following sizes indicated for the subject in the Okaloosa County Property Appraiser web site.



Exterior Photographs:

FRONT OF SUBJECT

REAR OF SUBJECT

SWIMMING POOL AND DECK

GUEST HOUSE

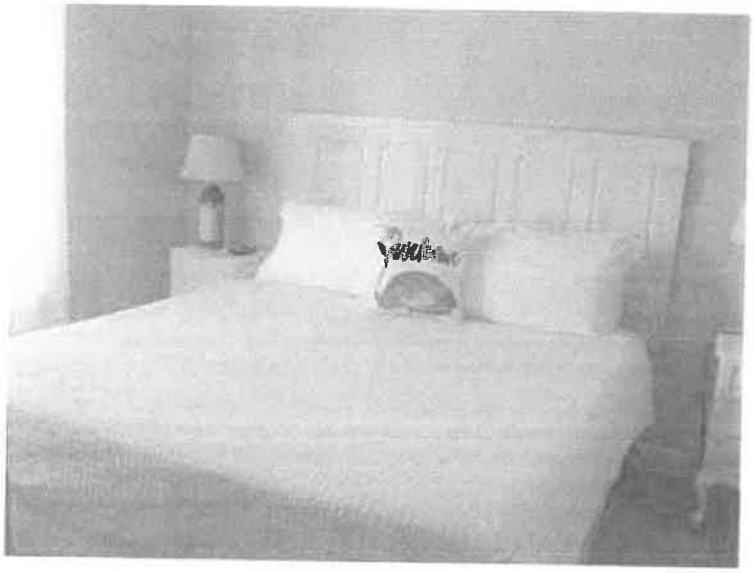
Main House First Level Sleeping Four (4).

KITCHEN

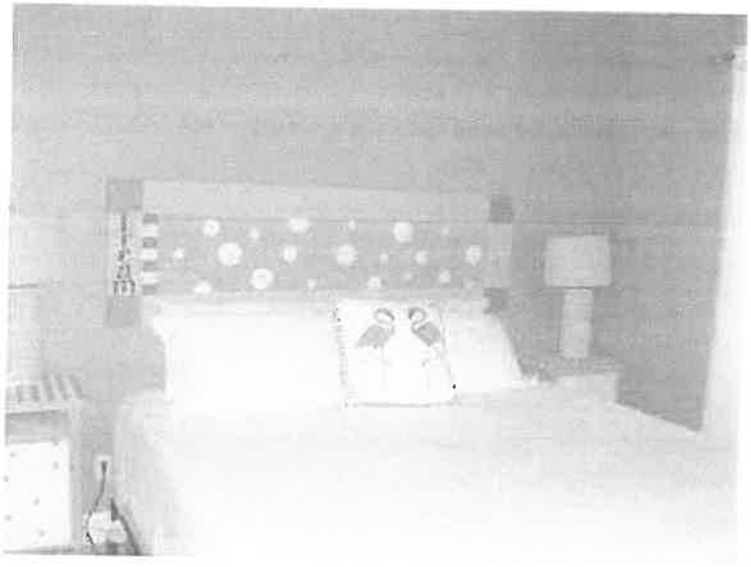
LIVING ROOM

DINING ROOM

GAME ROOM



BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #1



BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #2

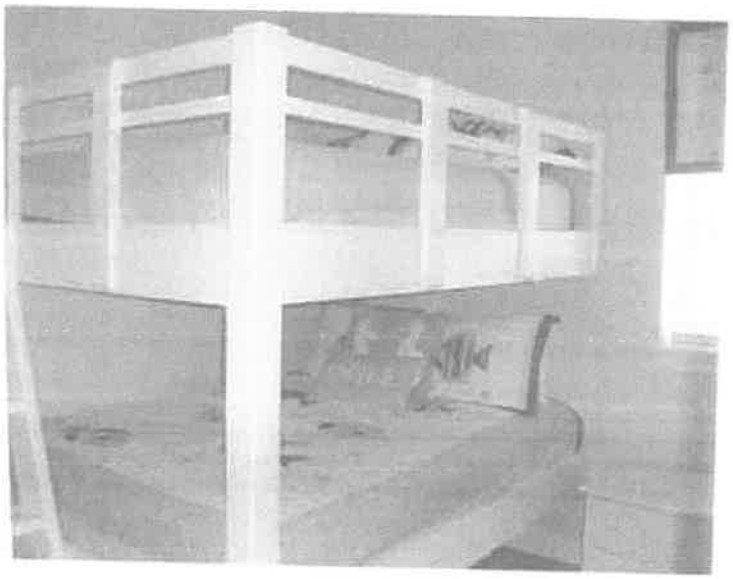
FULL BATH IN HALL SUPPORTING ENTIRE FIRST LEVEL - BATH #1

LAUNDRY ROOM

Main House Second Level Sleeping Six (6)

BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #3

FULL BATH SUPPORTING BEDROOM #3 - BATH #2

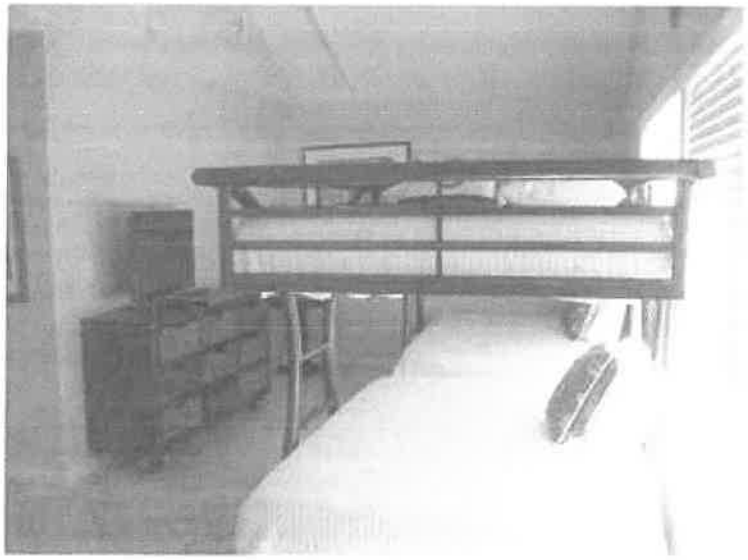


BEDROOM WITH BUNKS SLEEPING FOUR (4) - BEDROOM #4

FULL BATH SUPPORTING BEDROOM #4 - BATH #3

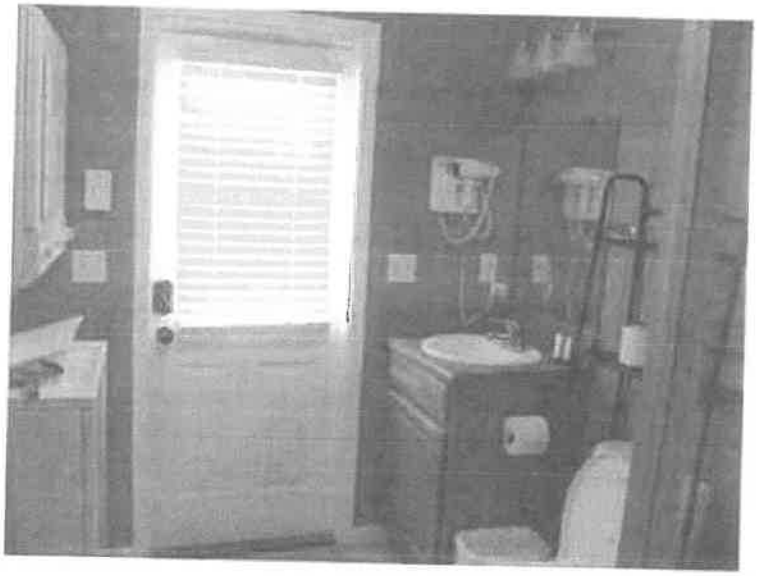
Guest House Sleeping Ten (10)

KITCHEN/WET BAR IN GUEST HOUSE



BUNKS SLEEPING EIGHT (8) - NOT A BEDROOM

BEDROOM WITH A KING SLEEPING TWO (2) - BEDROOM #5



FULL BATH SUPPORTING GUEST HOUSE AND POOL - BATH #4

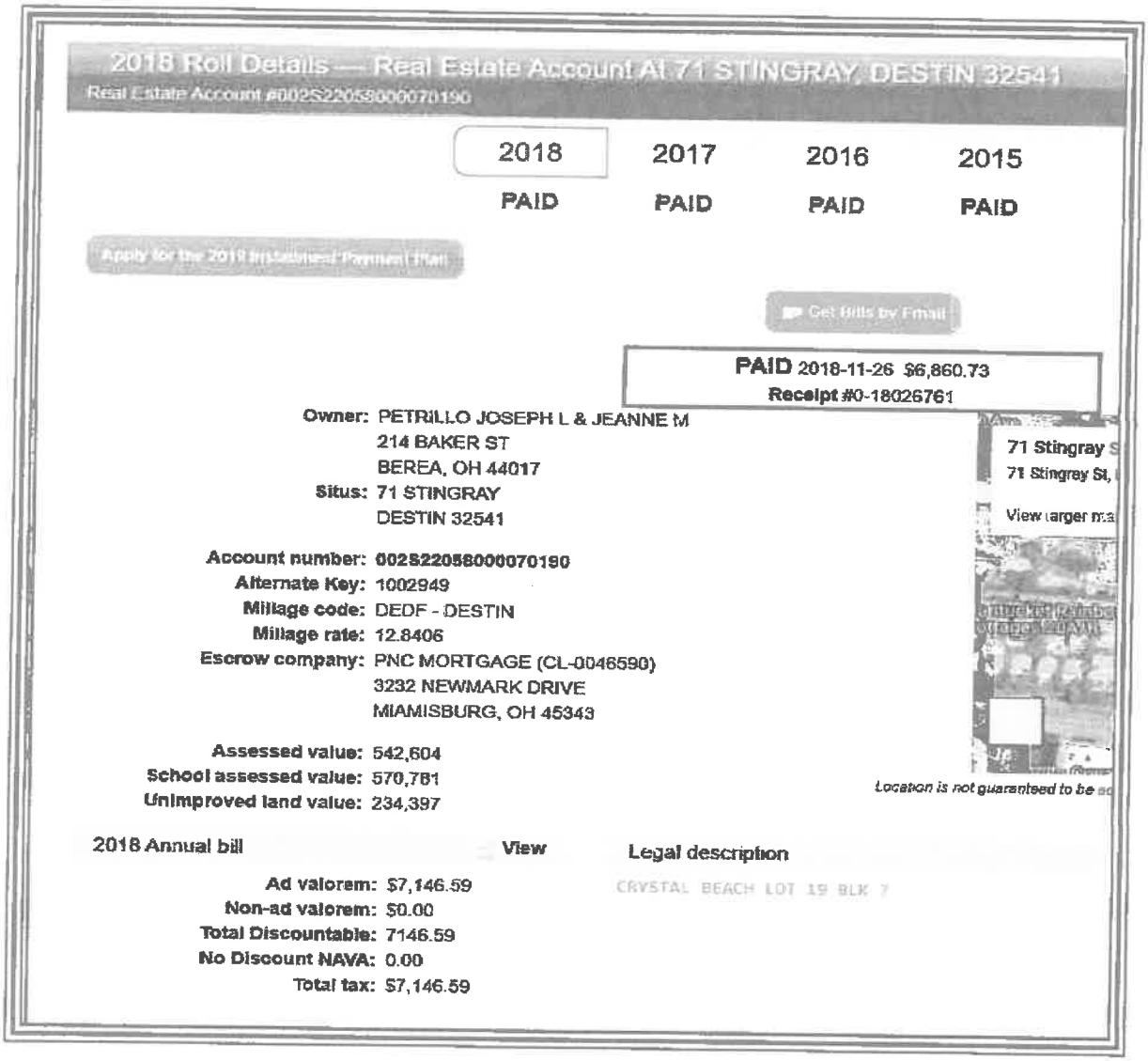
Tax Identification number, gross tax amount due, amount paid, and assessed value for the 2018 tax year.

Tax Identification Number	Assessed Value	Gross Tax Amount Due	Amount paid	Amt. Due
00-2S-22-0580-0007-0190	$542,604	$7,146.59	$6,860.73	None

The 2018 taxes were paid early, resulting in a discount.

There are no previous year taxes owing.

It is my experience that assessed value has little correlation with current market value and are typically lower than market value with a few exceptions.



2018 Roll Details — Real Estate Account At 71 STINGRAY, DESTIN 32541

Real Estate Account #002S22058000070190

2018	2017	2016	2015
PAID	PAID	PAID	PAID

Apply for the 2019 Installment Payment Plan

Get Bills by Email

PAID 2018-11-26 $6,860.73
Receipt #0-18026761

Owner: PETRILLO JOSEPH L & JEANNE M
214 BAKER ST
BEREA, OH 44017
Situs: 71 STINGRAY
DESTIN 32541

Account number: 002S22058000070190
Alternate Key: 1002949
Millage code: DEDF - DESTIN
Millage rate: 12.8406
Escrow company: PNC MORTGAGE (CL-0046590)
3232 NEWMARK DRIVE
MIAMISBURG, OH 45343

Assessed value: 542,604
School assessed value: 570,781
Unimproved land value: 234,397

71 Stingray S
71 Stingray St,
View larger ma

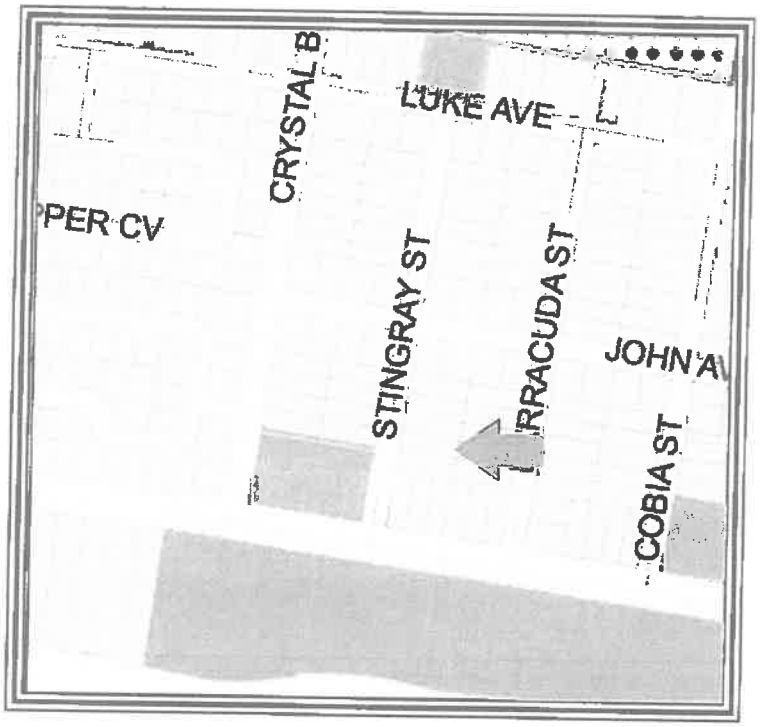
Location is not guaranteed to be ac

2018 Annual bill — View — Legal description

Ad valorem: $7,146.59
Non-ad valorem: $0.00
Total Discountable: 7146.59
No Discount NAVA: 0.00
Total tax: $7,146.59

CRYSTAL BEACH LOT 19 BLK 7

Zoning:
The following map indicates zoning for the subject parcel. The subject is zoned Crystal Beach Neighborhood by Destin. See following pages for detailed identification of allowable uses.



LAND DEVELOPMENT CODE COMMENTS

The following excerpts were taken from the Destin Land Development Code, currently on line.

This first excerpt states that Crystal Beach Neighborhood designates seasonal or short-term residential uses for single-family detached dwellings as a permitted use. I note that this description of the Crystal Beach Neighborhood zoning designation is silent regarding the number of allowable guests and does not limit guest numbers.

Community Development Department
Planning Division
4200 Indian Bayou Trail, Destin, FL 32541
Phone (850) 337-3123 • Fax (850) 837-7949
www.cityofdestin.com/index.aspx?nid=91

ZONING DISTRICT FACTSHEET

The purpose and intent of establishing zoning districts is to ensure that all development is consistent with the goals, objectives and policies of the Comprehensive Plan, by establishing a series of zoning districts that indicate what uses are allowed and site development regulations that control the use of land in each district. All development within each zoning district shall be consistent with the purposes stated for each district. (LDC 7.12.05)

CRYSTAL BEACH NEIGHBORHOOD (CBN)

Purpose and intent: The Crystal Beach Neighborhood zoning district shall apply to areas developed, redeveloped and/or maintained and conserved as permanent or seasonal single-family detached or multi-family attached residential dwelling units. Very limited supportive non-residential uses are allowed and are strictly limited to: places of worship, parks, playgrounds, community buildings and similar public service facilities serving the residents of the area, childcare centers and other ancillary neighborhood commercial uses which are approved as part of a planned unit development (PUD) for the exclusive use of the residents of the PUD. It is the intent of the CBN zoning district to specifically not allow the following uses to be located in the district: commercial hotels, motels, bed and breakfast establishments, or other commercial transient living accommodations.

Table 7-2: Table of Allowable Uses (excerpt from LDC 7.12.06)

PERMITTED USES:

Permanent or long-term residential uses

Single-family detached dwelling
Guest house [1]
Accessory dwelling
Single room occupancy housing
Museums, historical sites, zoos & parks [1,10]
Religious organizations

Seasonal or short-term residential uses

Single-family detached dwelling

Other residential uses

Community residential home, small (1-6)
Family day care home

CONDITIONAL USES:

Other residential uses

Permanent or long-term Multi-family attached dwelling
Seasonal or short-term Multi-family attached dwelling
Community residential home, large (7-14)
Child day care services

ACCESSORY USES:

Uses and structures which are customarily accessory, clearly incidental and subordinate to permitted uses and structures, including home occupations and off-site businesses.

Footnotes:

1 Guest houses are permitted only if the owner of the subject property occupies the primary dwelling as his/her main residence. However, guest houses shall not be rented out separately from the main residence. (refer to LDC section 7.12.04.M).

10 Zoos are only allowed in the Industrial zoning district.

This second excerpt defines long term rental and short term rental. I again note that the definition of short term rental is silent regarding the number of allowable guests.

Policy 1-2.1.1: Residential Uses Defined. Residential uses shall include several structure types used for housing including single-family detached dwellings and multiple-family structures including duplex structures units, town homes and other detached single-family structures, apartments, patio homes, atrium homes, and similar multiple-family structures. The specific FLUM designations shall identify where single-family and multiple-family structures may be located. Following are the definitions for long-term residential and short-term residential.

1. Long-Term Residential. Long-term residential uses shall be defined as any residential accommodation that is available for occupancy for 181 days or more. Long-term residential uses shall include lock-out units, as defined in the Glossary.
2. Short-Term Residential. Short-term residential uses shall be defined as any residential accommodation that is available for occupancy for 180 days or less. Short-Term Residential uses shall include lock-out units, as defined in the Glossary.

This third excerpt defines the grandfather clause. This clause states clearly that the grandfather status may be released only by the vested entity

Policy 1-2.1.5: Grandfather Clause. Existing land uses that were lawfully conforming uses prior to the effective date of the Comprehensive Plan, shall continue as lawful uses and shall be regulated through administrative remedies for vested rights issues that shall be included in the LDC. Building heights, density and/or intensity which (a) are actual present and which lawfully existed prior to the effective date of the Comprehensive Plan, or (b) were authorized pursuant to a development order, which development order remained unexpired as of the effective date of the Comprehensive Plan, shall continue to be legal building heights, density and/or intensity (as applicable) after adoption of the Comprehensive Plan. All duly approved and recorded lots, subdivision and condominium plats of record, which existed as legal lots, subdivision and condominium plats of record prior to the adoption of this Comprehensive Plan shall continue to be legal lots, subdivision and condominium plats of record after adoption of the Comprehensive Plan. This grandfather status may only be relinquished voluntarily by the vested entity. All subdivisions, condominium plats and all replats shall comply with the Comprehensive Plan objectives and Policies, including maximum density provisions. Similarly, all new development shall comply with the Comprehensive Plan and LDC unless the development is found to have a vested right in a land use, building height, density or intensity that is in conflict with the Comprehensive Plan and LDC. Under such condition the grandfather clause shall be applicable unless voluntarily relinquished by the vested entity. The intent is to sustain demonstrated private property rights while preserving the public interest, welfare, health, and safety. Notwithstanding, any single-family home that is subject to redevelopment shall be allowed to reconstruct, providing adopted building and construction codes as well as this ordinance and the size and dimension criteria of the LDC are met.

CONCLUSION

Based on these excerpts, I conclude that prior to the first application of Ordinance 18-29-CC, there were no restrictions to the number of allowable guests.

History:
The subject was transferred on 9/13/2018 from Joseph and Jeanne Petrillo to Petrillo Family Holdings - Stingray, LLC per ORB/P 3376/1866. This was an administrative transfer.

The subject was acquired by Joseph and Jeanne Petrillo on 6/1/2018 for $925,000 per ORB/P 3353/3845. The subject was listed in MLS at MLS listing 786162. I reviewed that listing and saw that the guest house sold without the bunks in place.

I spoke to Ms. Petrillo who stated that there had been no bunks, however, there had been a loft with a ladder leading to it which slept additional guests. This loft featured two bed, sleeping (4) and there was a sofa sleeper in the living area. The purchasers were concerned with the safety issues involved with the ladder and removed it.

I assume that when the subject sold, it featured less utility for sleeping guests than it now features.

Active Listings:
None.

Current Use:
The subject is currently a detached single family home used for seasonal rental, catering to large family groups.

Surrounding Uses:
The surrounding use in the Crystal Beach/Destiny/Destiny By The Sea area is a mix of full time occupants and seasonal renters.

MARKET AREA ANALYSIS - SEASONAL RENTAL MARKET

I am restricting this analysis to the seasonal rental market.

Up until perhaps 2000, the great majority of seasonal rentals were condominium units.

However, the growing demand for larger spaces to accommodate extended families in one place led to the conversion of many larger homes to seasonal rentals. It also spurred the construction of homes specifically designed for large rental parties.

Such homes feature typical living areas but emphasize a substantial number of bedrooms and baths. Often bedrooms are equipped with multiple built - in bunks for sleeping children.

Most homes also feature sofa sleepers which can sleep additional children.

Many of these homes, and certainly those recently constructed for this purpose, featured swimming pools and lanai areas as an exterior amenity.

This market has flourished as Destin is nationally recognized as a tourist attraction.

It is common to see Realtors addressing gross rental amounts or gross rental projections in MLS Listings. While the value of homes similar to the subject is partially estimated by a size / value per SF component, the fact that a home generates a substantial amount of income makes it a more attractive and safe purchase than a home which is not rented for seasonal income. In the past few years, income has become as important as selling prices, per SF.

Another factor worthy of discussion is that many owners now self - manage. Typically in the past, management of rentals was performed by one of several large real estate companies, such as Resort Quest, Dale Peterson, Newman Dailey and Southern Resorts. However, in the past 10 years a substantial number of smaller management companies have surfaced.

Management fees for seasonal rentals range from perhaps 15% to 25% of gross revenue.

Entrepreneurial owners have recognized this expense line and many now self - manage with the aid of Vacation Rental By Owner (VRBO) or some similar search engine.

The seasonal rental market is increasing in the Destin/Miramar Beach market as the thriving national economy allows discretionary vacations.

Without the first application of Destin Ordinance 18-29-CC, allowing a capacity of 20 guests, I would consider the seasonal rental market to continue to flourish over the next several years.

However, with the first application of Ordinance 18-29-CC, limiting the subject to 14 guests, I would project a diminution in value.

HIGHEST AND BEST USE 'AS IS'

Legally Permissible
The subject property is zoned (and designated for future land use) as *Crystal Beach Neighborhood (CBN)* by the City of Destin, Florida.

This zoning and land use designation allows for single-family use and specifically indicates that short term rentals is a permitted use (See page 35). The use of the subject for single-family short-term rentals is therefore allowed in this district.

Physically Possible
The subject property appears to be relatively level and well drained. Soil and subsoil conditions nearby appear compatible with both low-rise, multi-story use and traditional commercial development. All utilities required for commercial or 'mixed use' are presently at the site. The size and dimensions of the site are sufficient to allow a wide variety of legally permissible uses. The shape of the site is rectangular and this shape does not limit utility. Transportation of construction materials or labor to the site is estimated to be relatively simple due to the central location of the site within the overall market. Access to the site is above average.

However, the most compelling substantiation that the subject is physically possible is the fact that it already exists.

Therefore, use of the subject property for single family use as a seasonal rental is physically possible.

Financially Feasible
Value opinions derived in the income approach to value indicate the existing improvement contributes value to the underlying land. There is substantial other ongoing seasonal rental use in the market, suggesting that there is broad appeal for seasonal rental properties.

Therefore, continued use of the subject property for a detached single family residence used for seasonal rental income is financially feasible.

Maximally Productive
The alternatives of addition, demolition, expansion, modernization, or conversion to alternate uses have been considered within the legal, physical, and financially feasible parameters. Several alternatives exist.

Alternatives for use of improvements:

Expansion
The existing subject improvement is 3,014 HVAC SF. The subject is typical of most seasonal rental homes. Thus, there is no need for expansion. Any expansion would come at a cost of parking and/or access. Thus, expansion beyond what is existing, does not appear to be appropriate and feasible.

Renovation
Typically, any existing property could benefit from renovation. However, the subject has been well maintained and is in good condition. Thus, I would not consider imminent renovation to be required or practical.

Downsizing
The existing subject improvements are 3,014 HVAC SF. I see no reason to downsize the subject improvement as it appeared that all of it is usable space. Thus, downsizing beyond what is existing does not appear to be appropriate, physically possible or feasible.

Subdividing
The purpose of the subject is to lease it seasonally to large parties of guests. Subdivision would not be legally approved and does not appear to be financially prudent as the parties of guests would be smaller and grouping smaller parties together in the same pool could prove problematic. I would not consider subdivision to be prudent or feasible.

Demolition
The subject is a recently constructed home in 1994 and is currently in good condition. It features a probable 35 years of remaining economic life and a probable 40-45 years of remaining physical life.

I do not consider demolition and replacement with alternative improvements to be a superior use to the current use as a rental property. No alternative use would be certain to serve the land better. Thus, the subject is not a candidate for demolition.

Utilizing existing improvements
Continued use 'as is' as a seasonal rental, is considered the maximally productive use.

Conclusion of Highest and Best Use 'as is'
Analysis of recent trends and current market supply and demand indicate that the maximally productive highest and best use of the subject property is continued use as a detached single family residence used for seasonal rental income.

Conclusion of Highest and Best User 'as is'
Analysis of recent trends and current market supply and demand strongly indicate the most probable user is an entrepreneurial user who leases the subject for seasonal rental income with a small amount of personal use.

SUMMARY OF ANALYSIS AND VALUATION

Methodology

Site valuation derived from Sales Comparison Analysis involves direct comparisons of the subject property to similar properties selling in the marketplace to derive a comparative value indication for the subject property 'as if vacant,' as of the effective date of value. This approach is also called the 'direct sales comparison approach', or the 'market approach', and tends to be the most reliable approach for developing an opinion of the value of vacant land or sites available for development. Other methods of developing the value of land are available. Allocation, extraction, land residual, ground rent capitalization, and discounted cash flow analysis are all recognized as reasonable methods of valuation.

The cost approach is a reliable methodology for new, or nearly new, buildings. I estimate the replacement cost or reproduction cost, in this case replacement construction cost, of the existing or existing improvements and site improvements (including direct and indirect costs as well as an appropriate developer profit), deducting accrued depreciation from physical, functional, and external sources from the total replacement or reproduction cost new. The depreciated replacement or reproduction cost of the improvements is added to the value of the site resulting in a value indication of the fee simple interest in the property.

The sales comparison approach is based on the 'Principle of Substitution' which indicates an informed purchaser would pay no more for a property than the cost of acquiring an equally desirable substitute property with the same or similar utility. This approach is applicable when an active market provides sufficient quantities of reliable data which can be verified from authoritative sources. The Sales Comparison Approach is reliable in an active market or if an opinion of value is related to properties which there are comparable sales available. This approach to value is also relevant when sales data can be verified with the principals to the transaction. Heavy emphasis is usually placed on this approach to value in an active market.

The income approach is recognized as a reliable approach for developing an opinion of the value of 'income producing' property to an investor. The income approach consists of methods, techniques, and mathematical procedures an appraiser uses to analyze a property's capacity to generate income and convert income into an indication of present value either by capitalizing the current income at a market capitalization rate or discounting the future cash flows into a present value estimate using an appropriate yield (discount) rate. The appraisal process emulates the market, and the most probable purchaser would be an investor. Two (2) techniques associated with the income approach are direct capitalization and discounted cash flow analysis.

Methodology employed and explanation of the exclusion of any of the three (3) approaches to value

I am not performing cost analysis. The problem to be solved is to derive the diminution in value based on the guest restrictions included in Destin Ordinance 18-29-CC. The number of guests would have no impact on the cost to construct.

I am not performing sales comparison analysis. The impact of Destin Ordinance 18-29-CC may not be evident in the market for several years in the selling prices of homes. The ordinance allows a five year grandfather period. Homes sold in this grandfather period may not indicate a decline in selling prices and it would not be reliable to estimate diminution in value based on comparable sales until a larger array of data was available for use in sales comparison analysis.

I am performing income analysis. I will identify probable annual income for the subject with twenty (20) guests, based on historical income and projected income from the manager; and then identify market rents which support the subject contract rent. I will then identify operating expenses and subtract operating expense from gross rent to arrive at a net operating income (NOI). I will then apply a market based capitalization rent to the NOI to arrive at a value for the subject, prior to the first application of Destin Ordinance 18-29-CC on September 18, 2019.

I will then identify the rental incomes for homes which are allowed only 14 guests. I will then subtract expenses for the rents of 14 guest homes and arrive at their NOI. I will then derive a value by capitalizing this NOI.

Finally I will subtract the value for a 14 guest house from the value of a 20 guest house and this figure will be the diminution in value.

COST ANALYSIS
NOT PERFORMED

SALES COMPARISON ANALYSIS NOT PERFORMED

INCOME ANALYSIS
'AS IS'

DESCRIPTION OF INCOME ANALYSIS METHODOLOGY

The income approach to value is based on the principle of anticipation, in that the value of the subject property correlates to the present worth of the future right to receive benefits in the form of income to be received by the owner. The income approach considers the property from an investment interest with the assumption that the amount of income, coupled with the regularity and quality of the income stream, are the basis for valuing the property based on income analysis.

The income approach is applied by identifying the net income by first identifying gross income and then deducting from the gross income the expenses of operating a property to arrive at a net income, generally identified a Net Operating Income (NOI).

The estimated NOI is then converted to a value opinion by utilizing either a Discounted Cash Flow Analysis, or a Direct Capitalization Analysis, or both.

Discounted cash Flow Analysis:
The Discounted Cash Flow Analysis (DCF) is an analysis where a discount rate is applied to a series (typically several years) of income streams with a reversion after typically 7 to 10 years. The appraiser must specify the quantity, variable nature of the income, timing of payments (monthly/quarterly/annually) to a present value at a specified yield rate. The DCF analysis is most applicable when the net income is projected to be variable and when the property is on a sufficient size and investment value to influence market participants to evaluate purchase decisions based on DCF. A large strip retail center would be a good candidate for DCF analysis, as would a project to be constructed in phases, where the income would increase as new construction is added.

I note that I did not perform DCF analysis as it is my opinion that market participants would not use DCF analysis to base decisions to either purchase or sell properties such as the subject.

Direct Capitalization:
The conversion of a net income to a current value is called capitalization. Capitalization is a method which is used to convert the estimate of a single year's net income actual figures and/or expectancy of income into a value opinion by dividing the income by a appropriate rate of capitalization, as estimated by the appraiser. This technique employs capitalization rates derived from the market, using both capitalization rates from recent sales of similar properties, generally augmented by national indices, or other mathematical progressions. This process provides a one year snap shot of the property value. Future yields and values are not directly identified. The direct capitalization analysis is most appropriate for small to medium sized income producing properties, in stable markets with a forecast of generally stable income.

The procedural steps involved in capitalization are as follows:

Develop the probable gross income by identifying historical performance, income projections and market incomes from comparable properties which support the historical or projected subject income.

Estimate vacancy and collection losses to arrive at Effective Gross Income (EGI).

Estimate and subtract operating expenses to arrive at NOI.

Develop a capitalization rate which is supported by the market.

Divide the NOI by the capitalization rate to derive a value opinion.

I am employing the direct capitalization analysis to derive values in this analysis.

I note for the reader that steps #1 and #2 are generally combined in the analysis of seasonal resort properties. Owners and management companies tend to provide actual income which has already accounted for vacancy and collection loss.

INCOME ANALYSIS - ESTIMATE OF CAPITALIZATION RATE

The capitalization rate is a rate which is applied to the Net Operating Income (NOI) to derive a value for a property. As the chart below indicates, you can derive a capitalization rate by dividing the NOI by the purchase price.

The following excerpt will provide some explanation of capitalization rates.

Capitalization rates are used in a formula. As seen below, dividing the net operating income by the purchase price indicates the capitalization rate.

Another variation of the formula is to divide the net operating income by the capitalization rate and this process will indicate the value of the property.

What Is a Cap Rate?

A cap rate is simply a formula. It's the ratio of a rental property's net operating income to its purchase price (including any upfront repairs):

Cap Rate = Net Operating Income (NOI) ÷ Purchase Price

The formula can be used on the level of an individual property by looking at its net operating income compared to its value. But it can also be used on the level of an entire market by taking *average* cap rates for a large group of properties.

Importantly, the cap rate formula does NOT include any mortgage expenses. As you can see in the formula for net operating income below, the expenses do not include a mortgage or interest payment.

Gross Rental Income
- Vacancy/Credit Loss Reserve
- Property Taxes
- Property Insurance
- Maintenance/Repairs
- Common Utilities (if any)
- Other expenses (ex: license)

= Net Operating Income

MARKET DATA BASED ON TYPICAL INDICES

Capitalization rates range widely in the market. The following table derived from Realty rates.com indicate a wide variety of capitalization rates base on property types. This table contains very recent data from the first quarter 2019.

As can be seen, properties such as restaurants and lodging (motels and hotels) have high capitalization rates. Apartments (residential) have the lowest capitalization rates.

Realty rates does not include a separate category of single family detached homes.

RealtyRates.com INVESTOR SURVEY - 1st Quarter 2019*
CURRENT & HISTORICAL CAP RATE INDICES

Method-Weighted* Property Category Indices

	Apts		Golf		Healthcare Senior Housing		Industrial		Lodging		MH/RV Park		Office		Retail		Restaurant		Self Storage		Special Purpose		Weighted* Composite Indices	
		BP		BP		BP		BP		BP		BP		BP		BP		BP		BP		BP		BP
Year	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg
2018	9.42	26	12.02	30	9.81	14	9.19	23	10.53	25	9.56	30	9.04	10	9.39	20	11.57	15	9.86	29	11.64	40	9.64	22
4th Qtr	9.46	8	12.08	11	9.97	11	9.23	7	10.53	1	9.62	13	9.08	13	9.44	10	11.62	11	9.92	13	11.71	11	9.69	9
3rd Qtr	9.37	-4	11.97	-5	9.86	-2	9.16	-5	10.52	-7	9.50	-5	8.95	-6	9.33	-3	11.51	-4	9.79	-7	11.60	-3	9.59	-5
2nd Qtr	9.41	3	12.02	5	9.89	3	9.21	5	10.59	6	9.55	5	9.00	0	9.36	4	11.56	4	9.86	6	11.63	5	9.64	4
1st Qtr	9.38	23	11.97	28	9.86	13	9.16	22	10.52	31	9.50	29	9.00	5	9.32	17	11.52	26	9.81	25	11.58	34	9.60	21
2017	9.15	4	11.73	-2	9.87	-6	8.96	-12	10.26	5	9.26	11	8.94	-22	9.19	-8	11.42	-15	9.57	-9	11.25	4	9.42	-6
2016	9.13	-2	11.75	6	9.92	12	9.08	15	10.22	0	9.15	15	9.16	16	9.27	12	11.57	-10	9.67	14	11.21	10	9.48	9
2015	9.15	-9	11.69	-14	9.80	-9	8.93	-10	10.22	-20	8.99	-19	9.00	-6	9.15	-11	11.66	-13	9.52	-22	11.11	-12	9.40	-12
2014	9.24	-15	11.83	-9	9.89	-1	9.03	-4	10.43	-17	9.17	-5	9.06	-22	9.26	15	11.78	-6	9.76	-20	11.24	14	9.52	-7
2013	9.39	14	11.92	-14	9.90	5	9.07	-2	10.60	3	9.22	14	9.29	-19	9.11	-4	11.66	9	9.95	-24	11.10	0	9.56	-2
2012	9.25	-35	12.07	6	9.85	-36	9.09	-40	10.57	-24	9.08	-39	8.47	3	9.15	-13	11.77	6	10.19	-49	11.09	-4	9.60	-21
2011	9.60	-29	12.00	-22	9.21	-40	9.49	-11	10.81	-24	9.48	-9	8.44	-10	9.28	-26	11.70	-14	10.69	-3	11.12	-17	9.81	-19
2010	9.89	4	12.22	5	9.62	15	9.60	12	11.05	7	9.55	22	9.54	16	9.54	26	11.94	12	10.72	21	11.30	0	10.00	13
2009	9.85	8	12.17	18	9.47	10	9.48	10	10.98	-7	9.33	1	9.38	28	9.29	20	11.72	15	10.50	37	11.30	8	9.87	14
2008	9.77	-4	12.01	29	9.37	-15	9.38	-14	11.85	58	9.32	-5	9.09	-16	9.09	-11	11.57	-26	10.13	20	11.22	-7	9.74	-1
2007	8.81	-45	11.72	-21	9.53	-65	9.52	-25	10.49	-28	9.37	-26	9.25	-47	9.20	-12	11.85	61	9.93	-38	11.29	-24	9.75	-28
2006	9.26	12	11.93	47	10.18	15	9.77	35	10.77	27	9.63	41	9.72	26	9.32	30	11.24	16	10.31	27	11.53	9	10.03	26
2005	9.14	14	11.68	80	10.03	-16	9.42	-30	10.50	-21	9.22	18	9.46	6	9.02	15	11.05	5	10.04	13	11.44	-30	9.77	2
2004	9.00	-19	10.66	29	10.19	-37	9.72	19	10.71	-98	9.03	-48	9.40	-4	8.86	-19	11.01	-15	9.91	-13	11.74	-30	9.75	-19
2003	9.19	-2	10.38	-32	10.56	84	9.53	33	11.69	56	9.51	-11	9.44	1	9.05	-18	11.16	8	10.04	-53	12.04	105	9.94	12
2002	9.21	-40	10.70	19	9.92	-39	9.20	-61	11.13	25	9.62	-80	9.43	-35	9.23	-62	11.08	-3	10.57	-12	10.99	-177	9.82	-41
2001	9.61	64	10.52	133	10.31	90	9.81	16	10.87	98	10.22	-68	9.78	-35	9.85	-53	11.11	47	10.69	13	12.76	32	10.23	21
2000	8.97		9.19		9.41		9.65		9.89		10.90		10.13		10.38		10.64		10.56		12.44		10.01	

* Weighted by methodology: Band-of-Investment, DCR Technique, Sales Survey

* Further weighted by property category

The following chart provides some additional data regarding capitalization rates for apartments in some major metropolitan centers.

These rates are lower than the overall national rate for apartments identified on the previous page. I attribute this to the fact that the cities below are major metropolitan areas with a high density of population which keeps occupancy high and inspires investor confidence. In this regard, the Destin seasonal rental market is similar in its high density and national appeal.

Cap Rates For Stabilized, Class A Multifamily Apartments By City – 2017 (2nd Half)

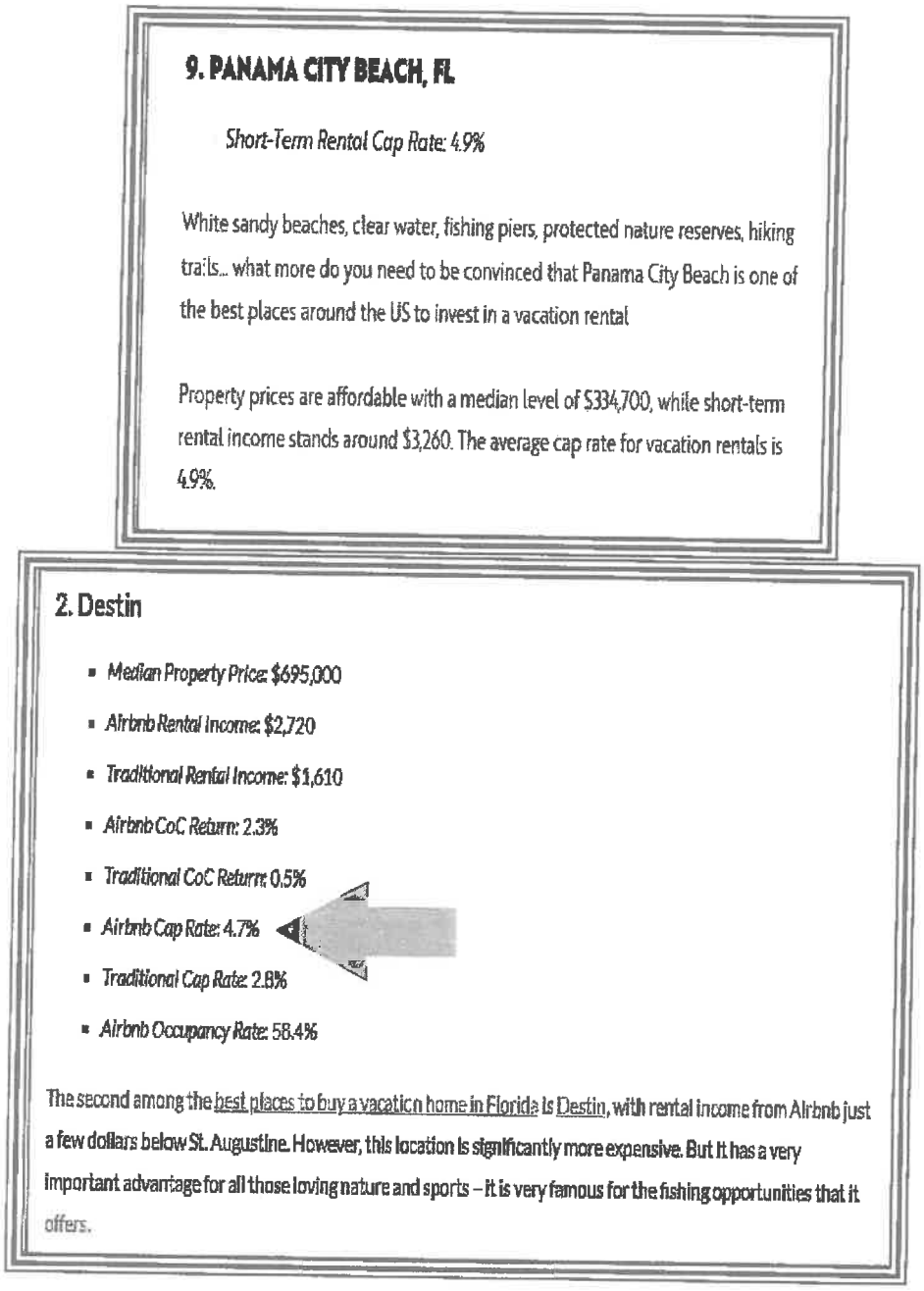
San Diego	4.25%
Chicago	4.75%
Atlanta	5.00%
Philadelphia	5.25%
St. Louis	5.75%
Cleveland	6.25%
Pittsburgh	6.50%
Detroit	7.25%

Single family homes are seldom valued via income capitalization. Most homes are owner occupied and the issue of rent and valuation through rent is generally not applicable. However, I identified the following excerpt rom the internet which indicates a range of capitalization rates from 4% to 10% for single family homes. The reader will note in the excerpt immediately above that high demand areas feature lower capitalization rates and lower demand areas feature higher capitalization rates. I would again observe that Destin is a high demand area in the seasonal rental market. Thus, I would consider it probable that capitalization rates for singe family homes in Destin were toward the low side of the 4% to 10% range.

Cap Rate for Single Family Home

Professionals purchasing commercial properties, for example, may buy at a 4% cap rate in high demand areas, or a 10% (or even higher) cap rate in low-demand areas. Generally, 4% to 10% per year is a reasonable range to earn for your investment property. Continuing with our example from above, $17,000/ 5% = $340,000.

The following are two excerpts from the internet indicating that Panama City Beach, Florida boasts a very low capitalization rate of 4.9% and that the Destin, Florida market features a 4.7% capitalization rate for Airbnb rentals.



9. PANAMA CITY BEACH, FL

Short-Term Rental Cap Rate: 4.9%

White sandy beaches, clear water, fishing piers, protected nature reserves, hiking trails... what more do you need to be convinced that Panama City Beach is one of the best places around the US to invest in a vacation rental

Property prices are affordable with a median level of $334,700, while short-term rental income stands around $3,260. The average cap rate for vacation rentals is 4.9%.

2. Destin

- *Median Property Price:* $695,000
- *Airbnb Rental Income:* $2,720
- *Traditional Rental Income:* $1,610
- *Airbnb CoC Return:* 2.3%
- *Traditional CoC Return:* 0.5%
- *Airbnb Cap Rate:* 4.7%
- *Traditional Cap Rate:* 2.8%
- *Airbnb Occupancy Rate:* 58.4%

The second among the best places to buy a vacation home in Florida is Destin, with rental income from Airbnb just a few dollars below St. Augustine. However, this location is significantly more expensive. But it has a very important advantage for all those loving nature and sports – it is very famous for the fishing opportunities that it offers.

Conclusion:

I have provided an array of capitalization rates from national data ranging from a low of 4.7% to a high of 8.42%.

I am selecting a rounded rate of 6.25%, recognizing that there are established capitalization rates both higher than, and lower than, the reconciled 6.25%.

I am confident that a capitalization rate of 6.25% is well supported by national data.

I also note that the most similar rate is the 4.7% Airbnb rate in Destin, which suggests that a 6.25% rate may be conservative.

MARKET CAP RATE DATA BASED ON LOCAL SALES OF HOMES USED FOR SEASONAL RENTAL

In addition to the national data provided above, I am also providing some data from actual sales in the local market.

I have some professional acquaintances who specialize in the management of large homes used for seasonal rentals. I have asked them to provide me some actual data from recent sales to help derive a local data base of capitalization rates.

On 7/13/2018, Frangista Beach E16 LLC (Nick Athens - a professional acquaintance well known to me) sold 3491 Scenic Highway 98 to Rich Rentals for $3,000,000. This house is 6,008 HVAC SF and features nine (9) bedrooms and 9.5 baths. It is very similar to the subject and is a very good comparable indicator of capitalization rates. Mr. Athens stated that the net operating income was $172,340. Dividing $172,340 by $3,000,000 indicates a capitalization rate of 5.74%.

On 9/4/2015, Nick and Tina Athens sold 1850 - 1852 Scenic Gulf Drive in Miramar Beach to Forty-Four Holdings for $2,205,000. This was two side by side homes in Frangista Beach which were an aggregate 3,460 HVAC SF and which features Five (5) bedrooms and 7 baths. Mr. Athens stated that the net operating rent was $133,200. Dividing $133,200 by $2,025,000 indicates a capitalization rate of 6.58%. I do not consider it a coincidence that the home with the fewest bedrooms featured the highest capitalization rate.

On 2/10/2016, Destiny Real Estate Ventures LLC sold 3463 Scenic Highway 98 to Charles Barone for $3,615,000. This house is 6,465 HVAC SF and features eight (8) bedrooms and 6.5 baths. It is very similar to the subject and is a very good comparable indicator of capitalization rates. Mr. Giles stated that the net operating income was $222,125. Dividing $222,125 by $3,615,000 indicates a capitalization rate of 6.15%.

On 1/11/2019, Kevin Hense sold 2984 Scenic Highway 98 to Russell and Susan Hancock for $3,000,000. This house is 3,997 HVAC SF and features six (6) bedrooms and 5.5 baths. It is very similar to the subject and is a very good comparable indicator of capitalization rates. Mr. Hense stated that the net operating income was $176,000. Dividing $176,000 by $3,000,000 indicates a capitalization rate of 5.87%.

On May 18, 2018, Sapp Investments LLC sold 4659 Destiny Way to the Lindholm Family Revocable Living Trust for $2,500,000. Mr. Lindholm stated to me that income for 2018 was an aggregate of $293,500. He also stated that expenses were an approximate $115,025, resulting in approximate $178,475 of net operating income (NOI). Dividing $178,475 by $2,500,000 indicates a capitalization rate of 7.14%.

RECAPITULATION OF LOCAL MARKET CAPITALIZATION RATES

The following table summarizes the capitalization rates identified in the narrative above.

Property Address	Capitalization Rate
3491 Scenic Highway 98, Destin	5.74%
1850 Scenic Gulf Drive, Mirimar Beach	6.58%
3463 Scenic Highway 98, Destin	6.15%
2984 Scenic Highway 98, Destin	5.87%
4659 Destiny Way, Destin	7.14%
Average	6.29%
Rounded	6.25%

I consider a rounded capitalization rate of 6.25%, derived from local data, to be a market supported rate which is both credible and reliable, as well as being consistent with national data which brackets the final capitalization rate selection.

For this reason, I am selecting a 6.25% capitalization rate.

ESTIMATE OF VALUE PRIOR TO FIRST APPLICATION OF ORDINANCE 18-29-CC

Based on the current zoning and the Destin Land Development Code, and prior to the first application of Ordinance 18-29-CC, there was no limit to the number of guests allowed in the subject improvement. The subject can accommodate up to twenty (20) guests based on the data provided by the owner and my identification of sleeping capacity previously identified.

CURRENT CONTRACT RENT
I note that seasonal rentals are typically described with annual rental amounts as opposed to more consistent monthly rental rates.

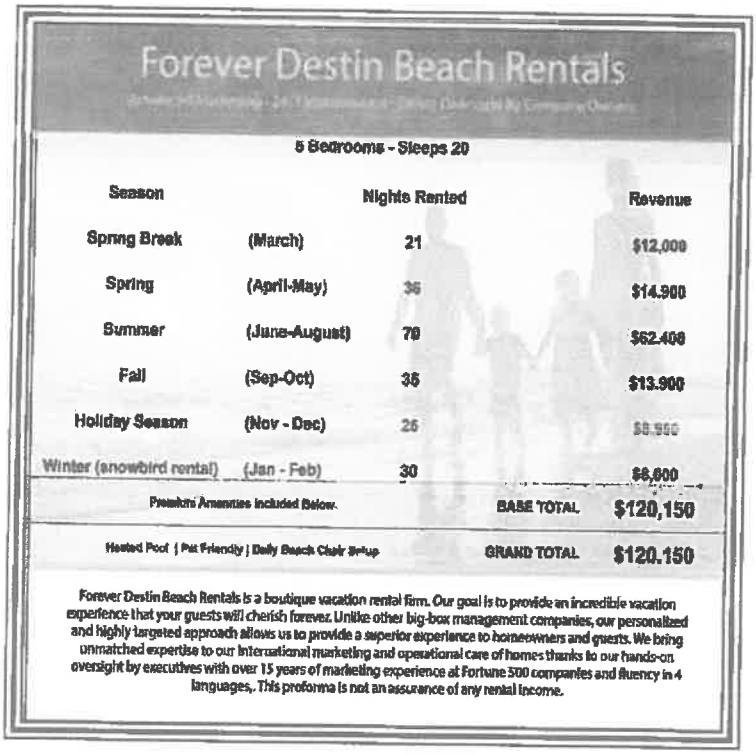
Such rental amounts are generally described using gross income data, and/or projections of gross income data.

Appraisers need to then examine expenses to arrive at a net operating rent to capitalize. Expenses to gross revenue are ad valorem taxes, flood and hazard insurance, HOA dues, maintenance and repairs, utilities, lawn maintenance, pest control, professional fees and reserves. I note that interest/mortgage payments and depreciation are not expenses when capitalizing property for value.

The subject was acquired in mid 2018 and then was renovated to some degree by the purchaser. However, the owner stated that they had received $61,000 in income after purchase. I then spoke to Benjamin Blumberg from Mainsail Realty, the listing agent who stated that income prior to the closing was 'about $45,000'. Thus, the actual 2018 income was an approximate $106,000.

The subject is managed by Justin Shane from Forever Destin Beach Rentals, who provided the following projection of $100,500 for 2019.

In addition to this annual projection, Mr. Shane indicated via email that there was $52,987 already 'booked' for 2019.



Forever Destin Beach Rentals

5 Bedrooms - Sleeps 20

Season		Nights Rented	Revenue
Spring Break	(March)	21	$12,000
Spring	(April-May)	36	$14,900
Summer	(June-August)	70	$62,400
Fall	(Sep-Oct)	35	$13,900
Holiday Season	(Nov - Dec)	25	$8,900
Winter (snowbird rental)	(Jan - Feb)	30	$8,000
Premium Amenities Included Below		BASE TOTAL	$120,150
Heated Pool | Pet Friendly | Daily Beach Chair Setup		GRAND TOTAL	$120,150

Forever Destin Beach Rentals is a boutique vacation rental firm. Our goal is to provide an incredible vacation experience that your guests will cherish forever. Unlike other big-box management companies, our personalized and highly targeted approach allows us to provide a superior experience to homeowners and guests. We bring unmatched expertise to our international marketing and operational care of homes thanks to our hands-on oversight by executives with over 15 years of marketing experience at Fortune 500 companies and fluency in 4 languages. This proforma is not an assurance of any rental income.

I will attempt to provide support to the 2019 projection by researching other homes in Destin which rent to similar number of guests.

MARKET SUPPORT FOR GROSS INCOME ESTIMATE

Some of these comparables were provided to me by Jordan Shane, Florida Luxury Vacation Rentals, Cheryl St.Pe', Destin Comforts and Ben Giles.

#	Address	Gross Income	Guest capacity	Income per guest
1	3893 Sandprint Circle	$118,796	20	$5,939
2	113 Los Angeles Street	$137,308	19	$7,227
3	1737 Scenic Highway 98	$144,814	20	$7,241
4	100 Sandprint Circle	$105,000	20	$5,250
5	84 Woodward Street	$80,560	12	$6,713
6	212 Kono Way	$74,815	12	$6,235
7	75 Shirah Street	$79,885	14	$5,706
8	76 Dolphin Street	$101,300	20	$5,065

The average of these seven market comparable rentals is $6,172.

Many of these comparables are closer to the gulf and many have gulf views.

This market data supports the owner's projection.

Comparables #5, #6, #7 and #8 are all located in Crystal Beach. These four comparable sales averaged $5,929 per guest annually.

The general market data and the Crystal Beach market data is relatively consistent.

This market data supports a per guest income of $6,000.

The subject can accommodate 20 guests. Multiplying 20 by $6,000 per guest results in an annual gross income of $120,000, a figure consistent with the professional management company projection.

I assume that the income could increase in future years.

MARKET SUPPORT FOR GROSS TO NET RATIO

I have attempted to derive gross and net income figures for comparable properties in the market. However, my research indicates that many owners and property managers are unwilling to divulge private financial information, especially the net income.

Thus, I will provide some market examples of properties where clients or close associates did divulge data.

The first example is a detached home located at 112 Sandprint Circle in the Dunes of Destin. The owners, Edward and Tari Furey, provided me with detailed data regarding income and expenses. They indicted annual revenue of $325,000 and annual expense of $100,000. This suggests an expense ratio of $100,000 / $325,000, or 31%, rounded.

I again spoke to Nick Athens who still owns a detached house at 4664 Destiny Way which grossed $275,000 in 2018. The expenses for this property were an approximate $89,000. This suggests an expense ratio of $89,000 / $275,000, or 32% rounded.

As a third indicator, I spoke to Kevin Hense, who sold a detached house at 2984 Scenic Highway 98 for $3,000,000 on 1/11/2019. Mr. Hense indicated that the 2018 gross rent was $263,000 and that the expenses were $87,000. This suggests an expense ratio of $87,000 / $263,000, or 33%, rounded.

The subject features projected and market supported income of $120,000. Including management expense of 15% ($18,000), plus typical expenses of ad valorem taxes, insurance, maintenance, utilities, credit card fees and pest control, I estimate expenses of $42,000. This is an expense ratio of 35%.

Thus, the subject expense ratio is relatively consistent with the market comparables above.

I consider the historical operating expense ratio for the subject to be typical for the market.

I am using a 35% expense ratio in this analysis.

The next step is applying the previously calculated expense ratio to the gross rent to arrive at a net operating income (NOI). Applying a 35% expense ratio to $120,000 results in a net rent of $78,000.

Capitalizing $78,000 with a 6.25% capitalization rate results in a value of $1,248,000, rounded to $1,250,000.

It is my professional opinion that the subject value, prior to the first application of Destin Ordinance 18-29-CC is $1,250,000, based on income analysis.

$1,250,000

ESTIMATE OF VALUE AFTER THE FIRST APPLICATION OF ORDINANCE 18-29-CC

Destin Ordinance 18-29-CC reduces the subject sleeping capacity to 16 guests as the limit is two guests per bedroom, plus four (4) additional guests. There are five (5) bedrooms. Thus, $2 \times 5 = 10 + 4 = 14$.

I note for the reader that the ordinance states clearly that a bedroom must meet the requirements of the Okaloosa County Property Appraiser who states that a bedroom has a door, a window and a closet. The Okaloosa County Property Appraiser states that the subject is a five bedroom house. It is my opinion that the limit of 14 guests will have a negative impact on value.

To estimate the difference, I need to research the market for homes which are limited to smaller guest totals

Market research results in the following comparable rentals.

MARKET SUPPORT FOR GROSS INCOME ESTIMATE

Some of these comparables were provided to me by Jordan Shane, Florida Luxury vacation Rentals, Cheryl St.Pe', Destin Comforts and Ben Giles.

#	Address	Gross Income	Guest capacity	Income per guest
1	3893 Sandprint Circle	$118,796	20	$5,939
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8	76 Dolphin Street	$101,300	20	$5,065

The average of these seven market comparable rentals is $6,172.

Comparables #5, #6, #7 and #8 are all located in Crystal Beach. These four comparable sales averaged $5,929 per guest annually.

The general market data and the Crystal Beach market data is consistent.

I would still consider a per guest rate of $6,000 per year to be credible.

Based on the impact of Ordinance 18-29-CC, the subject will be limited to 14 guests.

Multiplying $6,000 per guest by 14 guests results in gross annual rent of $84,000.

Applying a 35% expense ratio to $84,000 results in a net rent of $54,600.

Capitalizing $54,600 with a 6.25% capitalization rate results in a value of $873,600, rounded to $875,000.

It is my professional opinion that the subject value, after to the first application of Destin Ordinance 18-29-CC is $875,000, based on income analysis.

$875,000

ESTIMATE OF THE DIMINUTION OF VALUE

My research and analysis indicates that the value of the subject based on the right to sleep 20 guests is a rounded $1,250,000.

My research and analysis indicates the value of the subject based on the limit to sleep only 14 guests is a rounded $875,000.

It is my opinion the first application of Destin Ordinance 18-29-CC results in an approximate $375,000 diminution of value.

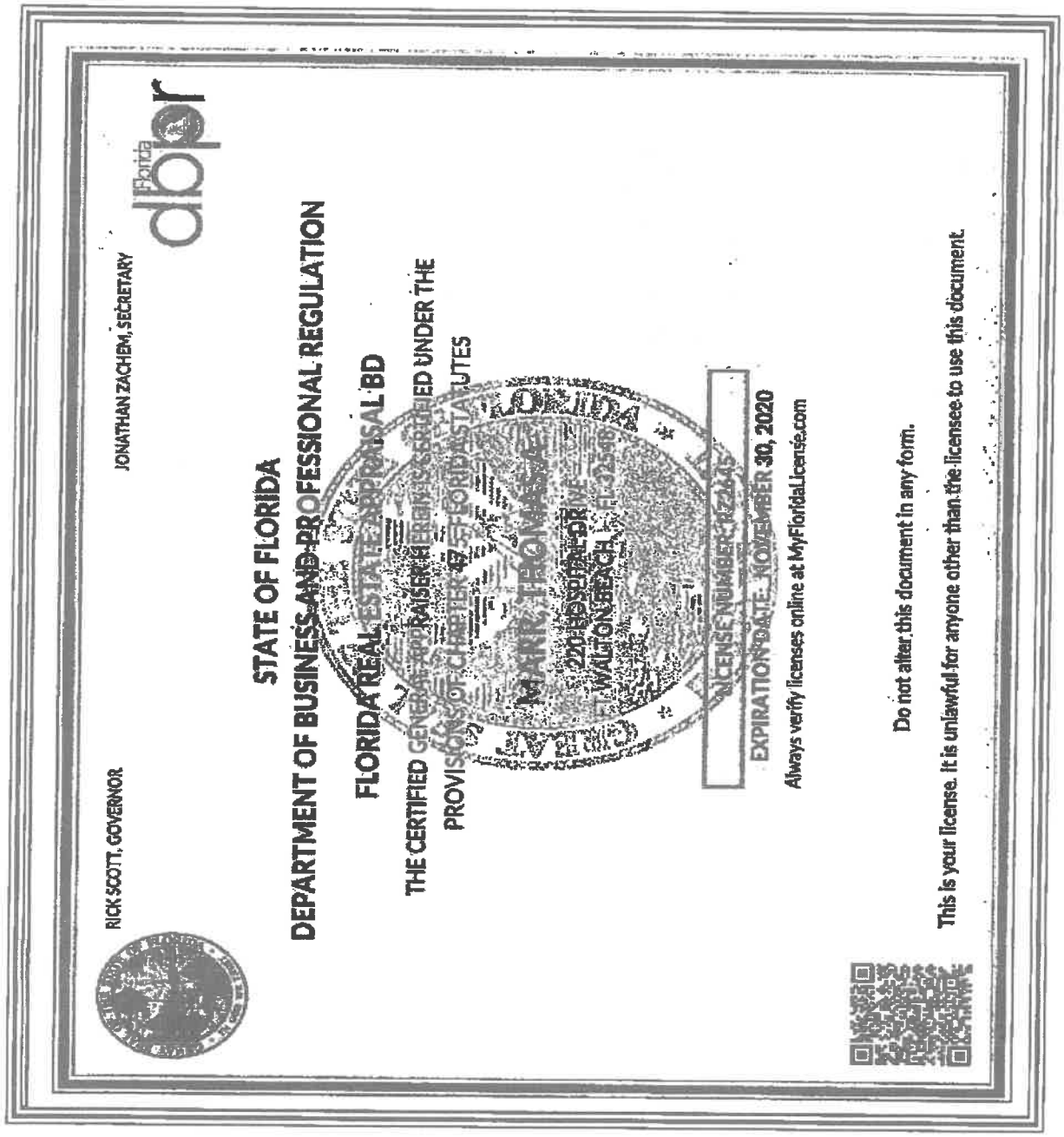
DIMINUTION OF VALUE

$375,000

ADDENDA

Appraiser License

APPRAISER LICENSE



THIS INSTRUMENT PREPARED BY
AND AFTER RECORDING RETURN TO:

Kimberly Romano Kopp, Esq.
Romano Kopp Law, P.A.
P.O. Box 445
Destin, Florida 32541

For Recording Purposes Only

SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is entered into this _____day of _____ 2019, ("Effective Date") by and between, Petrillo Family Holdings – Stingray LLC ("**Owner**") and the City of Destin ("**City**"), collectively referred to as the "Parties."

RECITALS

WHEREAS, on January 22, 2019, the City enacted Ordinance 18-29-CC, the Short-Term Rental Occupancy Ordinance ("Ordinance"), which limits the occupancy of short-term rental homes to two (2) people per bedroom plus an additional four (4) persons; and

WHEREAS, Owner owns the real property and improvements located at 71 Stingray Street, Destin, FL, 32541, as more particularly described in the attached Exhibit "A" (the "Property"); and

WHEREAS, on October 23, 2019, Owner filed a claim with the City, pursuant to the provisions of §70.001, Florida Statutes, the Bert J. Harris, Jr., Private Property Rights Protection Act (the "Harris Act"), alleging that the Property had been inordinately burdened by the adoption of the Ordinance, (the "Claim"); and

WHEREAS, the Harris Act provides for the City to have the ability to enter into a settlement agreement which would have the effect of a modification or variance to the application of a regulation or ordinance as it would otherwise apply to the subject real property, provided the relief granted protects the public interest served by the regulations at issue and is the appropriate relief necessary to prevent the governmental regulatory effort from inordinately burdening the real property; and

WHEREAS, the City has determined that the modifications to the effect of the Ordinance effected by this Agreement protect the public interest served by the Ordinance and are the appropriate relief necessary to prevent the regulatory effect of the Ordinance from inordinately burdening the Property; and

WHEREAS, the Parties now desire to settle and finally resolve all disputes between and among them concerning the Claim.

NOW, THEREFORE, the Parties hereby agree as follows:

1. **Recitals.** The above recitals are true and correct and are incorporated herein by reference.

2. **Occupancy Allowable Under Ordinance.** **Occupancy Allowable Under Ordinance.**

(a) Owner is hereby granted a variance from the provisions of the Ordinance so that the Owner shall have the right to apply under the Ordinance for a maximum occupancy of fifteen (15) overnight guests at the five (5) bedroom vacation rental property noted above and the City shall grant such occupancy. The right shall continue in perpetuity, regardless of any future changes in ownership, provided that this right shall expire permanently if the Property were to be voluntarily remodeled or voluntarily rebuilt in such a manner as to change the number of bedrooms that existed at the date of the Claim. The Property remains subject to all other requirements of the City's regulations, including but not limited to regulations for short-term rentals, parking, trash, and noise.

(b) No greater than two (2) vehicles may be parked on the Property. No vehicle may encroach upon the City's right-of way.

(c) Owner shall ensure that at least three (3) outdoor trash receptacles are provided by the applicable trash hauler and available for use by occupants at all times.

(d) Owner agrees that the City shall be permitted to access the property on an annual basis for the purpose of life-safety inspections to ensure code compliance with minimum egress and emergency egress requirements pursuant to the Florida Building Code (Residential) and to ensure the property has adequate and working smoke detectors. Owner shall submit to the City a separate application and fee for such inspection, on a form provided by the City, at the time Owner submits its annual short-term rental registration application to the City

3. **Development in Accordance with Code.** Notwithstanding any provisions contained herein, the Owner shall at any time have the right and option to remodel, develop, or use the Property in accordance with the applicable ordinances of the City of Destin in effect at the time of application therefor, and this variance shall not be construed as making the Property in any way non-conforming.

4. **Entire Agreement.** The Parties acknowledge that this Agreement constitutes the entire agreement between them regarding the settlement of their dispute and any prior statements, whether oral or written, are merged herein. This Agreement may not be modified or amended without a written instrument signed by the party against whom enforcement is sought.

5. **Duration of Agreement.** This Agreement shall be perpetual and deemed to run with the land, and shall be binding upon and the benefits shall inure to the parties hereto and their respective heirs, devisees, personal representatives, successors and assigns.

6. **Authority.** The signatories to this Agreement are expressly authorized to resolve their dispute as set forth herein and by their signatures here represent and affirm their authority to execute this Agreement.

7. **Governing Law.** The law of the State of Florida shall apply to this Agreement. Any dispute regarding this Agreement shall be litigated exclusively in the courts of Okaloosa County, Florida. The parties expressly consent to such agreed jurisdiction and venue, and waive any objections thereto.

8. **Notices.** Any notice required or permitted to be given hereunder shall be in writing and shall be (i) delivered by hand, (ii) delivered by reputable national or local courier (such as United Parcel Service or Federal Express), (iii) mailed by United States registered or certified mail, return receipt requested and postage prepaid, or (iv) sent by facsimile transmission provided a confirmation of such facsimile transmission is sent the same day by one of the methods of delivery in (i), (ii), or (iii) above. Any notice shall be addressed to each party at its address as set forth below. Any such notice shall be considered given on the date of such hand delivery, deposit with such courier for same day or next business day delivery, upon receipt of return receipt of certified mail, or receipt of facsimile transmissions, as the case may be, and the time period (if any is provided herein) in which to respond to such notice shall commence on the date of receipt. Rejection or other refusal to accept or inability to deliver because of changed address of which no notice was given shall be deemed to be receipt of the notice. By giving to the other party at least ten (10) days' notice thereof, any party shall have the right from time to time to change the addresses thereof and to specify up to two (2) additional addresses within the United States of America to which copies of notices to it shall be sent. Notice may be given on behalf of any party by such party's counsel. In the event the subject property owner changes, notices shall be addressed to the current owner as indicated in the records of the Okaloosa County Property Appraiser. Otherwise, notices shall be sent as follows:

Each notice shall be addressed as follows:

To City: City of Destin, Florida
Attn:
4200 Indian Bayou Trail
Destin, Florida 32541

With a copy to:
City Land Use Attorney
Romano Kopp Law, PA
PO Box 445
Destin, Florida 32541
Attn: Kimberly Romano Kopp, Esq.

To Owner: Petrillo Family Holdings – Stingray LLC
71 Stingray Street
Destin, FL 32541

With a copy to: Najmy Thompson, PL
1401 8th Avenue West
Bradenton, Florida 34205
Attention: Aaron M. Thomas, Esq.

Attorney's Fees. In the event of any action, whether pre-suit, mediation, litigation or appellate proceeding to enforce the terms and conditions of this Agreement, each party to the action shall pay its own attorney's fees and costs incurred therein.

(d) Venue over any action to enforce the terms and conditions of this Agreement, including mediation, shall lie solely in Okaloosa County, Florida.

OWNER: Petrillo Family Holdings – Stingray LLC

_____
Signature of Witness #1

_____
Print or type name

_____
Signature of Witness # 2

_____
Print or type name

_____
BY:
Petrillo Family Holdings – Stingray LLC

_____
Date

STATE OF_____
COUNTY OF_____

The foregoing instrument was acknowledged before me this _____ day of _____ 2019, by _____ _____ and _____, who are personal known to me or who have produced _____ as identification and who did not (did) take an oath.

_____
Signature of Notary

(NOTARY SEAL)

_____
Print or type name

CITY OF DESTIN

By:_____
Gary Jarvis, Mayor

Date:_____

ATTEST:

_____
Rey Bailey, City Clerk

Date:_____

STATE OF_____
COUNTY OF_____

The foregoing instrument was acknowledged before me this _____ day of _____ 2019, by _____ _____ and _____, who are personal known to me or who have produced _____ as identification and who did not (did) take an oath.

_____
Signature of Notary

(NOTARY SEAL)

_____
Print or Type Name

Approved as to form and legality for use and reliance
by the City of Destin, Florida, only.

_____
Kimberly Romano Kopp, Esq.
City Land Use Attorney

Exhibit "A"

Legal Description of Property

ITEM # 2019-1884

CITY OF DESTIN

AGENDA ITEM

COUNCIL MEETING DATE: December 9, 2019
TYPE OF AGENDA ITEM: Action Item

TO: City Council

THRU: Lance Johnson, City Manager

FROM: Kimberly Kopp, Land Use Attorney
Louis Zunguze, Community Development Director

DATE: December 5, 2019

SUBJECT: 4) 86 Hutchison Street

I. BACKGROUND:

On January 22, 2019, the City enacted Ordinance 18-29-CC, the Short-Term Rental Occupancy Ordinance ("Ordinance"), which limits the occupancy of short-term rental homes to two (2) people per bedroom plus an additional four (4) persons.

The subject property owner owns the real property and improvements located at 86 Hutchinson Street, Destin, FL 32541, as more particularly described in Exhibit "A" (the"Property") to the proposed settlement agreement.

Owner filed a claim with the City, pursuant to the provisions of §70.001, Florida Statutes, the Bert J. Harris Jr., Private Property Rights Protection Act (the "Harris Act"), alleging that the Property had been inordinately burdened by the adoption of the Ordinance, (the "Claim).

The Harris Act provides for the City to have the ability to enter into a settlement agreement which would have the effect of a modification or variance to the application of a regulation or ordinance as it would otherwise apply to the subject real property, provided the relief granted protects the public interest served by the regulations at issue and is the appropriate relief necessary to prevent the governmental regulatory effort from inordinately burdening the real property.

The City Council should settle the claim if the City Council determines that the modifications within the settlement agreement protect the public interest served by the Ordinance and are the appropriate relief necessary to prevent the regulatory effect of the Ordinance from inordinately burdening the Property.

II. DISCUSSION: The property owner has requested a maximum occupancy of thirty-five (35) occupants. City staff is recommending an occupancy of thirty-three (33) occupants based on the square footage of the property. The building official utilized a one-occupant per 200 square feet methodology for recommending the above-stated occupancy. This is consistent with the previously approved settlement agreements for the Owner's similarly situated, recently built structures on Hutchinson Street.

Additionally, staff is recommending at least six (6) trash cans on the property. This recommendation is based on industry standard (Waste Management) that, on average, one trash can is required for every six occupants in order to ensure adequate garbage disposal. Therefore, if the maximum number of occupants exceeds any multiple of six (6, 12, 18, 24, 30, 36, etc.), then an extra trash can will be needed to accommodate the additional occupants. For example, if thirteen (13) is the maximum occupation, then three (3) trash cans are required. This is because, on average, two (2) trash cans will only accommodate twelve (12) occupants. The third trash can will be needed to accommodate the thirteenth occupant.

Finally, staff is recommending that no greater than eight (8) vehicles be parked on this property.

As stated in the agreement, the property owner remains bound by all other provisions of City codes.

A. **Link to Strategic Goals / Objectives:**
B. **Effect on Budget (EOB):**
C. **Level of Service (LOS):**

III. CONCLUSION:

IV. RECOMMENDED MOTION: 1. I move to approve the settlement agreement prepared by the City Land Use Attorney and Staff.

or

2. I move to approve the settlement agreement prepared by the City Land Use Attorney and Staff with the following modifications:_____.

or

3. I move to direct the City Land Use Attorney to negotiate in good faith with the property owner and to bring back an alternate settlement proposal to the City Council for consideration.

or

4. I move to deny settlement of the subject claim at this time.

Attachments:

1. Bert Harrsi Case - 86 Hutchison Street
2. 86 Hutchison (1)

DANA C. MATTHEWS

MICHAEL A. JONES

KENNETH M. BORICK
Of Counsel
Also admitted in Georgia and South Carolina

DANA C. "D.C." MATTHEWS II

SAMUEL B. TAYLOR

MATTHEWS & JONES
ATTORNEYS AT LAW

INSIGHT | INTEGRITY | INNOVATION

DANIEL C. O'ROURKE
Florida Supreme Court Certified
Civil and Family Mediator

CHRISTA P. DIVINEY
Board Certified Criminal Trial Lawyer
Also admitted in Alabama

LAURA PENTEL-KLANG

JESSICA L. STEWART

SALVADOR "A.J." GOMEZ

Reply to Destin

statum@destinlaw.com

May 10, 2019

VIA HAND DELIVERY

Mayor Gary Jarvis
City of Destin
4200 Indian Bayou Trail
Destin, FL 32541
gjarvis@cityofdestin.com

Dear Mayor Jarvis:

Our firm represents 13 Hutchison, LLC, the owner of the newly constructed home located at 86 Hutchison Street; Destin, Florida, also identified as Lot 1 of the Hutchison Courts plat, recorded in Okaloosa County Plat Book 28, at Page 11.

Due to the recent enactment of City of Destin Ordinance 18-29-CC, which limits the occupancy of short term rental homes to two (2) people per bedroom plus an additional four (4) persons, 13 Hutchison's reasonable investment-backed expectations for use of the home as a short-term vacation rental property have been inordinately burdened, as defined in the "Bert J. Harris, Jr., Private Property Rights Protections Act", Chapter 70, Florida Statutes ("Harris Act"). 13 Hutchison hereby submits this letter along with the enclosed Panhandle Appraisal Group property appraisal dated January 22, 2019, as a claim under the Harris Act against the City of Destin for One Million Nine Hundred Ninety-five Thousand Dollars ($1,995,000.00), which represents the diminution in value of 13 Hutchison's property.

Pursuant to the provisions of the Harris Act, 13 Hutchison hereby demands payment in the amount of One Million Nine Hundred Ninety-five Thousand Dollars ($1,995,000.00) plus attorneys fees and costs.

If no resolution is reached during the statutorily prescribed waiting period, 13 Hutchison intends to file suit pursuant to this claim and pursue any other legal remedies for the actions that gave rise to this claim. 13 Hutchison explicitly reserves the right to

bring any and all legal challenges, appeals and objections with respect to Ordinance 18-29-CC.

Sincerely,

C. Stephen Tatum
Matthews & Jones, LLP
Attorney for 13 Hutchison, LLC

Enclosure

cc: Lance Johnson, City Manager (via email)
Rey Bailey, City Clerk (via email)
Kimberley Romano-Kopp, Esq. (via email)
Client

APPRAISAL REPORT

PROPERTY: AN APPROXIMATE 6,765 SQUARE FOOT HEATED AND COOLED RESORT RENTAL RESIDENCE, SITED ON AN APPROXIMATE 8,000 SF SITE WITH ASSOCIATED SITE IMPROVEMENTS INCLUDING RESORT POOL AND SPA

86 HUTCHISON STREET, DESTIN, OKALOOSA COUNTY, FL

EQUIVALUE APPRAISAL

EQUIVALUE APPRAISAL, LLC
PROFESSIONAL APPRAISAL AND VALUATION SERVICES
PO BOX 5326
DESTIN, FLORIDA 32540
PHONE (850) 424-6119

Jason P. Shirey, MAI, CCIM, CPM
State-Certified General Real Estate Appraiser, RZ3186 (FL)
Direct Phone (850) 543-5953 (Mobile)

EquiValue Appraisal File No.: 190-091

APPRAISAL REPORT

Of Resort Residential Property
+/-8,000 SF of Mixed-Use Zoned Land
Improved with An Approximate 6,765 SF Heated and Cooled Resort Rental Residence
And Associated Improvements Including Pool, Spa, Summer Kitchen and Rooftop
Observation Deck

Location
86 Hutchison Street
Destin, Okaloosa County, FL
32541

Property Owner
13 Hutchison, LLC

Effective Date
January 22, 2019 (Restrospective)

Report Date
March 15, 2019

Client / Intended User
Matthews and Jones, LLP
Attn: Mr. Dana Matthews
4475 Legendary Drive
Destin, FL 32541

Prepared by:
Jason P. Shirey, MAI, CCIM, Cert Gen RZ3186

EQUIVALUE
APPRAISAL

Phone 850 424 6119 Fax 888 774 4503
EquiValue Apprasial, LLC File #: 190-091

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March 15, 2019

Matthews and Jones, LLP
Attn: Mr. Dana Matthews
4475 Legendary Drive
Destin, FL 32541

Re: Dimunition in Value Appraisal of an approximate 6,765 HVAC Square Foot Resort Rental Residence, 'As Is', whose postal address is 86 Hutchison Street, Destin, Okaloosa County, FL 32541. EquiValue Appraisal File No. 190-090.

Dear Client:

At your request and authorization, we have prepared an appraisal for the above-referenced resort residential rental property. A copy of the pertinent engagement document has been included in the addenda to this report if applicable.

This letter of transmittal is *not* an appraisal report, but merely serves to transmit the attached appraisal report and convey the final conclusion of value. The accompanying research, analyses and conclusions, and appraisal report following this letter of transmittal has been compiled in accordance with USPAP Standards Rule 2-2(a) for a written appraisal report.

The purpose of this appraisal is to determine if there is a Dimunition in Value as result of recently-adopted City of Destin Ordinance No. 18-29-CC, and if so, to derive an opinion of the Dimunition in Value to the subject property associated with the implementation of said Ordinance.

This Ordinance was implemented January 22, 2019, and the incorporation of this ordinance limits the occupancy of the subject property to 20 guests. Prior to the implementation of this Ordinance, the designed occupancy of the subject property was 34 guests. Therefore, as a result of the ordinance, the maximum occupancy of the subject has been reduced by 14 guests, or approximately -42%.

We are therefore opining on the difference in market value of the subject before and after the adoption of City of Destin Ordinance No. 18-29-CC, which was promulgated on January 22, 2019.

The values reported are predicated upon market conditions prevailing as of the effective date of the appraisal. In the context of the scope of work, the appraisal is considered to render a credible opinion of value, specific to the client, intended use and intended user.

The intended use of this appraisal is for internal decision making purposes by the stated Client and their advisors. This appraisal is intended for the use of the client and client's advisors.

We have completed the requisite inspections, research, and analyses necessary to appraise the 100% fee simple interest in the subject property, 'As Is' as of January 22, 2019, both prior to adoption of Ordinance No. 18-29-CC and after, in order to evaluate the potential Dimunition in value.

Please reference the Scope section of this report for information regarding the scope of research and analysis for this appraisal, including property identification, inspection, highest and best use analysis and valuation methodology.

I certify that I have no present or contemplated future interest in the property beyond this opinion of value. The reported value(s) in this appraisal have not been based on a requested minimum valuation, a specific valuation, and have been prepared in compliance with the Uniform Standards of Professional Appraisal Practice.

Your attention is directed to the Limiting Conditions and Assumptions section following the reconciliation and appraisal certification in this report. Acceptance of this report constitutes an agreement with these conditions and assumptions.

This appraisal is subject to the following Hypothetical Condition(s):

- The subject is presently under construction and is not yet complete. We are appraising the subject as if it were complete on the respective valuation date, January 22, 2019. This valuation scenario constitutes a hypothetical condition.

This appraisal is subject to the following Extraordinary Assumption(s):

- None

This appraisal utilized the preceding hypothetical condition, the use of which may have affected the assignment results.

Our opinion of value was formed based on our experience in the field of real property valuation, as well as the research and analysis set forth in this appraisal.

I am of the opinion that as a result of the implemented City of Destin Ordinance 18-29-CC that the market value of the subject property is negatively impacted. The implemented Ordinance reduces the maximum occupancy of the subject property, and therefore the subject's associated income generation potential.

The subject property is a resort-residential property specifically constructed for income generation purposes. Therefore, a reduction in scheduled income due the subject correlates to a reduction in associated value.

The Dimunition in Value to the subject is represented by the difference between the 'Before' and the 'After' value conclusions.

In this case, this is represented by the difference between the opined value prior to implementation of the Ordinance (ie. the 'Before Ordinance' value of $4,065,000) and the value after implementation of the Ordinance (ie. the 'After Ordinance' value of $2,070,000).

Per this calculation, with supporting documentation as to the rationale of these values provided within this report, the opinion of Dimunition in Value to the subject as a result of City of Destin Ordinance 18-29-CC is opined to be $1,995,000.

Therefore,

Dimunition in Market Value
As A Result of Implementation of City of Destin Ordinance 18-29-CC:

One Million Nine Hundred Ninety Five Thousand Dollars
($1,995,000)

The estimated market exposure period necessary for the subject to have achieved these values is estimated to be 9-12 months.

It was a pleasure assisting you with this matter. If you have any questions concerning the following analysis, or if we can be of further assistance, please do not hesitate to call.

Respectfully submitted,
EquiValue Appraisal, LLC

Jason P. Shirey, MAI, CCIM, CPM
Cert Gen RZ3186

INTRODUCTION

QUALIFICATIONS OF THE APPRAISER

Qualifications of

Jason P. Shirey, MAI, CCIM, MS-RECM

State-Certified General Real Estate Appraiser No. RZ 3186 (FL)
State-Certified General Contractor No. CGC 062478 (FL)
Licensed Real Estate Broker No. BK 3168469 (FL)

MAI : Designated Member of the Appraisal Institute
Appraisal Insitute, Chicago, Illinois.

CCIM : Designated Certified Commercial Investment Member
CCIM Institute, Chicago, Illinois.

M.S. RECM : Master of Science, Real Estate and Construction Management
University of Denver - Denver, Colorado.

B.S. BCN : Bachelor of Science, Building Construction Management
University of Florida – Gainesville, Florida.

Business Affiliations and Work Experience, Past / Present

EquiValue Appraisal and Consulting Services
Principal and Founder; Real Estate Appraiser, Real Estate Broker, Certified General Contractor

Marsh Appraisal Corporation - Real Estate Appraisal and Valuation Services, Fort Walton Beach, Florida
Registered Trainee Appraiser / State Certified Real Estate Appraiser

Plantation Coast Properties, LLC – Fort Walton Beach, Florida
Principal; Real Estate Investments and Property Management

Alcon Associates, Inc. – Commercial General Contractors / Construction Managers; Pensacola, Florida
Florida Division Manager

National Construction Enterprises, LLC – General Contractor / Construction Managers; Savannah, Georgia
Vice President of Operations, Savannah-Hilton Head Division

Acoustics and Specialties, Inc. – General Contractors; Memphis, Tennessee
Senior Estimator / Project Manager of Healthcare Construction

Brasfield and Gorrie General Contractor Inc. – General Contractors and Construction Managers; Orlando, Florida
Construction Estimator / Project Manager

United States Air Force Reserve
Reserve Pilot, Boeing C-17 Globemaster III

EQUIVALUE APPRAISAL

Jason P. Shirey, MAI, CCIM, MS-RECM (Continued)

Professional / Continuing Education

Litigation Appraising - Specialized Topics and Applications
Appraisal Institute

Uniform Standards of Professinal Appraisal Practice
7 Hour Update, *Appraisal Institute*

Advanced Income Capitalization
Appraisal Institute

Advanced Sales Comparison Approach
and Principles In Highest and Best Use
Appraisal Institute

User Decision Analysis for Commercial Real Estate
CCIM Institute Course CI-103

Advanced Cost Approach
Appraisal Institue

Real Estate Taxation, Planning and Consequences
University of Denver, Burns School of Real Estate

Advanced Real Estate Feasibility Analysis
Urban Land Institute / University of Denver

Real Estate Securities and Syndications
University of Denver, Burns School of Real Estate

Legal Issues In Real Estate and Construction Management
University of Denver, Burns School of Real Estate

Income Property Investment
Urban Land Institute / University of Denver

Argus Financial Analysis
University of Denver, Burns School of Real Estate

Residential Real Estate Appraiser Course ABII
Ed Klopfer Schools of Real Estate

Real Estate Salesperson Pre-Licensing Course
Ed Klopfer Schools of Real Estate

Income Property Management
Institute of Real Estate Management / University of Denver

Certified Commercial Investment Member Core Concepts
CCIM Insitute Comprehensive Exam

Appraising from Blueprints and Specifications
Appraisal Institute

Florida Building Code Update
Florida Workplace Safety and OSHA Update
Universal Inspection Service

Uniform Standards of Professional Appraisal Practice
15 Hour Update, *Appraisal Institute*

Business Practices and Ethics for Appraisers
Appraisal Institute Course #420

Basic Income Capitalization
Appraisal Institute

Advanced Valuation and Report Writing
Appraisal Institute Course #540

Real Estate Investment Finance
University of Denver, Burns School of Real Estate

Computer Applications for Real Estate Analysis
University of Denver, Burns School of Real Estate

Risk Management and Insurance for Investment Real Estate
University of Denver, Burns School of Real Estate

Indoor Air Quality and Mold Contamination Remediation
National Association of Mold Professionals, 2004

Real Estate Trainee Appraiser Course ABI
Ed klopfer Schools of Real Estate

Uniform Standards of Professional Appraisal Practice
15 Hour Update, *Appraisal Institute*

EQUIVALUE APPRAISAL

Jason P. Shirey, MAI, CCIM, MS-RECM (Continued)

Appraiser Experience - Property Types

Affordable Housing
Agricultural Land
Aircraft Hangars
Antenna Towers
Apartments
Automobile Dealerships
Hotels and Motels
Bank Buildings
Bowling Alleys
Broadcast Facilities
Campgrounds / Recreational Vehicle Parks
Car Washes
Churches
Coastal Land
Condominium Units:
  Assemblages, Complexes, Conversions
Condominium Projects:
  Pre-development, Insurable Replacement Cost
Convenience Stores
Day Care Centers
Development Appraisals
Distribution Facilities
Golf Clubs and Country Clubs
Health Clubs
High-End Residential
Hobby Farms
Home Sites (Lots)
Home Sites (Land - Large Tracts)
Hotel - Resorts
Industrial Land
Indstrial Improvements
Light Industrial Properties
Manufacturing Facilities
Marinas / Docks / Boat Storage Facilities
Medical Offices
Mixed Use Developments
Mobile Home Parks
Multifamily Land
Multifamily Developments
Nurseries
Office Buildings
Office Condominiums
Office-Warehouse Facilities
Outdoor Signs
Parking Facilities
Replacement Cost Appraisals
Retail Stores (Anchor Tenant / Owner Occupied)
Retail Strip Centers (Multiple Tenant)
Restaurants (All types)
Self-Storage Facilities
Subdivisions (Commercial)
Subdivisions (Residential)
Single Family Residences
Sustainable Development (Green Buildings)
Urban Land (Vacant and Interim Use)
Warehouses
Yacht Clubs

Previous Client List (Partial)

Access Bank and Mortgage
Alternative Funding Corporation
BanCorp South
Bank of America
Bank of Bonifay
Bank of Pensacola
BankTrust
Beach Community Bank
CB Richard Ellis
CCB Community Bank
Colonial Bank
Community Bank
Compass Bank
Cotton and Gates
Crystal Beach Development
DestinFirst Bank
First Capital Bank
First City Bank
First Gulf Bank
First National Bank and Trust
Florida Coastal Mortgage
Guaranty Federal Bank
GulfSouth Private Bank
Jay Odom
Kevin Helmich, P.A.
Legendary, Inc.
LNK Development
M & F Bank
People's First Community Bank
Premier Community Bank
Regions Bank
Renasant Bank
Sunbird Condominium Owner's Association
Suntrust Bank
The Plaza Owner's Association
Tranquil Harbor Owner's Association
Trustmark National Bank
Vanguard Bank
Villas on the Gulf Condominium Onwer's Association
Vision Bank
Wachovia Bank
Whitney Bank

Assignment Purposes

Acquisition
Disposition
Assessment Appeal
Development Feasibility
Estate Planning
Financing (Institutional and Private)
Investment Analysis
Portfolio Analysis
Marital Dissolution
Relocation
Mediation, Arbitration, Dispute Resolution

EQUIVALUE APPRAISAL

Jason P. Shirey, MAI, CCIM, MS-RECM (Continued)

Assignment Types

Appraisal Review
Buyer Brokerage
Complex Valuation
Construction Progress / Draw Request Inspection
Demographic Analysis
Detrimental Conditions Valuation and Consulting
Eminent Domain Valuation and Consulting
Estate Valuation
Feasibility Studies
Fee Appraisals Including Full and Fractional Interests
Foreclosure / REO Appraisal - Assessment
Highest and Best Use Analysis
Insurance
Litigation Support
Market Studies
Portfolio Valuation and Analysis
Relocation Appraisal
Rent Analysis / Studies
Retrospective Valuation
Site Location Services
Valuation and Consultation for Financial Reporting

Primary Market Area

Okaloosa County
- Destin
- Fort Walton Beach
- Crestview
- Mary Esther
- Niceville
- Bluewater Bay

Walton County
- Miramar Beach
- Panama City Beach
- Rosemary Beach
- Santa Rosa Beach
- Blue Mountain Beach
- Freeport
- Defuniak Springs
- Inlet Beach
- Seacrest Beach

Santa Rosa County
- Navarre
- Navarre Beach
- Gulf Breeze

Bay County
- Panama City
- Panama City Beach
- Springfield

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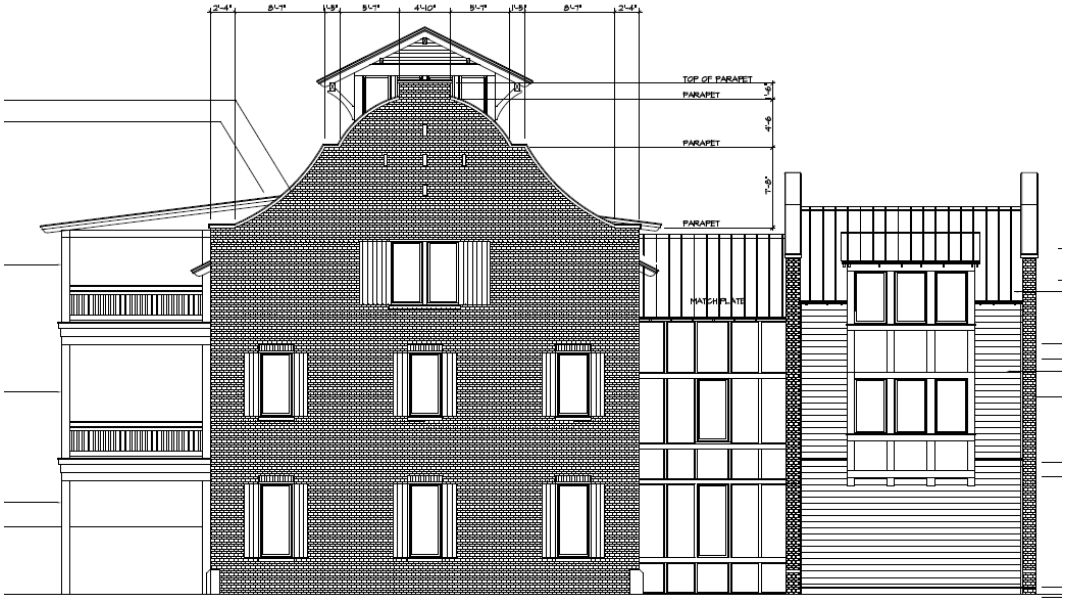
Subject Photograph(s)

Additional photographs can be referenced in the Property Description Section of the Appraisal Report.



Architectural Rendering of the Subject Resort Residence

Summary of Salient Facts and Conclusions

GENERAL	
EquiValue Appraisal File No:	190-091
Subject:	An approximate 6,765 HVAC SF / 9,468 Gross SF Resort Rental Residence located along the west side of Hutchison Street, approximately 800 feet north of the Beaches of the Gulf of Mexico, with postal address of 86 Hutchison Street in Destin, Okaloosa County, Florida. The subject site is comprised of +/-8,000 SF of Crystal Beach Resort-zoned land (a mixed use zoning designation) which is improved with the previously-mentioned resort rental residence. This residence, constructed in 2019, which was specifically desined to accommodate 34 overnight (sleeping) guests features: • 2 Master Bedrooms • 5 Standard Bedrooms • 1 Large Bunk Room • 6 Full Bathrooms (excluding master baths) • 2 Half Bathrooms • Media Room • Den, Dining, Living, Kitchen Areas • Pool with Spa • Extensive Outdoor Living Areas • Rooftop Observation Deck • Outdoor “Summer” Kitchen The subject property is identified by Okaloosa County Parcel ID Number 00-2S-22-5445-0000-0010. The use of the subject property in 'As Is’ condition is as an exclusive, beach proximate, resort residential rental property and this is the use represented in the valuation of the subject property, as of the effective date of this appraisal.

	In the 'Before' condition, occupancy of the subject was specifically designed for 34 guests with sleeping accommodations as follows: 1st Floor (Sleeps 10): 2 King Beds 2 Twin Beds Trundle Bed with 2 Twin Beds Fold-Out Sofa 2nd Floor (Sleeps 8) 3 King Beds (One in Each Bedroom) Fold-Out Sofa (Living Room) 3rd Floor (Sleeps 16) 10 Twin Beds (Bunk Room) 2 King Beds (One in Each Master Bedroom) Fold-Out Sofa (In Lounge Area) In the 'After' condition and taking into account the City of Destin Ordinance 18-29-CC which was implemented January 22, 2019, the occupancy of the subject is limited to 20 Guests.
Owner:	13 Hutchison, LLC 1159 Troon Drive Miramar Beach, FL 32550
Legal Description:	Hutchison Courts Lot 1
Tax Identification:	00-2S-22-5445-0000-0010
Date of Report:	March 15, 2019
Date of Value:	January 22, 2019
Property Rights Appraised:	Fee Simple
Intended Use:	The intended use of this appraisal is for internal decision making purposes by the client.
Intended User(s):	The intended users of this report is Matthews and Jones, LLP and the property owner.

Appraisal Purpose:	Market Value Opinion 'As Is' in the 'Before Ordinance' and 'After Ordinance' conditions, and subsequent evaluation of Dimunition in Value.
2018 Assessed Value:	**$235,010 (Vacant Land Only)** Despite the intention of the property appraiser to value property at market value on a yearly basis, it is the appraiser's opinion that assessed value has no direct correlation to fair market value in the subject market area.
2018 Taxes:	**$3,050.09 (Due March 31, 2019).** According to the Okaloosa County Tax Collector, taxes for 2018 have not yet been paid and are due no later than March 31, 2019.
Sale History:	There have been no arm's length transfers of the subject improved property in the three years prior to the effective date of this appraisal report. The last transfer of the subject was the vacant site on 9/8/2017 for $100 per ORB/P 3318/316. The subject was constructed by the current owner subsequent to this transfer.
Current Contracts/Listing:	We were unable to locate any active listing for sale of the subject property in the prior 24 months. We are unaware of any intention by the current owner to market the subject for sale. It is our understanding that the subject property was specifically designed and constructed for short-term rental purposes and income generation potential and is scheduled to be retained by the current owner for these purposes.

PROPERTY	
Land Area:	Total: +/-8,000 SF Usable: +/-8,000 SF Excess: 0.00 Acres
Zoning/ Future Land Use:	CBR – Crystal Beach Resort by the City of Destin

Highest and Best Use 'As Is':	Utilizing the subject as a resort-residential rental property at maximum occupancy is estimated to be the highest and best use of the subject 'As Is'. It is noted that limitations imposed on the occupancy of the subject by virtue of City of Destin Ordinance 18-29-CC, which in the case of the subject property limits occupancy to a number (20 persons) which less than that for which the subject was specifically designed (34 persons) is anticipated to have a negative impact on the market value / return on investment of the subject to the owner.

VALUE CONCLUSIONS

Land Value:	Not Utilized
Cost Approach:	Not Utilized
Improved Sales Comparison Approach:	Not Utilized
Income Approach:	$4,065,000 – Before Ordinance 18-29-CC $2,070,000 – After Ordinance 18-29-CC $1,995,000 – Dimunition in Value as a Result of Ordinance 18-29-CC

Appraisal Scope of Work

In accordance with the 2018-2019 Uniform Standards of Professional Appraisal Practice, it is the appraiser's responsibility to develop and report a scope of work that results in credible results that are appropriate for the appraisal problem and intended user(s).

This process should meet the expectations of parties who are regularly intended users for similar assignments and be consistent with what an appraiser's peers actions would be in performing the same or a similar assignment.

Therefore, the appraiser must identify and consider:

- the client and intended users;
- the intended use of the report;
- the type and definition of value;
- the effective date of value;
- assignment conditions;
- typical client expectations; and
- typical appraisal work by peers for similar assignments**.**

This appraisal is prepared for the Client, Matthews and Jones, LLP.

The intended use of this appraisal is for internal decision making purposes by the stated Client and their advisors. This appraisal is intended for the use of the client and client's advisors.

SCOPE OF WORK	
Report Type:	This is a written Appraisal Report, which is intended to comply with the reporting requirements established by Standards Rule 2-2(a) of the *2018-2019* edition of the U*SPAP* for a written Appraisal Report. It presents summary discussions of the data, reasoning, and analyses utilized in the appraisal process to develop the appraiser's opinion of value. Supporting documentation not provided with the report concerning the data, reasoning, and analyses is retained in the appraiser's file. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated in the report. The appraiser is not responsible for the unauthorized use of this report.
Property Identification:	The subject was identified by the legal description and the assessor's parcel number, and appraiser inspection.

Inspection:	An inspection of the site and improvements was made, and photographs were taken.
Market Area and Analysis of Market Conditions:	A complete analysis of market conditions was made. The appraisers physically inspected the micro and/or macro market environments which influence the subject property.
Highest and Best Use Analysis:	A complete analysis of highest and best use for the subject property in 'As Is' condition was made.

Valuation Analyses

Land Valuation and Cost Approach:	An opinion of value for the subject property in 'as if vacant' condition and subsequent application of the cost approach has not been provided. The purpose of this appraisal is to evaluate the impact to the value of the subject by virtue of the implementation of City of Destin Ordinance 18-29-CC which limits occupancy of the subject and corresponding associated income generation potential. Thus, the cost to acquire land and construct a replacement property is meaningless to the purpose of the assignment and was not applied.
Sales Comparison Approach:	The improved sales comparison approach was not utilized in this appraisal assignment. The purpose of this appraisal is to evaluate the impact to the value to the subject by virtue of the implementation of City of Destin Ordinance 18-29-CC which limits occupancy of the subject and associated income generation potential. As this ordinance was just recently implemented, an adequate number of improved sales which sold after the Ordinance implementation date were not available from which to garnish an opinion of market value from this approach. As sales which occurred prior to this Ordinance will reflect market transactions without this restriction, they are not considered valid indicators of value for the subject in the restricted condition. Therefore this approach could not be applied due to lack of sufficient comparable data.
Income Approach:	The income approach was applied for the subject in both the 'Before Ordinance' and 'After Ordinance' scenarios.

Hypothetical Conditions:

The subject is presently under construction and is not yet complete. We are appraising the subject as if it were complete on the respective valuation date, January 22, 2019. This valuation scenario constitutes a hypothetical condition.

This appraisal utilized the preceding hypothetical condition, the use of which may have affected the assignment results.

Extraordinary Assumptions:

None.

Exposure Time (Market Value):

Exposure Time may be defined as: the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective opinion based on an analysis of past events assuming a competitive and open market.

The estimate of exposure time is presented in consideration of the exposure periods for comparable sales utilized in this appraisal, marketing time information available from nationally published sources including the CB Richard Ellis National Market Survey and the opinions of market participants.

It is estimated that the exposure time necessary for the subject to have achieved the opinion of value is 9-12 months.

Definition of Value, Property Rights Appraised, and Intended Use

Purpose of the Appraisal:

The purpose of an appraisal is the stated reason and scope of the appraisal assignment. It is established by the client, and points to the information that the client needs to answer specific questions pertaining to real property. The purpose of the appraisal establishes the foundation for the final value conclusion, which does not change to accommodate the use of the appraisal.[1]

The purpose of this appraisal is to derive an opinion of the Dimunition in Value to the subject property associated with the implementation of City of Destin Ordinance No. 18-29-CC.

This Ordinance was implemented January 22, 2019, and the incorporation of this ordinance limits the occupancy of the subject property to 20 guests. Prior to the implementation of this Ordinance, the designed occupancy of the subject property was 34 guests. Therefore, as a result of the ordinance, the maximum occupancy of the subject has been reduced by 14 guests, or approximately -42%.

We are therefore opining on the difference in market value of the subject before and after the adoption of City of Destin Ordinance No. 18-29-CC, which was promulgated on January 22, 2019.

Intended Use of the Appraisal and Intended User:

The intended use of an appraisal is the manner in which a client will employ the information contained in the appraisal report. The intended use or function of an appraisal is determined by the client's needs. Because an appraisal may provide a basis for a decision concerning real property, the intended use of the appraisal depends on the decision that the client wishes to make.[2]

The intended use of this appraisal is for internal decision making purposes by the stated Client and their advisors. This appraisal is intended for the use of the client and client's advisors.

Property Rights Appraised

Real property is said to have value as a result of the "bundle of rights" that are inherent to property ownership. Regardless of the type of ownership, the owner of real property is said to have an interest in that property. The following definitions are for the three most commonly-valuated interests as defined by the Dictionary of Real Estate Appraisal, Fourth Edition.

---

[1] The Appraisal of Real Estate, Twelfth Edition
[2] The Appraisal of Real Estate, Twelfth Edition

Fee Simple Interest:
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.

Leased Fee Interest:
An ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the lessee are specified by contract terms contained within the lease.

Leasehold Interest:
The interest held by the lessee (the tenant or renter) through a lease transferring the rights of use and occupancy for a stated term under certain conditions. See also negative leasehold; positive leasehold.

The subject property is being appraised 'fee simple', taking into account market conditions at the effective date of the report. Given the valuation of the subject in 'As Is' condition and the nature of the subject being a resort-rental property which is occupied on a short term or seasonal basis, fee simple basis is considered to be the appropriate valuation standard.

Date of Value Opinion
Value opinions are presented as of a specific date, taking into account market conditions at that time. The effective date of an appraisal is the date at which the analyses, opinions, and advice in an appraisal, review, or consulting service apply. (USPAP, 2018-2019 edition.)

The date of the value opinion can be current, in the past (retrospective), or forecast into the future (prospective).

The following presents definitions regarding the date of the opinion of value, as provided by the text The Appraisal of Real Estate, Twelfth Edition:

Date of Value Opinion:
The date for which an opinion of value is valid.

Current Value:
In accounting, synonymous with market value.

Retrospective Value Opinion:
An opinion of value that is likely to have applied as of a specified historic date. A retrospective value opinion is most frequently sought in connection with appraisals for estate tax, condemnation, inheritance tax, and similar purposes.

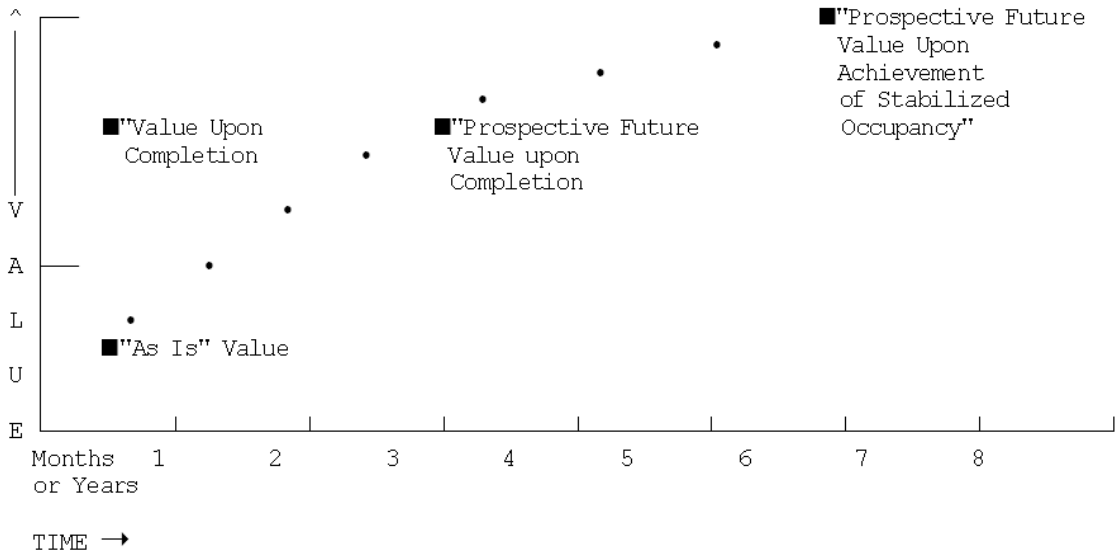
Prospective Value Opinion:
A forecast of the value expected at a specified future date. A prospective value

opinion is most frequently sought in connection with real estate projects that are proposed, under construction, or under conversion to a new use, or those that have not achieved sellout or a stabilized level of long-term occupancy at the time the appraisal report is written.

In a prospective appraisal, the appraiser analyzes market trends to provide support for forecasted income and expense or sell-out opinions, absorption periods, capitalization rates, and discount rates as of the effective date of the appraisal. This appraisal report was prepared taking into account market conditions present as of the date of the report. The appraiser(s) can not be held responsible for unforeseen events that alter market conditions prior to the effective date of the appraisal.

The following graph presents a graphical depiction of the above-described date of value opinions and their associated position within a potential overall development time scenario.

Value Creation Continuum[1]



The preceding exhibit graphically displays the creation of value in a real estate development project over time, assuming a zero inflation environment for clarity of presentation.

1 Code of Federal Regulations, Title 12, as amended by the Federal Home Loan Bank Board.

Basis of the Subject Value Opinion

The four time differential values on the preceding graph which may be considered in the appraisal of proposed developments are defined as follows:

(1) **"As Is"** means an estimate of the market value of a property in the condition observed upon inspection and as it physically and legally exists without hypothetical conditions, assumptions, or qualifications as of the date of appraisal.

(2) **"Value as Complete" or "Value Upon Completion"** means the market value of a property with all proposed construction, conversion, or rehabilitation hypothetically completed, or under other specified hypothetical conditions as of the date of appraisal. With regard to properties wherein anticipated market conditions indicate that stabilized occupancy is not likely as of the date of completion, this estimate of value shall reflect the market value of the property as if complete and prepared for occupancy by tenants.

(3) **"Prospective Future Value Upon Completion"** means the prospective future value of a property on the date that construction is completed, based upon market conditions forecast to exist as of that completion date.

(4) **"Prospective Future Value Upon Achievement of Stabilized Occupancy"** means the prospective future value of a property at a point in time when all improvements have been physically constructed and the property has been leased to its optimum level of long term occupancy.

The purpose of this appraisal is to derive an opinion of the Dimunition in Value to the subject property associated with the implementation of City of Destin Ordinance No. 18-29-CC.

The following are the pertinent dates to the valuation, viewing, and appraisal reporting of the subject property:

Effective Date of Value Opinion:	**January 22, 2019**
Date of Viewing:	**March 14, 2019**
Date of Appraisal Report:	**March 15, 2019**
Date of Photographs:	**March 14, 2019**

Definition of Value

The definition of "Market Value", as defined by the Office of the Comptroller of Currency (OCC) under 12 CFR, Part 34, Subpart C-Appraisals, 34.42 Definitions, the Board of Governors of the Federal Reserve System (FRS) and the Federal Deposit Insurance Corporation in compliance with Title XI of FIRREA, as well as by the Uniform Standards of Appraisal Practice as promulgated by the Appraisal Foundation, is as follows.

> Market value means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby,
>
> 1. Buyer and seller are typically motivated;
>
> 2. Both parties are well informed or well advised, and acting in what they consider their own best interest;
>
> 3. A reasonable time is allowed for exposure in the open market;
>
> 4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
>
> 5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Policy Statement of the Appraisal Institute

It is improper to base a conclusion or opinion of value upon the premise the racial, ethnic, or religious homogeneity of the inhabitants of an area or of a property is necessary for maximum value.

Racial, religious, and ethnic factors are deemed unreliable predictors of value trends or price variance.

It is improper to base a conclusion or opinion of value, or a conclusion with respect to neighborhood trends, upon stereotyped, biased presumptions relating to the effective age or remaining life of the property being appraised or the life expectancy of the neighborhood in which it is located.

FACTUAL DESCRIPTIONS

Property Description

Summary of Site Characteristics and Improvements

SITE	
Information Sources:	Deed, assessment records, inspection, plans, owner
Total Site Size:	+/-8,000 SF
Usable Site Size:	+/-8,000 SF
Excess Land:	0.00 acres
Corner Lot:	The site is not a corner lot.
Visibility:	The subject site benefits from visibility from Hutchison Street on the east boundary of the subject site. The subject site is considered to have good visibility for the subject market area.
Shape:	Rectangular. See aerial photograph / property appraiser map for a visual depiction of the site shape and parcel.
Road Frontage/Access:	The subject features direct access from Hutchison Street, a two lane north-south secondary residential roadway.
Waterfront Proximity:	The subject is located approximately 800 feet north of the Beaches of the Gulf of Mexico and is well-positioned as a resort rental property which would take capitalize on proximity to beaches.
Drainage:	Drainage appears adequate for the subject property. Drainage on the subject site meets current standards for storm water retention, being recently permitted and constructed. The subject property is considered typical with regard to newly-constructed properties in the subject market area.
Potential For Environmental Contamination:	The appraisers have not observed, nor are qualified to detect, the existence of potentially hazardous material or underground storage tanks which may be present on or near the subject site. The appraisers recommend that an environmental survey be attained to assure the environmental stability of the subject property. This appraisal assumes no subsoil contamination of the subject site.

Utilities: *Electricity*: Electricity is provided by Gulf Power, Inc. Standard service capacity exists at the subject property with adequate capacity to service the subject existing improvements.
Sewer: Public sewer is provided and is on site.
Water: Public water is provided and is on site.
Natural Gas: Natural Gas service is provided and is on site.
Adequacy: Utility service is considered adequate for the subject improvements and at least standard for the subject market area.

Site Improvements: Site improvements present on the subject at the time of inspection included paved parking, utilities, landscaping, and an outdoor swimming pool with spa.

Landscaping: The subject features excellent quality landscaping with various plantings and grassy areas with irrigation.

Site Utility: Good

Flood Zone: The subject is located in an area mapped by the Federal Emergency Management Agency (FEMA). The subject property appears to be located in Flood Zone 'X' as noted by the following FEMA Map Number:

FEMA Map Number: 12091C0493H 12/06/2002

Easements: We were not provided with a survey for the subject property. Our review of the appropriate maps and public records for the subject property indicated that standard utility easements exist. Our viewing did not indicate that any of these easements would adversely affect the value opinion of the subject contained herein. This appraisal assumes no easements, encroachments, or private deed restrictions which would adversely affect the value of the subject property.

Encroachments: We were not provided with a survey for the subject property. Our review of the appropriate maps and public records for the subject property did not reveal any encroachments on the subject site. Our viewing did not indicate any encroachments that would adversely affect the value opinion of the subject contained herein. This appraisal assumes no easements, encroachments, or private deed restrictions which would adversely affect the value of the subject property.

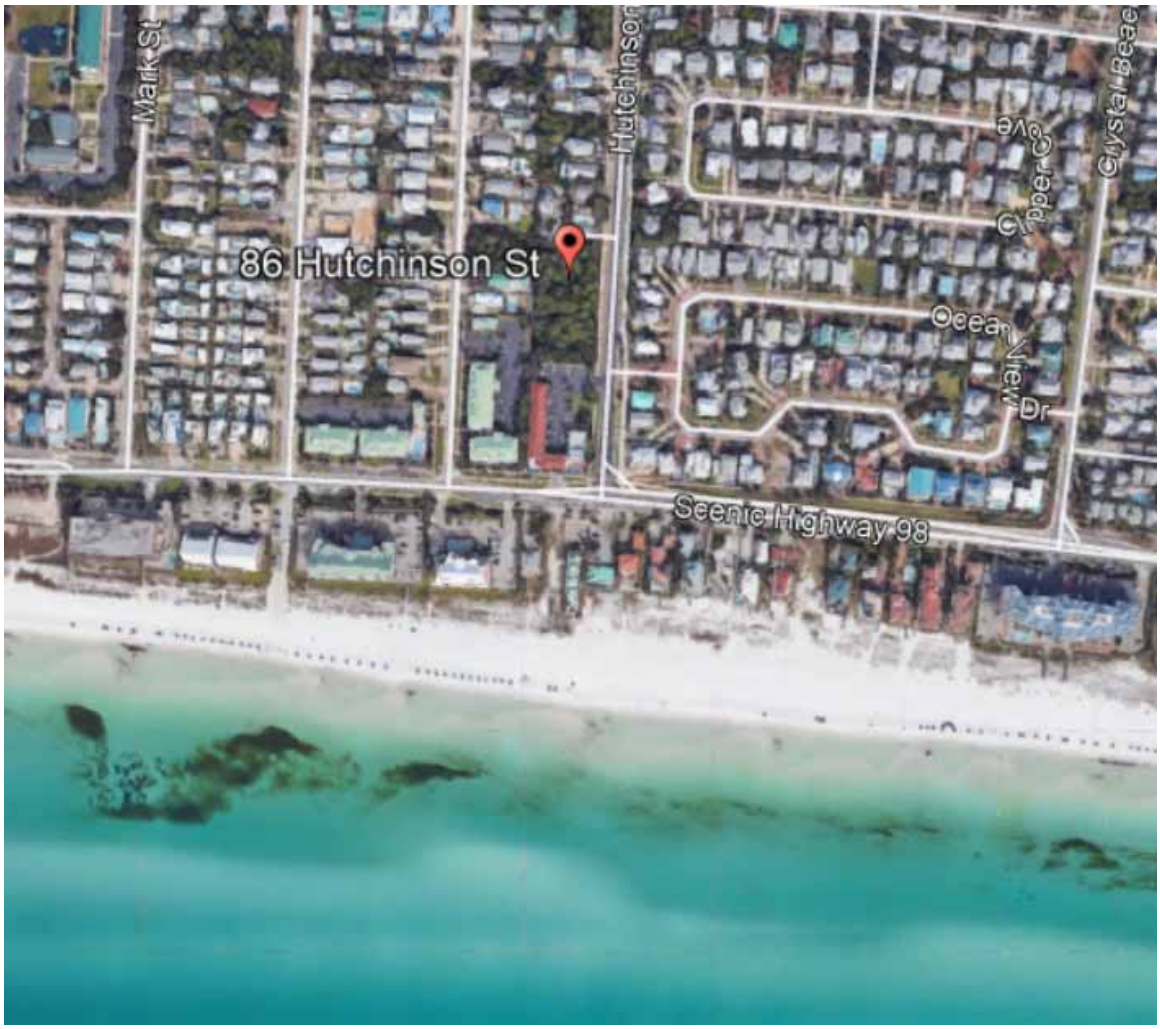
IMPROVEMENTS – AS COMPLETE	
Summary:	Excellent Quality Resort Rental Residence
Architectural Style:	Modern Multi-Story Residential 'Resort Style' Single Family Home
Building Class (Marshall Valuation)	Class D, Wood Frame
Construction:	Wood Frame and Hardiplank / Stucco with Brick
Quality:	Excellent Quality Resort Residential Dwellings
Year Built:	Actual 2019 / Effective 2019
Actual / Effective Age:	New / 1 Years
Condition:	New
Remaining Useful Life:	60 Years
Areas & Ratios:	Gross Building Area: 9,468 Square Feet HVAC Building Area: 6,765 Square Feet The subject features: • 2 Master Bedrooms • 5 Standard Bedrooms • 1 Large Bunk Room • 6 Full Bathrooms (excluding master baths) • 2 Half Bathrooms • Media Room • Den, Dining, Living, Kitchen Areas • Pool with Spa • Extensive Outdoor Living Areas • Rooftop Observation Deck

FOUNDATION, FRAME & EXTERIOR	
Foundation:	Cast Concrete, Concrete Block Stemwall, Concrete Slab
Frame:	Wood Frame with Sheathing
Exterior:	Stucco and Brick with Hardiplank Siding
Roof/Cover:	Sloped Standing Seam Metal Roof
Elevators:	The subject Features A Private Elevator.

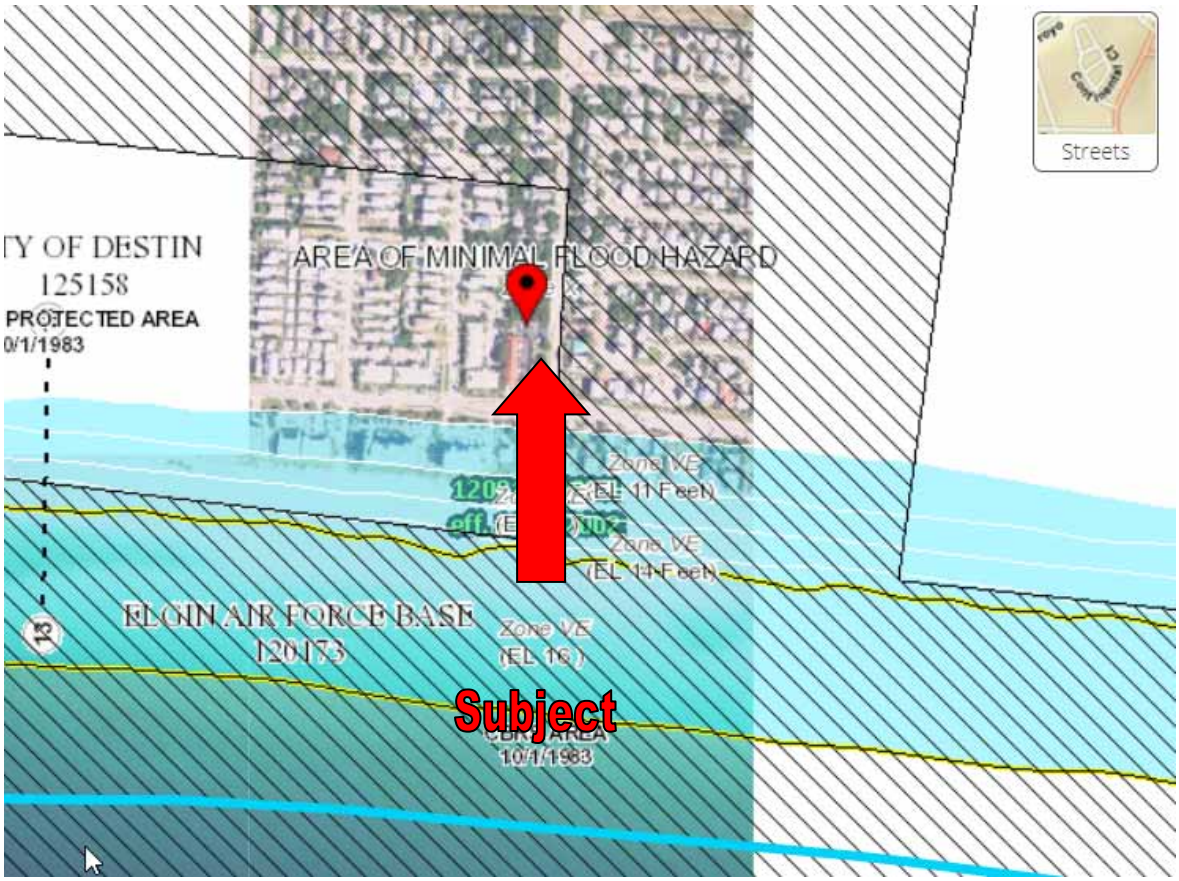
INTERIOR	
Notes Regarding Interior Finish:	Interior finishes to the subject includes custom kitchen cabinetry, stone or solid surface countertops, custom backsplash, stainless steel appliances, custom bath cabinetry and excellent quality bathroom and kitchen fixtures. Excellent quality flooring and appurtenances. The subject features a finish superior to most resort residences in the existing Destin / Crystal Beach market.
Interior Finish:	Excellent Quality.
Ceilings & Ceiling Height:	Finished Ceilings throughout, generally 10-0'-12-0' height in living areas.
Floor Cover:	Porcelain tile, wood, carpet. Excellent level of floor finish.
Doors:	Good Quality and New condition solid core / six-panel doors with lever style handles throughout. Glass windows and doors are excellent quality hurricane / impact rated glass.
Additional Amenities:	All units to have a good level of finish with professional appliances and good design.

MECHANICAL SYSTEMS	
Heating:	Multiple Individual HVAC systems.
Cooling:	Multiple Individual HVAC systems.
Hot Water:	Adequate for property.
Electrical:	Adequate for property.
Plumbing:	Adequate for property with 6 Full Bathrooms and 2 Half Bathrooms. The subject was specifically designed as a resort rental property with planned occupancy / sleeping accommodations for 34 persons.

Regional Maps



Flood Map


AREA OF MINIMAL FLOOD HAZARD
Zone VE
(EL 11 Feet)
Zone VE
(EL 14 Feet)
ELGIN AIR FORCE BASE
120173
Zone VE
(EL 16)
Subject
10/1/1983
Streets

Flood Zone Descriptions

“A 100-year flood is a flood that has a 1-percent chance of being equaled or exceeded in any given year. A base flood may also be referred to as a 100-year storm and the area inundated during the base flood is sometimes called the 100-year flood plain.

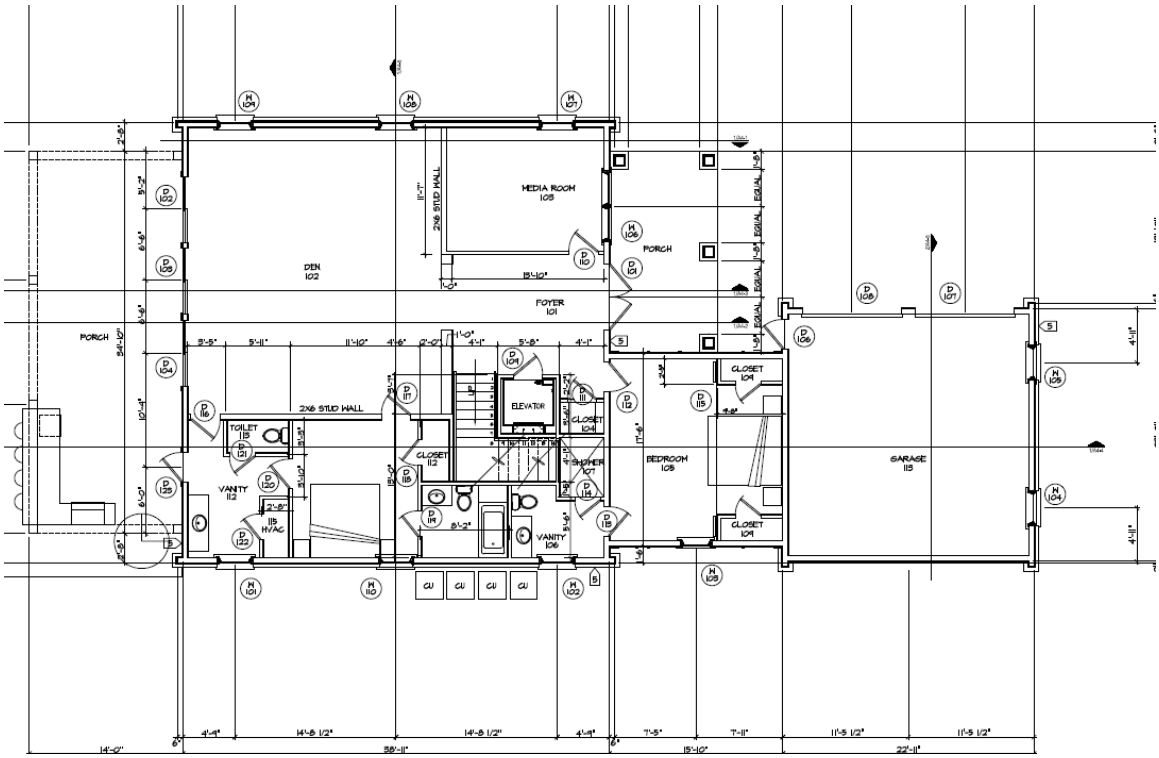
The term "100-year flood" is misleading. It is not the flood that will occur once every 100 years. Rather, it is the flood elevation that has a 1- percent chance of being equaled or exceeded each year. Thus, the 100-year flood could occur more than once in a relatively short period of time. The 100-year flood, which is the standard used by most Federal and state agencies, is used by the National Flood Insurance Program (NFIP) as the standard for floodplain management and to determine the need for flood insurance. A structure located within a special flood hazard area shown on an NFIP map has a 26 percent chance of suffering flood damage during the term of a 30-year mortgage.

Zone AE and A1-A30
Zones AE and A1-A30 are the flood insurance rate zones that correspond to the 100-year floodplains that are determined in the Flood Insurance Study by detailed methods. In most instances, Base Flood Elevations derived from the detailed hydraulic analyses are shown at selected intervals within this zone. Mandatory flood insurance purchase requirements apply.

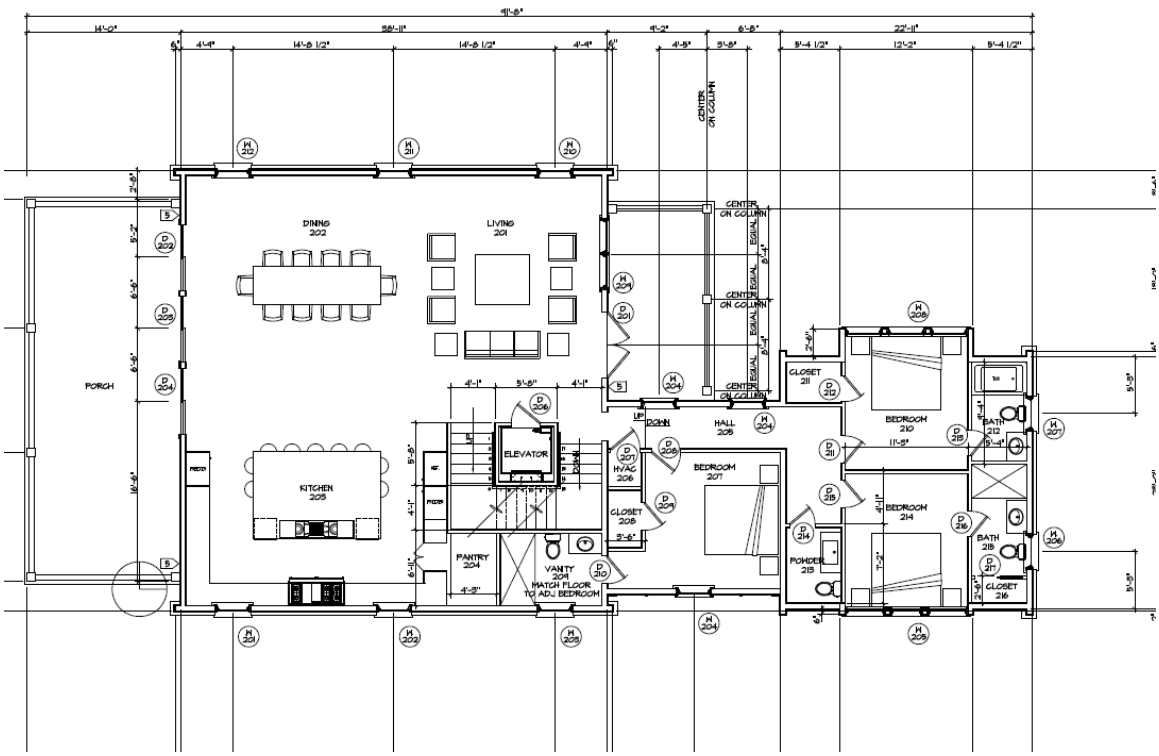
Zone VE
Zone VE is the flood insurance rate zone that corresponds to the 100-year coastal floodplains that have additional hazards associated with storm waves. BFEs derived from the detailed hydraulic analyses are shown at selected intervals within this zone. Mandatory flood insurance purchase requirements apply.

Zones B, C, and X are the flood insurance rate zones that correspond to areas outside the 100-year floodplains, areas of 100-year sheet flow flooding where average depths are less than 1 foot, areas of 100-year stream flooding where the contributing drainage area is less than 1 square mile, or areas protected from the 100-year flood by levees. No BFEs or depths are shown within this zone.”

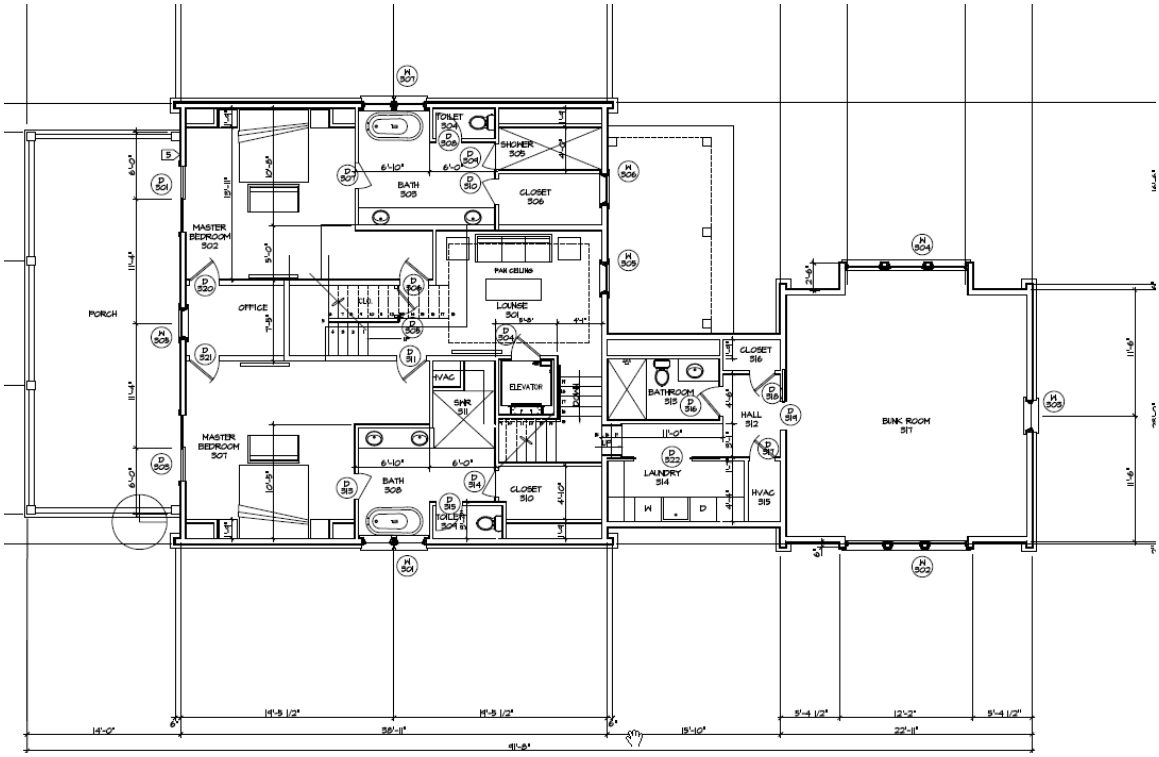
Building Floor Plan Excerpts



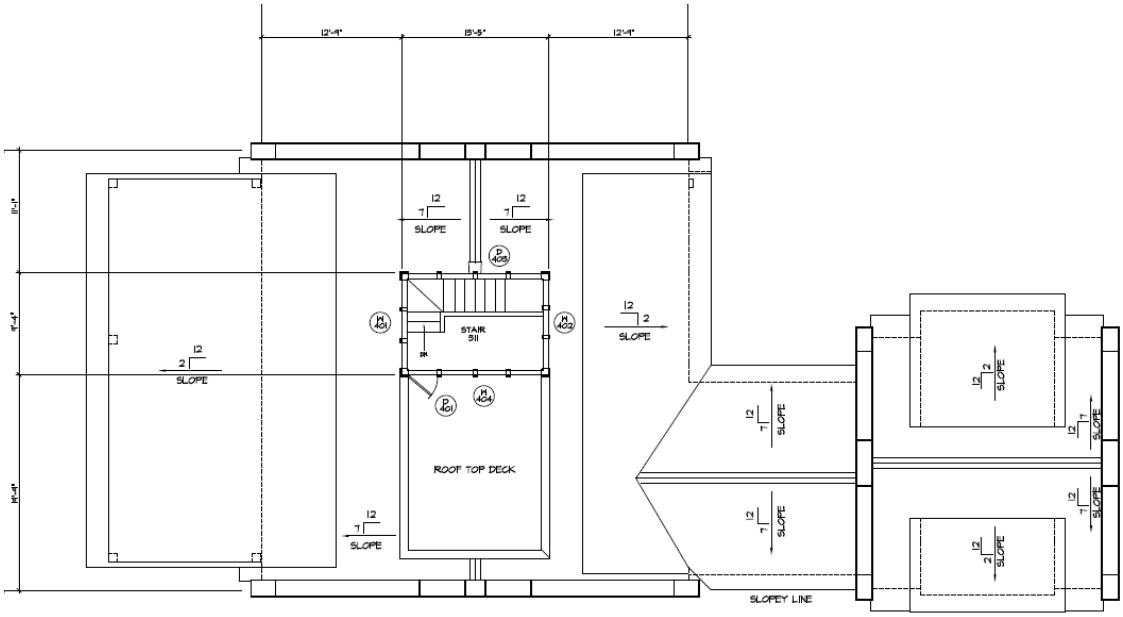
Ground Floor



Second Floor

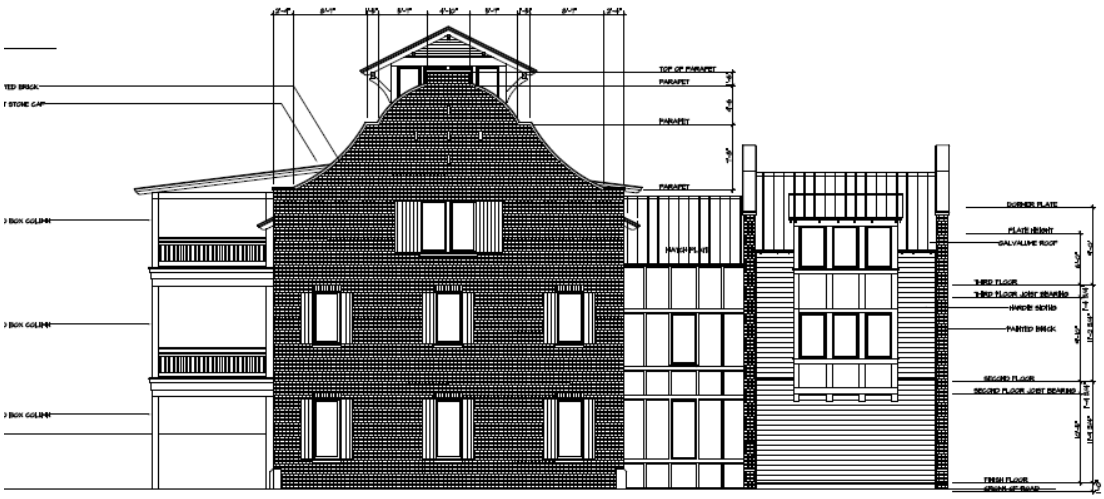

MASTER BEDROOM 302
PORCH
OFFICE
BATH 303
TOILET 304
SHOWER 305
CLOSET 306
PAN CEILING
LOUNGE 301
ELEVATOR
SHR 311
HVAC
MASTER BEDROOM 307
BATH 308
CLOSET 310
TOILET 309
CLOSET 316
BATHROOM 313
HALL 312
LAUNDRY 314
HVAC 315
BUNK ROOM 317

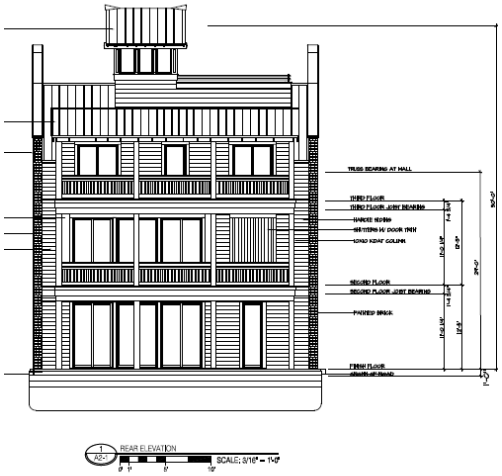
Third Floor



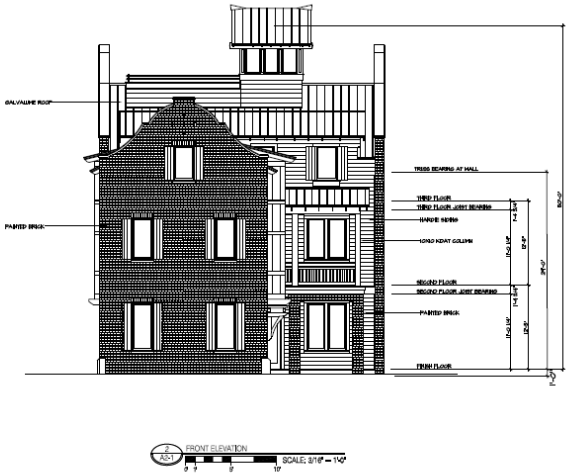
Roof and Rooftop Observation Deck

Building Elevations





REAR ELEVATION
SCALE: 3/16" = 1'-0"



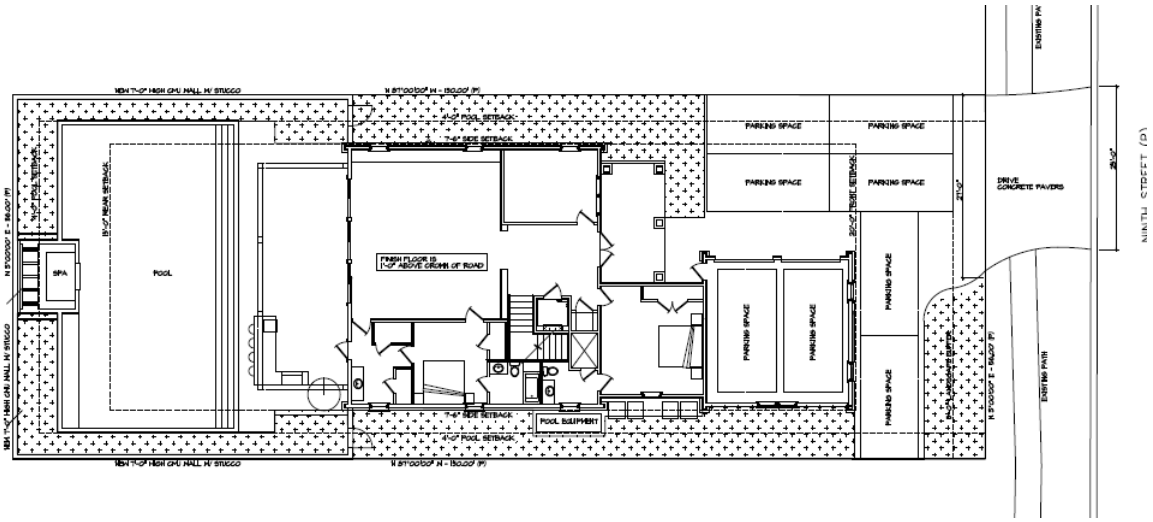
FRONT ELEVATION
SCALE: 3/16" = 1'-0"

Aerial Photograph

PARCEL INFORMATION TABLE			
Selected Parcel	00-2S-22-5445-0000-0010 (Click for Complete Card)		
DOR Property Usage	VACANT (000000)		
Calculated Acreage (GIS)	0.19		
Calculated GIS acreage is computer generated. It is for informational purposes only and does not replace deed or survey information.			
Property Use	VACANT		
Land Use	000100		
OWNERSHIP INFORMATION			
Name	13 HUTCHINSON LLC		
Mailing Address	1159 TROON DR MIRAMAR BEACH, FL 32550		
Situs/Physical Address	86 HUTCHISON ST DESTIN		
VALUES:			
Land Value	240,108		
Ag Land Value	0		
Building Value	0		
Misc Value	0		
Just Value	240,108		
Assessed Value	235,010		
Exempt Value	0		
Taxable Value	235,010		
LAST 2 SALES			
Date	Price	Vacant?	Qual
2017-09	100	V	U
	0		

Subject property outlined in red above

Site Plan


PARKING SPACE
PARKING SPACE
PARKING SPACE
PARKING SPACE
DRIVE
CONCRETE PAVERS
SPA
POOL
FINISH FLOOR IS
1'-0" ABOVE CROWN OF ROAD
POOL EQUIPMENT

Subject Photographs

Subject Front

Subject Rear

Ground Floor Living Area

Kitchen

Typical Bedroom

Typical Bedroom

Typical Bedroom with Bathroom

Bunk Room

Zoning

The subject property is located within the Crystal Beach Resort land use designation, as governed by the City of Destin.

Use of the subject for various residential, short term seasonal rental, commercial hotels and other varied uses are legally permissible by the zoning in place.

Therefore, use of the subject as a seasonal rental property is considered legal, conforming. It is noted that the zoning category description within the land development code does not provide for any outlined maximum occupancies for the subject property or other similar properties. We therefore ascertain that prior to implementation of City of Destin Ordinance 18-29-CC occupancy of the subject for the planned number of sleeping guests of 34 was legally permissible.

Community Development Department
Planning Division
4200 Indian Bayou Trail, Destin, FL 32541
Phone (850) 837-4242 • Fax (850) 460-2171
www.cityofdestin.com/index.aspx?nid=91

ZONING DISTRICT FACTSHEET

The purpose and intent of establishing zoning districts is to ensure that all development is consistent with the goals, objectives and policies of the Comprehensive Plan, by establishing a series of zoning districts that indicate what uses are allowed and site development regulations that control the use of land in each district. All development within each zoning district shall be consistent with the purposes stated for each district. (LDC 7.12.05)

CRYSTAL BEACH RESORT (CBR)

Purpose and intent: The Crystal Beach Resort zoning district shall apply to areas developed, redeveloped and/or maintained and conserved as areas that accommodate permanent or seasonal single-family detached or multi-family attached residential dwelling units; commercial hotel, motel, bed and breakfast establishments and other commercial transient living accommodations; and limited non-residential uses. Limited non-residential uses shall include places of worship, community buildings, public facilities, schools, libraries, post offices, childcare centers, clubhouses, museums, visual and performance arts buildings, neighborhood retail commercial goods and services not exceeding 5,500 square feet designed primarily to serve the needs of the Crystal Beach Resort area, offices, medical and dental clinics, laundries and dry cleaning drop off centers, banks, fitness centers, dinner clubs and restaurants. It is the intent of the CBR zoning district to specifically not allow all non-residential uses not previously listed above to be located in the district.

Table 7-2: Table of Allowable Uses (excerpt from LDC 7.12.06)

PERMITTED USES:

Permanent or long-term residential uses

Single-family detached dwelling	P
Multi-family attached dwelling	P
Guest house [1]	P
Accessory dwelling	P
Single room occupancy housing	P

Seasonal or short-term residential uses

Single-family detached dwelling	P
Multi-family attached dwelling	P

Other residential uses

Community residential home, small (1-6)	P
Family day care home	P

NAICS Use Designations

4452	Specialty food stores	P[4]
446	Health and personal care stores	P[4]
4512	Book, periodical, and music stores	P[4]
4529	Other general merchandise stores	P[4]
4531	Florists	P[4]
4532	Office supplies, stationery, and gift stores	P[4]
4539	Other miscellaneous store retailers	P[4]
491	Postal service	P
52	Finance and Insurance	P
531	Real Estate services	P
5322	Consumer goods rental	P
541	Professional and technical services	P
541940	Veterinary services	P
551	Management of companies and enterprises	P
561	Administrative and support services	P
561720	Janitorial services	P
621	Ambulatory health care services	P
711	Performing arts and spectator sports	P
713940	Fitness and recreational sports centers	P
721110	Hotels and motels	P
721191	Bed-and-breakfast inns	P
721199	Other traveler accommodation, C.T.L.A. [12]	P
7213	Rooming and boarding houses	P
722	Food services and drinking places	P
722110	Full-service restaurants	P
722111	Limited-service restaurants	P
7224	Drinking places, alcoholic beverages	P[7]
812910	Pet care (except veterinary) services	P
813	Membership associations and organizations	P
8131	Religious organizations	P

Accessory Uses

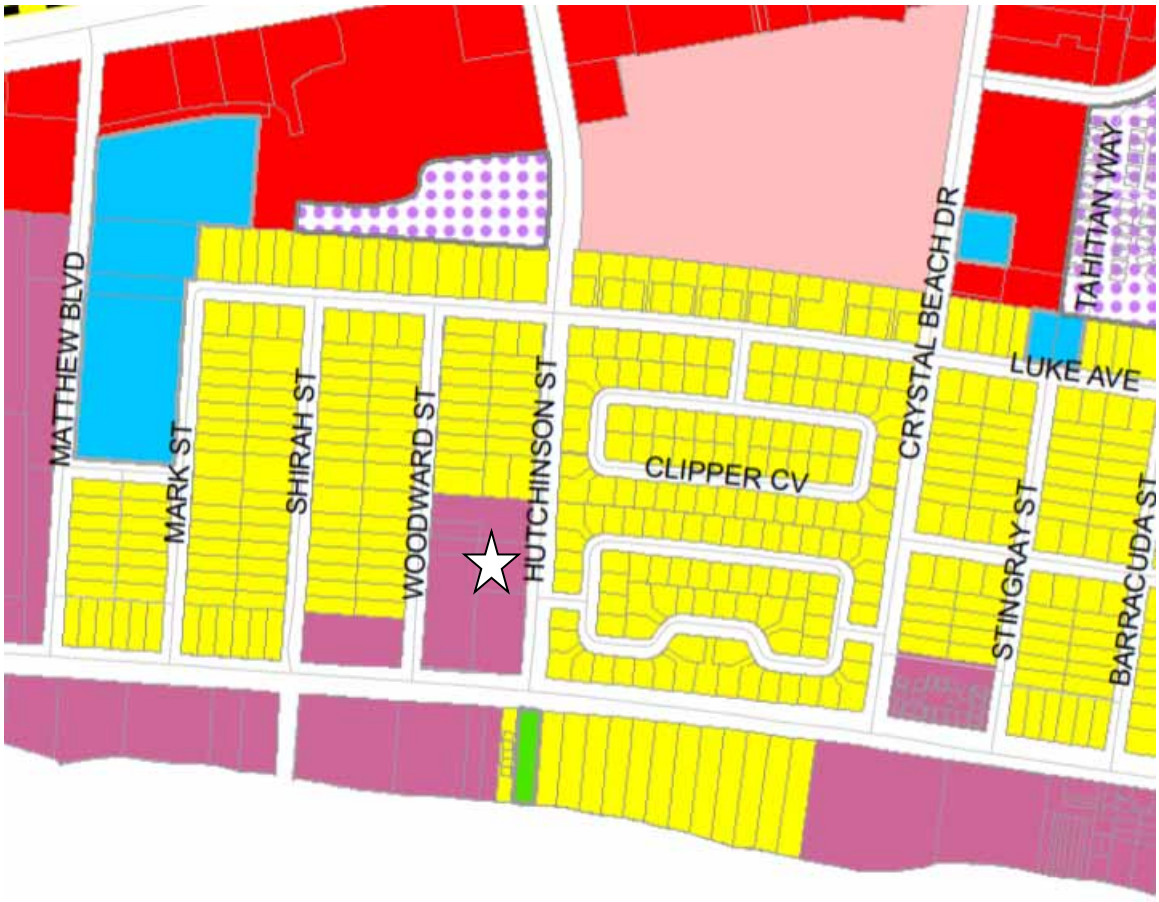
Uses and structures which are customarily accessory, clearly incidental and subordinate to permitted uses and structures, including home occupations and off-site businesses.	A

CONDITIONAL USES:

	Community residential home, large (7-14)	C
6244	Child day care services	C
712	Museums, historical sites, zoos, and parks [10]	C

Supplement 19, thru 16-25-LC, May 15, 2017

Zoning Map


MATTHEW BLVD
MARK ST
SHIRAH ST
WOODWARD ST
HUTCHINSON ST
CLIPPER CV
CRYSTAL BEACH DR
LUKE AVE
TAHITIAN WAY
STINGRAY ST
BARRACUDA ST

Assessment and Taxes

Tax Structure, Overview

Florida Law requires that the just value of all property be determined each year. The Supreme Court of Florida has declared "just value" to be legally synonymous to "full cash value" and "fair market value." The fair market value of real property is the amount for which it could sell on the open market, and assumes the present use is the highest and best use. The property appraiser analyzes these market transactions annually to determine fair market value as of January 1 of each year.

The property appraiser is responsible for identifying, locating, and fairly valuing all property, both real and personal, within the county for tax purposes. The "market" value of real property is based on the current real estate market, and is determined by market participants. The property appraiser has the legal responsibility to study the transactions of market participants and appraise real property accordingly.

At least once every three years, the county property appraiser or a staff appraiser will visit and inspect each property. Additionally, individual property values may be adjusted between visits in light of sales activity or other factors affecting real estate values in the subject neighborhood. Sales of similar properties are typically used as strong indicators of value in the real estate market.

Each August, the Property Appraiser sends a "Notice of Proposed Taxes," to all property owners to notify them of the taxable value of their property. Taxable value is the assessed value less any exemptions. The TRIM notice also gives information on proposed millage rates and taxes as estimated by community taxing authorities, and when and where these taxing authorities will hold public meetings to discuss tentative budgets to set your millage tax rates.

The property appraiser only assesses all property in the county and is neither a taxing authority nor a tax collector. Three separate government entities, each having unique and distinct roles, determine the tax bill of any property in their jurisdiction.

The following is a summary of the process:

> First the property appraiser annually appraises all property in their respective county at the market value as of January 1 each year.
>
> Second, each taxing authority within the county sets their own millage rate based on the amount of tax dollars necessary to fund their annual budget.
>
> Finally, the tax collector takes the amount of taxes due in order to bill and collect all taxes levied within the county.

Tax Collector Card

BEN ANDERSON
Okaloosa County Tax Collector

MAIL PAYMENTS TO: P.O. BOX 1390, NICEVILLE, FL 32588

2018 Real Estate
Notice of Ad Valorem Tax and Non-Ad Valorem Assessments

ACCOUNT NUMBER	ESCROW CD	MILLAGE CODE	ALTERNATE KEY	PROPERTY ADDRESS
002S22544500000010		DEDF	1109232	HUTCHISON 86, DESTIN, 32541

13 HUTCHINSON LLC
1159 TROON DR
MIRAMAR BEACH, FL 32550

HUTCHISON 86

HUTCHINSON COURTS
LOT 1

AD VALOREM TAXES

TAXING AUTHORITY	MILLAGE RATE	ASSESSED VALUE	EXEMPTION AMOUNT	TAXABLE VALUE	TAXES LEVIED
OKALOOSA COUNTY BD OF CO COMMS					
EMERGENCY MEDICAL SERVICES	0.0741	235,010	0	235,010	17.41
GENERAL	3.7214	235,010	0	235,010	874.57
COUNTY PUBLIC HEALTH UNIT	0.0353	235,010	0	235,010	8.30
SCHOOL LOCAL	2.2480	240,108	0	240,108	539.76
SCHOOL STATE	4.1130	240,108	0	240,108	987.56
NORTHWEST WATER DISTRICT	0.0338	235,010	0	235,010	7.94
CITY OF DESTIN	1.6150	235,010	0	235,010	379.54
DESTIN FIRE DISTRICT	1.0000	235,010	0	235,010	235.01

EXEMPTIONS APPLIED:

TOTAL MILLAGE	12.8406	AD VALOREM TAXES	$3,050.09

WANT TO RECEIVE YOUR BILL ELECTRONICALLY NEXT YEAR? VISIT www.OkaloosaTax.com AND SIGN UP FOR E-BILLS!

NON-AD VALOREM ASSESSMENTS

LEVYING AUTHORITY	RATE	AMOUNT

PAY ONLINE WITH CREDIT/DEBIT CARD AT www.OkaloosaTax.com - BANK CARD USER FEE WILL APPLY

NON- AD VALOREM ASSESSMENTS $0.00

COMBINED TAXES AND ASSESSMENTS $3,050.09

PAYING ONLINE VIA E-CHECK IS FREE
Visit www.OkaloosaTax.com
PAY YOUR BILL

"PAY ONLINE, NOT IN LINE"

RETAIN THIS PORTION FOR YOUR RECORDS
WALK-IN CUSTOMERS PLEASE BRING FOR RECEIPT
AFTER MARCH 31ST, TAXES MUST BE PAID WITH CASH, CASHIER'S CHECK OR MONEY ORDER.

If Postmarked By	Nov 30, 2018	Dec 31, 2018	Jan 31, 2019	Feb 28, 2019	Mar 31, 2019
Please Pay	$2,928.09	$2,958.59	$2,989.09	$3,019.59	$3,050.09

BEN ANDERSON
Okaloosa County Tax Collector

MAIL PAYMENTS TO: P.O. BOX 1390, NICEVILLE, FL 32588

2018 Real Estate
Notice of Ad Valorem Tax and Non-Ad Valorem Assessments

ACCOUNT NUMBER	ESCROW CD	MILLAGE CODE	ALTERNATE KEY	PROPERTY ADDRESS
002S22544500000010		DEDF	1109232	HUTCHISON 86, DESTIN, 32541

PRIOR TO MARCH 31ST TAXES CAN BE PAID USING CASH, CHECK, CREDIT/DEBIT CARDS OR E-CHECK

If Postmarked By	Nov 30, 2018	Dec 31, 2018	Jan 31, 2019	Feb 28, 2019	Mar 31, 2019
Please Pay	$2,928.09	$2,958.59	$2,989.09	$3,019.59	$3,050.09

13 HUTCHINSON LLC
1159 TROON DR
MIRAMAR BEACH, FL 32550

HUTCHISON 86

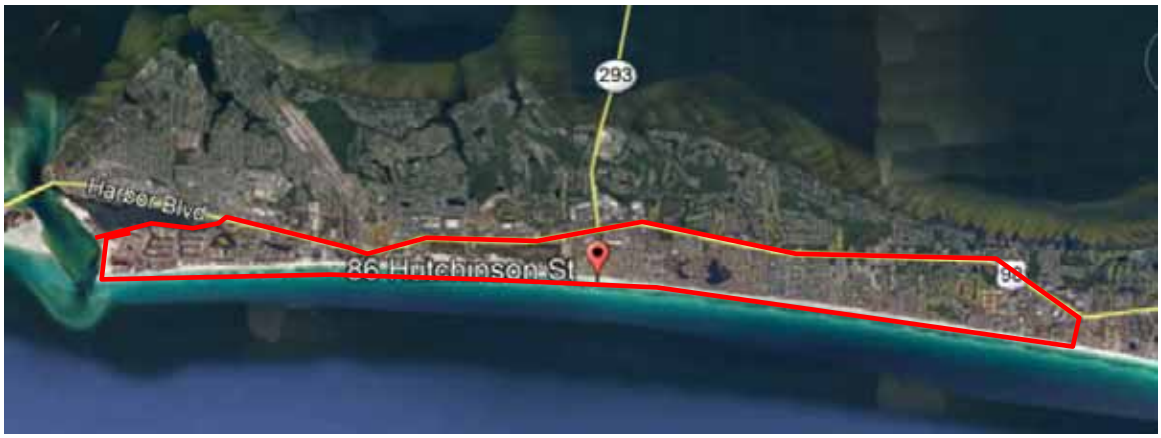
HUTCHINSON COURTS
LOT 1

0000000000 0000305009 0000000001109232 0001 7

ANALYSIS OF DATA AND OPINIONS OF THE APPRAISERS

Market Area Summary / Neighborhood Information

The subject property is located in the Destin-Miramar Beach market area, which is bounded by the Destin Harbor / East Pass to the West, US Highway 98 and the waters of the Destin Harbor to the North, the Gulf of Mexico to the South and the intersection of US Highway 98 / Scenic Gulf Drive to the East. The approximate neighborhood boundaries are outlined in the photo below.



This is a resort area driven primarily by proximity to area beaches and resort activities.

The predominant property type in the area is of second home and seasonal vacation properties with far fewer full-time residents than seasonal occupants.

Many second home and resort area property owners rent their properties on a seasonal basis to either offset costs of ownership or in the pursuit of income generation potential, and the seasonal income attributed to a property is often a significant factor contemplated by purchasers in the market when evaluating a purchase decision.

We have witnessed a trend for increased rental demand of larger resort residences which can accommodate larger groups for family reunions, large family vacations, etc.

This has led to the construction of larger and larger seasonal resort rental homes to serve this need. These larger properties often witness more robust demand and income generation potential than smaller properties with less sleeping capacity where vacationing groups would otherwise be required to split between several locations.

In summary, the subject is sited directly in an area that is geared toward seasonal rental operations, be it solely for the purpose of income generation potential or as an offset to the costs of personal use. The ability to rent a property seasonally remains a significant motivator for market participants and weighs heavily in their buy-sell decision making process. A restriction that negatively impacts the ability to seasonally rent a resort property is estimated to have a significant negative impact on the value of this asset class.

Highest and Best Use

The definition of "highest and best use" is presented unabridged in the definitions section of this report. However, in brief, highest and best use refers to the reasonably probable and legal use of vacant land or an improved property, which is legally permissible, physically possible, appropriately supported, financially feasible, and that results in the highest value, i.e. maximally productive.[3]

Objective analysis and interpretation of market data leads to an informed opinion of that use. However, the estimate of highest and best use should not be interpreted as a provable fact. A typical highest and best analysis evaluation process and pertinent questions which aid in the elimination of possible alternatives are presented below.

1. **Permissible Use.** What uses are permitted by zoning and other legal restrictions? What are the land use controls that will govern the site? Uses that are *legally permissible* are those allowed under current or likely zoning and those that could meet building codes. In addition, local communities may have restrictions on public utility loads, traffic creation, access restrictions, and so on, all of which must be considered when selecting legally permissible uses

2. **Physically Possible Use.** To what use is the site physically adaptable? What is an appropriate improvement given architectural / engineer study? Unless prohibited by soil or subsoil problems or land size constraints, it is *physically possible* to place most potential improvements on the site. Usually this test, if performed first or second, will not significantly reduce the number of potential uses.

3. **Feasible Use.** Which possible and permissible use will produce any net return to the owner of the site? Should the land be developed, and if so, what kind of improvement should be built? If an improvement should be constructed, what is the type and characteristics of an ideal improvement? Uses that are considered economically or financially feasible are those that potentially would logically produce net operating income and net resale price levels high enough to adequately support construction of the potential improvement and provide the investor with a reasonable profit. Implicit to this analysis is that riskier projects require higher profit levels to induce potential developers to undertake the burden of coordination of land, labor and capital.

4. **Maximally Productive Use.** The final test is to determine of the financially feasible options, which of these would result in the highest land value or values as

[3] The Appraisal of Real Estate, Twelfth Edition

> improved. Among the feasible uses which use will produce the highest net return, (i.e., the highest present worth)? If there are existing improvements on the property should they be maintained in their current state or should they be altered to more closely resemble the ideal improvement?

Although these criteria are generally evaluated sequentially, the resulting conclusion of highest and best use should be identical regardless of the order of application of the above tests.

Implied within this definition is that the estimation of the highest and best use for a particular property results from the appraisers' judgment and analytical skill with respect to the market for that particular property.

However, the highest and best use of a specific parcel of land is not just a matter of subjective opinion; rather, highest and best use is indicated by supply and demand forces within the market where the property is located, availability of capital, supply of alternative investments, need for additional products or services within a community, and other factors.

Highest and Best Use 'As Is'

The highest and best use 'As Is' recognizes among all reasonable, alternative uses, the use that yields the highest present land value after payments are made for labor, capital, and entrepreneurial coordination.[4]

We have evaluated the most probable uses for the subject property, 'As Is', given the current market for resort residential rental property and recent development activity in the subject market area.

Legally Permissible

The subject property is located within the Crystal Beach Resort land use designation, as governed by the City of Destin. Per the land development code, use of the subject for various residential, short term seasonal rental, commercial hotels and other varied uses are legally permissible by the zoning in place.

Therefore, use of the subject as a seasonal resort rental property is considered legal, conforming. We were unable to locate any restrictions on occupancy of the subject by virtue of the zoning in place. The subject was permitted in the current configuration, was designed to accommodate 34 sleeping guests, and represents a legal, conforming use prior to implementation of City of Destin Ordinance 18-29-CC. After implementation of City Ordinance 18-29-CC, the subject will be limited to a total of 20 sleeping guests.

Therefore, use of the subject as a resort residential property is legally permissible. Use of the subject prior to Ordinance implementation for occupancy by up to 34 guests was permitted, however after implementation of the Ordinance occupancy is limited to 20 guests.

Physically Possible

The subject property is generally level, well-drained, and at or level with the existing road grade of Hutchison Street and features sufficient parking and site improvements to operate in the designed capacity.

The subject represents a well-constructed resort residential property with multiple bedrooms, bathrooms, bunk room, pool, spa, kitchen and living areas, etc. The subject was specifically designed for occupancy as a resort rental property, was permitted in the constructed capacity and features all necessary components for operation as intended, with a designed occupancy of 34 overnight guests.

Therefore, use of the subject as a resort residential rental property for 34 sleeping guests is physically possible.

[4] The Appraisal Of Real Estate, Twelfth Edition

Financially Feasible

Demand for resort residential properties in the subject market area has improved in the previous 24-48 month period, with a number of increased transactions. Most market participants would describe the market for similar properties as robust.

As described in the market analysis section of this report. The predominant property type in the market area is of second home and seasonal vacation properties with limited full-time residents.

Many property owners rent their properties on a seasonal basis to offset costs of ownership or for income generation potential, and the income a property can generate is often a significant factor contemplated by purchasers in the market. This can be done with or without the assistance of a professional property manager.

We have witnessed a trend for increased rental demand of larger resort residences which can accommodate larger groups for family reunions, large family vacations, etc. This has led to the construction of larger and larger seasonal resort rental homes to serve this need. These larger properties often witness more robust demand and income generation potential than smaller properties with less sleeping capacity.

Reference the subject, the property was specifically constructed to house up to 34 sleeping guests. This constructed configuration came at significant expense and included the construction of 9,468 gross square feet of improvement to comfortably house these guests at maximum occupancy. Similar properties in the market achieve sufficient income to provide an adequate return on investment to be definitively financially feasible, however this financial feasibility is directly linked to occupancy.

The recently-implemented City of Destin Ordinance 18-29-CC serves to reduce occupancy of the subject to no more than 20 persons, a net reduction in occupancy of -42%.

This no doubt will impact the income generation potential of the property and associated net income, as now the improvement which was sized for 34 guests will be limited to 20; But- the predominant costs of ownership remain the same.

This has no other alternative than to lower net income to the property owner- a situation that has no other result than to reduce the value of the asset in a marketplace whereby income generation potential is valued.

Therefore, use of the subject as a resort rental property is considered to be financially feasible. However, it is noted that the reduction in permissible occupancy by Ordinance 18-29-CC is estimated to impact the financial performance and associated market value of the subject property negatively.

Maximally Productive Given the legally permissible, physically possible, and financially feasible uses of the subject property we are of the opinion that the maximally productive use of the subject property 'As Is' is for continued resort rental use at the occupancy for which is was specifically designed (ie. 34 guests).

This use will will certainly bring the highest net return to the land.

While operation in a reduced occupancy capacity (as dictated by City of Destin Ordinance 18-29-CC) is still possible, the impact to the income generation potential is significant, as the occupancy has now been reduced by -42% based on number of persons.

This reduction has no other alternative to reduce gross and net income to the property owner, resulting in a reduced financial benefit of ownership and negative impact to market value.

Therefore, use of the subject as a seasonal rental property is considered legal, conforming. It is noted that the zoning category description within the land development code does not provide for any outlined maximum occupancies for the subject property or other similar properties. We therefore ascertain that prior to implementation of City of Destin Ordinance 18-29-CC occupancy of the subject for the planned number of sleeping guests of 34 was legally permissible.

Valuation Methodology - Overview

The appraisal analysis is based on analytical techniques that may encompass anticipation of costs to be incurred, and benefits to be derived in the future; however, the subject is appraised as described in this report, including only those assumptions also described in this report.

This appraisal analysis has been conducted, and the appraisal report was prepared in conformance with the requirements of Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA).

The valuation process is a systematic procedure an appraiser follows to provide answers to a client's questions about real property value.[1] Three basic approaches may be used to arrive at an estimate of market value. They are:

1. The Cost Approach
2. The Income Approach
3. The Sales Comparison Approach

Land Valuation Methodology

Land Valuation is generally a component of the Cost Approach in appraisal of an improved property. In most appraisal analyses, separate land valuation is conducted utilizing the Sales Comparison Approach.

Cost Approach Methodology

The cost approach is a reliable methodology for new, nearly new or special-use buildings. In the cost approach, value is estimated as the current cost of reproducing or replacing the existing or proposed improvements and site improvements (including direct and indirect costs as well as an appropriate entrepreneurial incentive or profit), and then deducting the loss in value from depreciation due to physical, functional, and external sources.[5]

The depreciated replacement or reproduction cost of the improvements is then added to the value of the site resulting in a value indication of the fee simple interest in the property.

The Cost Approach is summarized as follows:

Cost New
- Depreciation
+ Entrepreneurial Incentive
+ Land Value
= Value

[5] The Appraisal of Real Estate, Twelfth Edition

Sales Comparison Approach Methodology

The sales comparison approach is premised on the "Principle of Substitution" which indicates an informed purchaser would pay no more for a property than the cost of acquiring an equally desirable substitute property possessing the same or similar utility.

This approach is applicable when an active market provides sufficient quantities of reliable data which can be verified from authoritative sources. The Sales Comparison Approach is most reliable in an active market or if an opinion of value is related to properties for which there are comparable sales available- and heavy emphasis is generally placed on this sales comparison approach when these market conditions are present.

The Sales Comparison Approach compares sales of similar properties with the subject property. Each comparable sale is adjusted for its inferior or superior characteristics. The values derived from the adjusted comparable sales form a range of value for the subject. By process of correlation and analysis, a final indicated value is derived.

Income Approach Methodology

The Income Approach converts the anticipated flow of future benefits (income) to a present value estimate through a capitalization and/or a discounting process.

The income approach is recognized as a reliable approach for estimating the value of "income producing" property to an investor. The income approach consists of methods, techniques, and mathematical procedures that an appraiser utilizes to analyze a property's capacity to generate income and convert income into an indication of present value either by capitalizing the current income at a market capitalization rate, or discounting the future cash flows into a present value estimate using an appropriate yield (discount) rate. The appraisal process emulates the actions of the market, and the income approach is most applicable when the probable buyer would be an investor or prospective owner occupant. Two techniques associated with the income approach are direct capitalization and discounted cash flow analysis.

Final Reconciliation Process

In the appraisal process for improved property, typically more than one approach to value is applied, resulting in two or more value indications that must be evaluated for relevancy, applicability and reliability, and a final point value or range of value is chosen.

Resolving the differences among various value indications is called reconciliation.[6]

The appraisal process concludes with the Final Reconciliation of the values derived from the approaches applied to arrive at a single estimate or range of market value opinions. Different properties require different means of analysis and lend themselves to one

[6] The Appraisal of Real Estate, Twelfth Edition

approach over the others. As such, in the reconciliation appropriate weight is given to the most applicable and/or reliable indications of value to arrive at a conclusion.

Reconciliation is not a mathematical process. Rather, at this point in the valuation process the appraiser must reevaluate all pertinent data in the analysis for appropriateness, accuracy, and quality of evidence.

The appraiser then weighs the relative significance, applicability, and defensibility of each value indication and relies most heavily on the approach that is most appropriate to the nature of the appraisal problem.

Valuation Methodology Utilized in this Assignment

Valuation Analyses

Purpose of Assignment:	The purpose of this appraisal is to derive an opinion of the Dimunition in Value to the subject property associated with the implementation of City of Destin Ordinance No. 18-29-CC. This Ordinance was implemented January 22, 2019, and the incorporation of this ordinance limits the occupancy of the subject property to 20 guests. Prior to the implementation of this Ordinance, the designed occupancy of the subject property was 34 guests. Therefore, as a result of the ordinance, the maximum occupancy of the subject has been reduced by 14 guests, or approximately -42%. We are therefore opining on the difference in market value of the subject before and after the adoption of City of Destin Ordinance No. 18-29-CC, which was promulgated on January 22, 2019.
Land Valuation:	An opinion of value for the subject property in 'as if vacant' condition and subsequent application of the cost approach has not been provided. The purpose of this appraisal is to evaluate the impact to the value of the subject by virtue of the implementation of City of Destin Ordinance 18-29-CC which limits occupancy of the subject and corresponding associated income generation potential. Thus, the cost to acquire land and construct a replacement property is meaningless to the purpose of the assignment and was not applied.

Sales Comparison Approach:	The improved sales comparison approach was not utilized in this appraisal assignment. The purpose of this appraisal is to evaluate the impact to the value to the subject by virtue of the implementation of City of Destin Ordinance 18-29-CC which limits occupancy of the subject and associated income generation potential. As this ordinance was just recently implemented, an adequate number of improved sales which sold after the Ordinance implementation date were not available from which to garnish an opinion of market value from this approach. As sales which occurred prior to this Ordinance will reflect market transactions without this restriction, they are not considered valid indicators of value for the subject in the restricted condition. Therefore this approach could not be applied due to lack of sufficient comparable data.
Income Approach:	The income approach was applied for the subject in both the 'Before Ordinance' and 'After Ordinance' scenarios.

Income Approach

The Income Approach to value is based on the principle of anticipation, i.e. the value of property correlates to the present worth of the future rights to benefits to be received by the owner. Income approach analysis considers the property from an investor's point of view, the basic premise being that the amount and quality of the income stream are the basis for value of the property.

The income approach is applied by projecting a net income stream through analysis of the subject historical data, comparable property's income and expense information, and historical income expense information for similar properties in the subject market area.

The estimated net income is then converted to a value indication utilizing either the process of direct capitalization analysis, discounted cash flow (DCF) analysis (yield capitalization), or a combination of these methods.

Discounted Cash Flow Analysis (Yield Analysis)
Discounted Cash Flow (DCF) analysis is the procedure in which a discount rate is applied to a series of projected income streams and a reversion. The analyst specifies the quantity, variability, timing, and duration of the income streams as well as the quantity and timing of the reversion and discounts each to its present value at a specified yield rate. DCF analysis can be applied with any yield capitalization technique and may be performed on either a lease-by-lease or aggregate basis.[7]

Applicability: DCF (Yield) analysis is generally used when the net income of the property is forecast to be variable, when the property is of a sufficient size and investment value to cause market participants to evaluate purchase decisions based on DCF, or when specifically requested by the client in an assignment.

Given the nature of the subject property, a discounted cash flow analysis was not employed in this appraisal analysis, as market participants typically do not utilize DCF methodology when evaluating purchase decisions for properties such as the subject.

Direct Capitalization
Conversion of a net income to a present value dollar estimate is called capitalization. Direct capitalization is a method used to convert an estimate of a single year's income expectancy into an indication of value in one direct step, either by dividing the income estimate by an appropriate rate or by multiplying the income estimate by an appropriate factor. This technique employs capitalization rates and multipliers extracted from sales. Only the first year's income is considered. Yield and value change are implied, but not identified.

[7] The Dictionary of Real Estate Appraisal, Fourth Edition

Applicability: Direct Capitalization analysis is generally appropriate for small to medium sized income-producing properties, in stable markets, single tenant or multi-user-oriented properties, or those with a forecast stable income stream.

Direct Capitalization is utilized in this appraisal given the subject market environment, the character of the subject property in the local market, and the tendency for market participants to use direct capitalization analysis when evaluating investment thresholds and financial benefits for similar property.

The steps involved in capitalizing the subject's net operating income are as follows:

- Develop the subject's Potential Gross Income (PGI) through analysis of the subject's actual historic income and an analysis of competitive current market income rates.

- Estimate and deduct vacancy and collection losses to develop the Effective Gross Income (EGI).

- Develop and subtract operating expenses to derive the Net Operating Income (NOI).

- Develop the appropriate capitalization rate (R_o).

- Divide the net operating income by the capitalization rate for an estimate of value through the income approach.

The reliability of a value found by this approach depends on an appraiser's ability to forecast and support income forecasts and to apply the appropriate income capitalization technique to arrive at the value estimate. When estimating market value, the income forecast must be considered by the appraiser to be typical and the income capitalization techniques must reflect the way investors usually estimate value.

Valuation of a Fee Simple Interest by the Income Approach
When estimating the value of the fee simple interest by the income approach, the annual operating income is forecast assuming market levels. The term "market levels" means that the income and expenses are set at levels considered suitable for the subject property after comparing it to similar properties under current market conditions. Rental rates are projected based on expected market rents and vacancy, and collection loss is based on what is typical in the market for properties renting at the market rate.

Estimate of Potential Gross Income (PGI)

Potential Gross Income is the total income attributable to real property at full occupancy before vacancy and operating expenses are deducted. Potential Gross Income includes the sum of potential rental income, other income, and expense recoveries.

The income and expense history of the subject property is described below.

Property Income / Use History:
The subject property is currently under construction and such has no historical rental history. However, we were informed by the property owner that the forecast annual income due the subject is approximately $400,000 and the forecast annual expenses are approximately $115,000 (operating expense ratio of 29%), resulting in a forecast Net Income of $285,000.

We are valuing the subject under the hypothetical condition that the improvements were complete as of the date of value, January 22, 2019, a prerequisite to formulating a credible value opinion specific to the purpose of the appraisal assignment.

Given that the subject has no historical rental history, we have no choice but to forecast probable rent and expenses based on comparables in the market area.

We again mention that the subject property is a very large (9,468 SF Gross / 6,765 SF HVAC) resort residential home that was specifically designed and configured for income generation potential based on a sleeping occupancy load of 34 persons. This is the basis of the 'Before Ordinance' valuation scenario.

As a result of the implementation of City of Destin Ordinance 18-29-CC, the subject is now limited to a maximum sleeping occupancy of 20 persons, or a reduction of approximately -42%. This is the basis of the 'After Ordinance' valuation scenario.

We now seek to formulate an opinion of probable annual gross income due the subject in the 'Before Ordinance' configuration with a sleeping occupancy of 34 guests and in the 'After Ordinance' configuration with a sleeping occupancy of 20 guests.

Market Rent Based on Occupancy
The appraiser has researched the local market area in order to derive potential subject market rents based on the respective occupancy levels in the 'before' and 'after' configurations.

Rents for similar properties in the subject market area are presented following.

We will present a table of comparable gross rental income for comparable resort residential properties for both the 'before' and 'after' occupancy categories. The following table outlines comparable rentals of residential resort rental homes in the subject market area with a sleeping capacity of over 30 guests, the for 20 guests.

COMPARABLE RENTAL SCHEDULE, SLEEPING OCCUPANCY GREATER THAN 30 PERSONS 'Before Ordinance' Dataset						
Address	**Sleeping Capacity**	**HVAC SF**	**Year Built**	**Annual Gross Income**	**Gross Income Per Sleeping Occupant**	**Gross Income Per HVAC SF**
42 Miami Street, Miramar Beach	34	7,424	2016	$463,852	$13,643	$62.48
3487 Scenic Highway 98, Destin	32	6,600	2016	$305,393	$9,544	$46.27
3463 Scenic Highway 98, Destin	32	6,153	2015	$380,000	$11,875	$61.76
3461 Scenic Highway 98, Destin	36	6,531	2015	$364,723	$10,131	$55.84
107 Hollywood Street, Miramar Beach	38	6,465	2013	$289,647	$7,622	$44.80
Subject Property	*34*	*6,765*	*2019*	*$400,000***	*$11,765*	*$59.13*
Comparable Statistics*						
Minimum	32	6,153	2013	$289,647	$7,622	$44.80
Maximum	38	7,424	2016	$463,852	$13,643	$62.48
Average	34.4	6,635	2015	$360,723	$10,563	$54.23
Median	34	6,531	2015	$364,723	$10,131	$55.84

*Subject Data Excluded From Statistical Calculations

** Subject Annual Rent Forecast By Property Owner

In consideration of the data above, we consider that an appropriate conclusion of gross annual rent per sleeping occupant is supported at $60.00 per HVAC SF or $10,500 per sleeping space. We reconcile these two indications as outlined by the chart below and estimate an annual rent due the subject based on a sleeping capacity of 34 persons of $390,000.

CONCLUSION OF POTENTIAL GROSS ANNUAL RENT, SUBJECT SLEEPING OCCUPANCY OF 34 PERSONS 'Before Ordinance'						
Address	**Sleeping Capacity**	**HVAC SF**	**Concluded Annual Gross Income Calculated Per Sleeping Occupant**	**Concluded Annual Gross Income Per HVAC SF**	**Calculated Gross Income Per Sleeping Occupant**	**Calculated Gross Income Per HVAC SF**
Subject Property	*34*	*6,765*	*$10,500*	*$60.00*	*$357,000*	*$405,900*

COMPARABLE RENTAL SCHEDULE, SLEEPING OCCUPANCY OF APPROXIMATELY 20 PERSONS 'After Ordinance' Dataset						
Address	**Sleeping Capacity**	**HVAC SF**	**Year Built**	**Annual Gross Income**	**Gross Income Per Sleeping Occupant**	**Gross Income Per HVAC SF**
3893 Sandprint Drive, Destin	20	3,107	2018	$118,796	$5,940	$38.23
113 Los Angeles Street, Miramar Beach	19	3,122	2005	$137,307	$7,227	$43.98
96 Sarasota Street, Miramar Beach	22	4,132	2009	$143,813	$6,537	$34.80
100 Sandprint Circle, Destin	20	4,227	1999	$105,000	$5,250	$24.84
Subject Property	*20**	*6,765*	*2019*			
Comparable Statistics*						
Minimum	19	3,107	1999	$105,000	$5,250	$24.84
Maximum	22	4,227	2018	$143,813	$7,227	$43.98
Average	20.25	3,647	2008	$126,229	$6,238	$35.47
Median	20	3,627	2007	$128,052	$6,238	$36.52

*Subject Occupancy Limited by City of Destin Ordinance 18-29-CC

In the 'after ordinance' condition the subject represents a very large house with limited sleeping occupancy potential. In consideration of the data above, we consider that an appropriate conclusion of gross annual rent per sleeping occupant is supported at the upper end of the range, in consideration of the large size of the structure per number of occupants. We therefore estimate an annual rent of $40.00 per HVAC SF or $7,200 per sleeping space. We reconcile these two indications as outlined by the chart below and estimate an annual rent due the subject based on a sleeping capacity of 20 persons of $235,000.

CONCLUSION OF POTENTIAL GROSS ANNUAL RENT, SUBJECT SLEEPING OCCUPANCY OF 20 PERSONS 'After Ordinance'						
Address	**Sleeping Capacity**	**HVAC SF**	**Concluded Annual Gross Income Calculated Per Sleeping Occupant**	**Concluded Annual Gross Income Per HVAC SF**	**Calculated Gross Income Per Sleeping Occupant**	**Calculated Gross Income Per HVAC SF**
Subject Property	*20*	*6,765*	*$7,200*	*$40.00*	*$144,000*	*$270,600*

In the preceding section of the report we derived an opinion of probable gross annual rent due the subejct in both the 'Before Ordinance' ($390,000) and 'After Ordinance' ($235,000) conditions. The result was a decrease in annual income as a result of the reduced sleeping capaicty of -39% commensurate with the decrease in ocupancy from 34 to 24 persons or -42%.

We now seek to evaluate the expenses pertinent to the subject in order to forecast Net Operating Income in both the Before and After scenarios.

Estimation of Operating Expenses

Vacancy and Collection Loss
As we forecast income based on comparable rentals with reported gross income figures, there is no need to deduct a vacancy and collection loss allocation, as the figures utilized already take into account a vacant and credit loss deduction.

Taxes
The stabilized, improved taxes for the subject property are estimated to be $5.50 per HVAC square foot based on comparable properties and their respective assessments in the market area. This equates to a cost of $37,500 rounded. This cost is stable regardless of the occupancy of the subject in the 'before' and 'after' conditions.

Insurance
The insurance costs for the subject has been estimated at the rate of $9,000 annually based on similar properties in the market area. This cost is stable regardless of the occupancy of the subject in the 'before' and 'after' conditions.

Utilities (Power, Water/Sewer/Garbage, Cable and Internet)
The owner pays all utilities, including power, water/sewer/garbage, cable and internet, for the subject property. We have estimated these annual costs at the rate of $11,220 annually for the subject in the 'before' condition, and at the rate of $10,440 in the after condition. It is noted that regardless of the occupancy of the subject, the costs of electricity remain relatively constant, and the costs of cable and internet are the same regardless of the number of occupants. Only the expenses of water, gas and to a nominal degree electricity are variable with occupancy.

Repairs/Maintenance
We have included a repairs/maintenance allowance as a percentage of EGI at 2.5% in the before configuration which equates to $11,220 annually. With regard to the after configuration, noting that routine maintenance is likely not significantly impacted by differences in occupancy between 20 and 34 persons, but the annual income is reduced, we must increase our maintenance in the 'after' configuration as this expense is calculated as a % of EGI. In the 'after' condition we estimate maintenance at the rate of 3.55% of EGI. While we do recognize that 'wear and tear' is somewhat linked to occupancy, the fact that the entire house area is subject to use by 20 guests just as it is with 34 guests, this cost is somewhat fixed.

Management
We estimate management costs based on the costs of a third party manager who would typically charge between 15% and 25% of collected rents for the management service. We will utilize a rate on the lower end of this scale for both value scenarios, or a rate of 15% of EGI.

Income and Expense Statement

The table below recaps our projected income stream and breaks down each expense item. Expenses are totaled, and the net operating income is displayed for both the 'before' and 'after' ordinance conditions.

Income Capitalization Analysis - 'Before Ordinance Limiting Occupancy'				
Unit	**Income**	**Method**	**Units/SF**	**Annual**
Annual Income 'Before Ordinance' - 34 Guests	$390,000.00	$/Year	2,000	$390,000
			Potential Gross Income:	$390,000
		Vacancy & Collection Loss	Included	$0
			Effective Gross Income (EGI):	$390,000

Expense	**Amount (% or**	**Method**	**Annual**
Taxes	$37,500	$/Year	$37,500
Insurance	$9,000	$/Year	$9,000
Utilities	$11,220	$/Year	$11,220
Repairs/Maintenance	2.5%	% of EGI	$9,750
Management	15%	% of EGI	$58,500
		Total Expenses:	$125,970
		Expense Ratio (Expenses/EGI):	32.30%
		Net Operating Income (NOI):	$264,030

Income Capitalization Analysis - 'After Ordinance Limiting Occupancy'				
Unit	**Income**	**Method**	**Units/SF**	**Annual**
Annual Income 'After Ordinance' - 20 Guests	$235,000.00	$/Year	2,000	$235,000
			Potential Gross Income:	$235,000
		Vacancy & Collection Loss	Included	$0
			Effective Gross Income (EGI):	$235,000

Expense	**Amount (% or**	**Method**	**Annual**
Taxes	$37,500	$/Year	$37,500
Insurance	$9,000	$/Year	$9,000
Utilities	$10,440	$/Year	$10,440
Repairs/Maintenance	3.5%	% of EGI	$8,225
Management	15%	% of EGI	$35,250
		Total Expenses:	$100,415
		Expense Ratio (Expenses/EGI):	42.73%
		Net Operating Income (NOI):	$134,585

Capitalization Rate Derivation

The capitalization rate is the factor that coverts the stabilized net operating income (NOI) to a present value. It is the ratio of net income to value or sale price.

NOI ÷ Sale Price = Capitalization Rate

For example, if a property sells for $500,000, and has a stabilized NOI of $50,000, the indicated capitalization rate is 10%.

Four methods are generally recognized for estimating an appropriate capitalization rate for use in direct capitalization analysis. These four methods are:

1. Market-Extracted Capitalization Rate Data
2. Band of Investment Method Calculation
3. Debt Coverage Method Calculation
4. Nationally-Published Capitalization Rate Data

Market Extracted Capitalization Rate Data

The market-extraction method of estimating capitalization rates involves finding comparable sales of property similar to the subject, and extracting a market rate from the net operating income and sales price of the comparable property.

We present the following examples of market-extracted capitalization rates for Resort Residential properties, based on similar sales in the local and broader markets.

- 3463 Scenic Highway 98 is a resort rental property that sold in February of 2016 for $3,615,000. Net Operating Income was reported to be $222,125, therefore indicating a capitalization rate of 6.14%.

- 925 Scenic Gulf Drive in Miramar Beach is a resort rental property that sold in November of 2018 for $1,900,000. Net Operating Income based on forecast income and expenses was reported to be $130,000, therefore indicating a capitalization rate of 6.84%.

- 917 Scenic Gulf Drive in Miramar Beach is a resort rental property that sold in August of 2018 for $1,925,000. Net Operating Income based on forecast income and expenses was reported to be $135,000, therefore indicating a capitalization rate of 7.00%.

- 1850 Scenic Gulf Drive in Miramar Beach is a resort rental property that sold in September of 2015 for $2,205,000. Net Operating Income at the time of sale was reported to be $133,200, therefore indicating a capitalization rate of 6.03%.

Based on the above information, and taking into consideration the overall market appeal we consider that a market extracted rate of 6.50% would be applicable for the subject property.

Band of Investment Method Analysis

This technique utilizes lender and real estate investor investment criteria to develop, or synthesize a capitalization rate. As most income producing properties are purchased with debt plus equity capital, the return on investment portion of the overall capitalization rate must satisfy the market returns of both the investor and the lender. The lender must receive a competitive interest rate, and the investor must anticipate receiving a competitive equity yield.

There are four key inputs necessary for this method:

1. The loan-to-value ratio (M)
2. The mortgage interest rate (i)
3. The loan term (n)
4. The equity cap rate or equity dividend rate (R_E)

The mortgage variables are used to build the mortgage constant (R_M), which is the total amount of the payments made in one year, expressed as a percentage of the original loan amount.

Payments x 12 / Original Loan Amount = Mortgage Constant (R_M)

The equity cap rate is the annual return to the investor, expressed as a percent of the original amount invested. The annual return to the investor is also known as the equity dividend rate; it is the profit remaining after debt service and all other expenses.

After Debt Service Profit / Equity Investment = Equity Cap Rate (R_E)

Note that the equity cap rate is not the same (usually, that is) as the equity yield rate. The equity yield rate reflects the total return to the investor over the life of the investment. Factors such as appreciation and mortgage pay down affect and usually increase this return to a point higher than the equity dividend rate. In markets where substantial appreciation is expected, investors will often accept a low or even negative equity dividend rate, anticipating a compensating payoff when the property is eventually sold. In markets where little appreciation is expected, much more weight is given to the annual equity dividend.

Formula:

R_M x M = rate
R_E x (1-M) = rate
= Cap Rate (R_o)

A survey of local lenders indicated that competitive fixed rate loans for properties similar to the subject are typically available at a rate of between 6.00% and 7.50% on a 30 year amortization schedule with a 50-70% loan to value.

Thus, we will use a rate of 6.50% in our calculations, with a 70% loan to value and a 30 year amortization term for our analysis of the band of investment and debt coverage ratio analyzes.

The debt capitalization rate (or mortgage constant) for a typical loan made at 6.50% for 30 years is 0.07584816.

Equity dividend (capitalization) rates in the local market range from 4-9%. We estimate an equity dividend rate of 6.00% in the local market for property such as the subject.

Debt Coverage Ratio Method Analysis

This technique develops a capitalization rate based on typical mortgage terms. There are four variables necessary for this method:

1. The loan-to-value ratio (M)
2. The mortgage interest rate (i)
3. The loan term (n)
4. The debt coverage ratio (DCR)

Items 1 through 3 are discussed above under the Band of Investment section. In this method it is also used to develop the mortgage constant (R_M). The debt coverage ratio is the factor by which income exceeds debt on an annual basis.

Formula:
Debt Coverage Ratio x Loan to Value Ratio x Mortgage Constant = R_o
or: DCR x M x R_M = R_o

We have researched mortgage rates and terms typical for the subject within the market area as noted above. The table below details the Band of Investment and Debt Coverage Ratio Analyses calculations.

Capitalization Rate Calculations

Capitalization Rate Variables	
Mortgage Interest Rate	6.50%
Loan Term (Years)	30
Loan To Value Ratio	70.%
Debt Coverage Ratio	1.25
Equity Dividend Rate	6.00%

Band of Investment Analysis

Mortgage Constant		Loan Ratio	Contributions	
0.075848163	x	70.%	=	5.31%
Equity Dividend Rate		Equity Ratio		
6.00%	x	30.%	=	1.80%
		Band of Investment Capitalization Rate		**7.11%**

Debt Coverage Ratio Analysis

Debt Coverage Ratio x Loan to Value Ratio x Mortgage Constant		
1.25 x 0.7 x 0.0758481628191557	=	6.64%
Debt Coverage Ratio Capitalization Rate		**6.64%**

The Band of Investment capitalization rate analysis indicated an appropriate capitalization rate per the preceding assumptions of 7.11%.

The Debt Coverage Ratio Analysis indicated an appropriate capitalization rate per the preceding assumptions of 6.64%.

National Survey Data

RealtyRates.com Investor Survey
RealtyRates does not track capitalization rates for resort residential property such as the subject, however they do track rates for lodging facilities, a property type that is similar in use to the subject, being a facility for short term rental on a seasonal basis where all services are included in the rental rate. We therefore look to this property category in realty rates for an indication of an applicable capitalization rate for the subject.

The *Realty Rates Investor Survey*, dated 4th Quarter 2018, indicates going in capitalization rates for Lodging Facilities – All Types ranged from 5.21% to 17.22% with an average of 11.32%. In consideration of the excellent quality and condition of the subject property, as well as the resort location, we would estimate an applicable capitalization rate would be below the national average indicated by the survey data and within the lower quartile of exhibited rates, or a rate of between 5.21% and 8.22%.

RealtyRates.com INVESTOR SURVEY - 4th Quarter 2018* LODGING FACILITIES -ALL TYPES							
Item	**Input**						**OAR**
Minimum							
Spread Over 10-Year Treasury	0.86%	**DCR Technique**		1.00	0.048303	0.80	**3.86**
Debt Coverage Ratio	1.00	**Band of Investment Technique**					
Interest Rate	3.75%	Mortgage		80%	0.048303	0.038642	
Amortization	40	Equity		20%	0.080938	0.016188	
Mortgage Constant	0.048303	OAR					**5.48**
Loan-to-Value Ratio	80%	**Surveyed Rates**					**5.21**
Equity Dividend Rate	8.09%						
Maximum							
Spread Over 10-Year Treasury	11.58%	**DCR Technique**		2.85	0.163616	0.50	**23.32**
Debt Coverage Ratio	2.85	**Band of Investment Technique**					
Interest Rate	14.47%	Mortgage		50%	0.163616	0.081808	
Amortization	15	Equity		50%	0.198946	0.099473	
Mortgage Constant	0.163616	OAR					**18.13**
Loan-to-Value Ratio	50%	**Surveyed Rates**					**17.22**
Equity Dividend Rate	19.89%						
Average							
Spread Over 10-Year Treasury	3.54%	**DCR Technique**		1.53	0.084242	0.67	**8.60**
Debt Coverage Ratio	1.53	**Band of Investment Technique**					
Interest Rate	6.43%	Mortgage		67%	0.084242	0.056324	
Amortization	22	Equity		33%	0.145842	0.048333	
Mortgage Constant	0.084242	OAR					**10.47**
Loan-to-Value Ratio	66.9%	**Surveyed Rates**					**11.32**
Equity Dividend Rate	14.6%						

Capitalization Rate Summary and Conclusion

We consider that a market extracted rate of 6.50% would be applicable for the subject property based on market-extracted capitalization rate indications.

The Band of Investment capitalization rate analysis indicated an appropriate capitalization rate per the preceding assumptions of 7.11%.

The Debt Coverage Ratio Analysis indicated an appropriate capitalization rate per the preceding assumptions of 6.64%.

National Market Indicators as reported by realty rates for a related property type indicate an appropriate capitalization rate of between 5.21% and 8.22% for the subject property.

Capitalization Rate Conclusion:

It is the opinion of the appraiser that a **6.50% capitalization rate** should be employed in this analysis.

On the following page we present the direct capitalization analysis for both the 'Before' and 'After' Ordinance 18-29-CC value scenarios.

Capitalization to Value

Income Capitalization Analysis - 'Before Ordinance Limiting Occupancy'				
Unit	**Income**	**Method**	**Units/SF**	**Annual**
Annual Income 'Before Ordinance' - 34 Guests	$390,000.00	$/Year	2,000	$390,000
			Potential Gross Income:	$390,000
		Vacancy & Collection Loss	Included	$0
			Effective Gross Income (EGI):	$390,000

Expense	**Amount (% or**	**Method**	**Annual**
Taxes	$37,500	$/Year	$37,500
Insurance	$9,000	$/Year	$9,000
Utilities	$11,220	$/Year	$11,220
Repairs/Maintenance	2.5%	% of EGI	$9,750
Management	15%	% of EGI	$58,500
		Total Expenses:	$125,970
		Expense Ratio (Expenses/EGI):	32.30%
		Net Operating Income (NOI):	$264,030
		Capitalization Rate:	6.50%
		Value (NOI/Cap Rate):	$4,062,000
		Rounded:	$4,065,000

Income Capitalization Analysis - 'After Ordinance Limiting Occupancy'				
Unit	**Income**	**Method**	**Units/SF**	**Annual**
Annual Income 'After Ordinance' - 20 Guests	$235,000.00	$/Year	2,000	$235,000
			Potential Gross Income:	$235,000
		Vacancy & Collection Loss	Included	$0
			Effective Gross Income (EGI):	$235,000

Expense	**Amount (% or**	**Method**	**Annual**
Taxes	$37,500	$/Year	$37,500
Insurance	$9,000	$/Year	$9,000
Utilities	$10,440	$/Year	$10,440
Repairs/Maintenance	3.5%	% of EGI	$8,225
Management	15%	% of EGI	$35,250
		Total Expenses:	$100,415
		Expense Ratio (Expenses/EGI):	42.73%
		Net Operating Income (NOI):	$134,585
		Capitalization Rate:	6.50%
		Value (NOI/Cap Rate):	$2,070,538
		Rounded:	$2,070,000

Conclusion of Dimunition in Value

In the ‘before ordinance’ configuration direct capitalization of the net operating income to the subject property revealed a value opinion of $4,065,000 based on an occupancy of 34 sleeping guests.

In the ‘after ordinance’ configuration direct capitalization of the net operating income to the subject property revealed a value opinion of $2,070,000 based on an occupancy of 20 sleeping guests.

The Dimunition in Value is represented by the difference between the ‘before’ and ‘after’ value conclusions, or in this case the difference between $4,065,000 and $2,070,000 or $1,995,000.

One Million Nine Hundred Ninety Five Thousand Dollars
$1,995,000

Certification

The appraiser has no present or prospective interest in the subject property of this appraisal and no personal interest of bias with respect to the parties involved in this appraisal. I have the appropriate education and experience to conduct this appraisal.

The appraiser will not divulge the analytical findings or conclusions to anyone other than the client or designee, except as may be required by the Appraisal Institute or by a court of law with power of subponea.

I certify, to the best of our knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions and conclusions.
- I have no present or prospective interest in the property which is the subject of this report and no personal interest with respect to the parties involved.
- I have no bias with respect to the property which is the subject of this report or to the parties involved with this assignment.
- The engagement in this assignment was not contingent upon developing or reporting predetermined results.
- The compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- I have made a personal inspection of the property that is the subject of this report.

Certification
(Continued)

- The signatory appraiser has not performed any services, as an appraiser or in any other capacity, regarding the subject property within the 3 years prior to acceptance of this appraisal assignment.

This appraisal has been conducted, and the appraisal report prepared in conformance with the requirements of Title XI of the Financial Institutions Reform, Recover, and Enforcement Act of 1989 (FIRREA, 12 U.S.C. 3331 et seq.). This appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.

No person other than the undersigned made a significant professional contribution to the research and analysis in this appraisal unless specifically noted above.

Respectfully Submitted,

EquiValue Appraisal, LLC

Jason P. Shirey, MAI, CCIM
Cert Gen RZ3186

Limiting Conditions and Assumptions

1. Unless otherwise noted in the body of the report, we assumed that title to the property or properties appraised is clear and marketable and that there are no recorded or unrecorded matters or exceptions that would adversely affect marketability or value. We are not aware of any title defects nor were we advised of any unless such is specifically noted in the report. We did not examine a title report and make no representations relative to the condition thereof. Documents dealing with liens, encumbrances, easements, deed restrictions, clouds and other conditions that may affect the quality of title were not reviewed. Insurance against financial loss resulting in claims that may arise out of defects in the subject property's title should be sought from a qualified title company that issues or insures title to real property.

2. We assume that improvements are constructed or will be constructed according to approved architectural plans and specifications and in conformance with recommendations contained in or based upon any soils report(s).

3. Unless otherwise noted in the body of this report, we assumed: that any existing improvements on the property or properties being appraised are structurally sound, seismically safe and code conforming; that all building systems (mechanical/electrical, HVAC, elevator, plumbing, etc.) are, or will be upon completion, in good working order with no major deferred maintenance or repair required; that the roof and exterior are in good condition and free from intrusion by the elements; that the property or properties have been engineered in such a manner that it or they will withstand any known elements such as windstorm, hurricane, tornado, flooding, earthquake, or similar natural occurrences; and, that the improvements, as currently constituted, conform to all applicable local, state, and federal building codes and ordinances. We are not engineers and are not competent to judge matters of an engineering nature. We did not retain independent structural, mechanical, electrical, or civil engineers in connection with this appraisal and, therefore, make no representations relative to the condition of improvements. Unless otherwise noted in the body of this report no problems were brought to our attention by ownership or management. We were not furnished any engineering studies by the owners or by the party requesting this appraisal. If questions in these areas are critical to the decision process of the reader, the advice of competent engineering consultants should be obtained and relied upon. It is specifically assumed that any knowledgeable and prudent purchaser would, as a precondition to closing a sale, obtain a satisfactory engineering report relative to the structural integrity of the property and the integrity of the building systems. Structural problems and/or building system problems may not be visually detectable. If engineering consultants retained should report negative factors of a material nature, or if such are later discovered, relative to the condition of the improvements, such information could have a substantial negative impact on the conclusions reported in this appraisal. Accordingly, if engineering consultants report negative findings, we reserve the right to amend the appraisal conclusions reported herein.

4. All furnishings, equipment and business operations, except as specifically stated and typically considered as part of real property, have been disregarded with only real property being considered in the appraisal. Any existing or proposed improvements, on- or off-site, as well as any alterations or repairs considered, are assumed to be completed

in a workmanlike manner according to standard practices based upon information submitted. This report may be subject to amendment upon re-inspection of the subject property subsequent to repairs, modifications, alterations and completed new construction. Any estimate of Market Value is as of the date indicated; based upon the information, conditions and projected levels of operation.

5. We assume that all factual data furnished by the client, property owner, owner's representative, or persons designated by the client or owner to supply said data are accurate and correct unless otherwise noted in the appraisal report. We have no reason to believe that any of the data furnished contain any material error. Information and data referred to in this paragraph include, without being limited to, numerical street addresses, lot and block numbers, Assessor's Parcel Numbers, land dimensions, square footage area of the land, dimensions of the improvements, gross building areas, net rentable areas, usable areas, unit count, room count, rent schedules, income data, historical operating expenses, budgets, and related data. Any material error in any of the above data could have a substantial impact on the conclusions reported. Thus, we reserve the right to amend our conclusions if errors are revealed. Accordingly, the client-addressee should carefully review all assumptions, data, relevant calculations, and conclusions within 30 days after the date of delivery of this report and should immediately notify us of any questions or errors.

6. The date of value to which any of the conclusions and opinions expressed in this report apply, is set forth in the Letter of Transmittal. Further, that the dollar amount of any value opinion herein rendered is based upon the purchasing power of the American Dollar on that date. This appraisal is based on market conditions existing as of the date of this appraisal. Under the terms of the engagement, we will have no obligation to revise this report to reflect events or conditions which occur subsequent to the date of the appraisal. However, we will be available to discuss the necessity for revision resulting from changes in economics or market factors affecting the subject.

7. We assume no private deed restrictions, limiting the use of the subject property in any way.

8. Unless otherwise noted in the body of the report, we assume that there are no mineral deposits or subsurface rights of value involved in this appraisal, whether they be gas, liquid, or solid. Nor are the rights associated with extraction or exploration of such elements considered unless otherwise stated in this appraisal report. Unless otherwise stated we also assumed that there are no air or development rights of value that may be transferred.

9. We are not aware of any contemplated public initiatives, governmental development controls, or rent controls that would significantly affect the value of the subject.

10. The estimate of Market Value, which may be defined within the body of this report, is subject to change with market fluctuations over time. Market value is highly related to exposure, time promotion effort, terms, motivation, and conclusions surrounding the offering. The value estimate(s) consider the productivity and relative attractiveness of the property, both physically and economically, on the open market.

11. Unless specifically set forth in the body of the report, nothing contained herein shall be construed to represent any direct or indirect recommendation to buy, sell, or hold the

properties at the value stated. Such decisions involve substantial investment strategy questions and must be specifically addressed in consultation form.

12. Unless otherwise noted in the body of this report, we assume that no changes in the present zoning ordinances or regulations governing use, density, or shape are being considered. The property is appraised assuming 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 estimates contained in this report is based, unless otherwise stated.

13. This study may not be duplicated in whole or in part without our written consent, nor may this report or copies hereof be transmitted to third parties without said consent. Exempt from this restriction is duplication for the internal use of the client-addressee and/or transmission to attorneys, accountants, or advisors of the client-addressee. Also exempt from this restriction is transmission of the report to any court, governmental authority, or regulatory agency having jurisdiction over the party/parties for whom this appraisal was prepared, provided that this report and/or its contents shall not be published, in whole or in part, in any public document without our written consent. Finally, this report shall not be advertised to the public or otherwise used to induce a third party to purchase the property or to make a "sale" or "offer for sale" of any "security", as such terms are defined and used in this Securities Act of 1933, as amended. Any third party, not covered by the exemptions herein, who may possess this report, is advised that they should rely on their own independently secured advice for any decision in connection with this property. We shall have no accountability or responsibility to any such third party.

14. Any value estimate provided in the report applies to the entire property, and any pro ration or division of the title into fractional interests will invalidate the value estimate, unless such pro ration or division of interests has been set forth in the report.

15. Any distribution of the total valuation in this report between land and improvement applies only under the existing program of utilization. Component values for land and/or buildings are not intended to be used in conjunction with any other property or appraisal and are invalid if so used.

16. The maps, plats, sketches, graphs, photographs, and exhibits included in this report are for illustration purposes only and are to be used only to assist in visualizing matters discussed within this report. Except as specifically stated, data relative to size or areas of the subject and comparable properties was obtained from sources deemed accurate and reliable. None of the exhibits are to be removed, reproduced, or used apart from this report.

17. No opinion is intended to be expressed on matters that may require legal expertise or specialized investigation or knowledge beyond that which is customarily employed by real estate appraisers. Values and opinions expressed presume that environmental and other governmental restrictions/conditions by applicable agencies have been met, including but not limited to seismic hazards, flight patters, decibel levels/noise envelopes, fire hazards, hillside ordinances, density, allowable uses, building codes, permits, licenses, etc. No survey, engineering study or architectural analysis was provided to us unless otherwise stated within the body of this report. If we were not supplied with a

termite inspection, survey or occupancy permit, no responsibility or representation is assumed or made for any costs associated with obtaining same or for any deficiencies discovered before or after they are obtained. No representation or warranty is made concerning obtaining these items. We assume no responsibility for any costs or consequences arising due to the need, or the lack of need, for flood hazard insurance. An agent for the Federal Flood Insurance Program should be contacted to determine the actual need for Flood Hazard Insurance.

18. Acceptance and/or use of this report constitutes full acceptance of the Assumptions and Limiting Conditions and extraordinary assumptions set forth in this report. It is the responsibility of the Client, or client's designees, to read in full, comprehend and thus become aware of the aforementioned assumptions and limiting conditions. We assume no responsibility for any situation arising out of the Client's failure to become familiar with and understand the same. The Client is advised to retain experts in areas that fall outside the scope of the real estate appraisal/consulting profession if so desired.

19. We assume that the subject property will be under prudent and competent management and ownership; neither inefficient nor super-efficient.

20. We assume 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 reports.

21. No survey of the boundaries of the property was undertaken. All areas and dimensions furnished are presumed correct. It is further assumed that no encroachments to the realty exists.

22. All value opinions expressed herein are as of the date of value. In some cases, facts or opinions are expressed in the present tense. All opinions are expressed as of the date of value, unless specifically noted.

23. The Americans with Disabilities Act (ADA) became effective January 26, 1992. Notwithstanding any discussion of possible readily achievable barrier removal construction items in this report, we did not perform a specific compliance survey and analysis of this property to determine wither it is in conformance with the various detailed requirements of the ADA. It is possible that a compliance survey of the property together with a detailed analysis of the requirements of the ADA could reveal that the property is not in compliance with one or more of the requirements of the ADA. If so, the fact could have a negative effect on the value estimated herein. Since we have no specific information relating to this issue, nor are we qualified to make such an assessment, the effect of any possible non-compliance was not considered in estimating the value of the subject property.

24. The value estimate rendered in this report is predicated on the assumption that there is no hazardous material on or in the property that would cause a loss of value. We were not provided with an Environmental Assessment Report. Further, we are not qualified to determine the existence or extent of environmental hazards. If there are any concerns pertaining to environmental hazards for this property, we recommend that a qualified engineer perform an assessment.

ADDENDA

Parcel Map

PARCEL INFORMATION TABLE	
Selected Parcel	00-2S-22-5445-0000-0010 (Click for Complete Card)
DOR Property Usage	VACANT (000000)
Calculated Acreage (GIS)	0.19
Calculated GIS acreage is computer generated. It is for informational purposes only and does not replace deed or survey information.	
Property Use	VACANT
Land Use	000100

OWNERSHIP INFORMATION	
Name	13 HUTCHINSON LLC
Mailing Address	1159 TROON DR MIRAMAR BEACH, FL 32550
Situs/Physical Address	86 HUTCHISON ST DESTIN

VALUES:	
Land Value	240,108
Ag Land Value	0
Building Value	0
Misc Value	0
Just Value	240,108
Assessed Value	235,010
Exempt Value	0
Taxable Value	235,010

LAST 2 SALES

Date	Price	Vacant?	Qual
2017-09	100	V	U
	0		

Property Appraiser Card

Sales In Area | Previous Parcel | Next Parcel | Field Definitions | Return to Main Search | Okaloosa Home

Owner and Parcel Information

Owner Name	13 HUTCHINSON LLC	Today's Date	March 14, 2019
Mailing Address	1159 TROON DR MIRAMAR BEACH, FL 32550	Parcel Number	00-2S-22-5443-0000-0010
		Tax District	DESTIN (District 10)
Location Address	86 HUTCHISON ST DESTIN	2018 Millage Rates	12.8406
Property Usage	VACANT (000000)	Acreage	0
Section Township Range	00-2S-22	Homestead	N
Business Name			

Show Parcel Maps

Value Information

	2017 Certified Values	2018 Certified Values
Building Value	$0	$0
Extra Feature Value	$0	$0
Land Value	$213,645	$240,108
Land Agricultural Value	$0	$0
Agricultural (Market) Value	$0	$0
Just (Market) Value*	$213,645	$240,108
Assessed Value	$213,645	$235,010
Exempt Value	$0	$0
Taxable Value	$213,645	$235,010

"Just (Market) Value" description - This is the value established by the Property Appraiser for ad valorem purposes. This value does not represent anticipated selling price.

Tax Information

Legal Information

HUTCHINSON COURTS LOT 1

The legal description shown here may be condensed for assessment purposes. Exact description should be obtained from the recorded deed.

Building Information

Type	Total Area	Heated Area	Exterior Wall	Roof Cover	Interior Wall	Flooring
SFR EXCEPT	9,468	6,864	HARDIE BD / BRICK	ARCT METAL	DECORATIVE	CLAY/CERMC
Heating Type	**A/C Type**	**Baths**	**Bedrooms**	**Stories**	**Actual Year Built**	**Effective Year Built**
AIR DUCTED	CENTRAL	6.5	6	4	2019	2019

Show Building Sketch

Extra Features Data

Description	Number of Items	Unit Length x Width x Height	Units	Effective Year Built
ELEVATOR	1	0 x 0 x 0	1 UT	2019
SWIMPOOL	1	0 x 0 x 0	1 UT	2019
FIREPLC	1	0 x 0 x 0	2 UT	2019
STFENCE	1	0 x 0 x 0	1 UT	2019

Land Information

LAND USE	NUMBER OF UNITS	UNIT TYPE	Frontage	Depth
SFR	1	LT	56	150

Sale Information

Multi-Parcel Sale	Sale Date	Sale Price	Instrument	Deed Book	Deed Page	Sale Qualification	Vacant or Improved	Grantor	Grantee
No	09-08-2017	$ 100	INDENTURE DEED	2218	216	Unqualified	Vacant	13 HUTCHINSON LLC	13 HUTCHINSON LLC

Sales In Area | Previous Parcel | Next Parcel | Field Definitions | Return to Main Search | Okaloosa Home

The Okaloosa County Property Appraiser's Office makes every effort to produce the most accurate information possible. No warranties, expressed or implied, are provided for the data herein, its use or interpretation. The Senior Exemption Does Not Apply to All Taxing Authorities. Just (Market) Value is established by the Property Appraiser for ad valorem tax purposes. It does not represent anticipated selling price. Working values are subject to change. Website Updated: March 12, 2019

Deed

FILE #3160678 RCD: 9/19/2017 12:11 PM, BK: 3318 PG: 316, RECORDING: $10.50 RECORDING ARTICLE V: $8.00
D Doc Stmp: $0.70 DEPUTY CLERK ASECRIST
JD PEACOCK II CLERK OF COURTS, OKALOOSA COUNTY, FLORIDA

Corporate Warranty Deed

This Indenture, made , September 8, 2017 A.D.
Between, 13 Hutchinson, LLC, A Florida limited liability company, whose address is: 1159 Troon Drive, Miramar Beach, Florida 32550, a Florida limited liability company existing under the laws of the State of Florida, Grantor and **13 Hutchinson, LLC, a Florida limited liability company,** whose address is: 1159 Troon Drive, Miramar Beach, Florida 32550, Grantee,

Witnesseth, that the said Grantor, for and in consideration of the sum of Ten and No/100 Dollars ($10.00), to it in hand paid by the said Grantee, the receipt whereof is hereby acknowledged, has granted, bargained and sold to the said Grantee forever, the following described land, situate, lying and being in the County of Okaloosa, State of Florida, to wit:

A PORTION OF LOT 13, BLOCK 10, CRYSTAL BEACH AND A PORTION OF VACATED RIGHT-OF-WAY OF 1ST AVENUE, FORMERLY KNOWN AS JOHN AVENUE, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

THE EAST HALF OF THE SOUTH HALF OF ADJACENT VACATED RIGHT-OF-WAY OF 1ST AVENUE, FORMERLY KNOWN AS JOHN AVENUE (60' R/W), PER OKALOOSA COUNTY ORDINANCE NUMBER 312 AND THE NORTH 26 FEET OF LOT 13, BLOCK 10, CRYSTAL BEACH, ACCORDING TO THE PLAT THEREOF AS RECORDED IN PLAT BOOK 1, PAGE 17, OF THE PUBLIC RECORDS OF OKALOOSA COUNTY, FLORIDA.

THE ABOVE DESCRIBED PROPERTY IS NOW PLATTED AND DESCRIBED AS FOLLOWS:

LOT 1, HUTCHINSON COURTS, ACCORDING TO THE PLAT THEREOF AS RECORDED IN PLAT BOOK 28, PAGE 11, OF THE PUBLIC RECORDS OF OKALOOSA COUNTY, FLORIDA.

Subject to taxes for the current year, covenants, restrictions and easements of record, if any.

Parcel Identification Number: **00-2S-22-5445-0000-0010**

And the said Grantor does hereby fully warrant the title to said land, and will defend the same against the lawful claims of all persons whomsoever.

SIGNATURES ON FOLLOWING PAGE

In Witness Whereof, the said Grantor has caused this instrument to be executed in its name by its duly authorized officer and caused its corporate seal to be affixed the day and year first above written.

Signed, sealed and delivered in our presence:

13 Hutchinson, LLC, A Florida limited liability company

Melissa C. Work

Witness Printed Name Melissa C. Work

Robyn Bell

Witness Printed Name Robyn Bell

By: Joseph Bellinghieri
Its: Manager

State of Pennsylvania

County of Chester

The foregoing instrument was acknowledged before me this 8th day of September, 2017, by Joseph Bellinghieri, as Manager of 13 Hutchinson, LLC, a Florida limited libility company existing under the laws of the State of Florida, on behalf of the limited libility company. He is personally known to me or has produced a valid government issued photo ID as identification.

COMMONWEALTH OF PENNSYLVANIA
NOTARIAL SEAL
Keriann Richmond, Notary Public
West Chester Boro, Chester County
My Commission Expires Dec. 6, 2020
MEMBER, PENNSYLVANIA ASSOCIATION OF NOTARIES

Keriann Richmond

Notary Public
Print Name: Keriann Richmond
Commission Number:
My Commission Expires: 12-6-20

[NOTARY SEAL]

Prepared by:
Aqua Title Services
36150 Emerald Coast Parkway, Suite 101
Destin, Florida 32541
File Number: 17-0499

THIS INSTRUMENT PREPARED BY
AND AFTER RECORDING RETURN TO:

Kimberly Romano Kopp, Esq.
Romano Kopp Law, P.A.
P.O. Box 445
Destin, Florida 32541

For Recording Purposes Only

SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is entered into this _____day of _____ 2019, ("Effective Date") by and between, 13 Hutchison, LLC. ("Owner") and the City of Destin ("City"), collectively referred to as the "Parties."

RECITALS

WHEREAS, on January 22, 2019, the City enacted Ordinance 18-29-CC, the Short-Term Rental Occupancy Ordinance ("Ordinance"), which limits the occupancy of short-term rental homes to two (2) people per bedroom plus an additional four (4) persons; and

WHEREAS, Owner owns the real property and improvements located at 86 Hutchison Street, Destin, FL 32541, as more particularly described in the attached Exhibit "A" (the "Property"); and

WHEREAS, on May 10, 2019, Owner filed a claim with the City, pursuant to the provisions of §70.001, Florida Statutes, the Bert J. Harris, Jr., Private Property Rights Protection Act (the "Harris Act"), alleging that the Property had been inordinately burdened by the adoption of the Ordinance, (the "Claim"); and

WHEREAS, the Harris Act provides for the City to have the ability to enter into a settlement agreement which would have the effect of a modification or variance to the application of a regulation or ordinance as it would otherwise apply to the subject real property, provided the relief granted protects the public interest served by the regulations at issue and is the appropriate relief necessary to prevent the governmental regulatory effort from inordinately burdening the real property; and

WHEREAS, the City has determined that the modifications to the effect of the Ordinance effected by this Agreement protect the public interest served by the Ordinance and are the appropriate relief necessary to prevent the regulatory effect of the Ordinance from inordinately burdening the Property; and

WHEREAS, the Parties now desire to settle and finally resolve all disputes between and among them concerning the Claim.

NOW, THEREFORE, the Parties hereby agree as follows:

1. **Recitals.** The above recitals are true and correct and are incorporated herein by reference.

1. **Occupancy Allowable Under Ordinance.** Owner is hereby granted a variance from the provisions of the Ordinance so that the Owner shall have the right to apply under the Ordinance for a maximum occupancy of thirty-three (33) overnight guests at the eight (8) bedroom vacation rental property noted above and the City shall grant such occupancy. The right shall continue in perpetuity, regardless of any future changes in ownership, provided that this right shall expire permanently if the Property were to be voluntarily remodeled or voluntarily rebuilt in such a manner as to change the number of bedrooms that existed at the date of the Claim. The Property remains subject to all other requirements of the City's regulations, including but not limited to regulations for short-term rentals, parking, trash, and noise. No greater than eight (8) vehicles may be parked on the Property. No vehicle may encroach upon the City's right-of way.

2. **Development In Accordance with Code.** Notwithstanding any provisions contained herein, the Owner shall at any time have the right and option to remodel, develop, or use the Property in accordance with the applicable ordinances of the City of Destin in effect at the time of application therefor, and this variance shall not be construed as making the Property in any way non-conforming.

3. **Entire Agreement.** The Parties acknowledge that this Agreement constitutes the entire agreement between them regarding the settlement of their dispute and any prior statements, whether oral or written, are merged herein. This Agreement may not be modified or amended without a written instrument signed by the party against whom enforcement is sought.

4. **Duration of Agreement.** This Agreement shall be perpetual and deemed to run with the land, and shall be binding upon and the benefits shall inure to the parties hereto and their respective heirs, devisees, personal representatives, successors and assigns.

5. **Authority.** The signatories to this Agreement are expressly authorized to resolve their dispute as set forth herein and by their signatures here represent and affirm their authority to execute this Agreement.

6. **Governing Law.** The law of the State of Florida shall apply to this Agreement. Any dispute regarding this Agreement shall be litigated exclusively in the courts of Okaloosa County, Florida. The parties expressly consent to such agreed jurisdiction and venue, and waive any objections thereto.

OWNER: 13 Hutchison, LLC

_____ _____
Signature of Witness #1

_____ _____
Print or type name

_____
Signature of Witness # 2

_____
Print or type name

STATE OF_____
COUNTY OF_____

The foregoing instrument was acknowledged before me this _____ day of _____ 2019, by _____ and _____, who are personal known to me or who have produced_____ as identification and who did not (did) take an oath.

_____
Signature of Notary

(NOTARY SEAL)

_____
Print or type name

CITY OF DESTIN

By:_____
Gary Jarvis, Mayor

Date:_____

ATTEST:

_____
Rey Bailey, City Clerk

Date:_____

STATE OF_____
COUNTY OF_____

The foregoing instrument was acknowledged before me this _____ day of _____ 2019, by _____ and _____, who are personally known to me or who have produced_____ as identification and who did not (did) take an oath.

_____
Signature of Notary

(NOTARY SEAL)

_____
Print or Type Name

Approved as to form and legality for use and reliance by the City of Destin, Florida, only.

_____
Kimberly Romano Kopp, Esq.
City Land Use Attorney

Exhibit "A"

Legal Description of Property

Lot 1 of the Hutchison Courts plat, recorded in Okaloosa County Plat Book 28, Page 11, of the Public Records of Okaloosa County, Florida

ITEM # 2019-1885

CITY OF DESTIN

AGENDA ITEM

COUNCIL MEETING DATE: December 9, 2019
TYPE OF AGENDA ITEM: Action Item

TO: City Council

THRU: Lance Johnson, City Manager

FROM: Kimberly Kopp, Land Use Attorney
Louis Zunguze, Community Development Director

DATE: December 5, 2019

SUBJECT: 5) 4488 Ocean View Drive

I. BACKGROUND:

On January 22, 2019, the City enacted Ordinance 18-29-CC, the Short-Term Rental Occupancy Ordinance ("Ordinance"), which limits the occupancy of short-term rental homes to two (2) people per bedroom plus an additional four (4) persons.

The subject property owner owns the real property and improvements located at 4488 Ocean View Drive, Destin, FL 32541, as more particularly described in Exhibit "A" (the"Property") to the proposed settlement agreement.

Owner filed a claim with the City, pursuant to the provisions of §70.001, Florida Statutes, the Bert J. Harris Jr., Private Property Rights Protection Act (the "Harris Act"), alleging that the Property had been inordinately burdened by the adoption of the Ordinance, (the "Claim).

The Harris Act provides for the City to have the ability to enter into a settlement agreement which would have the effect of a modification or variance to the application of a regulation or ordinance as it would otherwise apply to the subject real property, provided the relief granted protects the public interest served by the regulations at issue and is the appropriate relief necessary to prevent the governmental regulatory effort from inordinately burdening the real property.

The City Council should settle the claim if the City Council determines that the modifications within the settlement agreement protect the public interest served by the Ordinance and are the appropriate relief necessary to prevent the regulatory effect of the Ordinance from inordinately burdening the Property.

II. DISCUSSION: The property owner has requested a maximum occupancy of twenty-four (24) occupants. City staff is recommending an occupancy of nineteen (19) occupants based on the square footage of the property. The building official utilized a one-occupant per 200 square feet methodology for recommending the above-stated occupancy.

Additionally, staff is recommending at least four (4) trash cans on the property. This recommendation is based on industry standard (Waste Management) that, on average, one trash can is required for every six occupants in order to ensure adequate garbage disposal. Therefore, if the maximum number of occupants exceeds any multiple of six (6, 12, 18, 24, 30, 36, etc.), then an extra trash can will be needed to accommodate the additional occupants. For example, if thirteen (13) is the maximum occupation, then three (3) trash cans are required. This is because, on average, two (2) trash cans will only accommodate twelve (12) occupants. The third trash can will be needed to accommodate the thirteenth occupant.

Further, the property owner must agree to annual life safety inspections, as provided in the proposed settlement agreement.

Finally, staff is recommending that no greater than four (4) vehicle be parked on this property.

As stated in the agreement, the property owner remains bound by all other provisions of City codes.

A. **Link to Strategic Goals / Objectives:**
B. **Effect on Budget (EOB):**
C. **Level of Service (LOS):**

III. CONCLUSION:

IV. RECOMMENDED MOTION: 1. I move to approve the settlement agreement prepared by the City Land Use Attorney and Staff.

or

2. I move to approve the settlement agreement prepared by the City Land Use Attorney and Staff with the following modifications:_____.

or

3. I move to direct the City Land Use Attorney to negotiate in good faith with the property owner and to bring back an alternate settlement proposal to the City

Council for consideration.

or

4. I move to deny settlement of the subject claim at this time.

Attachments:

1. Bert Harris Case - 4488 Ocean View Drive
2. 4488 Ocean View Drive (3)

DANA C. MATTHEWS

MICHAEL A. JONES

KENNETH M. BORICK
Of Counsel
Also admitted in Georgia and South Carolina

DANA C. "D.C." MATTHEWS II

SAMUEL B. TAYLOR

MATTHEWS & JONES
ATTORNEYS AT LAW

INSIGHT | INTEGRITY | INNOVATION

DANIEL C. O'ROURKE
Florida Supreme Court Certified
Civil and Family Mediator

CHRISTA P. DIVINEY
Board Certified Criminal Trial Lawyer
Also admitted in Alabama

LAURA PENTEL-KLANG

JESSICA L. STEWART

SALVADOR "A.J." GOMEZ

Reply to Destin

statum@destinlaw.com

July 29, 2019

VIA HAND DELIVERY

Mayor Gary Jarvis
City of Destin
4200 Indian Bayou Trail
Destin, FL 32541
gjarvis@cityofdestin.com

Dear Mayor Jarvis:

Our firm represents Timothy and Dana Flynn ("the Flynns"), the owners of the home located at 4488 Ocean View Drive; Destin, Florida, also identified as Lot 36 of the Crystal Shores plat, recorded in Okaloosa County Plat Book 13, at Page 59.

Due to the recent enactment of City of Destin Ordinance 18-29-CC, which limits the occupancy of short term rental homes to two (2) people per bedroom plus an additional four (4) persons, the Flynns' reasonable investment-backed expectations for use of the home as a short-term vacation rental property have been inordinately burdened, as defined in the "Bert J. Harris, Jr., Private Property Rights Protections Act", Chapter 70, Florida Statutes ("Harris Act"). The Flynns hereby submit this letter along with the enclosed Panhandle Appraisal Group property appraisal dated January 22, 2019, as a claim under the Harris Act against the City of Destin for Six Hundred Forty-Five Thousand Dollars ($645,000.00), which represents the diminution in value of the Flynns' property.

Pursuant to the provisions of the Harris Act, the Flynns hereby demands payment in the amount of Six Hundred Forty-Five Thousand Dollars ($645,000.00) plus attorneys fees and costs.

If no resolution is reached during the statutorily prescribed waiting period, the Flynns intends to file suit pursuant to this claim and pursue any other legal remedies for the actions that gave rise to this claim. The Flynns explicitly reserves the right to bring any and all legal challenges, appeals and objections with respect to Ordinance 18-29-CC.

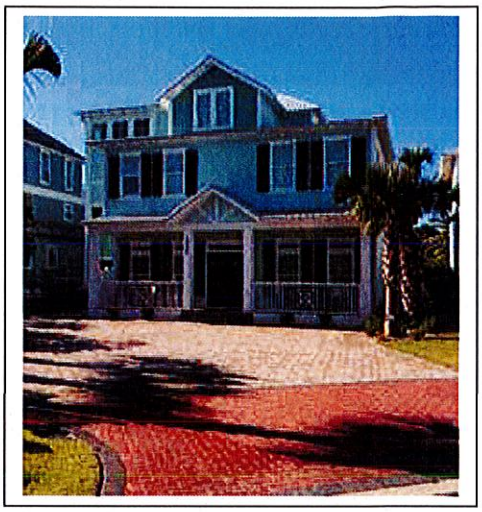
Sincerely,

C. Stephen Tatum
Matthews & Jones, LLP
Attorney for Timothy and Dana Flynn

Enclosure

cc: Lance Johnson, City Manager (via email)
Rey Bailey, City Clerk (via email)
Kimberley Romano-Kopp, Esq. (via email)
Client

APPRAISAL REPORT



PROPERTY: AN APPROXIMATE 3,885 SQUARE FOOT HEATED AND COOLED RESORT RENTAL RESIDENCE, SITED ON AN APPROXIMATE 0.15 ACRE SITE WITH ASSOCIATED SITE IMPROVEMENTS INCLUDING POOL, POOL DECK AND PARKING FOR AT LEAST 6 CARS

4488 OCEAN VIEW DRIVE, DESTIN, OKALOOSA COUNTY, FL

EQUIVALUE
APPRAISAL

EQUIVALUE APPRAISAL, LLC
PROFESSIONAL APPRAISAL AND VALUATION SERVICES
PO BOX 5326
DESTIN, FLORIDA 32540
PHONE (850) 424-6119

Jason P. Shirey, MAI, CCIM, CPM
State-Certified General Real Estate Appraiser, RZ3186 (FL)
Direct Phone (850) 543-5953 (Mobile)

EquiValue Appraisal File No.: 190-114

APPRAISAL REPORT

Of Resort Residential Property
+/-0.15 Acres of Residential-Zoned Land
Improved with An Approximate 3,885 SF Heated and Cooled Resort Rental Residence
And Associated Improvements Including Pool, Pool Deck and
Parking for At Least 6 Cars

Location
4488 Ocean View Drive
Destin, Okaloosa County, FL
32541

Property Owner
Timothy and Dana Flynn

Effective Date
January 22, 2019 (Retrospective)

Report Date
May 3, 2019

Client / Intended User
Mr. Timothy Flynn
6 Carriage Pines Court
Spring, TX 77381

Prepared by:
Jason P. Shirey, MAI, CCIM, Cert Gen RZ3186

EQUIVALUE
APPRAISAL

Phone 850 424 6119 Fax 888 774 4503
EquiValue Appraisal, LLC File #: 190-114

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May 3, 2019

Mr. Timothy Flynn
6 Carriage Pines Court
Spring, TX 77381

EQUIVALUE
APPRAISAL

Re: Dimunition in Value Appraisal of an approximate 3,885 HVAC Square Foot Resort Rental Residence, 'As Is', whose postal address is 4488 Ocean View Drive, Destin, Okaloosa County, FL 32541. EquiValue Appraisal File No. 190-114.

Dear Client:

At your request and authorization, we have prepared an appraisal for the above-referenced resort residential rental property. A copy of the pertinent engagement document has been included in the addenda to this report if applicable.

This letter of transmittal is *not* an appraisal report, but merely serves to transmit the attached appraisal report and convey the final conclusion of value. The accompanying research, analyses and conclusions, and appraisal report following this letter of transmittal has been compiled in accordance with USPAP Standards Rule 2-2(a) for a written appraisal report.

The purpose of this appraisal is to determine if there is a Dimunition in Value as result of recently-adopted City of Destin Ordinance No. 18-29-CC, and if so, to derive an opinion of the Dimunition in Value to the subject property associated with the implementation of said Ordinance.

This Ordinance was implemented January 22, 2019, and the incorporation of this ordinance limits the occupancy of the subject property to 16 guests. Prior to the implementation of this Ordinance, the designed occupancy of the subject property was 24 guests. Therefore, as a result of the ordinance, the maximum occupancy of the subject has been reduced by 6 guests, or approximately -33.33%.

We are therefore opining on the difference in market value of the subject before and after the adoption of City of Destin Ordinance No. 18-29-CC, which was promulgated on January 22, 2019.

The values reported are predicated upon market conditions prevailing as of the effective date of the appraisal. In the context of the scope of work, the appraisal is considered to render a credible opinion of value, specific to the client, intended use and intended user.

The intended use of this appraisal is for internal decision making purposes by the stated Client and their advisors. This appraisal is intended for the use of the client and client's advisors.

We have completed the requisite inspections, research, and analyses necessary to appraise the 100% fee simple interest in the subject property, 'As Is' as of January 22, 2019, both prior to adoption of Ordinance No. 18-29-CC and after, in order to evaluate the potential Dimunition in value.

Please reference the Scope section of this report for information regarding the scope of research and analysis for this appraisal, including property identification, inspection, highest and best use analysis and valuation methodology.

I certify that I have no present or contemplated future interest in the property beyond this opinion of value. The reported value(s) in this appraisal have not been based on a requested minimum valuation, a specific valuation, and have been prepared in compliance with the Uniform Standards of Professional Appraisal Practice.

Your attention is directed to the Limiting Conditions and Assumptions section following the reconciliation and appraisal certification in this report. Acceptance of this report constitutes an agreement with these conditions and assumptions.

This appraisal is subject to the following Hypothetical Condition(s):

- None.

This appraisal is subject to the following Extraordinary Assumption(s):

- None.

Our opinion of value was formed based on our experience in the field of real property valuation, as well as the research and analysis set forth in this appraisal.

I am of the opinion that as a result of the implemented City of Destin Ordinance 18-29-CC that the market value of the subject property is negatively impacted.

The implemented Ordinance reduces the maximum occupancy of the subject property, and therefore the subject's associated income generation potential.

The subject property is a resort-residential property specifically utilized for income generation purposes. Therefore, a reduction in scheduled income due the subject correlates to a reduction in associated value.

The Dimunition in Value to the subject is represented by the difference between the 'Before' and the 'After' value conclusions.

In this case, this is represented by the difference between the opined value prior to implementation of the Ordinance (ie. the 'Before Ordinance' value of $1,475,000) and the value after implementation of the Ordinance (ie. the 'After Ordinance' value of $830,000).

Per this calculation, with supporting documentation as to the rationale of these values provided within this report, the opinion of Dimunition in Value to the subject as a result of City of Destin Ordinance 18-29-CC is opined to be $645,000.

Therefore,

Dimunition in Market Value
As A Result of Implementation of City of Destin Ordinance 18-29-CC:

Six Hundred Forty Five Thousand Dollars
($645,000)

The estimated market exposure period necessary for the subject to have achieved these values is estimated to be 9-12 months.

It was a pleasure assisting you with this matter. If you have any questions concerning the following analysis, or if we can be of further assistance, please do not hesitate to call.

Respectfully submitted,
EquiValue Appraisal, LLC

Jason P. Shirey, MAI, CCIM, CPM
Cert Gen RZ3186

INTRODUCTION

QUALIFICATIONS OF THE APPRAISER

EQUIVALUE
APPRAISAL

Qualifications of

Jason P. Shirey, MAI, CCIM, MS-RECM

State-Certified General Real Estate Appraiser No. RZ 3186 (FL)
State-Certified General Contractor No. CGC 062478 (FL)
Licensed Real Estate Broker No. BK 3168469 (FL)

MAI : Designated Member of the Appraisal Institute
Appraisal Insitute, Chicago, Illinois.

CCIM : Designated Certified Commercial Investment Member
CCIM Institute, Chicago, Illinois.

M.S. RECM : Master of Science, Real Estate and Construction Management
University of Denver - Denver, Colorado.

B.S. BCN : Bachelor of Science, Building Construction Management
University of Florida – Gainesville, Florida.

Business Affiliations and Work Experience, Past / Present

EquiValue Appraisal and Consulting Services
Principal and Founder; Real Estate Appraiser, Real Estate Broker, Certified General Contractor

Marsh Appraisal Corporation - Real Estate Appraisal and Valuation Services, Fort Walton Beach, Florida
Registered Trainee Appraiser / State Certified Real Estate Appraiser

Plantation Coast Properties, LLC – Fort Walton Beach, Florida
Principal; Real Estate Investments and Property Management

Alcon Associates, Inc. – Commercial General Contractors / Construction Managers; Pensacola, Florida
Florida Division Manager

National Construction Enterprises, LLC – General Contractor / Construction Managers; Savannah, Georgia
Vice President of Operations, Savannah-Hilton Head Division

Acoustics and Specialties, Inc. – General Contractors; Memphis, Tennessee
Senior Estimator / Project Manager of Healthcare Construction

Brasfield and Gorrie General Contractor Inc. – General Contractors and Construction Managers; Orlando, Florida
Construction Estimator / Project Manager

United States Air Force Reserve
Reserve Pilot, Boeing C-17 Globemaster III

EQUIVALUE
APPRAISAL

Jason P. Shirey, MAI, CCIM, MS-RECM (Continued)

Professional / Continuing Education

Litigation Appraising - Specialized Topics and Applications
Appraisal Institute

Uniform Standards of Professinal Appraisal Practice
7 Hour Update, *Appraisal Institute*

Advanced Income Capitalization
Appraisal Institute

Advanced Sales Comparison Approach
and Principles In Highest and Best Use
Appraisal Institute

User Decision Analysis for Commercial Real Estate
CCIM Institute Course CI-103

Advanced Cost Approach
Appraisal Institue

Real Estate Taxation, Planning and Consequences
University of Denver, Burns School of Real Estate

Advanced Real Estate Feasibility Analysis
Urban Land Institute / University of Denver

Real Estate Securities and Syndications
University of Denver, Burns School of Real Estate

Legal Issues In Real Estate and Construction Management
University of Denver, Burns School of Real Estate

Income Property Investment
Urban Land Institute / University of Denver

Argus Financial Analysis
University of Denver, Burns School of Real Estate

Residential Real Estate Appraiser Course ABII
Ed Klopfer Schools of Real Estate

Real Estate Salesperson Pre-Licensing Course
Ed Klopfer Schools of Real Estate

Income Property Management
Institute of Real Estate Management / University of Denver

Certified Commercial Investment Member Core Concepts
CCIM Insitute Comprehensive Exam

Appraising from Blueprints and Specifications
Appraisal Institute

Florida Building Code Update
Florida Workplace Safety and OSHA Update
Universal Inspection Service

Uniform Standards of Professional Appraisal Practice
15 Hour Update, *Appraisal Institute*

Business Practices and Ethics for Appraisers
Appraisal Institute Course #420

Basic Income Capitalization
Appraisal Institute

Advanced Valuation and Report Writing
Appraisal Institute Course #540

Real Estate Investment Finance
University of Denver, Burns School of Real Estate

Computer Applications for Real Estate Analysis
University of Denver, Burns School of Real Estate

Risk Management and Insurance for Investment Real Estate
University of Denver, Burns School of Real Estate

Indoor Air Quality and Mold Contamination Remediation
National Association of Mold Professionals, 2004

Real Estate Trainee Appraiser Course ABI
Ed klopfer Schools of Real Estate

Uniform Standards of Professional Appraisal Practice
15 Hour Update, *Appraisal Institute*

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APPRAISAL

Jason P. Shirey, MAI, CCIM, MS-RECM (Continued)

Appraiser Experience - Property Types

Affordable Housing
Agricultural Land
Aircraft Hangars
Antenna Towers
Apartments
Automobile Dealerships
Hotels and Motels
Bank Buildings
Bowling Alleys
Broadcast Facilities
Campgrounds / Recreational Vehicle Parks
Car Washes
Churches
Coastal Land
Condominium Units:
  Assemblages, Complexes, Conversions
Condominium Projects:
  Pre-development, Insurable Replacement Cost
Convenience Stores
Day Care Centers
Development Appraisals
Distribution Facilities
Golf Clubs and Country Clubs
Health Clubs
High-End Residential
Hobby Farms
Home Sites (Lots)
Home Sites (Land - Large Tracts)
Hotel - Resorts
Industrial Land
Indstrial Improvements
Light Industrial Properties
Manufacturing Facilities
Marinas / Docks / Boat Storage Facilities
Medical Offices
Mixed Use Developments
Mobile Home Parks
Multifamily Land
Multifamily Developments
Nurseries
Office Buildings
Office Condominiums
Office-Warehouse Facilities
Outdoor Signs
Parking Facilities
Replacement Cost Appraisals
Retail Stores (Anchor Tenant / Owner Occupied)
Retail Strip Centers (Multiple Tenant)
Restaurants (All types)
Self-Storage Facilities
Subdivisions (Commercial)
Subdivisions (Residential)
Single Family Residences
Sustainable Development (Green Buildings)
Urban Land (Vacant and Interim Use)
Warehouses
Yacht Clubs

Previous Client List (Partial)

Access Bank and Mortgage
Alternative Funding Corporation
BanCorp South
Bank of America
Bank of Bonifay
Bank of Pensacola
BankTrust
Beach Community Bank
CB Richard Ellis
CCB Community Bank
Colonial Bank
Community Bank
Compass Bank
Cotton and Gates
Crystal Beach Development
DestinFirst Bank
First Capital Bank
First City Bank
First Gulf Bank
First National Bank and Trust
Florida Coastal Mortgage
Guaranty Federal Bank
GulfSouth Private Bank
Jay Odom
Kevin Helmich, P.A.
Legendary, Inc.
LNK Development
M & F Bank
People's First Community Bank
Premier Community Bank
Regions Bank
Renasant Bank
Sunbird Condominium Owner's Association
Suntrust Bank
The Plaza Owner's Association
Tranquil Harbor Owner's Association
Trustmark National Bank
Vanguard Bank
Villas on the Gulf Condominium Onwer's Association
Vision Bank
Wachovia Bank
Whitney Bank

Assignment Purposes

Acquisition
Disposition
Assessment Appeal
Development Feasibility
Estate Planning
Financing (Institutional and Private)
Investment Analysis
Portfolio Analysis
Marital Dissolution
Relocation
Mediation, Arbitration, Dispute Resolution

EQUIVALUE
APPRAISAL

Jason P. Shirey, MAI, CCIM, MS-RECM (Continued)

Assignment Types

Appraisal Review
Buyer Brokerage
Complex Valuation
Construction Progress / Draw Request Inspection
Demographic Analysis
Detrimental Conditions Valuation and Consulting
Eminent Domain Valuation and Consulting
Estate Valuation
Feasibility Studies
Fee Appraisals Including Full and Fractional Interests
Foreclosure / REO Appraisal - Assessment
Highest and Best Use Analysis
Insurance
Litigation Support
Market Studies
Portfolio Valuation and Analysis
Relocation Appraisal
Rent Analysis / Studies
Retrospective Valuation
Site Location Services
Valuation and Consultation for Financial Reporting

Primary Market Area

Okaloosa County
- Destin
- Fort Walton Beach
- Crestview
- Mary Esther
- Niceville
- Bluewater Bay

Walton County
- Miramar Beach
- Panama City Beach
- Rosemary Beach
- Santa Rosa Beach
- Blue Mountain Beach
- Freeport
- Defuniak Springs
- Inlet Beach
- Seacrest Beach

Santa Rosa County
- Navarre
- Navarre Beach
- Gulf Breeze

Bay County
- Panama City
- Panama City Beach
- Springfield

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Subject Photograph(s)

Additional photographs can be referenced in the Property Description Section of the Appraisal Report.

Summary of Salient Facts and Conclusions

GENERAL	
EquiValue Appraisal File No:	190-114
Subject:	An approximate 3,885 HVAC SF / 4,781 Gross SF Resort Rental Residence located along the north side of Scenic Highway 98, and accessed from the south boundary of Ocean View Drive, approximately 290 feet north of the Beaches of the Gulf of Mexico, with postal address of 4488 Ocean View Drive in Destin, Okaloosa County, Florida. The subject site is comprised of +/-0.15 acres of Crystal Beach Neighborhood-zoned land (a residentially-oriented zoning designation) which is improved with the previously-mentioned resort rental residence. This residence, which was constructed in 2018, was specifically designed and outfitted to accommodate and adequately park 24 overnight (sleeping) guests and features: • 6 Full Bedrooms • 7.5 Bathrooms • A Third Level Bunk Room / Lounge / Sleeping Area • Den, Dining, Living, Kitchen Areas • Swimming Pool and Pool Deck • Outdoor Living Areas • Surface parking for a minimum of 6 vehicles. The subject property is identified by Okaloosa County Parcel ID Number 00-2S-22-0059A-0000-0360. The use of the subject property in 'As Is' condition is as a beach proximate, resort residential rental property and this is the use represented in the valuation of the subject property, as of the effective date of this appraisal.

In the 'Before' condition, occupancy of the subject was specifically designed for 24 guests with sleeping accommodations as follows:

1st Floor Bedroom #1 (Sleeps 2)
1 King Bed

2nd Floor Bedroom #2 (Sleeps 2):
1 King Bed

2nd Floor Bedroom #3 (Sleeps 2):
1 King Bed

2nd Floor Bedroom #4 (Sleeps 2):
1 King Bed

2nd Floor Bedroom #5 (Sleeps 4):
1 King Bed
1 Bunk Bed

2nd Floor Bedroom #6 (Sleeps 4):
1 King Bed
1 Bunk Bed

3rd Floor Bunk Room / Lounge Area (Sleeps 8)
4 Bunk Beds

In the 'After' condition and taking into account the City of Destin Ordinance 18-29-CC which was implemented January 22, 2019, the occupancy of the subject is limited to 16 Guests as calculated by 6 bedrooms at 2 guests per bedroom plus 4 additional guests.

Owner: Timothy and Dana Flynn
6 Carriage Pines Court
Spring, TX 77381

Legal Description: Crystal Shores Lot 36

Tax Identification: 00-2S-22-059A-0000-0360

Date of Report: May 3, 2019

Date of Value: January 22, 2019

Property Rights Appraised: Fee Simple

Intended Use: The intended use of this appraisal is for internal decision making purposes by the client, and for Bert Harris Act computation of damages.

Intended User(s): The intended users of this report is the property owner, the property owner advisors, courts and local government and regulatory agencies.

Appraisal Purpose: Market Value Opinion 'As Is' in the 'Before Ordinance' and 'After Ordinance' conditions, and subsequent evaluation of Dimunition in Value.

2018 Assessed Value: **$374,500 (Vacant Lot Only)**

Despite the intention of the property appraiser to value property at market value on a yearly basis, it is the appraiser's opinion that assessed value has no direct correlation to fair market value in the subject market area. It is noted that as the subject was just recently constructed, the assessed value does not yet represent the improved property, and is for the vacant land only.

2018 Taxes: **$4,808.81 (Paid)**

According to the Okaloosa County Tax Collector, taxes for 2018 have been paid in full and no prior year delinquent taxes remain owing. It is noted that once the subject property is assessed in the improved configuration, the assessed value and taxes will increase substantially.

Sale History: The subject was purchased by the current owner on April 19, 2017 as a vacant lot for the reported price of $499,000 per ORB/P 3296/1700. This was an arm's length purchase which was nominally consistent with current market value at the time of the sale. The owner then constructed the residential improvement specifically for income generation purposes with a specific design for 24 occupants.

There have been no other transfers of the subject property in the preceding 3 years.

Current Contracts/Listing:	We were unable to locate any active listing for sale of the subject property in the prior 12 months. We are unaware of any intention by the current owner to market the subject for sale. It is our understanding that the property owner plans to retain the subject property for short-term rental purposes and income generation potential.

PROPERTY

Land Area:	Total: +/-0.15 Acres Usable: +/-0.15 Acres Excess: 0.00 Acres
Zoning/ Future Land Use:	CBN – Crystal Beach Neighborhood by the City of Destin
Highest and Best Use 'As Is':	Utilizing the subject as a resort-residential rental property at maximum occupancy is estimated to be the highest and best use of the subject 'As Is'. It is noted that occupancy limitations imposed on the subject by virtue of City of Destin Ordinance 18-29-CC, which limits occupancy of the subject property to a lesser number than that for which the subject was specifically designed and outfitted, is anticipated to have a negative impact on the market value / return on investment of the subject property to the owner.

VALUE CONCLUSIONS

Land Value:	Not Utilized
Cost Approach:	Not Utilized
Improved Sales Comparison Approach:	Not Utilized
Income Approach:	$1,475,000 – Before Ordinance 18-29-CC $830,000 – After Ordinance 18-29-CC $645,000 – Dimunition in Value as a Result of Ordinance 18-29-CC

Appraisal Scope of Work

In accordance with the 2018-2019 Uniform Standards of Professional Appraisal Practice, it is the appraiser's responsibility to develop and report a scope of work that results in credible results that are appropriate for the appraisal problem and intended user(s).

This process should meet the expectations of parties who are regularly intended users for similar assignments and be consistent with what an appraiser's peers actions would be in performing the same or a similar assignment.

Therefore, the appraiser must identify and consider:

- the client and intended users;
- the intended use of the report;
- the type and definition of value;
- the effective date of value;
- assignment conditions;
- typical client expectations; and
- typical appraisal work by peers for similar assignments.

This appraisal is prepared for the Client, Mr. Timothy and Dana Flynn.

The intended use of this appraisal is for internal decision making purposes by the client, the client's advisors, and for Bert Harris Act computation of damages.

The intended users of this report is the property owner, the property owner's advisors, courts and local government and regulatory agencies.

SCOPE OF WORK	
Report Type:	This is a written Appraisal Report, which is intended to comply with the reporting requirements established by Standards Rule 2-2(a) of the *2018-2019* edition of the U*SPAP* for a written Appraisal Report. It presents summary discussions of the data, reasoning, and analyses utilized in the appraisal process to develop the appraiser's opinion of value. Supporting documentation not provided with the report concerning the data, reasoning, and analyses is retained in the appraiser's file. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated in the report. The appraiser is not responsible for the unauthorized use of this report.

Property Identification:	The subject was identified by the legal description and the assessor's parcel number, and appraiser inspection.
Inspection:	An inspection of the site and improvements was made, and photographs were taken.
Market Area and Analysis of Market Conditions:	A complete analysis of market conditions was made. The appraisers physically inspected the micro and/or macro market environments which influence the subject property.
Highest and Best Use Analysis:	A complete analysis of highest and best use for the subject property in 'As Is' condition was made.

Valuation Analyses

Land Valuation and Cost Approach:	An opinion of value for the subject property in 'as if vacant' condition and subsequent application of the cost approach has not been provided. The purpose of this appraisal is to evaluate the impact to the value of the subject by virtue of the implementation of City of Destin Ordinance 18-29-CC which limits occupancy of the subject and corresponding associated income generation potential. Thus, the cost to acquire land and construct a replacement property is meaningless to the purpose of the assignment and was not applied.
Sales Comparison Approach:	The improved sales comparison approach was not utilized in this appraisal assignment. The purpose of this appraisal is to evaluate the impact to the value to the subject by virtue of the implementation of City of Destin Ordinance 18-29-CC which limits occupancy of the subject and associated income generation potential. As this ordinance was just recently implemented, an adequate number of improved sales which sold after the Ordinance implementation date were not available from which to derive an opinion of market value from this approach. As sales which occurred prior to this Ordinance will reflect market transactions without this restriction, they are not considered valid indicators of value for the subject in the restricted condition. Therefore this approach could not be applied due to lack of sufficient comparable data.

Income Approach:	The income approach was applied for the subject in both the 'Before Ordinance' and 'After Ordinance' scenarios.
Hypothetical Conditions:	None.
Extraordinary Assumptions:	None.
Exposure Time (Market Value):	Exposure Time may be defined as: the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective opinion based on an analysis of past events assuming a competitive and open market. The estimate of exposure time is presented in consideration of the exposure periods for comparable sales utilized in this appraisal, marketing time information available from nationally published sources including the CB Richard Ellis National Market Survey and the opinions of market participants. ***It is estimated that the exposure time necessary for the subject to have achieved the opinion of value is 9-12 months.***

Definition of Value, Property Rights Appraised, and Intended Use

Purpose of the Appraisal:

The purpose of an appraisal is the stated reason and scope of the appraisal assignment. It is established by the client, and points to the information that the client needs to answer specific questions pertaining to real property. The purpose of the appraisal establishes the foundation for the final value conclusion, which does not change to accommodate the use of the appraisal.[1]

The purpose of this appraisal is to derive an opinion of the Dimunition in Value to the subject property associated with the implementation of City of Destin Ordinance No. 18-29-CC.

This Ordinance was implemented January 22, 2019, and the incorporation of this ordinance limits the occupancy of the subject property to 16 guests. Prior to the implementation of this Ordinance, the designed occupancy of the subject property was 24 guests. Therefore, as a result of the ordinance, the maximum occupancy of the subject has been reduced by 6 guests, or approximately -33.33%.

We are therefore opining on the difference in market value of the subject before and after the adoption of City of Destin Ordinance No. 18-29-CC, which was promulgated on January 22, 2019.

Intended Use of the Appraisal and Intended User:

The intended use of an appraisal is the manner in which a client will employ the information contained in the appraisal report. The intended use or function of an appraisal is determined by the client's needs. Because an appraisal may provide a basis for a decision concerning real property, the intended use of the appraisal depends on the decision that the client wishes to make.[2]

The intended use of this appraisal is for internal decision making purposes by the client, and for Bert Harris Act computation of damages. The intended users of this report is the client / property owner, advisors, courts and local government and regulatory agencies.

Property Rights Appraised

Real property is said to have value as a result of the "bundle of rights" that are inherent to property ownership. Regardless of the type of ownership, the owner of real property is said to have an interest in that property. The following definitions are for the three most commonly-valuated interests as defined by the Dictionary of Real Estate Appraisal, Fourth Edition.

---

[1] The Appraisal of Real Estate, Twelfth Edition
[2] The Appraisal of Real Estate, Twelfth Edition

Fee Simple Interest:
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.

Leased Fee Interest:
An ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the lessee are specified by contract terms contained within the lease.

Leasehold Interest:
The interest held by the lessee (the tenant or renter) through a lease transferring the rights of use and occupancy for a stated term under certain conditions. See also negative leasehold; positive leasehold.

The subject property is being appraised 'fee simple', taking into account market conditions at the effective date of the report. Given the valuation of the subject in 'As Is' condition and the nature of the subject being a resort-rental property which is occupied on a short term or seasonal basis, fee simple basis is considered to be the appropriate valuation standard.

Date of Value Opinion
Value opinions are presented as of a specific date, taking into account market conditions at that time. The effective date of an appraisal is the date at which the analyses, opinions, and advice in an appraisal, review, or consulting service apply. (USPAP, 2018-2019 edition.)

The date of the value opinion can be current, in the past (retrospective), or forecast into the future (prospective).

The following presents definitions regarding the date of the opinion of value, as provided by the text The Appraisal of Real Estate, Twelfth Edition:

Date of Value Opinion:
The date for which an opinion of value is valid.

Current Value:
In accounting, synonymous with market value.

Retrospective Value Opinion:
An opinion of value that is likely to have applied as of a specified historic date. A retrospective value opinion is most frequently sought in connection with appraisals for estate tax, condemnation, inheritance tax, and similar purposes.

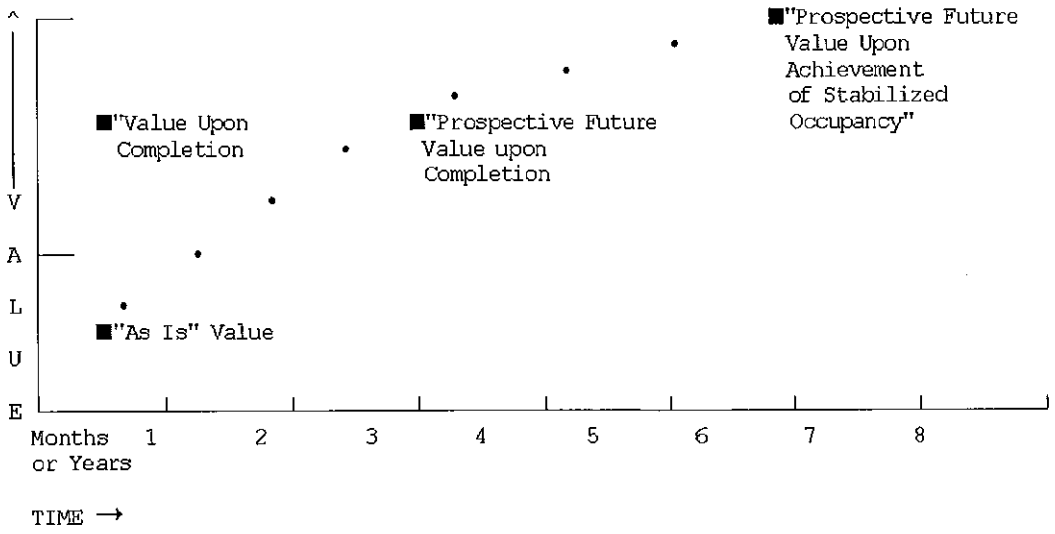
Prospective Value Opinion:
A forecast of the value expected at a specified future date. A prospective value

opinion is most frequently sought in connection with real estate projects that are proposed, under construction, or under conversion to a new use, or those that have not achieved sellout or a stabilized level of long-term occupancy at the time the appraisal report is written.

In a prospective appraisal, the appraiser analyzes market trends to provide support for forecasted income and expense or sell-out opinions, absorption periods, capitalization rates, and discount rates as of the effective date of the appraisal. This appraisal report was prepared taking into account market conditions present as of the date of the report. The appraiser(s) can not be held responsible for unforeseen events that alter market conditions prior to the effective date of the appraisal.

The following graph presents a graphical depiction of the above-described date of value opinions and their associated position within a potential overall development time scenario.

Value Creation Continuum[1]



The preceding exhibit graphically displays the creation of value in a real estate development project over time, assuming a zero inflation environment for clarity of presentation.

1 Code of Federal Regulations, Title 12, as amended by the Federal Home Loan Bank Board.

Basis of the Subject Value Opinion

The four time differential values on the preceding graph which may be considered in the appraisal of proposed developments are defined as follows:

(1) **"As Is"** means an estimate of the market value of a property in the condition observed upon inspection and as it physically and legally exists without hypothetical conditions, assumptions, or qualifications as of the date of appraisal.

(2) **"Value as Complete" or "Value Upon Completion"** means the market value of a property with all proposed construction, conversion, or rehabilitation hypothetically completed, or under other specified hypothetical conditions as of the date of appraisal. With regard to properties wherein anticipated market conditions indicate that stabilized occupancy is not likely as of the date of completion, this estimate of value shall reflect the market value of the property as if complete and prepared for occupancy by tenants.

(3) **"Prospective Future Value Upon Completion"** means the prospective future value of a property on the date that construction is completed, based upon market conditions forecast to exist as of that completion date.

(4) **"Prospective Future Value Upon Achievement of Stabilized Occupancy"** means the prospective future value of a property at a point in time when all improvements have been physically constructed and the property has been leased to its optimum level of long term occupancy.

The purpose of this appraisal is to derive an opinion of the Dimunition in Value to the subject property associated with the implementation of City of Destin Ordinance No. 18-29-CC.

The following are the pertinent dates to the valuation, viewing, and appraisal reporting of the subject property:

Effective Date of Value Opinion:	**January 22, 2019**
Date of Viewing:	**April 10, 2019**
Date of Appraisal Report:	**May 3, 2019**
Date of Photographs:	**April 10, 2019**

Definition of Value

The definition of "Market Value", as defined by the Office of the Comptroller of Currency (OCC) under 12 CFR, Part 34, Subpart C-Appraisals, 34.42 Definitions, the Board of Governors of the Federal Reserve System (FRS) and the Federal Deposit Insurance Corporation in compliance with Title XI of FIRREA, as well as by the Uniform Standards of Appraisal Practice as promulgated by the Appraisal Foundation, is as follows.

> Market value means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby,
>
> 1. Buyer and seller are typically motivated;
>
> 2. Both parties are well informed or well advised, and acting in what they consider their own best interest;
>
> 3. A reasonable time is allowed for exposure in the open market;
>
> 4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
>
> 5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Policy Statement of the Appraisal Institute

It is improper to base a conclusion or opinion of value upon the premise the racial, ethnic, or religious homogeneity of the inhabitants of an area or of a property is necessary for maximum value.

Racial, religious, and ethnic factors are deemed unreliable predictors of value trends or price variance.

It is improper to base a conclusion or opinion of value, or a conclusion with respect to neighborhood trends, upon stereotyped, biased presumptions relating to the effective age or remaining life of the property being appraised or the life expectancy of the neighborhood in which it is located.

FACTUAL DESCRIPTIONS

Property Description

Summary of Site Characteristics and Improvements

SITE	
Information Sources:	Deed, assessment records, inspection, owner
Total Site Size:	+/-0.15 Acres
Usable Site Size:	+/-0.15 Acres
Excess Land:	0.00 acres
Corner Lot:	The site is not a corner lot.
Visibility:	The subject site benefits from visibility from Ocean View Drive on the north boundary of the subject site and from Scenic Highway 98 on the south boundary of the subject site. The subject site is considered to have good visibility for the subject market area.
Shape:	Irregular but Functional. See aerial photograph / property appraiser map for a visual depiction of the site shape and parcel.
Road Frontage/Access:	The subject features direct access from Ocean View Drive, a two lane secondary residential roadway. The subject also features pedestrian access from Scenic Highway 98.
Waterfront Proximity:	The subject is located approximately 290 feet north of the Beaches of the Gulf of Mexico and is well-positioned as a resort rental property which would take capitalize on proximity to beaches.
Drainage:	Drainage appears adequate for the subject property. Drainage on the subject site meets current standards for storm water retention, being recently permitted and constructed. The subject property is considered typical with regard to other similar properties in the subject market area.
Potential For Environmental Contamination:	The appraisers have not observed, nor are qualified to detect, the existence of potentially hazardous material or underground storage tanks which may be present on or near the subject site. The appraisers recommend that an environmental survey be attained to assure the environmental stability of the subject

property. This appraisal assumes no subsoil contamination of the subject site.

Utilities: *Electricity*: Electricity is provided by Gulf Power, Inc. Standard service capacity exists at the subject property with adequate capacity to service the subject existing improvements.
Sewer: Public sewer is provided and is on site.
Water: Public water is provided and is on site.
Natural Gas: Natural Gas service is provided and is on site.
Adequacy: Utility service is considered adequate for the subject improvements and at least standard for the subject market area.

Site Improvements: Site improvements present on the subject at the time of inspection included pavered parking for a minimum of 6 vehicles, utilities, landscaping, an outdoor swimming pool with pavered pool deck.

Landscaping: The subject features excellent quality landscaping with various plantings and grassy areas with irrigation.

Site Utility: Good

Flood Zone: The subject is located in an area mapped by the Federal Emergency Management Agency (FEMA). The subject property appears to be located in Flood Zone 'X' as noted by the following FEMA Map Number:
FEMA Map Number: 12091C0493H 12/06/2002

Easements: We were not provided with a survey for the subject property. Our review of the appropriate maps and public records for the subject property indicated that standard utility easements exist. Our viewing did not indicate that any of these easements would adversely affect the value opinion of the subject contained herein. This appraisal assumes no easements, encroachments, or private deed restrictions which would adversely affect the value of the subject property.

Encroachments: We were not provided with a survey for the subject property. Our review of the appropriate maps and public records for the subject property did not reveal any encroachments on the subject site. Our viewing did not indicate any encroachments that would adversely affect the value opinion of the subject contained herein. This appraisal assumes no easements, encroachments, or private deed restrictions which would adversely affect the value of the subject property.

IMPROVEMENTS – AS IS

Summary:	Very good Quality Resort Rental Residence
Architectural Style:	Modern Multi-Story Residential 'Resort Style' Single Family Home
Building Class (Marshall Valuation)	Class D, Wood Frame
Construction:	Wood Frame and Hardiplank Siding
Quality:	Very Good Quality Resort Residential Dwelling
Year Built:	Actual 2018 / Effective 2018 The subject just recently completed construction.
Actual / Effective Age:	1 Year / 1 Year
Condition:	Very Good
Remaining Useful Life:	54 Years
Areas & Ratios:	Gross Building Area: 4,781 Square Feet HVAC Building Area: 3,885 Square Feet

Per the Okaloosa County Property Appraiser,
The subject features 6 bedrooms and 7.5 bathrooms. Per instituted City of Destin Ordinance, the maximum number of guests will be calculated at the rate of 2 guests per bedroom based on the Property Appraiser's residential profile of the property, plus 4 additional guests. Therefore, the subject in the 'after ordinance' condition will be limited to 16 total guests. See Excerpt below.

Sec. 13-117. – Maximum occupancy based on site capacity/Grandfathering.

(a) The maximum overnight occupancy of a short-term rental shall be stated in the short-term rental registration form, and shall be limited to the lesser occupancy of the following two options:

i. Two (2) persons for each bedroom, plus four (4) additional persons. The number of bedrooms shall be based upon the Property Appraiser's residential profile of the property, and other documents of record, as needed. In no case shall the maximum total occupancy for any dwelling unit exceed the occupancy limits permitted by the Florida Fire Prevention Code or Florida Building Code.

or

ii. A total of twenty-four (24) persons per short-term rental. In the event that there is more than one building or dwelling on one platted lot, the maximum occupancy shall be capped at twenty-four (24) occupants per lot or structure, whichever is less.

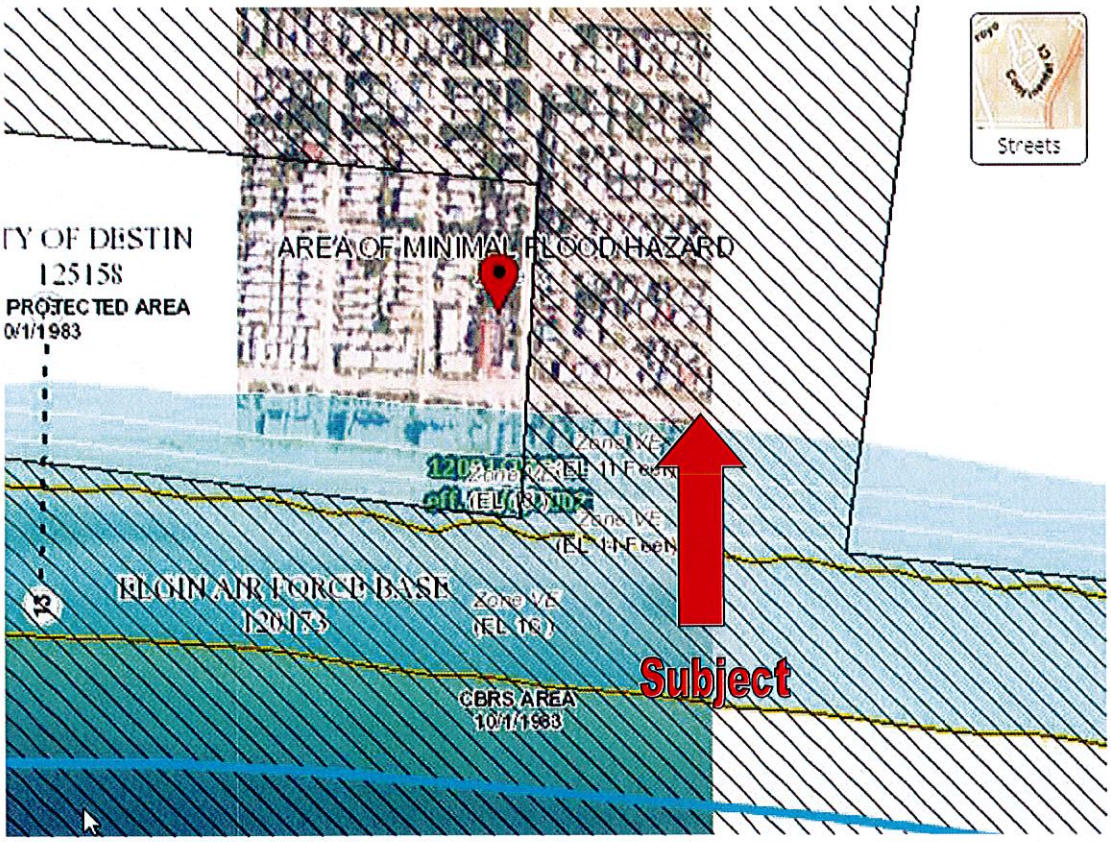
FOUNDATION, FRAME & EXTERIOR	
Foundation:	Concrete, Concrete Block Stemwall, Concrete Slab
Frame:	Wood Frame
Exterior:	Hardiplank Siding
Roof/Cover:	Metal Roof, Sloped

INTERIOR	
Notes Regarding Interior Finish:	Interior finishes to the subject includes custom kitchen cabinetry, stone or solid surface countertops, custom backsplash, stainless steel appliances, custom bath cabinetry and good quality bathroom and kitchen fixtures. Good quality flooring and appurtenances. The subject features a finish consistent with to superior to most resort residences in the existing Destin / Crystal Beach market.
Interior Finish:	Good Quality.
Ceilings & Ceiling Height:	Finished Ceilings throughout, generally 10-0"-12'-0" height.
Floor Cover:	Porcelain tile, wood, carpet. Good level of floor finish.
Doors:	Good Quality and condition solid core / six-panel doors with lever style handles throughout. Glass windows and doors are good quality insulated double pane impact resistant.
Additional Amenities:	The subject property has a very good level of finish with good design and outdoor living areas including an outdoor swimming pool with pavered pool deck and covered outdoor patios.

MECHANICAL SYSTEMS	
Heating / Cooling:	Multiple Individual HVAC systems.
Hot Water:	Adequate for property.
Electrical:	Adequate for property.
Plumbing:	Adequate for property with 6.5 Full Bathrooms. The subject was specifically designed as a resort rental property with planned occupancy / sleeping accommodations for 24 persons.

Regional Maps

Flood Map


Streets
TY OF DESTIN
125158
PROTECTED AREA
0/1/1983
AREA OF MINIMAL FLOOD HAZARD
Zone VE
(EL 11 Feet)
Zone VE
(EL 14 Feet)
ELGIN AIR FORCE BASE
120183
Zone VE
(EL 15)
Subject
CBRS AREA
10/1/1983

Flood Zone Descriptions

"A 100-year flood is a flood that has a 1-percent chance of being equaled or exceeded in any given year. A base flood may also be referred to as a 100-year storm and the area inundated during the base flood is sometimes called the 100-year flood plain.

The term "100-year flood" is misleading. It is not the flood that will occur once every 100 years. Rather, it is the flood elevation that has a 1- percent chance of being equaled or exceeded each year. Thus, the 100-year flood could occur more than once in a relatively short period of time. The 100-year flood, which is the standard used by most Federal and state agencies, is used by the National Flood Insurance Program (NFIP) as the standard for floodplain management and to determine the need for flood insurance. A structure located within a special flood hazard area shown on an NFIP map has a 26 percent chance of suffering flood damage during the term of a 30-year mortgage.

Zone AE and A1-A30
Zones AE and A1-A30 are the flood insurance rate zones that correspond to the 100-year floodplains that are determined in the Flood Insurance Study by detailed methods. In most instances, Base Flood Elevations derived from the detailed hydraulic analyses are shown at selected intervals within this zone. Mandatory flood insurance purchase requirements apply.

Zone VE
Zone VE is the flood insurance rate zone that corresponds to the 100-year coastal floodplains that have additional hazards associated with storm waves. BFEs derived from the detailed hydraulic analyses are shown at selected intervals within this zone. Mandatory flood insurance purchase requirements apply.

Zones B, C, and X are the flood insurance rate zones that correspond to areas outside the 100-year floodplains, areas of 100-year sheet flow flooding where average depths are less than 1 foot, areas of 100-year stream flooding where the contributing drainage area is less than 1 square mile, or areas protected from the 100-year flood by levees. No BFEs or depths are shown within this zone."

Building Floor Plan Excerpts

Okaloosa County Property Appraiser's Office

Parcel Number: 00-2S-22-059A-0000-0360

Traversal Information:

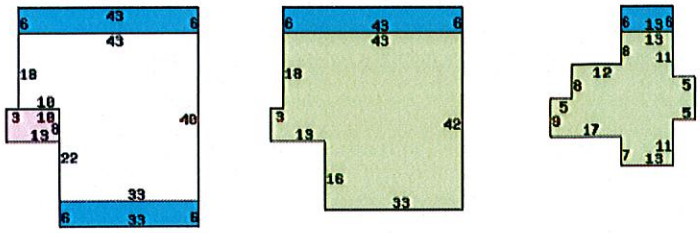
FOP2018=W43S6BAS2018=S18FST2018=W3S5E13N
8W10S10S21FOP2018=S6E33N6W33SE33N40W43S
E43N6SPTR=E20FOP2018=S6FUS2018=S18W3S5E1
3S16E33N42W43SE43N6W43SW20SPTR=E101FOP20
18=S6FUS2018=S5W125SW6S9E175TE13N11E8N10
W8N11W13SE13N6W13SW101S.

Building Number: 1

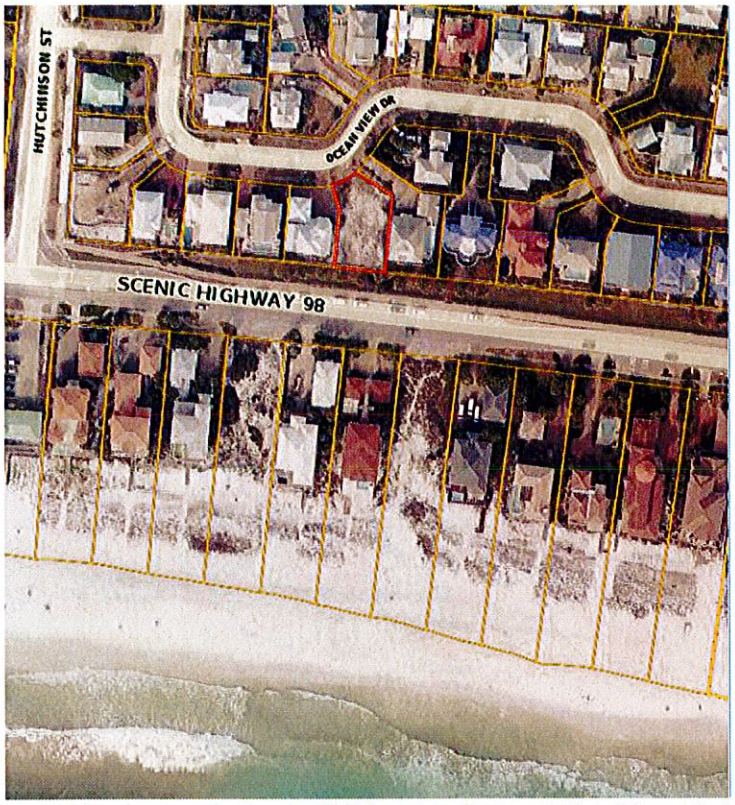
Color	Area Type	Area Type Description	Year Built	SQ FT
	FOP	FINISHED OPEN PORCH	2018	792
	BAS	HEATED BASE AREA	2018	1800
	FST	FINISHED STORAGE	2018	104
	FUS	FINISHED UPPER STORY	2018	2388

Close Window

Enlarge



Aerial Photograph



PARCEL INFORMATION TABLE	
Selected Parcel	00-2S-22-059A-0000-0360 (Click for Complete Card)
DOR Property Usage	SINGLE FAMILY (000100)
Calculated Acreage (GIS)	0.15
Calculated GIS acreage is computer generated. It is for informational purposes only and does not replace deed or survey information.	
Property Use	SINGLE FAM
Land Use	000100

OWNERSHIP INFORMATION	
Name	FLYNN TIMOTHY E & DANA T
Mailing Address	6 CARRIAGE PINES CT SPRING, TX 773810000
Situs/Physical Address	4488 OCEAN VIEW DR DESTIN

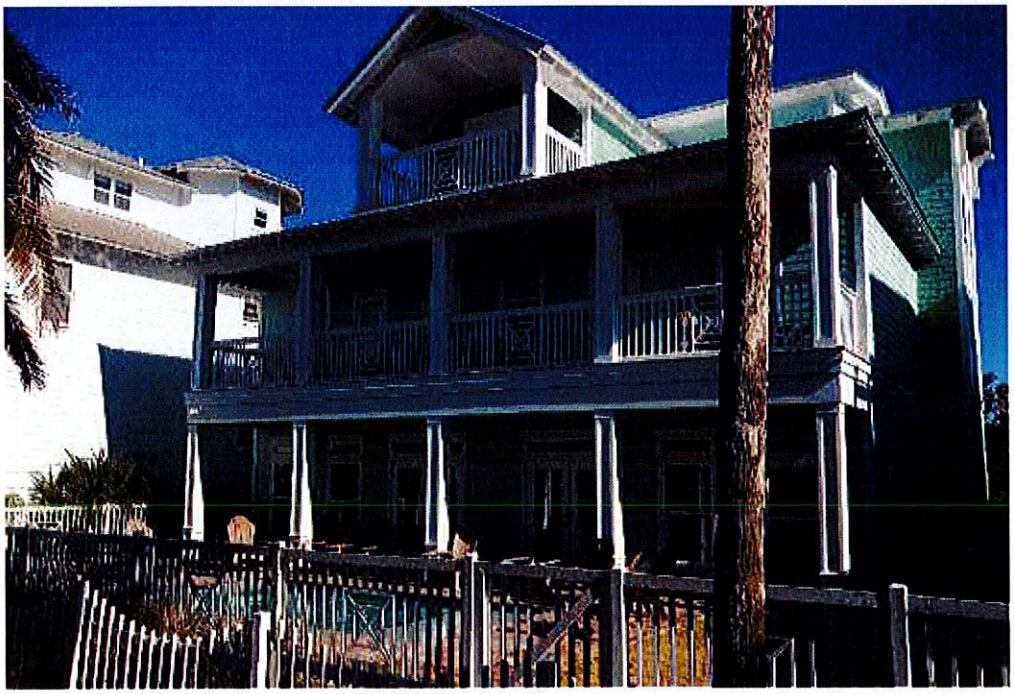
VALUES:	
Land Value	374,500
Ag Land Value	0
Building Value	0
Misc Value	0
Just Value	374,500
Assessed Value	374,500
Exempt Value	0
Taxable Value	374,500

LAST 2 SALES			
Date	Price	Vacant?	Qual
2017-04	499,000	V	Q
2014-01	305,000	V	Q

Subject property outlined in red above

Subject Photographs

Subject Front



Subject Rear

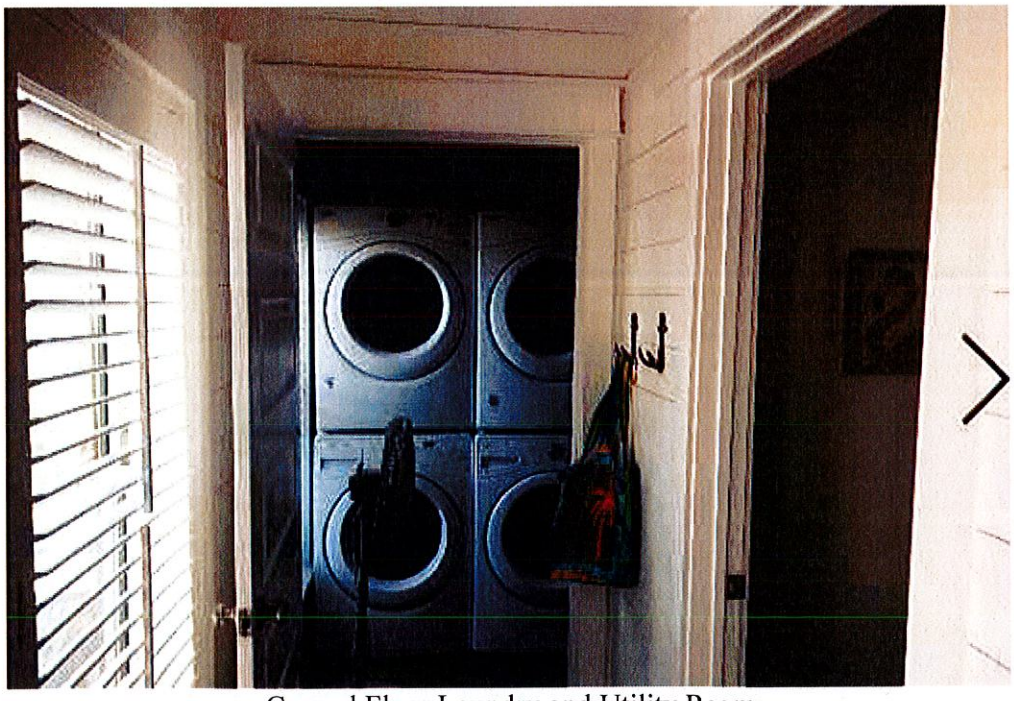
Subject Front and Pavered Parking

Subject Rear Yard and Pool with Pavered Deck

Subject East Side

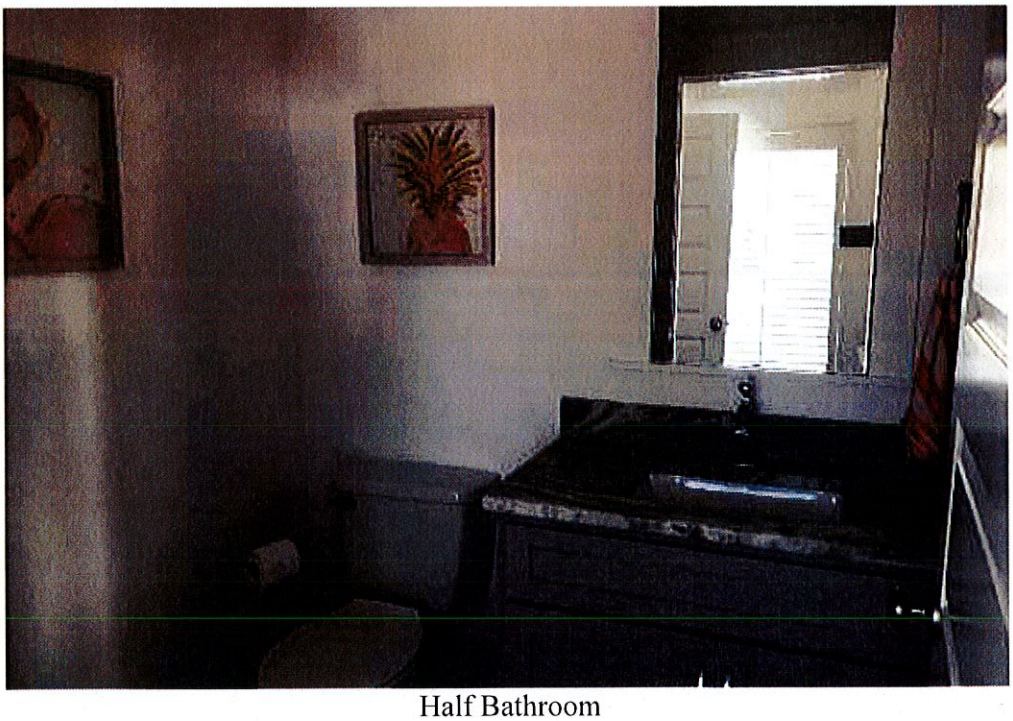
Subject Driveway and Parking Area in Support of 24 Occupants

Subject Signage

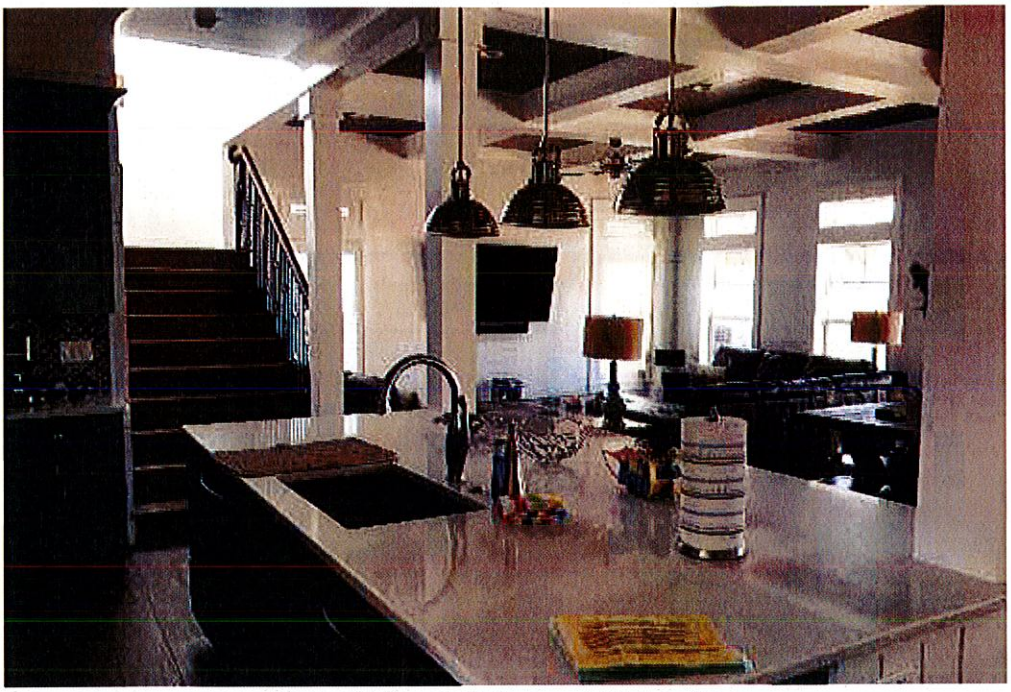


Ground Floor Laundry and Utility Room

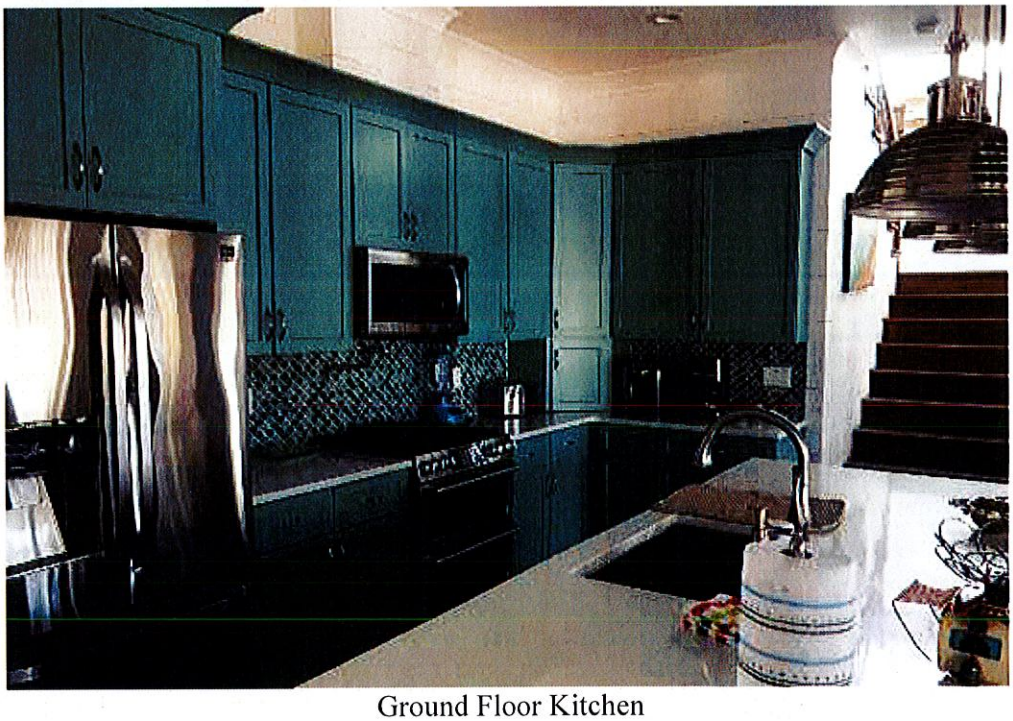
First Floor Entry



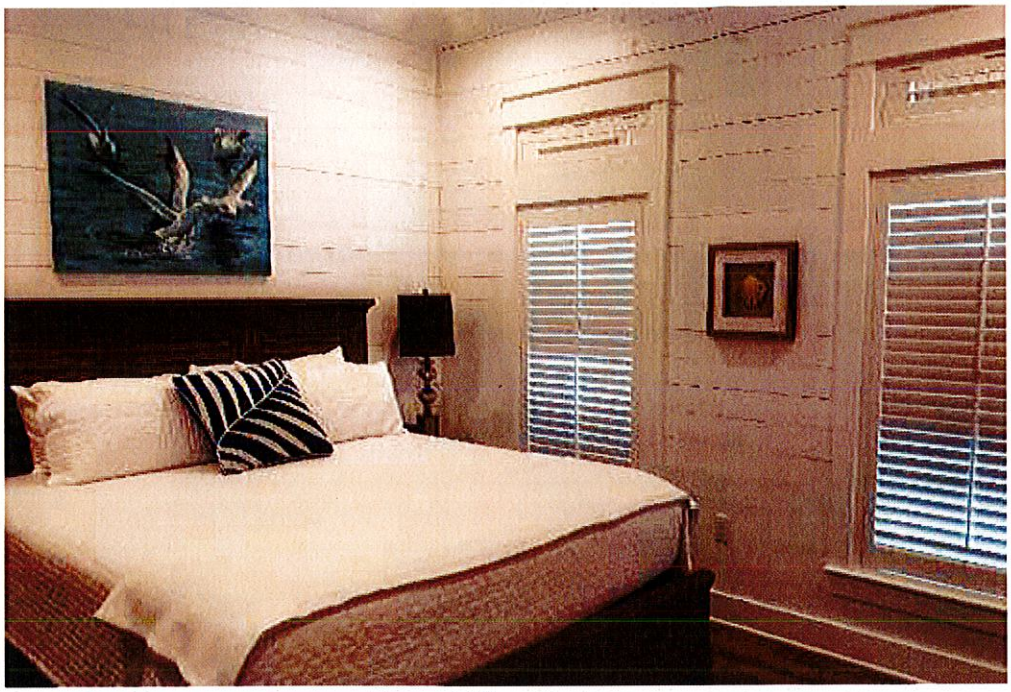
Half Bathroom



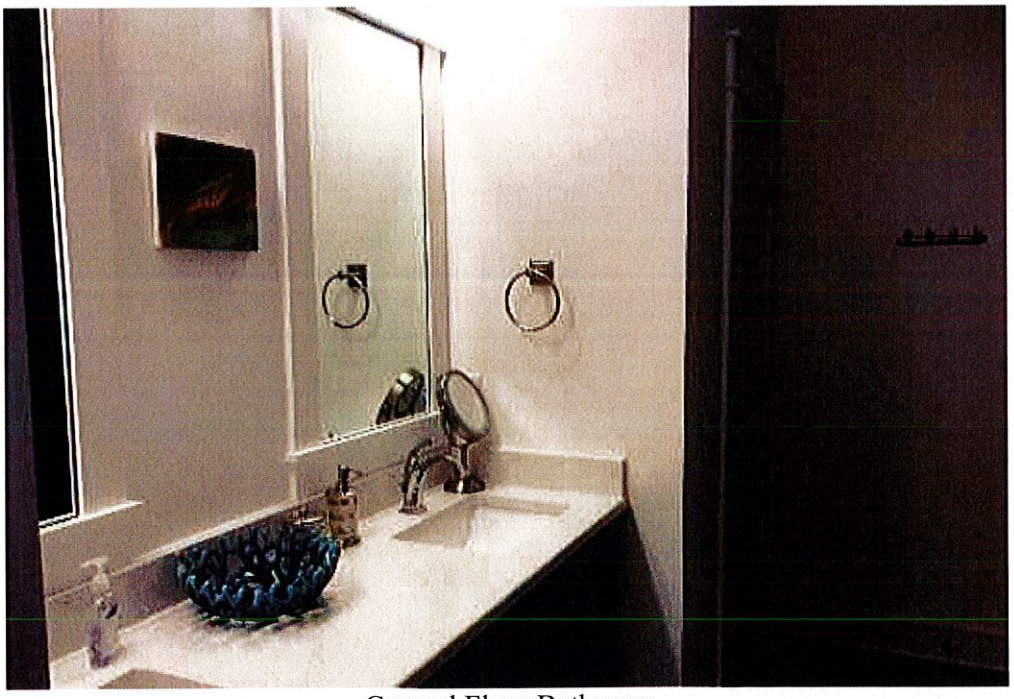
Ground Floor Kitchen and Living Area



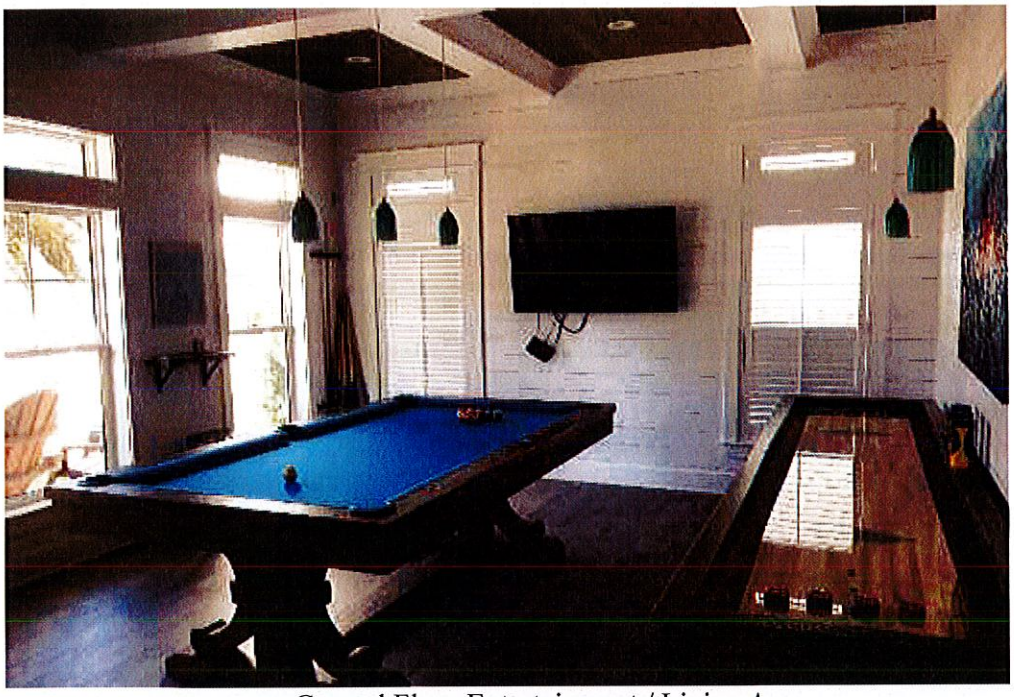
Ground Floor Kitchen



Ground Floor Bedroom



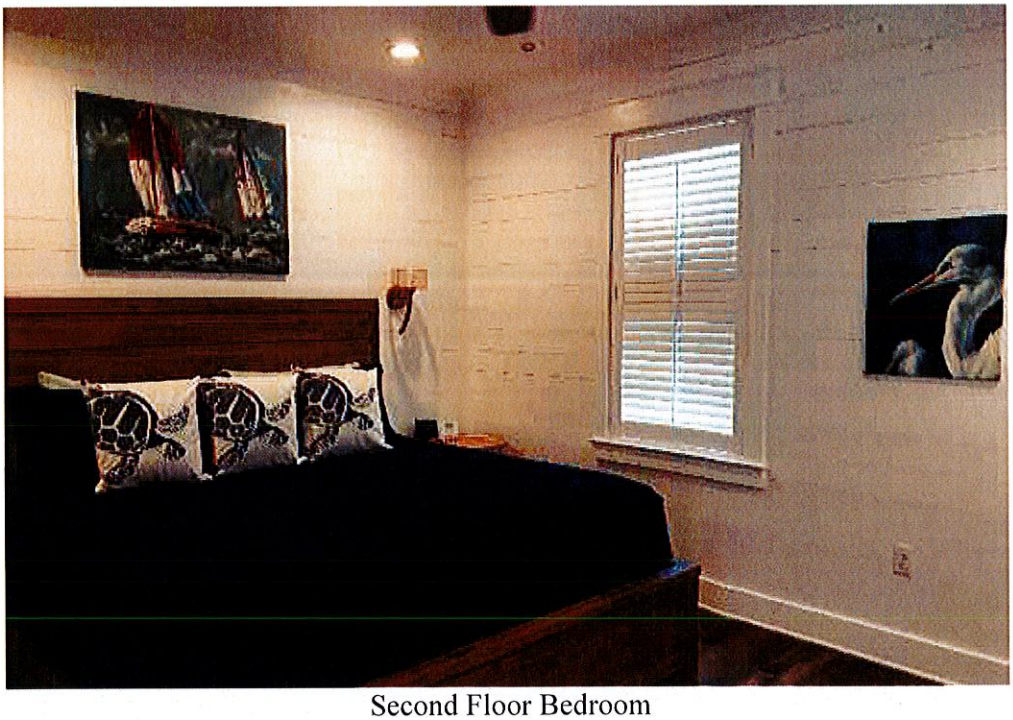
Ground Floor Bathroom



Ground Floor Entertainment / Living Area

Ground Floor Living / Dining Area

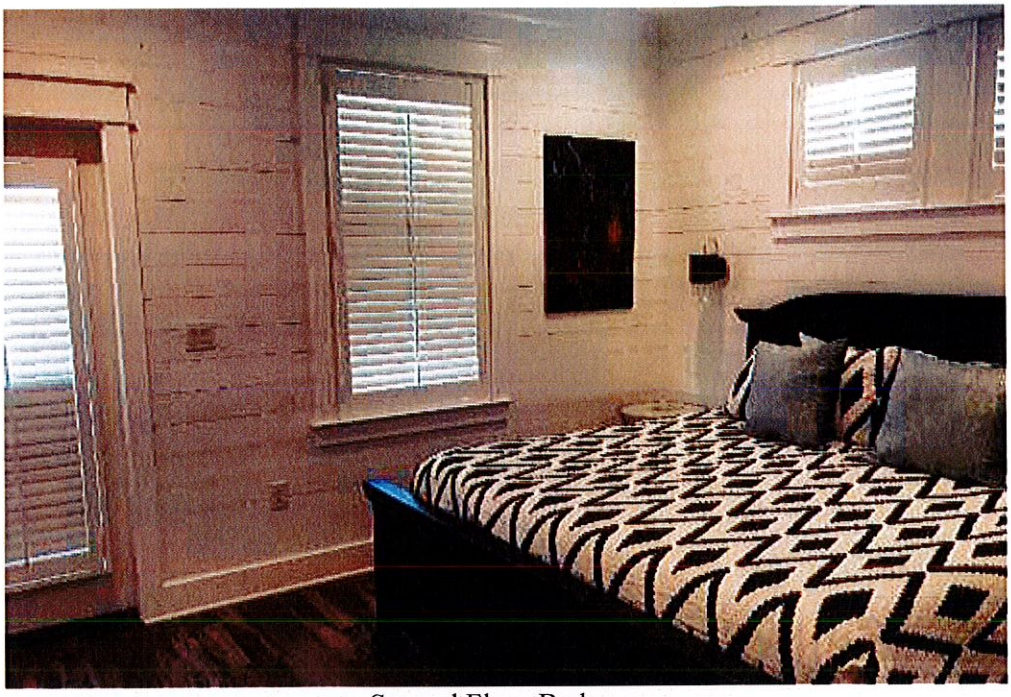
Second Floor Bedroom Corridor



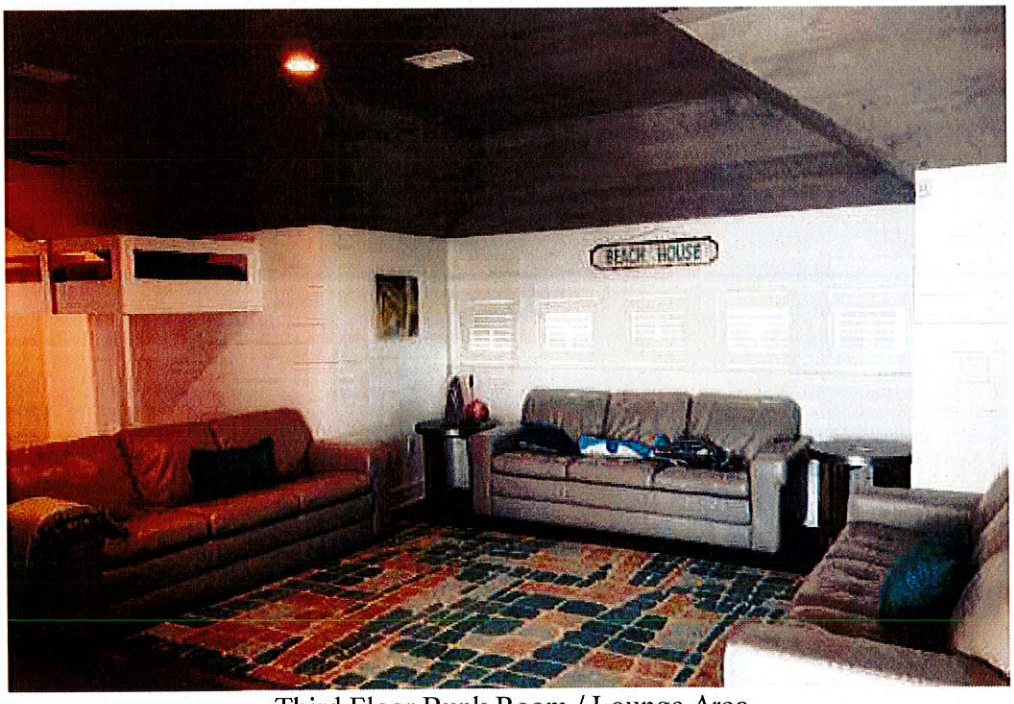
Second Floor Bedroom

Second Floor Bedroom

Second Floor Bedroom



Second Floor Bedroom



Third Floor Bunk Room / Lounge Area

Third Floor Bunk Room / Lounge Area

Third Floor Bunk Room / Lounge Area

Zoning

The subject property is located within the Crystal Beach Neighborhood land use designation, as governed by the City of Destin.

Use of the subject for various residential, short term seasonal rental, guest house and other varied uses are legally permissible by the zoning in place.

Therefore, use of the subject as a seasonal rental property is considered legal, conforming. It is noted that the zoning category description within the land development code does not provide for any outlined maximum occupancies for the subject property or other similar properties. We therefore ascertain that prior to implementation of City of Destin Ordinance 18-29-CC occupancy of the subject for the planned number of sleeping guests of 24 was legally permissible.

Community Development Department
Planning Division
4200 Indian Bayou Trail, Destin, FL 32541
Phone (850) 337-3123 • Fax (850) 837-7949
www.cityofdestin.com/index.aspx?nid=91

ZONING DISTRICT FACTSHEET

The purpose and intent of establishing zoning districts is to ensure that all development is consistent with the goals, objectives and policies of the Comprehensive Plan, by establishing a series of zoning districts that indicate what uses are allowed and site development regulations that control the use of land in each district. All development within each zoning district shall be consistent with the purposes stated for each district. (LDC 7.12.03)

CRYSTAL BEACH NEIGHBORHOOD (CBN)

Purpose and Intent: The Crystal Beach Neighborhood zoning district shall apply to areas developed, redeveloped and/or maintained and conserved as permanent or seasonal single-family detached or multi-family attached residential dwelling units. Very limited supportive non-residential uses are allowed and are strictly limited to: places of worship, parks, playgrounds, community buildings and similar public service facilities serving the residents of the area, childcare centers and other ancillary neighborhood commercial uses which are approved as part of a planned unit development (PUD) for the exclusive use of the residents of the PUD. It is the intent of the CBN zoning district to specifically not allow the following uses to be located in the district: commercial hotels, motels, bed and breakfast establishments, or other commercial transient living accommodations.

Table 7-2: Table of Allowable Uses (excerpt from LDC 7.12.06)

PERMITTED USES:	**Permanent or long-term residential uses**	
	Single-family detached dwelling	
	Guest house [1]	
	Accessory dwelling	
	Single room occupancy housing	
	Museums, historical sites, zoos & parks [10]	
	Religious organizations	
	Seasonal or short-term residential uses	
	Single-family detached dwelling	
	Other residential uses	
	Community residential home, small (1-6)	
	Family day care home	
CONDITIONAL USES:	**Other residential uses**	
	Permanent or long-term Multi-family attached dwelling	
	Seasonal or short-term Multi-family attached dwelling	
	Community residential home, large (7-14)	
	Child day care services	
ACCESSORY USES:	Uses and structures which are customarily accessory, clearly incidental and subordinate to permitted uses and structures, including home occupations and off-site businesses.	

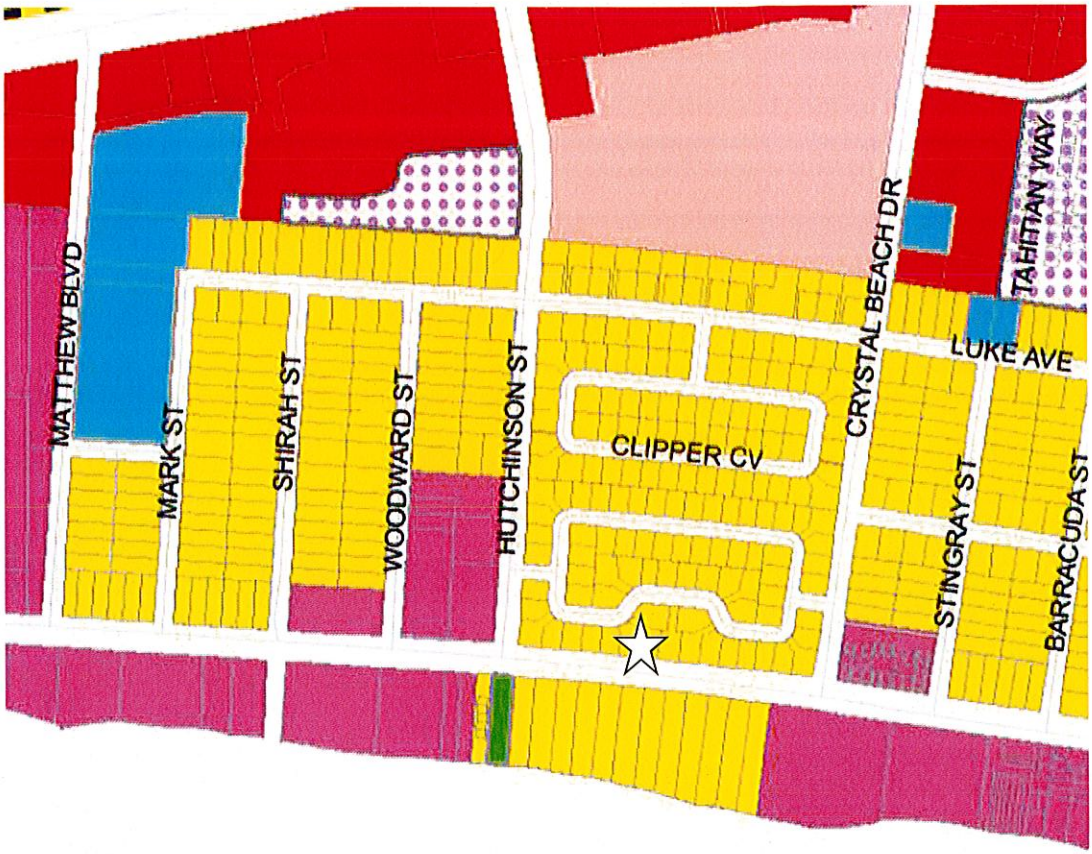
Footnotes:

1 Guest houses are permitted only if the owner of the subject property occupies the primary dwelling as his/her main residence. However, guest houses shall not be rented out separately from the main residence. (refer to LDC section 7.12.04.M).

10 Zoos are only allowed in the Industrial zoning district.

Supplement 11, thru 16-18 LC, Dec 2016

Zoning Map



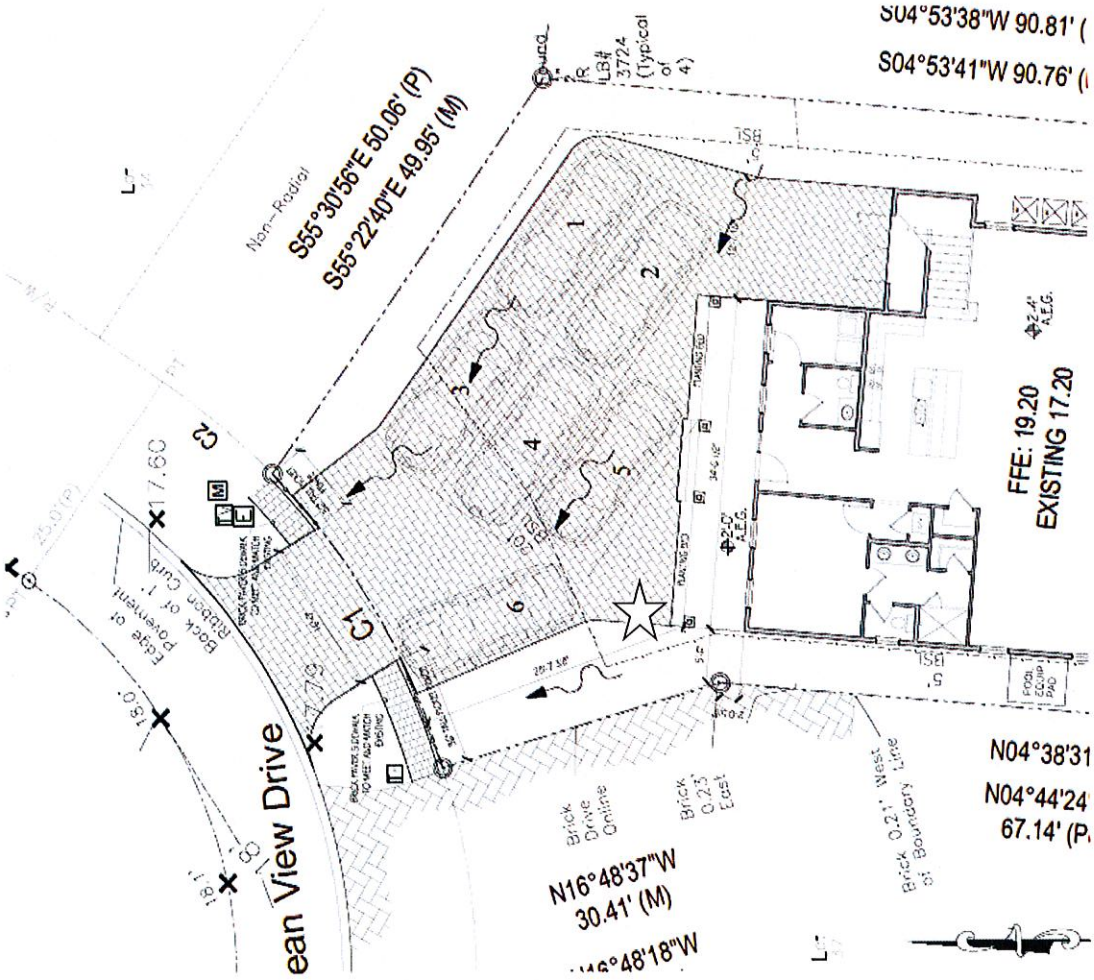
Residential

- BE - Bay Estates
- LDR-V - Low Density Residential - Village
- LDR-HI - Low Density Residential - Holiday Isle
- LDR-H - Low Density Residential - Harbor
- MDR-V - Medium Density Residential - Village
- MDR-HI - Med. Density Resid. - Holiday Isle
- HDR - High Density Residential
- CBN - Crystal Beach Neighborhood

Mixed Use

- CBR - Crystal Beach Resort
- ROI-CBR - Residential, Office, & Institutional - Crystal Beach Residential
- ROI-GD - Residential, Office, & Institutional - General Development
- ROI-TD - Residential, Office, & Institutional - Tourist Development
- ROI-VR - Residential, Office, & Institutional - Village Residential
- CMU - Calhoun Mixed Use
- TCMU - Town Center Mixed Use
- HIMU - Holiday Isle Mixed Use
- GRMU - Gulf Resort Mixed Use
- NHMU - North Harbor Mixed Use
- SHMU - South Harbor Mixed Use
- BRMU - Bay Resort Mixed Use

Designed Parking Plan for Minimum of 6 Vehicles



Assessment and Taxes

Tax Structure, Overview

Florida Law requires that the just value of all property be determined each year. The Supreme Court of Florida has declared "just value" to be legally synonymous to "full cash value" and "fair market value." The fair market value of real property is the amount for which it could sell on the open market, and assumes the present use is the highest and best use. The property appraiser analyzes these market transactions annually to determine fair market value as of January 1 of each year.

The property appraiser is responsible for identifying, locating, and fairly valuing all property, both real and personal, within the county for tax purposes. The "market" value of real property is based on the current real estate market, and is determined by market participants. The property appraiser has the legal responsibility to study the transactions of market participants and appraise real property accordingly.

At least once every three years, the county property appraiser or a staff appraiser will visit and inspect each property. Additionally, individual property values may be adjusted between visits in light of sales activity or other factors affecting real estate values in the subject neighborhood. Sales of similar properties are typically used as strong indicators of value in the real estate market.

Each August, the Property Appraiser sends a "Notice of Proposed Taxes," to all property owners to notify them of the taxable value of their property. Taxable value is the assessed value less any exemptions. The TRIM notice also gives information on proposed millage rates and taxes as estimated by community taxing authorities, and when and where these taxing authorities will hold public meetings to discuss tentative budgets to set your millage tax rates.

The property appraiser only assesses all property in the county and is neither a taxing authority nor a tax collector. Three separate government entities, each having unique and distinct roles, determine the tax bill of any property in their jurisdiction.

The following is a summary of the process:

> First the property appraiser annually appraises all property in their respective county at the market value as of January 1 each year.
>
> Second, each taxing authority within the county sets their own millage rate based on the amount of tax dollars necessary to fund their annual budget.
>
> Finally, the tax collector takes the amount of taxes due in order to bill and collect all taxes levied within the county.

Tax Collector Card

BEN ANDERSON
Okaloosa County Tax Collector

2018 Paid Real Estate
Notice of Ad Valorem Tax and Non-Ad Valorem Assessments

MAIL PAYMENTS TO: P.O. BOX 1390, NICEVILLE, FL 32588

ACCOUNT NUMBER	ESCROW CD	MILLAGE CODE	ALTERNATE KEY	PROPERTY ADDRESS
002S22059A00000360		DEDF	1003505	OCEAN VIEW 4488, DESTIN, 32541

FLYNN TIMOTHY E & DANA T
6 CARRIAGE PINES CT
SPRING, TX 77381-0000

OCEAN VIEW 4488

CRYSTAL SHORES
LOT 36

AD VALOREM TAXES

TAXING AUTHORITY	MILLAGE RATE	ASSESSED VALUE	EXEMPTION AMOUNT	TAXABLE VALUE	TAXES LEVIED
OKALOOSA COUNTY BD OF CO COMMS					
EMERGENCY MEDICAL SERVICES	0.0741	374,500	0	374,500	27.75
GENERAL	3.7214	374,500	0	374,500	1,393.66
COUNTY PUBLIC HEALTH UNIT	0.0353	374,500	0	374,500	13.22
SCHOOL LOCAL	2.2480	374,500	0	374,500	841.88
SCHOOL STATE	4.1130	374,500	0	374,500	1,540.32
NORTHWEST WATER DISTRICT	0.0338	374,500	0	374,500	12.66
CITY OF DESTIN	1.6150	374,500	0	374,500	604.82
DESTIN FIRE DISTRICT	1.0000	374,500	0	374,500	374.50

EXEMPTIONS APPLIED:

TOTAL MILLAGE	12.8406	AD VALOREM TAXES	$4,808.81

WANT TO RECEIVE YOUR BILL ELECTRONICALLY NEXT YEAR? VISIT www.OkaloosaTax.com AND SIGN UP FOR E-BILLS!

NON-AD VALOREM ASSESSMENTS

LEVYING AUTHORITY	RATE	AMOUNT

PAY ONLINE WITH CREDIT/DEBIT CARD AT www.OkaloosaTax.com - BANK CARD USER FEE WILL APPLY

NON-AD VALOREM ASSESSMENTS	$0.00

COMBINED TAXES AND ASSESSMENTS	$4,808.81

PAYING ONLINE VIA
E-CHECK IS FREE
Visit www.OkaloosaTax.com

PAY YOUR BILL

"PAY ONLINE, NOT IN LINE"

RETAIN THIS PORTION FOR YOUR RECORDS
WALK-IN CUSTOMERS PLEASE BRING FOR RECEIPT
AFTER MARCH 31ST, TAXES MUST BE PAID WITH CASH, CASHIER'S CHECK OR MONEY ORDER.

If Postmarked By	Mar 31, 2019
Please Pay	$0.00

BEN ANDERSON
Okaloosa County Tax Collector

2018 Paid Real Estate
Notice of Ad Valorem Tax and Non-Ad Valorem Assessments

MAIL PAYMENTS TO: P.O. BOX 1390, NICEVILLE, FL 32588

ACCOUNT NUMBER	ESCROW CD	MILLAGE CODE	ALTERNATE KEY	PROPERTY ADDRESS
002S22059A00000360		DEDF	1003505	OCEAN VIEW 4488, DESTIN, 32541

PRIOR TO MARCH 31ST TAXES CAN BE PAID USING CASH, CHECK, CREDIT/DEBIT CARDS OR E-CHECK

If Postmarked By	Mar 31, 2019
Please Pay	$0.00

FLYNN TIMOTHY E & DANA T
6 CARRIAGE PINES CT
SPRING, TX 77381-0000

OCEAN VIEW 4488

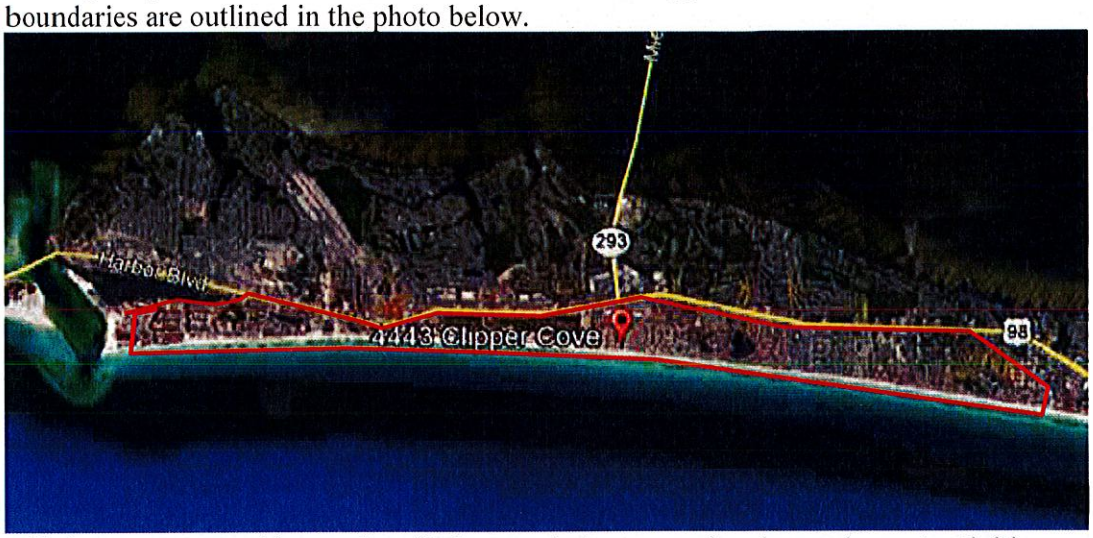
CRYSTAL SHORES
LOT 36

Paid TIMOTHY E FLYNN 03/22/2019 Receipt # 351-18000172 Check $4,808.81

ANALYSIS OF DATA AND OPINIONS OF THE APPRAISERS

Market Area Summary / Neighborhood Information

The subject property is located in the Destin-Miramar Beach market area, which is bounded by the Destin Harbor / East Pass to the West, US Highway 98 and the waters of the Destin Harbor to the North, the Gulf of Mexico to the South and the intersection of US Highway 98 / Scenic Gulf Drive to the East. The approximate neighborhood boundaries are outlined in the photo below.



This is a resort area driven primarily by proximity to area beaches and resort activities. The predominant property type in the area is of second home and seasonal vacation properties with far fewer full-time residents than seasonal occupants.

Many second home and resort area property owners rent their properties on a seasonal basis to either offset costs of ownership or in the pursuit of income generation potential, and the seasonal income attributed to a property is often a significant factor contemplated by purchasers in the market when evaluating a purchase decision.

We have witnessed a trend for increased rental demand of larger resort residences which can accommodate larger groups for family reunions, large family vacations, etc.

This has led to the construction of larger and larger seasonal resort rental homes to serve this need. These larger properties often witness more robust demand and income generation potential than smaller properties with less sleeping capacity where vacationing groups would otherwise be required to split between several locations.

In summary, the subject is sited directly in an area that is geared toward seasonal rental operations, be it solely for the purpose of income generation potential or as an offset to the costs of personal use. The ability to rent a property seasonally remains a significant motivator for market participants and weighs heavily in their buy-sell decision making process. A restriction that negatively impacts the ability to seasonally rent a resort property is estimated to have a significant negative impact on the value of this asset class.

Highest and Best Use

The definition of "highest and best use" is presented unabridged in the definitions section of this report. However, in brief, highest and best use refers to the reasonably probable and legal use of vacant land or an improved property, which is legally permissible, physically possible, appropriately supported, financially feasible, and that results in the highest value, i.e. maximally productive.[3]

Objective analysis and interpretation of market data leads to an informed opinion of that use. However, the estimate of highest and best use should not be interpreted as a provable fact. A typical highest and best analysis evaluation process and pertinent questions which aid in the elimination of possible alternatives are presented below.

1. **Permissible Use.** What uses are permitted by zoning and other legal restrictions? What are the land use controls that will govern the site? Uses that are *legally permissible* are those allowed under current or likely zoning and those that could meet building codes. In addition, local communities may have restrictions on public utility loads, traffic creation, access restrictions, and so on, all of which must be considered when selecting legally permissible uses

2. **Physically Possible Use.** To what use is the site physically adaptable? What is an appropriate improvement given architectural / engineer study? Unless prohibited by soil or subsoil problems or land size constraints, it is *physically possible* to place most potential improvements on the site. Usually this test, if performed first or second, will not significantly reduce the number of potential uses.

3. **Feasible Use.** Which possible and permissible use will produce any net return to the owner of the site? Should the land be developed, and if so, what kind of improvement should be built? If an improvement should be constructed, what is the type and characteristics of an ideal improvement? Uses that are considered economically or financially feasible are those that potentially would logically produce net operating income and net resale price levels high enough to adequately support construction of the potential improvement and provide the investor with a reasonable profit. Implicit to this analysis is that riskier projects require higher profit levels to induce potential developers to undertake the burden of coordination of land, labor and capital.

4. **Maximally Productive Use.** The final test is to determine of the financially feasible options, which of these would result in the highest land value or values as

[3] The Appraisal of Real Estate, Twelfth Edition

improved. Among the feasible uses which use will produce the highest net return, (i.e., the highest present worth)? If there are existing improvements on the property should they be maintained in their current state or should they be altered to more closely resemble the ideal improvement?

Although these criteria are generally evaluated sequentially, the resulting conclusion of highest and best use should be identical regardless of the order of application of the above tests.

Implied within this definition is that the estimation of the highest and best use for a particular property results from the appraisers' judgment and analytical skill with respect to the market for that particular property.

However, the highest and best use of a specific parcel of land is not just a matter of subjective opinion; rather, highest and best use is indicated by supply and demand forces within the market where the property is located, availability of capital, supply of alternative investments, need for additional products or services within a community, and other factors.

Highest and Best Use 'As Is'

The highest and best use 'As Is' recognizes among all reasonable, alternative uses, the use that yields the highest present land value after payments are made for labor, capital, and entrepreneurial coordination.[4]

We have evaluated the most probable uses for the subject property, 'As Is', given the current market for resort residential rental property and recent development activity in the subject market area.

Legally Permissible

The subject property is located within the Crystal Beach Neighborhood land use designation, as governed by the City of Destin. Use of the subject for various residential, short term seasonal rental, guest house and other varied uses are legally permissible by the zoning in place.

Therefore, use of the subject as a seasonal rental property is considered legal, conforming. It is noted that the zoning category description within the land development code does not provide for any outlined maximum occupancies for the subject property or other similar properties. We therefore ascertain that prior to implementation of City of Destin Ordinance 18-29-CC occupancy of the subject for the planned number of sleeping guests of 24 was legally permissible. After implementation of City Ordinance 18-29-CC, the subject will be limited to a total of 16 sleeping guests.

Therefore, use of the subject as a resort residential property is legally permissible. Use of the subject prior to Ordinance implementation for occupancy by up to 24 guests was permitted, however after implementation of the Ordinance occupancy is limited to 16 guests.

Physically Possible

The subject property is generally level, well-drained, and at or level with the existing road grade of Ocean View Drive and features sufficient parking and site improvements to operate in the designed capacity for 24 occupants.

The subject represents a well-constructed resort residential property with multiple bedrooms, bathrooms, pool, kitchen and living areas, etc. The subject has been specifically configured for occupancy as a resort rental property, and features all necessary components for operation as intended, with a designed occupancy of 24 overnight guests.

Therefore, use of the subject as a resort residential rental property for 24 sleeping guests is physically possible.

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[4] The Appraisal Of Real Estate, Twelfth Edition

Financially Feasible
Demand for resort residential properties in the subject market area has improved in the previous 24-48 month period, with a number of increased transactions. Most market participants would describe the market for similar properties as robust.

As described in the market analysis section of this report. The predominant property type in the market area is of second home and seasonal vacation properties with limited full-time residents.

Many property owners rent their properties on a seasonal basis to offset costs of ownership or for income generation potential, and the income a property can generate is often a significant factor contemplated by purchasers in the market. This can be done with or without the assistance of a professional property manager.

We have witnessed a trend for increased rental demand of resort residences which can accommodate larger groups for family reunions, large family vacations, etc. This has led to the construction and renovation of seasonal resort rental homes to serve this need.

Reference the subject, the property was specifically configured to house up to 24 sleeping guests. Similar properties in the market (and the subject property) achieve sufficient income to provide an adequate return on investment to be definitively financially feasible, however this financial feasibility is directly linked to occupancy.

The recently-implemented City of Destin Ordinance 18-29-CC serves to reduce occupancy of the subject to no more than 16 persons, a net reduction in occupancy of -33.33%.

This no doubt will impact the income generation potential of the property and associated net income, as now the improvement which was sized for 24 guests will be limited to 16; But, the predominant costs of ownership remain the same.

This ordinance inevitably lowers net income to the property owner- a situation that has no result other than to reduce the value of the asset in its respective marketplace where income generation potential is valued by prospective purchasers.

Therefore, use of the subject as a resort rental property is considered to be financially feasible. However, it is noted that the reduction in permissible occupancy by Ordinance 18-29-CC is estimated to impact the financial performance and associated market value of the subject property negatively.

Maximally Productive Given the legally permissible, physically possible, and financially feasible uses of the subject property we are of the opinion that the maximally productive use of the subject property 'As Is' is for continued resort rental use at the occupancy for which is was specifically designed (ie. 24 guests).

This use will certainly bring the highest net return to the land.

While operation in a reduced occupancy capacity (as dictated by City of Destin Ordinance 18-29-CC) is still possible, the impact to the income generation potential is significant, as the occupancy has now been reduced by -33.33% based on number of persons.

This ordinance inevitably reduces gross and net income to the property owner, resulting in a reduced financial benefit of ownership and negative impact to market value.

Therefore, use of the subject as a seasonal rental property is considered legal, conforming. It is noted that the zoning category description within the land development code does not provide for any outlined maximum occupancies for the subject property or other similar properties. We therefore ascertain that prior to implementation of City of Destin Ordinance 18-29-CC occupancy of the subject for the planned number of sleeping guests of 24 was legally permissible.

Valuation Methodology - Overview

The appraisal analysis is based on analytical techniques that may encompass anticipation of costs to be incurred, and benefits to be derived in the future; however, the subject is appraised as described in this report, including only those assumptions also described in this report.

This appraisal analysis has been conducted, and the appraisal report was prepared in conformance with the requirements of Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA).

The valuation process is a systematic procedure an appraiser follows to provide answers to a client's questions about real property value.[1] Three basic approaches may be used to arrive at an estimate of market value. They are:

1. The Cost Approach
2. The Income Approach
3. The Sales Comparison Approach

Land Valuation Methodology

Land Valuation is generally a component of the Cost Approach in appraisal of an improved property. In most appraisal analyses, separate land valuation is conducted utilizing the Sales Comparison Approach.

Cost Approach Methodology

The cost approach is a reliable methodology for new, nearly new or special-use buildings. In the cost approach, value is estimated as the current cost of reproducing or replacing the existing or proposed improvements and site improvements (including direct and indirect costs as well as an appropriate entrepreneurial incentive or profit), and then deducting the loss in value from depreciation due to physical, functional, and external sources.[5]

The depreciated replacement or reproduction cost of the improvements is then added to the value of the site resulting in a value indication of the fee simple interest in the property.

The Cost Approach is summarized as follows:

Cost New
- Depreciation
+ Entrepreneurial Incentive
+ Land Value
= Value

[5] The Appraisal of Real Estate, Twelfth Edition

Sales Comparison Approach Methodology

The sales comparison approach is premised on the "Principle of Substitution" which indicates an informed purchaser would pay no more for a property than the cost of acquiring an equally desirable substitute property possessing the same or similar utility.

This approach is applicable when an active market provides sufficient quantities of reliable data which can be verified from authoritative sources. The Sales Comparison Approach is most reliable in an active market or if an opinion of value is related to properties for which there are comparable sales available- and heavy emphasis is generally placed on this sales comparison approach when these market conditions are present.

The Sales Comparison Approach compares sales of similar properties with the subject property. Each comparable sale is adjusted for its inferior or superior characteristics. The values derived from the adjusted comparable sales form a range of value for the subject. By process of correlation and analysis, a final indicated value is derived.

Income Approach Methodology

The Income Approach converts the anticipated flow of future benefits (income) to a present value estimate through a capitalization and/or a discounting process.

The income approach is recognized as a reliable approach for estimating the value of "income producing" property to an investor. The income approach consists of methods, techniques, and mathematical procedures that an appraiser utilizes to analyze a property's capacity to generate income and convert income into an indication of present value either by capitalizing the current income at a market capitalization rate, or discounting the future cash flows into a present value estimate using an appropriate yield (discount) rate. The appraisal process emulates the actions of the market, and the income approach is most applicable when the probable buyer would be an investor or prospective owner occupant. Two techniques associated with the income approach are direct capitalization and discounted cash flow analysis.

Final Reconciliation Process

In the appraisal process for improved property, typically more than one approach to value is applied, resulting in two or more value indications that must be evaluated for relevancy, applicability and reliability, and a final point value or range of value is chosen.

Resolving the differences among various value indications is called reconciliation.[6]

The appraisal process concludes with the Final Reconciliation of the values derived from the approaches applied to arrive at a single estimate or range of market value opinions. Different properties require different means of analysis and lend themselves to one

[6] The Appraisal of Real Estate, Twelfth Edition

approach over the others. As such, in the reconciliation appropriate weight is given to the most applicable and/or reliable indications of value to arrive at a conclusion.

Reconciliation is not a mathematical process. Rather, at this point in the valuation process the appraiser must reevaluate all pertinent data in the analysis for appropriateness, accuracy, and quality of evidence.

The appraiser then weighs the relative significance, applicability, and defensibility of each value indication and relies most heavily on the approach that is most appropriate to the nature of the appraisal problem.

Valuation Methodology Utilized in this Assignment

Valuation Analyses

Purpose of Assignment:	The purpose of this appraisal is to derive an opinion of the Dimunition in Value to the subject property associated with the implementation of City of Destin Ordinance No. 18-29-CC. This Ordinance was implemented January 22, 2019, and the incorporation of this ordinance limits the occupancy of the subject property to 16 guests. Prior to the implementation of this Ordinance, the designed occupancy of the subject property was 24 guests. Therefore, as a result of the ordinance, the maximum occupancy of the subject has been reduced by 8 guests, or approximately -33.33%. We are therefore opining on the difference in market value of the subject before and after the adoption of City of Destin Ordinance No. 18-29-CC, which was promulgated on January 22, 2019.
Land Valuation:	An opinion of value for the subject property in 'as if vacant' condition and subsequent application of the cost approach has not been provided. The purpose of this appraisal is to evaluate the impact to the value of the subject by virtue of the implementation of City of Destin Ordinance 18-29-CC which limits occupancy of the subject and corresponding associated income generation potential. Thus, the cost to acquire land and construct a replacement property is meaningless to the purpose of the assignment and was not applied.

Sales Comparison Approach:	The improved sales comparison approach was not utilized in this appraisal assignment. The purpose of this appraisal is to evaluate the impact to the value to the subject by virtue of the implementation of City of Destin Ordinance 18-29-CC which limits occupancy of the subject and associated income generation potential. As this ordinance was just recently implemented, an adequate number of improved sales which sold after the Ordinance implementation date were not available from which to derive an opinion of market value from this approach. As sales which occurred prior to this Ordinance will reflect market transactions without this restriction, they are not considered valid indicators of value for the subject in the restricted condition. Therefore this approach could not be applied due to lack of sufficient comparable data.
Income Approach:	The income approach was applied for the subject in both the 'Before Ordinance' and 'After Ordinance' scenarios.

Income Approach

The Income Approach to value is based on the principle of anticipation, i.e. the value of property correlates to the present worth of the future rights to benefits to be received by the owner. Income approach analysis considers the property from an investor's point of view, the basic premise being that the amount and quality of the income stream are the basis for value of the property.

The income approach is applied by projecting a net income stream through analysis of the subject historical data, comparable property's income and expense information, and historical income expense information for similar properties in the subject market area.

The estimated net income is then converted to a value indication utilizing either the process of direct capitalization analysis, discounted cash flow (DCF) analysis (yield capitalization), or a combination of these methods.

Discounted Cash Flow Analysis (Yield Analysis)
Discounted Cash Flow (DCF) analysis is the procedure in which a discount rate is applied to a series of projected income streams and a reversion. The analyst specifies the quantity, variability, timing, and duration of the income streams as well as the quantity and timing of the reversion and discounts each to its present value at a specified yield rate. DCF analysis can be applied with any yield capitalization technique and may be performed on either a lease-by-lease or aggregate basis.[7]

Applicability: DCF (Yield) analysis is generally used when the net income of the property is forecast to be variable, when the property is of a sufficient size and investment value to cause market participants to evaluate purchase decisions based on DCF, or when specifically requested by the client in an assignment.

Given the nature of the subject property, a discounted cash flow analysis was not employed in this appraisal analysis, as market participants typically do not utilize DCF methodology when evaluating purchase decisions for properties such as the subject.

Direct Capitalization
Conversion of a net income to a present value dollar estimate is called capitalization. Direct capitalization is a method used to convert an estimate of a single year's income expectancy into an indication of value in one direct step, either by dividing the income estimate by an appropriate rate or by multiplying the income estimate by an appropriate factor. This technique employs capitalization rates and multipliers extracted from sales. Only the first year's income is considered. Yield and value change are implied, but not identified.

[7] The Dictionary of Real Estate Appraisal, Fourth Edition

Applicability: Direct Capitalization analysis is generally appropriate for small to medium sized income-producing properties, in stable markets, single tenant or multi-user-oriented properties, or those with a forecast stable income stream.

Direct Capitalization is utilized in this appraisal given the subject market environment, the character of the subject property in the local market, and the tendency for market participants to use direct capitalization analysis when evaluating investment thresholds and financial benefits for similar property.

The steps involved in capitalizing the subject's net operating income are as follows:

- Develop the subject's Potential Gross Income (PGI) through analysis of the subject's actual historic income and an analysis of competitive current market income rates.
- Estimate and deduct vacancy and collection losses to develop the Effective Gross Income (EGI).
- Develop and subtract operating expenses to derive the Net Operating Income (NOI).
- Develop the appropriate capitalization rate (R_o).
- Divide the net operating income by the capitalization rate for an estimate of value through the income approach.

The reliability of a value found by this approach depends on an appraiser's ability to forecast and support income forecasts and to apply the appropriate income capitalization technique to arrive at the value estimate. When estimating market value, the income forecast must be considered by the appraiser to be typical and the income capitalization techniques must reflect the way investors usually estimate value.

Valuation of a Fee Simple Interest by the Income Approach

When estimating the value of the fee simple interest by the income approach, the annual operating income is forecast assuming market levels. The term "market levels" means that the income and expenses are set at levels considered suitable for the subject property after comparing it to similar properties under current market conditions. Rental rates are projected based on expected market rents and vacancy, and collection loss is based on what is typical in the market for properties renting at the market rate.

Estimate of Potential Gross Income (PGI)

Potential Gross Income is the total income attributable to real property at full occupancy before vacancy and operating expenses are deducted. Potential Gross Income includes the sum of potential rental income, other income, and expense recoveries. The income and expense history of the subject property is described below.

Property Income / Use History:
The property owner provided us with historical rental income and expense data for the first full year of seasonal rental revenue since the property was constructed.

The property owner completed construction of the subject in 2018 and subsequently operated the subject as seasonal rental for a full season in 2018.

The historical income generated by the subject property as provided by the property owner for the first full year of rental operations (2018) was $163,393, or $6,808 per sleeping guest based on a published occupancy of 24 guests.

We again mention that the subject property is a resort residential home that was specifically configured for income generation potential based on a sleeping occupancy load of 24 persons. This is the basis of the 'Before Ordinance' valuation scenario.

As a result of the implementation of City of Destin Ordinance 18-29-CC, the subject is now limited to a maximum sleeping occupancy of 16 persons, or a reduction of approximately -33.33%. This is the basis of the 'After Ordinance' valuation scenario.

We now seek to formulate an opinion of probable annual gross income due the subject in the 'Before Ordinance' configuration with a sleeping occupancy of 24 guests and in the 'After Ordinance' configuration with a sleeping occupancy of 16 guests.

Market Rent Based on Occupancy
The appraiser has researched the local market area in order to derive potential subject market rents based on the respective occupancy levels in the 'before' and 'after' configurations.

We will present a table of comparable gross rental income for comparable resort residential properties for both the 'before' and 'after' occupancy categories. The following table outlines comparable rentals of residential resort rental homes in the subject market area with a sleeping capacity of 20 or more guests (before ordinance), then for 14-20 guests (after ordinance).

COMPARABLE RENTAL SCHEDULE, SLEEPING OCCUPANCY OF APPROXIMATELY 24 PERSONS 'Before Ordinance' Dataset					
Address	Sleeping Capacity	HVAC SF	Year Built	Annual Gross Income	Gross Income Per Sleeping Occupant
71 Stingray Street	20	3,014	1994	$106,000	$5,300
3893 Sandprint Cir	20	3,107	2018	$118,796	$5,940
84 Pompano Stret	20	3,310	2012	$160,000	$8,000
3147 Scenic Highway 98	20	4,204	2008	$132,000	$6,600
96 Sarasota Street	22	4,132	2009	$143,813	$6,537
2825 Scenic Highway 98	24	5,000	1991	$220,000	$9,167
96 Tarpon Street	28	3,398	2017	$161,000	$5,750
Subject Property	*24**	*3,885*	*2018*	*$163,393*	$6,808
Comparable Statistics*					
Minimum	20	3,014	1991	$106,000	$5,300
Maximum	28	5,000	2018	$220,000	$9,167
Average	22	3,738	2007	$148,801	$6,756
Median	20	3,398	2009	$143,813	$6,537
*Subject Data Excluded from Statistical Calculations					

The array of comparable rentals above exhibited a range of income per guest per year of between $5,300 and $9,167 per occupant. In consideration of the data above, we consider that an appropriate conclusion of gross annual rent per sleeping occupant is supported at $6,800 per sleeping space consistent with the historical performance of the subject, which is within the range of comparable rental data presented.

CONCLUSION OF POTENTIAL GROSS ANNUAL RENT, SUBJECT SLEEPING OCCUPANCY OF 24 PERSONS 'Before Ordinance'				
Address	Sleeping Capacity	HVAC SF	Concluded Annual Gross Income Calculated Per Sleeping Occupant	Calculated Gross Income Per Sleeping Occupant
Subject Property	*24*	*3,885*	*$6,800*	*$163,200*

COMPARABLE RENTAL SCHEDULE, SLEEPING OCCUPANCY APPROXIMATELY 16 PERSONS 'After Ordinance' Dataset					
Address	Sleeping Capacity	HVAC SF	Year Built	Annual Gross Income	Gross Income Per Sleeping Occupant
75 Shirah Street	14	2,496	1981	$79,885	$5,706
80 Woodward Street	16	2,378	2003	$85,000	$5,313
83 Sunfish Street	16	2,450	1994	$96,000	$6,000
113 Los Angeles Street	19	3,122	2005	$137,308	$7,227
71 Stingray Street	20	3,014	1994	$106,000	$5,300
3893 Sandprint Cir	20	3,107	2018	$118,796	$7,425
Comparable Statistics					
Minimum	14	2,378	1981	$79,885	$5,300
Maximum	20	3,122	2018	$137,308	$7,425
Average	17	2,761	1999	$100,839	$6,162
Median	16	2,755	1999	$96,000	$5,853

The array of comparable rentals above exhibited a range of income per guest per year of between $5,300 and $7,425 per occupant. In consideration of the data above, we consider that an appropriate conclusion of gross annual rent per sleeping occupant is supported at the middle-upper end of the range, in consideration of the larger size of the structure per number of occupants. We therefore estimate an annual rent of $7,000 per sleeping space is supported.

CONCLUSION OF POTENTIAL GROSS ANNUAL RENT, SUBJECT SLEEPING OCCUPANCY OF 16 PERSONS 'After Ordinance'				
Address	Sleeping Capacity	HVAC SF	Concluded Annual Gross Income Calculated Per Sleeping Occupant	Calculated Gross Income Per Sleeping Occupant
Subject Property	*16*	*3,885*	*$7,000*	*$112,000*

In the preceding section of the report we derived an opinion of probable gross annual rent due the subejct in both the 'Before Ordinance' ($163,200) and 'After Ordinance' ($112,000) conditions. The result was a decrease in annual income as a result of the reduced sleeping capaicty of -31.37% commensurate with the decrease in ocupancy from 24 to 16 persons or -33.33%.

We now seek to evaluate the expenses pertinent to the subject in order to forecast Net Operating Income in both the Before and After scenarios.

Estimation of Operating Expenses

Vacancy and Collection Loss
As we forecast income based on comparable rentals with reported gross income figures, there is no need to deduct a vacancy and collection loss allocation, as the figures utilized already take into account a vacant and credit loss deduction.

Taxes
The property taxes for the subject property as of 2018 are reported to be a rounded figure of $4,808 annually however, this is for the subject lot in vacant condition. This year the tax assessment will be increased to cover the improvements which were constructed in 2018. We therefore have estimated taxes for the subject for upcoming years in the amount of $11,000 including the building improvements. This cost is stable regardless of the occupancy of the subject in the 'before' and 'after' conditions.

Insurance
The insurance costs for the subject are reported to be $4,791 annually, which is consistent with other similar properties in the market area. This cost is stable regardless of the occupancy of the subject in the 'before' and 'after' conditions.

Utilities (Power, Water/Sewer/Garbage, Cable and Internet)
The owner pays all utilities, including power, water/sewer/garbage, cable and internet, for the subject property. 2018 Utilities expenses were $6,589, and we will utilize this annual cost for the subject in the 'before' condition, and at the rate of $6,000 in the 'after' condition. It is noted that regardless of the occupancy of the subject, the costs of electricity remain relatively constant, and the costs of cable and internet are the same regardless of the number of occupants. Only the expenses of water, gas and to a nominal degree electricity are variable with occupancy.

Repairs/Maintenance
We have included a repairs/maintenance allowance as a percentage of EGI at 12.5% in the before configuration which equates to $20,400 annually. With regard to the after configuration, noting that routine maintenance is likely not significantly impacted by differences in occupancy between 24 and 16 persons, but the annual income is reduced, we must increase our maintenance in the 'after' configuration as this expense is calculated as a % of EGI. In the 'after' condition we estimate maintenance at the rate of 17.5% of EGI. While we do recognize that 'wear and tear' is somewhat linked to

occupancy, the fact that the entire house area is subject to use by 16 guests just as it is with 24 guests, this cost is somewhat fixed.

Management
We estimate management costs based on the costs of a third party manager who would typically charge between 15% and 25% of collected rents for the management service. We will utilize a rate on the lower end of this scale for both value scenarios, or a rate of 15% of EGI.

Income and Expense Statement

The table below recaps our projected income stream and breaks down each expense item. Expenses are totaled, and the net operating income is displayed for both the 'before' and 'after' ordinance conditions.

Income Capitalization Analysis - 'Before Ordinance Limiting Occupancy'				
Unit	**Income**	**Method**	**Units/SF**	**Annual**
Annual Income 'Before Ordinance' - 24 Guests	$163,200.00	$/Year	1	$163,200
			Potential Gross Income:	$163,200
		Vacancy & Collection Loss	Included	$0
			Effective Gross Income (EGI):	$163,200

Expense	**Amount (% or**	**Method**	**Annual**
Taxes	$11,000	$/Year	$11,000
Insurance	$4,791	$/Year	$4,791
Utilities	$6,589	$/Year	$6,589
Repairs/Maintenance	12.5%	% of EGI	$20,400
Management	15%	% of EGI	$24,480
		Total Expenses:	$67,260
		Expense Ratio (Expenses/EGI):	41.21%
		Net Operating Income (NOI):	$95,940

Income Capitalization Analysis - 'After Ordinance Limiting Occupancy'				
Unit	**Income**	**Method**	**Units/SF**	**Annual**
Annual Income 'After Ordinance' - 16 Guests	$112,000.00	$/Year	1	$112,000
			Potential Gross Income:	$112,000
		Vacancy & Collection Loss	Included	$0
			Effective Gross Income (EGI):	$112,000

Expense	**Amount (% or**	**Method**	**Annual**
Taxes	$11,000	$/Year	$11,000
Insurance	$4,791	$/Year	$4,791
Utilities	$6,000	$/Year	$6,000
Repairs/Maintenance	17.5%	% of EGI	$19,600
Management	15%	% of EGI	$16,800
		Total Expenses:	$58,191
		Expense Ratio (Expenses/EGI):	51.96%
		Net Operating Income (NOI):	$53,809

Capitalization Rate Derivation
The capitalization rate is the factor that coverts the stabilized net operating income (NOI) to a present value. It is the ratio of net income to value or sale price.

NOI ÷ Sale Price = Capitalization Rate

For example, if a property sells for $500,000, and has a stabilized NOI of $50,000, the indicated capitalization rate is 10%.

Four methods are generally recognized for estimating an appropriate capitalization rate for use in direct capitalization analysis. These four methods are:

1. Market-Extracted Capitalization Rate Data
2. Band of Investment Method Calculation
3. Debt Coverage Method Calculation
4. Nationally-Published Capitalization Rate Data

Market Extracted Capitalization Rate Data
The market-extraction method of estimating capitalization rates involves finding comparable sales of property similar to the subject, and extracting a market rate from the net operating income and sales price of the comparable property.

We present the following examples of market-extracted capitalization rates for Resort Residential properties, based on similar sales in the local and broader markets.

- 3463 Scenic Highway 98 is a resort rental property that sold in February of 2016 for $3,615,000. Net Operating Income was reported to be $222,125, therefore indicating a capitalization rate of 6.14%.

- 925 Scenic Gulf Drive in Miramar Beach is a resort rental property that sold in November of 2018 for $1,900,000. Net Operating Income based on forecast income and expenses was reported to be $130,000, therefore indicating a capitalization rate of 6.84%.

- 917 Scenic Gulf Drive in Miramar Beach is a resort rental property that sold in August of 2018 for $1,925,000. Net Operating Income based on forecast income and expenses was reported to be $135,000, therefore indicating a capitalization rate of 7.00%.

- 1850 Scenic Gulf Drive in Miramar Beach is a resort rental property that sold in September of 2015 for $2,205,000. Net Operating Income at the time of sale was reported to be $133,200, therefore indicating a capitalization rate of 6.03%.

Based on the above information, and taking into consideration the overall market appeal we consider that a market extracted rate of 6.50% would be applicable for the subject property.

Band of Investment Method Analysis

This technique utilizes lender and real estate investor investment criteria to develop, or synthesize a capitalization rate. As most income producing properties are purchased with debt plus equity capital, the return on investment portion of the overall capitalization rate must satisfy the market returns of both the investor and the lender. The lender must receive a competitive interest rate, and the investor must anticipate receiving a competitive equity yield.

There are four key inputs necessary for this method:

1. The loan-to-value ratio (M)
2. The mortgage interest rate (i)
3. The loan term (n)
4. The equity cap rate or equity dividend rate (R_E)

The mortgage variables are used to build the mortgage constant (R_M), which is the total amount of the payments made in one year, expressed as a percentage of the original loan amount.

Payments x 12 / Original Loan Amount = Mortgage Constant (R_M)

The equity cap rate is the annual return to the investor, expressed as a percent of the original amount invested. The annual return to the investor is also known as the equity dividend rate; it is the profit remaining after debt service and all other expenses.

After Debt Service Profit / Equity Investment = Equity Cap Rate (R_E)

Note that the equity cap rate is not the same (usually, that is) as the equity yield rate. The equity yield rate reflects the total return to the investor over the life of the investment. Factors such as appreciation and mortgage pay down affect and usually increase this return to a point higher than the equity dividend rate. In markets where substantial appreciation is expected, investors will often accept a low or even negative equity dividend rate, anticipating a compensating payoff when the property is eventually sold. In markets where little appreciation is expected, much more weight is given to the annual equity dividend.

Formula:

$R_M \times M$ = rate
$R_E \times (1-M)$ = rate
= Cap Rate (R_o)

A survey of local lenders indicated that competitive fixed rate loans for properties similar to the subject as investment property are typically available at a rate of between 5.50% and 7.50% on a 30 year amortization schedule with a 50-70% loan to value.

Thus, we will use a rate of 6.00% in our calculations, with a 70% loan to value and a 30 year amortization term for our analysis of the band of investment and debt coverage ratio analyses.

The debt capitalization rate (or mortgage constant) for a typical loan made at 6.00% for 30 years is 0.07194606.

Equity dividend (capitalization) rates in the local market range from 4-9%. We estimate an equity dividend rate of 6.00% in the local market for property such as the subject.

Debt Coverage Ratio Method Analysis

This technique develops a capitalization rate based on typical mortgage terms. There are four variables necessary for this method:

1. The loan-to-value ratio (M)
2. The mortgage interest rate (i)
3. The loan term (n)
4. The debt coverage ratio (DCR)

Items 1 through 3 are discussed above under the Band of Investment section. In this method it is also used to develop the mortgage constant (R_M). The debt coverage ratio is the factor by which income exceeds debt on an annual basis.

Formula:
Debt Coverage Ratio x Loan to Value Ratio x Mortgage Constant = R_o
or: DCR x M x R_M = R_o

We have researched mortgage rates and terms typical for the subject within the market area as noted above. The table below details the Band of Investment and Debt Coverage Ratio Analyses calculations.

Capitalization Rate Calculations

Capitalization Rate Variables	
Mortgage Interest Rate	6.00%
Loan Term (Years)	30
Loan To Value Ratio	70.%
Debt Coverage Ratio	1.25
Equity Dividend Rate	6.00%

Band of Investment Analysis

Mortgage Constant		Loan Ratio		Contributions
0.071946063	x	70.%	=	5.04%
Equity Dividend Rate		Equity Ratio		
6.00%	x	30.%	=	1.80%
		Band of Investment Capitalization Rate		**6.84%**

Debt Coverage Ratio Analysis

Debt Coverage Ratio x Loan to Value Ratio x Mortgage Constant		
1.25 x 0.7 x 0.0719460630183303	=	6.30%
Debt Coverage Ratio Capitalization Rate		**6.30%**

The Band of Investment capitalization rate analysis indicated an appropriate capitalization rate per the preceding assumptions of 6.84%.

The Debt Coverage Ratio Analysis indicated an appropriate capitalization rate per the preceding assumptions of 6.30%.

National Survey Data

RealtyRates.com Investor Survey
RealtyRates does not track capitalization rates for resort residential property such as the subject, however they do track rates for lodging facilities, a property type that is similar in use to the subject, being a facility for short term rental on a seasonal basis where all services are included in the rental rate. We therefore look to this property category in realty rates for an indication of an applicable capitalization rate for the subject.

The *Realty Rates Investor Survey*, dated 4th Quarter 2018, indicates going-in capitalization rates for Lodging Facilities – All Types ranged from 5.21% to 17.22% with an average of 11.32%. In consideration of the excellent quality and condition of the subject property, as well as the resort location, we would estimate an applicable capitalization rate would be below the national average indicated by the survey data and within the lower quartile of exhibited rates, or a rate of between 5.21% and 8.22%.

RealtyRates.com INVESTOR SURVEY - 4th Quarter 2018* LODGING FACILITIES -ALL TYPES						
Item	**Input**					**OAR**
Minimum						
Spread Over 10-Year Treasury	0.86%	**DCR Technique**	1.00	0.048303	0.80	**3.86**
Debt Coverage Ratio	1.00	**Band of Investment Technique**				
Interest Rate	3.75%	Mortgage	80%	0.048303	0.038642	
Amortization	40	Equity	20%	0.080938	0.016188	
Mortgage Constant	0.048303	OAR				**5.48**
Loan-to-Value Ratio	80%	**Surveyed Rates**				**5.21**
Equity Dividend Rate	8.09%					
Maximum						
Spread Over 10-Year Treasury	11.58%	**DCR Technique**	2.85	0.163616	0.60	**23.32**
Debt Coverage Ratio	2.85	**Band of Investment Technique**				
Interest Rate	14.47%	Mortgage	50%	0.163616	0.081808	
Amortization	15	Equity	50%	0.198948	0.099473	
Mortgage Constant	0.163616	OAR				**18.13**
Loan-to-Value Ratio	50%	**Surveyed Rates**				**17.22**
Equity Dividend Rate	19.89%					
Average						
Spread Over 10-Year Treasury	3.54%	**DCR Technique**	1.53	0.084242	0.67	**8.60**
Debt Coverage Ratio	1.53	**Band of Investment Technique**				
Interest Rate	6.43%	Mortgage	67%	0.084242	0.056324	
Amortization	22	Equity	33%	0.145842	0.048333	
Mortgage Constant	0.084242	OAR				**10.47**
Loan-to-Value Ratio	66.9%	**Surveyed Rates**				**11.32**
Equity Dividend Rate	14.6%					

Capitalization Rate Summary and Conclusion

We consider that a market extracted rate of 6.50% would be applicable for the subject property based on market-extracted capitalization rate indications.

The Band of Investment capitalization rate analysis indicated an appropriate capitalization rate per the preceding assumptions of 6.84%.

The Debt Coverage Ratio Analysis indicated an appropriate capitalization rate per the preceding assumptions of 6.30%.

National Market Indicators as reported by realty rates for a related property type indicate an appropriate capitalization rate of between 5.21% and 8.22% for the subject property.

Capitalization Rate Conclusion:

It is the opinion of the appraiser that a **6.50% capitalization rate** should be employed in this analysis.

On the following page we present the direct capitalization analysis for both the 'Before' and 'After' Ordinance 18-29-CC value scenarios.

Capitalization to Value

Income Capitalization Analysis - 'Before Ordinance Limiting Occupancy'				
Unit	**Income**	**Method**	**Units/SF**	**Annual**
Annual Income 'Before Ordinance' - 24 Guests	$163,200.00	$/Year	1	$163,200
			Potential Gross Income:	$163,200
			Vacancy & Collection Loss Included	$0
			Effective Gross Income (EGI):	$163,200

Expense	**Amount (% or**	**Method**	**Annual**
Taxes	$11,000	$/Year	$11,000
Insurance	$4,791	$/Year	$4,791
Utilities	$6,589	$/Year	$6,589
Repairs/Maintenance	12.5%	% of EGI	$20,400
Management	15%	% of EGI	$24,480
		Total Expenses:	$67,260
		Expense Ratio (Expenses/EGI):	41.21%
		Net Operating Income (NOI):	$95,940
		Capitalization Rate:	6.50%
		Value (NOI/Cap Rate):	$1,476,000
		Rounded:	$1,475,000

Income Capitalization Analysis - 'After Ordinance Limiting Occupancy'				
Unit	**Income**	**Method**	**Units/SF**	**Annual**
Annual Income 'After Ordinance' - 16 Guests	$112,000.00	$/Year	1	$112,000
			Potential Gross Income:	$112,000
			Vacancy & Collection Loss Included	$0
			Effective Gross Income (EGI):	$112,000

Expense	**Amount (% or**	**Method**	**Annual**
Taxes	$11,000	$/Year	$11,000
Insurance	$4,791	$/Year	$4,791
Utilities	$6,000	$/Year	$6,000
Repairs/Maintenance	17.5%	% of EGI	$19,600
Management	15%	% of EGI	$16,800
		Total Expenses:	$58,191
		Expense Ratio (Expenses/EGI):	51.96%
		Net Operating Income (NOI):	$53,809
		Capitalization Rate:	6.50%
		Value (NOI/Cap Rate):	$827,831
		Rounded:	$830,000

Conclusion of Dimunition in Value

In the 'before ordinance' configuration direct capitalization of the net operating income to the subject property revealed a value opinion of $1,475,000 based on an occupancy of 24 sleeping guests.

In the 'after ordinance' configuration direct capitalization of the net operating income to the subject property revealed a value opinion of $830,000 based on an occupancy of 16 sleeping guests.

The Dimunition in Value is represented by the difference between the 'before' and 'after' value conclusions, or in this case the difference between $1,475,000 and $830,000 or $645,000.

As an augmenting check to this value opinion, we consider a discounted cash flow analysis of the lost income to the subject as a result of the reduced occupancy, for the remaining term of the economic life of the improvement.

As presented in the preceding income analyses, the difference in annual Net Operating Income between the 'before' scenario at $95,940 and the 'after' scenario at $53,809, calculates to $42,131 annually.

This is the annual net income loss as a result of the implemented restriction on occupancy by virtue of City of Destin Ordinance 18-29-CC, and will promulgate for the remainder of the economic life of the structure and the site is redeveloped.

We previously stated in the report that the subject improvement was constructed in 2018.

The published economic life of improvements similar to the subject is 55 years per Marshall Valuation Service. Subtracting the economic age of the improvement of 1 years from the overall life of 55 years we calculate a remaining economic life for the subject structure is 54 years.

If we consider that City of Destin Ordinance 18-29-CC serves to reduce occupancy to the subject, thereby reducing annual income in the amount of $42,131 annually, presumably for the remaining economic life of the improvement, we can calculate the present value of this financial loss over time as a check to the Dimunition in value calculation via direct capitalization analysis presented preceding.

If we discount the annual loss of $42,131 for a period of 54 years, at a discount rate of 6% annually, the present value of the future loss of income is calculated to be $671,988 which provides additional support for our opinion of Dimunition in Value via direct capitalization analysis of $645,000.

Therefore, our opinion of Dimunition in value for the subject property is opined to be $645,000 consistent with our calculation via direct capitalization analysis:

Six Hundred Forty Five Thousand Dollars
$645,000

Certification

The appraiser has no present or prospective interest in the subject property of this appraisal and no personal interest of bias with respect to the parties involved in this appraisal. I have the appropriate education and experience to conduct this appraisal.

The appraiser will not divulge the analytical findings or conclusions to anyone other than the client or designee, except as may be required by the Appraisal Institute or by a court of law with power of subponea.

I certify, to the best of our knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions and conclusions.
- I have no present or prospective interest in the property which is the subject of this report and no personal interest with respect to the parties involved.
- I have no bias with respect to the property which is the subject of this report or to the parties involved with this assignment.
- The engagement in this assignment was not contingent upon developing or reporting predetermined results.
- The compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- I have made a personal inspection of the property that is the subject of this report.

Certification
(Continued)

- The signatory appraiser has not performed any services, as an appraiser or in any other capacity, regarding the subject property within the 3 years prior to acceptance of this appraisal assignment.

This appraisal has been conducted, and the appraisal report prepared in conformance with the requirements of Title XI of the Financial Institutions Reform, Recover, and Enforcement Act of 1989 (FIRREA, 12 U.S.C. 3331 et seq.). This appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.

No person other than the undersigned made a significant professional contribution to the research and analysis in this appraisal unless specifically noted above.

Respectfully Submitted,

EquiValue Appraisal, LLC

Jason P. Shirey, MAI, CCIM
Cert Gen RZ3186

Limiting Conditions and Assumptions

1. Unless otherwise noted in the body of the report, we assumed that title to the property or properties appraised is clear and marketable and that there are no recorded or unrecorded matters or exceptions that would adversely affect marketability or value. We are not aware of any title defects nor were we advised of any unless such is specifically noted in the report. We did not examine a title report and make no representations relative to the condition thereof. Documents dealing with liens, encumbrances, easements, deed restrictions, clouds and other conditions that may affect the quality of title were not reviewed. Insurance against financial loss resulting in claims that may arise out of defects in the subject property's title should be sought from a qualified title company that issues or insures title to real property.

2. We assume that improvements are constructed or will be constructed according to approved architectural plans and specifications and in conformance with recommendations contained in or based upon any soils report(s).

3. Unless otherwise noted in the body of this report, we assumed: that any existing improvements on the property or properties being appraised are structurally sound, seismically safe and code conforming; that all building systems (mechanical/electrical, HVAC, elevator, plumbing, etc.) are, or will be upon completion, in good working order with no major deferred maintenance or repair required; that the roof and exterior are in good condition and free from intrusion by the elements; that the property or properties have been engineered in such a manner that it or they will withstand any known elements such as windstorm, hurricane, tornado, flooding, earthquake, or similar natural occurrences; and, that the improvements, as currently constituted, conform to all applicable local, state, and federal building codes and ordinances. We are not engineers and are not competent to judge matters of an engineering nature. We did not retain independent structural, mechanical, electrical, or civil engineers in connection with this appraisal and, therefore, make no representations relative to the condition of improvements. Unless otherwise noted in the body of this report no problems were brought to our attention by ownership or management. We were not furnished any engineering studies by the owners or by the party requesting this appraisal. If questions in these areas are critical to the decision process of the reader, the advice of competent engineering consultants should be obtained and relied upon. It is specifically assumed that any knowledgeable and prudent purchaser would, as a precondition to closing a sale, obtain a satisfactory engineering report relative to the structural integrity of the property and the integrity of the building systems. Structural problems and/or building system problems may not be visually detectable. If engineering consultants retained should report negative factors of a material nature, or if such are later discovered, relative to the condition of the improvements, such information could have a substantial negative impact on the conclusions reported in this appraisal. Accordingly, if engineering consultants report negative findings, we reserve the right to amend the appraisal conclusions reported herein.

4. All furnishings, equipment and business operations, except as specifically stated and typically considered as part of real property, have been disregarded with only real property being considered in the appraisal. Any existing or proposed improvements, on- or off-site, as well as any alterations or repairs considered, are assumed to be completed

in a workmanlike manner according to standard practices based upon information submitted. This report may be subject to amendment upon re-inspection of the subject property subsequent to repairs, modifications, alterations and completed new construction. Any estimate of Market Value is as of the date indicated; based upon the information, conditions and projected levels of operation.

5. We assume that all factual data furnished by the client, property owner, owner's representative, or persons designated by the client or owner to supply said data are accurate and correct unless otherwise noted in the appraisal report. We have no reason to believe that any of the data furnished contain any material error. Information and data referred to in this paragraph include, without being limited to, numerical street addresses, lot and block numbers, Assessor's Parcel Numbers, land dimensions, square footage area of the land, dimensions of the improvements, gross building areas, net rentable areas, usable areas, unit count, room count, rent schedules, income data, historical operating expenses, budgets, and related data. Any material error in any of the above data could have a substantial impact on the conclusions reported. Thus, we reserve the right to amend our conclusions if errors are revealed. Accordingly, the client-addressee should carefully review all assumptions, data, relevant calculations, and conclusions within 30 days after the date of delivery of this report and should immediately notify us of any questions or errors.

6. The date of value to which any of the conclusions and opinions expressed in this report apply, is set forth in the Letter of Transmittal. Further, that the dollar amount of any value opinion herein rendered is based upon the purchasing power of the American Dollar on that date. This appraisal is based on market conditions existing as of the date of this appraisal. Under the terms of the engagement, we will have no obligation to revise this report to reflect events or conditions which occur subsequent to the date of the appraisal. However, we will be available to discuss the necessity for revision resulting from changes in economics or market factors affecting the subject.

7. We assume no private deed restrictions, limiting the use of the subject property in any way.

8. Unless otherwise noted in the body of the report, we assume that there are no mineral deposits or subsurface rights of value involved in this appraisal, whether they be gas, liquid, or solid. Nor are the rights associated with extraction or exploration of such elements considered unless otherwise stated in this appraisal report. Unless otherwise stated we also assumed that there are no air or development rights of value that may be transferred.

9. We are not aware of any contemplated public initiatives, governmental development controls, or rent controls that would significantly affect the value of the subject.

10. The estimate of Market Value, which may be defined within the body of this report, is subject to change with market fluctuations over time. Market value is highly related to exposure, time promotion effort, terms, motivation, and conclusions surrounding the offering. The value estimate(s) consider the productivity and relative attractiveness of the property, both physically and economically, on the open market.

11. Unless specifically set forth in the body of the report, nothing contained herein shall be construed to represent any direct or indirect recommendation to buy, sell, or hold the

properties at the value stated. Such decisions involve substantial investment strategy questions and must be specifically addressed in consultation form.

12. Unless otherwise noted in the body of this report, we assume that no changes in the present zoning ordinances or regulations governing use, density, or shape are being considered. The property is appraised assuming 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 estimates contained in this report is based, unless otherwise stated.

13. This study may not be duplicated in whole or in part without our written consent, nor may this report or copies hereof be transmitted to third parties without said consent. Exempt from this restriction is duplication for the internal use of the client-addressee and/or transmission to attorneys, accountants, or advisors of the client-addressee. Also exempt from this restriction is transmission of the report to any court, governmental authority, or regulatory agency having jurisdiction over the party/parties for whom this appraisal was prepared, provided that this report and/or its contents shall not be published, in whole or in part, in any public document without our written consent. Finally, this report shall not be advertised to the public or otherwise used to induce a third party to purchase the property or to make a "sale" or "offer for sale" of any "security", as such terms are defined and used in this Securities Act of 1933, as amended. Any third party, not covered by the exemptions herein, who may possess this report, is advised that they should rely on their own independently secured advice for any decision in connection with this property. We shall have no accountability or responsibility to any such third party.

14. Any value estimate provided in the report applies to the entire property, and any pro ration or division of the title into fractional interests will invalidate the value estimate, unless such pro ration or division of interests has been set forth in the report.

15. Any distribution of the total valuation in this report between land and improvement applies only under the existing program of utilization. Component values for land and/or buildings are not intended to be used in conjunction with any other property or appraisal and are invalid if so used.

16. The maps, plats, sketches, graphs, photographs, and exhibits included in this report are for illustration purposes only and are to be used only to assist in visualizing matters discussed within this report. Except as specifically stated, data relative to size or areas of the subject and comparable properties was obtained from sources deemed accurate and reliable. None of the exhibits are to be removed, reproduced, or used apart from this report.

17. No opinion is intended to be expressed on matters that may require legal expertise or specialized investigation or knowledge beyond that which is customarily employed by real estate appraisers. Values and opinions expressed presume that environmental and other governmental restrictions/conditions by applicable agencies have been met, including but not limited to seismic hazards, flight patters, decibel levels/noise envelopes, fire hazards, hillside ordinances, density, allowable uses, building codes, permits, licenses, etc. No survey, engineering study or architectural analysis was provided to us unless otherwise stated within the body of this report. If we were not supplied with a

termite inspection, survey or occupancy permit, no responsibility or representation is assumed or made for any costs associated with obtaining same or for any deficiencies discovered before or after they are obtained. No representation or warranty is made concerning obtaining these items. We assume no responsibility for any costs or consequences arising due to the need, or the lack of need, for flood hazard insurance. An agent for the Federal Flood Insurance Program should be contacted to determine the actual need for Flood Hazard Insurance.

18. Acceptance and/or use of this report constitutes full acceptance of the Assumptions and Limiting Conditions and extraordinary assumptions set forth in this report. It is the responsibility of the Client, or client's designees, to read in full, comprehend and thus become aware of the aforementioned assumptions and limiting conditions. We assume no responsibility for any situation arising out of the Client's failure to become familiar with and understand the same. The Client is advised to retain experts in areas that fall outside the scope of the real estate appraisal/consulting profession if so desired.

19. We assume that the subject property will be under prudent and competent management and ownership; neither inefficient nor super-efficient.

20. We assume 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 reports.

21. No survey of the boundaries of the property was undertaken. All areas and dimensions furnished are presumed correct. It is further assumed that no encroachments to the realty exists.

22. All value opinions expressed herein are as of the date of value. In some cases, facts or opinions are expressed in the present tense. All opinions are expressed as of the date of value, unless specifically noted.

23. The Americans with Disabilities Act (ADA) became effective January 26, 1992. Notwithstanding any discussion of possible readily achievable barrier removal construction items in this report, we did not perform a specific compliance survey and analysis of this property to determine wither it is in conformance with the various detailed requirements of the ADA. It is possible that a compliance survey of the property together with a detailed analysis of the requirements of the ADA could reveal that the property is not in compliance with one or more of the requirements of the ADA. If so, the fact could have a negative effect on the value estimated herein. Since we have no specific information relating to this issue, nor are we qualified to make such an assessment, the effect of any possible non-compliance was not considered in estimating the value of the subject property.

24. The value estimate rendered in this report is predicated on the assumption that there is no hazardous material on or in the property that would cause a loss of value. We were not provided with an Environmental Assessment Report. Further, we are not qualified to determine the existence or extent of environmental hazards. If there are any concerns pertaining to environmental hazards for this property, we recommend that a qualified engineer perform an assessment.

ADDENDA

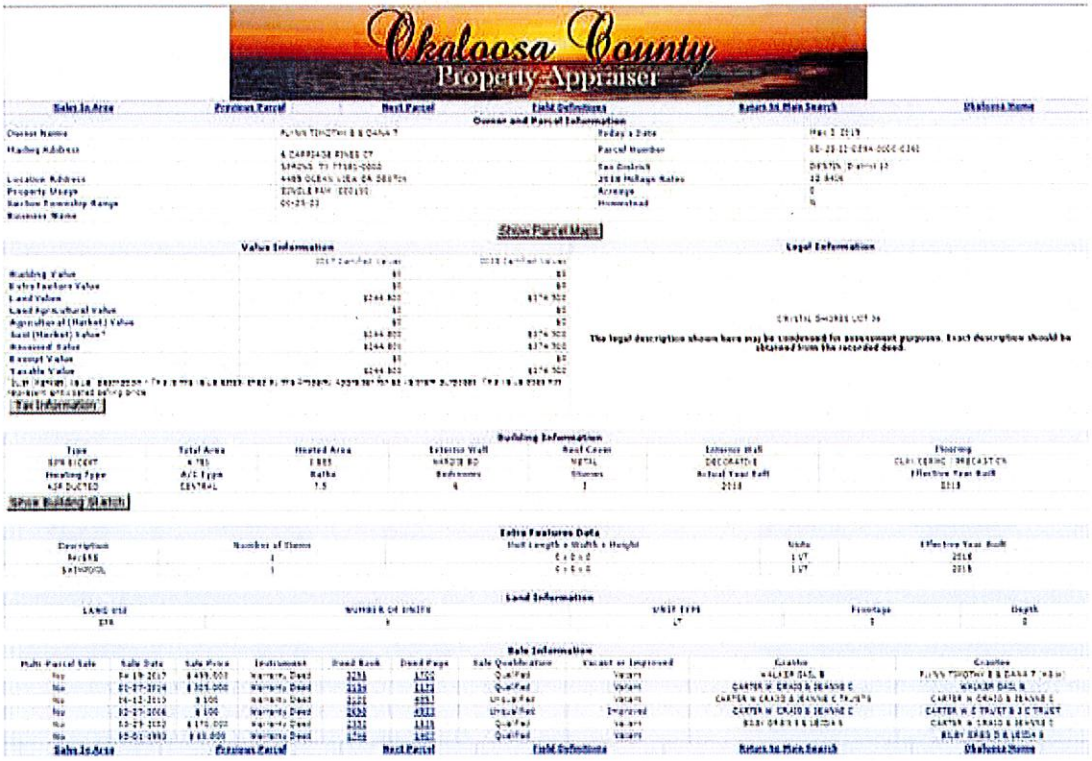
Parcel Map

PARCEL INFORMATION TABLE	
Selected Parcel	00-25-22-059A-0000-0360 (Click for Complete Card)
DOR Property Usage	SINGLE FAMILY (000100)
Calculated Acreage (GIS)	0.15
Calculated GIS acreage is computer generated. It is for informational purposes only and does not replace deed or survey information.	
Property Use	SINGLE FAM
Land Use	000100
OWNERSHIP INFORMATION	
Name	FLYNN TIMOTHY E & DANA T
Mailing Address	6 CARRIAGE PINES CT SPRING, TX 773810000
Situs/Physical Address	4488 OCEAN VIEW DR DESTIN
VALUES:	
Land Value	374,500
Ag Land Value	0
Building Value	0
Misc Value	0
Just Value	374,500
Assessed Value	374,500
Exempt Value	0
Taxable Value	374,500

LAST 2 SALES

Date	Price	Vacant?	Qual
2017-04	499,000	V	Q
2014-01	309,000	V	Q

Property Appraiser Card



Deed

FILE #3130510 RCD: 4/21/2017 4:08 PM, BK: 3296 PG: 1700, RECORDING: $10.50 RECORDING ARTICLE V: $8.00
D Doc Stmp: $3,493.00 DEPUTY CLERK JLALLEN
JD PEACOCK II CLERK OF COURTS, OKALOOSA COUNTY, FLORIDA

Prepared by:
Aqua Title Services
36150 Emerald Coast Parkway, Suite 101
Destin, Florida 32541

File Number: 17-0214

General Warranty Deed

Made this April 19, 2017 A.D. By **Gail Brown Walker**, whose address is: 2198 Brooke Farm Court, Dunwoody, Georgia 30338, hereinafter called the grantor, to **Timothy E. Flynn and Dana T. Flynn, husband and wife**, whose post office address is: 6 Carriage Pines Court, Spring, Texas 77381, hereinafter called the grantee:

(Whenever used herein the term "grantor" and "grantee" include all the parties to this instrument and the heirs, legal representatives and assigns of individuals, and the successors and assigns of corporations)

Witnesseth, that the grantor, for and in consideration of the sum of Ten Dollars, ($10.00) and other valuable considerations, receipt whereof is hereby acknowledged, hereby grants, bargains, sells, aliens, remises, releases, conveys and confirms unto the grantee, all that certain land situate in Okaloosa County, Florida, viz:

Lot 36, CRYSTAL SHORES, a Planned Unit Development, in Township 2 South, Range 22 West, and a re-subdivision of Block 7, according to the plat thereof as recorded in Plat Book 13, at Page 59, of the Public Records of Okaloosa County, Florida.

Being and intended to be the same premises conveyed to the Grantor herein by deed recorded January 31, 2014, in Official Records Book 3134, Page 1171, Public Records of Okaloosa County, Florida.

Parcel ID Number: **002S22059A00000360**

Said property is not the homestead property of the Grantor as defined by the Constitution of the State of Florida

Together with all the tenements, hereditaments and appurtenances thereto belonging or in anywise appertaining.

To Have and to Hold, the same in fee simple forever.

And the grantor hereby covenants with said grantee that the grantor is lawfully seized of said land in fee simple; that the grantor has good right and lawful authority to sell and convey said land; that the grantor hereby fully warrants the title to said land and will defend the same against the lawful claims of all persons whomsoever; and that said land is free of all encumbrances except taxes accruing subsequent to December 31, 2016.

SIGNATURE(S) ON THE FOLLOWING PAGE

BK: 3296 PG: 1701

Prepared by:
Aqua Title Services
36130 Emerald Coast Parkway, Suite 101
Destin, Florida 32541

File Number: 17-0214

In Witness Whereof, the said grantor has signed and sealed these presents the day and year first above written.

Signed, sealed and delivered in our presence:

Witness Printed Name John Roby

Witness Printed Name Wendy A. Lewis

Gail Brown Walker

Gail Brown Walker
Address: 2198 Brooke Farm Court, Dunwoody, Georgia 30338

State of Florida
County of Okaloosa

The foregoing instrument was acknowledged before me this 17th day of April, 2017, by Gail Brown Walker, who is/are personally known to me or who has produced a valid driver's license or government issued photo ID as identification.

JOHN ROBY
Notary Public - State of Florida
Commission # FF 906538
My Comm. Expires Sep 21, 2020

NOTARY SEAL

Notary Public
Print Name:
Commission Number:
My Commission Expires:

THIS INSTRUMENT PREPARED BY
AND AFTER RECORDING RETURN TO:

Kimberly Romano Kopp, Esq.
Romano Kopp Law, P.A.
P.O. Box 445
Destin, Florida 32541

For Recording Purposes Only

SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is entered into this _____day of _____ 2019, ("Effective Date") by and between, Timothy and Danna Flynn. ("Owner") and the City of Destin ("City"), collectively referred to as the "Parties."

RECITALS

WHEREAS, on January 22, 2019, the City enacted Ordinance 18-29-CC, the Short-Term Rental Occupancy Ordinance ("Ordinance"), which limits the occupancy of short-term rental homes to two (2) people per bedroom plus an additional four (4) persons; and

WHEREAS, Owner owns the real property and improvements located at 4488 Ocean View Drive, Destin, FL 32541, as more particularly described in the attached Exhibit "A" (the "Property"); and

WHEREAS, on May 10, 2019, Owner filed a claim with the City, pursuant to the provisions of §70.001, Florida Statutes, the Bert J. Harris, Jr., Private Property Rights Protection Act (the "Harris Act"), alleging that the Property had been inordinately burdened by the adoption of the Ordinance, (the "Claim"); and

WHEREAS, the Harris Act provides for the City to have the ability to enter into a settlement agreement which would have the effect of a modification or variance to the application of a regulation or ordinance as it would otherwise apply to the subject real property, provided the relief granted protects the public interest served by the regulations at issue and is the appropriate relief necessary to prevent the governmental regulatory effort from inordinately burdening the real property; and

WHEREAS, the City has determined that the modifications to the effect of the Ordinance effected by this Agreement protect the public interest served by the Ordinance and are the appropriate relief necessary to prevent the regulatory effect of the Ordinance from inordinately burdening the Property; and

WHEREAS, the Parties now desire to settle and finally resolve all disputes between and among them concerning the Claim.

NOW, THEREFORE, the Parties hereby agree as follows:

1. **Recitals.** The above recitals are true and correct and are incorporated herein by reference.

2. **Occupancy Allowable Under Ordinance.**

(a) Owner is hereby granted a variance from the provisions of the Ordinance so that the Owner shall have the right to apply under the Ordinance for a maximum occupancy of nineteen (19) overnight guests at the six (6) bedroom vacation rental property noted above and the City shall grant such occupancy. The right shall continue in perpetuity, regardless of any future changes in ownership, provided that this right shall expire permanently if the Property were to be voluntarily remodeled or voluntarily rebuilt in such a manner as to change the number of bedrooms that existed at the date of the Claim. The Property remains subject to all other requirements of the City's regulations, including but not limited to regulations for short-term rentals, parking, trash, and noise.

(b) No greater than four (4) vehicles may be parked on the Property. No vehicle may encroach upon the City's right-of way.

(c) Owner shall ensure that at least two (2) outdoor trash receptacles are provided by the applicable trash hauler and available for use by occupants at all times.

(d) Owner agrees that the City shall be permitted to access the property on an annual basis for the purpose of life-safety inspections to ensure code compliance with minimum egress and emergency egress requirements pursuant to the Florida Building Code (Residential) and to ensure the property has adequate and working smoke detectors. Owner shall submit to the City a separate application and fee for such inspection, on a form provided by the City, at the time Owner submits its annual short-term rental registration application to the City

3. **Development in Accordance with Code.** Notwithstanding any provisions contained herein, the Owner shall at any time have the right and option to remodel, develop, or use the Property in accordance with the applicable ordinances of the City of Destin in effect at the time of application therefor, and this variance shall not be construed as making the Property in any way non-conforming.

4. **Entire Agreement.** The Parties acknowledge that this Agreement constitutes the entire agreement between them regarding the settlement of their dispute and any prior statements, whether oral or written, are merged herein. This Agreement may not be modified or amended without a written instrument signed by the party against whom enforcement is sought.

5. **Duration of Agreement.** This Agreement shall be perpetual and deemed to run with the land, and shall be binding upon and the benefits shall inure to the parties hereto and their respective heirs, devisees, personal representatives, successors and assigns.

6. **Authority.** The signatories to this Agreement are expressly authorized to resolve their dispute as set forth herein and by their signatures here represent and affirm their authority to execute this Agreement.

7. **Governing Law.** The law of the State of Florida shall apply to this Agreement. Any dispute regarding this Agreement shall be litigated exclusively in the courts of Okaloosa County, Florida. The parties expressly consent to such agreed jurisdiction and venue, and waive any objections thereto.

8. **Notices.** Any notice required or permitted to be given hereunder shall be in writing and shall be (i) delivered by hand, (ii) delivered by reputable national or local courier (such as United Parcel Service or Federal Express), (iii) mailed by United States registered or certified mail, return receipt requested and postage prepaid, or (iv) sent by facsimile transmission provided a confirmation of such facsimile transmission is sent the same day by one of the methods of delivery in (i), (ii), or (iii) above. Any notice shall be addressed to each party at its address as set forth below. Any such notice shall be considered given on the date of such hand delivery, deposit with such courier for same day or next business day delivery, upon receipt of return receipt of certified mail, or receipt of facsimile transmissions, as the case may be, and the time period (if any is provided herein) in which to respond to such notice shall commence on the date of receipt. Rejection or other refusal to accept or inability to deliver because of changed address of which no notice was given shall be deemed to be receipt of the notice. By giving to the other party at least ten (10) days' notice thereof, any party shall have the right from time to time to change the addresses thereof and to specify up to two (2) additional addresses within the United States of America to which copies of notices to it shall be sent. Notice may be given on behalf of any party by such party's counsel. In the event the subject property owner changes, notices shall be addressed to the current owner as indicated in the records of the Okaloosa County Property Appraiser. Otherwise, notices shall be sent as follows:

Each notice shall be addressed as follows:

To City: City of Destin, Florida
Attn:
4200 Indian Bayou Trail
Destin, Florida 32541

With a copy to:
City Land Use Attorney
Romano Kopp Law, PA
PO Box 445
Destin, Florida 32541

Timothy and Dana Flynn: Timothy and Dana Flynn
6 Carriage Pines Court
Spring, TX 77381

With a copy to: Matthews & Jones, LLP

Attn: C. Stephen Tatum
4475 Legendary Drive
Destin, Florida 32541

9. **Attorney's Fees**. In the event of any action, whether pre-suit, mediation, litigation or appellate proceeding to enforce the terms and conditions of this Agreement, each party to the action shall pay its own attorney's fees and costs incurred therein.

10. **Venue**. Venue over any action to enforce the terms and conditions of this Agreement, including mediation, shall lie solely in Okaloosa County, Florida.

OWNERS:

_____
Signature of Witness #1

_____
Timothy Flynn

_____
Print or type name

_____
Dana Flynn

_____
Signature of Witness # 2

_____
Print or type name

STATE OF_____
COUNTY OF_____

The foregoing instrument was acknowledged before me this _____ day of _____ 2019, by _____ _____ and _____, who are personal known to me or who have produced _____ as identification and who did not (did) take an oath.

_____
Signature of Notary

(NOTARY SEAL)

_____
Print or type name

CITY OF DESTIN

By:_____
Gary Jarvis, Mayor

Date:_____

ATTEST:

_____
Rey Bailey, City Clerk

Date:_____

STATE OF_____
COUNTY OF_____

The foregoing instrument was acknowledged before me this _____ day of _____ 2019, by _____ _____ and _____, who are personal known to me or who have produced _____ as identification and who did not (did) take an oath.

_____
Signature of Notary

(NOTARY SEAL)

_____
Print or Type Name

Approved as to form and legality for use and reliance
by the City of Destin, Florida, only.

_____
Kimberly Romano Kopp, Esq.
City Land Use Attorney

Exhibit "A"

Legal Description of Property

Lot 36, CRYSTAL SHORES, a Planned United Development, in Township 2 South, Range 22 West, and a re-subdivision of Block 7, according to the plat thereof as recorded in Plat Book 13, at Page 59, of the Public Records of Okaloosa County, Florida.

ITEM # 2019-1886

CITY OF DESTIN

AGENDA ITEM

COUNCIL MEETING DATE: December 9, 2019
TYPE OF AGENDA ITEM: Action Item

TO: City Council

THRU: Lance Johnson, City Manager

FROM: Kimberly Kopp, Land Use Attorney
Louis Zunguze, Community Development Director

DATE: December 5, 2019

SUBJECT: 6) 3893 Sandprint Drive

I. BACKGROUND:

On January 22, 2019, the City enacted Ordinance 18-29-CC, the Short-Term Rental Occupancy Ordinance ("Ordinance"), which limits the occupancy of short-term rental homes to two (2) people per bedroom plus an additional four (4) persons.

The subject property owner owns the real property and improvements located at 3893 Sandprint Drive, Destin, FL 32541, as more particularly described in Exhibit "A" (the"Property") to the proposed settlement agreement.

Owner filed a claim with the City, pursuant to the provisions of §70.001, Florida Statutes, the Bert J. Harris Jr., Private Property Rights Protection Act (the "Harris Act"), alleging that the Property had been inordinately burdened by the adoption of the Ordinance, (the "Claim).

The Harris Act provides for the City to have the ability to enter into a settlement agreement which would have the effect of a modification or variance to the application of a regulation or ordinance as it would otherwise apply to the subject real property, provided the relief granted protects the public interest served by the regulations at issue and is the appropriate relief necessary to prevent the governmental regulatory effort from inordinately burdening the real property.

The City Council should settle the claim if the City Council determines that the modifications within the settlement agreement protect the public interest served by the Ordinance and are the appropriate relief necessary to prevent the regulatory effect of the Ordinance from inordinately burdening the Property.

II. DISCUSSION: The property owner has requested a maximum occupancy of twenty (20) occupants. City staff is recommending an occupancy of fifteen (15) occupants based on the square footage of the property. The building official utilized a one-occupant per 200 square feet methodology for recommending the above-stated occupancy.

Additionally, staff is recommending at least three (3) trash cans on the property. This recommendation is based on industry standard (Waste Management) that, on average, one trash can is required for every six occupants in order to ensure adequate garbage disposal. Therefore, if the maximum number of occupants exceeds any multiple of six (6, 12, 18, 24, 30, 36, etc.), then an extra trash can will be needed to accommodate the additional occupants. For example, if thirteen (13) is the maximum occupation, then three (3) trash cans are required. This is because, on average, two (2) trash cans will only accommodate twelve (12) occupants. The third trash can will be needed to accommodate the thirteenth occupant.

Further, the property owner must agree to annual life safety inspections, as provided in the proposed settlement agreement.

Finally, staff is recommending that no greater than four (4) vehicle be parked on this property.

As stated in the agreement, the property owner remains bound by all other provisions of City codes.

- **A. Link to Strategic Goals / Objectives:**
- **B. Effect on Budget (EOB):**
- **C. Level of Service (LOS):**

III. CONCLUSION:

IV. RECOMMENDED MOTION: 1. I move to approve the settlement agreement prepared by the City Land Use Attorney and Staff.

or

2. I move to approve the settlement agreement prepared by the City Land Use Attorney and Staff with the following modifications:_____.

or

3. I move to direct the City Land Use Attorney to negotiate in good faith with the property owner and to bring back an alternate settlement proposal to the City

Council for consideration.

or

4. I move to deny settlement of the subject claim at this time.

Attachments:

1. Bert Harris Case - 3893 Sandpoint Drive
2. 3893 Sandprint Drive (4)

DANA C. MATTHEWS

MICHAEL A. JONES

KENNETH M. BORICK
Of Counsel
Also admitted in Georgia and South Carolina

DANA C. "D.C." MATTHEWS II

SAMUEL B. TAYLOR

MATTHEWS & JONES
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Civil and Family Mediator

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LAURA PENTEL-KLANG

JESSICA L. STEWART

SALVADOR "A.J." GOMEZ

Reply to Destin

statum@destinlaw.com

July 29, 2019

VIA HAND DELIVERY

Mayor Gary Jarvis
City of Destin
4200 Indian Bayou Trail
Destin, FL 32541
gjarvis@cityofdestin.com

Dear Mayor Jarvis:

Our firm represents Sherer Enterprises, LLC ("Sherer"), the owner of the home located at 3893 Sandprint Drive; Destin, Florida, also identified as Lot 4, Block B of the Dunes of Destin plat, recorded in Okaloosa County Plat Book 13, at Page 39.

Due to the recent enactment of City of Destin Ordinance 18-29-CC, which limits the occupancy of short term rental homes to two (2) people per bedroom plus an additional four (4) persons, Sherer's reasonable investment-backed expectations for use of the home as a short-term vacation rental property have been inordinately burdened, as defined in the "Bert J. Harris, Jr., Private Property Rights Protections Act", Chapter 70, Florida Statutes ("Harris Act"). Sherer hereby submits this letter along with the enclosed Panhandle Appraisal Group property appraisal dated January 22, 2019, as a claim under the Harris Act against the City of Destin for Four Hundred Thousand Dollars ($400,000.00), which represents the diminution in value of Sherer's property.

Pursuant to the provisions of the Harris Act, Sherer hereby demands payment in the amount of Four Hundred Thousand Dollars ($400,000.00) plus attorneys fees and costs.

If no resolution is reached during the statutorily prescribed waiting period, Sherer intends to file suit pursuant to this claim and pursue any other legal remedies for the actions that gave rise to this claim. Sherer explicitly reserves the right to bring any and all legal challenges, appeals and objections with respect to Ordinance 18-29-CC.

Sincerely,

C. Stephen Tatum
Matthews & Jones, LLP
Attorney for Sherer, LLC

Enclosure

cc: Lance Johnson, City Manager (via email)
Rey Bailey, City Clerk (via email)
Kimberley Romano-Kopp, Esq. (via email)
Client

Appraisal Report

Detached Single Family Residential Home

3,107± HVAC SF Existing Structure

3893 Sandprint Drive
Destin, FL 32541

DIMINUTION IN VALUE ANALYSIS
3893 SANDPRINT DRIVE
DESTIN, FL 32541

FOR
SHERER ENTERPRISES LLC
AND
DESIGNATED ATTORNEYS

RETROSPECTIVE TO JANUARY 22, 2019

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APPRAISAL REPORT

SUBJECT PROPERTY

3,107 ± HVAC SF Existing Detached Residential Improvement

Five Bedrooms and Five and One Half Bathrooms

3893 Sandprint Drive
Destin, FL 32541

EFFECTIVE DATE OF APPRAISAL

Retrospective to January 22, 2019

REPORT DATE

April 18, 2019

VIEWING DATE

April 11, 2019

CLIENT/INTENDED USER

Sherer Enterprises LLC
Attn: Ben Giles
3893 Sandprint Drive
Destin, FL 32541

File № 190343

PREPARED BY:

Thomas A. Marr

State-certified General Real Estate Appraiser № RZ 2645 (FL)
tom@panappraisal.com

Panhandle Appraisal Group
220 Hospital Drive
Fort Walton Beach, Florida 32548
Telephone: (850) 243-0958
Facsimile: (850) 226-8462

PANHANDLE APPRAISAL GROUP

REAL ESTATE VALUATION AND RESEARCH
Specializing in Residential and Commercial Valuation Support
Fort Walton Beach, Florida

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State-certified General Real Estate Appraiser № RZ2645 (FL)

220 Hospital Drive
Fort Walton Beach, Florida 32548

Telephone: (850) 243-0958
Facsimile: (850) 226-8462

April 18, 2019

Sherer Enterprises LLC
Attn: Ben Giles
3893 Sandprint Drive
Destin, FL 32541

Re: Diminution in value appraisal of an approximate 3,107 HVAC SF detached residential improvement, 'as is', identified as 3893 Sandprint Drive in Destin, FL 32541. **Panhandle Appraisal Group File № 190343.**

Dear Mr. Giles:

I have completed the requisite personal viewing, research, and analysis necessary to determine if a diminution in value has occurred for the subject parcel.

The subject property is a three level, detached single family residential structure with an approximate 3,107 HVAC SF, five bedrooms and five and one half bathrooms. The current sleeping capacity of the subject is twenty (20) guests.

The purpose of the appraisal analysis was to develop an opinion of the market value of the subject property prior to the enactment of the city of Destin Ordinance No. 18-29-CC, which was promulgated on January 22, 2019 and then derive a value after the January 22, 2019 ordinance which limited the subject to fourteen (14) guests.

The authorized user is the client at the address above. The understood intended use of the appraisal report will be for reference in determining if the promulgation of Ordinance No. 18-29-CC resulted in a diminution of value. No other use of this report by any other entity or person is authorized.

Subject to the above and the assumptions, limiting conditions, and certification set forth herein, it is my professional opinion the retrospective market value of the fee simple interest in the subject property, 'as is', as of January 21, 2019, prior to the promulgation of Ordinance No. 18-29-CC, was:

ONE MILLION THREE HUNDRED FIFTY THOUSAND DOLLARS
$1,350,000

Subject to the above and the assumptions, limiting conditions, and certification set forth herein, it is my professional opinion the current market value of the fee simple interest in the subject property, 'as is', after the promulgation of Ordinance No. 18-29-CC is:

NINE HUNDRED FIFTY THOUSAND DOLLARS
$950,000

The diminution of value is a rounded $400,000.

Exposure Time
The exposure time linked to the final value opinion is a range to nine (9) to twelve (12) months based on market sales of similar properties and current market activity.

Analysis of recent trends and current market supply and demand strongly indicate the highest and best use of the subject property, is continued use as a seasonal rental home.

I hereby certify I possess no interest, present or contemplated, in the appraised property. The undersigned appraiser is competent or has taken the necessary steps to become competent for the property type being appraised. This appraisal has been prepared utilizing all of the requirements set forth as standards for real estate appraisals established for federally related transactions by the Comptroller of the Currency, the Federal Reserve Board, the Federal Deposit Insurance Corporation, and the State of Florida. The appraisal is in conformity with the standards for real estate appraisals as established by the Appraisal Foundation and its Appraisal Standards Board. The appraisal also conforms to *the 2018/2019 edition of the Uniform Standards of Professional Appraisal Practice (USPAP)* and your instructions. The fee for this appraisal was not based on value, nor was the assignment undertaken based on a predetermined value, a trend in value, or a minimum or maximum value.

Respectfully submitted,

Thomas A. Marr

Thomas A. Marr
State-Certified General Real Estate Appraiser № RZ 2645 (Florida)

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APPRAISAL REPORT

This is an Appraisal Report which is intended to comply with the reporting requirements in accordance with the 2018/2019 edition of the Uniform Standards of Professional Appraisal Practice (USPAP) for an Appraisal Report. As such, it represents summary discussions of the data, reasoning, and analyses used in the appraisal process to develop the appraisers' opinion of value. Supporting documentation concerning the data, reasoning, and analyses may be retained in the appraiser's files. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated below. The appraisers are not responsible for unauthorized use of this report.

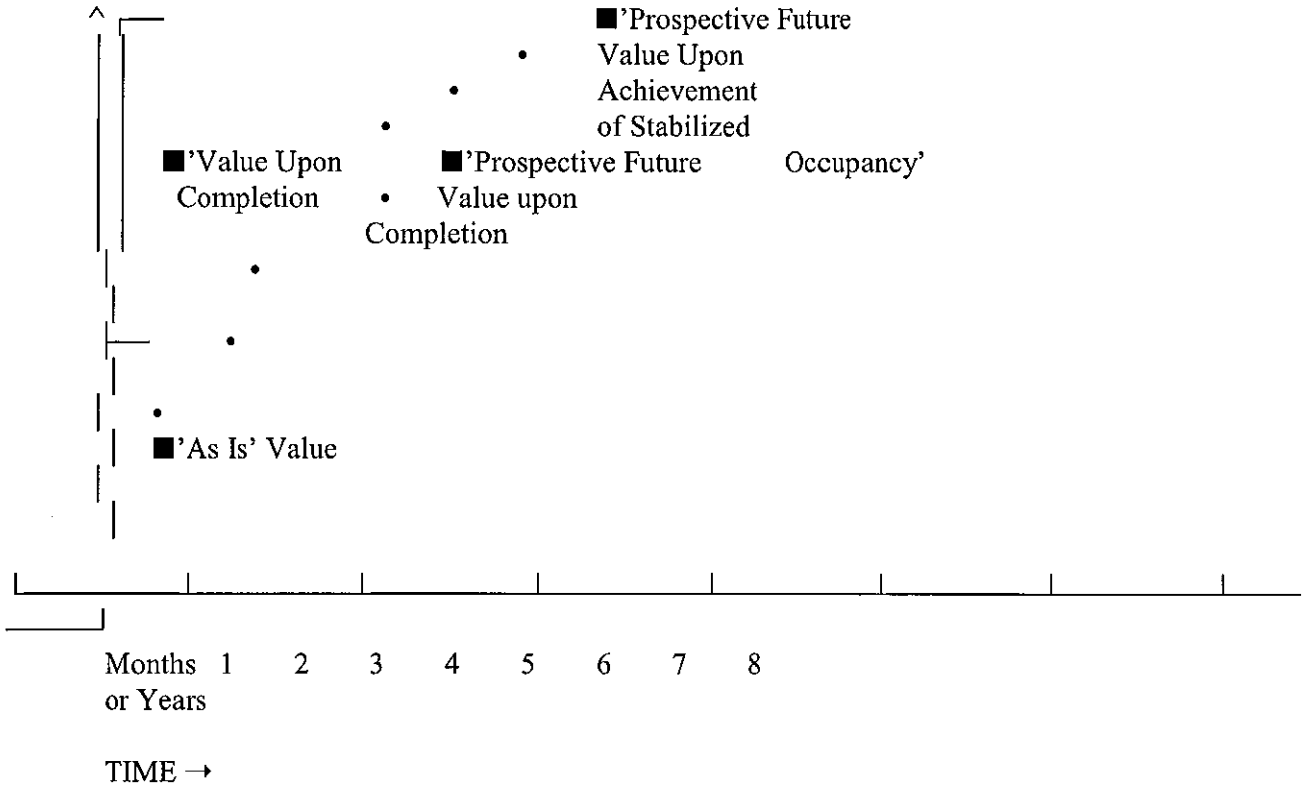
CLIENT:	Sherer Enterprises LLC Attn: Ben Giles 3893 Sandprint Drive Destin, FL 32541
APPRAISERS:	**Thomas A. Marr** State-certified General Real Estate Appraiser № RZ 2645 (Florida) Panhandle Appraisal Group 220 Hospital Drive Fort Walton Beach, Florida 32548
SUBJECT PROPERTY:	Legal Description Lot 4, Block B, Dunes of Destin Tax ID №: 00-2S-22-067A-000B-0040.
PURPOSE OF THE APPRAISAL:	The purpose of this appraisal was to develop an estimate of the diminution in value from prior to the promulgation of City of Destin Ordinance No. 18-29-CC and after the promulgation of the ordinance on January 22, 2019.
INTENDED USE OF REPORT:	The understood intended use of the appraisal report will be for client use in legal proceedings.
INTENDED USER:	The intended user is the client stated above, the client's attorneys, courts of law, and regulatory authorities. This report is not intended or authorized for any other user or audience.
PROPERTY RIGHTS APPRAISED:	Fee Simple, one hundred percent (100%) ownership interest in the subject property.
EFFECTIVE DATE OF VALUE:	**Retrospective to January 22, 2019.**
DATE OF REPORT:	April 18, 2019.
DATE OF INSPECTION:	Thomas A. Marr viewed the subject property on April 11, 2019.
SCOPE OF WORK:	I note you have not requested an appraisal report format. Based on the Scope of Work requirements included in the 2018/2019 version of USPAP, which indicates the appraiser is responsible to coordinate the scope of work with the client, I am informing you I will perform an appraisal report. **It is my opinion this process of work meets all applicable 2018/2019 USPAP standards.**
DEFINITIONS:	The definitions, commencing on the page following, are provided to assist the reader in understanding this appraisal report.

Market Value[1]

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

- Purchaser and seller are typically motivated;
- Both parties are well informed or well advised and each acting in what they consider their best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Value Creation Continuum



The preceding exhibit graphically displays the creation of value in a real estate development project over time, assuming a zero inflation environment for clarity of presentation.

The four (4) time differential values on the graph which may be considered in the appraisal of existing developments are defined as follows:

(1) **'As Is'** means an estimate of the market value of a property in the condition observed upon inspection and as it

---

[1] Title XI, Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), [Pub. L. No. 101-73, 103 Stat. 183 (1989)], 12 U.S.C. 3310, 3331-3351, and section 5(b) of the Bank Holding Company Act, 12 U.S.C. 1844(b); Part 225, Subpart G: Appraisals; Paragraph 225.62 (f).
Uniform Standards of Professional Appraisal Practice, 2003 Edition, Page 3
Federal Reserve System, 12 CFR Parts 208 and 225, Sec. 225.62
Office of the Comptroller of the Currency, 12 CFR Part 34, Sec. 34.42 (g)
FDIC, 12 CFR Part 323, Sec. 323.2 (g) (2000)
Office of Thrift Supervision, 12 CFR Part 564, Sec. 564.2
NCUA, 12 CFR Part 722, Sec. 722.2

physically and legally exists without hypothetical conditions, assumptions, or qualifications as of the date of appraisal.

(2) **'Value Upon Completion'** means the market value of a property with all existing construction, conversion, or rehabilitation hypothetically completed, or under other specified hypothetical conditions as of the date of appraisal. With regard to properties wherein anticipated market conditions indicate stabilized occupancy is not likely as of the date of completion, this estimate of value shall reflect the market value of the property as if complete and prepared for occupancy by tenants.

(3) **'Prospective Future Value Upon Completion'** means the prospective future value of a property on the date construction is completed, based upon market conditions forecast to exist as of completion date.

(4) **'Prospective Future Value Upon Achievement of Stabilized Occupancy'** means the prospective future value of a property at a point in time when all improvements have been physically constructed and the property has been leased to its optimum level of long term occupancy.

Fee Simple Estate[2]
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.

Leased Fee Interest[3]
An ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the lessee are specified by contract terms contained within the lease.

Leasehold Interest[4]
The interest held by the lessee (the tenant or renter) through a lease transferring the rights of use and occupancy for a stated term under certain conditions.

Condominium[5]
A multi-unit structure or property in which persons hold fee simple title to individual units and an undivided interest in common areas.

Highest and Best Use[6]
The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and which results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability.

...of land or a site as though vacant:

Among all reasonable, alternative uses, the use yielding the highest present land value, after payments are made for labor, capital, and coordination. The use of property based on the assumption the parcel of land is vacant or can be made vacant by demolishing any improvements.

...of property as improved:

The use which should be made of a property as it exists. An existing improvement should be renovated or retained as is so long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing building and constructing a new one.

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2 The Dictionary of Real Estate Appraisal, Appraisal Institute, Fourth Edition, 2002, Page 113.

3 Ibid., Page 161.

4 Ibid., Page 162.

5 Ibid., Page 59.

6 Ibid., Page 135.

Marketing Time[7]
The time it takes an interest in real property to sell on the market subsequent to the date of an appraisal.

Exposure Time[8]
A retrospective estimate based on an analysis of past events assuming a competitive and open market.

Advocacy[9]
Representing the cause or interest of another, even if cause or interest does not necessarily coincide with one's own beliefs, opinions, conclusions, or recommendations.

Appraisal[10]
(Noun) The act or process of developing an opinion of value; an opinion of value. (Adjective) of, or pertaining to appraising and related functions such as appraisal practice or appraisal services.

Appraisal Practice[11]
Valuation services performed by an individual acting as an appraiser, including, but not limited to appraisal, appraisal review, or appraisal consulting.

Appraisal Review[12]
The act or process of developing and communicating an opinion about the quality of another appraiser's work was performed as part of an appraisal, appraisal review, or appraisal consulting assignment.

Appraiser[13]
One who is expected to perform valuation services competently, and in a manner, is independent, impartial, and objective.

Appraiser's Peers[14]
Other appraisers who possess expertise and competency in a similar type of assignment.

Assignment[15]
A valuation service provided as a consequence if an agreement between an appraiser and a client.

Assignment Results[16]
An appraiser's opinions and conclusions developed specific to an assignment.

Assumption[17]
An occurrence which is taken to be true.

---

8 Ibid., Page 175

9 Ibid., Page 105

9 2018/2019 edition, *Uniform Standards of Professional Appraisal Practice (USPAP)*, Page 1

10 Ibid, Page 1

11 Ibid, Page 1

12 Ibid, Page 1

13 Ibid, Page 1

14 Ibid, Page 2

15 Ibid, Page 2

16 Ibid, Page 2

17 Ibid, Page 2

Bias[18]
A preference or inclination which precludes an appraiser's impartiality, independence, or objectivity in an assignment.

Business Enterprise[19]
An entity pursuing an economic entity.

Business Equity[20]
The interests, benefits, and rights inherent in the ownership of a business enterprise or a part thereof in any form (including, but not necessarily limited to, capital stock, partnership interests, cooperatives, sole proprietorships, options, and warrants).

Client[21]
The party or parties who engage an appraiser (by employment or contract) in a specific assignment.

Confidential Information[22]
Information is either:

- identified by the Client as confidential when providing it to an appraiser and is not available from any other source; or,

- classified as confidential or private by applicable law or regulation.

Cost[23]
The amount required to create, produce, or obtain a property.

'Credible'[24]
Worthy of belief.

Extraordinary Assumption[25]
An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions.

Feasibility Analysis[26]
A study of the cost-benefit relationship of an economic endeavor.

Hypothetical Condition[27]
An assertion which is contrary to what exists but is supposed for the purpose of analysis.

Intangible Property[28]

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18 Ibid, Page 2

19 2018/2019 edition, USPAP, Page 2

20 Ibid, Page 2

21 Ibid, Page 2

22 Ibid, Page 2

23 Ibid, Page 2

24 Ibid, Page 3

25 Ibid, Page 3

26 Ibid, Page 3

27 Ibid, Page 3

28 Ibid, Page 3

(Intangible Assets) Nonphysical assets, including, but not limited to, franchises, trademarks, patents, copyrights, goodwill, equities, securities, and contracts as distinguished from physical assets such as facilities and equipment.

Intended Use[29]
The use or uses of an appraiser's reported appraisal, appraisal review, or appraisal consulting assignment opinions and conclusions, as identified by the appraiser based on communication with the Client at the time of the assignment.

Intended User[30]
The Client and any other party as identified, by name or type, as users of the appraisal, appraisal review, or appraisal consulting report by the appraiser on the basis of communication with the Client at the time of the assignment.

Jurisdictional Exception[31]
...an assignment condition which voids the force of a part or parts of *USPAP*, when compliance with part or parts of *USPAP* is contrary to law or public policy applicable to the assignment.

IDENTIFY THE PROBLEM TO BE SOLVED
The client has requested that I derive two values for the subject. The first value is a value as of January 22, 2019 when the subject could accommodate 20 guests. The second value is after the city of Destin promulgated Ordinance 18-29-CC which limits the subject to 14 guests. The problem to be solved is to derive two values and then identify the diminution of value after the promulgation of the ordinance.

EXTENT OF THE PROCESS OF COLLECTING, CONFIRMING, AND REPORTING DATA:

Preparation of this appraisal included the following scope of work:

- The subject site, improvements, and parking improvements were inspected by the appraiser, the property was photographed. File data for similar properties was reviewed.
- The public records were reviewed.
- The appraiser examined the economic, social, governmental, and environmental forces affecting value in the subject neighborhood and the entire market area as a whole.
- The appraiser identified recent and projected actual rents for the subject, based on occupancy of up to 20 guests. The appraiser then identified the annual rentals of other comparable properties which accommodated up to 20 guests. These comparable rentals provided market support for the subject actual and projected gross rental income.
- The appraiser identified market rental comparables for properties limited to 14 guests.
- The appraiser then reduced gross rent to net operating rent and capitalized the net operating rent to identify value for the subject as a 20 guest rental and a 14 guest rental. The difference between these two values is the diminution in value.

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29 Ibid, Page 3

30 Ibid, Page 3

31 2018 edition, *USPAP*, Page 3

IDENTIFICATION OF THE TYPE OF APPRAISAL AND APPRAISAL REPORT FORMAT:
I have provided an **Appraisal Report**, as defined by the *2018/2019 edition of the Uniform Standards of Professional Appraisal Practice*, containing a summary of all relevant conclusions, data, and analyses used in the report.

TERMS OF THE FINAL VALUE OPINION:
The final opinion of the current market values of the subject property, 'as is' is expressed in terms of cash or financing terms equivalent to cash.

POLICY STATEMENT OF THE APPRAISAL INSTITUTE:
It is improper to base a conclusion or opinion of value upon the premise the racial, ethnic, or religious homogeneity of the inhabitants of an area or of a property is necessary for maximum value.

Racial, religious, and ethnic factors are deemed unreliable predictors of value trends or price variance.

It is improper to base a conclusion or opinion of value, or a conclusion with respect to neighborhood trends, upon stereotyped, biased presumptions relating to the effective age or remaining life of the property being appraised or the life expectancy of the neighborhood in which it is located.

The undersigned appraiser is not a member of the Appraisal Institute.

GENERAL ASSUMPTIONS:

1. No responsibility is assumed for the legal description provided or for matters relevant to legal or title considerations. Title to the property is assumed to be marketable unless otherwise stated. The legal description used in this report is assumed to be correct.

2. The subject property is appraised free and clear of any or all liens, leases, or encumbrances unless otherwise stated. All mortgages, liens, encumbrances, leases, and servitudes have been disregarded unless so specified within the report.

3. No survey of the property has been made by the appraisers and no responsibility is assumed in connection with such matters. Sketches, plot plans, or illustrative material presented in this report are included only to assist the reader in visualizing the property.

4. Information and data furnished by others is usually assumed to be true, correct and reliable. When such information and data appears to be dubious and when it is critical to the appraisal, a reasonable effort has been made to verify all such information; however, no responsibility for its accuracy is assumed by the appraiser.

5. Responsible ownership and competent property management are assumed unless otherwise stated in this report.

6. It is assumed there are no hidden or unapparent conditions of the property, subsoil or structures which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.

7. It is assumed 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.

8. It is assumed the subject property is in compliance with all applicable zoning and land use regulations, unless a nonconformity has been stated, defined and considered in the appraisal report.

9. It is assumed all required licenses, consents or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use which the value estimate contained in this report is based.

10. It is assumed the utilization of the land and improvements is within the boundaries or property lines of the property described and there is no encroachment or trespass unless noted within the report.

EXTRAORDINARY ASSUMPTIONS:

I am using data provided to me by the client and other vacation home owners.

I am making the extraordinary assumption that the data provided is accurate, credible and reliable.

If, for any reason, the data provided is not accurate, credible and reliable, the values derived in the analysis is subject to review.

GENERAL LIMITING CONDITIONS:

1. This is an Appraisal Report which is intended to comply with the reporting requirements set forth in accordance with the *2018/2019 edition of the Uniform Standards of Professional Appraisal Practice* for an Appraisal Report. As such, it includes summarized discussions of the data, reasoning, and analyses used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses may be retained in the appraiser's files. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraiser is not responsible for unauthorized use of this report.

2. Appraisers are not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraisers suggesting the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert in the field of environmental assessment. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The appraiser's value estimate is predicated on the assumption there exists no such material on or in the property causing a loss in value unless otherwise stated in this report. No responsibility is assumed for any environmental conditions, or for any expertise or engineering knowledge required to discover them. The appraisers' descriptions and resulting comments are the result of the routine observations made during the appraisal process.

3. The subject property is appraised without a specific compliance survey having been conducted to determine if the property is or is not in conformance with the requirements of *The Americans with Disabilities Act*. The presence of architectural and communications barriers which are structural in nature which would otherwise restrict access by disabled individuals may adversely affect the property's value, marketability, or utility.

4. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event, only with proper written qualification and only in its entirety.

5. Neither all nor any part of the contents of this report shall be conveyed to any person or entity, other than the appraiser's or firm's client, through advertising, solicitation materials, public relations, news, sales, or other media without the written consent and approval of the authors, particularly as to valuation conclusions, the identity of the appraiser or firm with which the appraiser is connected, or any reference to affiliation with any professional appraisal organization. Further, the appraiser or firm assumes no obligation, liability, or accountability to any third party. If this report is placed in the hands of anyone but the client, client shall make party aware of all the assumptions and limiting conditions of the assignment.

6. The appraiser affixing his signatures to this appraisal report will not be required to give testimony or appear in court because of having made this appraisal, with reference to the property in question, unless arrangements have been previously made thereof.

7. No environmental impact studies were either requested or made in conjunction with this appraisal, and the appraiser hereby reserves the right to alter, amend, revise, or rescind any of the value opinions based upon any subsequent environmental impact studies, research, or investigation.

8. The appraiser has not been supplied with a report of the subsoil conditions indicating the exact capacity of the subsoil. I do not have the benefit of subsoil test results of the properties and detection of possible soil defects would be beyond my realm of expertise. However, there appear to be no hidden or apparent conditions of the subject sites or subsoil structures which would render them more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.

9. Acceptance of and/or use of this appraisal report constitutes acceptance of the foregoing General Assumptions, Special Assumptions, General Limiting Conditions, and Special Limiting Conditions.

EXTRAORDINARY LIMITING CONDITIONS AND HYPOTHETICAL CONDITIONS:

None.

CERTIFICATION:

I certify, to the best of my knowledge and belief:

1. The statements of fact contained in this report are true and correct.

2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions and conclusions.

3. I possess no present or prospective interest in the property which is the subject of this report and no personal interest with respect to the parties involved.

4. I possess no bias with respect to the property which is the subject of this report or to the parties involved with this assignment.

5. The engagement in this assignment was not contingent upon developing or reporting predetermined results.

6. The compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value favoring the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

7. The analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *2018/2019 edition of the Uniform Standards of Professional Appraisal Practice.*

8. Thomas A. Marr has made a personal viewing of the property which is the subject of this report. No one else has rendered significant real estate appraisal knowledge and input to the compilation of this report.

9. I have not performed any services, to include appraisal services, regarding the subject in the previous three years.

10. The opinion of market value 'as is' of the one hundred percent (100%) fee simple ownership interest in the subject property, as of the date of last my personal viewing, of April 11, 2019 'as is' is prior to the promulgation of Destin Ordinance 19-23-CC is ONE MILLION THREE HUNDRED FIFTY THOUSAND DOLLARS ($1,350,000) and the value after the promulgation of Destin Ordinance 19-23-CC is NINE HUNDRED FIFTY THOUSAND DOLLARS ($950,000). The diminution of value is estimated as FOUR HUNDRED THOUSAND DOLLARS ($400,000).

Thomas A Marr

Thomas A. Marr
State-certified General Real Estate Appraiser № RZ 2645 (Florida)

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DESCRIPTION OF THE SUBJECT PROPERTY
Ownership:

The current owner is Sherer Enterprises LLC

FILE #3130502 RCD: 4/21/2017 4:05 PM, BK: 3296 PG: 1657, RECORDING: $10.50 RECORDING ARTICLE V: $8.00
D Doc Stmp: $1,750.00 DEPUTY CLERK JLALLEN
JD PEACOCK II CLERK OF COURTS, OKALOOSA COUNTY, FLORIDA

Corporate Warranty Deed

This Indenture, made , April 18, 2017 A.D.
Between
Dunes North Partners, LLC, a Florida limited liability company, whose post office address is: 1159 Troon Drive, Miramar Beach, Florida 32550, a limited liability company existing under the laws of the State of Florida, Grantor and **Sherer Enterprises, LLC, a Florida limited liability company,** whose post office address is: 35 Dyar Lane, Grosse Pointe Woods, Michigan 48236, Grantee,

Witnesseth, that the said Grantor, for and in consideration of the sum of Ten and No/100 Dollars ($10.00), to it in hand paid by the said Grantee, the receipt whereof is hereby acknowledged, has granted, bargained and sold to the said Grantee forever, the following described land, situate, lying and being in the County of Okaloosa, State of Florida, to wit:

Lot 4, Block B, THE DUNES OF DESTIN, A PLANNED UNIT DEVELOPMENT, according to the Plat thereof as recorded in Plat Book 13, Page 39, of the Public Records of Okaloosa County, Florida.

Subject to taxes for the current year, covenants, restrictions and easements of record, if any.

Parcel Identification Number: **002S22067A000B0040**

And the said Grantor does hereby fully warrant the title to said land, and will defend the same against the lawful claims of all persons whomsoever.

BK: 3296 PG: 1658

In Witness Whereof, the said Grantor has caused this instrument to be executed in its name by its duly authorized officer and caused its corporate seal to be affixed the day and year first above written.

Dunes North Partners, LLC, a Florida limited liability company

Signed and Sealed in Our Presence:

By: Christel Giles
Christel Giles
Its: Manager

Witness Print Name: Wendy A. Lewis

Witness Print Name:

(Corporate Seal)

State of Florida
County of Okaloosa

The foregoing instrument was acknowledged before me this 18th day of April, 2017, by Christel Giles, the Manager of Dunes North Partners, LLC, a Florida limited liability company, A corporation existing under the laws of the State of Florida, on behalf of the corporation. She is personally known to me or has produced driver's license as identification.

WENDY A LEWIS
Notary Public - State of Florida
My Comm. Expires Jul 31, 2018
Commission # FF 116920

Notary Public (Seal)
Notary Printed Name:

My Commission Expires::

Prepared by:
Aqua Title Services
36150 Emerald Coast Parkway, Suite 101
Destin, Florida 32541

File Number: 16-0679

Florida Corporate Deed/Letter

SITE:

Location:
The subject is an interior parcel, located in the Dunes of Destin Subdivision in urban Destin, Florida 32541.

The surrounding Dunes of Destin SD is exclusively gulf front and interior detached homes.

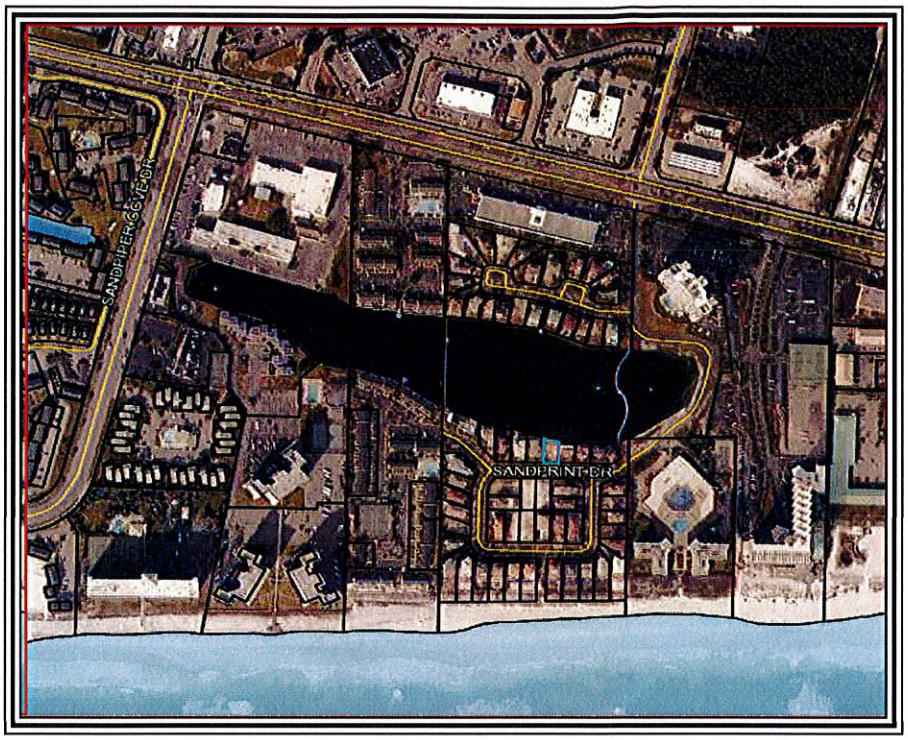
To the east and west along the gulf are primarily multi-family developments, predominantly condominiums.

To the north, along Harbor Boulevard (U. S. Highway 98) are commercial uses and further north are mature, residential subdivisions.

This entire area of Destin, in close proximity to the Gulf of Mexico, is a desired location and well considered by the market.

See the following map for the subject location in the broad Destin market.

The following map indicates the Dunes of Destin area which is the local market area surrounding the subject.



The following aerial photograph indicates the immediate vicinity of the subject.

Land Size:

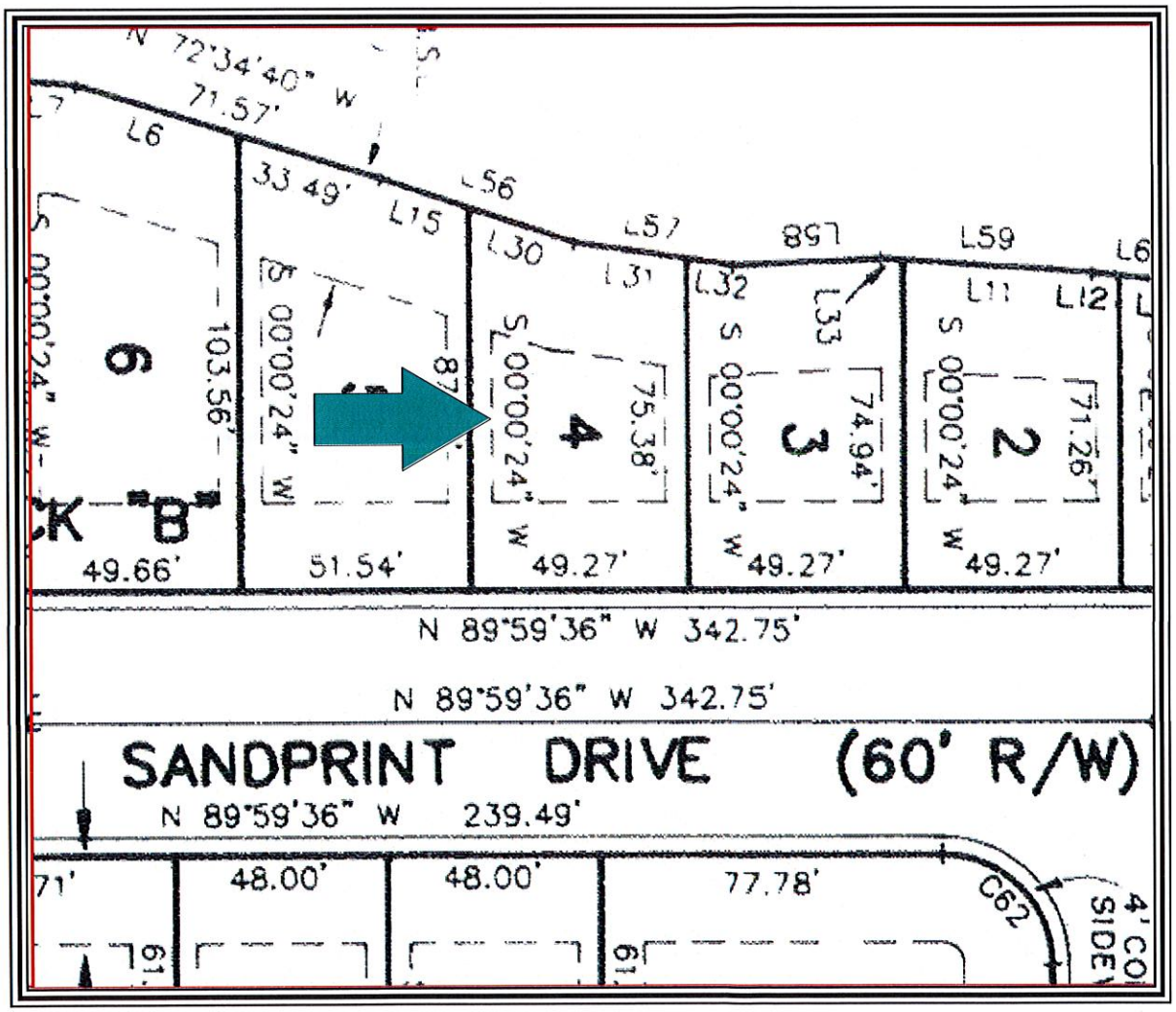
The subject is a single residential lot.

See the following excerpt from the recorded plat map.

Based on these dimensions, the subject lot is a near rectangle with east and west dimensions of 75 and 87 feet and north and south dimensions of 51 and 49 feet.

This results in a land size of 4,080 SF.

I would consider the subject land size as typical and parking to be adequate as there are five (5) approved parking spaces.

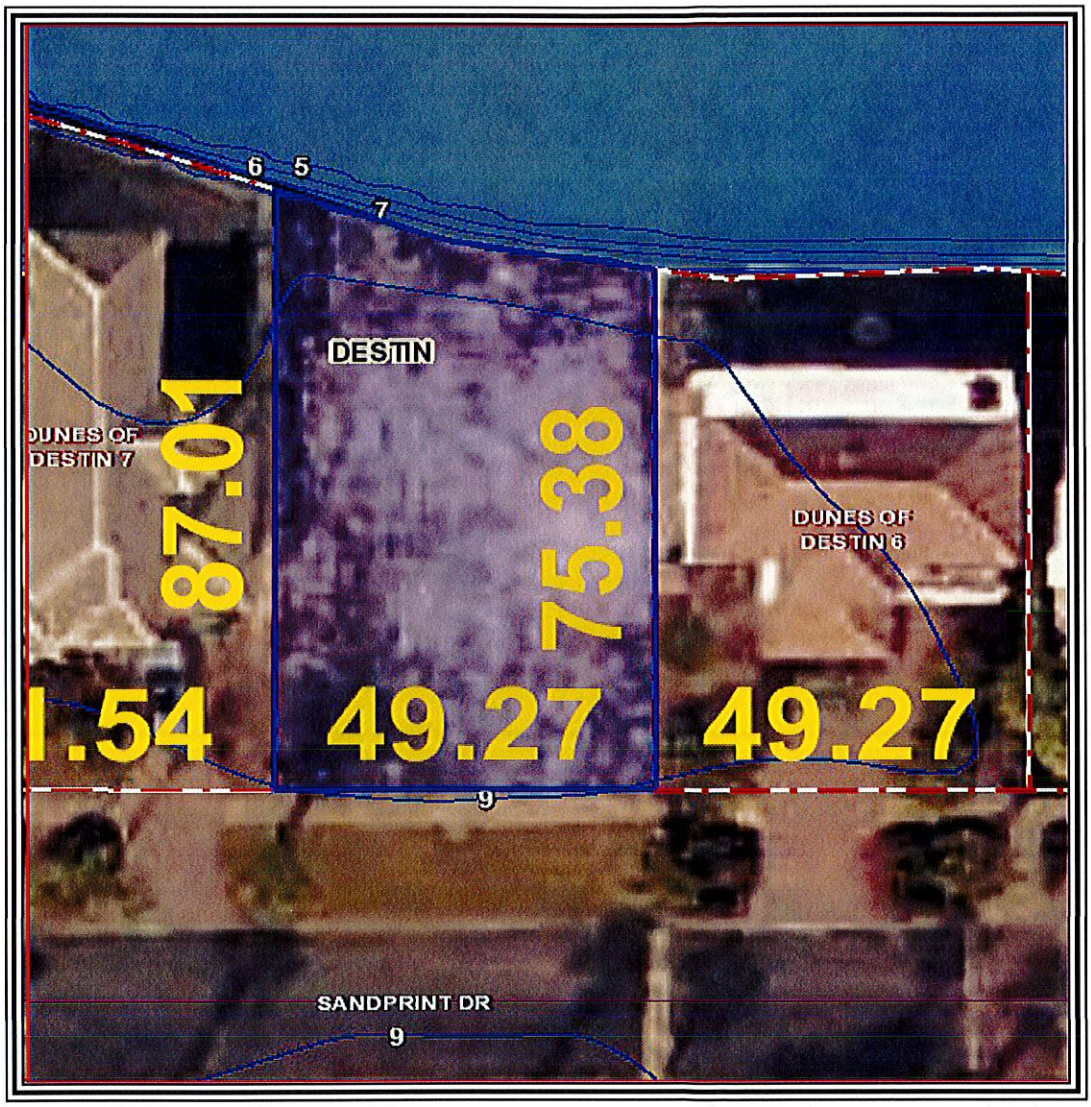


Site Topography:

Per the Okaloosa County GIS site and my viewing, the subject is at the road grade of Sandprint Drive.

The subject is also generally level over the entire surface of the lot with a slight downward slope on the north side, adjacent to the lake.

I am providing the following contour map extracted from the Okaloosa County Property Appraiser web site.



Utilities:

Utility	*Provider*	*Utility*	*Provider*
Electricity	Gulf Power	Stormwater Drainage	Destin
Water and Sewer	Okaloosa County	Fire Department	Destin
Natural Gas	Okaloosa Gas	Police Department	Contract with the Okaloosa County Sheriff
Telephone	Verizon	Refuse Removal	By contract
Cable Television	Cox Cable		

The utilities for the subject site are considered as typical in the market.

Easements/Encroachments:
I was not furnished a copy of a recent survey of the subject property. A review of the site plan, various maps and my personal viewing did not indicate any easements or encroachments.

I assume there are utility easements of record.

It is my opinion that there are no easements or encroachments which would affect value or transferability.

Ingress/Egress:
The subject property is reached directly from Sandprint Drive, which fronts on the subject south side.

Sandprint Drive is a paved, two lane public roadway.

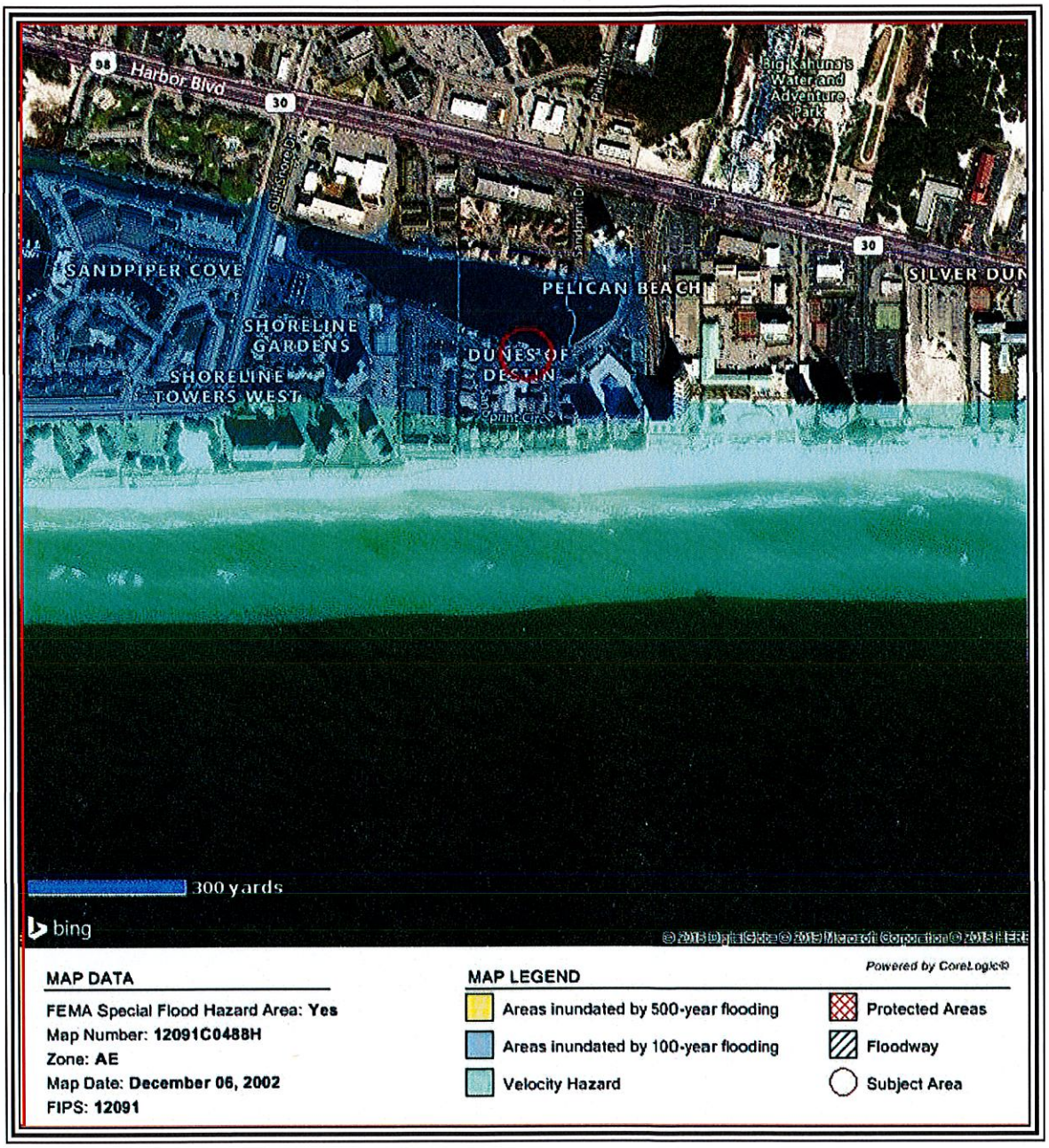
Ingress/egress is viewed as similar to most access typically found in the market.

Parking is viewed as superior to most parking found in the market as the subject was just developed and meets the most current code.

Flood Risk:

FEMA Map Panel	*Map Area*	*Dated*	*Flood Zone*
12091C 0488H	Okaloosa County	December 6, 2002	"AE"

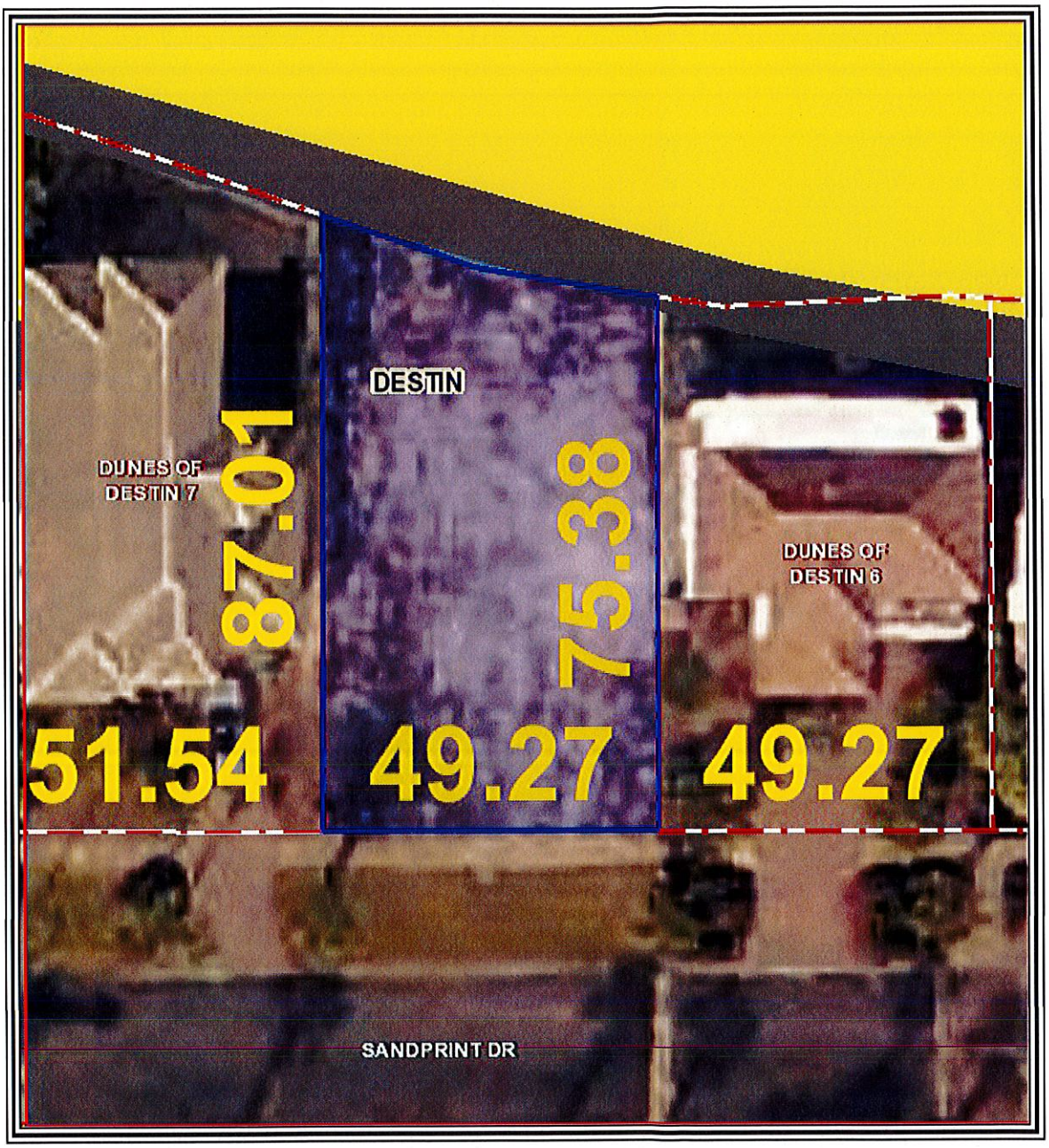
* The client is advised appraisers are not surveyors, and accordingly, any final determination as to flood zone status should only be made by a licensed, adequately insured, Florida surveyor utilizing the latest FEMA flood panels. However, it appears the entire subject area is considered as Flood Zone 'AE', an area of minimal flood risk. The subject is located at the red circle in the following flood map.



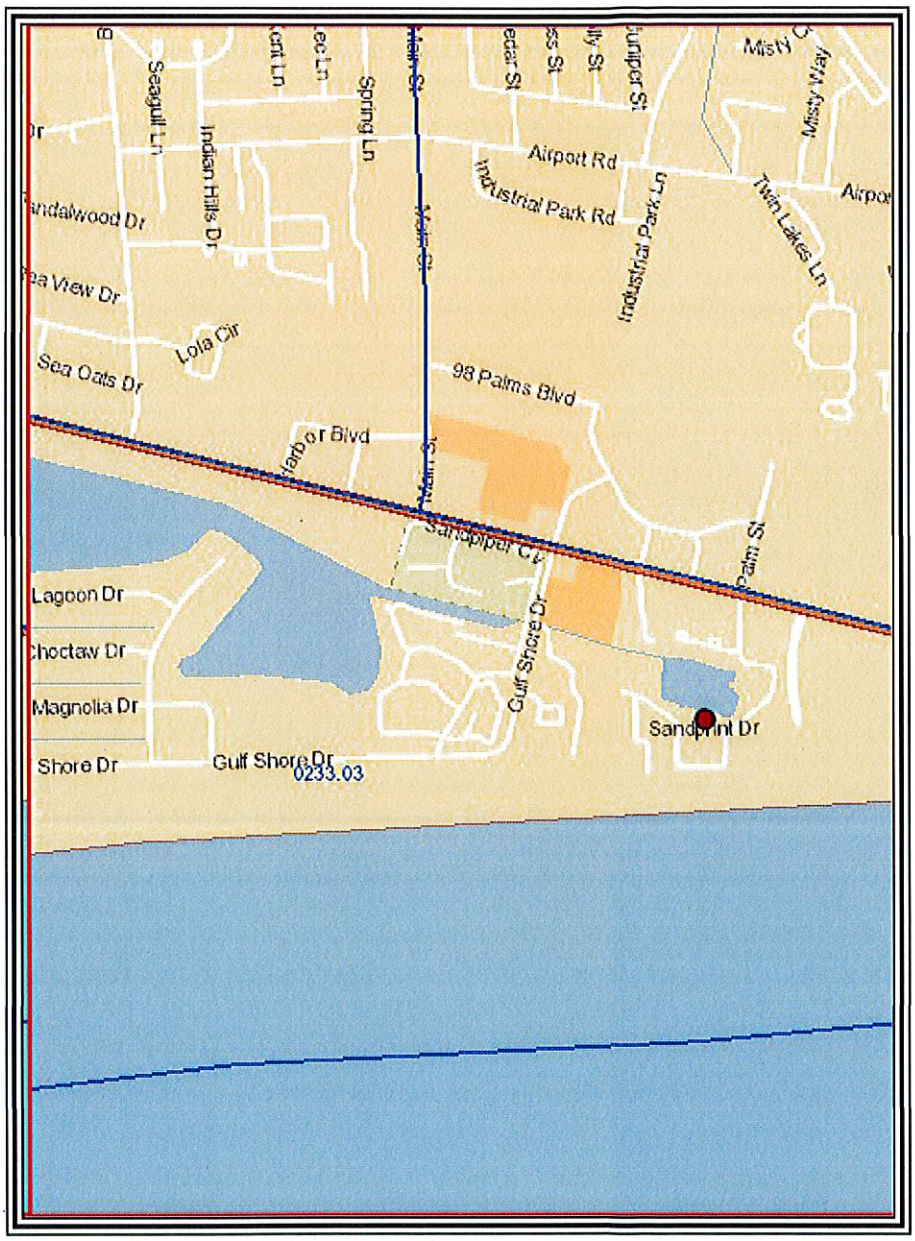
Wetlands:

The subject features no wetlands.

The wetland map is consistent with the flood panel on the previous page.



Census Data:
The subject is located in census tract 0233.03.



IMPROVEMENTS 'AS IS'

Size:
The subject is a single family detached improvement with three living levels and a fourth level which is a viewing deck accessed by stairs.

The subject also features an attached one car garage on the first level. The subject features substantial exterior balconies and porches, as well as an in ground swimming pool, pool deck/lanai, landscaping, and five (5) open paver parking spaces. The one (1) garage spaces and the five (5) open spaces result in a total of six (6) parking spaces.

The first living level features a small living/game room area with one bedroom with bunks, sleeping ten (10). There is a total of ten (10) guests on the first level.

The second level is the kitchen and other living areas to include one (1) bedroom with king beds sleeping two (2). There is a total of two (2) guests on the second level.

The third level is three bedrooms with king bed sleeping two (2) each for a total of six (6) and hall bunks sleeping two (2). There is a total of eight (8) guests on the third level.

The three level totals of 10, 2 and 8 result in a total of 20 guests.

Per Okaloosa County public records, the subject is 4,066 total SF with an approximate 3,107 HVAC SF of living area.

Construction Quality:
The quality of construction for the subject improvement is *Class C* good. Details of construction are summarized below:

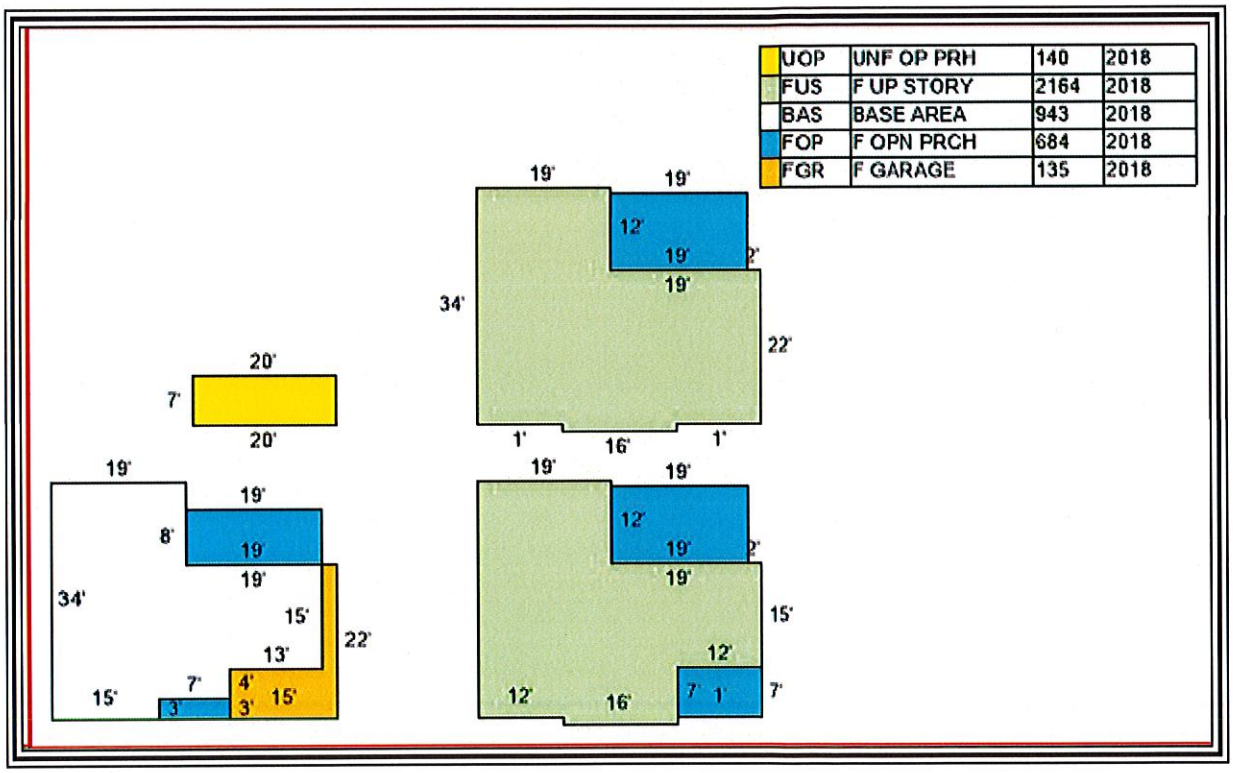
Construction Component	
Foundation	4" Reinforced concrete slab
Exterior walls	Wood frame with stucco
Roof	Metal
Trim	Base and crown molding
Windows	Double pane aluminum
Exterior doors	Insulated metal with glass
Insulation	Unknown. Assumed to be R38 behind sheet rock
HVAC	Forced Air and Central HVAC
Ceiling	10 foot with sheet rock and can lights
Interior Walls	Painted sheet rock
Interior flooring	High quality stone, tile and carpet
Interior doors	Six and four panel wood
Restrooms	Five bath rooms
Lighting	Can lights
Kitchens	One typical residential kitchen
Other	Many porches/swimming pool and lanai/elevator.

Condition of Improvements:
The subject improvement is new and in good condition.

Age:
Public records indicate this subject improvement was just completed in 2018.

I consider the actual age and the effective age to be a similar one year. I estimate an economic life of 55 years and a physical life of 75 years.

See the following sketch from the Okaloosa County Property Appraiser web site.



Exterior Photographs:

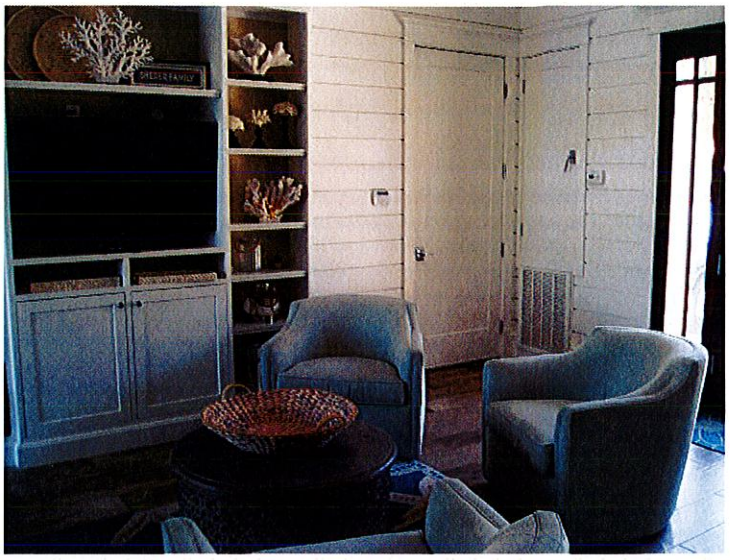
FRONT OF SUBJECT

REAR OF SUBJECT

SWIMMING POOL

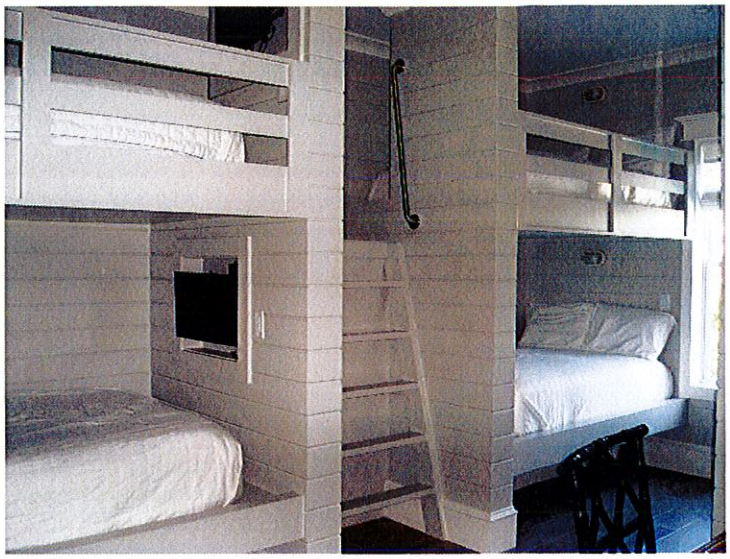
LANAI

First Level Sleeping Ten (10):

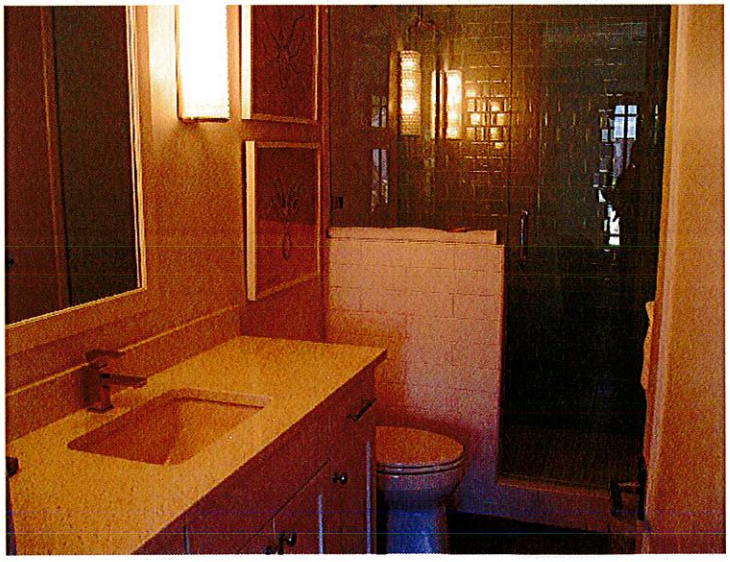


FAMILY ROOM

LAUNDRY

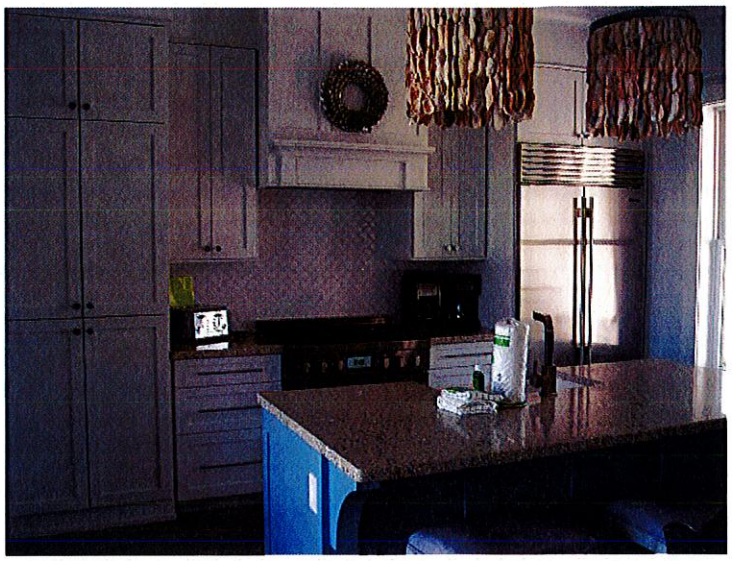


BEDROOM WITH BUNKS SLEEPING TEN (10) BEDROOM #1

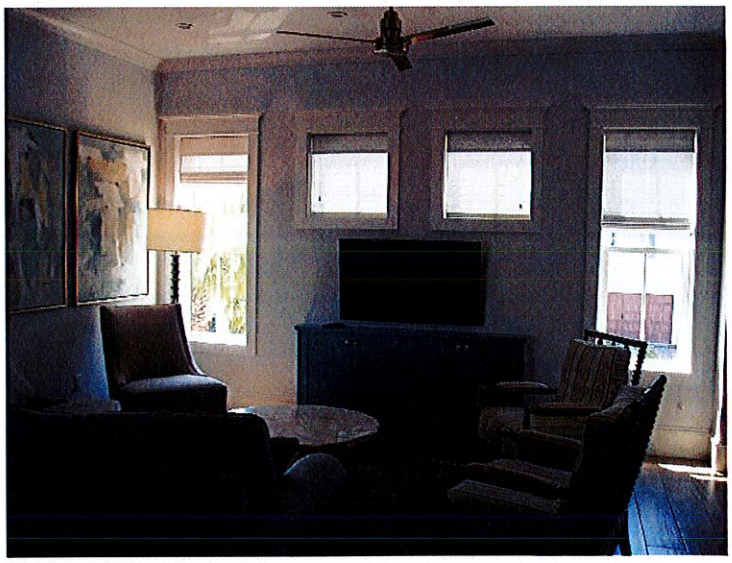


FULL BATH SUPPORTING BEDROOM #1 - BATH #1

Second Level Features Kitchen and Living Room and Sleeps Two (2):



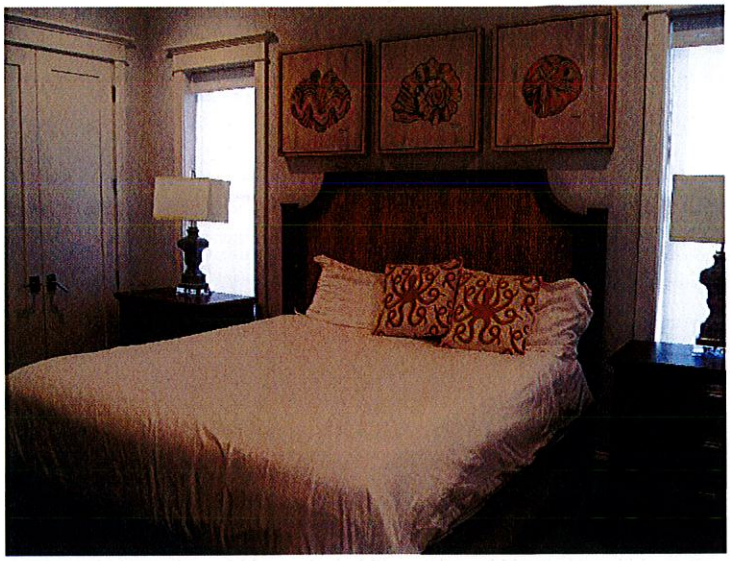
KITCHEN



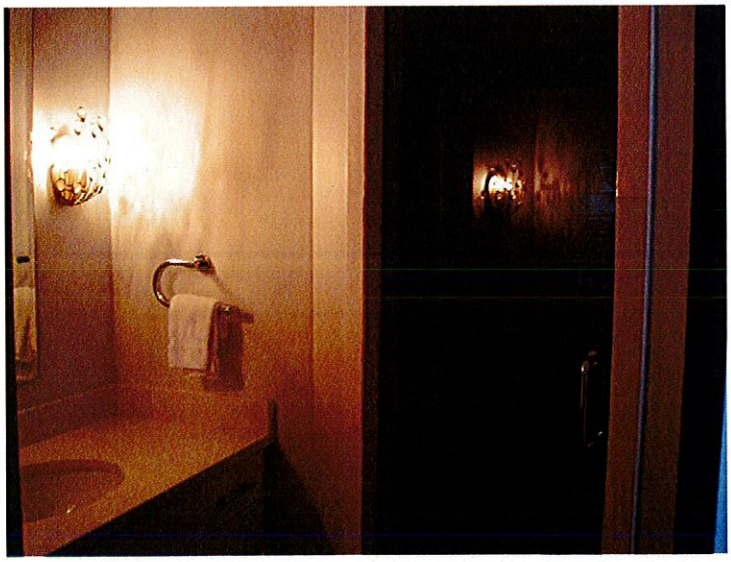
LIVING ROOM

DINING ROOM

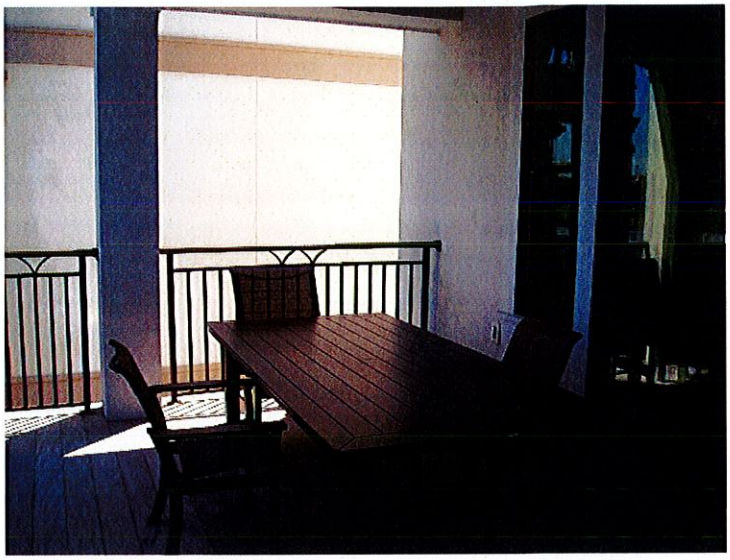
HALF BATH - BATH #1.5



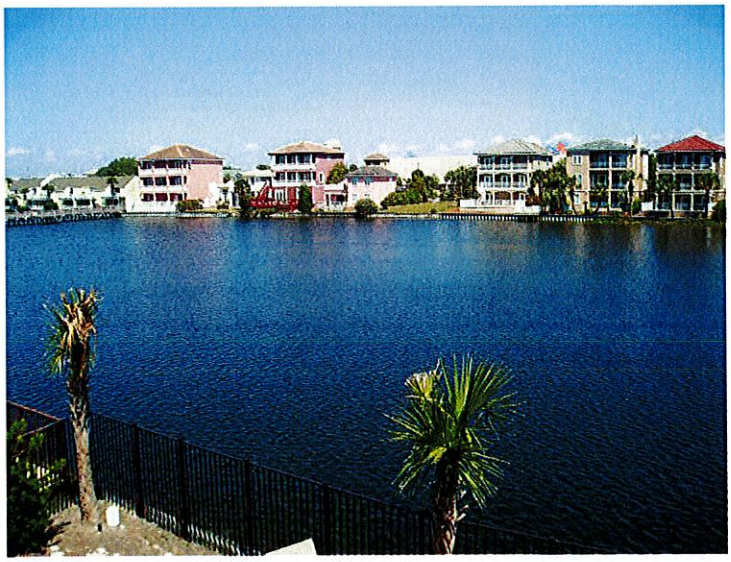
BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #2



FULL BATH SUPPORTING BEDROOM #2 - BATH #2.5

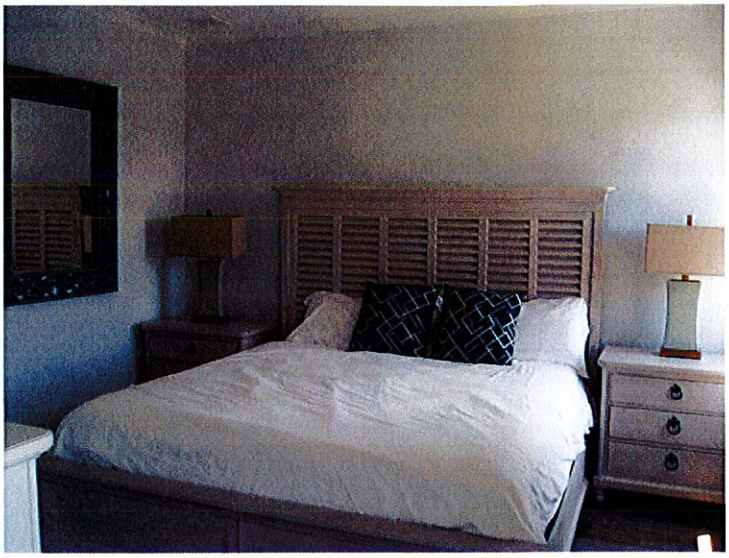


SECOND LEVEL BALCONY



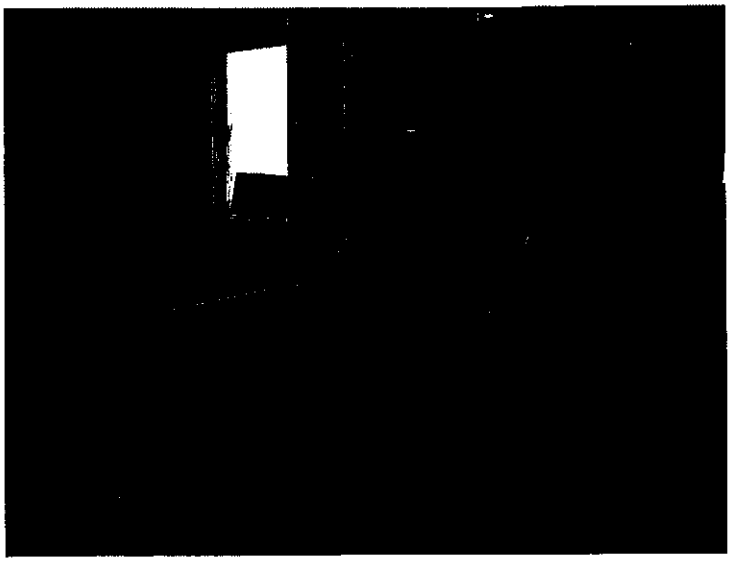
SECOND LEVEL LAKE VIEW

Third Level Sleeping Eight (8):



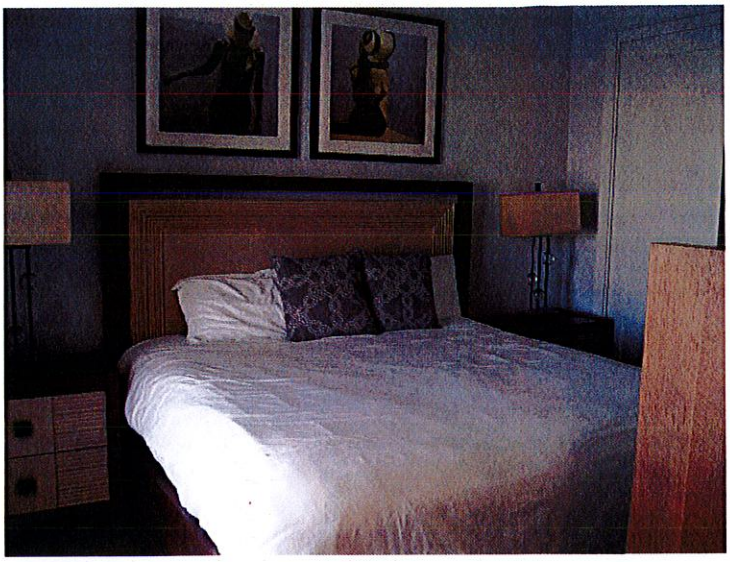
BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #3

FULL BATH SUPPORTING BEDROOM #3 - BATH #3.5

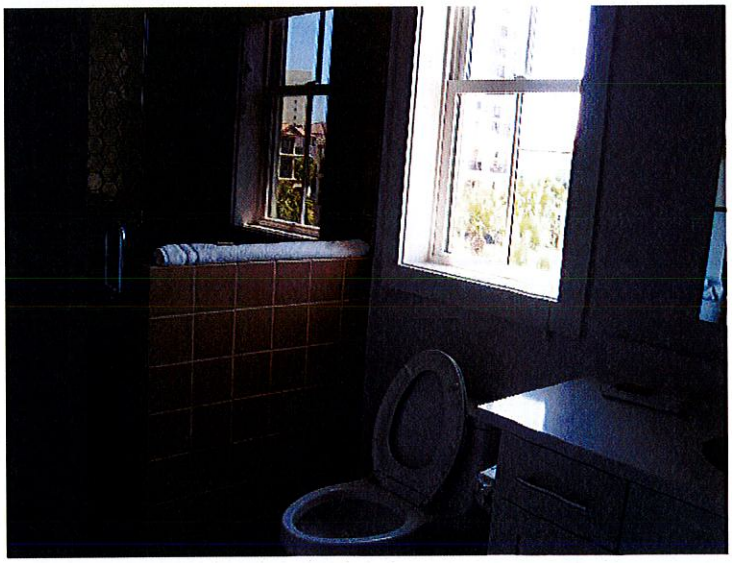


BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #4

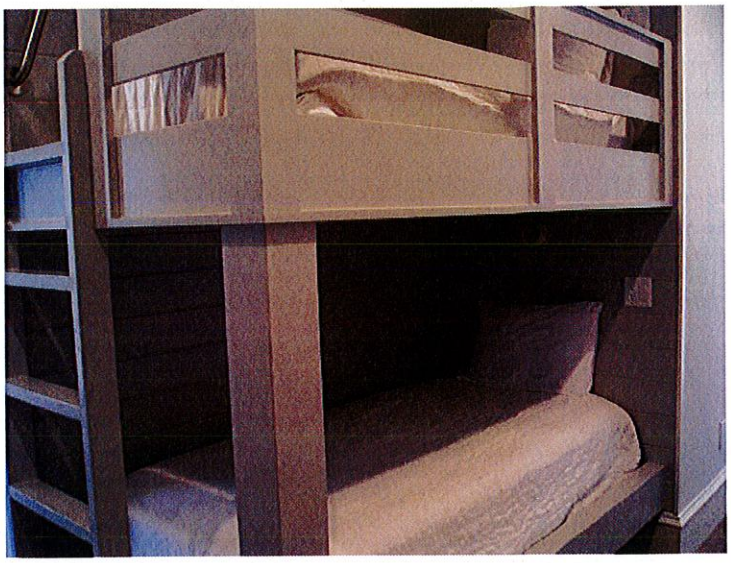
FULL BATH SUPPORTING BEDROOM #4 - BATH #4.5



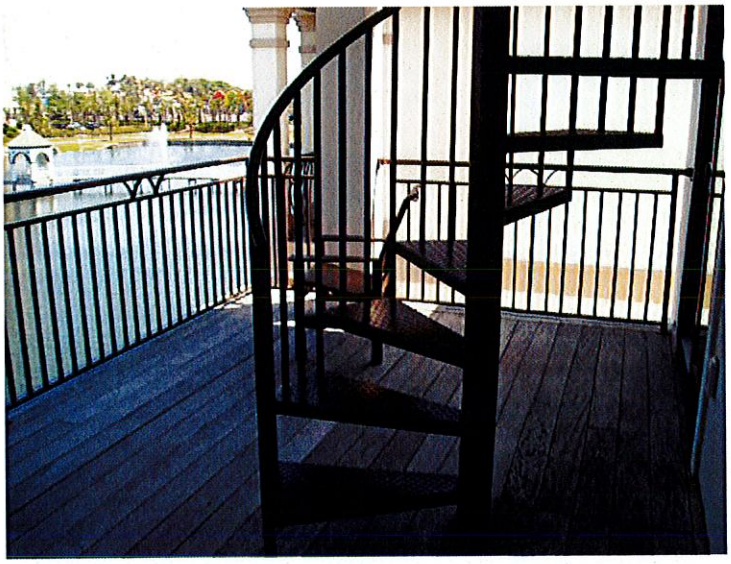
BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #5



FULL BATH SUPPORTING BEDROOM #5 - BATH #5.5



BUNKS IN HALL SLEEPING TWO (2)



THIRD LEVEL BALCONY

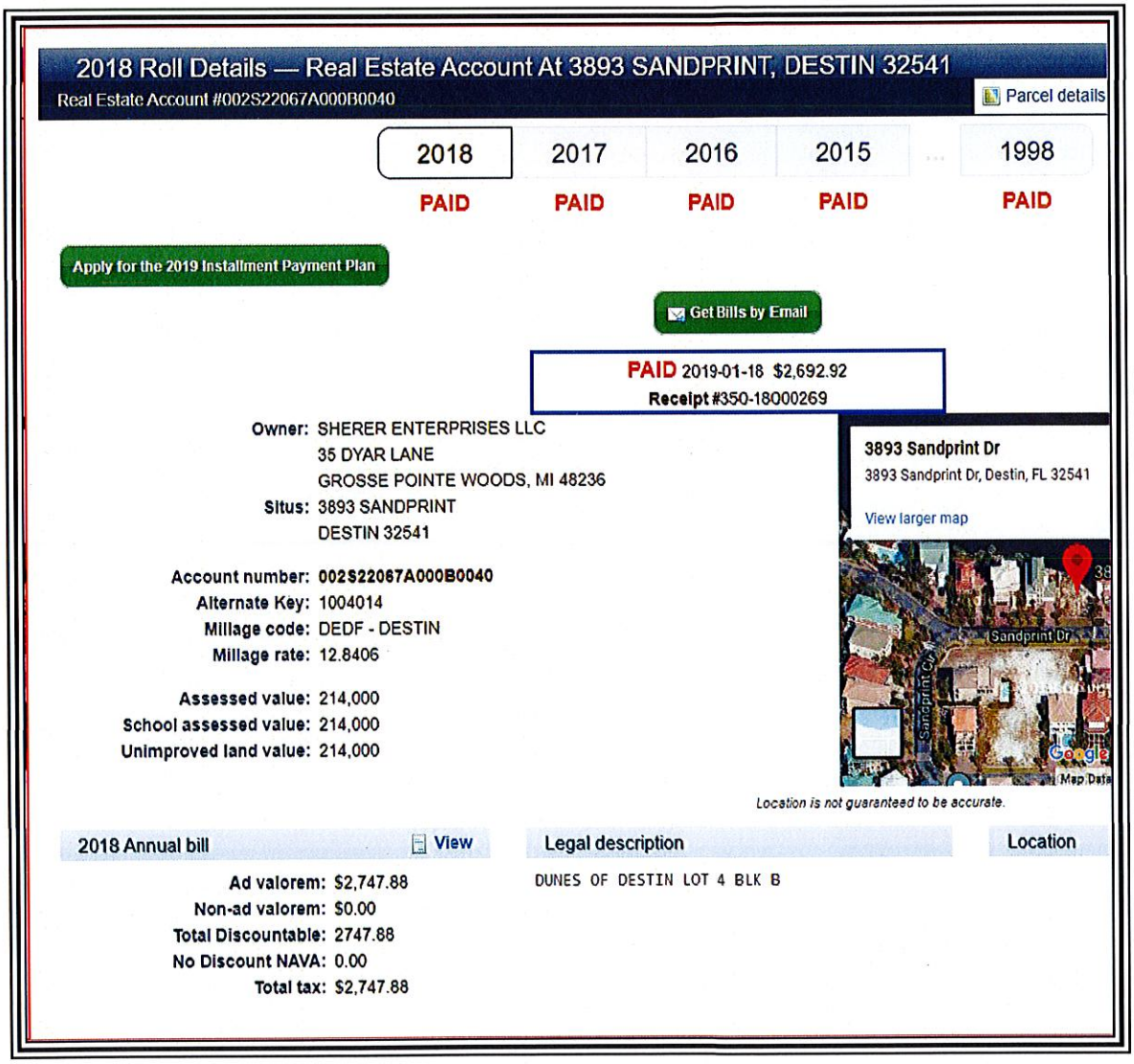
Taxes:
The tax identification number, gross tax amount due, amount paid, and assessed value for the 2018 tax year.

Tax Identification Number	Assessed Value	Gross Tax Amount Due	Amount paid	Amt. Due
00-2S-22-067A-000B-0040	$214,000	$2,747.88	None	$2,692.92

The 2018 ad valorem taxes were paid early with a small discount.

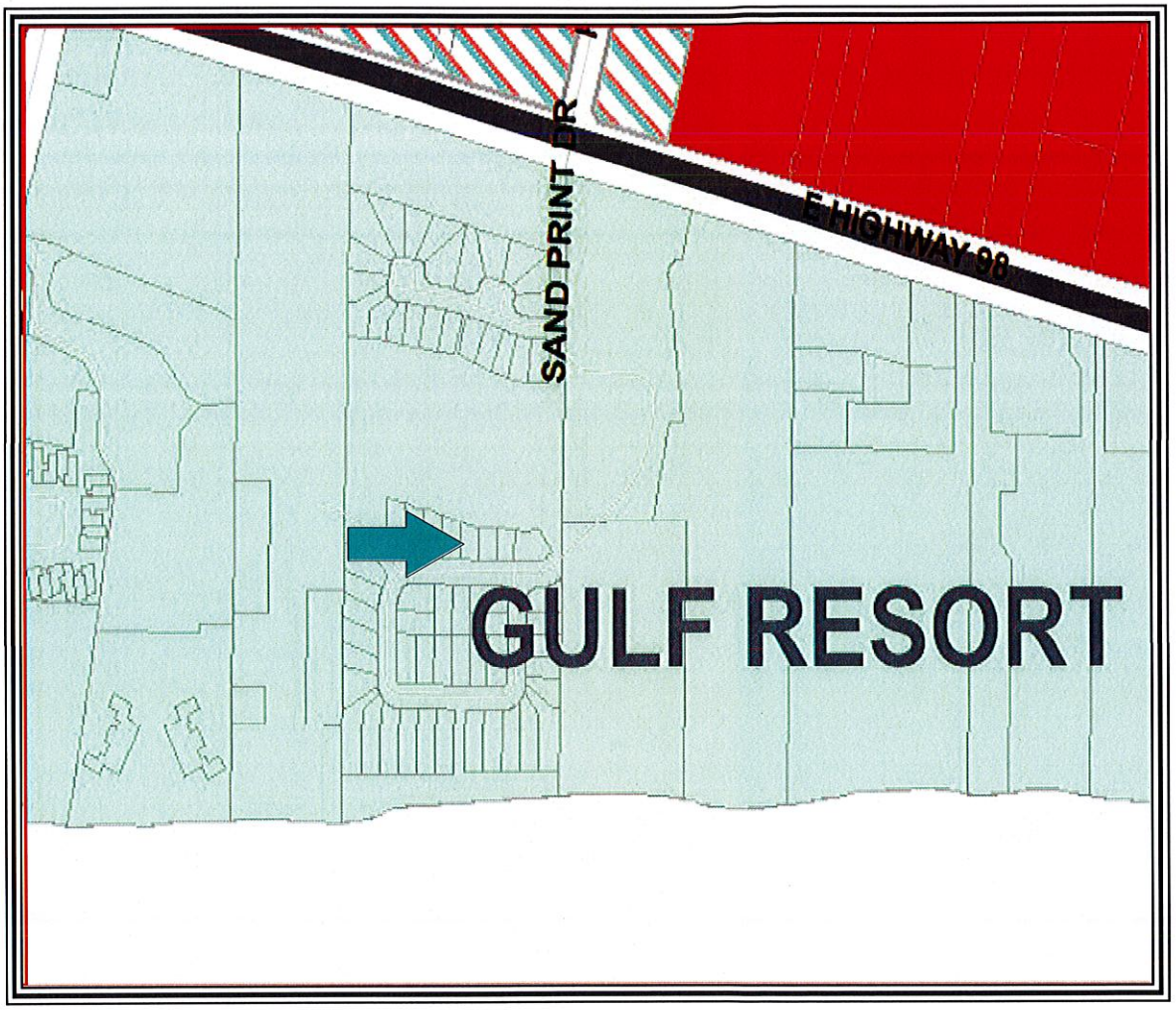
There are no previous year taxes owing.

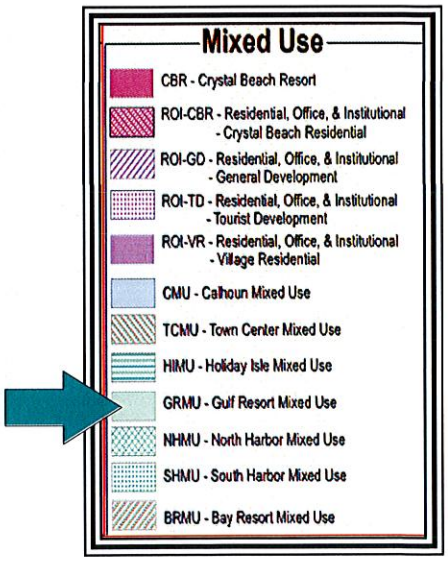
It is my experience that assessed value has little correlation with current market value and are typically lower than market value with a few exceptions. I also note that 2020 ad valorem taxes will be much higher after the certificate of occupancy is awarded, as the subject will be taxed as improved property.



Zoning:

The following map indicates zoning for the subject parcel. The subject is zoned *Gulf Resort Mixed Use* by Destin. See following pages for detailed identification of allowable uses.





GRMU Permitted Uses.

City of Destin
Community Development Department
Planning Division
4200 Indian Bayou Trail, Destin, FL 32541
Phone (850) 837-4242 • Fax (850) 650-0693

ZONING DISTRICT FACTSHEET

The purpose and intent of establishing zoning districts is to ensure that all development is consistent with the goals, objectives and policies of the Comprehensive Plan, by establishing a series of zoning districts that indicate what uses are allowed and site development regulations that control the use of land in each district. All development within each zoning district shall be consistent with the purposes stated for each district. (LDC 7.12.05)

GULF RESORT MIXED USE (GRMU)

Purpose and Intent: The Gulf Resort Mixed Use zoning district is intended to provide the city with its major mixed use resort destination by providing for the most intensely developed area for commercial transient accommodations (commercial hotel, motel, bed and breakfast establishments and other commercial transient living accommodations) and seasonal residential single-family detached and multi-family attached uses. Permanent single-family detached and multi-family attached residential uses; retail; service; restaurant; office; and similar commercial uses are also allowed in this zoning district.

Table 7-2: Table of Allowable Uses (excerpt from LDC 7.12.06)

PERMITTED USES:

Permanent or long-term residential uses	
Single-family detached dwelling	P
Multi-family attached dwelling	P
Single room occupancy housing	P
Seasonal or short-term residential uses	
Single-family detached dwelling	P
Luxury motor home resort	P
Multi-family attached dwelling	P
Other residential uses	
Community residential home, small (1-6)	P
Family day care home	P

NAICS Use Designations		
323	Printing and related support activities	P
4452	Specialty food stores	P
4453	Beer, wine, and liquor stores	P
446	Health and personal care stores	P
447	Gasoline stations	P
448	Clothing and clothing accessories stores	P
4511	Sporting goods and musical instrument stores	P
4512	Book, periodical, and music stores	P
4529	Other general merchandise stores	P
4531	Florists	P
4532	Office supplies, stationery, and gift stores	P
4539	Other miscellaneous store retailers	P
4851	Urban transit systems	P
4582	Interurban and rural bus transportation	P
4871	Scenic and sightseeing transportation, land	P
4872	Scenic and sightseeing transportation, water	P
512131	Motion picture theaters	P
516	Internet publishing and broadcasting	P
518	ISPs, search portals, and data processing	P
519	Other information services	P
52	Finance and Insurance	P
531	Real Estate services	P
531120	Conference/convention center	P
5322	Consumer goods rental	P
541	Professional and technical services	P
	Veterinary services	P
551	Management of companies and enterprises	P
561	Administrative and support services	P
561720	Janitorial services	P
6116	Other schools and instruction	P
6117	Educational support services	P
621	Ambulatory health care services	P
6244	Child day care services	P
711	Performing arts and spectator sports	P
713120	Amusement arcades	P
713940	Fitness and recreational sports centers	P
713950	Bowling centers	P
713990	All other amusement and recreation industries	P
721110	Hotels and motels	P
721191	Bed-and-breakfast inns	P
721199	Other traveler accommodation, C.T.L.A. (12)	P
7213	Rooming and boarding houses	P
722	Food services and drinking places	P
722110	Full-service restaurants	P
722111	Limited-service restaurants	P
7224	Drinking places, alcoholic beverages	P(7)
81149	Other personal and household goods repair	P
812	Personal and laundry services	P
8123	Dry cleaning and laundry services	P
812910	Pet care (except veterinary) services	P
813	Membership associations and organizations	P
8131	Religious organizations	P

LAND DEVELOPMENT CODE COMMENTS

The following excerpts were taken from the Destin Land Development Code, currently on line.

> 5. **Gulf Resort Mixed Use Area (Map 1-1a).** The Gulf Resort Mixed Use area is a major mixed use tourist destination that is the City's most intensely developed area for short and long term residential, commercial transient living accommodations, and commercial uses. The area is largely built out and in the future this area is anticipated to undergo infill and redevelopment. Incentives shall be developed to encourage provision of public beach access where possible (See Policy 1-3.2.5).

This first excerpt states that Gulf Resort Mixed Use is the City's most intensely developed area for short and long term rentals. I note that this description of the Gulf Resort Mixed Use zoning designation is silent regarding the number of allowable guests and does not limit guest numbers.

> **Policy 1-2.1.1: Residential Uses Defined.** Residential uses shall include several structure types used for housing, including single-family detached dwellings and multiple-family structures including duplex structures units, town homes and other detached single-family structures, apartments, patio homes, atrium homes, and similar multiple-family structures. The specific FLUM designations shall identify where single-family and multiple-family structures may be located. Following are the definitions for long-term residential and short-term residential.
>
> 1. **Long-Term Residential.** Long-term residential uses shall be defined as any residential accommodation that is available for occupancy for 181 days or more. Long-term residential uses shall include lock-out units, as defined in the Glossary.
> 2. **Short-Term Residential.** Short-term residential uses shall be defined as any residential accommodation that is available for occupancy for 180 days or less. Short-Term Residential uses shall include lock-out units, as defined in the Glossary.

This second excerpt defines long term rental and short term rental. I again note that the definition of short term rental is silent regarding the number of allowable guests.

> **Policy 1-2.1.5: Grandfather Clause.** Existing land uses that were lawfully conforming uses prior to the effective date of the Comprehensive Plan, shall continue as lawful uses and shall be regulated through administrative remedies for vested rights issues that shall be included in the LDC. Building heights, density and/or intensity which (a) are actual present and which lawfully existed prior to the effective date of the Comprehensive Plan, or (b) were authorized pursuant to a development order, which development order remained unexpired as of the effective date of the Comprehensive Plan, shall continue to be legal building heights, density and/or intensity (as applicable) after adoption of the Comprehensive Plan. All duly approved and recorded lots, subdivision and condominium plats of record, which existed as legal lots, subdivision and condominium plats of record prior to the adoption of this Comprehensive Plan shall continue to be legal lots, subdivision and condominium plats of record after adoption of the Compre[illegible]. This grandfather status may only be relinquished voluntarily by the vested entity. Al[illegible]sions, condominium plats and all replats shall comply with the Comp[illegible]ehensive Plan objectives and Policies, including maximum density provisions. Similarly, all new deve[illegible]ment shall comply with the Comprehensive Plan and LDC unless the development is found to have a vested right in a land use, building height, density or intensity that is in conflict with the Comprehensive Plan and LDC. Under such condition the grandfather clause shall be applicable unless voluntarily relinquished by the vested entity. The intent is to sustain demonstrated private property rights while preserving the public interest, welfare, health, and safety. Notwithstanding, any single-family home that is subject to redevelopment shall be allowed to reconstruct, providing adopted building and construction codes as well as this ordinance and the size and dimension criteria of the LDC are met.

This third excerpt defines the grandfather clause. This clause states clearly that the grandfather status may be released only by the vested entity.

CONCLUSION

Based on these excerpts, I conclude that prior to the promulgation of Ordinance 18-29-CC, there were no restrictions to the number of allowable guests.

History:
The subject has been owned by the current owner since 4/18/2017when they purchased it from Dunes North Partners LLC per ORB/P 3296/1657.

This sale was the sale of the vacant lot.

I do not consider the previous sale to have any relevance to the value opinions based on income analysis in this report.

The owners then constructed the subject improvement.

Active Listings:
The subject is not listed for sale and has not been listed for sale in the previous three years.

Current Use:
The subject is currently a recently constructed detached single family home used for seasonal rental, catering to large family groups.

Surrounding Uses:
The surrounding use in the Dunes of Destin is a mix of full time occupants and seasonal renters.

MARKET AREA ANALYSIS - SEASONAL RENTAL MARKET

I am restricting this analysis to the seasonal rental market.

Up until perhaps 2000, the great majority of seasonal rentals were condominium units.

However, the growing demand for larger spaces to accommodate extended families in one place led to the conversion of many larger homes to seasonal rents. It also spurred the construction of homes specifically designed for large rental parties.

Such homes feature typical living areas but emphasize a substantial number of bedrooms and baths. Often bedrooms are equipped with multiple built - in bunks for sleeping children.

Most homes also feature sofa sleepers which can sleep additional children.

Many of these homes, and certainly those recently constructed for this purpose, featured swimming pools and lanai areas as an exterior amenity.

This market has flourished as Destin is nationally recognized asa tourist attraction.

It is common to see Realtors addressing gross rental amounts or gross rental projections in MLS Listings. While the value of homes similar to the subject is estimated generally by a size / value per SF component, the fact that a home generates a substantial amount of income makes it a more attractive and safe purchase than a home which is not rented for seasonal income.

Another factor worthy of discussion is that many owners now self - manage. Typically in the past, management of rentals was performed by one of several large real estate companies, such as Resort Quest, Dale Peterson, Newman Dailey and Southern Resorts. However, in the past 10 years a substantial number of smaller management companies have surfaced.

Management fees for seasonal rentals range from perhaps 15% to 25% of gross revenue.

Entrepreneurial owners have recognized this expense line and many now self - manage with the aid of Vacation Rental By Owner (VRBO) or some similar search engine.

The seasonal rental market is increasing in the Destin/Miramar Beach market as the thriving national economy allows discretionary vacations.

I would consider the seasonal rental market to continue to flourish over the next several years.

However, with the promulgation of Ordinance 18-29-CC, limiting the subject to 14 guests, I would project a diminution in value.

HIGHEST AND BEST USE 'AS IS'

Legally Permissible
The subject property is zoned (and designated for future land use) as *Gulf Resort Mixed Use(GRMU)* by the City of Destin, Florida.

This zoning and land use designation allows for both single-family and mixed use developments, including hotels, and restaurants. The use of the subject for single-family short-term rentals is therefore allowed in this district.

Physically Possible
The subject property appears to be relatively level and well drained. Soil and subsoil conditions nearby appear compatible with both low-rise, multi-story use and traditional commercial development. All utilities required for commercial or 'mixed use' are presently at the site. The size and dimensions of the site are sufficient to allow a wide variety of legally permissible uses. The shape of the site is rectangular and this shape does not limit utility. Transportation of construction materials or labor to the site is estimated to be relatively simple due to the central location of the site within the overall market. Access to the site is above average.

However, the most compelling substantiation that the subject is physically possible is the fact that it already exists.

Therefore, use of the subject property for single family use as a seasonal rental is physically possible.

Financially Feasible
Value opinions derived in the income approach to value indicate the existing improvement contributes value to the underlying land. There is substantial other ongoing seasonal rental use in the market, suggesting that there is broad appeal for seasonal rental properties.

Therefore, continued use of the subject property for a detached single family residence used for seasonal rental income is financially feasible.

Maximally Productive
The alternatives of addition, demolition, expansion, modernization, or conversion to alternate uses have been considered within the legal, physical, and financially feasible parameters. Several alternatives exist.

Alternatives for use of improvements:

Expansion
The existing subject improvement is 3,107 HVAC SF. The subject is typical of most seasonal rental homes. Thus, there is no need for expansion. Any expansion would come at a cost of parking and/or access. Thus, expansion beyond what is existing, does not appear to be appropriate and feasible.

Renovation
Typically, any existing property could benefit from renovation. However, the subject was just developed and is a state of the art facility. Thus, I would not consider imminent renovation to be required or practical.

Downsizing
The existing subject improvements are 3,107 HVAC SF. I see no reason to downsize the subject improvement as it appeared that all of it is usable space. Thus, downsizing beyond what is existing does not appear to be appropriate, physically possible and feasible.

Subdividing
The purpose of the subject is to lease it seasonally to large parties of guests. Subdivision would not be legally approved and does not appear to be financially prudent as the parties of guests would be smaller and grouping smaller parties together in the same pool could prove problematic. I would not consider subdivision to be prudent or feasible.

Demolition
The subject is a newly constructed home, currently in good condition. It features a probable 55 years of remaining economic life and a probable 70-75 years of remaining physical life.

I do not consider demolition and replacement with alternative improvements to be a superior use to the currently planned use as a rental property. No alternative use would be certain to serve the land better. Thus, the subject is not a candidate

for demolition.

Utilizing existing improvements
Continued use 'as is' as a seasonal rental, as planned, is considered the maximally productive use.

Conclusion of Highest and Best Use 'as is'
Analysis of recent trends and current market supply and demand indicate that the maximally productive highest and best use of the subject property is continued use as a detached single family residence used for seasonal rental income.

Conclusion of Highest and Best User 'as is'
Analysis of recent trends and current market supply and demand strongly indicate the most probable user is an entrepreneurial user who primarily self manages and leases the subject for seasonal rental income with a small amount of personal use.

SUMMARY OF ANALYSIS AND VALUATION

Methodology

Site valuation derived from Sales Comparison Analysis involves direct comparisons of the subject property to similar properties selling in the marketplace to derive a comparative value indication for the subject property 'as if vacant,' as of the effective date of value. This approach is also called the 'direct sales comparison approach', or the 'market approach', and tends to be the most reliable approach for developing an opinion of the value of vacant land or sites available for development. Other methods of developing the value of land are available. Allocation, extraction, land residual, ground rent capitalization, and discounted cash flow analysis are all recognized as reasonable methods.

The cost approach is a reliable methodology for new, or nearly new, buildings. I estimate the replacement cost or reproduction cost, in this case replacement construction cost, of the existing or existing improvements and site improvements (including direct and indirect costs as well as an appropriate developer profit), deducting accrued depreciation from physical, functional, and external sources from the total replacement or reproduction cost new. The depreciated replacement or reproduction cost of the improvements is added to the value of the site resulting in a value indication of the fee simple interest in the property.

The sales comparison approach is based on the 'Principle of Substitution' which indicates an informed purchaser would pay no more for a property than the cost of acquiring an equally desirable substitute property with the same or similar utility. This approach is applicable when an active market provides sufficient quantities of reliable data which can be verified from authoritative sources. The Sales Comparison Approach is reliable in an active market or if an opinion of value is related to properties which there are comparable sales available. This approach to value is also relevant when sales data can be verified with the principals to the transaction. Heavy emphasis is usually placed on this approach to value in an active market.

The income approach is recognized as a reliable approach for developing an opinion of the value of 'income producing' property to an investor. The income approach consists of methods, techniques, and mathematical procedures an appraiser uses to analyze a property's capacity to generate income and convert income into an indication of present value either by capitalizing the current income at a market capitalization rate or discounting the future cash flows into a present value estimate using an appropriate yield (discount) rate. The appraisal process emulates the market, and the most probable purchaser would be an investor. Two (2) techniques associated with the income approach are direct capitalization and discounted cash flow analysis.

Methodology employed and explanation of the exclusion of any of the three (3) approaches to value

I am not performing cost analysis. In addition, the problem to be solved is to derive the diminution in value based on the guest restrictions included in Destin Ordinance 18-29-CC. The number of guests would have no impact on the cost to construct.

I am not performing sales comparison analysis. The impact of Destin Ordinance 18-29-CC may not be evident in the market for several years in the selling prices of homes. The ordinance allows a five year grandfather period. Homes sold in this grandfather period may not indicate a decline in selling prices and it would not be reliable to estimate diminution in value based on comparable sales until a larger array of data was available for use in sales comparison analysis.

I am performing income analysis. I will identify contract rents for the subject (in this case, projected rents) and then identify market rents which support the subject contract rent. I will then identify operating expenses and subtract operating expense from gross rent to arrive at a net operating income (NOI). I will then apply a market based capitalization rent to the NOI to arrive at a value for the subject, prior to the promulgation of Destin Ordinance 18-29-CC.

I will then identify the rental incomes for homes which are allowed only 14 guests. I will then subtract expenses for the rents of 14 guest homes and arrive at their NOI. I will then derive a value by capitalizing this NOI.

Finally I will subtract the value for a 14 guest house from the value of a 20 guest house and this figure will be the diminution in value.

COST ANALYSIS
NOT PERFORMED

SALES COMPARISON ANALYSIS NOT PERFORMED

INCOME ANALYSIS
'AS IS'

DESCRIPTION OF INCOME ANALYSIS METHODOLOGY

The income approach to value is based on the principle of anticipation, in that the value of the subject property correlates to the present worth of the future right to receive benefits in the form of income to be received by the owner. The income approach considers the property from an investment interest with the assumption that the amount of income, coupled with the regularity and quality of the income stream, are the basis for valuing the property based on income analysis.

The income approach is applied by identifying the net income by first identifying gross income and then deducting from the gross income the expenses of operating a property to arrive at a net income, generally identified a Net Operating Income (NOI).

The estimated NOI is then converted to a value opinion by utilizing either a Discounted Cash Flow Analysis, or a Direct Capitalization Analysis, or both.

Discounted cash Flow Analysis:
The Discounted Cash Flow Analysis (DCF) is an analysis where a discount rate is applied to a series (typically several years) of income streams with a reversion after typically 7 to 10 years. The appraiser must specify the quantity, variable nature of the income, timing of payments (monthly/quarterly/annually) to a present value at a specified yield rate. The DCF analysis is most applicable when the net income is projected to be variable and when the property is on a sufficient size and investment value to influence market participants to evaluate purchase decisions based on DCF.

I note that I did not perform DCF analysis as it is my opinion that market participants would not use DCF analysis to base decisions to either purchase or sell properties such as the subject.

Direct Capitalization:
The conversion of a net income to a current value is called capitalization. Capitalization is a method which is used to convert the estimate of a single year's net income actual figures and/or expectancy of income into a value opinion by dividing the income by a appropriate rate of capitalization, as estimated by the appraiser. This technique employs capitalization rates derived from the market, using both capitalization rates from recent sales of similar properties, generally augmented by national indices, or other mathematical progressions. This process provides a one year snap shot of the property value. Future yields and values are not directly identified. The direct capitalization analysis is most appropriate for small to medium sized income producing properties, in stable markets with a forecast of generally stable income.

The procedural steps involved in capitalization are as follows:

Develop the probable gross income by identifying historical performance, income projections and market incomes from comparable properties which support the historical or projected subject income.

Estimate vacancy and collection losses to arrive at Effective Gross Income (EGI).

Estimate and subtract operating expenses to arrive at NOI.

Develop a capitalization rate which is supported by the market.

Divide the NOI by the capitalization rate to derive a value opinion.

I am employing the direct capitalization analysis to derive values in this analysis.

I note for the reader that steps #1 and #2 are generally combined in the analysis of seasonal resort properties. Owners and management companies tend to provide actual income which has already accounted for vacancy and collection loss.

INCOME ANALYSIS - ESTIMATE OF CAPITALIZATION RATE

The capitalization rate is a rate which is applied to the Net Operating Income (NOI) to derive a value for a property. As the chart below indicates, you can derive a capitalization rate by dividing the NOI by the purchase price.

The following excerpt will provide some explanation of capitalization rates.

Capitalization rates are used in a formula. As seen below, dividing the net operating income by the purchase price indicates the capitalization rate.

Another variation of the formula is to divide the net operating income by the capitalization rate and this process will indicate the value of the property.

What Is a Cap Rate?

A cap rate is simply a formula. It's the ratio of a rental property's net operating income to its purchase price (including any upfront repairs):

Cap Rate =

Net Operating Income (NOI) ÷ Purchase Price

The formula can be used on the level of an individual property by looking at its net operating income compared to its value. But it can also be used on the level of an entire market by taking *average* cap rates for a large group of properties.

Importantly, the cap rate formula does NOT include any mortgage expenses. As you can see in the formula for net operating income below, the expenses do not include a mortgage or interest payment.

Gross Rental Income
- Vacancy/Credit Loss Reserve
- Property Taxes
- Property Insurance
- Maintenance/Repairs
- Common Utilities (if any)
- Other expenses (ex: license)
= Net Operating Income

MARKET DATA BASED ON TYPICAL INDICES

Capitalization rates range widely in the market. The following table derived from Realty rates.com indicate a wide variety of capitalization rates base on property types. This table contains very recent data from the fourth quarter 2018.

As can be seen, properties such as restaurants and lodging (motels and hotels) have high capitalization rates. Apartments (residential) have the lowest capitalization rates.

Realty rates does not include a separate category of single family detached homes.

RealtyRates.com INVESTOR SURVEY - 1st Quarter 2019*

CURRENT & HISTORICAL CAP RATE INDICES

	Method-Weighted* Property Category Indices																						Weighted* Composite Indices	
	Apts		Golf		Healthcare Senior Housing		Industrial		Lodging		MH/RV Park		Office		Retail		Restaurant		Self Storage		Special Purpose			
Year	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg
2018	8.42	26	12.02	30	9.01	14	9.19	23	10.53	25	9.56	30	9.04	10	9.38	20	11.57	15	9.86	29	11.64	40	9.64	22
4th Qtr	8.46	8	12.08	11	9.07	11	9.23	7	10.53	1	9.62	13	9.08	13	9.44	10	11.62	11	9.92	13	11.71	11	9.68	9
3rd Qtr	8.37	-4	11.97	-5	8.96	-2	9.16	-5	10.52	-7	9.50	-5	8.95	-6	9.33	-3	11.51	-4	9.79	-7	11.60	-3	9.59	-5
2nd Qtr	8.41	3	12.02	5	8.98	3	9.21	5	10.59	6	9.55	5	9.00	0	9.36	4	11.56	4	9.86	6	11.63	5	9.64	4
1st Qtr	8.38	23	11.97	28	8.96	13	9.16	22	10.52	31	9.50	28	9.00	5	9.32	17	11.52	26	9.81	25	11.58	34	9.60	21
2017	8.16	4	11.73	-2	8.87	-6	8.96	-12	10.28	5	9.26	11	8.94	-22	9.19	-8	11.42	-15	9.57	-9	11.25	4	9.42	-6
2016	8.13	-2	11.75	6	8.92	12	9.08	15	10.22	0	9.15	15	9.16	16	9.27	12	11.57	-10	9.67	14	11.21	10	9.48	9
2015	8.15	-9	11.69	-14	8.80	-9	8.93	-10	10.22	-20	8.99	-18	9.00	-6	9.15	-11	11.66	-13	9.52	-22	11.11	-12	9.40	-12
2014	8.24	-15	11.83	-9	8.89	-1	9.03	-4	10.43	-17	9.17	-5	9.06	-22	9.26	15	11.79	-6	9.75	-20	11.24	14	9.52	-7
2013	8.39	14	11.92	-14	8.90	5	9.07	-2	10.60	3	9.22	14	9.28	-19	9.11	-4	11.86	9	9.95	-24	11.10	1	9.58	-2
2012	8.25	-35	12.07	6	8.85	-36	9.09	-40	10.57	-24	9.08	-39	9.47	3	9.15	-13	11.77	6	10.19	-49	11.09	-4	9.60	-21
2011	8.60	-23	12.00	-22	9.21	-40	9.49	-11	10.81	-24	9.48	-8	9.44	-10	9.28	-26	11.70	-14	10.69	-3	11.12	-17	9.81	-19
2010	8.89	4	12.22	5	9.62	15	9.60	12	11.05	7	9.55	22	9.54	16	9.54	25	11.84	12	10.72	21	11.30	0	10.00	13
2009	8.85	8	12.17	16	9.47	10	9.48	10	10.98	-7	9.33	1	9.38	29	9.29	20	11.72	15	10.50	37	11.30	8	9.87	14
2008	8.77	-4	12.01	29	9.37	-16	9.38	-14	11.05	56	9.32	-5	9.09	-16	9.09	-11	11.57	-28	10.13	20	11.22	-7	9.74	-1
2007	8.81	-45	11.72	-21	9.53	-65	9.52	-25	10.49	-28	9.37	-26	9.25	-47	9.20	-12	11.85	61	9.93	-38	11.29	-24	9.75	-28
2006	9.26	12	11.93	47	10.18	15	9.77	35	10.77	27	9.63	41	9.72	26	9.32	30	11.24	18	10.31	27	11.53	9	10.03	26
2005	9.14	14	11.46	80	10.03	-16	9.42	-30	10.50	-21	9.22	19	9.46	6	9.02	16	11.06	5	10.04	13	11.44	-30	9.77	2
2004	9.00	-19	10.66	28	10.19	-37	9.72	19	10.71	-98	9.03	-48	9.40	-4	8.86	-19	11.01	-15	9.91	-13	11.74	-30	9.75	-19
2003	9.19	-2	10.38	-32	10.56	64	9.53	33	11.69	56	9.51	-11	9.44	1	9.05	-18	11.16	8	10.04	-53	12.04	105	9.94	12
2002	9.21	-40	10.70	18	9.92	-39	9.20	-61	11.13	26	9.62	-60	9.43	-35	9.23	-62	11.08	-3	10.57	-12	10.99	-177	9.82	-41
2001	9.61	64	10.52	133	10.31	90	9.81	16	10.87	98	10.22	-68	9.78	-35	9.85	-53	11.11	47	10.69	13	12.76	32	10.23	21
2000	8.97		9.19		9.41		9.65		9.89		10.90		10.13		10.38		10.64		10.56		12.44		10.01	

* Weighted by methodology: Band-of-Investment, DCR Technique, Sales Survey

* Further weighted by property category

The following chart provides some additional data regarding capitalization rates for apartments in some major metropolitan centers.

These rates are lower than the overall national rate for apartments identified on the previous page. I attribute this to the fact that the cities below are major metropolitan areas with a high density of population which keeps occupancy high and inspires investor confidence. In this regard, the Destin seasonal rental market is similar in its high density and national appeal.

Cap Rates For Stabilized, Class A Multifamily Apartments By City – 2017 (2nd Half)	
San Diego	4.25%
Chicago	4.75%
Atlanta	5.00%
Philadelphia	5.25%
St. Louis	5.75%
Cleveland	6.25%
Pittsburgh	6.50%
Detroit	7.25%

Single family homes are seldom valued via income capitalization. Most homes are owner occupied and the issue of rent and valuation through rent is generally not applicable. However, I identified the following excerpt rom the internet which indicates a range of capitalization rates from 4% to 10% for single family homes. The reader will note in the excerpt immediately above that high demand areas feature lower capitalization rates and lower demand areas feature higher capitalization rates. I would again observe that Destin is a high demand area in the seasonal rental market. Thus, I would consider it probable that capitalization rates for singe family homes in Destin were toward the low side of the 4% to 10% range.

Cap Rate for Single Family Home

Professionals purchasing commercial properties, for example, may buy at a 4% cap rate in high demand areas, or a 10% (or even higher) cap rate in low-demand areas. Generally, 4% to 10% per year is a reasonable range to earn for your investment property. Continuing with our example from above, $17,000/ 5% = $340,000.

The following are two excerpts from the internet indicating that Panama City Beach, Florida boasts a very low capitalization rate of 4.9% and that the Destin, Florida market features a 4.75% capitalization rate for Airbnb rentals.

9. PANAMA CITY BEACH, FL

- *Short-Term Rental Cap Rate: 4.9%*

White sandy beaches, clear water, fishing piers, protected nature reserves, hiking trails... what more do you need to be convinced that Panama City Beach is one of the best places around the US to invest in a vacation rental.

Property prices are affordable with a median level of $334,700, while short-term rental income stands around $3,260. The average cap rate for vacation rentals is 4.9%.

2. Destin

- *Median Property Price:* $695,000
- *Airbnb Rental Income:* $2,720
- *Traditional Rental Income:* $1,610
- *Airbnb CoC Return:* 2.3%
- *Traditional CoC Return:* 0.5%
- *Airbnb Cap Rate:* 4.7%
- *Traditional Cap Rate:* 2.8%
- *Airbnb Occupancy Rate:* 58.4%

The second among the best places to buy a vacation home in Florida is Destin, with rental income from Airbnb just a few dollars below St. Augustine. However, this location is significantly more expensive. But it has a very important advantage for all those loving nature and sports – it is very famous for the fishing opportunities that it offers.

MARKET CAP RATE DATA BASED ON LOCAL SALES OF HOMES USED FOR SEASONAL RENTAL

In addition to the national data provided above, I am also providing some data from actual sales in the local market.

I have some professional acquaintances who specialize in the management of large homes used for seasonal rentals. I have asked them to provide me some actual data from recent sales to help derive a local data base of capitalization rates.

On 7/13/2018, Frangista Beach E16 LLC (Nick Athens - a professional acquaintance well known to me) sold 3491 Scenic Highway 98 to Rich Rentals for $3,000,000. This house is 6,008 HVAC SF and features nine (9) bedrooms and 9.5 baths. It is very similar to the subject and is a very good comparable indicator of capitalization rates. Mr. Athens stated that the net operating income was $172,340. Dividing $172,340 by $3,000,000 indicates a capitalization rate of 5.74%.

On 9/4/2015, Nick and Tina Athens sold 1850 - 1852 Scenic Gulf Drive in Miramar Beach to Forty-Four Holdings for $2,205,000. This was two side by side homes in Frangista Beach which were an aggregate 3,460 HVAC SF and which features Five (5) bedrooms and 7 baths. Mr. Athens stated that the net operating rent was $133,200. Dividing $133,200 by $2,025,000 indicates a capitalization rate of 6.58%. I do not consider it a coincidence that the home with the fewest bedrooms featured the highest capitalization rate.

On 2/10/2016, Destiny Real Estate Ventures LLC sold 3463 Scenic Highway 98 to Charles Barone for $3,615,000. This house is 6,465 HVAC SF and features eight (8) bedrooms and 6.5 baths. It is very similar to the subject and is a very good comparable indicator of capitalization rates. Mr. Giles stated that the net operating income was $222,125. Dividing $202,125 by $3,615,000 indicates a capitalization rate of 6.15%.

On 1/11/2019, Kevin Hense sold 2984 Scenic Highway 98 to Russell and Susan Hancock for $3,000,000. This house is 3,997 HVAC SF and features six (6) bedrooms and 5.5 baths. It is very similar to the subject and is a very good comparable indicator of capitalization rates. Mr. Hense stated that the net operating income was $176,000. Dividing $176,000 by $3,000,000 indicates a capitalization rate of 5.87%.

On May 18, 2018, Sapp Investments LLC sold 4659 Destiny Way to the Lindholm Family Revocable Living Trust for $2,500,000. Mr. Lindholm stated to me that income for 2018 was an aggregate of $293,500. He also stated that expenses were an approximate $115,025, resulting in approximate $178,475 of net operating income (NOI). Dividing $178,475 by $2,500,000 indicates a capitalization rate of 7.14%.

RECAPITULATION OF LOCAL MARKET CAPITALIZATION RATES

The following table summarizes the capitalization rates identified in the narrative above.

Property Address	Capitalization Rate
3491 Scenic Highway 98, Destin	5.74%
1850 Scenic Gulf Drive, Mirimar Beach	6.58%
3463 Scenic Highway 98, Destin	6.15%
2984 Scenic Highway 98, Destin	5.87%
4659 Destiny Way, Destin	7.14%
Average	6.29%
Rounded	6.25%

I consider a rounded capitalization rate of 6.25% to be a market supported rate which is both credible and reliable.

For this reason, I am selecting a 6.25% capitalization rate.

This local rate is bracketed by the national rates from pages 49-51 above.

ESTIMATE OF VALUE PRIOR TO ORDINANCE 18-29-CC

Based on the current zoning and the Destin Land Development Code, and prior to the adoption of Ordinance 18-29-CC, there was no limit to the number of guests allowed in the subject improvement. The subject can accommodate up to twenty (20) guests based on the data provided by the owner and my identification of sleeping capacity previously identified.

CURRENT CONTRACT RENT
I note that seasonal rentals are typically described with annual rental amounts as opposed to more consistent monthly rental rates.

Such rental amounts are generally described using gross income data, and/or projections of gross income data.

Appraisers need to then examine expenses to arrive at a net operating rent to capitalize. Expenses to gross revenue are ad valorem taxes, flood and hazard insurance, HOA dues, maintenance and repairs, utilities, lawn maintenance, pest control, professional fees and reserves. I note that interest/mortgage payments and depreciation are not expenses when capitalizing property for value.

The subject was constructed in 2018. While there was some income in the period after the completion of construction, there is inadequate data upon which to place much reliability regarding the historical income from 2018.

The subject is managed by Ben Giles. Mr. Giles stated to me that his income projections for the subject in 2019 was 'around $130,000 to $135,000'.

It is my opinion that Mr. Giles is very knowledgeable regarding these large seasonal rental homes.

However, I will research market data to provide market support for Mr. Giles' estimate of 2019 income.

I will attempt to provide support to the 2019 projection by researching other homes in Destin which rent to similar number of guests.

MARKET SUPPORT FOR GROSS INCOME ESTIMATE

Some of these comparables were provided to me by Jordan Shane, Florida Luxury Vacation Rentals, Cheryl St.Pe', Destin Comforts and Ben Giles.

#	Address	Gross Income	Guest capacity	Income per guest
1	3892 Sandprint Circle	$176,500	30	$5,883
2	113 Los Angeles Street	$137,308	19	$7,227
3	1737 Scenic Highway 98	$144,814	20	$7,241
4	100 Sandprint Circle	$105,000	20	$5,250
5	84 Woodward Street	$80,560	12	$6,713
6	212 Kono Way	$74,815	12	$6,235
7	75 Shirah Street	$79,885	14	$5,706
8	76 Dolphin Street	$101,300	20	$5,065
9	3489 Scenic Highway 98	$160,900	20	$8,045
10	3485 Scenic Highway 98	$145,100	20	$6,595

The average of these ten market comparable rentals is $6,396.

Comparable #1 is the best comparable indicator as this sale is directly across SandprintDrive as is the subject and is also relatively new construction. I recently performed a Burt Harris appraisal regarding this house and estimated a higher probable income in 2019 than the actual income of $176,500 as te house sold during 2018 to a more aggressive owner.

This market data supports a per guest income of $6,500 per guest annually.

The subject can accommodate 20 guests. Multiplying 20 by $6,500 per guest results in an annual gross income of $130,000, a figure consistent with the Mr. Giles' estimate.

MARKET SUPPORT FOR GROSS TO NET RATIO

I have attempted to derive gross and net income figures for comparable properties in the market. However, my research indicates that many owners and property managers are unwilling to divulge private financial information, especially the net income.

Thus, I will provide some market examples of properties where clients or close associates did divulge data.

The first example is a detached home located at 112 Sandprint Circle in the Dunes of Destin. The owners, Edward and Tari Furey, provided me with detailed data regarding income and expenses. They indicted annual revenue of $325,000 and annual expense of $100,000. This suggests an expense ratio of $100,000 / $325,000, or 31%, rounded.

I again spoke to Nick Athens who still owns a detached house at 4664 Destiny Way which grossed $275,000 in 2018. The expenses for this property were an approximate $89,000. This suggests an expense ratio of $89,000 / $275,000, or 32% rounded.

As a third indicator, I spoke to Kevin Hense, who sold a detached house at 2984 Scenic Highway 98 for $3,000,000 on 1/11/2019. Mr. Hense indicated that the 2018 gross rent was $263,000 and that the expenses were $87,000. This suggests an expense ratio of $87,000 / $263,000, or 33%, rounded.

The subject features projected and market supported income of $120,000. Including management expense of 15% ($18,000), plus typical expenses of ad valorem taxes, insurance, maintenance, utilities, credit card fees and pest control, I estimate expenses of $42,000. This is an expense ratio of 35%.

Thus, the subject expense ratio is relatively consistent with the market comparables above.

There was inadequate data from the subject from 2018 to identify a historical expense ratio.

I am using a 35% expense ratio in this analysis.

The next step is applying the previously calculated expense ratio to the gross rent to arrive at a net operating income (NOI). Applying a 35% expense ratio to $130,000 results in a net rent of $84,500.

Capitalizing $84,500 with a 6.25% capitalization rate results in a value of $1,352,000, rounded to $1,350,000.

It is my professional opinion that the subject value, prior to the promulgation of Destin Ordinance 19-23-CC is $1,350,000, based on income analysis.

$1,350,000

ESTIMATE OF VALUE AFTER THE PROMULGATION OF ORDINANCE 18-29-CC

Destin Ordinance 18-29-CC reduces the subject sleeping capacity to 16 guests as the limit is two guests per bedroom, plus four (4) additional guests. There are five (5) bedrooms. Thus, 2 x 5 = 10 + 4 = 14.

I note for the reader that the ordinance states clearly that a bedroom must meet the requirements of the Okaloosa County Property Appraiser who states that a bedroom has a door, a window and a closet. The Okaloosa County Property Appraiser states that the subject is a five bedroom house.

It is my opinion that the limit of 14 guests will have a negative impact on value.

To estimate the difference, I need to research the market for homes which are limited to smaller guest totals

Market research results in the following comparable rentals.

Some of these comparables were provided to me by Jordan Shane, Florida Luxury Vacation Rentals, Cheryl St.Pe', Destin Comforts and Ben Giles.

#	Address	Gross Income	Guest capacity	Income per guest
1	3892 Sandprint Circle	$176,500	30	$5,883
2	113 Los Angeles Street	$137,308	19	$7,227
3	1737 Scenic Highway 98	$144,814	20	$7,241
4	100 Sandprint Circle	$105,000	20	$5,250
5	84 Woodward Street	$80,560	12	$6,713
6	212 Kono Way	$74,815	12	$6,235
7	75 Shirah Street	$79,885	14	$5,706
8	76 Dolphin Street	$101,300	20	$5,065
9	3489 Scenic Highway 98	$160,900	20	$8,045
10	3485 Scenic Highway 98	$145,100	20	$6,595

The average of these ten market comparable rentals is $6,396.

I would still consider a per guest rate of $6,500 per year to be credible.

Based on the impact of Ordinance 18-20-CC, the subject will be limited to 14 guests.

Multiplying $6,500 per guest by 14 guests results in gross annual rent of $91,000.

Applying a 35% expense ratio to $91,000 results in a net rent of $59,150.

Capitalizing $59,150 with a 6.25% capitalization rate results in a value of $946,400, rounded to $950,000.

It is my professional opinion that the subject value, after to the promulgation of Destin Ordinance 19-23-CC is $950,000, based on income analysis.

$950,000

ESTIMATE OF THE DIMINUTION OF VALUE

My research and analysis indicates that the value of the subject based on the right to sleep 20 guests is a rounded $1,350,000.

My research and analysis indicates the value of the subject based on the limit to sleep only 14 guests is a rounded $950,000.

It is my opinion the promulgation of Destin Ordinance results in an approximate $400,000 diminution of value.

DIMINUTION OF VALUE

$400,000

ADDENDA

Appraiser License

APPRAISER LICENSE

THIS INSTRUMENT PREPARED BY
AND AFTER RECORDING RETURN TO:

Kimberly Romano Kopp, Esq.
Romano Kopp Law, P.A.
P.O. Box 445
Destin, Florida 32541

For Recording Purposes Only

SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is entered into this _____day of _____ 2019, ("Effective Date") by and between, Sherer Enterprises, LLC. ("Owner") and the City of Destin ("City"), collectively referred to as the "Parties."

RECITALS

WHEREAS, on January 22, 2019, the City enacted Ordinance 18-29-CC, the Short-Term Rental Occupancy Ordinance ("Ordinance"), which limits the occupancy of short-term rental homes to two (2) people per bedroom plus an additional four (4) persons; and

WHEREAS, Owner owns the real property and improvements located at 3893 Sandprint Drive, Destin, FL 32541, as more particularly described in the attached Exhibit "A" (the "Property"); and

WHEREAS, on May 10, 2019, Owner filed a claim with the City, pursuant to the provisions of §70.001, Florida Statutes, the Bert J. Harris, Jr., Private Property Rights Protection Act (the "Harris Act"), alleging that the Property had been inordinately burdened by the adoption of the Ordinance, (the "Claim"); and

WHEREAS, the Harris Act provides for the City to have the ability to enter into a settlement agreement which would have the effect of a modification or variance to the application of a regulation or ordinance as it would otherwise apply to the subject real property, provided the relief granted protects the public interest served by the regulations at issue and is the appropriate relief necessary to prevent the governmental regulatory effort from inordinately burdening the real property; and

WHEREAS, the City has determined that the modifications to the effect of the Ordinance effected by this Agreement protect the public interest served by the Ordinance and are the appropriate relief necessary to prevent the regulatory effect of the Ordinance from inordinately burdening the Property; and

WHEREAS, the Parties now desire to settle and finally resolve all disputes between and among them concerning the Claim.

NOW, THEREFORE, the Parties hereby agree as follows:

1. **Recitals.** The above recitals are true and correct and are incorporated herein by reference.

2. **Occupancy Allowable Under Ordinance.**

(a) Owner is hereby granted a variance from the provisions of the Ordinance so that the Owner shall have the right to apply under the Ordinance for a maximum occupancy of fifteen (15) overnight guests at the five (5) bedroom vacation rental property noted above and the City shall grant such occupancy. The right shall continue in perpetuity, regardless of any future changes in ownership, provided that this right shall expire permanently if the Property were to be voluntarily remodeled or voluntarily rebuilt in such a manner as to change the number of bedrooms that existed at the date of the Claim. The Property remains subject to all other requirements of the City's regulations, including but not limited to regulations for short-term rentals, parking, trash, and noise.

(b) No greater than four (4) vehicles may be parked on the Property. No vehicle may encroach upon the City's right-of way.

(c) Owner shall ensure that at least three (3) outdoor trash receptacles are provided by the applicable trash hauler and available for use by occupants at all times.

(d) Owner agrees that the City shall be permitted to access the property on an annual basis for the purpose of life-safety inspections to ensure code compliance with minimum egress and emergency egress requirements pursuant to the Florida Building Code (Residential) and to ensure the property has adequate and working smoke detectors. Owner shall submit to the City a separate application and fee for such inspection, on a form provided by the City, at the time Owner submits its annual short-term rental registration application to the City

3. **Development in Accordance with Code.** Notwithstanding any provisions contained herein, the Owner shall at any time have the right and option to remodel, develop, or use the Property in accordance with the applicable ordinances of the City of Destin in effect at the time of application therefor, and this variance shall not be construed as making the Property in any way non-conforming.

4. **Entire Agreement.** The Parties acknowledge that this Agreement constitutes the entire agreement between them regarding the settlement of their dispute and any prior statements, whether oral or written, are merged herein. This Agreement may not be modified or amended without a written instrument signed by the party against whom enforcement is sought.

5. **Duration of Agreement.** This Agreement shall be perpetual and deemed to run with the land, and shall be binding upon and the benefits shall inure to the parties hereto and their respective heirs, devisees, personal representatives, successors and assigns.

6. **Authority.** The signatories to this Agreement are expressly authorized to resolve their dispute as set forth herein and by their signatures here represent and affirm their authority to execute this Agreement.

7. **Governing Law.** The law of the State of Florida shall apply to this Agreement. Any dispute regarding this Agreement shall be litigated exclusively in the courts of Okaloosa County, Florida. The parties expressly consent to such agreed jurisdiction and venue, and waive any objections thereto.

8. **Notices.** Any notice required or permitted to be given hereunder shall be in writing and shall be (i) delivered by hand, (ii) delivered by reputable national or local courier (such as United Parcel Service or Federal Express), (iii) mailed by United States registered or certified mail, return receipt requested and postage prepaid, or (iv) sent by facsimile transmission provided a confirmation of such facsimile transmission is sent the same day by one of the methods of delivery in (i), (ii), or (iii) above. Any notice shall be addressed to each party at its address as set forth below. Any such notice shall be considered given on the date of such hand delivery, deposit with such courier for same day or next business day delivery, upon receipt of return receipt of certified mail, or receipt of facsimile transmissions, as the case may be, and the time period (if any is provided herein) in which to respond to such notice shall commence on the date of receipt. Rejection or other refusal to accept or inability to deliver because of changed address of which no notice was given shall be deemed to be receipt of the notice. By giving to the other party at least ten (10) days' notice thereof, any party shall have the right from time to time to change the addresses thereof and to specify up to two (2) additional addresses within the United States of America to which copies of notices to it shall be sent. Notice may be given on behalf of any party by such party's counsel. In the event the subject property owner changes, notices shall be addressed to the current owner as indicated in the records of the Okaloosa County Property Appraiser. Otherwise, notices shall be sent as follows:

Each notice shall be addressed as follows:

To City: City of Destin, Florida
Attn:
4200 Indian Bayou Trail
Destin, Florida 32541

With a copy to:
City Land Use Attorney
Romano Kopp Law, PA
PO Box 445
Destin, Florida 32541

To Sherer Enterprises: Sherer Enterprises, LLC
35 Dyar Lane
Grosse Pointe Woods, MI 48236

With a copy to: Matthews & Jones, LLP

Attn: C. Stephen Tatum
4475 Legendary Drive
Destin, Florida 32541

9. **Attorney's Fees**. In the event of any action, whether pre-suit, mediation, litigation or appellate proceeding to enforce the terms and conditions of this Agreement, each party to the action shall pay its own attorney's fees and costs incurred therein.

10. **Venue**. Venue over any action to enforce the terms and conditions of this Agreement, including mediation, shall lie solely in Okaloosa County, Florida.

OWNER: Sherer Enterprises, LLC

_____
Signature of Witness #1

_____
Susan Sherer

_____
Print or type name

_____
Jeanne Gogolski

_____
Signature of Witness # 2

_____
Louanna Conrad

_____
Print or type name

STATE OF_____
COUNTY OF_____

The foregoing instrument was acknowledged before me this _____ day of _____ 2019, by _____ _____ and _____, who are personal known to me or who have produced _____ as identification and who did not (did) take an oath.

_____
Signature of Notary

(NOTARY SEAL)

_____
Print or type name

CITY OF DESTIN

By:_____
Gary Jarvis, Mayor

Date:_____

ATTEST:

_____
Rey Bailey, City Clerk

Date:_____

STATE OF_____
COUNTY OF_____

The foregoing instrument was acknowledged before me this _____ day of _____ 2019, by _____ _____ and _____, who are personal known to me or who have produced _____ as identification and who did not (did) take an oath.

_____
Signature of Notary

(NOTARY SEAL)

_____
Print or Type Name

Approved as to form and legality for use and reliance
by the City of Destin, Florida, only.

_____
Kimberly Romano Kopp, Esq.
City Land Use Attorney

Exhibit "A"

Legal Description of Property

Lot 4, Block B, THE DUNES OF DESTIN, A PLANNED UNIT DEVELOPMENT, according to the Plat thereof as recorded in Plat Book 13, Page 39, of the Public Records of Okaloosa County, Florida.

ITEM # 2019-1887

CITY OF DESTIN

AGENDA ITEM

COUNCIL MEETING DATE: December 9, 2019
TYPE OF AGENDA ITEM: Action Item

TO: City Council

THRU: Lance Johnson, City Manager

FROM: Kimberly Kopp, Land Use Attorney
Louis Zunguze, Community Development Director

DATE: December 5, 2019

SUBJECT: 7) 3890 Sandprint Drive

I. BACKGROUND:

On January 22, 2019, the City enacted Ordinance 18-29-CC, the Short-Term Rental Occupancy Ordinance ("Ordinance"), which limits the occupancy of short-term rental homes to two (2) people per bedroom plus an additional four (4) persons.

The subject property owner owns the real property and improvements located at 3890 Sandprint Drive, Destin, FL 32541, as more particularly described in Exhibit "A" (the"Property") to the proposed settlement agreement.

Owner filed a claim with the City, pursuant to the provisions of §70.001, Florida Statutes, the Bert J. Harris Jr., Private Property Rights Protection Act
(the "Harris Act"), alleging that the Property had been inordinately burdened by the adoption of the Ordinance, (the "Claim).

The Harris Act provides for the City to have the ability to enter into a settlement agreement which would have the effect of a modification or variance to the application of a regulation or ordinance as it would otherwise apply to the subject real property, provided the relief granted protects the public interest served by the regulations at issue and is the appropriate relief necessary to prevent the governmental regulatory effort from inordinately burdening the real property.

The City Council should settle the claim if the City Council determines that the modifications within the settlement agreement protect the public interest served by the Ordinance and are the appropriate relief necessary to prevent the regulatory effect of the Ordinance from inordinately burdening the Property.

II. DISCUSSION: The property owner has requested a maximum occupancy of twenty-four (24) occupants. City staff is recommending an occupancy of twenty-four (24) occupants based on the square footage of the property. The building official utilized a one-occupant per 200 square feet methodology for recommending the above-stated occupancy.

Additionally, staff is recommending at least four (4) trash cans on the property. This recommendation is based on industry standard (Waste Management) that, on average, one trash can is required for every six occupants in order to ensure adequate garbage disposal. Therefore, if the maximum number of occupants exceeds any multiple of six (6, 12, 18, 24, 30, 36, etc.), then an extra trash can will be needed to accommodate the additional occupants. For example, if thirteen (13) is the maximum occupation, then three (3) trash cans are required. This is because, on average, two (2) trash cans will only accommodate twelve (12) occupants. The third trash can will be needed to accommodate the thirteenth occupant.

Further, the property owner must agree to annual life safety inspections, as provided in the proposed settlement agreement.

Finally, staff is recommending no more than four (4) vehicle parked on this property.

As stated in the agreement, the property owner remains bound by all other provisions of City codes.

A. **Link to Strategic Goals / Objectives:**
B. **Effect on Budget (EOB):**
C. **Level of Service (LOS):**

III. CONCLUSION:

IV. RECOMMENDED MOTION: 1. I move to approve the settlement agreement prepared by the City Land Use Attorney and Staff.

or

2. I move to approve the settlement agreement prepared by the City Land Use Attorney and Staff with the following modifications:_____.

or

3. I move to direct the City Land Use Attorney to negotiate in good faith with the property owner and to bring back an alternate settlement proposal to the City

Council for consideration.

or

4. I move to deny settlement of the subject claim at this time.

Attachments:

1. Bert Harris Case - 3890 Sandprint Drive
2. 3890 Sandprint Drive (3)

DANA C. MATTHEWS
MICHAEL A. JONES
KENNETH M. BORICK
Of Counsel
Also admitted in Georgia and South Carolina
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SAMUEL B. TAYLOR
DANIEL C. O'ROURKE
Florida Supreme Court Certified
Civil and Family Mediator

MATTHEWS & JONES
ATTORNEYS AT LAW
INSIGHT | INTEGRITY | INNOVATION

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LAURA PENTEL-KLANG
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SALVADOR "A.J." GOMEZ
C. STEPHEN TATUM

Reply to Destin

STATUM@DESTINLAW.COM

October 9, 2019

VIA HAND DELIVERY

Mayor Gary Jarvis
City of Destin
4200 Indian Bayou Trail
Destin, FL 32541
gjarvis@cityofdestin.com

Dear Mayor Jarvis:

Our firm represents Sapp Florida Investments, LLC, the owner of the home located at 3890 Sandprint Drive; Destin, Florida, also identified as Lot 4, Block D, The Dunes of Destin, a Planned Unit Development, recorded in Okaloosa County Plat Book 13, at Page 19.

Due to the enactment of City of Destin Ordinance 18-29-CC, which limits the occupancy of short term rental homes to two (2) people per bedroom plus an additional four (4) persons, Sapp's reasonable investment-backed expectations for use of the home as a short-term vacation rental property have been inordinately burdened, as defined in the "Bert J. Harris, Jr., Private Property Rights Protections Act", Chapter 70, Florida Statutes ("Harris Act"). Sapp hereby submits this letter along with the enclosed EquiValue Appraisal, LLC property appraisal dated September 19, 2019, as a claim under the Harris Act against the City of Destin for Eight Hundred Fifty Thousand Dollars ($850,000.00), which represents the diminution in value of Sapps's property.

Pursuant to the provisions of the Harris Act, Sapp hereby demands payment in the amount of Eight Hundred Fifty Thousand Dollars ($850,000.00) plus attorneys fees and costs.

If no resolution is reached during the statutorily prescribed waiting period, Sapp intends to file suit pursuant to this claim and pursue any other legal remedies for the actions

that gave rise to this claim. Sapp explicitly reserves the right to bring any and all legal challenges, appeals and objections with respect to Ordinance 18-29-CC.

Sincerely,

C. Stephen Tatum
Matthews & Jones, LLP
Attorney for Sapp Florida Investments, LLC

Enclosure

cc: Lance Johnson, City Manager (via email)
Rey Bailey, City Clerk (via email)
Kimberley Romano-Kopp, Esq. (via email)
Client

APPRAISAL REPORT

PROPERTY: AN APPROXIMATE 5,276 SQUARE FOOT HEATED AND COOLED RESORT RENTAL RESIDENCE (SEA E O), SITED ON AN APPROXIMATE 0.12-ACRE SITE WITH ASSOCIATED SITE IMPROVEMENTS INCLUDING AN IN GROUND HEATED POOL

3890 SANDPRINT DRIVE, DESTIN, OKALOOSA COUNTY, FL

EQUIVALUE APPRAISAL

EQUIVALUE APPRAISAL, LLC
PROFESSIONAL APPRAISAL AND VALUATION SERVICES
PO BOX 5326
DESTIN, FLORIDA 32540
PHONE (850) 424-6119

Jason P. Shirey, MAI, CCIM, CPM
State-Certified General Real Estate Appraiser, RZ3186 (FL)
Direct Phone (850) 543-5953 (Mobile)

EquiValue Appraisal File No.: 190-292A

APPRAISAL REPORT

Of Resort Residential Property
+/-0.12 Acres of Residential-Zoned Land
Improved with an Approximate 5,276 SF Heated and Cooled Resort Rental Residence
(Sea E O) and Associated Improvements Including an in ground Heated Pool

Location
3890 Sandprint Drive
Destin, Okaloosa County, FL
32541

Property Owner
Sapp Florida Investments LLC

Effective Date
January 22, 2019 (Retrospective)

Report Date
September 19, 2019

Client / Intended User
Mr. Jason Sapp
Sapp Florida Investments LLC
1004 Carroll Road
Paragould, AR 72450

Prepared by:
Jason P. Shirey, MAI, CCIM, Cert Gen RZ3186

EQUIVALUE
APPRAISAL

Phone 850 424 6119 Fax 888 774 4503
EquiValue Apprasial, LLC File #: 190292A

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September 19, 2019

Mr. Jason Sapp
Sapp Florida Investments LLC
1004 Carroll Road
Paragould, AR 72450

Re: Diminution in Value Appraisal of an approximate 5,276 HVAC Square Foot Resort Rental Residence (Sea E O), 'As Is', whose postal address is 3890 Sandprint Drive, Destin, Okaloosa County, FL 32541. EquiValue Appraisal File No. 190292A.

Dear Client:

At your request and authorization, we have prepared an appraisal for the above-referenced resort residential rental property. A copy of the pertinent engagement document has been included in the addenda to this report if applicable.

This letter of transmittal is *not* an appraisal report, but merely serves to transmit the attached appraisal report and convey the final conclusion of value. The accompanying research, analyses and conclusions, and appraisal report following this letter of transmittal has been compiled in accordance with USPAP Standards Rule 2-2(a) for a written appraisal report.

The purpose of this appraisal is to determine if there is a Diminution in Value as result of recently-adopted City of Destin Ordinance No. 18-29-CC, and if so, to derive an opinion of the Diminution in Value to the subject property associated with the implementation of said Ordinance.

This Ordinance was implemented January 22, 2019, and the incorporation of this ordinance limits the occupancy of the subject property to 16 guests. Prior to the implementation of this Ordinance, the designed occupancy of the subject property was 24 guests. Therefore, as a result of the ordinance, the maximum occupancy of the subject has been reduced by 8 guests, or approximately -33.33%.

We are therefore opining on the difference in market value of the subject before and after the adoption of City of Destin Ordinance No. 18-29-CC, which was promulgated on January 22, 2019.

The values reported are predicated upon market conditions prevailing as of the effective date of the appraisal. In the context of the scope of work, the appraisal is considered to render a credible opinion of value, specific to the client, intended use and intended user.

The intended use of this appraisal is for internal decision making purposes by the stated Client and their advisors. This appraisal is intended for the use of the client and client's advisors.

We have completed the requisite inspections, research, and analyses necessary to appraise the 100% fee simple interest in the subject property, 'As Is' as of January 22, 2019, both prior to adoption of Ordinance No. 18-29-CC and after, in order to evaluate the potential Diminution in value.

Please reference the Scope section of this report for information regarding the scope of research and analysis for this appraisal, including property identification, inspection, highest and best use analysis and valuation methodology.

I certify that I have no present or contemplated future interest in the property beyond this opinion of value. The reported value(s) in this appraisal have not been based on a requested minimum valuation, a specific valuation, and have been prepared in compliance with the Uniform Standards of Professional Appraisal Practice.

Your attention is directed to the Limiting Conditions and Assumptions section following the reconciliation and appraisal certification in this report. Acceptance of this report constitutes an agreement with these conditions and assumptions.

This appraisal is subject to the following Hypothetical Condition(s):

- None.

This appraisal is subject to the following Extraordinary Assumption(s):

- None.

Our opinion of value was formed based on our experience in the field of real property valuation, as well as the research and analysis set forth in this appraisal.

I am of the opinion that as a result of the implemented City of Destin Ordinance 18-29-CC that the market value of the subject property is negatively impacted.

The implemented Ordinance reduces the maximum occupancy of the subject property, and therefore the subject's associated income generation potential.

The subject property is a resort-residential property specifically utilized for income generation purposes. Therefore, a reduction in scheduled income due the subject correlates to a reduction in associated value.

The Diminution in Value to the subject is represented by the difference between the 'Before' and the 'After' value conclusions.

In this case, this is represented by the difference between the opined value prior to implementation of the Ordinance (ie. the 'Before Ordinance' value of $2,115,000) and the value after implementation of the Ordinance (ie. the 'After Ordinance' value of $1,265,000).

Per this calculation, with supporting documentation as to the rationale of these values provided within this report, the opinion of Diminution in Value to the subject as a result of City of Destin Ordinance 18-29-CC is opined to be $850,000.

Therefore,

Diminution in Market Value
As A Result of Implementation of City of Destin Ordinance 18-29-CC:

Eight Hundred Fifty Thousand Dollars
($850,000)

The estimated market exposure period necessary for the subject to have achieved these values is estimated to be 9-12 months.

It was a pleasure assisting you with this matter. If you have any questions concerning the following analysis, or if we can be of further assistance, please do not hesitate to call.

Respectfully submitted,
EquiValue Appraisal, LLC

Jason P. Shirey, MAI, CCIM, CPM
Cert Gen RZ3186

INTRODUCTION

QUALIFICATIONS OF THE APPRAISER

Qualifications of

Jason P. Shirey, MAI, CCIM, MS-RECM

State-Certified General Real Estate Appraiser No. RZ 3186 (FL)
State-Certified General Contractor No. CGC 062478 (FL)
Licensed Real Estate Broker No. BK 3168469 (FL)

MAI : Designated Member of the Appraisal Institute
Appraisal Insitute, Chicago, Illinois.

CCIM : Designated Certified Commercial Investment Member
CCIM Institute, Chicago, Illinois.

M.S. RECM : Master of Science, Real Estate and Construction Management
University of Denver - Denver, Colorado.

B.S. BCN : Bachelor of Science, Building Construction Management
University of Florida – Gainesville, Florida.

Business Affiliations and Work Experience, Past / Present

EquiValue Appraisal and Consulting Services
Principal and Founder; Real Estate Appraiser, Real Estate Broker, Certified General Contractor

Marsh Appraisal Corporation - Real Estate Appraisal and Valuation Services, Fort Walton Beach, Florida
Registered Trainee Appraiser / State Certified Real Estate Appraiser

Plantation Coast Properties, LLC – Fort Walton Beach, Florida
Principal; Real Estate Investments and Property Management

Alcon Associates, Inc. – Commercial General Contractors / Construction Managers; Pensacola, Florida
Florida Division Manager

National Construction Enterprises, LLC – General Contractor / Construction Managers; Savannah, Georgia
Vice President of Operations, Savannah-Hilton Head Division

Acoustics and Specialties, Inc. – General Contractors; Memphis, Tennessee
Senior Estimator / Project Manager of Healthcare Construction

Brasfield and Gorrie General Contractor Inc. – General Contractors and Construction Managers; Orlando, Florida
Construction Estimator / Project Manager

United States Air Force Reserve
Reserve Pilot, Boeing C-17 Globemaster III

EQUIVALUE APPRAISAL

Jason P. Shirey, MAI, CCIM, MS-RECM (Continued)

Professional / Continuing Education

Litigation Appraising - Specialized Topics and Applications
Appraisal Institute

Uniform Standards of Professinal Appraisal Practice
7 Hour Update, *Appraisal Institute*

Advanced Income Capitalization
Appraisal Institute

Advanced Sales Comparison Approach
and Principles In Highest and Best Use
Appraisal Institute

User Decision Analysis for Commercial Real Estate
CCIM Institute Course CI-103

Advanced Cost Approach
Appraisal Institue

Real Estate Taxation, Planning and Consequences
University of Denver, Burns School of Real Estate

Advanced Real Estate Feasibility Analysis
Urban Land Institute / University of Denver

Real Estate Securities and Syndications
University of Denver, Burns School of Real Estate

Legal Issues In Real Estate and Construction Management
University of Denver, Burns School of Real Estate

Income Property Investment
Urban Land Institute / University of Denver

Argus Financial Analysis
University of Denver, Burns School of Real Estate

Residential Real Estate Appraiser Course ABII
Ed Klopfer Schools of Real Estate

Real Estate Salesperson Pre-Licensing Course
Ed Klopfer Schools of Real Estate

Income Property Management
Institute of Real Estate Management / University of Denver

Certified Commercial Investment Member Core Concepts
CCIM Insitute Comprehensive Exam

Appraising from Blueprints and Specifications
Appraisal Institute

Florida Building Code Update
Florida Workplace Safety and OSHA Update
Universal Inspection Service

Uniform Standards of Professional Appraisal Practice
15 Hour Update, *Appraisal Institute*

Business Practices and Ethics for Appraisers
Appraisal Institute Course #420

Basic Income Capitalization
Appraisal Institute

Advanced Valuation and Report Writing
Appraisal Institute Course #540

Real Estate Investment Finance
University of Denver, Burns School of Real Estate

Computer Applications for Real Estate Analysis
University of Denver, Burns School of Real Estate

Risk Management and Insurance for Investment Real Estate
University of Denver, Burns School of Real Estate

Indoor Air Quality and Mold Contamination Remediation
National Association of Mold Professionals, 2004

Real Estate Trainee Appraiser Course ABI
Ed klopfer Schools of Real Estate

Uniform Standards of Professional Appraisal Practice
15 Hour Update, *Appraisal Institute*

EQUIVALUE APPRAISAL

Jason P. Shirey, MAI, CCIM, MS-RECM (Continued)

Appraiser Experience - Property Types

Affordable Housing
Agricultural Land
Aircraft Hangars
Antenna Towers
Apartments
Automobile Dealerships
Hotels and Motels
Bank Buildings
Bowling Alleys
Broadcast Facilities
Campgrounds / Recreational Vehicle Parks
Car Washes
Churches
Coastal Land
Condominium Units:
  Assemblages, Complexes, Conversions
Condominium Projects:
  Pre-development, Insurable Replacement Cost
Convenience Stores
Day Care Centers
Development Appraisals
Distribution Facilities
Golf Clubs and Country Clubs
Health Clubs
High-End Residential
Hobby Farms
Home Sites (Lots)
Home Sites (Land - Large Tracts)
Hotel - Resorts
Industrial Land
Indstrial Improvements
Light Industrial Properties
Manufacturing Facilities
Marinas / Docks / Boat Storage Facilities
Medical Offices
Mixed Use Developments
Mobile Home Parks
Multifamily Land
Multifamily Developments
Nurseries
Office Buildings
Office Condominiums
Office-Warehouse Facilities
Outdoor Signs
Parking Facilities
Replacement Cost Appraisals
Retail Stores (Anchor Tenant / Owner Occupied)
Retail Strip Centers (Multiple Tenant)
Restaurants (All types)
Self-Storage Facilities
Subdivisions (Commercial)
Subdivisions (Residential)
Single Family Residences
Sustainable Development (Green Buildings)
Urban Land (Vacant and Interim Use)
Warehouses
Yacht Clubs

Previous Client List (Partial)

Access Bank and Mortgage
Alternative Funding Corporation
BanCorp South
Bank of America
Bank of Bonifay
Bank of Pensacola
BankTrust
Beach Community Bank
CB Richard Ellis
CCB Community Bank
Colonial Bank
Community Bank
Compass Bank
Cotton and Gates
Crystal Beach Development
DestinFirst Bank
First Capital Bank
First City Bank
First Gulf Bank
First National Bank and Trust
Florida Coastal Mortgage
Guaranty Federal Bank
GulfSouth Private Bank
Jay Odom
Kevin Helmich, P.A.
Legendary, Inc.
LNK Development
M & F Bank
People's First Community Bank
Premier Community Bank
Regions Bank
Renasant Bank
Sunbird Condominium Owner's Association
Suntrust Bank
The Plaza Owner's Association
Tranquil Harbor Owner's Association
Trustmark National Bank
Vanguard Bank
Villas on the Gulf Condominium Onwer's Association
Vision Bank
Wachovia Bank
Whitney Bank

Assignment Purposes

Acquisition
Disposition
Assessment Appeal
Development Feasibility
Estate Planning
Financing (Institutional and Private)
Investment Analysis
Portfolio Analysis
Marital Dissolution
Relocation
Mediation, Arbitration, Dispute Resolution

EQUIVALUE APPRAISAL

Jason P. Shirey, MAI, CCIM, MS-RECM (Continued)

Assignment Types

Appraisal Review
Buyer Brokerage
Complex Valuation
Construction Progress / Draw Request Inspection
Demographic Analysis
Detrimental Conditions Valuation and Consulting
Eminent Domain Valuation and Consulting
Estate Valuation
Feasibility Studies
Fee Appraisals Including Full and Fractional Interests
Foreclosure / REO Appraisal - Assessment
Highest and Best Use Analysis
Insurance
Litigation Support
Market Studies
Portfolio Valuation and Analysis
Relocation Appraisal
Rent Analysis / Studies
Retrospective Valuation
Site Location Services
Valuation and Consultation for Financial Reporting

Primary Market Area

Okaloosa County
- Destin
- Fort Walton Beach
- Crestview
- Mary Esther
- Niceville
- Bluewater Bay

Walton County
- Miramar Beach
- Panama City Beach
- Rosemary Beach
- Santa Rosa Beach
- Blue Mountain Beach
- Freeport
- Defuniak Springs
- Inlet Beach
- Seacrest Beach

Santa Rosa County
- Navarre
- Navarre Beach
- Gulf Breeze

Bay County
- Panama City
- Panama City Beach
- Springfield

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Subject Photograph(s)

Additional photographs can be referenced in the Property Description Section of the Appraisal Report.

Summary of Salient Facts and Conclusions

GENERAL	
EquiValue Appraisal File No:	190292A
Subject:	An approximate +/-5,276 HVAC SF / +/-6,930 Gross SF Resort Rental Residence being located along the south side of Sandprint Drive, and having an assigned postal address of 3890 Sandprint Drive in Destin, Okaloosa County, Florida. The subject site is comprised of +/-0.12 acres of Gulf Resort Mixed Use-zoned land (a residentially-oriented zoning designation) which is improved with the previously-mentioned resort rental residence and associated site improvements. This residence, which began construction in 2018 and was completed in 2019, was specifically designed and outfitted to accommodate 24 overnight (sleeping) guests and features: • 6 Bedrooms • 7 Bathrooms • Bonus Room (Sleeping Area), Den/Living Room, Dining Room, and Kitchen • Swimming Pool • Outdoor Living Areas • Surface parking for a minimum of 6 vehicles. The subject property is identified by Okaloosa County Parcel ID Number 00-2S-22-067A-000D-0040. The use of the subject property in 'As Is' condition is as a beach proximate, resort residential rental property and this is the use represented in the valuation of the subject property, as of the effective date of this appraisal.

In the 'Before' condition, occupancy of the subject was specifically designed for guests with sleeping accommodations as follows:

1st Floor Bedroom #1 (Sleeps 8)
2 Queen over Queen Bunk Beds, Private Bathroom with Shower/Tub Combo

1st Floor Bedroom #2 (Sleeps 2)
1 King Bed, Private Bathroom with Shower Only

2nd Floor Bedroom #3 (Sleeps 2):
1 King Bed, Private Bathroom With Shower Only

2nd Floor Nook (Sleeps 2)
Full over Full Built in Bunk Beds

3rd Floor Bedroom #4 (Sleeps 2):
1 King Bed, Private Bathroom With Shower and Tub

3rd Floor Bedroom #5 (Sleeps 2):
1 King Bed, Private Bathroom With Shower Only

3rd Floor Bedroom #6 (Sleeps 2):
1 King Bed, Private Bathroom With Shower Only

3rd Floor Bonus Room (Sleeps 4)
Two Twin Daybeds each with Twin Trundles, Private Bathroom with Shower/Tub Combo

In the 'After' condition and taking into account the City of Destin Ordinance 18-29-CC which was implemented January 22, 2019, the occupancy of the subject is limited to 16 Guests as calculated by 6 bedrooms at 2 guests per bedroom plus 4 additional guests.

Owner: Sapp Florida Investments LLC
1004 Caroll Road
Paragould, AR 72450

Legal Description: DUNES OF DESTIN LOT 4 BLK D

Tax Identification: 00-2S-22-067A-00D-0040

Date of Report: September 19, 2019

Date of Value:	January 22, 2019
Property Rights Appraised:	Fee Simple
Intended Use:	The intended use of this appraisal is for internal decision making purposes by the client, and for Bert Harris Act computation of damages.
Intended User(s):	The intended user of this report is the property owner, the property owner advisors, courts and local government and regulatory agencies.
Appraisal Purpose:	Market Value Opinion 'As Is' in the 'Before Ordinance' and 'After Ordinance' conditions, and subsequent evaluation of Diminution in Value.
2018 Assessed Value:	**$192,600 (Vacant Lot Only)** Despite the intention of the property appraiser to value property at market value on a yearly basis, it is the appraiser's opinion that assessed value has no direct correlation to fair market value in the subject market area. It is noted that as the subject was just recently constructed, the assessed value does not yet represent the improved property, and is for the vacant land only.
2018 Taxes:	**$2,473.09 (Paid)** According to the Okaloosa County Tax Collector, taxes for 2018 have been paid in full and no prior year delinquent taxes remain owing. It is noted that once the subject property is assessed in the improved configuration, the assessed value and taxes will increase substantially.

Sale History:	The subject was purchased by the current owner on June 30, 2017 as a vacant lot for the reported price of $250,000 per ORB/P 3306/2339. This was an arm's length purchase which was nominally consistent with current market value at the time of the sale. The owner then constructed the residential improvement (at a cost of $2,000,000) specifically for income generation purposes with a specific design and furnishings to accommodate up to 24 occupants. There have been no other transfers of the subject property in the preceding 3 years.
Current Contracts/Listing:	Per information provided obtained from the Emerald Coast Association of Realtors Multiple Listing Service (MLS), the subject property was actively listed for sale on 4/4/2019 under mls# 820116 at a listed price of $2,595,000 where it remained until 7/19/2019 when the listing price was reduced to $2,499,000 where it currently remains. We are unaware of any other listings, or offers to purchase, the subject property in the previous 12 month period. The property owner has been utilizing the subject property for short-term rental purposes and income generation, since completion of construction.

PROPERTY

Land Area:	Total: +/-0.12-Acre Usable: +/-0.12-Acre Excess: 0.00 Acres
Zoning/ Future Land Use:	GRMU – Gulf Resort Mixed Use by the City of Destin

Highest and Best Use 'As Is':	Utilizing the subject as a resort-residential rental property at maximum occupancy is estimated to be the highest and best use of the subject 'As Is'. It is noted that occupancy limitations imposed on the subject by virtue of City of Destin Ordinance 18-29-CC, which limits occupancy of the subject property to a lesser number than that for which the subject was specifically designed and outfitted, is anticipated to have a negative impact on the market value / return on investment of the subject property to the owner.

VALUE CONCLUSIONS

Land Value:	Not Utilized
Cost Approach:	Not Utilized
Improved Sales Comparison Approach:	Not Utilized
Income Approach:	$2,115,000 – Before Ordinance 18-29-CC $1,265,000 – After Ordinance 18-29-CC $850,000 – Diminution in Value as a Result of Ordinance 18-29-CC

Appraisal Scope of Work

In accordance with the 2018-2019 Uniform Standards of Professional Appraisal Practice, it is the appraiser's responsibility to develop and report a scope of work that results in credible results that are appropriate for the appraisal problem and intended user(s).

This process should meet the expectations of parties who are regularly intended users for similar assignments and be consistent with what an appraiser's peers actions would be in performing the same or a similar assignment.

Therefore, the appraiser must identify and consider:

- the client and intended users;
- the intended use of the report;
- the type and definition of value;
- the effective date of value;
- assignment conditions;
- typical client expectations; and
- typical appraisal work by peers for similar assignments**.**

This appraisal is prepared for the Client, Sapp Florida Investments LLC (Mr. Jason Sapp).

The intended use of this appraisal is for internal decision making purposes by the client, the client's advisors, and for Bert Harris Act computation of damages.

The intended user of this report is the property owner, the property owner's advisors, courts and local government and regulatory agencies.

SCOPE OF WORK	
Report Type:	This is a written Appraisal Report, which is intended to comply with the reporting requirements established by Standards Rule 2-2(a) of the *2018-2019* edition of the U*SPAP* for a written Appraisal Report. It presents summary discussions of the data, reasoning, and analyses utilized in the appraisal process to develop the appraiser's opinion of value. Supporting documentation not provided with the report concerning the data, reasoning, and analyses is retained in the appraiser's file. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated in the report. The appraiser is not responsible for the unauthorized use of this report.

Property Identification:	The subject was identified by the legal description and the assessor's parcel number, and appraiser inspection.
Inspection:	An inspection of the site and improvements was made, and photographs were taken.
Market Area and Analysis of Market Conditions:	A complete analysis of market conditions was made. The appraisers physically inspected the micro and/or macro market environments which influence the subject property.
Highest and Best Use Analysis:	A complete analysis of highest and best use for the subject property in 'As Is' condition was made.

Valuation Analyses

Land Valuation and Cost Approach:	An opinion of value for the subject property in 'as if vacant' condition and subsequent application of the cost approach has not been provided. The purpose of this appraisal is to evaluate the impact to the value of the subject by virtue of the implementation of City of Destin Ordinance 18-29-CC which limits occupancy of the subject and corresponding associated income generation potential. Thus, the cost to acquire land and construct a replacement property is meaningless to the purpose of the assignment and was not applied.
Sales Comparison Approach:	The improved sales comparison approach was not utilized in this appraisal assignment. The purpose of this appraisal is to evaluate the impact to the value to the subject by virtue of the implementation of City of Destin Ordinance 18-29-CC which limits occupancy of the subject and associated income generation potential. As this ordinance was just recently implemented, an adequate number of improved sales which sold after the Ordinance implementation date were not available from which to derive an opinion of market value from this approach. As sales which occurred prior to this Ordinance will reflect market transactions without this restriction, they are not considered valid indicators of value for the subject in the restricted condition. Therefore this approach could not be applied due to lack of sufficient comparable data.

Income Approach:	The income approach was applied for the subject in both the 'Before Ordinance' and 'After Ordinance' scenarios.
Hypothetical Conditions:	None.
Extraordinary Assumptions:	None.
Exposure Time (Market Value):	Exposure Time may be defined as: the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective opinion based on an analysis of past events assuming a competitive and open market. The estimate of exposure time is presented in consideration of the exposure periods for comparable sales utilized in this appraisal, marketing time information available from nationally published sources including the CB Richard Ellis National Market Survey and the opinions of market participants. ***It is estimated that the exposure time necessary for the subject to have achieved the opinion of value is 9-12 months.***

Definition of Value, Property Rights Appraised, and Intended Use

Purpose of the Appraisal:

The purpose of an appraisal is the stated reason and scope of the appraisal assignment. It is established by the client, and points to the information that the client needs to answer specific questions pertaining to real property. The purpose of the appraisal establishes the foundation for the final value conclusion, which does not change to accommodate the use of the appraisal.[1]

The purpose of this appraisal is to derive an opinion of the Diminution in Value to the subject property associated with the implementation of City of Destin Ordinance No. 18-29-CC.

This Ordinance was implemented January 22, 2019, and the incorporation of this ordinance limits the occupancy of the subject property to 16 guests. Prior to the implementation of this Ordinance, the designed occupancy of the subject property was 24 guests. Therefore, as a result of the ordinance, the maximum occupancy of the subject has been reduced by 8 guests, or approximately -33.33%.

We are therefore opining on the difference in market value of the subject before and after the adoption of City of Destin Ordinance No. 18-29-CC, which was promulgated on January 22, 2019.

Intended Use of the Appraisal and Intended User:

The intended use of an appraisal is the manner in which a client will employ the information contained in the appraisal report. The intended use or function of an appraisal is determined by the client's needs. Because an appraisal may provide a basis for a decision concerning real property, the intended use of the appraisal depends on the decision that the client wishes to make.[2]

The intended use of this appraisal is for internal decision making purposes by the client, and for Bert Harris Act computation of damages. The intended user of this report is the client / property owner, advisors, courts and local government and regulatory agencies.

Property Rights Appraised

Real property is said to have value as a result of the "bundle of rights" that are inherent to property ownership. Regardless of the type of ownership, the owner of real property is said to have an interest in that property. The following definitions are for the three most commonly-valuated interests as defined by the Dictionary of Real Estate Appraisal, Fourth Edition.

---

[1] The Appraisal of Real Estate, Twelfth Edition
[2] The Appraisal of Real Estate, Twelfth Edition

Fee Simple Interest:
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.

Leased Fee Interest:
An ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the lessee are specified by contract terms contained within the lease.

Leasehold Interest:
The interest held by the lessee (the tenant or renter) through a lease transferring the rights of use and occupancy for a stated term under certain conditions. See also negative leasehold; positive leasehold.

The subject property is being appraised 'fee simple', taking into account market conditions at the effective date of the report. Given the valuation of the subject in 'As Is' condition and the nature of the subject being a resort-rental property which is occupied on a short term or seasonal basis, fee simple basis is considered to be the appropriate valuation standard.

Date of Value Opinion
Value opinions are presented as of a specific date, taking into account market conditions at that time. The effective date of an appraisal is the date at which the analyses, opinions, and advice in an appraisal, review, or consulting service apply. (USPAP, 2018-2019 edition.)

The date of the value opinion can be current, in the past (retrospective), or forecast into the future (prospective).

The following presents definitions regarding the date of the opinion of value, as provided by the text The Appraisal of Real Estate, Twelfth Edition:

Date of Value Opinion:
The date for which an opinion of value is valid.

Current Value:
In accounting, synonymous with market value.

Retrospective Value Opinion:
An opinion of value that is likely to have applied as of a specified historic date. A retrospective value opinion is most frequently sought in connection with appraisals for estate tax, condemnation, inheritance tax, and similar purposes.

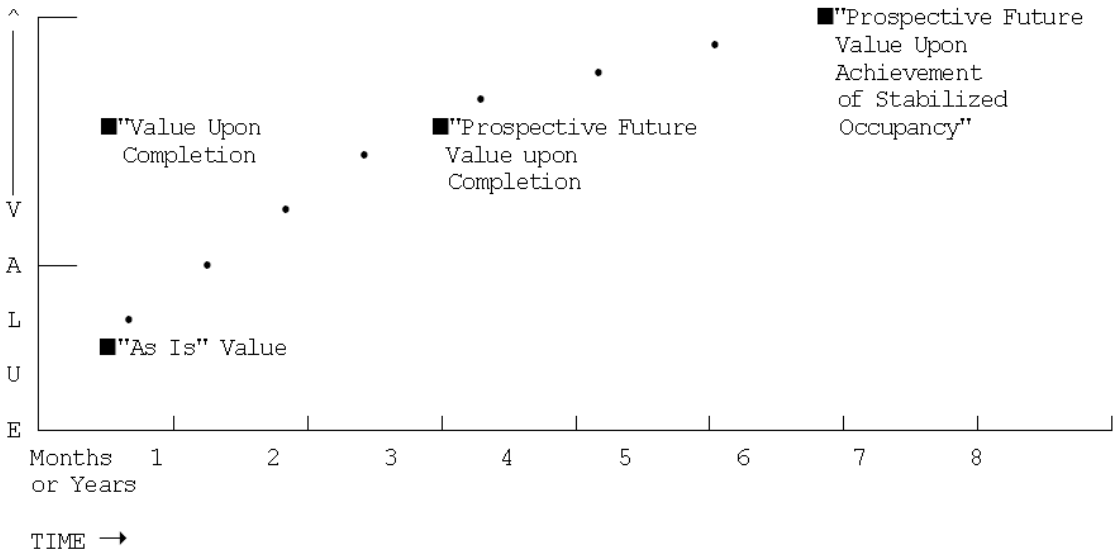
Prospective Value Opinion:
A forecast of the value expected at a specified future date. A prospective value opinion is most frequently sought in connection with real estate projects that are

proposed, under construction, or under conversion to a new use, or those that have not achieved sellout or a stabilized level of long-term occupancy at the time the appraisal report is written.

In a prospective appraisal, the appraiser analyzes market trends to provide support for forecasted income and expense or sell-out opinions, absorption periods, capitalization rates, and discount rates as of the effective date of the appraisal. This appraisal report was prepared taking into account market conditions present as of the date of the report. The appraiser(s) can not be held responsible for unforeseen events that alter market conditions prior to the effective date of the appraisal.

The following graph presents a graphical depiction of the above-described date of value opinions and their associated position within a potential overall development time scenario.

Value Creation Continuum[1]



The preceding exhibit graphically displays the creation of value in a real estate development project over time, assuming a zero inflation environment for clarity of presentation.

1 Code of Federal Regulations, Title 12, as amended by the Federal Home Loan Bank Board.

Basis of the Subject Value Opinion

The four time differential values on the preceding graph which may be considered in the appraisal of proposed developments are defined as follows:

(1) **"As Is"** means an estimate of the market value of a property in the condition observed upon inspection and as it physically and legally exists without hypothetical conditions, assumptions, or qualifications as of the date of appraisal.

(2) **"Value as Complete" or "Value Upon Completion"** means the market value of a property with all proposed construction, conversion, or rehabilitation hypothetically completed, or under other specified hypothetical conditions as of the date of appraisal. With regard to properties wherein anticipated market conditions indicate that stabilized occupancy is not likely as of the date of completion, this estimate of value shall reflect the market value of the property as if complete and prepared for occupancy by tenants.

(3) **"Prospective Future Value Upon Completion"** means the prospective future value of a property on the date that construction is completed, based upon market conditions forecast to exist as of that completion date.

(4) **"Prospective Future Value Upon Achievement of Stabilized Occupancy"** means the prospective future value of a property at a point in time when all improvements have been physically constructed and the property has been leased to its optimum level of long term occupancy.

The purpose of this appraisal is to derive an opinion of the Diminution in Value to the subject property associated with the implementation of City of Destin Ordinance No. 18-29-CC.

The following are the pertinent dates to the valuation, viewing, and appraisal reporting of the subject property:

Effective Date of Value Opinion:	**January 22, 2019**
Date of Viewing:	**May 29, 2019**
Date of Appraisal Report:	**September 19, 2019**
Date of Photographs:	**May 29, 2019**

Definition of Value

The definition of "Market Value", as defined by the Office of the Comptroller of Currency (OCC) under 12 CFR, Part 34, Subpart C-Appraisals, 34.42 Definitions, the Board of Governors of the Federal Reserve System (FRS) and the Federal Deposit Insurance Corporation in compliance with Title XI of FIRREA, as well as by the Uniform Standards of Appraisal Practice as promulgated by the Appraisal Foundation, is as follows.

> Market value means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby,
>
> 1. Buyer and seller are typically motivated;
>
> 2. Both parties are well informed or well advised, and acting in what they consider their own best interest;
>
> 3. A reasonable time is allowed for exposure in the open market;
>
> 4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
>
> 5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Policy Statement of the Appraisal Institute

It is improper to base a conclusion or opinion of value upon the premise the racial, ethnic, or religious homogeneity of the inhabitants of an area or of a property is necessary for maximum value.

Racial, religious, and ethnic factors are deemed unreliable predictors of value trends or price variance.

It is improper to base a conclusion or opinion of value, or a conclusion with respect to neighborhood trends, upon stereotyped, biased presumptions relating to the effective age or remaining life of the property being appraised or the life expectancy of the neighborhood in which it is located.

FACTUAL DESCRIPTIONS

Property Description

Summary of Site Characteristics and Improvements

SITE	
Information Sources:	Deed, assessment records, inspection, owner
Total Site Size:	+/-0.12-Acres
Usable Site Size:	+/-0.12-Acres
Excess Land:	0.00 acres
Corner Lot:	The site is not a corner lot.
Visibility:	The subject site benefits from visibility from Sandprint Drive which parallels the northern boundary of the subject site. The subject site is considered to have good visibility for the subject market area.
Shape:	Rectangular. See aerial photograph / property appraiser map for a visual depiction of the site shape and parcel.
Road Frontage/Access:	The subject features direct access from Sandprint Drive, a two lane secondary residential roadway.
Waterfront Proximity:	The subject is located approximately +/-315 feet north of the Beaches of the Gulf of Mexico and is well-positioned as a resort rental property which would take capitalize on proximity to beaches.
Drainage:	Drainage appears adequate for the subject property. Drainage on the subject site meets current standards for storm water retention, being recently permitted and constructed. The subject property is considered typical with regard to other similar properties in the subject market area.
Potential For Environmental Contamination:	The appraisers have not observed, nor are qualified to detect, the existence of potentially hazardous material or underground storage tanks which may be present on or near the subject site. The appraisers recommend that an environmental survey be attained to assure the environmental stability of the subject property. This appraisal assumes no subsoil contamination of the subject site.

Utilities: *Electricity***:** Electricity is provided by Gulf Power, Inc. Standard service capacity exists at the subject property with adequate capacity to service the subject existing improvements.
Sewer: Public sewer is provided and is on site.
Water: Public water is provided and is on site.
Natural Gas: Natural Gas service is provided and is on site.
Adequacy: Utility service is considered adequate for the subject improvements and at least standard for the subject market area.

Site Improvements: Site improvements present on the subject at the time of inspection included pavered parking for a minimum of 6 vehicles, utilities, landscaping, and a heated outdoor swimming pool.

Landscaping: The subject features very good quality landscaping with various plantings and grassy areas with irrigation.

Site Utility: Good

Flood Zone: The subject is located in an area mapped by the Federal Emergency Management Agency (FEMA). The subject property appears to be located in Flood Zone 'AE EL 11' as noted by the following FEMA Map Number: FEMA Map Number: 12091C0488H 12/06/2002

Easements: We were not provided with a survey for the subject property. Our review of the appropriate maps and public records for the subject property indicated that standard utility easements exist. Our viewing did not indicate that any of these easements would adversely affect the value opinion of the subject contained herein. This appraisal assumes no easements, encroachments, or private deed restrictions which would adversely affect the value of the subject property.

Encroachments: We were not provided with a survey for the subject property. Our review of the appropriate maps and public records for the subject property did not reveal any encroachments on the subject site. Our viewing did not indicate any encroachments that would adversely affect the value opinion of the subject contained herein. This appraisal assumes no easements, encroachments, or private deed restrictions which would adversely affect the value of the subject property.

IMPROVEMENTS – AS IS	
Summary:	Very good Quality Resort Rental Residence
Architectural Style:	Modern Multi-Story Residential 'Resort Style' Single Family Home
Building Class (Marshall Valuation)	Class D, Wood Frame
Construction:	Wood Frame and Stucco
Quality:	Very Good Quality Resort Residential Dwelling
Year Built:	Actual 2019 / Effective 2019 The subject just recently completed construction.
Actual / Effective Age:	New / New
Condition:	Very Good
Remaining Useful Life:	55 Years
Areas & Ratios:	Gross Building Area: 6,930 Square Feet HVAC Building Area: 5,276 Square Feet

Per the Okaloosa County Property Appraiser, the subject features 6 bedrooms and 7 bathrooms. Per instituted City of Destin Ordinance, the maximum number of guests will be calculated at the rate of 2 guests per bedroom based on the Property Appraiser's residential profile of the property, plus 4 additional guests. Therefore, the subject in the 'after ordinance' condition will be limited to 16 total guests. See Excerpt below.

Sec. 13-117. – Maximum occupancy based on site capacity/Grandfathering.

(a) The maximum overnight occupancy of a short-term rental shall be stated in the short-term rental registration form, and shall be limited to the lesser occupancy of the following two options:

i. Two (2) persons for each bedroom, plus four (4) additional persons. The number of bedrooms shall be based upon the Property Appraiser's residential profile of the property, and other documents of record, as needed. In no case shall the maximum total occupancy for any dwelling unit exceed the occupancy limits permitted by the Florida Fire Prevention Code or Florida Building Code.

or

ii. A total of twenty-four (24) persons per short-term rental. In the event that there is more than one building or dwelling on one platted lot, the maximum occupancy shall be capped at twenty-four (24) occupants per lot or structure, whichever is less.

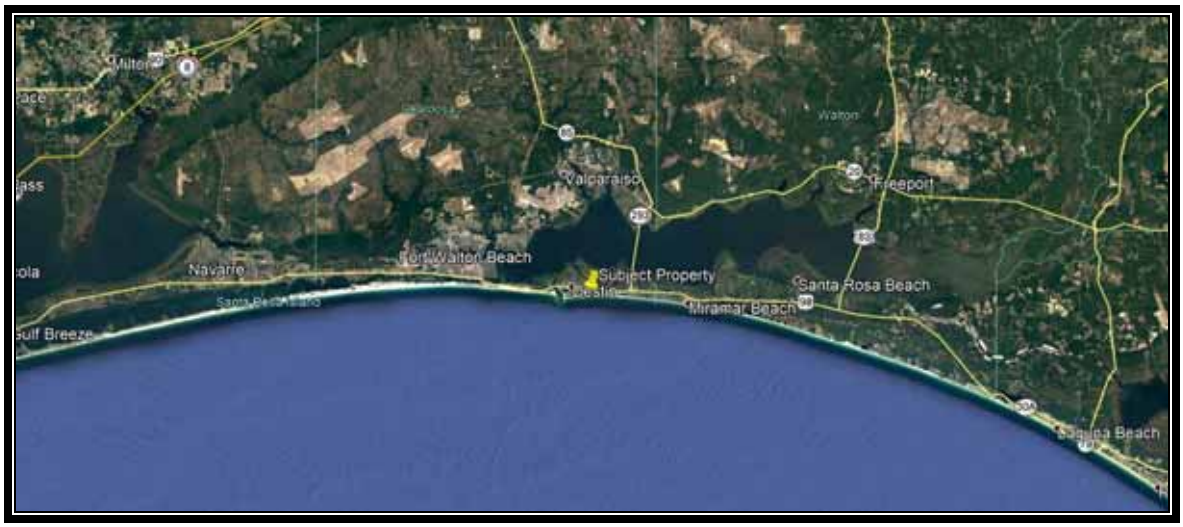
FOUNDATION, FRAME & EXTERIOR	
Foundation:	Concrete, Concrete Block Stemwall, Concrete Slab
Frame:	Wood Frame
Exterior:	Stucco
Roof/Cover:	Metal Roof, Sloped

INTERIOR	
Notes Regarding Interior/Interior Finish:	The subject represents a well-constructed multi-level resort residential property with an elevator, multiple bedrooms, bathrooms, pool, kitchen and living areas, etc. The subject has been specifically configured for occupancy as a resort rental property, and features all necessary components for operation as intended, with a designed occupancy of 24 overnight guests. Interior finishes to the subject include custom kitchen cabinetry, stone or solid surface countertops, custom backsplash, stainless steel appliances, custom bath cabinetry and good quality bathroom and kitchen fixtures. Very good quality flooring and appurtenances. The subject features a finish consistent with or superior to most resort residences in the existing Destin / Crystal Beach market.
Interior Finish:	Very Good Quality.
Ceilings & Ceiling Height:	Finished Ceilings throughout, generally 10-0”-12’-0” height.
Floor Cover:	Porcelain tile, wood, vinyl plank. Good level of floor finish.
Doors:	Good Quality and condition solid core / six-panel doors with lever style handles throughout. Glass windows and doors are good quality insulated double pane impact resistant.
Additional Amenities:	The subject property has a very good level of interior finish with good design and outdoor living areas including an outdoor swimming pool and covered outdoor patios.

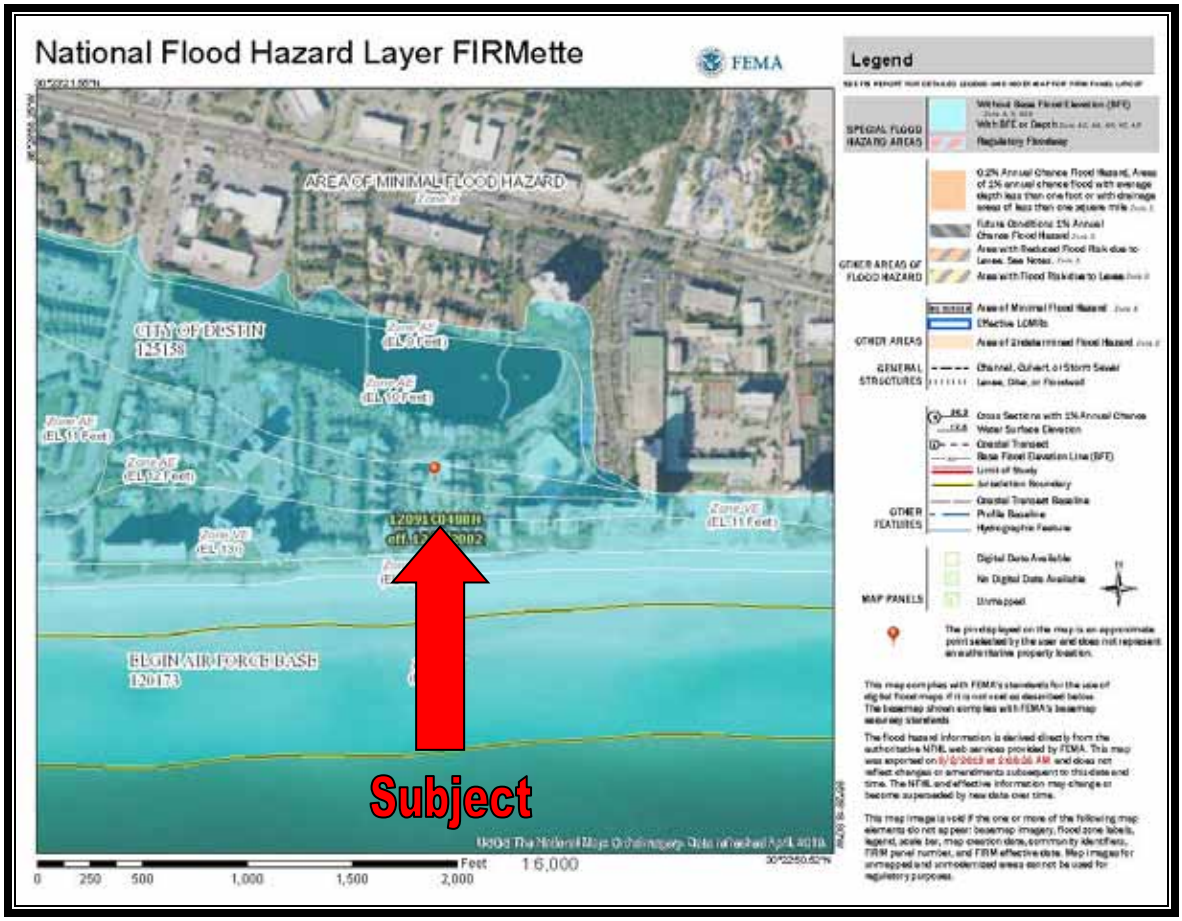
MECHANICAL SYSTEMS	
Heating / Cooling:	Multiple Individual HVAC systems.
Hot Water:	Adequate for property.
Electrical:	Adequate for property.

Plumbing:	Adequate for property with 7 Full Bathrooms. The subject was specifically designed as a resort rental property with planned occupancy / sleeping accommodations for 24 persons.

Regional/Area Maps



Flood Map


National Flood Hazard Layer FIRMette
FEMA
Legend
AREA OF MINIMAL FLOOD HAZARD
CITY OF DESTIN
125138
ELGIN AIR FORCE BASE
120173
Subject
Feet
1:6,000
0
250
500
1,000
1,500
2,000

Flood Zone Descriptions

“A 100-year flood is a flood that has a 1-percent chance of being equaled or exceeded in any given year. A base flood may also be referred to as a 100-year storm and the area inundated during the base flood is sometimes called the 100-year flood plain.

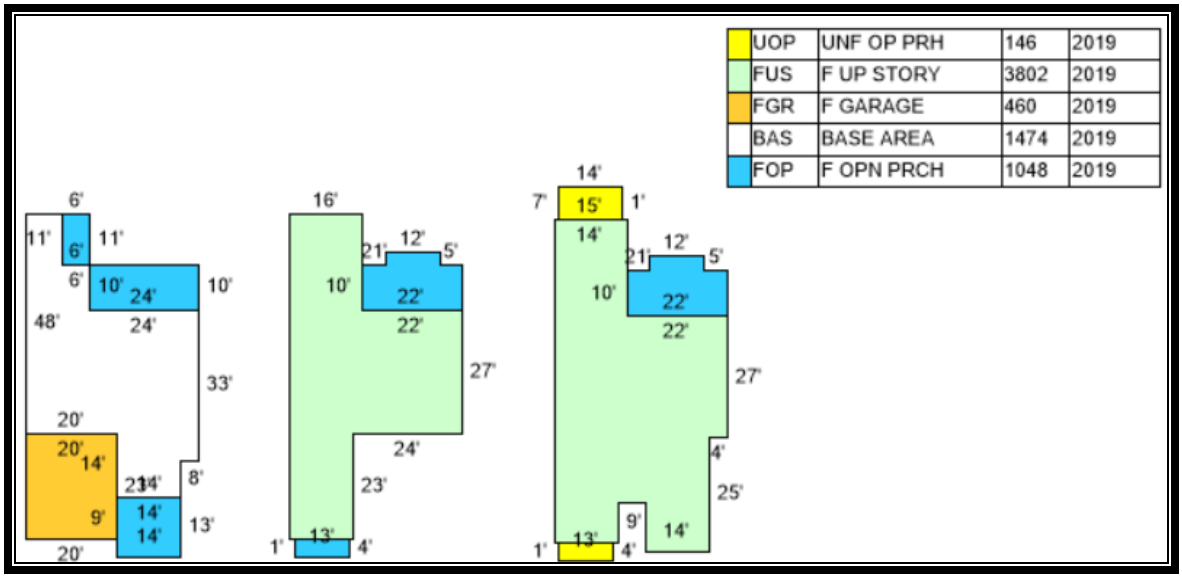
The term "100-year flood" is misleading. It is not the flood that will occur once every 100 years. Rather, it is the flood elevation that has a 1- percent chance of being equaled or exceeded each year. Thus, the 100-year flood could occur more than once in a relatively short period of time. The 100-year flood, which is the standard used by most Federal and state agencies, is used by the National Flood Insurance Program (NFIP) as the standard for floodplain management and to determine the need for flood insurance. A structure located within a special flood hazard area shown on an NFIP map has a 26 percent chance of suffering flood damage during the term of a 30-year mortgage.

Zone AE and A1-A30
Zones AE and A1-A30 are the flood insurance rate zones that correspond to the 100-year floodplains that are determined in the Flood Insurance Study by detailed methods. In most instances, Base Flood Elevations derived from the detailed hydraulic analyses are shown at selected intervals within this zone. Mandatory flood insurance purchase requirements apply.

Zone VE
Zone VE is the flood insurance rate zone that corresponds to the 100-year coastal floodplains that have additional hazards associated with storm waves. BFEs derived from the detailed hydraulic analyses are shown at selected intervals within this zone. Mandatory flood insurance purchase requirements apply.

Zones B, C, and X are the flood insurance rate zones that correspond to areas outside the 100-year floodplains, areas of 100-year sheet flow flooding where average depths are less than 1 foot, areas of 100-year stream flooding where the contributing drainage area is less than 1 square mile, or areas protected from the 100-year flood by levees. No BFEs or depths are shown within this zone.”

Building Floor Plan Excerpts



Aerial Photograph

Subject property outlined in blue above

Subject Photographs

Subject North (Front) Elevation

Subject North (Front) and West (Side) Elevations

Subject North East (Side) Elevation

Subject Rear Yard and Pool

Covered Porch / Sitting Area Next to Pool

Covered Porch / Sitting Area Next to Pool

Subject Driveway and Parking Area

Garage Area

Interior View

Interior View

Interior View

Interior View

Interior View

Interior View

Interior View

Interior View

Interior View

Interior View

Interior View

Interior View

Second Floor Covered Balconey

Interior View

Interior View

Interior View

Interior View

Interior View

Interior View

Interior View

Distant View of Gulf of Mexico from 3rd Floor Balconey

Interior View

Interior View

Interior View

Interior View

Interior View

Interior View

Interior View

Zoning

The subject property is located within the Gulf Resort Mixed Use land use designation, as governed by the City of Destin.

Use of the subject for various residential, short term seasonal rental, guest house and other varied uses are legally permissible by the zoning in place.

Therefore, use of the subject as a seasonal rental property is considered legal, conforming. It is noted that the zoning category description within the land development code does not provide for any outlined maximum occupancies for the subject property or other similar properties. We therefore ascertain that prior to implementation of City of Destin Ordinance 18-29-CC occupancy of the subject for the planned number of sleeping guests of 24 was legally permissible.

City of Destin
Community Development Department
Planning Division
4200 Indian Bayou Trail, Destin, FL 32541
Phone (850) 837-4242 • Fax (850) 650-0693

ZONING DISTRICT FACTSHEET

The purpose and intent of establishing zoning districts is to ensure that all development is consistent with the goals, objectives and policies of the Comprehensive Plan, by establishing a series of zoning districts that indicate what uses are allowed and site development regulations that control the use of land in each district. All development within each zoning district shall be consistent with the purposes stated for each district. (LDC 7.12.05)

GULF RESORT MIXED USE (GRMU)

Purpose and intent: The Gulf Resort Mixed Use zoning district is intended to provide the city with its major mixed use resort destination by providing for the most intensely developed area for commercial transient accommodations (commercial hotel, motel, bed and breakfast establishments and other commercial transient living accommodations) and seasonal residential single-family detached and multi-family attached uses. Permanent single-family detached and multi-family attached residential uses; retail; service; restaurant; office; and similar commercial uses are also allowed in this zoning district.

Table 7-2: Table of Allowable Uses (excerpt from LDC 7.12.06)

PERMITTED USES:

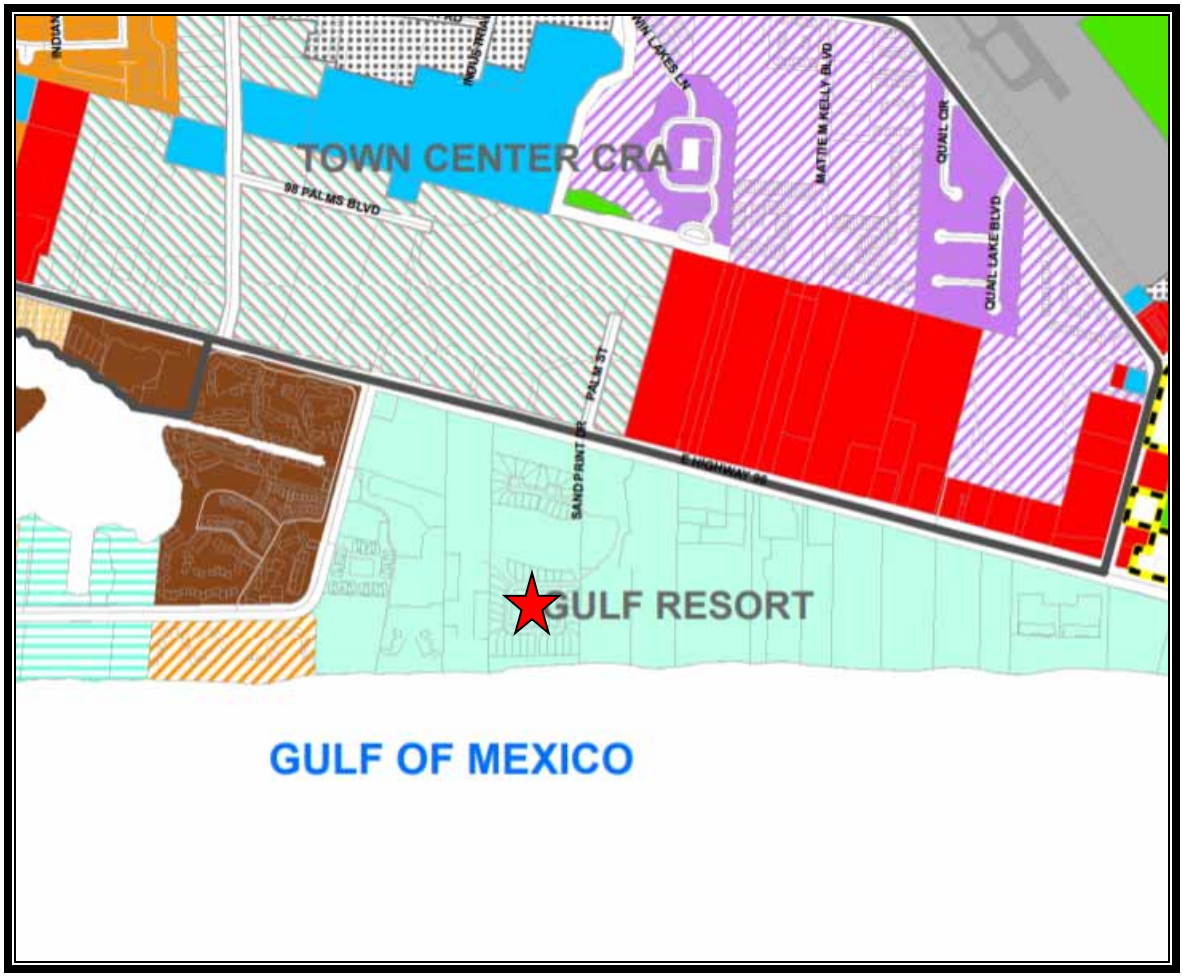
Permanent or long-term residential uses	
Single-family detached dwelling	P
Multi-family attached dwelling	P
Single room occupancy housing	P
Seasonal or short-term residential uses	
Single-family detached dwelling	P
Luxury motor home resort	P
Multi-family attached dwelling	P
Other residential uses	
Community residential home, small (1-6)	P
Family day care home	P
NAICS Use Designations	
323 Printing and related support activities	P
4452 Specialty food stores	P
4453 Beer, wine, and liquor stores	P
446 Health and personal care stores	P
447 Gasoline stations	P
448 Clothing and clothing accessories stores	P
4511 Sporting goods and musical instrument stores	P
4512 Book, periodical, and music stores	P
4529 Other general merchandise stores	P
4531 Florists	P
4532 Office supplies, stationery, and gift stores	P
4539 Other miscellaneous store retailers	P
4851 Urban transit systems	P
4582 Interurban and rural bus transportation	P
4871 Scenic and sightseeing transportation, land	P
4872 Scenic and sightseeing transportation, water	P
512131 Motion picture theaters	P
516 Internet publishing and broadcasting	P
518 ISPs, search portals, and data processing	P
519 Other information services	P
52 Finance and Insurance	P
531 Real Estate services	P
531120 Conference/convention center	P
5322 Consumer goods rental	P
541 Professional and technical services	P
541940 Veterinary services	P
551 Management of companies and enterprises	P
561 Administrative and support services	P
561720 Janitorial services	P
6116 Other schools and instruction	P
6117 Educational support services	P
621 Ambulatory health care services	P
6244 Child day care services	P
711 Performing arts and spectator sports	P
713120 Amusement arcades	P
713940 Fitness and recreational sports centers	P
713950 Bowling centers	P
713990 All other amusement and recreation industries	P
721110 Hotels and motels	P
721191 Bed-and-breakfast inns	P
721199 Other traveler accommodation, C.T.L.A. [132]	P
7213 Rooming and boarding houses	P
722 Food services and drinking places	P
722110 Full-service restaurants	P
722111 Limited-service restaurants	P
7224 Drinking places, alcoholic beverages	P [57]
81149 Other personal and household goods repair	P
812 Personal and laundry services	P
8123 Dry cleaning and laundry services	P
812910 Pet care (except veterinary) services	P
813 Membership associations and organizations	P
8131 Religious organizations	P

CONDITIONAL USES:

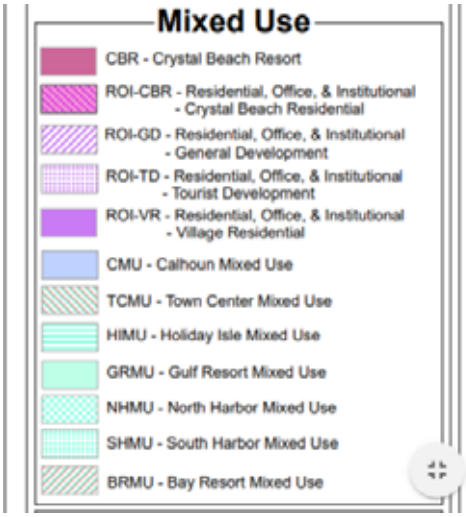
	Community residential home, large (7-14)	C
531130	Mini-warehouse and self-storage leasing	C
712	Museums, historical sites, zoos, and parks [109]	C

Supplement 14, Ord. 11-08-LC, May 2, 2011

Zoning Map


TOWN CENTER CRA
98 PALMS BLVD
MATTIE M KELLY BLVD
QUAIL DR
QUAIL LAKE BLVD
PALM ST
SANDPRINT DR
GULF RESORT
GULF OF MEXICO

Residential
BE - Bay Estates
LDR-V - Low Density Residential - Village
LDR-HI - Low Density Residential - Holiday Isle
LDR-H - Low Density Residential - Harbor
MDR-V - Medium Density Residential - Village
MDR-HI - Med. Density Resid. - Holiday Isle
HDR - High Density Residential
CBN - Crystal Beach Neighborhood


Mixed Use
CBR - Crystal Beach Resort
ROI-CBR - Residential, Office, & Institutional - Crystal Beach Residential
ROI-GD - Residential, Office, & Institutional - General Development
ROI-TD - Residential, Office, & Institutional - Tourist Development
ROI-VR - Residential, Office, & Institutional - Village Residential
CMU - Calhoun Mixed Use
TCMU - Town Center Mixed Use
HIMU - Holiday Isle Mixed Use
GRMU - Gulf Resort Mixed Use
NHMU - North Harbor Mixed Use
SHMU - South Harbor Mixed Use
BRMU - Bay Resort Mixed Use

Assessment and Taxes

Tax Structure, Overview

Florida Law requires that the just value of all property be determined each year. The Supreme Court of Florida has declared "just value" to be legally synonymous to "full cash value" and "fair market value." The fair market value of real property is the amount for which it could sell on the open market, and assumes the present use is the highest and best use. The property appraiser analyzes these market transactions annually to determine fair market value as of January 1 of each year.

The property appraiser is responsible for identifying, locating, and fairly valuing all property, both real and personal, within the county for tax purposes. The "market" value of real property is based on the current real estate market, and is determined by market participants. The property appraiser has the legal responsibility to study the transactions of market participants and appraise real property accordingly.

At least once every three years, the county property appraiser or a staff appraiser will visit and inspect each property. Additionally, individual property values may be adjusted between visits in light of sales activity or other factors affecting real estate values in the subject neighborhood. Sales of similar properties are typically used as strong indicators of value in the real estate market.

Each August, the Property Appraiser sends a "Notice of Proposed Taxes," to all property owners to notify them of the taxable value of their property. Taxable value is the assessed value less any exemptions. The TRIM notice also gives information on proposed millage rates and taxes as estimated by community taxing authorities, and when and where these taxing authorities will hold public meetings to discuss tentative budgets to set your millage tax rates.

The property appraiser only assesses all property in the county and is neither a taxing authority nor a tax collector. Three separate government entities, each having unique and distinct roles, determine the tax bill of any property in their jurisdiction.

The following is a summary of the process:

> First the property appraiser annually appraises all property in their respective county at the market value as of January 1 each year.
>
> Second, each taxing authority within the county sets their own millage rate based on the amount of tax dollars necessary to fund their annual budget.
>
> Finally, the tax collector takes the amount of taxes due in order to bill and collect all taxes levied within the county.

Tax Collector Card

BEN ANDERSON
Okaloosa County Tax Collector

2018 Paid Real Estate
Notice of Ad Valorem Tax and Non-Ad Valorem Assessments

MAIL PAYMENTS TO: P.O. BOX 1390, NICEVILLE, FL 32588

ACCOUNT NUMBER	ESCROW CD	MILLAGE CODE	ALTERNATE KEY	PROPERTY ADDRESS
00ES22067A000D0040		DEDF	1004042	3890 SANDPRINT, DESTIN, 32541

SAPP FLORIDA INVESTMENTS LLC
1004 CARROLL RD
PARAGOULD, AR 72450

3890 SANDPRINT

DUNES OF DESTIN
LOT 4 BLK D

AD VALOREM TAXES

TAXING AUTHORITY	MILLAGE RATE	ASSESSED VALUE	EXEMPTION AMOUNT	TAXABLE VALUE	TAXES LEVIED
OKALOOSA COUNTY BD OF CO COMMS					
EMERGENCY MEDICAL SERVICES	0.0741	192,600	0	192,600	14.27
GENERAL	3.7214	192,600	0	192,600	716.74
COUNTY PUBLIC HEALTH UNIT	0.0352	192,600	0	192,600	6.80
SCHOOL LOCAL	2.2480	192,600	0	192,600	432.96
SCHOOL STATE	4.1120	192,600	0	192,600	792.16
NORTHWEST WATER DISTRICT	0.0238	192,600	0	192,600	6.51
CITY OF DESTIN	1.6150	192,600	0	192,600	311.05
DESTIN FIRE DISTRICT	1.0000	192,600	0	192,600	192.60

EXEMPTIONS APPLIED:

TOTAL MILLAGE 12.8406 — AD VALOREM TAXES $2,473.09

WANT TO RECEIVE YOUR BILL ELECTRONICALLY NEXT YEAR? VISIT www.OkaloosaTax.com AND SIGN UP FOR E-BILLS!

NON-AD VALOREM ASSESSMENTS

LEVYING AUTHORITY	RATE	AMOUNT

PAY ON LINE WITH CREDIT/DEBIT CARD AT www.OkaloosaTax.com - BANK CARD USER FEE WILL APPLY

NON-AD VALOREM ASSESSMENTS $0.00

COMBINED TAXES AND ASSESSMENTS $2,473.09

If Postmarked By	Nov 30, 2018
Please Pay	$0.00

PAYING ONLINE VIA
E-CHECK IS FREE
Visit www.OkaloosaTax.com

PAY YOUR BILL

"PAY ONLINE, NOT IN LINE"

RETAIN THIS PORTION FOR YOUR RECORDS
WALK-IN CUSTOMERS PLEASE BRING FOR RECEIPT
AFTER MARCH 31ST, TAXES MUST BE PAID WITH CASH, CASHIER'S CHECK OR MONEY ORDER.

BEN ANDERSON
Okaloosa County Tax Collector

2018 Paid Real Estate
Notice of Ad Valorem Tax and Non-Ad Valorem Assessments

MAIL PAYMENTS TO: P.O. BOX 1390, NICEVILLE, FL 32588

ACCOUNT NUMBER	ESCROW CD	MILLAGE CODE	ALTERNATE KEY	PROPERTY ADDRESS
00ES22067A000D0040		DEDF	1004042	3890 SANDPRINT, DESTIN, 32541

PRIOR TO MARCH 31ST TAXES CAN BE PAID USING CASH, CHECK, CREDIT/DEBIT CARDS OR E-CHECK

If Postmarked By	Nov 30, 2018
Please Pay	$0.00

SAPP FLORIDA INVESTMENTS LLC
1004 CARROLL RD
PARAGOULD, AR 72450

3890 SANDPRINT

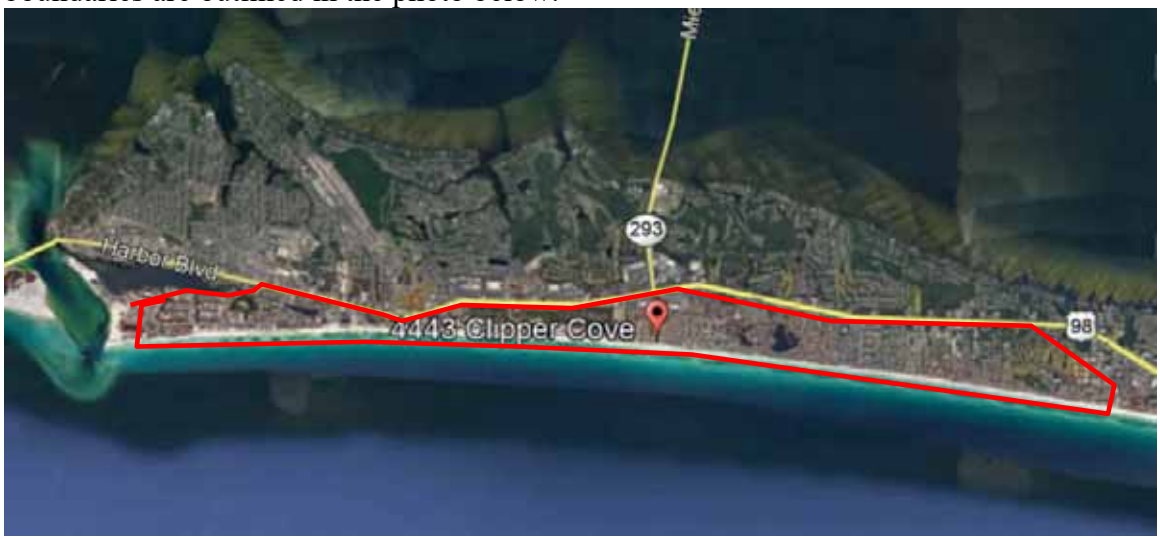
DUNES OF DESTIN
LOT 4 BLK D

Paid 11/16/2018 Receipt # 97-19008637 Check $2,374.17

ANALYSIS OF DATA AND OPINIONS OF THE APPRAISERS

Market Area Summary / Neighborhood Information

The subject property is located in the Destin-Miramar Beach market area, which is bounded by the Destin Harbor / East Pass to the West, US Highway 98 and the waters of the Destin Harbor to the North, the Gulf of Mexico to the South and the intersection of US Highway 98 / Scenic Gulf Drive to the East. The approximate neighborhood boundaries are outlined in the photo below.



This is a resort area driven primarily by proximity to area beaches and resort activities. The predominant property type in the area is of second home and seasonal vacation properties with far fewer full-time residents than seasonal occupants.

Many second home and resort area property owners rent their properties on a seasonal basis to either offset costs of ownership or in the pursuit of income generation potential, and the seasonal income attributed to a property is often a significant factor contemplated by purchasers in the market when evaluating a purchase decision.

We have witnessed a trend for increased rental demand of larger resort residences which can accommodate larger groups for family reunions, large family vacations, etc.

This has led to the construction of larger and larger seasonal resort rental homes to serve this need. These larger properties often witness more robust demand and income generation potential than smaller properties with less sleeping capacity where vacationing groups would otherwise be required to split between several locations.

In summary, the subject is sited directly in an area that is geared toward seasonal rental operations, be it solely for the purpose of income generation potential or as an offset to the costs of personal use. The ability to rent a property seasonally remains a significant motivator for market participants and weighs heavily in their buy-sell decision making process. A restriction that negatively impacts the ability to seasonally rent a resort property is estimated to have a significant negative impact on the value of this asset class.

Highest and Best Use

The definition of "highest and best use" is presented unabridged in the definitions section of this report. However, in brief, highest and best use refers to the reasonably probable and legal use of vacant land or an improved property, which is legally permissible, physically possible, appropriately supported, financially feasible, and that results in the highest value, i.e. maximally productive.[3]

Objective analysis and interpretation of market data leads to an informed opinion of that use. However, the estimate of highest and best use should not be interpreted as a provable fact. A typical highest and best analysis evaluation process and pertinent questions which aid in the elimination of possible alternatives are presented below.

1. **Permissible Use.** What uses are permitted by zoning and other legal restrictions? What are the land use controls that will govern the site? Uses that are *legally permissible* are those allowed under current or likely zoning and those that could meet building codes. In addition, local communities may have restrictions on public utility loads, traffic creation, access restrictions, and so on, all of which must be considered when selecting legally permissible uses

2. **Physically Possible Use.** To what use is the site physically adaptable? What is an appropriate improvement given architectural / engineer study? Unless prohibited by soil or subsoil problems or land size constraints, it is *physically possible* to place most potential improvements on the site. Usually this test, if performed first or second, will not significantly reduce the number of potential uses.

3. **Feasible Use.** Which possible and permissible use will produce any net return to the owner of the site? Should the land be developed, and if so, what kind of improvement should be built? If an improvement should be constructed, what is the type and characteristics of an ideal improvement? Uses that are considered economically or financially feasible are those that potentially would logically produce net operating income and net resale price levels high enough to adequately support construction of the potential improvement and provide the investor with a reasonable profit. Implicit to this analysis is that riskier projects require higher profit levels to induce potential developers to undertake the burden of coordination of land, labor and capital.

4. **Maximally Productive Use.** The final test is to determine of the financially feasible options, which of these would result in the highest land value or values as

[3] The Appraisal of Real Estate, Twelfth Edition

improved. Among the feasible uses which use will produce the highest net return, (i.e., the highest present worth)? If there are existing improvements on the property should they be maintained in their current state or should they be altered to more closely resemble the ideal improvement?

Although these criteria are generally evaluated sequentially, the resulting conclusion of highest and best use should be identical regardless of the order of application of the above tests.

Implied within this definition is that the estimation of the highest and best use for a particular property results from the appraisers' judgment and analytical skill with respect to the market for that particular property.

However, the highest and best use of a specific parcel of land is not just a matter of subjective opinion; rather, highest and best use is indicated by supply and demand forces within the market where the property is located, availability of capital, supply of alternative investments, need for additional products or services within a community, and other factors.

Highest and Best Use 'As Is'

The highest and best use 'As Is' recognizes among all reasonable, alternative uses, the use that yields the highest present land value after payments are made for labor, capital, and entrepreneurial coordination.[4]

We have evaluated the most probable uses for the subject property, 'As Is', given the current market for resort residential rental property and recent development activity in the subject market area.

Legally Permissible

The subject property is located within the Gulf Resort Mixed Use land use designation, as governed by the City of Destin. Use of the subject for various residential, short term seasonal rental, guest house and other varied uses are legally permissible by the zoning in place.

Therefore, use of the subject as a seasonal rental property is considered legal, conforming. It is noted that the zoning category description within the land development code does not provide for any outlined maximum occupancies for the subject property or other similar properties. We therefore ascertain that prior to implementation of City of Destin Ordinance 18-29-CC occupancy of the subject for the planned number of sleeping guests of 24 was legally permissible. After implementation of City Ordinance 18-29-CC, the subject will be limited to a total of 16 sleeping guests.

Therefore, use of the subject as a resort residential property is legally permissible. Use of the subject prior to Ordinance implementation for occupancy by up to 24 guests was permitted, however after implementation of the Ordinance occupancy is limited to 16 guests.

Physically Possible

The subject property is generally level, well-drained, and at or level with the existing road grade of Sandprint Circle and features sufficient parking and site improvements to operate in the designed capacity for 24 occupants.

The subject represents a well-constructed multi-level resort residential property with an elevator, multiple bedrooms, bathrooms, pool, kitchen and living areas, etc. The subject has been specifically configured for occupancy as a resort rental property, and features all necessary components for operation as intended, with a designed occupancy of 24 overnight guests.

Therefore, use of the subject as a resort residential rental property for 24 sleeping guests is physically possible.

[4] The Appraisal Of Real Estate, Twelfth Edition

Financially Feasible
Demand for resort residential properties in the subject market area has improved in the previous 24-48 month period, with a number of increased transactions. Most market participants would describe the market for similar properties as robust.

As described in the market analysis section of this report. The predominant property type in the market area is of second home and seasonal vacation properties with limited full-time residents.

Many property owners rent their properties on a seasonal basis to offset costs of ownership or for income generation potential, and the income a property can generate is often a significant factor contemplated by purchasers in the market. This can be done with or without the assistance of a professional property manager.

We have witnessed a trend for increased rental demand of resort residences which can accommodate larger groups for family reunions, large family vacations, etc. This has led to the construction and renovation of seasonal resort rental homes to serve this need.

Reference the subject, the property was specifically configured to house up to 24 sleeping guests. Similar properties in the market (and the subject property) achieve sufficient income to provide an adequate return on investment to be definitively financially feasible, however this financial feasibility is directly linked to occupancy.

The recently-implemented City of Destin Ordinance 18-29-CC serves to reduce occupancy of the subject to no more than 16 persons, a net reduction in occupancy of -33.33%.

This no doubt will impact the income generation potential of the property and associated net income, as now the improvement which was sized for 24 guests will be limited to 16; But, the predominant costs of ownership remain the same.

This ordinance inevitably lowers net income to the property owner- a situation that has no result other than to reduce the value of the asset in its respective marketplace where income generation potential is valued by prospective purchasers.

Therefore, use of the subject as a resort rental property is considered to be financially feasible. However, it is noted that the reduction in permissible occupancy by Ordinance 18-29-CC is estimated to impact the financial performance and associated market value of the subject property negatively.

Maximally Productive Given the legally permissible, physically possible, and financially feasible uses of the subject property we are of the opinion that the maximally productive use of the subject property 'As Is' is for continued resort rental use at the occupancy for which is was specifically designed (ie. 24 guests).

This use will certainly bring the highest net return to the land.

While operation in a reduced occupancy capacity (as dictated by City of Destin Ordinance 18-29-CC) is still possible, the impact to the income generation potential is significant, as the occupancy has now been reduced by -33.33% based on number of persons.

This ordinance inevitably reduces gross and net income to the property owner, resulting in a reduced financial benefit of ownership and negative impact to market value.

Therefore, use of the subject as a seasonal rental property is considered legal, conforming. It is noted that the zoning category description within the land development code does not provide for any outlined maximum occupancies for the subject property or other similar properties. We therefore ascertain that prior to implementation of City of Destin Ordinance 18-29-CC occupancy of the subject for the planned number of sleeping guests of 24 was legally permissible.

Valuation Methodology - Overview

The appraisal analysis is based on analytical techniques that may encompass anticipation of costs to be incurred, and benefits to be derived in the future; however, the subject is appraised as described in this report, including only those assumptions also described in this report.

This appraisal analysis has been conducted, and the appraisal report was prepared in conformance with the requirements of Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA).

The valuation process is a systematic procedure an appraiser follows to provide answers to a client's questions about real property value.[1] Three basic approaches may be used to arrive at an estimate of market value. They are:

1. The Cost Approach
2. The Income Approach
3. The Sales Comparison Approach

Land Valuation Methodology

Land Valuation is generally a component of the Cost Approach in appraisal of an improved property. In most appraisal analyses, separate land valuation is conducted utilizing the Sales Comparison Approach.

Cost Approach Methodology

The cost approach is a reliable methodology for new, nearly new or special-use buildings. In the cost approach, value is estimated as the current cost of reproducing or replacing the existing or proposed improvements and site improvements (including direct and indirect costs as well as an appropriate entrepreneurial incentive or profit), and then deducting the loss in value from depreciation due to physical, functional, and external sources.[5]

The depreciated replacement or reproduction cost of the improvements is then added to the value of the site resulting in a value indication of the fee simple interest in the property.

The Cost Approach is summarized as follows:

Cost New
- Depreciation
+ Entrepreneurial Incentive
+ Land Value
= Value

[5] The Appraisal of Real Estate, Twelfth Edition

Sales Comparison Approach Methodology

The sales comparison approach is premised on the "Principle of Substitution" which indicates an informed purchaser would pay no more for a property than the cost of acquiring an equally desirable substitute property possessing the same or similar utility.

This approach is applicable when an active market provides sufficient quantities of reliable data which can be verified from authoritative sources. The Sales Comparison Approach is most reliable in an active market or if an opinion of value is related to properties for which there are comparable sales available- and heavy emphasis is generally placed on this sales comparison approach when these market conditions are present.

The Sales Comparison Approach compares sales of similar properties with the subject property. Each comparable sale is adjusted for its inferior or superior characteristics. The values derived from the adjusted comparable sales form a range of value for the subject. By process of correlation and analysis, a final indicated value is derived.

Income Approach Methodology

The Income Approach converts the anticipated flow of future benefits (income) to a present value estimate through a capitalization and/or a discounting process.

The income approach is recognized as a reliable approach for estimating the value of "income producing" property to an investor. The income approach consists of methods, techniques, and mathematical procedures that an appraiser utilizes to analyze a property's capacity to generate income and convert income into an indication of present value either by capitalizing the current income at a market capitalization rate, or discounting the future cash flows into a present value estimate using an appropriate yield (discount) rate. The appraisal process emulates the actions of the market, and the income approach is most applicable when the probable buyer would be an investor or prospective owner occupant. Two techniques associated with the income approach are direct capitalization and discounted cash flow analysis.

Final Reconciliation Process

In the appraisal process for improved property, typically more than one approach to value is applied, resulting in two or more value indications that must be evaluated for relevancy, applicability and reliability, and a final point value or range of value is chosen.

Resolving the differences among various value indications is called reconciliation.[6]

The appraisal process concludes with the Final Reconciliation of the values derived from the approaches applied to arrive at a single estimate or range of market value opinions. Different properties require different means of analysis and lend themselves to one

[6] The Appraisal of Real Estate, Twelfth Edition

approach over the others. As such, in the reconciliation appropriate weight is given to the most applicable and/or reliable indications of value to arrive at a conclusion.

Reconciliation is not a mathematical process. Rather, at this point in the valuation process the appraiser must reevaluate all pertinent data in the analysis for appropriateness, accuracy, and quality of evidence.

The appraiser then weighs the relative significance, applicability, and defensibility of each value indication and relies most heavily on the approach that is most appropriate to the nature of the appraisal problem.

Valuation Methodology Utilized in this Assignment

Valuation Analyses

Purpose of Assignment:	The purpose of this appraisal is to derive an opinion of the Diminution in Value to the subject property associated with the implementation of City of Destin Ordinance No. 18-29-CC. This Ordinance was implemented January 22, 2019, and the incorporation of this ordinance limits the occupancy of the subject property to 16 guests. Prior to the implementation of this Ordinance, the designed occupancy of the subject property was 24 guests. Therefore, as a result of the ordinance, the maximum occupancy of the subject has been reduced by 8 guests, or approximately -33.33%. We are therefore opining on the difference in market value of the subject before and after the adoption of City of Destin Ordinance No. 18-29-CC, which was promulgated on January 22, 2019.
Land Valuation and Cost Approach:	An opinion of value for the subject property in 'as if vacant' condition and subsequent application of the cost approach has not been provided. The purpose of this appraisal is to evaluate the impact to the value of the subject by virtue of the implementation of City of Destin Ordinance 18-29-CC which limits occupancy of the subject and corresponding associated income generation potential. Thus, the cost to acquire land and construct a replacement property is meaningless to the purpose of the assignment and was not applied.

Sales Comparison Approach:	The improved sales comparison approach was not utilized in this appraisal assignment. The purpose of this appraisal is to evaluate the impact to the value to the subject by virtue of the implementation of City of Destin Ordinance 18-29-CC which limits occupancy of the subject and associated income generation potential. As this ordinance was just recently implemented, an adequate number of improved sales which sold after the Ordinance implementation date were not available from which to derive an opinion of market value from this approach. As sales which occurred prior to this Ordinance will reflect market transactions without this restriction, they are not considered valid indicators of value for the subject in the restricted condition. Therefore this approach could not be applied due to lack of sufficient comparable data.
Income Approach:	The income approach was applied for the subject in both the 'Before Ordinance' and 'After Ordinance' scenarios.

Income Approach

The Income Approach to value is based on the principle of anticipation, i.e. the value of property correlates to the present worth of the future rights to benefits to be received by the owner. Income approach analysis considers the property from an investor's point of view, the basic premise being that the amount and quality of the income stream are the basis for value of the property.

The income approach is applied by projecting a net income stream through analysis of the subject historical data, comparable property's income and expense information, and historical income expense information for similar properties in the subject market area.

The estimated net income is then converted to a value indication utilizing either the process of direct capitalization analysis, discounted cash flow (DCF) analysis (yield capitalization), or a combination of these methods.

Discounted Cash Flow Analysis (Yield Analysis)
Discounted Cash Flow (DCF) analysis is the procedure in which a discount rate is applied to a series of projected income streams and a reversion. The analyst specifies the quantity, variability, timing, and duration of the income streams as well as the quantity and timing of the reversion and discounts each to its present value at a specified yield rate. DCF analysis can be applied with any yield capitalization technique and may be performed on either a lease-by-lease or aggregate basis.[7]

Applicability: DCF (Yield) analysis is generally used when the net income of the property is forecast to be variable, when the property is of a sufficient size and investment value to cause market participants to evaluate purchase decisions based on DCF, or when specifically requested by the client in an assignment.

Given the nature of the subject property, a discounted cash flow analysis was not employed in this appraisal analysis, as market participants typically do not utilize DCF methodology when evaluating purchase decisions for properties such as the subject.

Direct Capitalization
Conversion of a net income to a present value dollar estimate is called capitalization. Direct capitalization is a method used to convert an estimate of a single year's income expectancy into an indication of value in one direct step, either by dividing the income estimate by an appropriate rate or by multiplying the income estimate by an appropriate factor. This technique employs capitalization rates and multipliers extracted from sales. Only the first year's income is considered. Yield and value change are implied, but not identified.

[7] The Dictionary of Real Estate Appraisal, Fourth Edition

Applicability: Direct Capitalization analysis is generally appropriate for small to medium sized income-producing properties, in stable markets, single tenant or multi-user-oriented properties, or those with a forecast stable income stream.

Direct Capitalization is utilized in this appraisal given the subject market environment, the character of the subject property in the local market, and the tendency for market participants to use direct capitalization analysis when evaluating investment thresholds and financial benefits for similar property.

The steps involved in capitalizing the subject's net operating income are as follows:

- Develop the subject's Potential Gross Income (PGI) through analysis of the subject's actual historic income and an analysis of competitive current market income rates.

- Estimate and deduct vacancy and collection losses to develop the Effective Gross Income (EGI).

- Develop and subtract operating expenses to derive the Net Operating Income (NOI).

- Develop the appropriate capitalization rate (R_o).

- Divide the net operating income by the capitalization rate for an estimate of value through the income approach.

The reliability of a value found by this approach depends on an appraiser's ability to forecast and support income forecasts and to apply the appropriate income capitalization technique to arrive at the value estimate. When estimating market value, the income forecast must be considered by the appraiser to be typical and the income capitalization techniques must reflect the way investors usually estimate value.

Valuation of a Fee Simple Interest by the Income Approach
When estimating the value of the fee simple interest by the income approach, the annual operating income is forecast assuming market levels. The term "market levels" means that the income and expenses are set at levels considered suitable for the subject property after comparing it to similar properties under current market conditions. Rental rates are projected based on expected market rents and vacancy, and collection loss is based on what is typical in the market for properties renting at the market rate.

Estimate of Potential Gross Income (PGI)

Potential Gross Income is the total income attributable to real property at full occupancy before vacancy and operating expenses are deducted. Potential Gross Income includes the sum of potential rental income, other income, and expense recoveries. The income and expense history of the subject property is described below.

Property Income / Use History:
The property owner completed construction of the subject in 2019 and has subsequently operated the subject as seasonal rental since completion of construction. Therefore the subject has not yet completed a full operational season of operation, and has no full year income and expense data to analyze.

The property owner provided us with income and expense data pertinent to the subject property since completion of construction, and the subsequent months that the property has been in use as a resort rental property.

Based on this data, the 2019 Gross Rental Income is forecasted to be approximately $204,000 (based on bookings to date and bookings from March to August of 2019), or $8,500 per sleeping guest based on an occupancy of 24 guests as designed and furnished.

We again mention that the subject property is a resort residential home that was specifically configured for income generation potential based on a sleeping occupancy load of 24 persons. This is the basis of the 'Before Ordinance' valuation scenario.

As a result of the implementation of City of Destin Ordinance 18-29-CC, the subject is now limited to a maximum sleeping occupancy of 16 persons, or a reduction of approximately -33.33%. This is the basis of the 'After Ordinance' valuation scenario.

We now seek to formulate an opinion of probable annual gross income due the subject in the 'Before Ordinance' configuration with a sleeping occupancy of 24 guests and in the 'After Ordinance' configuration with a sleeping occupancy of 16 guests.

Market Rent Based on Occupancy
The appraiser has researched the local market area in order to derive potential subject market rents based on the respective occupancy levels in the 'before' and 'after' configurations.

We will present a table of comparable gross rental income for comparable resort residential properties for both the 'before' and 'after' occupancy categories. The following table outlines comparable rentals of residential resort rental homes in the subject market area with a sleeping capacity of 20-28 guests (before ordinance), then for 14-19 guests (after ordinance).

COMPARABLE RENTAL SCHEDULE, SLEEPING OCCUPANCY APPROXIMATELY 24 PERSONS 'Before Ordinance' Dataset					
Address	**Sleeping Capacity**	**HVAC SF**	**Year Built**	**Annual Gross Income**	**Gross Income Per Sleeping Occupant**
71 Stingray Street	20	3,014	1994	$106,000	$5,300
3893 Sandprint Cir	20	3,107	2018	$118,796	$5,940
84 Pompano Stret	20	3,310	2012	$160,000	$8,000
3147 Scenic Highway 98	20	4,204	2008	$132,000	$6,600
96 Sarasota Street	22	4,132	2009	$143,813	$6,537
2825 Scenic Highway 98	24	5,000	1991	$220,000	$9,167
96 Tarpon Street	28	3,398	2017	$161,000	$5,750
SUBJECT FORECAST REVENUE	*24*	*5,276*	*2019*	*$204,000*	*$8,500*
Comparable Statistics*					
Minimum	20	3,014	1991	$106,000	$5,300
Maximum	28	5,000	2018	$220,000	$9,167
Average	22	3,738	2007	$148,801	$6,756
Median	20	3,398	2009	$143,813	$6,537
*Subject Data Excluded From Statistical Calculations					

The array of comparable rentals above exhibited a range of income per guest per year of between $5,300 and $9,167 per occupant. In consideration of the data above as well as the characteristics of the subject property (i.e. new construction, quality of construction, location, size, etc.), we consider that an appropriate conclusion of gross annual rent per sleeping occupant is supported at $8,500 per sleeping space which is consistent with the recent performance of the subject and is within the range of comparable rental data presented.

CONCLUSION OF POTENTIAL GROSS ANNUAL RENT, SUBJECT SLEEPING OCCUPANCY OF 24 PERSONS 'Before Ordinance'				
Address	**Sleeping Capacity**	**HVAC SF**	**Concluded Annual Gross Income Calculated Per Sleeping Occupant**	**Calculated Gross Income Per Sleeping Occupant**
Subject Property	*24*	*5,276*	*$8,500*	*$204,000*

COMPARABLE RENTAL SCHEDULE, SLEEPING OCCUPANCY OF APPROXIMATELY 16 PERSONS 'After Ordinance' Dataset					
Address	**Sleeping Capacity**	**HVAC SF**	**Year Built**	**Annual Gross Income**	**Gross Income Per Sleeping Occupant**
4835 Ocean Boulevard	14	3,546	2000	$126,000	$9,000
80 Woodward Street	16	2,378	2003	$85,000	$5,313
83 Sunfish Street	16	2,450	1994	$96,000	$6,000
91 Barracuda Street	18	3,320	2007	$139,577	$7,754
4735 Ocean Boulevard	18	4,263	2003	$157,980	$8,777
113 Los Angeles Street	19	3,122	2005	$137,308	$7,227
Comparable Statistics*					
Minimum	14	2,378	1994	$85,000	$5,313
Maximum	19	4,263	2007	$157,980	$9,000
Average	17	3,180	2002	$123,644	$7,345
Median	17	3,221	2003	$131,654	$7,491
*Subject Occupancy Limited by City of Destin Ordinance 18-29-CC					

The array of comparable rentals above exhibited a range of income per guest per year of between $5,313 and $9,000 per occupant. In consideration of the data above, we consider that an appropriate conclusion of gross annual rent per sleeping occupant is supported at the upper end of the range, in consideration of the new construction, quality of construction, location, and larger size of the structure per number of occupants. We therefore estimate an annual rent of $8,900 per sleeping space is supported.

CONCLUSION OF POTENTIAL GROSS ANNUAL RENT, SUBJECT SLEEPING OCCUPANCY OF 16 PERSONS 'After Ordinance'				
Address	**Sleeping Capacity**	**HVAC SF**	**Concluded Annual Gross Income Calculated Per Sleeping Occupant**	**Calculated Gross Income Per Sleeping Occupant**
Subject Property	*16*	*5,276*	*$8,900*	*$142,400*

In the preceding section of the report we derived an opinion of probable gross annual rent due the subejct in both the 'Before Ordinance' ($204,000) and 'After Ordinance' ($142,400) conditions. The result was a decrease in annual income as a result of the reduced sleeping capaicty of -30.19% commensurate with the decrease in ocupancy from 24 to 16 persons or -33.33%.

We now seek to evaluate the expenses pertinent to the subject in order to forecast Net Operating Income in both the Before and After scenarios.

Estimation of Operating Expenses

Vacancy and Collection Loss
As we forecast income based on comparable rentals with reported gross income figures, there is no need to deduct a vacancy and collection loss allocation, as the figures utilized already take into account a vacant and credit loss deduction.

Taxes
The property taxes for the subject property as of 2018 are reported to be a rounded figure of $2,473.09 annually however, this is for the subject lot in vacant condition. This year the tax assessment will be increased to cover the improvements which were constructed in 2019. We therefore have estimated taxes for the subject for upcoming years in the amount of $19,000 including the building improvements. This cost is stable regardless of the occupancy of the subject in the 'before' and 'after' conditions.

Insurance
The insurance costs for the subject are reported to be $6,159 annually, which is consistent with other similar properties in the market area. This cost is stable regardless of the occupancy of the subject in the 'before' and 'after' conditions.

Utilities (Power, Water/Sewer/Garbage, Cable and Internet)
The owner pays all utilities, including power, water/sewer/garbage, cable and internet, for the subject property. As previously mentioned, property owner provided us with expense data pertinent to the subject property since completion of construction, the previous months that the property has been in use as a resort rental property, and with this data we are able to forecast expenses for the subject property.

The Utilities expenses were forecasted to be $11,047 (based on data provided by the property owner for the previous months expenses), and we will utilize this annual cost for the subject in the 'before' condition, and at the rate of $10,037 in the 'after' condition. It is noted that regardless of the occupancy of the subject, the costs of electricity remain relatively constant, and the costs of cable and internet are the same regardless of the number of occupants. Only the expenses of water, gas and to a nominal degree electricity are variable with occupancy.

Repairs/Maintenance
We have included a repairs/maintenance allowance as a percentage of EGI at 5% in the before configuration which equates to $10,200 annually. With regard to the after configuration, noting that routine maintenance is likely not significantly impacted by differences in occupancy between 24 and 16 persons, but the annual income is reduced, we must increase our maintenance in the 'after' configuration as this expense is calculated as a % of EGI. In the 'after' condition we estimate maintenance at the rate of 7.0% of EGI. While we do recognize that 'wear and tear' is somewhat linked to occupancy, the fact that the entire house area is subject to use by 16 guests just as it is with 24 guests, this cost is somewhat fixed.

Management
We estimate management costs based on the costs of a third party manager who would typically charge between 10% and 25% of collected rents for the management service. We will utilize a rate in the middle of the range for both value scenarios, or a rate of 15% of EGI.

Income and Expense Statement

The table below recaps our projected income stream and breaks down each expense item. Expenses are totaled, and the net operating income is displayed for both the 'before' and 'after' ordinance conditions.

Income Capitalization Analysis - 'Before Ordinance Limiting Occupancy'				
Unit	**Income**	**Method**	**Units/SF**	**Annual**
Annual Income 'Before Ordinance' - 24 Guests	$204,000.00	$/Year	1	$204,000
			Potential Gross Income:	$204,000
			Vacancy & Collection Loss Included	$0
			Effective Gross Income (EGI):	$204,000

Expense	**Amount (% or**	**Method**	**Annual**
Taxes	$19,000	$/Year	$19,000
Insurance	$6,159	$/Year	$6,159
Utilities	$11,047	$/Year	$11,047
Repairs/Maintenance	5.0%	% of EGI	$10,200
Management	15%	% of EGI	$30,600
		Total Expenses:	$77,006
		Expense Ratio (Expenses/EGI):	37.75%
		Net Operating Income (NOI):	$126,994

Income Capitalization Analysis - 'After Ordinance Limiting Occupancy'				
Unit	**Income**	**Method**	**Units/SF**	**Annual**
Annual Income 'After Ordinance' - 16 Guests	$142,400.00	$/Year	1	$142,400
			Potential Gross Income:	$142,400
			Vacancy & Collection Loss Included	$0
			Effective Gross Income (EGI):	$142,400

Expense	**Amount (% or**	**Method**	**Annual**
Taxes	$19,000	$/Year	$19,000
Insurance	$6,159	$/Year	$6,159
Utilities	$10,037	$/Year	$10,037
Repairs/Maintenance	7.0%	% of EGI	$9,968
Management	15%	% of EGI	$21,360
		Total Expenses:	$66,524
		Expense Ratio (Expenses/EGI):	46.72%
		Net Operating Income (NOI):	$75,876

Capitalization Rate Derivation
The capitalization rate is the factor that coverts the stabilized net operating income (NOI) to a present value. It is the ratio of net income to value or sale price.

NOI ÷ Sale Price = Capitalization Rate

For example, if a property sells for $500,000, and has a stabilized NOI of $50,000, the indicated capitalization rate is 10%.

Four methods are generally recognized for estimating an appropriate capitalization rate for use in direct capitalization analysis. These four methods are:

1. Market-Extracted Capitalization Rate Data
2. Band of Investment Method Calculation
3. Debt Coverage Method Calculation
4. Nationally-Published Capitalization Rate Data

Market Extracted Capitalization Rate Data
The market-extraction method of estimating capitalization rates involves finding comparable sales of property similar to the subject, and extracting a market rate from the net operating income and sales price of the comparable property.

We present the following examples of market-extracted capitalization rates for Resort Residential properties, based on similar sales in the local and broader markets.

- 3463 Scenic Highway 98 is a resort rental property that sold in February of 2016 for $3,615,000. Net Operating Income was reported to be $222,125, therefore indicating a capitalization rate of 6.14%.

- 925 Scenic Gulf Drive in Miramar Beach is a resort rental property that sold in November of 2018 for $1,900,000. Net Operating Income based on forecast income and expenses was reported to be $130,000, therefore indicating a capitalization rate of 6.84%.

- 917 Scenic Gulf Drive in Miramar Beach is a resort rental property that sold in August of 2018 for $1,925,000. Net Operating Income based on forecast income and expenses was reported to be $135,000, therefore indicating a capitalization rate of 7.00%.

- 1850 Scenic Gulf Drive in Miramar Beach is a resort rental property that sold in September of 2015 for $2,205,000. Net Operating Income at the time of sale was reported to be $133,200, therefore indicating a capitalization rate of 6.03%.

Based on the above information, and taking into consideration the overall market appeal we consider that a market extracted rate of 6.00% would be applicable for the subject property.

Band of Investment Method Analysis

This technique utilizes lender and real estate investor investment criteria to develop, or synthesize a capitalization rate. As most income producing properties are purchased with debt plus equity capital, the return on investment portion of the overall capitalization rate must satisfy the market returns of both the investor and the lender. The lender must receive a competitive interest rate, and the investor must anticipate receiving a competitive equity yield.

There are four key inputs necessary for this method:

1. The loan-to-value ratio (M)
2. The mortgage interest rate (i)
3. The loan term (n)
4. The equity cap rate or equity dividend rate (R_E)

The mortgage variables are used to build the mortgage constant (R_M), which is the total amount of the payments made in one year, expressed as a percentage of the original loan amount.

Payments x 12 / Original Loan Amount = Mortgage Constant (R_M)

The equity cap rate is the annual return to the investor, expressed as a percent of the original amount invested. The annual return to the investor is also known as the equity dividend rate; it is the profit remaining after debt service and all other expenses.

After Debt Service Profit / Equity Investment = Equity Cap Rate (R_E)

Note that the equity cap rate is not the same (usually, that is) as the equity yield rate. The equity yield rate reflects the total return to the investor over the life of the investment. Factors such as appreciation and mortgage pay down affect and usually increase this return to a point higher than the equity dividend rate. In markets where substantial appreciation is expected, investors will often accept a low or even negative equity dividend rate, anticipating a compensating payoff when the property is eventually sold. In markets where little appreciation is expected, much more weight is given to the annual equity dividend.

Formula:

R_M x M = rate
R_E x (1-M) = rate
= Cap Rate (R_o)

A survey of local lenders indicated that competitive fixed rate loans for properties similar to the subject as investment property are typically available at a rate of between 5.50% and 7.50% on a 30 year amortization schedule with a 50-70% loan to value.

Thus, we will use a rate of 6.00% in our calculations, with a 70% loan to value and a 30 year amortization term for our analysis of the band of investment and debt coverage ratio analyses.

The debt capitalization rate (or mortgage constant) for a typical loan made at 6.00% for 30 years is 0.07194606.

Equity dividend (capitalization) rates in the local market range from 4-9%. We estimate an equity dividend rate of 6.00% in the local market for property such as the subject.

Debt Coverage Ratio Method Analysis

This technique develops a capitalization rate based on typical mortgage terms. There are four variables necessary for this method:

1. The loan-to-value ratio (M)
2. The mortgage interest rate (i)
3. The loan term (n)
4. The debt coverage ratio (DCR)

Items 1 through 3 are discussed above under the Band of Investment section. In this method it is also used to develop the mortgage constant (R_M). The debt coverage ratio is the factor by which income exceeds debt on an annual basis.

Formula:
Debt Coverage Ratio x Loan to Value Ratio x Mortgage Constant = R_o
or: DCR x M x R_M = R_o

We have researched mortgage rates and terms typical for the subject within the market area as noted above. The table below details the Band of Investment and Debt Coverage Ratio Analyses calculations.

Capitalization Rate Calculations

Capitalization Rate Variables	
Mortgage Interest Rate	6.00%
Loan Term (Years)	30
Loan To Value Ratio	70.%
Debt Coverage Ratio	1.25
Equity Dividend Rate	6.00%

Band of Investment Analysis

Mortgage Constant		Loan Ratio	Contributions	
0.071946063	x	70.%	=	5.04%
Equity Dividend Rate		Equity Ratio		
6.00%	x	30.%	=	1.80%
		Band of Investment Capitalization Rate		**6.84%**

Debt Coverage Ratio Analysis

Debt Coverage Ratio x Loan to Value Ratio x Mortgage Constant		
1.25 x 0.7 x 0.0719460630183303	=	6.30%
Debt Coverage Ratio Capitalization Rate		**6.30%**

The Band of Investment capitalization rate analysis indicated an appropriate capitalization rate per the preceding assumptions of 6.84%.

The Debt Coverage Ratio Analysis indicated an appropriate capitalization rate per the preceding assumptions of 6.30%.

National Survey Data

RealtyRates.com Investor Survey
RealtyRates does not track capitalization rates for resort residential property such as the subject, however they do track rates for lodging facilities, a property type that is similar in use to the subject, being a facility for short term rental on a seasonal basis where all services are included in the rental rate. We therefore look to this property category in realty rates for an indication of an applicable capitalization rate for the subject.

The *Realty Rates Investor Survey*, dated 4th Quarter 2018, indicates going-in capitalization rates for Lodging Facilities – All Types ranged from 5.21% to 17.22% with an average of 11.32%. In consideration of the excellent quality and condition of the subject property, as well as the resort location, we would estimate an applicable capitalization rate would be below the national average indicated by the survey data and within the lower quartile of exhibited rates, or a rate of between 5.21% and 8.22%.

RealtyRates.com INVESTOR SURVEY - 4th Quarter 2018* LODGING FACILITIES -ALL TYPES							
Item	**Input**						**OAR**
Minimum							
Spread Over 10-Year Treasury	0.86%	**DCR Technique**		1.00	0.048303	0.80	**3.86**
Debt Coverage Ratio	1.00	**Band of Investment Technique**					
Interest Rate	3.75%	Mortgage		80%	0.048303	0.038642	
Amortization	40	Equity		20%	0.080938	0.016188	
Mortgage Constant	0.048303	OAR					**5.48**
Loan-to-Value Ratio	80%	**Surveyed Rates**					**5.21**
Equity Dividend Rate	8.09%						
Maximum							
Spread Over 10-Year Treasury	11.58%	**DCR Technique**		2.85	0.163616	0.50	**23.32**
Debt Coverage Ratio	2.85	**Band of Investment Technique**					
Interest Rate	14.47%	Mortgage		50%	0.163616	0.081808	
Amortization	15	Equity		50%	0.198946	0.099473	
Mortgage Constant	0.163616	OAR					**18.13**
Loan-to-Value Ratio	50%	**Surveyed Rates**					**17.22**
Equity Dividend Rate	19.89%						
Average							
Spread Over 10-Year Treasury	3.54%	**DCR Technique**		1.53	0.084242	0.67	**8.60**
Debt Coverage Ratio	1.53	**Band of Investment Technique**					
Interest Rate	6.43%	Mortgage		67%	0.084242	0.056324	
Amortization	22	Equity		33%	0.145842	0.048333	
Mortgage Constant	0.084242	OAR					**10.47**
Loan-to-Value Ratio	66.9%	**Surveyed Rates**					**11.32**
Equity Dividend Rate	14.6%						

Capitalization Rate Summary and Conclusion

We consider that a market extracted rate of 6.50% would be applicable for the subject property based on market-extracted capitalization rate indications.

The Band of Investment capitalization rate analysis indicated an appropriate capitalization rate per the preceding assumptions of 6.84%.

The Debt Coverage Ratio Analysis indicated an appropriate capitalization rate per the preceding assumptions of 6.30%.

National Market Indicators as reported by realty rates for a related property type indicate an appropriate capitalization rate of between 5.21% and 8.22% for the subject property.

Capitalization Rate Conclusion:

It is the opinion of the appraiser that a **6.00% capitalization rate** should be employed in this analysis.

On the following page we present the direct capitalization analysis for both the ‘Before’ and ‘After’ Ordinance 18-29-CC value scenarios.

Capitalization to Value

Income Capitalization Analysis - 'Before Ordinance Limiting Occupancy'				
Unit	**Income**	**Method**	**Units/SF**	**Annual**
Annual Income 'Before Ordinance' - 24 Guests	$204,000.00	$/Year	1	$204,000
			Potential Gross Income:	$204,000
		Vacancy & Collection Loss	Included	$0
			Effective Gross Income (EGI):	$204,000

Expense	**Amount (% or**	**Method**	**Annual**
Taxes	$19,000	$/Year	$19,000
Insurance	$6,159	$/Year	$6,159
Utilities	$11,047	$/Year	$11,047
Repairs/Maintenance	5.0%	% of EGI	$10,200
Management	15%	% of EGI	$30,600
		Total Expenses:	$77,006
		Expense Ratio (Expenses/EGI):	37.75%
		Net Operating Income (NOI):	$126,994
		Capitalization Rate:	6.00%
		Value (NOI/Cap Rate):	$2,116,567
		Rounded:	$2,115,000

Income Capitalization Analysis - 'After Ordinance Limiting Occupancy'				
Unit	**Income**	**Method**	**Units/SF**	**Annual**
Annual Income 'After Ordinance' - 16 Guests	$142,400.00	$/Year	1	$142,400
			Potential Gross Income:	$142,400
		Vacancy & Collection Loss	Included	$0
			Effective Gross Income (EGI):	$142,400

Expense	**Amount (% or**	**Method**	**Annual**
Taxes	$19,000	$/Year	$19,000
Insurance	$6,159	$/Year	$6,159
Utilities	$10,037	$/Year	$10,037
Repairs/Maintenance	7.0%	% of EGI	$9,968
Management	15%	% of EGI	$21,360
		Total Expenses:	$66,524
		Expense Ratio (Expenses/EGI):	46.72%
		Net Operating Income (NOI):	$75,876
		Capitalization Rate:	6.00%
		Value (NOI/Cap Rate):	$1,264,600
		Rounded:	$1,265,000

Conclusion of Diminution in Value

In the ‘before ordinance’ configuration direct capitalization of the net operating income to the subject property revealed a value opinion of $2,115,000 based on an occupancy of 24 sleeping guests.

In the ‘after ordinance’ configuration direct capitalization of the net operating income to the subject property revealed a value opinion of $1,265,000 based on an occupancy of 16 sleeping guests.

The Diminution in Value is represented by the difference between the 'before' and 'after' value conclusions, or in this case the difference between $2,115,000 and $1,265,000 or $850,000.

As an augmenting check to this value opinion, we consider a discounted cash flow analysis of the lost income to the subject as a result of the reduced occupancy, for the remaining term of the economic life of the improvement.

As presented in the preceding income analyses, the difference in annual Net Operating Income between the 'before' scenario at $126,994 and the 'after' scenario at $75,876, calculates to $51,118 annually.

This is the annual net income loss as a result of the implemented restriction on occupancy by virtue of City of Destin Ordinance 18-29-CC, and will promulgate for the remainder of the economic life of the structure and the site is redeveloped.

We previously stated in the report that the subject improvement was constructed in 2019 and the published economic life of improvements similar to the subject is 55 years per Marshall Valuation Service. Thus, the economic life for the subject structure is 55 years.

If we consider that City of Destin Ordinance 18-29-CC serves to reduce occupancy to the subject, thereby reducing annual income in the amount of $51,118 annually, presumably for the remaining economic life of the improvement, we can calculate the present value of this financial loss over time as a check to the Diminution in value calculation via direct capitalization analysis presented preceding.

If we discount the annual loss of $51,118 for a period of 55 years, at a discount rate of 6% annually, the present value of the future loss of income is calculated to be $817,404 which provides additional support for our opinion of Diminution in Value via direct capitalization analysis of $850,000.

Therefore, our opinion of Diminution in value for the subject property is opined to be $850,000 consistent with our calculation via direct capitalization analysis:

Eight Hundred Fifty Thousand Dollars
$850,000

Certification

The appraiser has no present or prospective interest in the subject property of this appraisal and no personal interest of bias with respect to the parties involved in this appraisal. I have the appropriate education and experience to conduct this appraisal.

The appraiser will not divulge the analytical findings or conclusions to anyone other than the client or designee, except as may be required by the Appraisal Institute or by a court of law with power of subponea.

I certify, to the best of our knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions and conclusions.
- I have no present or prospective interest in the property which is the subject of this report and no personal interest with respect to the parties involved.
- I have no bias with respect to the property which is the subject of this report or to the parties involved with this assignment.
- The engagement in this assignment was not contingent upon developing or reporting predetermined results.
- The compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- I have made a personal inspection of the property that is the subject of this report.

Certification
(Continued)

- The signatory appraiser has not performed any services, as an appraiser or in any other capacity, regarding the subject property within the 3 years prior to acceptance of this appraisal assignment.

This appraisal has been conducted, and the appraisal report prepared in conformance with the requirements of Title XI of the Financial Institutions Reform, Recover, and Enforcement Act of 1989 (FIRREA, 12 U.S.C. 3331 et seq.). This appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.

No person other than the undersigned made a significant professional contribution to the research and analysis in this appraisal unless specifically noted above.

Respectfully Submitted,

EquiValue Appraisal, LLC

Jason P. Shirey, MAI, CCIM
Cert Gen RZ3186

Limiting Conditions and Assumptions

1. Unless otherwise noted in the body of the report, we assumed that title to the property or properties appraised is clear and marketable and that there are no recorded or unrecorded matters or exceptions that would adversely affect marketability or value. We are not aware of any title defects nor were we advised of any unless such is specifically noted in the report. We did not examine a title report and make no representations relative to the condition thereof. Documents dealing with liens, encumbrances, easements, deed restrictions, clouds and other conditions that may affect the quality of title were not reviewed. Insurance against financial loss resulting in claims that may arise out of defects in the subject property's title should be sought from a qualified title company that issues or insures title to real property.

2. We assume that improvements are constructed or will be constructed according to approved architectural plans and specifications and in conformance with recommendations contained in or based upon any soils report(s).

3. Unless otherwise noted in the body of this report, we assumed: that any existing improvements on the property or properties being appraised are structurally sound, seismically safe and code conforming; that all building systems (mechanical/electrical, HVAC, elevator, plumbing, etc.) are, or will be upon completion, in good working order with no major deferred maintenance or repair required; that the roof and exterior are in good condition and free from intrusion by the elements; that the property or properties have been engineered in such a manner that it or they will withstand any known elements such as windstorm, hurricane, tornado, flooding, earthquake, or similar natural occurrences; and, that the improvements, as currently constituted, conform to all applicable local, state, and federal building codes and ordinances. We are not engineers and are not competent to judge matters of an engineering nature. We did not retain independent structural, mechanical, electrical, or civil engineers in connection with this appraisal and, therefore, make no representations relative to the condition of improvements. Unless otherwise noted in the body of this report no problems were brought to our attention by ownership or management. We were not furnished any engineering studies by the owners or by the party requesting this appraisal. If questions in these areas are critical to the decision process of the reader, the advice of competent engineering consultants should be obtained and relied upon. It is specifically assumed that any knowledgeable and prudent purchaser would, as a precondition to closing a sale, obtain a satisfactory engineering report relative to the structural integrity of the property and the integrity of the building systems. Structural problems and/or building system problems may not be visually detectable. If engineering consultants retained should report negative factors of a material nature, or if such are later discovered, relative to the condition of the improvements, such information could have a substantial negative impact on the conclusions reported in this appraisal. Accordingly, if engineering consultants report negative findings, we reserve the right to amend the appraisal conclusions reported herein.

4. All furnishings, equipment and business operations, except as specifically stated and typically considered as part of real property, have been disregarded with only real property being considered in the appraisal. Any existing or proposed improvements, on- or off-site, as well as any alterations or repairs considered, are assumed to be completed

in a workmanlike manner according to standard practices based upon information submitted. This report may be subject to amendment upon re-inspection of the subject property subsequent to repairs, modifications, alterations and completed new construction. Any estimate of Market Value is as of the date indicated; based upon the information, conditions and projected levels of operation.

5. We assume that all factual data furnished by the client, property owner, owner's representative, or persons designated by the client or owner to supply said data are accurate and correct unless otherwise noted in the appraisal report. We have no reason to believe that any of the data furnished contain any material error. Information and data referred to in this paragraph include, without being limited to, numerical street addresses, lot and block numbers, Assessor's Parcel Numbers, land dimensions, square footage area of the land, dimensions of the improvements, gross building areas, net rentable areas, usable areas, unit count, room count, rent schedules, income data, historical operating expenses, budgets, and related data. Any material error in any of the above data could have a substantial impact on the conclusions reported. Thus, we reserve the right to amend our conclusions if errors are revealed. Accordingly, the client-addressee should carefully review all assumptions, data, relevant calculations, and conclusions within 30 days after the date of delivery of this report and should immediately notify us of any questions or errors.

6. The date of value to which any of the conclusions and opinions expressed in this report apply, is set forth in the Letter of Transmittal. Further, that the dollar amount of any value opinion herein rendered is based upon the purchasing power of the American Dollar on that date. This appraisal is based on market conditions existing as of the date of this appraisal. Under the terms of the engagement, we will have no obligation to revise this report to reflect events or conditions which occur subsequent to the date of the appraisal. However, we will be available to discuss the necessity for revision resulting from changes in economics or market factors affecting the subject.

7. We assume no private deed restrictions, limiting the use of the subject property in any way.

8. Unless otherwise noted in the body of the report, we assume that there are no mineral deposits or subsurface rights of value involved in this appraisal, whether they be gas, liquid, or solid. Nor are the rights associated with extraction or exploration of such elements considered unless otherwise stated in this appraisal report. Unless otherwise stated we also assumed that there are no air or development rights of value that may be transferred.

9. We are not aware of any contemplated public initiatives, governmental development controls, or rent controls that would significantly affect the value of the subject.

10. The estimate of Market Value, which may be defined within the body of this report, is subject to change with market fluctuations over time. Market value is highly related to exposure, time promotion effort, terms, motivation, and conclusions surrounding the offering. The value estimate(s) consider the productivity and relative attractiveness of the property, both physically and economically, on the open market.

11. Unless specifically set forth in the body of the report, nothing contained herein shall be construed to represent any direct or indirect recommendation to buy, sell, or hold the

properties at the value stated. Such decisions involve substantial investment strategy questions and must be specifically addressed in consultation form.

12. Unless otherwise noted in the body of this report, we assume that no changes in the present zoning ordinances or regulations governing use, density, or shape are being considered. The property is appraised assuming 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 estimates contained in this report is based, unless otherwise stated.

13. This study may not be duplicated in whole or in part without our written consent, nor may this report or copies hereof be transmitted to third parties without said consent. Exempt from this restriction is duplication for the internal use of the client-addressee and/or transmission to attorneys, accountants, or advisors of the client-addressee. Also exempt from this restriction is transmission of the report to any court, governmental authority, or regulatory agency having jurisdiction over the party/parties for whom this appraisal was prepared, provided that this report and/or its contents shall not be published, in whole or in part, in any public document without our written consent. Finally, this report shall not be advertised to the public or otherwise used to induce a third party to purchase the property or to make a "sale" or "offer for sale" of any "security", as such terms are defined and used in this Securities Act of 1933, as amended. Any third party, not covered by the exemptions herein, who may possess this report, is advised that they should rely on their own independently secured advice for any decision in connection with this property. We shall have no accountability or responsibility to any such third party.

14. Any value estimate provided in the report applies to the entire property, and any pro ration or division of the title into fractional interests will invalidate the value estimate, unless such pro ration or division of interests has been set forth in the report.

15. Any distribution of the total valuation in this report between land and improvement applies only under the existing program of utilization. Component values for land and/or buildings are not intended to be used in conjunction with any other property or appraisal and are invalid if so used.

16. The maps, plats, sketches, graphs, photographs, and exhibits included in this report are for illustration purposes only and are to be used only to assist in visualizing matters discussed within this report. Except as specifically stated, data relative to size or areas of the subject and comparable properties was obtained from sources deemed accurate and reliable. None of the exhibits are to be removed, reproduced, or used apart from this report.

17. No opinion is intended to be expressed on matters that may require legal expertise or specialized investigation or knowledge beyond that which is customarily employed by real estate appraisers. Values and opinions expressed presume that environmental and other governmental restrictions/conditions by applicable agencies have been met, including but not limited to seismic hazards, flight patters, decibel levels/noise envelopes, fire hazards, hillside ordinances, density, allowable uses, building codes, permits, licenses, etc. No survey, engineering study or architectural analysis was provided to us unless otherwise stated within the body of this report. If we were not supplied with a

termite inspection, survey or occupancy permit, no responsibility or representation is assumed or made for any costs associated with obtaining same or for any deficiencies discovered before or after they are obtained. No representation or warranty is made concerning obtaining these items. We assume no responsibility for any costs or consequences arising due to the need, or the lack of need, for flood hazard insurance. An agent for the Federal Flood Insurance Program should be contacted to determine the actual need for Flood Hazard Insurance.

18. Acceptance and/or use of this report constitutes full acceptance of the Assumptions and Limiting Conditions and extraordinary assumptions set forth in this report. It is the responsibility of the Client, or client's designees, to read in full, comprehend and thus become aware of the aforementioned assumptions and limiting conditions. We assume no responsibility for any situation arising out of the Client's failure to become familiar with and understand the same. The Client is advised to retain experts in areas that fall outside the scope of the real estate appraisal/consulting profession if so desired.

19. We assume that the subject property will be under prudent and competent management and ownership; neither inefficient nor super-efficient.

20. We assume 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 reports.

21. No survey of the boundaries of the property was undertaken. All areas and dimensions furnished are presumed correct. It is further assumed that no encroachments to the realty exists.

22. All value opinions expressed herein are as of the date of value. In some cases, facts or opinions are expressed in the present tense. All opinions are expressed as of the date of value, unless specifically noted.

23. The Americans with Disabilities Act (ADA) became effective January 26, 1992. Notwithstanding any discussion of possible readily achievable barrier removal construction items in this report, we did not perform a specific compliance survey and analysis of this property to determine wither it is in conformance with the various detailed requirements of the ADA. It is possible that a compliance survey of the property together with a detailed analysis of the requirements of the ADA could reveal that the property is not in compliance with one or more of the requirements of the ADA. If so, the fact could have a negative effect on the value estimated herein. Since we have no specific information relating to this issue, nor are we qualified to make such an assessment, the effect of any possible non-compliance was not considered in estimating the value of the subject property.

24. The value estimate rendered in this report is predicated on the assumption that there is no hazardous material on or in the property that would cause a loss of value. We were not provided with an Environmental Assessment Report. Further, we are not qualified to determine the existence or extent of environmental hazards. If there are any concerns pertaining to environmental hazards for this property, we recommend that a qualified engineer perform an assessment.

ADDENDA

Parcel Map

Okaloosa County Property Appraiser

Legend
- Parcels
- Roads
- Water
- City Labels

Parcel ID	00-2S-22-067A-000D-0040	Physical Address	3890 SANDPRINT DR DESTIN	Land Value	$196,452	Last 2 Sales Date	Price	Reason	Qual
Acres (GIS)	0.12	Mailing Address	SAPP FLORIDA INVESTMENTS LLC 1004 CARROLL RD PARAGOULD, AR 72450	Ag Land Value	$0	6/30/2017	$250000	QUAL/DEED EXAMINATION	Q
Property Class	VACANT			Building Value	$0	7/21/2004	$550000	N/A	Q
Taxing District	10			Misc Value	$0				
				Just Value	$196,452				
				Assessed Value	$196,452				
				Exempt Value	$0				
				Taxable Value	$196,452				

Date created: 8/19/2019
Last Data Uploaded: 8/19/2019 10:11:16 AM

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Property Appraiser Card

Okaloosa County Property Appraiser

Parcel Summary

Parcel ID	00-2S-22-067A-000D-0040
Location Address	3890 SANDPRINT DR DESTIN 32541
Brief Tax Description*	DUNES OF DESTIN LOT 4 BLK D
	*The Description above is not to be used on legal documents.
Property Use Code	VACANT (000000)
Sec/Twp/Rng	00-2S-22
Tax District	Destin (District 10)
Millage Rate	12.8406
Acreage	0.000
Homestead	N
Acreage (GIS)	0.12
Fire District	N/A

View Map

Owner Information

Primary Owner
Sapp Florida Investments LLC
1004 Carroll Rd
Paragould, AR 72450

Valuation

	2019 Proposed Values	2018 Certified Values	2017 Certified Values	2016 Certified Values
Building Value	$0	$0	$0	$0
Extra Features Value	$0	$0	$0	$0
Land Value	$196,452	$192,600	$132,600	$112,079
Land Agricultural Value	$0	$0	$0	$0
Agricultural (Market) Value	$0	$0	$0	$0
Just (Market) Value	$196,452	$192,600	$132,600	$112,079
Assessed Value	$196,452	$192,600	$123,287	$112,079
Exempt Value	$0	$0	$0	$0
Taxable Value	$196,452	$192,600	$123,287	$112,079
Maximum Save Our Homes Portability	$0	$0	$9,313	$0

"Just (Market) Value" description - This is the value established by the Property Appraiser for ad valorem purposes. This value does not represent anticipated selling price.

Land Information

Code	Land Use	Number of Units	Unit Type	Frontage	Depth
000100	SFR	1.00	LT	0	0

Building Information

Building 1

Type	SFR EXCEPT
Total Area	6,930
Heated Area	5,276
Exterior Walls	WD FR STUC;
Roof Cover	CLAY TILE; .
Interior Walls	DECORATIVE; .
Frame Type	.
Floor Cover	CLAY/CERMC; HARDWOOD
Heat	AIR DUCTED
Air Conditioning	CENTRAL
Bathrooms	7
Bedrooms	6
Stories	3
Actual Year Built	2019
Effective Year Built	2019

Extra Features

Code	Description	Number of Items	Length x Width x Height	Units	Unit Type	Effective Year Built
ELEVTR	ELEVATOR	1	0 x 0 x 0	1	UT	2019
SWPOOL	SWIMPOOL	1	0 x 0 x 0	1	UT	2019
PAVERS	PAVERS	1	0 x 0 x 0	1	UT	2019

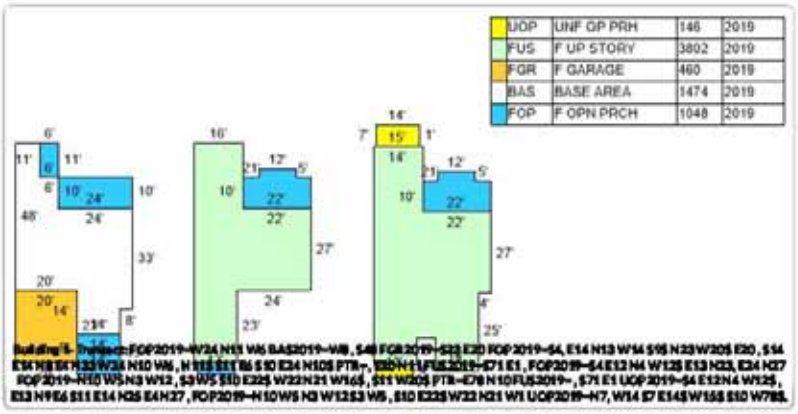
Building Area Types

Type	Description	Sq Footage	Year
FOP	FOPN PRCH	1,048	2019
BAS	BASE AREA	1,474	2019
FGR	F GARAGE	460	2019
FUS	F UP STORY	3,802	2019
UOP	UNF OP PRH	146	2019

Sales

Multi Parcel	Sale Date	Sale Price	Instrument	Book	Page	Qualification	Vacant/Improved	Grantor	Grantee
N	06/30/2017	$250,000	WD	3306	2287	Qualified (Q)	Vacant	LEE SYLVESTER & MOONEYHAM GARY	SAPP FLORIDA INVESTMENTS LLC
N	07/21/2004	$550,000	WD	2552	2966	Qualified (Q)	Vacant	BEN PORTER CONSTRUCTION INC	LEE SYLVESTER & MOONEYHAM GARY
N	05/01/1995	$79,900	WD	1940	1222	Qualified (Q)	Vacant		BEN PORTER CONST INC

Sketches



Print Sketches

Generate Owner List by Radius

Distance: 100 Feet

Show address of: Owner Property

Download format: Address labels (5160)

International mailing labels that exceed 5 lines are not supported on the Address labels (5160). For international addresses, please use the xlsx, csv or tab download formats.

Download

Additional owner options:

All Owners

Additional mailing label options:

Show parcel id on label

Skip labels: 0

The Okaloosa County Property Appraiser's Office (OCPA) makes every effort to produce the most accurate information possible. No warranties, expressed or implied, are provided for the data herein, its use or interpretation. Just (Market) Value is established by the Property Appraiser for ad valorem tax purposes. It does not represent attributed selling price. Current year assessments are as of January 1st and are based on previous year sales activity. All website information is subject to change.

User Privacy Policy
GDPR Privacy Notice

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Deed

FILE #3144634 RCD: 6/30/2017 2:03 PM, BK: 3306 PG: 2339, RECORDING: $15.00 RECORDING ARTICLE V: $12.00
D Doc Stmp: $1,750.00 DEPUTY CLERK ASECRIST
JD PEACOCK II CLERK OF COURTS, OKALOOSA COUNTY, FLORIDA

This Document Prepared By:
Valerie Ditthardt
EQUITRUST TITLE COMPANY
42 Business Centre Drive #106
Miramar Beach, FL 32550

Parcel ID Number: 00-2S-22-067A-000D-0040

Warranty Deed

This Indenture, Made this 30 day of **June** , **2017** A.D., **Between**
SYLVESTER LEE, a single man and GARY MOONEYHAM, a married man

of the County of **Okaloosa** , State of **Florida** , **grantor,** and
SAPP INVESTMENTS, LLC, an Arkansas limited liability company, registered as a foreign limited liability company to transact business in the State of Florida as SAPP FLORIDA INVESTMENTS, LLC
whose address is: **1004 Carroll Road, Paragould, AR 72450**

of the County of **Okaloosa** , State of **Florida** , **grantee.**
Witnesseth that the GRANTOR, for and in consideration of the sum of
----------**TEN DOLLARS ($10)**---------- DOLLARS,
and other good and valuable consideration to GRANTOR in hand paid by GRANTEE, the receipt whereof is hereby acknowledged, has granted, bargained and sold to the said GRANTEE and GRANTEE'S heirs, successors and assigns forever, the following described land, situate, lying and being in the County of **Walton County** State of **Florida** to wit:

Lot 4, Block D, THE DUNES OF DESTIN, a Planned Unit Development, as recorded in Plat Book 13, Page 39, Public Records of Okaloosa County, Florida.

The vacant property herein conveyed DOES NOT constitute the HOMESTEAD property of the Grantors, nor is it contiguous to the Grantors' homestead residences, and the Grantor's respective homestead residences are set forth below their signatures.

Subject to restrictions, reservations and easements of record, if any, and taxes subsequent to 2016.

and the grantor does hereby fully warrant the title to said land, and will defend the same against lawful claims of all persons whomsoever.

Laser Generated by © Display Systems, Inc., 2017 (863) 763-5555 Form FLWD-2

BK: 3306 PG: 2340

Warranty Deed - Page 2

Parcel ID Number: 00-2S-22-067A-000D-0040

In Witness Whereof, the grantor has hereunto set their hand and seal the day and year first above written.

Signed, sealed and delivered in our presence:

Brett Smith
Printed Name: Brett Smith
Witness to Sylvester Lee

Andrea S Lee
Printed Name: Andrea S Lee
Witness to Sylvester Lee

_____ (Seal)
SYLVESTER LEE
P.O. Address: **101 Mount Vista Ave, Greenville, SC 29605**

Printed Name:
Witness to Gary Mooneyham

_____ (Seal)
GARY MOONEYHAM
P.O. Address: **4061 Avalon Blvd., Milton, FL 32583**

Printed Name:
Witness to Gary Mooneyham

STATE OF South Carolina
COUNTY OF Greenville

The foregoing instrument was acknowledged before me this 19th day of **June** **, 2017** by **SYLVESTER LEE, a single man**

who are personally known to me or who have produced their SC Driver's License as identification.

Andrea S Lee
Notary Public

My Commission Expires: Commission Expires October 01, 2019

STATE OF Florida
COUNTY OF

The foregoing instrument was acknowledged before me this day of **June** **, 2017** by **GARY MOONEYHAM, a married man**

who is personally known to me or who has produced **Florida driver's license** as identification.

Printed Name:
Notary Public
My Commission Expires:

SAPP

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BK: 3306 PG: 2341

Warranty Deed - Page 2

Parcel ID Number: 00-2S-22-067A-000D-0040

In Witness Whereof, the grantor has hereunto set their hand and seal the day and year first above written.

Signed, sealed and delivered in our presence:

Printed Name:
Witness to Sylvester Lee

SYLVESTER LEE (Seal)
P.O. Address: **101 Mount Vista Ave, Greenville, SC 29605**

Printed Name:
Witness to Sylvester Lee
Leonora Burnham
Printed Name: LEONORA BURNHAM
Witness to Gary Mooneyham

GARY MOONEYHAM (Seal)
P.O. Address: **4061 Avalon Blvd., Milton, FL 32583**

Printed Name: Gregory S. Jones
Witness to Gary Mooneyham

STATE OF South Carolina
COUNTY OF Greenville

The foregoing instrument was acknowledged before me this day of **June** **, 2017** by **SYLVESTER LEE, a single man**

who are personally known to me or who have produced their _____ as identification.

Notary Public

My Commission Expires:

STATE OF Florida
COUNTY OF Santa Rosa

The foregoing instrument was acknowledged before me this 14 day of **June** **, 2017** by **GARY MOONEYHAM, a married man**

who is personally known to me or who has produced **Florida driver's license** as identification.

Gregory S. Jones
Printed Name:
Notary Public
My Commission Expires:

GREGGORY S. JONES
MY COMMISSION #FF137864
EXPIRES October 26, 2018
(407) 398-0153 FloridaNotaryService.com

SAPP

THIS INSTRUMENT PREPARED BY
AND AFTER RECORDING RETURN TO:

Kimberly Romano Kopp, Esq.
Romano Kopp Law, P.A.
P.O. Box 445
Destin, Florida 32541

For Recording Purposes Only

SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is entered into this _____day of _____ 2019, ("Effective Date") by and between, Sapp Florida Investments, LLC. ("Owner") and the City of Destin ("City"), collectively referred to as the "Parties."

RECITALS

WHEREAS, on January 22, 2019, the City enacted Ordinance 18-29-CC, the Short-Term Rental Occupancy Ordinance ("Ordinance"), which limits the occupancy of short-term rental homes to two (2) people per bedroom plus an additional four (4) persons; and

WHEREAS, Owner owns the real property and improvements located at 3890 Sandprint Drive, Destin, FL 32541, as more particularly described in the attached Exhibit "A" (the "Property"); and

WHEREAS, on May 10, 2019, Owner filed a claim with the City, pursuant to the provisions of §70.001, Florida Statutes, the Bert J. Harris, Jr., Private Property Rights Protection Act (the "Harris Act"), alleging that the Property had been inordinately burdened by the adoption of the Ordinance, (the "Claim"); and

WHEREAS, the Harris Act provides for the City to have the ability to enter into a settlement agreement which would have the effect of a modification or variance to the application of a regulation or ordinance as it would otherwise apply to the subject real property, provided the relief granted protects the public interest served by the regulations at issue and is the appropriate relief necessary to prevent the governmental regulatory effort from inordinately burdening the real property; and

WHEREAS, the City has determined that the modifications to the effect of the Ordinance effected by this Agreement protect the public interest served by the Ordinance and are the appropriate relief necessary to prevent the regulatory effect of the Ordinance from inordinately burdening the Property; and

WHEREAS, the Parties now desire to settle and finally resolve all disputes between and among them concerning the Claim.

NOW, THEREFORE, the Parties hereby agree as follows:

1. **Recitals.** The above recitals are true and correct and are incorporated herein by reference.

2. **Occupancy Allowable Under Ordinance.**

(a) Owner is hereby granted a variance from the provisions of the Ordinance so that the Owner shall have the right to apply under the Ordinance for a maximum occupancy of twenty-four (24) overnight guests at the six (6) bedroom vacation rental property noted above and the City shall grant such occupancy. The right shall continue in perpetuity, regardless of any future changes in ownership, provided that this right shall expire permanently if the Property were to be voluntarily remodeled or voluntarily rebuilt in such a manner as to change the number of bedrooms that existed at the date of the Claim. The Property remains subject to all other requirements of the City's regulations, including but not limited to regulations for short-term rentals, parking, trash, and noise.

(b) No greater than four (4) vehicles may be parked on the Property. No vehicle may encroach upon the City's right-of way.

(c) Owner shall ensure that at least four (4) outdoor trash receptacles are provided by the applicable trash hauler and available for use by occupants at all times.

(d) Owner agrees that the City shall be permitted to access the property on an annual basis for the purpose of life-safety inspections to ensure code compliance with minimum egress and emergency egress requirements pursuant to the Florida Building Code (Residential) and to ensure the property has adequate and working smoke detectors. Owner shall submit to the City a separate application and fee for such inspection, on a form provided by the City, at the time Owner submits its annual short-term rental registration application to the City

3. **Development in Accordance with Code.** Notwithstanding any provisions contained herein, the Owner shall at any time have the right and option to remodel, develop, or use the Property in accordance with the applicable ordinances of the City of Destin in effect at the time of application therefor, and this variance shall not be construed as making the Property in any way non-conforming.

4. **Entire Agreement.** The Parties acknowledge that this Agreement constitutes the entire agreement between them regarding the settlement of their dispute and any prior statements, whether oral or written, are merged herein. This Agreement may not be modified or amended without a written instrument signed by the party against whom enforcement is sought.

5. **Duration of Agreement.** This Agreement shall be perpetual and deemed to run with the land, and shall be binding upon and the benefits shall inure to the parties hereto and their respective heirs, devisees, personal representatives, successors and assigns.

6. **Authority.** The signatories to this Agreement are expressly authorized to resolve their dispute as set forth herein and by their signatures here represent and affirm their authority to execute this Agreement.

7. **Governing Law.** The law of the State of Florida shall apply to this Agreement. Any dispute regarding this Agreement shall be litigated exclusively in the courts of Okaloosa County, Florida. The parties expressly consent to such agreed jurisdiction and venue, and waive any objections thereto.

8. **Notices.** Any notice required or permitted to be given hereunder shall be in writing and shall be (i) delivered by hand, (ii) delivered by reputable national or local courier (such as United Parcel Service or Federal Express), (iii) mailed by United States registered or certified mail, return receipt requested and postage prepaid, or (iv) sent by facsimile transmission provided a confirmation of such facsimile transmission is sent the same day by one of the methods of delivery in (i), (ii), or (iii) above. Any notice shall be addressed to each party at its address as set forth below. Any such notice shall be considered given on the date of such hand delivery, deposit with such courier for same day or next business day delivery, upon receipt of return receipt of certified mail, or receipt of facsimile transmissions, as the case may be, and the time period (if any is provided herein) in which to respond to such notice shall commence on the date of receipt. Rejection or other refusal to accept or inability to deliver because of changed address of which no notice was given shall be deemed to be receipt of the notice. By giving to the other party at least ten (10) days' notice thereof, any party shall have the right from time to time to change the addresses thereof and to specify up to two (2) additional addresses within the United States of America to which copies of notices to it shall be sent. Notice may be given on behalf of any party by such party's counsel. In the event the subject property owner changes, notices shall be addressed to the current owner as indicated in the records of the Okaloosa County Property Appraiser. Otherwise, notices shall be sent as follows:

Each notice shall be addressed as follows:

To City: City of Destin, Florida
Attn:
4200 Indian Bayou Trail
Destin, Florida 32541

With a copy to:
City Land Use Attorney
Romano Kopp Law, PA
PO Box 445
Destin, Florida 32541

To Sapp Florida Investments LLC: Jason Sapp
4559 Sailmaker Lane
Destin, Florida 32541

With a copy to: Matthews & Jones, LLP

Attn: C. Stephen Tatum
4475 Legendary Drive
Destin, Florida 32541

9. **Attorney's Fees**. In the event of any action, whether pre-suit, mediation, litigation or appellate proceeding to enforce the terms and conditions of this Agreement, each party to the action shall pay its own attorney's fees and costs incurred therein.

10. **Venue**. Venue over any action to enforce the terms and conditions of this Agreement, including mediation, shall lie solely in Okaloosa County, Florida.

OWNER: Sapp Florida Investments, LLC

_____ _____
Signature of Witness #1 Jason Sapp

_____ _____
Print or type name

_____
Signature of Witness # 2

_____
Print or type name

STATE OF_____
COUNTY OF_____

The foregoing instrument was acknowledged before me this _____ day of _____ 2019, by _____ _____ and _____, who are personal known to me or who have produced _____ as identification and who did not (did) take an oath.

_____
Signature of Notary

(NOTARY SEAL)

_____
Print or type name

CITY OF DESTIN

By:_____
Gary Jarvis, Mayor

Date:_____

ATTEST:

_____
Rey Bailey, City Clerk

Date:_____

STATE OF_____
COUNTY OF_____

The foregoing instrument was acknowledged before me this _____ day of _____ 2019, by _____ _____ and _____, who are personal known to me or who have produced _____ as identification and who did not (did) take an oath.

_____
Signature of Notary

(NOTARY SEAL)

_____
Print or Type Name

Approved as to form and legality for use and reliance
by the City of Destin, Florida, only.

_____
Kimberly Romano Kopp, Esq.
City Land Use Attorney

Exhibit "A"

Legal Description of Property

Lot 4, Block D, THE DUNES OF DESTIN, a Planned Unit of Development, as recorded in Plat Book 13, Page 39, Public Records of Okaloosa County, Florida.

ITEM # 2019-1888

CITY OF DESTIN

AGENDA ITEM

COUNCIL MEETING DATE: December 9, 2019
TYPE OF AGENDA ITEM: Action Item

TO: City Council

THRU: Lance Johnson, City Manager

FROM: Kimberly Kopp, Land Use Attorney
Louis Zunguze, Community Development Director

DATE: December 5, 2019

SUBJECT: 8) 3487 Scenic Hwy 98

I. BACKGROUND:

On January 22, 2019, the City enacted Ordinance 18-29-CC, the Short-Term Rental Occupancy Ordinance ("Ordinance"), which limits the occupancy of short-term rental homes to two (2) people per bedroom plus an additional four (4) persons.

The subject property owner owns the real property and improvements located at 3487 Scenic Highway 98, Destin, FL 32541, as more particularly described in Exhibit "A" (the"Property") to the proposed settlement agreement.

Owner filed a claim with the City, pursuant to the provisions of §70.001, Florida Statutes, the Bert J. Harris Jr., Private Property Rights Protection Act (the "Harris Act"), alleging that the Property had been inordinately burdened by the adoption of the Ordinance, (the "Claim).

The Harris Act provides for the City to have the ability to enter into a settlement agreement which would have the effect of a modification or variance to the application of a regulation or ordinance as it would otherwise apply to the subject real property, provided the relief granted protects the public interest served by the regulations at issue and is the appropriate relief necessary to prevent the governmental regulatory effort from inordinately burdening the real property.

The City Council should settle the claim if the City Council determines that the modifications within the settlement agreement protect the public interest served by the Ordinance and are the appropriate relief necessary to prevent the regulatory effect of the Ordinance from inordinately burdening the Property.

II. DISCUSSION: The property owner has requested a maximum occupancy of twenty-four (24) occupants. City staff is recommending an occupancy of twenty-four (24) occupants based on the square footage of the property. The building official utilized a one-occupant per 200 square feet methodology for recommending the above-stated occupancy.

Additionally, staff is recommending at least four (4) trash cans on the property. This recommendation is based on industry standard (Waste Management) that, on average, one trash can is required for every six occupants in order to ensure adequate garbage disposal. Therefore, if the maximum number of occupants exceeds any multiple of six (6, 12, 18, 24, 30, 36, etc.), then an extra trash can will be needed to accommodate the additional occupants. For example, if thirteen (13) is the maximum occupation, then three (3) trash cans are required. This is because, on average, two (2) trash cans will only accommodate twelve (12) occupants. The third trash can will be needed to accommodate the thirteenth occupant.

Further, the property owner must agree to annual life safety inspections, as provided in the proposed settlement agreement.

Finally, staff is recommending no more than six (6) vehicle be parked on this property.

As stated in the agreement, the property owner remains bound by all other provisions of City codes.

A. **Link to Strategic Goals / Objectives:**
B. **Effect on Budget (EOB):**
C. **Level of Service (LOS):**

III. CONCLUSION:

IV. RECOMMENDED MOTION: 1. I move to approve the settlement agreement prepared by the City Land Use Attorney and Staff.

or

2. I move to approve the settlement agreement prepared by the City Land Use Attorney and Staff with the following modifications:_____.

or

3. I move to direct the City Land Use Attorney to negotiate in good faith with the property owner and to bring back an alternate settlement proposal to the City

Council for consideration.

or

4. I move to deny settlement of the subject claim at this time.

Attachments:

1. Bert Harris Case - 3487 Scenic Highway 98
2. 3487 Scenic Highway 98 (3)

DANA C. MATTHEWS

MICHAEL A. JONES

KENNETH M. BORICK
Of Counsel
Also admitted in Georgia and South Carolina

DANA C. "D.C." MATTHEWS II

SAMUEL B. TAYLOR

MATTHEWS & JONES
ATTORNEYS AT LAW

INSIGHT | INTEGRITY | INNOVATION

DANIEL C. O'ROURKE
Florida Supreme Court Certified
Civil and Family Mediator

CHRISTA P. DIVINEY
Board Certified Criminal Trial Lawyer
Also admitted in Alabama

LAURA PENTEL-KLANG

JESSICA L. STEWART

SALVADOR "A.J." GOMEZ

Reply to Destin

statum@destinlaw.com

July 29, 2019

VIA HAND DELIVERY

Mayor Gary Jarvis
City of Destin
4200 Indian Bayou Trail
Destin, FL 32541
gjarvis@cityofdestin.com

Dear Mayor Jarvis:

Our firm represents VILLA PENSIONAMENTO, LLC ("Pensionamento"), the owner of the home located at 3487 Scenic Highway 98; Destin, Florida, also identified as Lot 8 of the Grand Palms plat, recorded in Okaloosa County Plat Book 15, at Page 38.

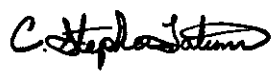
Due to the recent enactment of City of Destin Ordinance 18-29-CC, which limits the occupancy of short term rental homes to two (2) people per bedroom plus an additional four (4) persons, Pensionamento's reasonable investment-backed expectations for use of the home as a short-term vacation rental property have been inordinately burdened, as defined in the "Bert J. Harris, Jr., Private Property Rights Protections Act", Chapter 70, Florida Statutes ("Harris Act"). Pensionamento hereby submits this letter along with the enclosed Panhandle Appraisal Group property appraisal dated January 22, 2019, as a claim under the Harris Act against the City of Destin for One Million Five Hundred Fifteen Thousand Dollars ($1,515,000.00), which represents the diminution in value of Pensionamento's property.

Pursuant to the provisions of the Harris Act, Pensionamento hereby demands payment in the amount of One Million Five Hundred Fifteen Thousand Dollars ($1,515,000.00) plus attorneys fees and costs.

If no resolution is reached during the statutorily prescribed waiting period, Pensionamento intends to file suit pursuant to this claim and pursue any other legal remedies for the actions that gave rise to this claim. Pensionamento explicitly reserves the

right to bring any and all legal challenges, appeals and objections with respect to Ordinance 18-29-CC.

Sincerely,



C. Stephen Tatum
Matthews & Jones, LLP
Attorney for Villa Pensionamento, LLC

Enclosure

cc: Lance Johnson, City Manager (via email)
Rey Bailey, City Clerk (via email)
Kimberley Romano-Kopp, Esq. (via email)
Client

Appraisal Report

Detached Single Family Residential Home

6,153 ± HVAC SF Existing Structure

3487 Scenic Highway 98
Destin, FL 32541

DIMINUTION IN VALUE ANALYSIS
3487 SCENIC HIGHWAY 98
DESTIN, FL 32541

FOR
JOSEPH A. BELLINGHIERI
AND
DESIGNATED ATTORNEYS

RETROSPECTIVE TO JANUARY 22, 2019

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APPRAISAL REPORT

SUBJECT PROPERTY

6,153 ± HVAC SF Existing Detached Residential Improvement

Seven Bedrooms and Seven and One Half Bathrooms

3487 Scenic Highway 98
Destin, FL 32541

EFFECTIVE DATE OF APPRAISAL

Retrospective to January 22, 2019

REPORT DATE

April 3, 2019

VIEWING DATE

March 30, 2019

CLIENT/INTENDED USER

Joseph A. Bellinghieri
3487 Scenic Highway 98
Destin, FL 32541

File № 190231

PREPARED BY:

Thomas A. Marr

State-certified General Real Estate Appraiser № RZ 2645 (FL)
tom@panappraisal.com

Panhandle Appraisal Group
220 Hospital Drive
Fort Walton Beach, Florida 32548
Telephone: (850) 243-0958
Facsimile: (850) 226-8462

PANHANDLE APPRAISAL GROUP

REAL ESTATE VALUATION AND RESEARCH
Specializing in Residential and Commercial Valuation Support
Fort Walton Beach, Florida

Thomas A. Marr
State-certified General Real Estate Appraiser № RZ2645 (FL)

220 Hospital Drive
Fort Walton Beach, Florida 32548

Telephone: (850) 243-0958
Facsimile: (850) 226-8462

April 3, 2019

Joseph A. Bellinghieri
3487 Scenic Highway 98
Destin, FL 32541

Re: Diminution in value appraisal of an approximate 6,153 HVAC SF detached residential improvement, 'as is' , identified as 3487 Scenic Highway 98 in Destin, FL 32541. **Panhandle Appraisal Group File № 190231.**

Dear Mr. Bellinghieri:

I have completed the requisite personal viewing, research, and analysis necessary to determine if a diminution in value has occurred for the subject parcel.

The subject property is a three level, detached single family residential structure with an approximate 6,153 HVAC SF, seven bedrooms and seven and one half baths. The current sleeping capacity of the subject is thirty two (32) guests.

The purpose of the appraisal analysis was to develop an opinion of the market value of the subject property prior to the enactment of the city of Destin Ordinance No. 18-29-CC, which was promulgated on January 22, 2019 and then derive a value after the January 22, 2019 ordinance which limited the subject to eighteen (18) guests, based on two guests per bedroom, plus four. I note that the designation as a bedroom is based on data in the Okaloosa County Property Appraiser web site.

The authorized user is the client at the address above. The understood intended use of the appraisal report will be for reference in determining if the promulgation of Ordinance No. 18-29-CC resulted in a diminution of value. No other use of this report by any other entity or person is authorized.

Subject to the above and the assumptions, limiting conditions, and certification set forth herein, it is my professional opinion the retrospective market value of the fee simple interest in the subject property, 'as is', as of January 21, 2019, prior to the promulgation of Ordinance No. 18-29-CC, was:

THREE MILLION SEVENTY THOUSAND DOLLARS
$3,070,000

Subject to the above and the assumptions, limiting conditions, and certification set forth herein, it is my professional opinion the current market value of the fee simple interest in the subject property, 'as is', after the promulgation of Ordinance No. 18-29-CC is:

ONE MILLION FIVE HUNDRED FIFTY FIVE THOUSAND DOLLARS
$1,555,000

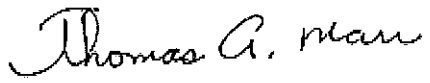
The diminution of value is a rounded $1,515,000

Exposure Time
The exposure time linked to the final value opinion is a range to nine (9) to twelve (12) months based on market sales of similar properties and current market activity.

Analysis of recent trends and current market supply and demand strongly indicate the highest and best use of the subject property, is continued use as a seasonal rental home.

I hereby certify I possess no interest, present or contemplated, in the appraised property. The undersigned appraiser is competent or has taken the necessary steps to become competent for the property type being appraised. This appraisal has been prepared utilizing all of the requirements set forth as standards for real estate appraisals established for federally related transactions by the Comptroller of the Currency, the Federal Reserve Board, the Federal Deposit Insurance Corporation, and the State of Florida. The appraisal is in conformity with the standards for real estate appraisals as established by the Appraisal Foundation and its Appraisal Standards Board. The appraisal also conforms to *the 2018/2019 edition of the Uniform Standards of Professional Appraisal Practice (USPAP)* and your instructions. The fee for this appraisal was not based on value, nor was the assignment undertaken based on a predetermined value, a trend in value, or a minimum or maximum value.

Respectfully submitted,



Thomas A. Marr
State-Certified General Real Estate Appraiser № RZ 2645 (Florida)

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Letter of Transmittal

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APPRAISAL REPORT

This is an Appraisal Report which is intended to comply with the reporting requirements in accordance with the 2018/2019 edition of the Uniform Standards of Professional Appraisal Practice (USPAP) for an Appraisal Report. As such, it represents summary discussions of the data, reasoning, and analyses used in the appraisal process to develop the appraisers' opinion of value. Supporting documentation concerning the data, reasoning, and analyses may be retained in the appraiser's files. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated below. The appraisers are not responsible for unauthorized use of this report.

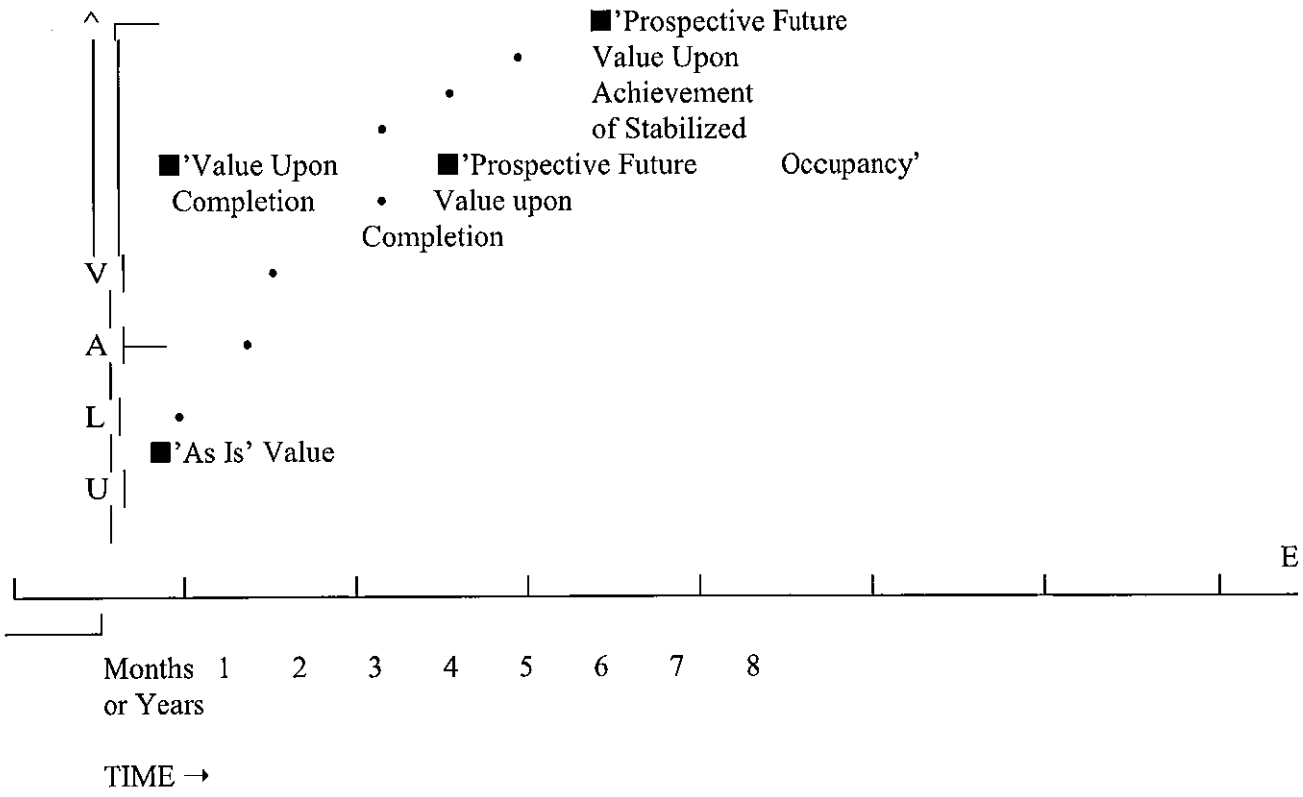
CLIENT:	Joseph A. Bellinghieri 3487 Scenic Highway 98 Destin, FL 32541
APPRAISERS:	**Thomas A. Marr** State-certified General Real Estate Appraiser № RZ 2645 (Florida) Panhandle Appraisal Group 220 Hospital Drive Fort Walton Beach, Florida 32548
SUBJECT PROPERTY:	Legal Description Lot 8, Grand Palms SD Tax ID №: 00-2S-22-0541-0000-0080.
PURPOSE OF THE APPRAISAL:	The purpose of this appraisal was to develop an estimate of the diminution in value from prior to the promulgation of City of Destin Ordinance No. 18-29-CC and after the promulgation of the ordinance on January 22, 2019.
INTENDED USE OF REPORT:	The understood intended use of the appraisal report will be for client use for legal proceedings to restore maximum occupancy property rights.
INTENDED USER:	The intended user is the client stated above, the client's attorneys, and regulatory authorities. This report is not intended or authorized for any other user or audience.
PROPERTY RIGHTS APPRAISED:	Fee Simple, one hundred percent (100%) ownership interest in the subject property.
EFFECTIVE DATE OF VALUE:	**Retrospective to January 22, 2019.**
DATE OF REPORT:	April 3, 2019.
DATE OF INSPECTION:	Thomas A. Marr viewed the subject property on March 30, 2019.
SCOPE OF WORK:	I note you have not requested an appraisal report format. Based on the Scope of Work requirements included in the 2018/2019 version of USPAP, which indicates the appraiser is responsible to coordinate the scope of work with the client, I am informing you I will perform an appraisal report. **It is my opinion this process of work meets all applicable 2018/2019 USPAP standards.**
DEFINITIONS:	The definitions, commencing on the page following, are provided to assist the reader in understanding this appraisal report.

Market Value[1]

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

- Purchaser and seller are typically motivated;
- Both parties are well informed or well advised and each acting in what they consider their best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Value Creation Continuum



The preceding exhibit graphically displays the creation of value in a real estate development project over time, assuming a zero inflation environment for clarity of presentation.

The four (4) time differential values on the graph which may be considered in the appraisal of existing developments are defined as follows:

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[1] Title XI, Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), [Pub. L. No. 101-73, 103 Stat. 183 (1989)], 12 U.S.C. 3310, 3331-3351, and section 5(b) of the Bank Holding Company Act, 12 U.S.C. 1844(b); Part 225, Subpart G: Appraisals; Paragraph 225.62 (f).
Uniform Standards of Professional Appraisal Practice, 2003 Edition, Page 3
Federal Reserve System, 12 CFR Parts 208 and 225, Sec. 225.62
Office of the Comptroller of the Currency, 12 CFR Part 34, Sec. 34.42 (g)
FDIC, 12 CFR Part 323, Sec. 323.2 (g) (2000)
Office of Thrift Supervision, 12 CFR Part 564, Sec. 564.2
NCUA, 12 CFR Part 722, Sec. 722.2

(1) **'As Is'** means an estimate of the market value of a property in the condition observed upon inspection and as it physically and legally exists without hypothetical conditions, assumptions, or qualifications as of the date of appraisal.

(2) **'Value Upon Completion'** means the market value of a property with all existing construction, conversion, or rehabilitation hypothetically completed, or under other specified hypothetical conditions as of the date of appraisal. With regard to properties wherein anticipated market conditions indicate stabilized occupancy is not likely as of the date of completion, this estimate of value shall reflect the market value of the property as if complete and prepared for occupancy by tenants.

(3) **'Prospective Future Value Upon Completion'** means the prospective future value of a property on the date construction is completed, based upon market conditions forecast to exist as of completion date.

(4) **'Prospective Future Value Upon Achievement of Stabilized Occupancy'** means the prospective future value of a property at a point in time when all improvements have been physically constructed and the property has been leased to its optimum level of long term occupancy.

Fee Simple Estate[2]
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.

Leased Fee Interest[3]
An ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the lessee are specified by contract terms contained within the lease.

Leasehold Interest[4]
The interest held by the lessee (the tenant or renter) through a lease transferring the rights of use and occupancy for a stated term under certain conditions.

Condominium[5]
A multi-unit structure or property in which persons hold fee simple title to individual units and an undivided interest in common areas.

Highest and Best Use[6]
The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and which results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability.

...of land or a site as though vacant:

Among all reasonable, alternative uses, the use yielding the highest present land value, after payments are made for labor, capital, and coordination. The use of property based on the assumption the parcel of land is vacant or can be made vacant by demolishing any improvements.

...of property as improved:

The use which should be made of a property as it exists. An existing improvement should be renovated or retained as is so long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing building and constructing a new one.

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2 The Dictionary of Real Estate Appraisal, Appraisal Institute, Fourth Edition, 2002, Page 113.

3 Ibid., Page 161.

4 Ibid., Page 162.

5 Ibid., Page 59.

6 Ibid., Page 135.

Marketing Time[7]
The time it takes an interest in real property to sell on the market subsequent to the date of an appraisal.

Exposure Time[8]
A retrospective estimate based on an analysis of past events assuming a competitive and open market.

Advocacy[9]
Representing the cause or interest of another, even if cause or interest does not necessarily coincide with one's own beliefs, opinions, conclusions, or recommendations.

Appraisal[10]
(Noun) The act or process of developing an opinion of value; an opinion of value. (Adjective) of, or pertaining to appraising and related functions such as appraisal practice or appraisal services.

Appraisal Practice[11]
Valuation services performed by an individual acting as an appraiser, including, but not limited to appraisal, appraisal review, or appraisal consulting.

Appraisal Review[12]
The act or process of developing and communicating an opinion about the quality of another appraiser's work was performed as part of an appraisal, appraisal review, or appraisal consulting assignment.

Appraiser[13]
One who is expected to perform valuation services competently, and in a manner, is independent, impartial, and objective.

Appraiser's Peers[14]
Other appraisers who possess expertise and competency in a similar type of assignment.

Assignment[15]
A valuation service provided as a consequence if an agreement between an appraiser and a client.

Assignment Results[16]
An appraiser's opinions and conclusions developed specific to an assignment.

Assumption[17]
An occurrence which is taken to be true.

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8 Ibid., Page 175

9 Ibid., Page 105

9 2018/2019 edition, *Uniform Standards of Professional Appraisal Practice (USPAP)*, Page l

10 Ibid, Page 1

11 Ibid, Page 1

12 Ibid, Page 1

13 Ibid, Page 1

14 Ibid, Page 2

15 Ibid, Page 2

16 Ibid, Page 2

17 Ibid, Page 2

Bias[18]
A preference or inclination which precludes an appraiser's impartiality, independence, or objectivity in an assignment.

Business Enterprise[19]
An entity pursuing an economic entity.

Business Equity[20]
The interests, benefits, and rights inherent in the ownership of a business enterprise or a part thereof in any form (including, but not necessarily limited to, capital stock, partnership interests, cooperatives, sole proprietorships, options, and warrants).

Client[21]
The party or parties who engage an appraiser (by employment or contract) in a specific assignment.

Confidential Information[22]
Information is either:

- identified by the Client as confidential when providing it to an appraiser and is not available from any other source; or,

- classified as confidential or private by applicable law or regulation.

Cost[23]
The amount required to create, produce, or obtain a property.

'Credible'[24]
Worthy of belief.

Extraordinary Assumption[25]
An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions.

Feasibility Analysis[26]
A study of the cost-benefit relationship of an economic endeavor.

Hypothetical Condition[27]
An assertion which is contrary to what exists but is supposed for the purpose of analysis.

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18 Ibid, Page 2

19 2018/2019 edition, USPAP, Page 2

20 Ibid, Page 2

21 Ibid, Page 2

22 Ibid, Page 2

23 Ibid, Page 2

24 Ibid, Page 3

25 Ibid, Page 3

26 Ibid, Page 3

27 Ibid, Page 3

Intangible Property[28]
(Intangible Assets) Nonphysical assets, including, but not limited to, franchises, trademarks, patents, copyrights, goodwill, equities, securities, and contracts as distinguished from physical assets such as facilities and equipment.

Intended Use[29]
The use or uses of an appraiser's reported appraisal, appraisal review, or appraisal consulting assignment opinions and conclusions, as identified by the appraiser based on communication with the Client at the time of the assignment.

Intended User[30]
The Client and any other party as identified, by name or type, as users of the appraisal, appraisal review, or appraisal consulting report by the appraiser on the basis of communication with the Client at the time of the assignment.

Jurisdictional Exception[31]
...an assignment condition which voids the force of a part or parts of *USPAP*, when compliance with part or parts of *USPAP* is contrary to law or public policy applicable to the assignment.

IDENTIFY THE PROBLEM TO BE SOLVED
The client has requested that I derive two values for the subject. The first value is a value as of January 22, 2019 when the subject could accommodate 32 guests. The second value is after the city of Destin promulgated Ordinance 18-29-CC which limits the subject to 18 guests. The problem to be solved is to derive two values and then identify the diminution of value after the promulgation of the ordinance.

EXTENT OF THE PROCESS OF COLLECTING, CONFIRMING, AND REPORTING DATA:

Preparation of this appraisal included the following scope of work:

- The subject site, improvements, and parking improvements were inspected by the appraiser, the property was photographed. File data for similar properties was reviewed.
- The public records were reviewed.
- The appraiser examined the economic, social, governmental, and environmental forces affecting value in the subject neighborhood and the entire market area as a whole.
- The appraiser identified recent and projected actual rents for the subject, based on occupancy of up to 32 guests. The appraiser then identified the annual rentals of other comparable properties which accommodated up to or beyond 32 guests. This data was used to verify or support the historical performance and the projected rents for the subject. These comparable rentals provided market support for the subject actual and projected gross rental income.
- The appraiser identified market rental comparables for properties limited to 18 guests.
- The appraiser then reduced gross rent to net operating rent and capitalized the net operating rent to identify value for the subject as a 32 guest rental and an 18 guest rental. The difference between these two values is the diminution in value.

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28 Ibid, Page 3

29 Ibid, Page 3

30 Ibid, Page 3

31 2018 edition, *USPAP*, Page 3

IDENTIFICATION OF THE TYPE OF APPRAISAL AND APPRAISAL REPORT FORMAT:
I have provided an **Appraisal Report,** as defined by the *2018/2019 edition of the Uniform Standards of Professional Appraisal Practice,* containing a summary of all relevant conclusions, data, and analyses used in the report.

TERMS OF THE FINAL VALUE OPINION:
The final opinion of the current market values of the subject property, 'as is' is expressed in terms of cash or financing terms equivalent to cash.

POLICY STATEMENT OF THE APPRAISAL INSTITUTE:
It is improper to base a conclusion or opinion of value upon the premise the racial, ethnic, or religious homogeneity of the inhabitants of an area or of a property is necessary for maximum value.

Racial, religious, and ethnic factors are deemed unreliable predictors of value trends or price variance.

It is improper to base a conclusion or opinion of value, or a conclusion with respect to neighborhood trends, upon stereotyped, biased presumptions relating to the effective age or remaining life of the property being appraised or the life expectancy of the neighborhood in which it is located.

GENERAL ASSUMPTIONS:

1. No responsibility is assumed for the legal description provided or for matters relevant to legal or title considerations. Title to the property is assumed to be marketable unless otherwise stated. The legal description used in this report is assumed to be correct.

2. The subject property is appraised free and clear of any or all liens, leases, or encumbrances unless otherwise stated. All mortgages, liens, encumbrances, leases, and servitudes have been disregarded unless so specified within the report.

3. No survey of the property has been made by the appraisers and no responsibility is assumed in connection with such matters. Sketches, plot plans, or illustrative material presented in this report are included only to assist the reader in visualizing the property.

4. Information and data furnished by others is usually assumed to be true, correct and reliable. When such information and data appears to be dubious and when it is critical to the appraisal, a reasonable effort has been made to verify all such information; however, no responsibility for its accuracy is assumed by the appraiser.

5. Responsible ownership and competent property management are assumed unless otherwise stated in this report.

6. It is assumed there are no hidden or unapparent conditions of the property, subsoil or structures which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.

7. It is assumed 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.

8. It is assumed the subject property is in compliance with all applicable zoning and land use regulations, unless a nonconformity has been stated, defined and considered in the appraisal report.

9. It is assumed all required licenses, consents or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use which the value estimate contained in this report is based.

10. It is assumed the utilization of the land and improvements is within the boundaries or property lines of the property described and there is no encroachment or trespass unless noted within the report.

EXTRAORDINARY ASSUMPTIONS:
I am using data provided to me by the client and other vacation home owners.

I am also using rental projections from the current property manager.

I am making the extraordinary assumption that the data provided is accurate, credible and reliable.

If, for any reason, the data provided is not accurate, credible and reliable, the values derived in the analysis is subject to review.

GENERAL LIMITING CONDITIONS:

1. This is an Appraisal Report which is intended to comply with the reporting requirements set forth in accordance with the *2018/2019 edition of the Uniform Standards of Professional Appraisal Practice* for an Appraisal Report. As such, it includes summarized discussions of the data, reasoning, and analyses used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses may be retained in the appraiser's files. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraiser is not responsible for unauthorized use of this report.

2. Appraisers are not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraisers suggesting the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert in the field of environmental assessment. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The appraiser's value estimate is predicated on the assumption there exists no such material on or in the property causing a loss in value unless otherwise stated in this report. No responsibility is assumed for any environmental conditions, or for any expertise or engineering knowledge required to discover them. The appraisers' descriptions and resulting comments are the result of the routine observations made during the appraisal process.

3. The subject property is appraised without a specific compliance survey having been conducted to determine if the property is or is not in conformance with the requirements of *The Americans with Disabilities Act*. The presence of architectural and communications barriers which are structural in nature which would otherwise restrict access by disabled individuals may adversely affect the property's value, marketability, or utility.

4. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event, only with proper written qualification and only in its entirety.

5. Neither all nor any part of the contents of this report shall be conveyed to any person or entity, other than the appraiser's or firm's client, through advertising, solicitation materials, public relations, news, sales, or other media without the written consent and approval of the authors, particularly as to valuation conclusions, the identity of the appraiser or firm with which the appraiser is connected, or any reference to affiliation with any professional appraisal organization. Further, the appraiser or firm assumes no obligation, liability, or accountability to any third party. If this report is placed in the hands of anyone but the client, client shall make party aware of all the assumptions and limiting conditions of the assignment.

6. The appraiser affixing his signatures to this appraisal report will not be required to give testimony or appear in court because of having made this appraisal, with reference to the property in question, unless arrangements have been previously made thereof.

7. No environmental impact studies were either requested or made in conjunction with this appraisal, and the appraiser hereby reserves the right to alter, amend, revise, or rescind any of the value opinions based upon any subsequent environmental impact studies, research, or investigation.

8. The appraiser has not been supplied with a report of the subsoil conditions indicating the exact capacity of the subsoil. I do not have the benefit of subsoil test results of the properties and detection of possible soil defects would be beyond my realm of expertise. However, there appear to be no hidden or apparent conditions of the subject sites or subsoil structures which would render them more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.

9. Acceptance of and/or use of this appraisal report constitutes acceptance of the foregoing General Assumptions, Special Assumptions, General Limiting Conditions, and Special Limiting Conditions.

EXTRAORDINARY LIMITING CONDITIONS AND HYPOTHETICAL CONDITIONS:
None.

CERTIFICATION:

I certify, to the best of my knowledge and belief:

1. The statements of fact contained in this report are true and correct.

2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions and conclusions.

3. I possess no present or prospective interest in the property which is the subject of this report and no personal interest with respect to the parties involved.

4. I possess no bias with respect to the property which is the subject of this report or to the parties involved with this assignment.

5. The engagement in this assignment was not contingent upon developing or reporting predetermined results.

6. The compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value favoring the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

7. The analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *2018/2019 edition of the Uniform Standards of Professional Appraisal Practice.*

8. Thomas A. Marr has made a personal viewing of the property which is the subject of this report. No one else has rendered significant real estate appraisal knowledge and input to the compilation of this report.

9. I have not performed any services, to include appraisal services, regarding the subject in the previous three years.

10. The opinion of market value 'as is' of the one hundred percent (100%) fee simple ownership interest in the subject property, as of the date of last my personal viewing, of March 30, 2019 'as is' is prior to the promulgation of Destin Ordinance 19-23-CC is THREE MILLION SEVENTY THOUSAND DOLLARS ($3,070,000) and the value after the promulgation of Destin Ordinance 19-23-CC is ONE MILLION FIVE HUNDRED FIFTY FIVE THOUSAND DOLLARS ($1,555,000). The diminution of value is estimated as ONE MILLION FIVE HUNDRED FIFTEEN THOUSAND DOLLARS ($1,515,000).

Thomas A. Marr
State-certified General Real Estate Appraiser № RZ 2645 (Florida)

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DESCRIPTION OF THE SUBJECT PROPERTY
Ownership:

The current owner is Villa Pensionamento, LLC.

FILE # 2845725 RCD: 04/05/2013 @ 09:16 AM, BK: 3088 PG: 3663 RECORDING: $10.50 RECORDING ARTICLE V: $8.00 DEED DOCSTAMPS $2604.00 DEPUTY CLERK PDUNN DON W. HOWARD, CLERK OF COURTS, OKALOOSA COUNTY FL

Prepared by and return to:
David B. Pleat
Attorney at Law
Pleat, Perry & Ritchie, P.A.
4477 Legendary Drive, #202
Destin, FL 32541
850-650-0698
File Number: MooreVP
$18.50 $2.60400 based on $372,000.00

[Space Above This Line For Recording Data]

Warranty Deed

This Warranty Deed made this 1st day of April, 2013 between James L. Falgout as Trustee of the Michael Herd Moore Irrevocable Trust whose address is % James L Falgout, 2929 N Central Expressway #235, Richardson, TX 75080, grantor, and Villa Pensionamento, LLC, a Florida limited liability company whose address is 50 Rose Ln, Glen Mills, PA 19342, grantee:

(Whenever used herein the terms "grantor" and "grantee" include all the parties to this instrument and the heirs, legal representatives, and assigns of individuals, and the successors and assigns of corporations, trusts and trustees)

Witnesseth, that said grantor, for and in consideration of the sum of TEN AND NO/100 DOLLARS ($10.00) and other good and valuable considerations to said grantor in hand paid by said grantee, the receipt whereof is hereby acknowledged, has granted, bargained, and sold to the said grantee, and grantee's heirs and assigns forever, the following described land, situate, lying and being in Okaloosa County, Florida to-wit:

Lot 8, GRAND PALMS, according to the Plat thereof as recorded in Plat Book 15, Page(s) 38 and 39, of the Public Records of Okaloosa County, Florida.

Parcel Identification Number: 00-2S-22-0541-0000-0080

Subject to covenants, conditions, restrictions, reservations, limitations, easements and agreements of record, if any; and to all applicable zoning ordinances and/or restrictions and prohibitions by governmental authorities, if any.

Grantor warrants that at the time of this conveyance, the subject property is not the Grantor's homestead within the meaning set forth in the constitution of the state of Florida, nor is it contiguous to or a part of homestead property.

Together with all the tenements, hereditaments and appurtenances thereto belonging or in anywise appertaining.

To Have and to Hold, the same in fee simple forever.

Site:

Location:
The subject is located on the north side of Scenic Highway 98 in the Grand Palms Subdivision. It is located an approximate 800 feet east of the Scenic Highway 98 and Sunfish Street intersection.

This area is east of the community of Crystal Beach and west of the Destiny/Destiny West/Destiny By The Sea communities.

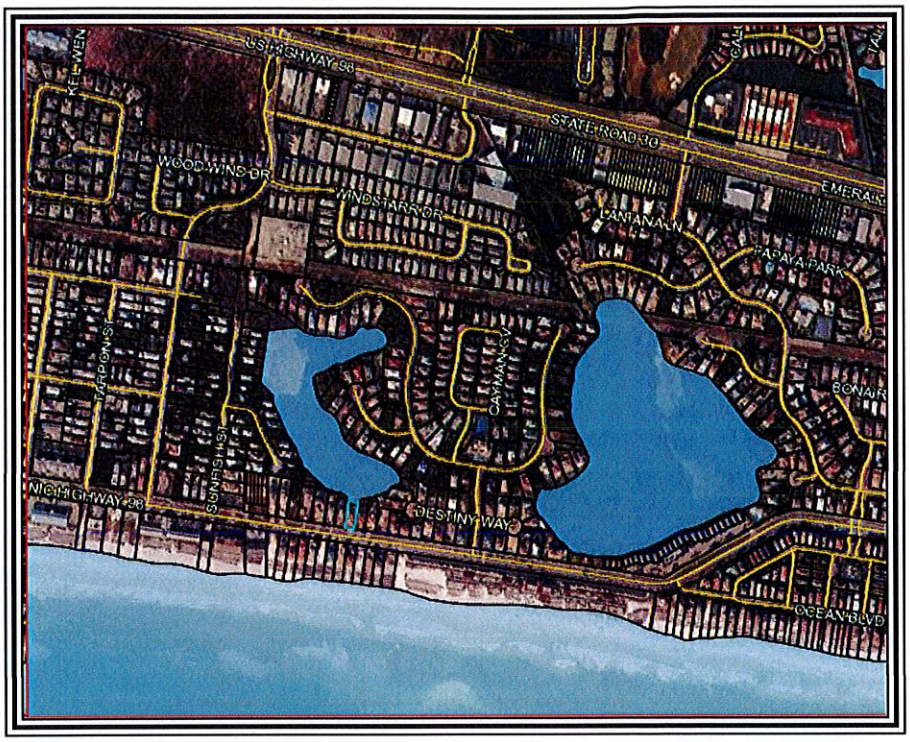
Along the south side of Scenic Highway 98 are many condominium projects, individual homes and some commercial use, typically restaurants, which cater to the tourist industry.

Along Scenic Highway 98 to the north are other residential uses, primarily detached homes with a interspersion of condominium and town home projects, which are a mix of owner occupant and seasonal rental use.

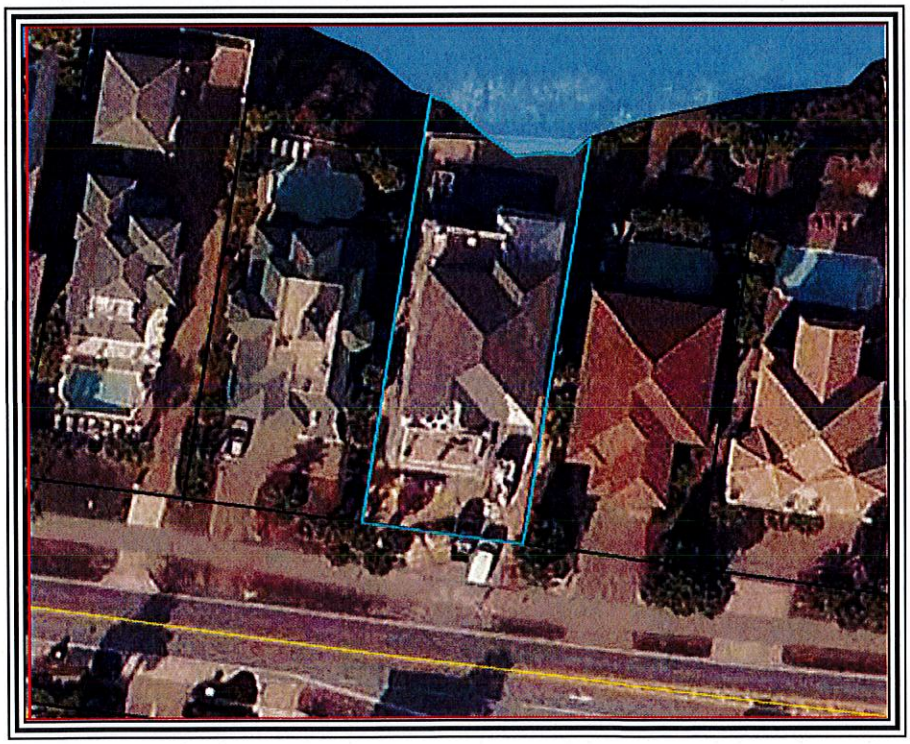
This entire area of Destin, in close proximity to the Gulf of Mexico, is a desired location and well considered by the market.

See the following map for the subject location in the broad Destin market.

The following map indicates the local market area surrounding the subject.



The following aerial photograph indicates the subject parcel.



Land Size:

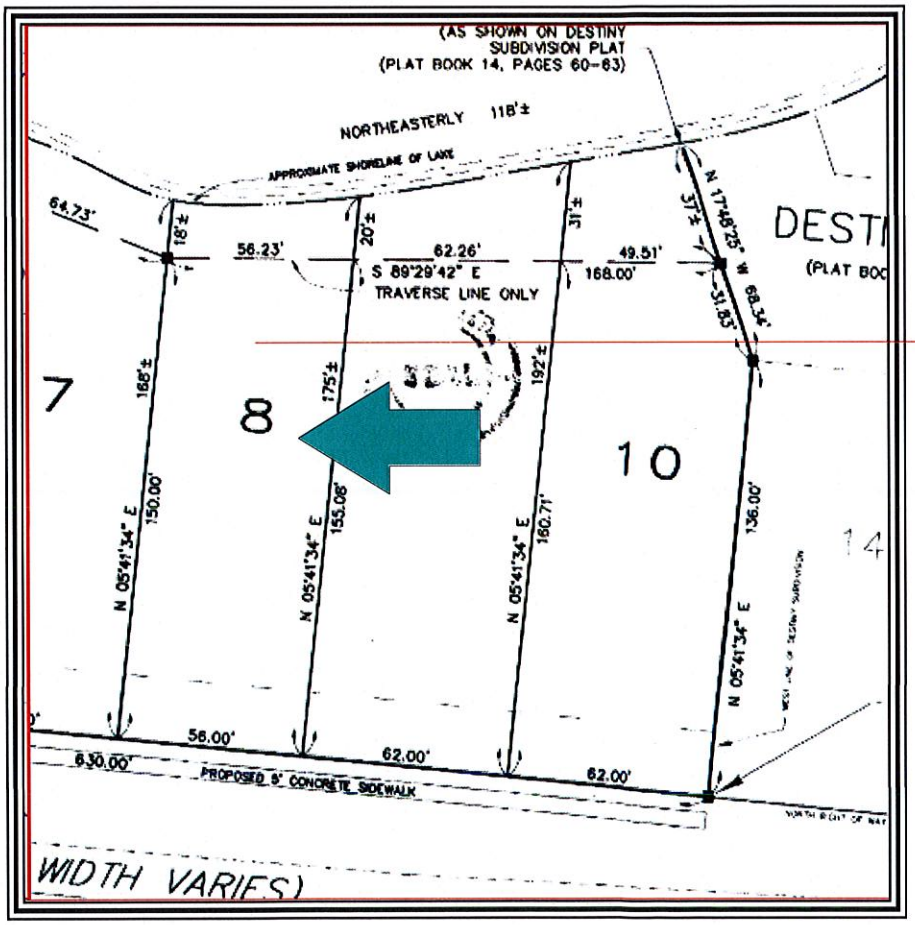
The subject is a single residential lot.

The rounded dimensions are as follows:

168.00 feet on the west side,
56.00 feet on the north side, fronting a small lake,
175.00 feet on the east side,
56.00 feet on the south side, fronting Scenic Highway 98.

These dimensions result in a land size of an approximate 0.20 acres, or 8,750 SF. This land size is typical of lots in the Grand Palms Subdivision.

See the following excerpt from the recorded plat map.



Site Topography:

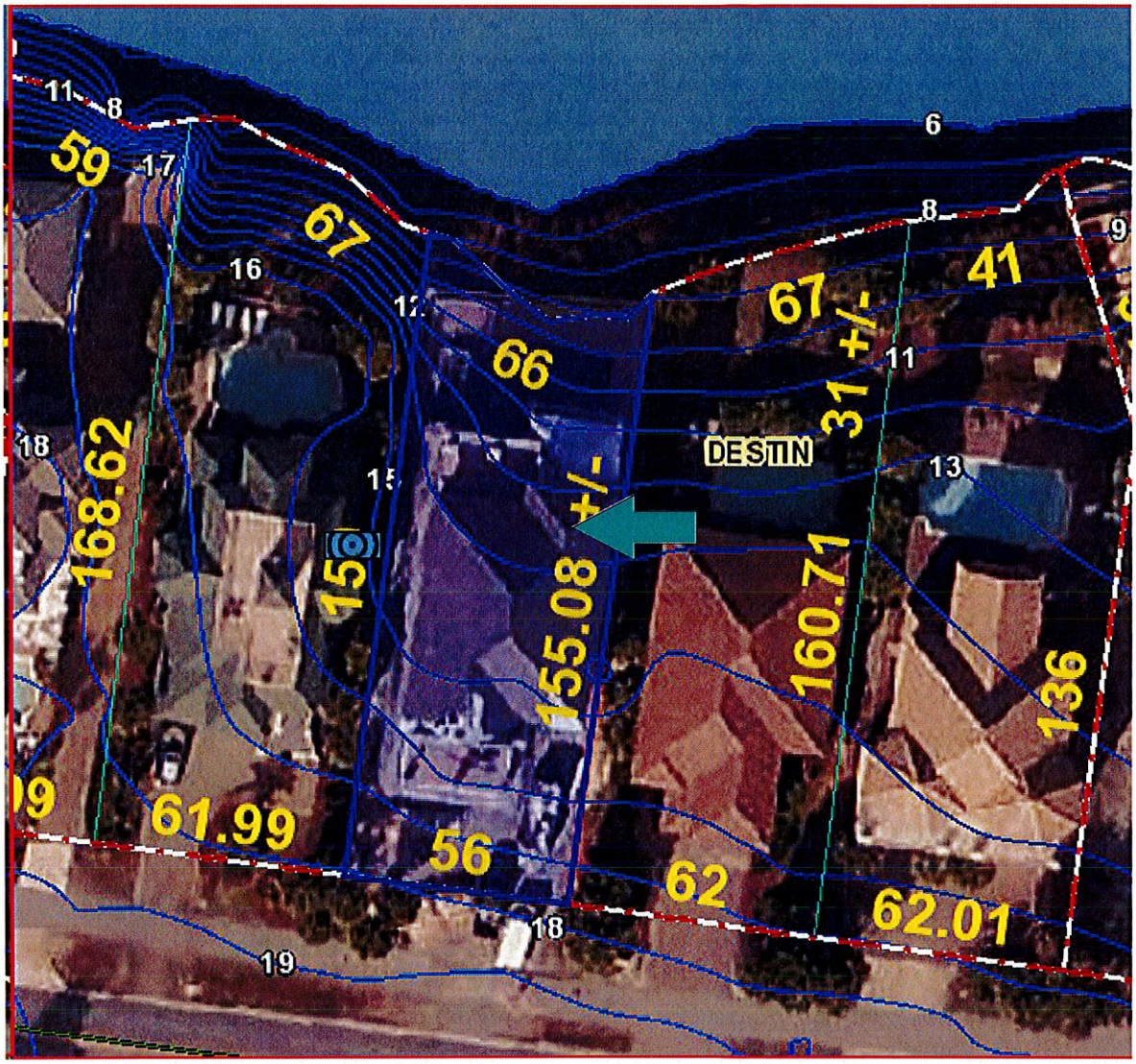
Per the Okaloosa County GIS site and my viewing, the subject is at the road grade of Scenic Highway 98.

The subject is level an approximate 2/3 way through the lot and then slopes downward gradually on the north side toward the lake.

This slope is perceptible when standing at the rear of the improvement, however, the slope was accounted for in the construction of the home and has no negative connotation.

The subject lot contour is typical for many water front parcels.

I am providing the following contour map extracted from the Okaloosa County Property Appraiser web site.



Utilities:

Utility	*Provider*	*Utility*	*Provider*
Electricity	Gulf Power	Stormwater Drainage	Destin
Water and Sewer	Okaloosa County	Fire Department	Destin
Natural Gas	Okaloosa Gas	Police Department	Contract with the Okaloosa County Sheriff
Telephone	Verizon	Refuse Removal	By contract
Cable Television	Cox Cable		

The utilities for the subject site are considered as typical in the market.

Easements/Encroachments:
I was not furnished a copy of a recent survey of the subject property. A review of the site plan, various maps and my personal viewing did not indicate any easements or encroachments.

I assume there are utility easements of record.

It is my opinion that there are no easements or encroachments which would affect value or transferability.

Ingress/Egress:
The subject property is reached directly from Scenic Highway 98, which fronts on the entire subject south side.

Scenic Highway 98 is a paved, two lane public roadway.

Scenic Highway 98 is the original U. S. Highway 98 which was the main east/west arterial in the Destin market. Now that the six lane U. S. Highway 98 has been developed to the north, Scenic Highway 98 is now a coastal road running parallel to and just north of the Gulf of Mexico.

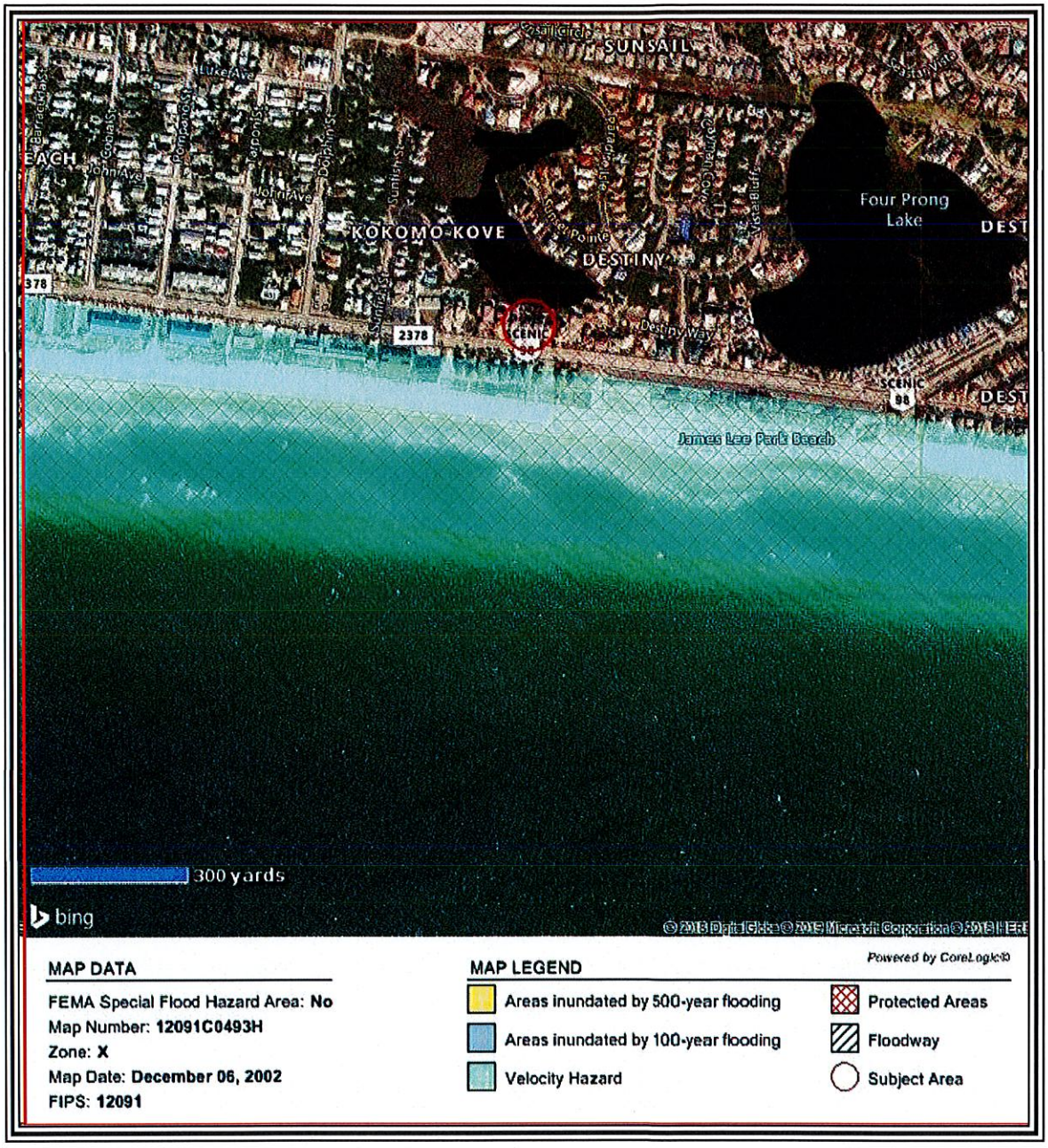
Ingress/egress is viewed as similar to most access typically found in the market.

Parking is viewed as superior to most parking found in the market as the subject features two garage spaces and six driveway spaces.

Flood Risk:

FEMA Map Panel	*Map Area*	*Dated*	*Flood Zone*
12091C 0493H	Okaloosa County	December 6, 2002	"X"

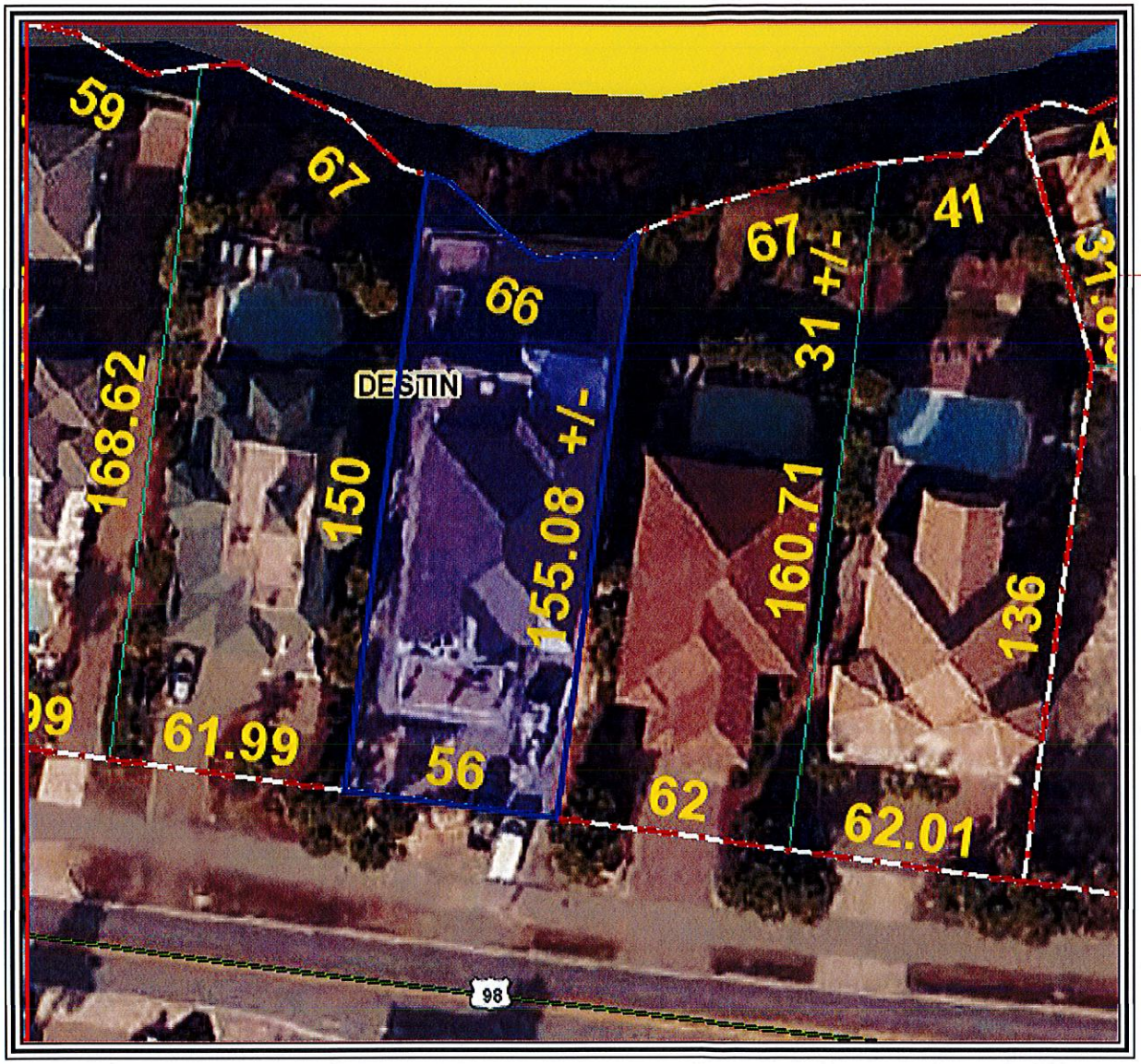
* The client is advised appraisers are not surveyors, and accordingly, any final determination as to flood zone status should only be made by a licensed, adequately insured, Florida surveyor utilizing the latest FEMA flood panels. However, it appears the entire subject area is considered as Flood Zone 'X', an area of substantial flood risk. The subject is located at the red circle in the following flood map.



Wetlands:

None, per the Okaloosa County GIS site.

The wetland map is consistent with the flood panel on the previous page.



Census Data:
The subject is located in census tract 0233.08.

IMPROVEMENTS 'AS IS'

Size:
The subject is a single family detached improvement with three living levels.

The subject also features an attached two car garage. The subject features substantial exterior balconies and porches, as well as a large in ground swimming pool, pool deck/lanai, landscaping, and a lake view.

The first level features a game room and sleeping spaces in the form of bunks in the hall sleeping two (2), a bedroom with a king and two bunks sleeping four (4) and a bedroom wit a king, sleeping two (2). There is a total of eight (8) guests on the first level.

The second living level is two bedrooms with kings sleeping a total of four (4), and a sofa sleeper sleeping two (2). This is a total of six (6) on the second level.

The third level is three bedrooms with kings sleeping six (6), eight bunks built along a wall sleeping eight (8) and two sofa sleepers sleeping four (4). This is a total of eighteen (18) on the third level.

The first level sleeps eight (8) and the second level sleeps six (6) and the third level sleeps eighteen (18) for a total of thirty two (32).

Construction Quality:
The quality of construction for the subject improvement is *Class D* good. Details of construction are summarized below:

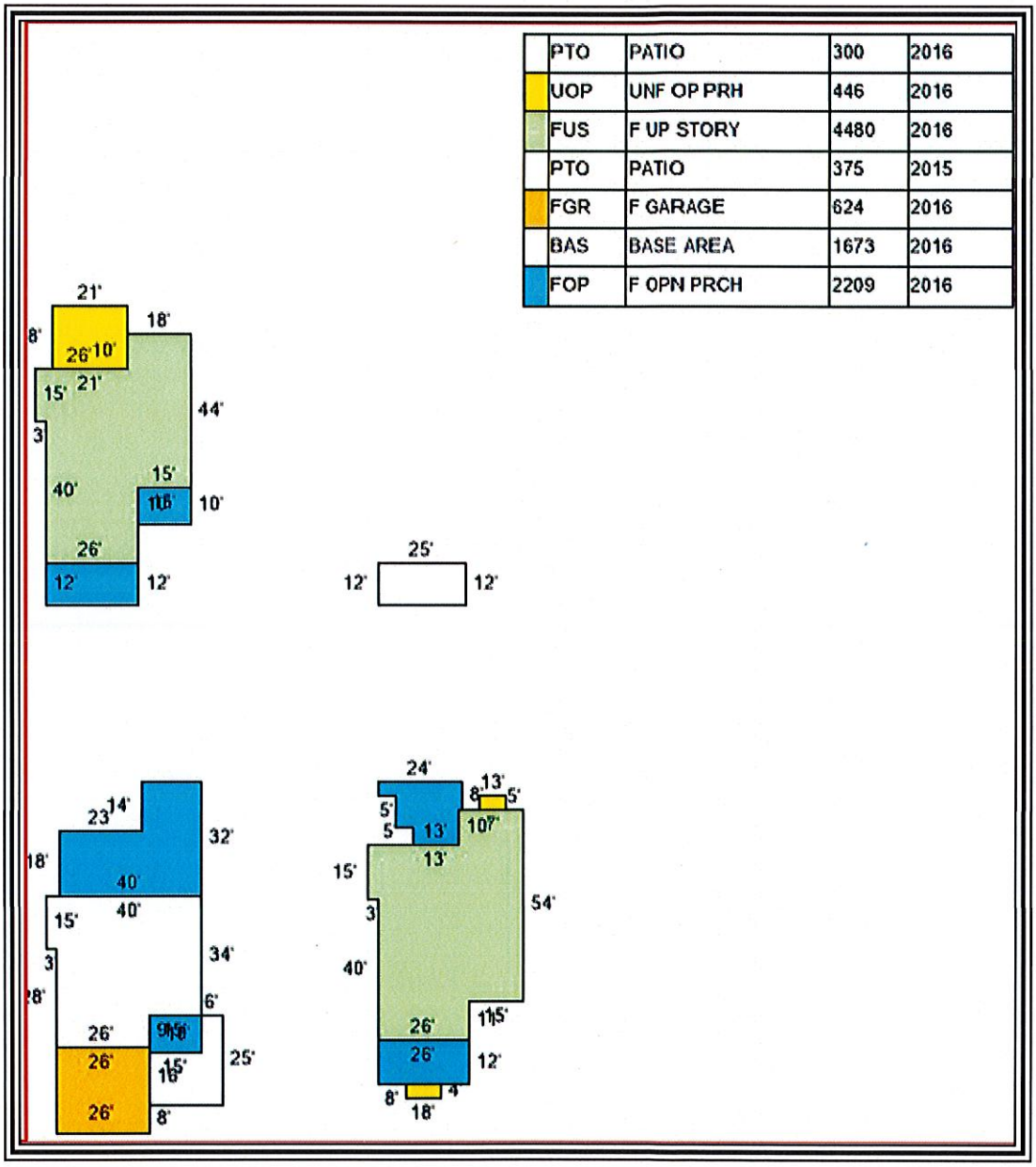
Construction Component	
Foundation	4" Reinforced concrete slab
Exterior walls	Wood frame with stucco
Roof	Ceramic /clay tile
Trim	Base and crown molding
Windows	Double pane aluminum
Exterior doors	Insulated metal with glass
Insulation	Unknown. Assumed to be R38 behind sheet rock
HVAC	Forced Air and Central HVAC
Ceiling	9 and 10 foot with sheet rock and can lights
Interior Walls	Painted sheet rock
Interior flooring	Good tile and carpet
Interior doors	Six and four panel wood
Restrooms	Six and one half with good fixtures
Lighting	Can lights
Kitchens	One typical residential kitchen with good cabinetry
Other	Many porches/swimming pool and lanai.

Condition of Improvements:
The subject improvement is in good condition.

Age:
Public records indicate this subject improvement was constructed in 2016.

I consider the actual age to be three (3) years and the effective age to be similar. I estimate an economic life of fifty five (55) years and a physical life of seventy five (75) years.

See the following sizes indicated for the subject in the Okaloosa County Property Appraiser web site.

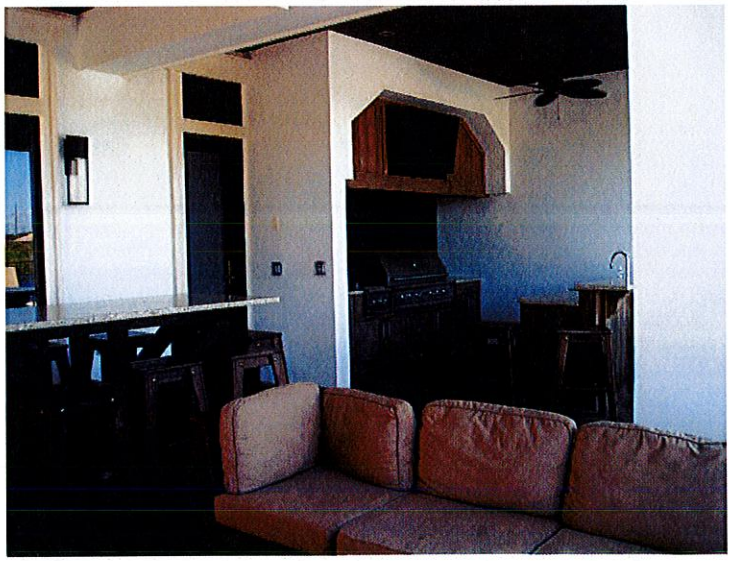


Exterior Photographs:

FRONT OF SUBJECT

REAR OF SUBJECT

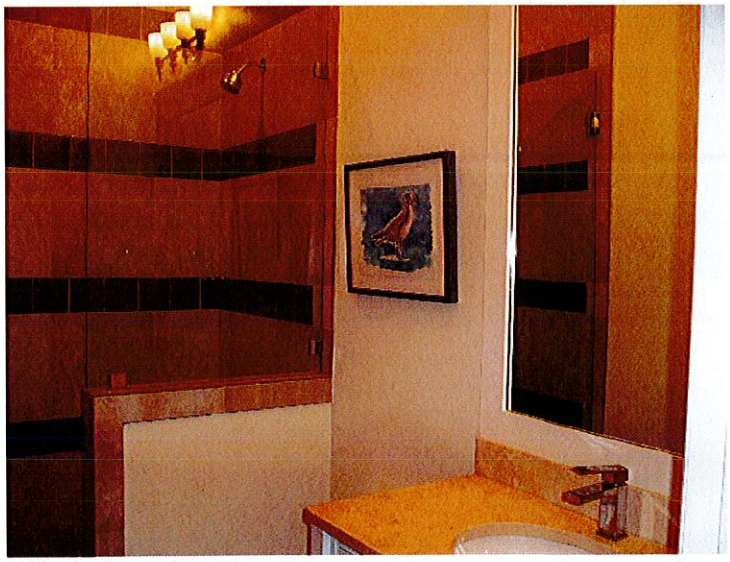
SWIMMING POOL AND DECK



FIRST LEVEL PATIO AND SUMMER KITCHEN

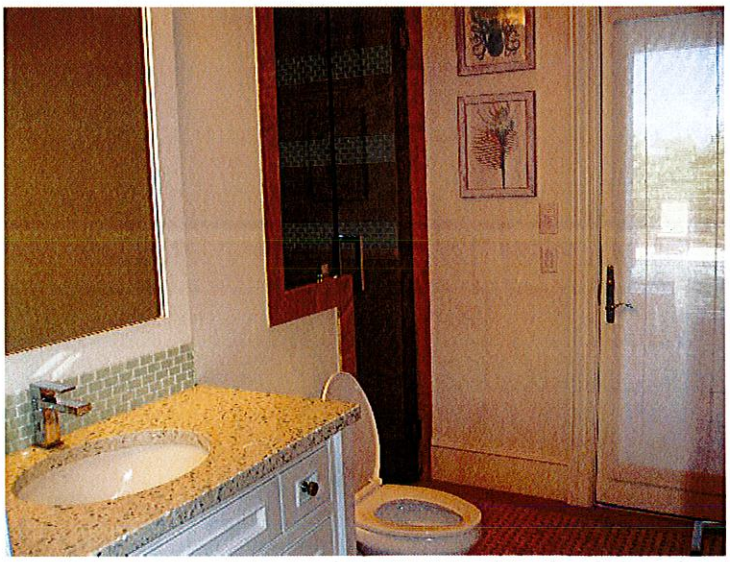
First Level Sleeping Eight (8).

BEDROOM WITH KING AND TWO BUNKS SLEEPING FOUR (4) - BEDROOM #1

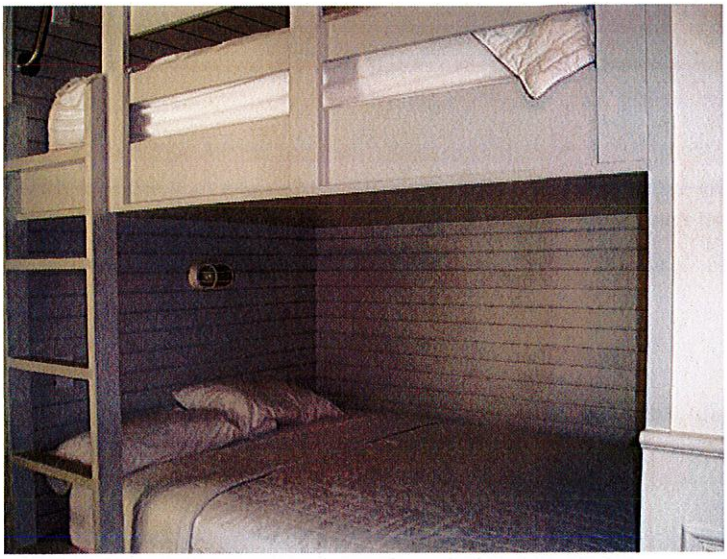


FULL BATH SUPPORTING BEDROOM #1 - BATH #1

BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #2



FULL HALL BATH SUPPORTING BEDROOM #2 AND HALL BUNKS - BATH #2



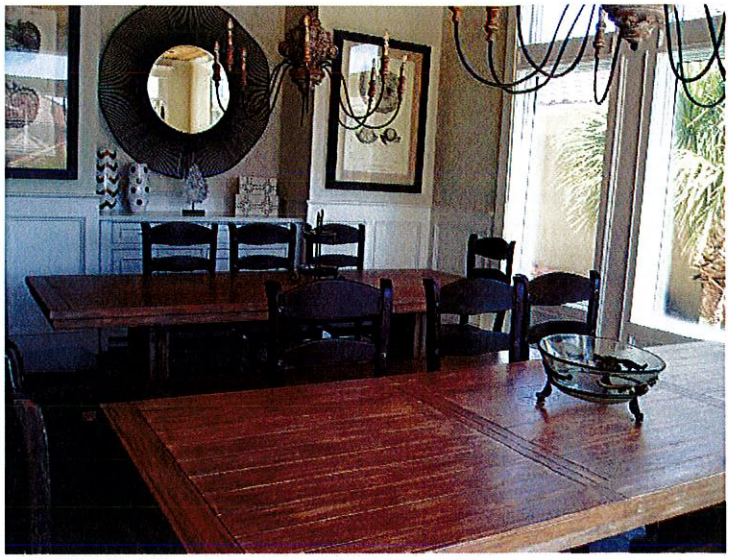
BUNKS IN HALL SLEEPING TWO (2)

GAME ROOM

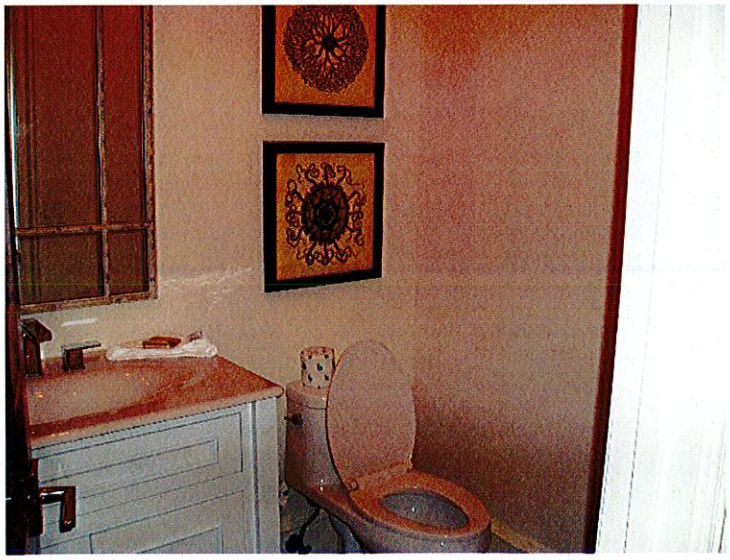
Second Level Sleeping Six (6)

KITCHEN

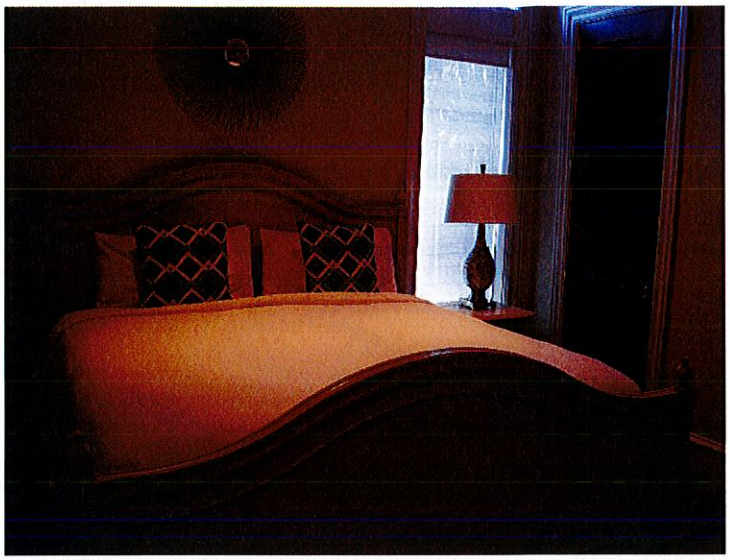
LIVING ROOM



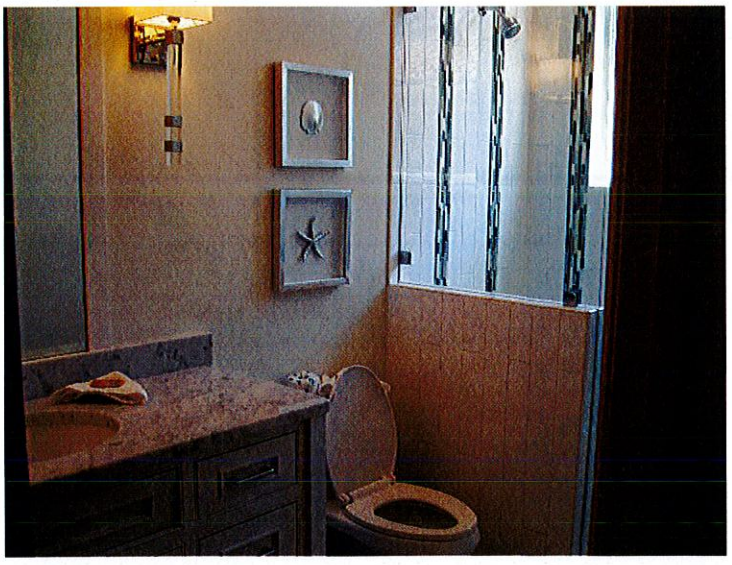
DINING ROOM



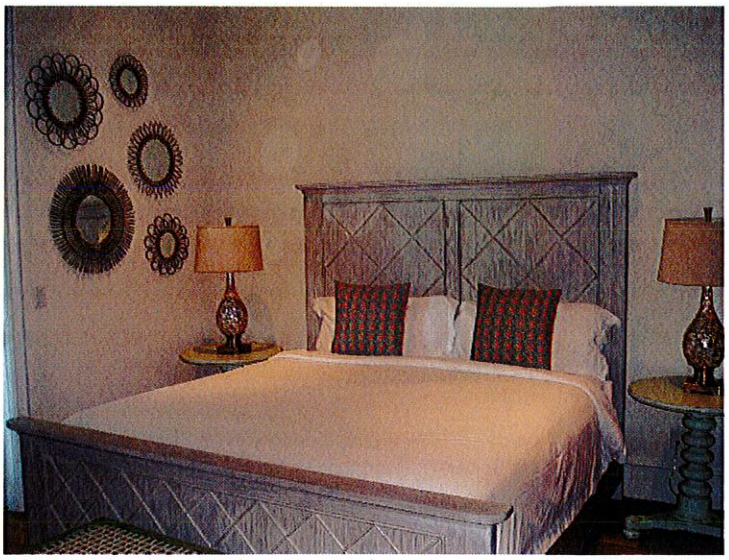
HALF BATH IN HALL - BATH #2.5



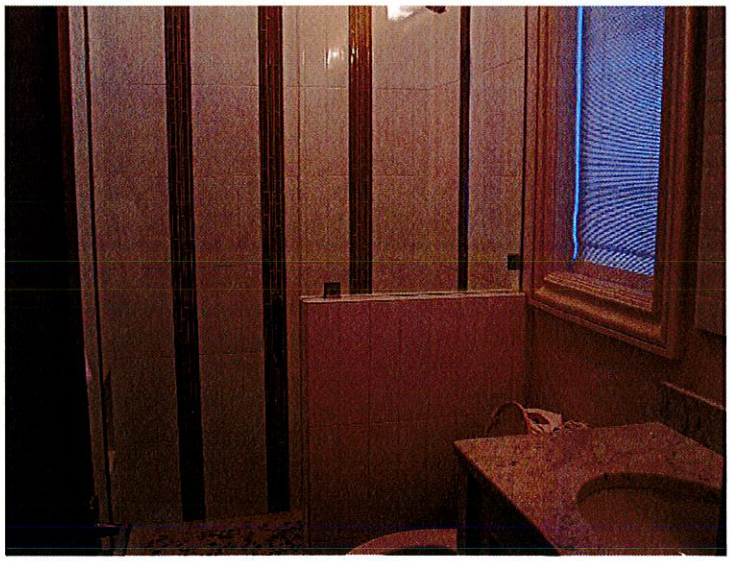
BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #3



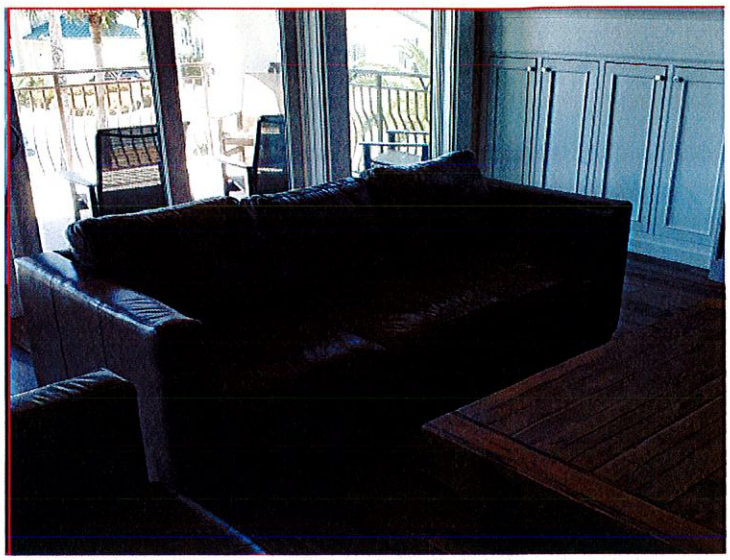
FULL BATH SUPPORTING BEDROOM #3 - BATH #3.5



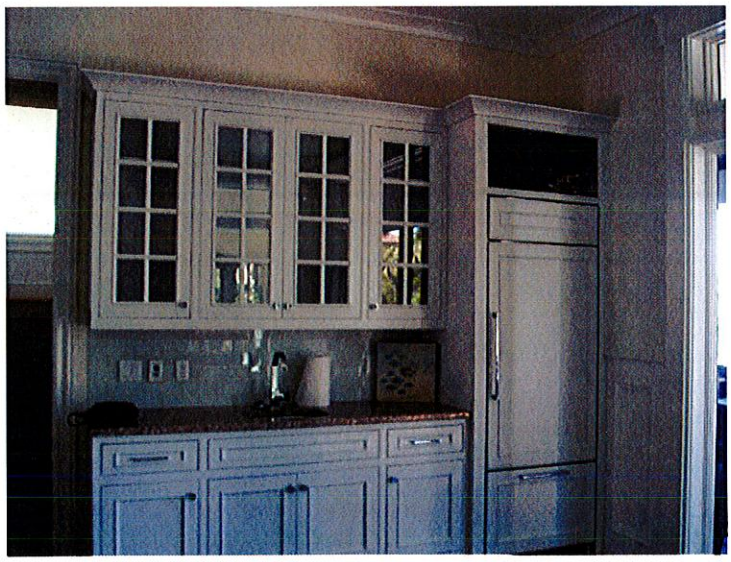
BEDROOM WITH KING SLEEPING TWO (2) - BR #4



FULL BATH SERVICING BEDROOM #4 - BATH #4.5



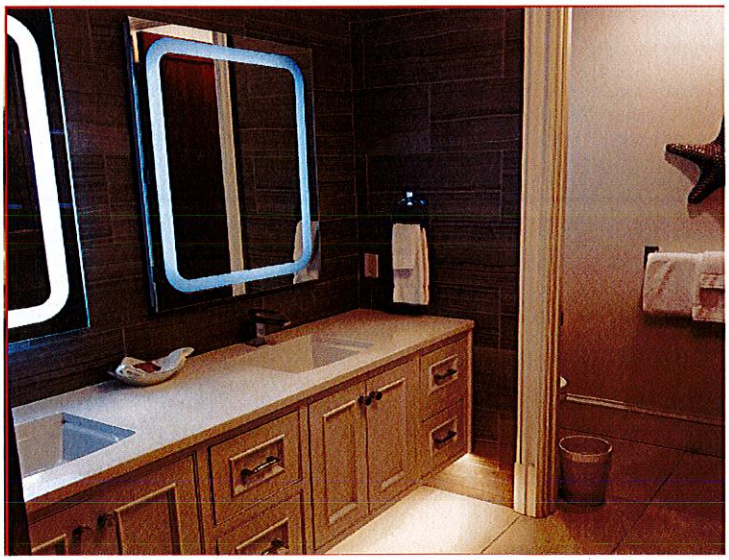
SOFA SLEEPER SLEEPING TWO (2)



WET BAR

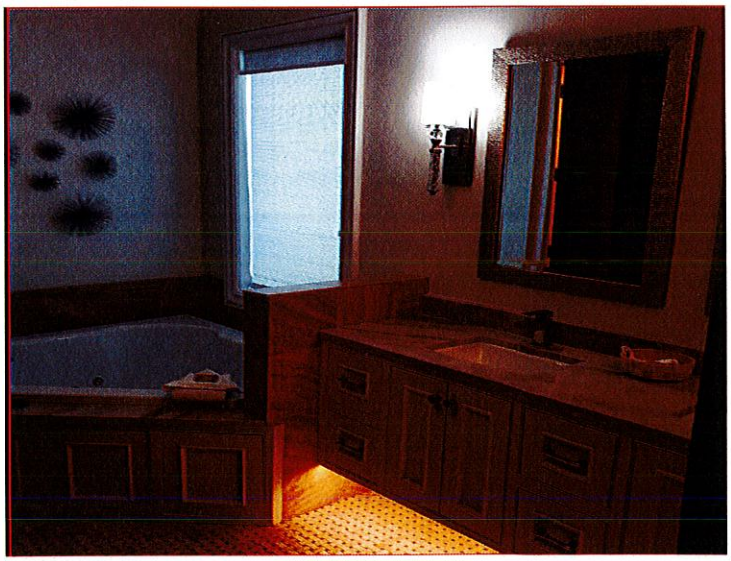
Third Level Sleeping Eighteen (18)

BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #5



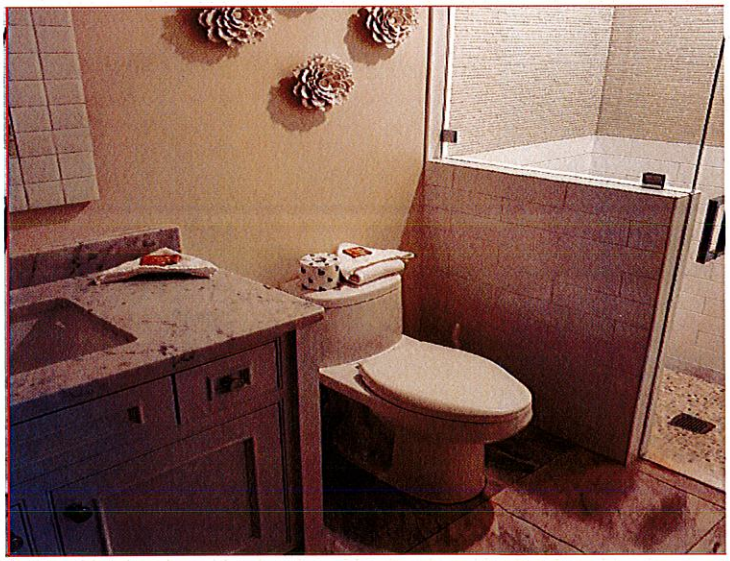
FULL BATH SUPPORTING BEDROOM #5 - BATH # 5.5

BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #6

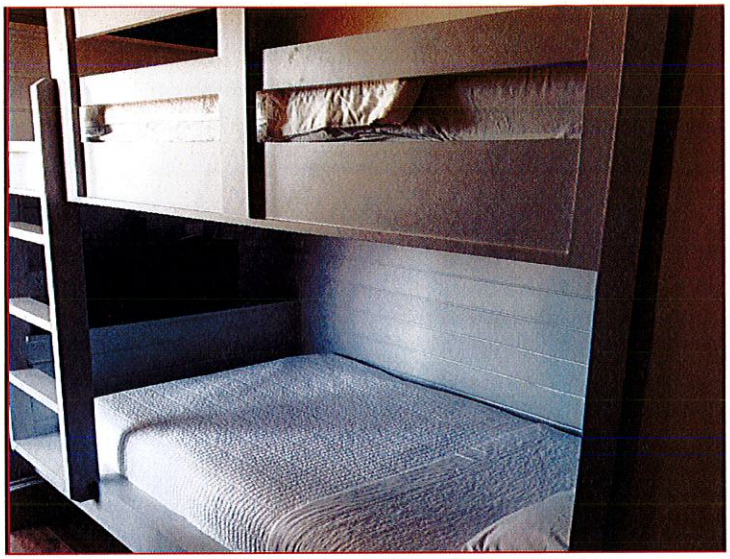


FULL BATH SUPPORTING BEDROOM #6 - BATH # 6.5

BEDROOM WITH KING SLEEPING TWO - BEDROOM #7



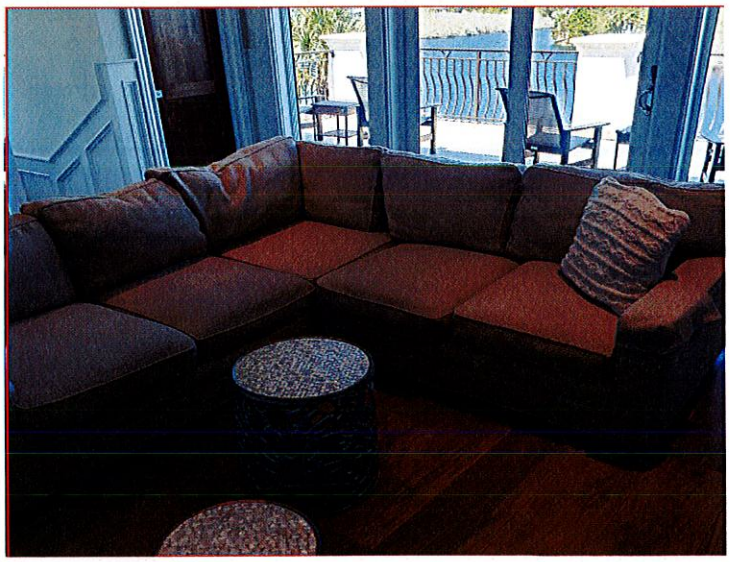
FULL BATH SUPPORTING BEDROOM #7 - BATH #7.5



BUNKS SLEEPING TWO (2)

BUNKS SLEEPING TWO (2)

BUNKS SLEEPING FOUR (4)



SOFA SLEEPERS SLEEPING FOUR (4)

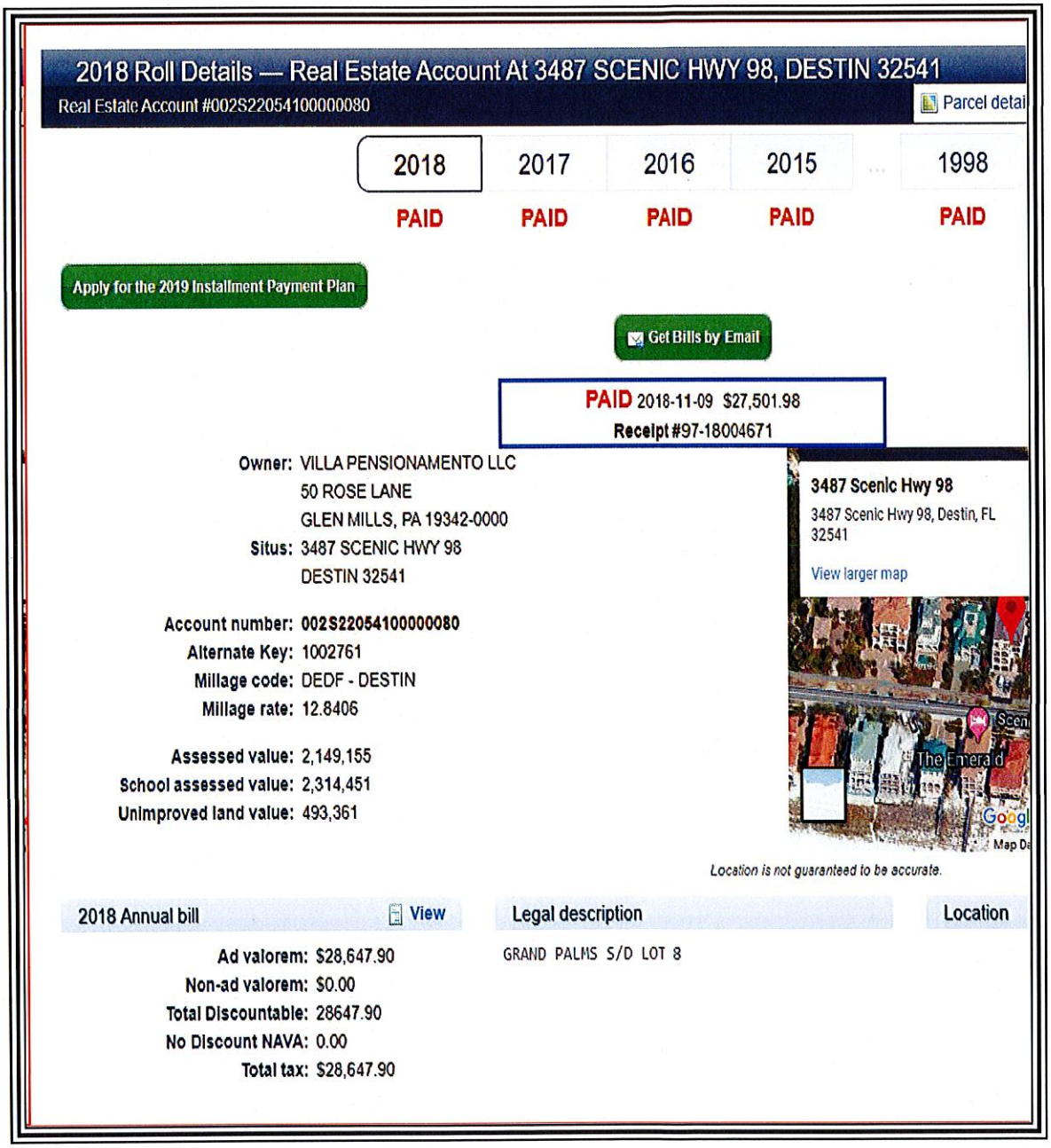
The tax identification number, gross tax amount due, amount paid, and assessed value for the 2018 tax year.

Tax Identification Number	Assessed Value	Gross Tax Amount Due	Amount paid	Amt. Due
00-2S-22-0541-0000-0080	$2,149,155	$28,647.90	$27,501.98	None

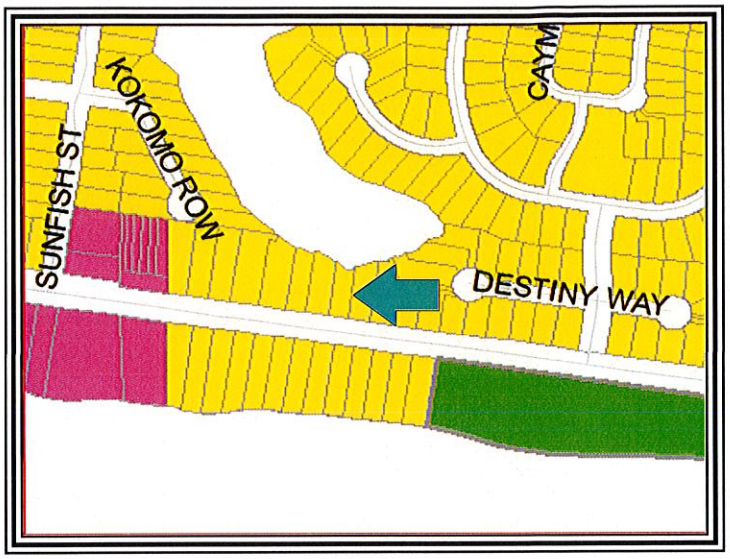
The 2018 taxes were paid early, resulting in a discount.

There are no previous year taxes owing.

It is my experience that assessed value has little correlation with current market value and are typically lower than market value with a few exceptions.



Zoning:
The following map indicates zoning for the subject parcel. The subject is zoned Crystal Beach Neighborhood by Destin. See following pages for detailed identification of allowable uses.



LAND DEVELOPMENT CODE COMMENTS

The following excerpts were taken from the Destin Land Development Code, currently on line.

This first excerpt states that Crystal Beach Neighborhood designates seasonal or short-term residential uses for single-family detached dwellings as a permitted use. I note that this description of the Crystal Beach Neighborhood zoning designation is silent regarding the number of allowable guests and does not limit guest numbers.

Community Development Department
Planning Division
4200 Indian Bayou Trail, Destin, FL 32541
Phone (850) 337-3123 • Fax (850) 837-7949
www.cityofdestin.com/index.aspx?nid=91

ZONING DISTRICT FACTSHEET

The purpose and intent of establishing zoning districts is to ensure that all development is consistent with the goals, objectives and policies of the Comprehensive Plan, by establishing a series of zoning districts that indicate what uses are allowed and site development regulations that control the use of land in each district. All development within each zoning district shall be consistent with the purposes stated for each district. (LDC 7.12.05)

CRYSTAL BEACH NEIGHBORHOOD (CBN)

Purpose and intent: The Crystal Beach Neighborhood zoning district shall apply to areas developed, redeveloped and/or maintained and conserved as permanent or seasonal single-family detached or multi-family attached residential dwelling units. Very limited supportive non-residential uses are allowed and are strictly limited to: places of worship, parks, playgrounds, community buildings and similar public service facilities serving the residents of the area, childcare centers and other ancillary neighborhood commercial uses which are approved as part of a planned unit development (PUD) for the exclusive use of the residents of the PUD. It is the intent of the CBN zoning district to specifically not allow the following uses to be located in the district: commercial hotels, motels, bed and breakfast establishments, or other commercial transient living accommodations.

Table 7-2: Table of Allowable Uses (excerpt from LDC 7.12.06)

PERMITTED USES:

Permanent or long-term residential uses

Single-family detached dwelling
Guest house [1]
Accessory dwelling
Single room occupancy housing
Museums, historical sites, zoos & parks [10]
Religious organizations

Seasonal or short-term residential uses

Single-family detached dwelling

Other residential uses

Community residential home, small (1-6)
Family day care home

CONDITIONAL USES:

Other residential uses

Permanent or long-term Multi-family attached dwelling
Seasonal or short-term Multi-family attached dwelling
Community residential home, large (7-14)
Child day care services

ACCESSORY USES:

Uses and structures which are customarily accessory, clearly incidental and subordinate to permitted uses and structures, including home occupations and off-site businesses.

Footnotes:

1 Guest houses are permitted only if the owner of the subject property occupies the primary dwelling as his/her main residence. However, guest houses shall not be rented out separately from the main residence. (refer to LDC section 7.12.04.M).

10 Zoos are only allowed in the Industrial zoning district.

This second excerpt defines long term rental and short term rental. I again note that the definition of short term rental is silent regarding the number of allowable guests.

Policy 1-2.1.1: Residential Uses Defined. Residential uses shall include several structure types used for housing, including single-family detached dwellings and multiple-family structures including duplex structures units, town homes and other detached single-family structures, apartments, patio homes, atrium homes, and similar multiple-family structures. The specific FLUM designations shall identify where single-family and multiple-family structures may be located. Following are the definitions for long-term residential and short-term residential.

1. **Long-Term Residential.** Long-term residential uses shall be defined as any residential accommodation that is available for occupancy for 181 days or more. Long-term residential uses shall include lock-out units, as defined in the Glossary.
2. **Short-Term Residential.** Short-term residential uses shall be defined as any residential accommodation that is available for occupancy for 180 days or less. Short-Term Residential uses shall include lock-out units, as defined in the Glossary.

This third excerpt defines the grandfather clause. This clause states clearly that the grandfather status may be released only by the vested entity

Policy 1-2.1.5: Grandfather Clause. Existing land uses that were lawfully conforming uses prior to the effective date of the Comprehensive Plan, shall continue as lawful uses and shall be regulated through administrative remedies for vested rights issues that shall be included in the LDC. Building heights, density and/or intensity which (a) are actual present and which lawfully existed prior to the effective date of the Comprehensive Plan, or (b) were authorized pursuant to a development order, which development order remained unexpired as of the effective date of the Comprehensive Plan, shall continue to be legal building heights, density and/or intensity (as applicable) after adoption of the Comprehensive Plan. All duly approved and recorded lots, subdivision and condominium plats of record, which existed as legal lots, subdivision and condominium plats of record prior to the adoption of this Comprehensive Plan shall continue to be legal lots, subdivision and condominium plats of record after adoption of the Compreh[illegible]. This grandfather status may only be relinquished voluntarily by the vested entity. All [illegible]sions, condominium plats and all replats shall comply with the Comp[illegible]ensive Plan objectives and policies, including maximum density provisions. Similarly, all new deve[illegible]ment shall comply with the Comprehensive Plan and LDC unless the development is found to have a vested right in a land use, building height, density or intensity that is in conflict with the Comprehensive Plan and LDC. Under such condition the grandfather clause shall be applicable unless voluntarily relinquished by the vested entity. The intent is to sustain demonstrated private property rights while preserving the public interest, welfare, health, and safety. Notwithstanding, any single-family home that is subject to redevelopment shall be allowed to reconstruct, providing adopted building and construction codes as well as this ordinance and the size and dimension criteria of the LDC are met.

CONCLUSION

Based on these excerpts, I conclude that prior to the promulgation of Ordinance 18-29-CC, there were no restrictions to the number of allowable guests.

History:
The subject has been owned by the current owner since 4/1/2013 when he purchased it for $372,000, per ORB/P 3088/3663.

Based on this transfer date outside of three years, there is no requirement to analyze the previous sale.

Active Listings:
None.

Current Use:
The subject is currently a detached single family home used for seasonal rental, catering to large family groups.

Surrounding Uses:
The surrounding use in the Crystal Beach/Destiny/Destiny By The Sea area is a mix of full time occupants and seasonal renters.

MARKET AREA ANALYSIS - SEASONAL RENTAL MARKET

I am restricting this analysis to the seasonal rental market.

Up until perhaps 2000, the great majority of seasonal rentals were condominium units.

However, the growing demand for larger spaces to accommodate extended families in one place led to the conversion of many larger homes to seasonal rentals. It also spurred the construction of homes specifically designed for large rental parties.

Such homes feature typical living areas but emphasize a substantial number of bedrooms and baths. Often bedrooms are equipped with multiple built - in bunks for sleeping children.

Most homes also feature sofa sleepers which can sleep additional children.

Many of these homes, and certainly those recently constructed for this purpose, featured swimming pools and lanai areas as an exterior amenity.

This market has flourished as Destin is nationally recognized as a tourist attraction.

It is common to see Realtors addressing gross rental amounts or gross rental projections in MLS Listings. While the value of homes similar to the subject is partially estimated by a size / value per SF component, the fact that a home generates a substantial amount of income makes it a more attractive and safe purchase than a home which is not rented for seasonal income. In the past few years, income has become as important as selling prices, per SF.

Another factor worthy of discussion is that many owners now self - manage. Typically in the past, management of rentals was performed by one of several large real estate companies, such as Resort Quest, Dale Peterson, Newman Dailey and Southern Resorts. However, in the past 10 years a substantial number of smaller management companies have surfaced.

Management fees for seasonal rentals range from perhaps 15% to 25% of gross revenue.

Entrepreneurial owners have recognized this expense line and many now self - manage with the aid of Vacation Rental By Owner (VRBO) or some similar search engine.

The seasonal rental market is increasing in the Destin/Miramar Beach market as the thriving national economy allows discretionary vacations.

Without the promulgation of Ordinance 18-29-CC, allowing the existing capacity up to 32 guests, I would consider the seasonal rental market to continue to flourish over the next several years.

With the promulgation of Ordinance 18-29-CC, limiting the subject to 18 guests, I would project a diminution in value.

HIGHEST AND BEST USE 'AS IS'

Legally Permissible
The subject property is zoned (and designated for future land use) as *Crystal Beach Neighborhood (CBN)* by the City of Destin, Florida.

This zoning and land use designation allows for single-family use and specifically indicates that short term rentals is a permitted use (See page 39). The use of the subject for single-family short-term rentals is therefore allowed in this district.

Physically Possible
The subject property appears to be relatively level and well drained. Soil and subsoil conditions nearby appear compatible with both low-rise, multi-story use and traditional commercial development. All utilities required for commercial or 'mixed use' are presently at the site. The size and dimensions of the site are sufficient to allow a wide variety of legally permissible uses. The shape of the site is rectangular and this shape does not limit utility. Transportation of construction materials or labor to the site is estimated to be relatively simple due to the central location of the site within the overall market. Access to the site is above average.

However, the most compelling substantiation that the subject is physically possible is the fact that it already exists.

Therefore, use of the subject property for single family use as a seasonal rental is physically possible.

Financially Feasible
Value opinions derived in the income approach to value indicate the existing improvement contributes value to the underlying land. There is substantial other ongoing seasonal rental use in the market, suggesting that there is broad appeal for seasonal rental properties.

Therefore, continued use of the subject property for a detached single family residence used for seasonal rental income is financially feasible.

Maximally Productive
The alternatives of addition, demolition, expansion, modernization, or conversion to alternate uses have been considered within the legal, physical, and financially feasible parameters. Several alternatives exist.

Alternatives for use of improvements:

Expansion
The existing subject improvement is 6,153 HVAC SF. The subject is typical of most seasonal rental homes. Thus, there is no need for expansion. Any expansion would come at a cost of parking and/or access. Thus, expansion beyond what is existing, does not appear to be appropriate and feasible.

Renovation
Typically, any existing property could benefit from renovation. However, the subject has been well maintained and is in good condition. Thus, I would not consider imminent renovation to be required or practical.

Downsizing
The existing subject improvements are 6,153 HVAC SF. I see no reason to downsize the subject improvement as it appeared that all of it is usable space. Thus, downsizing beyond what is existing does not appear to be appropriate, physically possible or feasible.

Subdividing
The purpose of the subject is to lease it seasonally to large parties of guests. Subdivision would not be legally approved and does not appear to be financially prudent as the parties of guests would be smaller and grouping smaller parties together in the same pool could prove problematic. I would not consider subdivision to be prudent or feasible.

Demolition
The subject is a recently constructed home in 2016, and is currently in good condition. It features a probable 55 years of remaining economic life and a probable 70-75 years of remaining physical life.

I do not consider demolition and replacement with alternative improvements to be a superior use to the current use as a rental property. No alternative use would be certain to serve the land better. Thus, the subject is not a candidate for demolition.

Utilizing existing improvements
Continued use 'as is' as a seasonal rental, is considered the maximally productive use.

Conclusion of Highest and Best Use 'as is'
Analysis of recent trends and current market supply and demand indicate that the maximally productive highest and best use of the subject property is continued use as a detached single family residence used for seasonal rental income.

Conclusion of Highest and Best User 'as is'
Analysis of recent trends and current market supply and demand strongly indicate the most probable user is an entrepreneurial user who leases the subject for seasonal rental income with a small amount of personal use.

SUMMARY OF ANALYSIS AND VALUATION

Methodology

Site valuation derived from Sales Comparison Analysis involves direct comparisons of the subject property to similar properties selling in the marketplace to derive a comparative value indication for the subject property 'as if vacant,' as of the effective date of value. This approach is also called the 'direct sales comparison approach', or the 'market approach', and tends to be the most reliable approach for developing an opinion of the value of vacant land or sites available for development. Other methods of developing the value of land are available. Allocation, extraction, land residual, ground rent capitalization, and discounted cash flow analysis are all recognized as reasonable methods. However, sales the comparison analysis is employed most often by market participants to derive pricing decisions in the local market area. Therefore, I employ this method exclusively.

The cost approach is a reliable methodology for new, or nearly new, buildings. I estimate the replacement cost or reproduction cost, in this case replacement construction cost, of the existing or existing improvements and site improvements (including direct and indirect costs as well as an appropriate developer profit), deducting accrued depreciation from physical, functional, and external sources from the total replacement or reproduction cost new. The depreciated replacement or reproduction cost of the improvements is added to the value of the site resulting in a value indication of the fee simple interest in the property.

The sales comparison approach is based on the 'Principle of Substitution' which indicates an informed purchaser would pay no more for a property than the cost of acquiring an equally desirable substitute property with the same or similar utility. This approach is applicable when an active market provides sufficient quantities of reliable data which can be verified from authoritative sources. The Sales Comparison Approach is reliable in an active market or if an opinion of value is related to properties which there are comparable sales available. This approach to value is also relevant when sales data can be verified with the principals to the transaction. Heavy emphasis is usually placed on this approach to value in an active market.

The income approach is recognized as a reliable approach for developing an opinion of the value of 'income producing' property to an investor. The income approach consists of methods, techniques, and mathematical procedures an appraiser uses to analyze a property's capacity to generate income and convert income into an indication of present value either by capitalizing the current income at a market capitalization rate or discounting the future cash flows into a present value estimate using an appropriate yield (discount) rate. The appraisal process emulates the market, and the most probable purchaser would either be an investor or prospective owner occupant. Two (2) techniques associated with the income approach are direct capitalization and discounted cash flow analysis.

Methodology employed and explanation of the exclusion of any of the three (3) approaches to value

I am not performing cost analysis. A buyer and seller in the market would not care what it cost to build the subject. In addition, the problem to be solved is to drive the diminution in value based on the guest restrictions included in Destin Ordinance 18-29-CC. The number of guests would have no impact on the cost to construct.

I am not performing sales comparison analysis. The impact of Destin Ordinance 18-29-CC may not be evident in the market for several years in the selling prices of homes. The ordinance allows a five year grandfather period. Homes sold in this grandfather period may not indicate a decline in selling prices and it would not be reliable to estimate diminution in value based on comparable sales until a larger array of data was available for use in sales comparison analysis.

I am performing income analysis. I will identify probable annual income for the subject with thirty two (32) guests, based on historical income and projected income from the manager; and then identify market rents which support the subject contract rent. I will then identify operating expenses and subtract operating expense from gross rent to arrive at a net operating income (NOI). I will then apply a market based capitalization rent to the NOI to arrive at a value for the subject, prior to the promulgation of Destin Ordinance 18-29-CC.

I will then identify the rental incomes for homes which are allowed only 18 guests. I will then subtract expenses for the rents of 18 guest homes and arrive at their NOI. I will then derive a value by capitalizing this NOI.

Finally I will subtract the value for a 18 guest house from the value of a 32 guest house and this figure will be the diminution in value.

COST ANALYSIS
NOT PERFORMED

SALES COMPARISON ANALYSIS NOT PERFORMED

INCOME ANALYSIS
'AS IS'

DESCRIPTION OF INCOME ANALYSIS METHODOLOGY

The income approach to value is based on the principle of anticipation, in that the value of the subject property correlates to the present worth of the future right to receive benefits in the form of income to be received by the owner. The income approach considers the property from an investment interest with the assumption that the amount of income, coupled with the regularity and quality of the income stream, are the basis for valuing the property based on income analysis.

The income approach is applied by identifying the net income by first identifying gross income and then deducting from the gross income the expenses of operating a property to arrive at a net income, generally identified a Net Operating Income (NOI).

The estimated NOI is then converted to a value opinion by utilizing either a Discounted Cash Flow Analysis, or a Direct Capitalization Analysis, or both.

Discounted cash Flow Analysis:
The Discounted Cash Flow Analysis (DCF) is an analysis where a discount rate is applied to a series (typically several years) of income streams with a reversion after typically 7 to 10 years. The appraiser must specify the quantity, variable nature of the income, timing of payments (monthly/quarterly/annually) to a present value at a specified yield rate. The DCF analysis is most applicable when the net income is projected to be variable and when the property is on a sufficient size and investment value to influence market participants to evaluate purchase decisions based on DCF. A large strip retail center would be a good candidate for DCF analysis, as would a project to be constructed in phases, where the income would increase as new construction is added.

I note that I did not perform DCF analysis as it is my opinion that market participants would not use DCF analysis to base decisions to either purchase or sell properties such as the subject.

Direct Capitalization:
The conversion of a net income to a current value is called capitalization. Capitalization is a method which is used to convert the estimate of a single year's net income actual figures and/or expectancy of income into a value opinion by dividing the income by a appropriate rate of capitalization, as estimated by the appraiser. This technique employs capitalization rates derived from the market, using both capitalization rates from recent sales of similar properties, generally augmented by national indices, or other mathematical progressions. This process provides a one year snap shot of the property value. Future yields and values are not directly identified. The direct capitalization analysis is most appropriate for small to medium sized income producing properties, in stable markets with a forecast of generally stable income.

The procedural steps involved in capitalization are as follows:

Develop the probable gross income by identifying historical performance, income projections and market incomes from comparable properties which support the historical or projected subject income.

Estimate vacancy and collection losses to arrive at Effective Gross Income (EGI).

Estimate and subtract operating expenses to arrive at NOI.

Develop a capitalization rate which is supported by the market.

Divide the NOI by the capitalization rate to derive a value opinion.

I am employing the direct capitalization analysis to derive values in this analysis.

I note for the reader that steps #1 and #2 are generally combined in the analysis of seasonal resort properties. Owners and management companies tend to provide actual income which has already accounted for vacancy and collection loss.

ESTIMATE OF CAPITALIZATION RATE

The capitalization rate is a rate which is applied to the Net Operating Income (NOI) to derive a value for a property. As the chart below indicates, you can derive a capitalization rate by dividing the NOI by the purchase price.

The following excerpt will provide some explanation of capitalization rates.

Capitalization rates are used in a formula. As seen below, dividing the net operating income by the purchase price indicates the capitalization rate.

Another variation of the formula is to divide the net operating income by the capitalization rate and this process will indicate the value of the property.

What Is a Cap Rate?

A cap rate is simply a formula. It's the ratio of a rental property's net operating income to its purchase price (including any upfront repairs):

Cap Rate =

Net Operating Income (NOI) ÷ Purchase Price

The formula can be used on the level of an individual property by looking at its net operating income compared to its value. But it can also be used on the level of an entire market by taking *average* cap rates for a large group of properties.

Importantly, the cap rate formula does NOT include any mortgage expenses. As you can see in the formula for net operating income below, the expenses do not include a mortgage or interest payment.

Gross Rental Income
- Vacancy/Credit Loss Reserve
- Property Taxes
- Property Insurance
- Maintenance/Repairs
- Common Utilities (if any)
- Other expenses (ex: license)
= Net Operating Income

MARKET CAPITALIZATION RATE BASED ON NATIONAL INDICE

Capitalization rates range widely in the market. The following table derived from Realty rates.com indicate a wide variety of capitalization rates base on property types. This table contains very recent data from the first quarter 2019.

As can be seen, properties such as restaurants and lodging (motels and hotels) have high capitalization rates. Apartments (residential) have the lowest capitalization rates.

Realty rates does not include a separate category of single family detached homes.

RealtyRates.com INVESTOR SURVEY - 1st Quarter 2019*
CURRENT & HISTORICAL CAP RATE INDICES

Method-Weighted* Property Category Indices

	Apts		Golf		Healthcare Senior Housing		Industrial		Lodging		MH/RV Park		Office		Retail		Restaurant		Self Storage		Special Purpose		Weighted* Composite Indices	
Year	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg
2018	8.42	26	12.02	30	9.01	14	9.19	23	10.53	25	9.56	30	9.04	10	9.38	20	11.57	15	9.86	29	11.64	40	9.64	22
4th Qtr	8.46	8	12.08	11	9.07	11	9.23	7	10.53	1	9.62	13	9.08	13	9.44	10	11.62	11	9.92	13	11.71	11	9.68	9
3rd Qtr	8.37	-4	11.97	-5	8.96	-2	9.16	-5	10.52	-7	9.50	-5	8.95	-6	9.33	-3	11.51	-4	9.79	-7	11.60	-3	9.59	-5
2nd Qtr	8.41	3	12.02	5	8.98	3	9.21	5	10.59	6	9.55	5	9.00	0	9.36	4	11.56	4	9.86	6	11.63	5	9.64	4
1st Qtr	8.38	23	11.97	28	8.96	13	9.16	22	10.52	31	9.50	28	9.00	5	9.32	17	11.52	26	9.81	25	11.58	34	9.60	21
2017	8.16	4	11.73	-2	8.87	-6	8.96	-12	10.28	5	9.26	11	8.94	-22	9.19	-8	11.42	-15	9.57	-9	11.25	4	9.42	-6
2016	8.13	-2	11.75	6	8.92	12	9.08	15	10.22	0	9.15	15	9.16	16	9.27	12	11.57	-10	9.67	14	11.21	10	9.48	9
2015	8.15	-9	11.69	-14	8.80	-9	8.93	-10	10.22	-20	8.99	-18	9.00	-6	9.15	-11	11.66	-13	9.52	-22	11.11	-12	9.40	-12
2014	8.24	-15	11.83	-9	8.89	-1	9.03	-4	10.43	-17	9.17	-5	9.06	-22	9.26	15	11.79	-6	9.75	-20	11.24	14	9.52	-7
2013	8.39	14	11.92	-14	8.90	5	9.07	-2	10.60	3	9.22	14	9.28	-19	9.11	-4	11.86	9	9.95	-24	11.10	1	9.58	-2
2012	8.25	-35	12.07	6	8.85	-36	9.09	-40	10.57	-24	9.08	-39	9.47	3	9.15	-13	11.77	6	10.19	-49	11.09	-4	9.60	-21
2011	8.60	-29	12.00	-22	9.21	-40	9.49	-11	10.81	-24	9.48	-8	9.44	-10	9.28	-26	11.70	-14	10.69	-3	11.12	-17	9.81	-19
2010	8.89	4	12.22	5	9.62	15	9.60	12	11.05	7	9.55	22	9.54	16	9.54	25	11.84	12	10.72	21	11.30	0	10.00	13
2009	8.85	8	12.17	16	9.47	10	9.48	10	10.98	-7	9.33	1	9.38	29	9.29	20	11.72	15	10.50	37	11.30	8	9.87	14
2008	8.77	-4	12.01	29	9.37	-16	9.38	-14	11.05	56	9.32	-5	9.09	-16	9.09	-11	11.57	-28	10.13	20	11.22	-7	9.74	-1
2007	8.81	-45	11.72	-21	9.53	-65	9.52	-25	10.49	-28	9.37	-26	9.25	-47	9.20	-12	11.85	61	9.93	-38	11.29	-24	9.75	-28
2006	9.26	12	11.93	47	10.18	15	9.77	35	10.77	27	9.63	41	9.72	26	9.32	30	11.24	18	10.31	27	11.53	9	10.03	26
2005	9.14	14	11.46	80	10.03	-16	9.42	-30	10.50	-21	9.22	19	9.46	6	9.02	16	11.06	5	10.04	13	11.44	-30	9.77	2
2004	9.00	-19	10.66	28	10.19	-37	9.72	19	10.71	-98	9.03	-48	9.40	-4	8.86	-19	11.01	-15	9.91	-13	11.74	-30	9.75	-19
2003	9.19	-2	10.38	-32	10.56	64	9.53	33	11.69	56	9.51	-11	9.44	1	9.05	-18	11.16	8	10.04	-53	12.04	105	9.94	12
2002	9.21	-40	10.70	18	9.92	-39	9.20	-61	11.13	26	9.62	-60	9.43	-35	9.23	-62	11.08	-3	10.57	-12	10.99	-177	9.82	-41
2001	9.61	64	10.52	133	10.31	90	9.81	16	10.87	98	10.22	-68	9.78	-35	9.85	-53	11.11	47	10.69	13	12.76	32	10.23	21
2000	8.97		9.19		9.41		9.65		9.89		10.90		10.13		10.38		10.64		10.56		12.44		10.01	

* Weighted by methodology: Band-of-Investment, DCR Technique, Sales Survey

* Further weighted by property category

ADDITIONAL DATA ON CAPITALIZATION RATES

The following chart provides some additional data regarding capitalization rates for apartments in some major metropolitan centers.

These rates are lower than the overall national rate for apartments identified on the previous page. I attribute this to the fact that the cities below are major metropolitan areas with a high density of population which keeps occupancy high and inspires investor confidence. In this regard, the Destin seasonal rental market is similar in its high density and national appeal.

Cap Rates For Stabilized, Class A Multifamily Apartments By City – 2017 (2nd Half)	
San Diego	4.25%
Chicago	4.75%
Atlanta	5.00%
Philadelphia	5.25%
St. Louis	5.75%
Cleveland	6.25%
Pittsburgh	6.50%
Detroit	7.25%

Single family homes are seldom valued via income capitalization. Most homes are owner occupied and the issue of rent and valuation through rent is generally not applicable. However, I identified the following excerpt rom the internet which indicates a range of capitalization rates from 4% to 10% for single family homes. The reader will note in the excerpt immediately above that high demand areas feature lower capitalization rates and lower demand areas feature higher capitalization rates. I would again observe that Destin is a high demand area in the seasonal rental market. Thus, I would consider it probable that capitalization rates for singe family homes in Destin were toward the low side of the 4% to 10% range.

Cap Rate for Single Family Home

Professionals purchasing commercial properties, for example, may buy at a 4% cap rate in high demand areas, or a 10% (or even higher) cap rate in low-demand areas. Generally, 4% to 10% per year is a reasonable range to earn for your investment property. Continuing with our example from above, $17,000/ 5% = $340,000.

The following are two excerpts from the internet indicating that Panama City Beach, Florida boasts a very low capitalization rate of 4.9% and that the Destin, Florida market features a 4.75% capitalization rate for Airbnb rentals.

9. PANAMA CITY BEACH, FL

- *Short-Term Rental Cap Rate: 4.9%*

White sandy beaches, clear water, fishing piers, protected nature reserves, hiking trails... what more do you need to be convinced that Panama City Beach is one of the best places around the US to invest in a vacation rental.

Property prices are affordable with a median level of $334,700, while short-term rental income stands around $3,260. The average cap rate for vacation rentals is 4.9%.

2. Destin

- *Median Property Price:* $695,000
- *Airbnb Rental Income:* $2,720
- *Traditional Rental Income:* $1,610
- *Airbnb CoC Return:* 2.3%
- *Traditional CoC Return:* 0.5%
- *Airbnb Cap Rate:* 4.7%
- *Traditional Cap Rate:* 2.8%
- *Airbnb Occupancy Rate:* 58.4%

The second among the best places to buy a vacation home in Florida is Destin, with rental income from Airbnb just a few dollars below St. Augustine. However, this location is significantly more expensive. But it has a very important advantage for all those loving nature and sports – it is very famous for the fishing opportunities that it offers.

MARKET DATA BASED ON LOCAL SALES OF DETACHED HOMES USED FOR SEASONAL RENTAL

In addition to the national data provided above, I am also providing some data from actual sales in the local market.

I have some professional acquaintances who specialize in the management of large homes used for seasonal rentals. I have asked them to provide me some actual data from recent sales to help derive a local data base of capitalization rates.

On 7/13/2018, Frangista Beach E16 LLC (Nick Athens - a professional acquaintance well known to me) sold 3491 Scenic Highway 98 to Rich Rentals for $3,000,000. This house is 6,008 HVAC SF and features nine (9) bedrooms and 9.5 baths. It is very similar to the subject and is a very good comparable indicator of capitalization rates. Mr. Athens stated that the net operating income was $172,340. Dividing $172,340 by $3,000,000 indicates a capitalization rate of 5.74%.

On 9/4/2015, Nick and Tina Athens sold 1850 - 1852 Scenic Gulf Drive in Miramar Beach to Forty-Four Holdings for $2,205,000. This was two side by side homes in Frangista Beach which were an aggregate 3,460 HVAC SF and which features Five (5) bedrooms and 7 baths. Mr. Athens stated that the net operating rent was $133,200. Dividing $133,200 by $2,025,000 indicates a capitalization rate of 6.58%. I do not consider it a coincidence that the home with the fewest bedrooms featured the highest capitalization rate.

On 2/10/2016, Destiny Real Estate Ventures LLC (Ben Giles - a professional acquaintance well known to me) sold 3463 Scenic Highway 98 to Charles Barone for $3,615,000. This house is 6,465 HVAC SF and features eight (8) bedrooms and 6.5 baths. It is very similar to the subject and is a very good comparable indicator of capitalization rates. Mr. Giles stated that the net operating income was $222,125. Dividing $202,125 by $3,615,000 indicates a capitalization rate of 6.15%.

On 1/11/2019, Kevin Hense sold 2984 Scenic Highway 98 to Russell and Susan Hancock for $3,000,000. This house is 3,997 HVAC SF and features six (6) bedrooms and 5.5 baths. It is very similar to the subject and is a very good comparable indicator of capitalization rates. Mr. Hense stated that the net operating income was $176,000. Dividing $176,000 by $3,000,000 indicates a capitalization rate of 5.87%.

RECAPITULATION OF LOCAL MARKET CAPITALIZATION RATES

The following table summarizes the capitalization rates identified in the narrative above.

Property Address	Capitalization Rate
3491 Scenic Highway 98, Destin	5.74%
1850 Scenic Gulf Drive, Mirimar Beach	6.58%
3463 Scenic Highway 98, Destin	6.15%
2984 Scenic Highway 98, Destin	5.87%
Average	6.0850%
Rounded	6.10%

I consider a rounded capitalization rate of 6.25% to be a market supported rate which is both credible and reliable.

For this reason, I am selecting a 6.25% capitalization rate.

This local rate is bracketed by the national rates from pages 51-53 above.

ESTIMATE OF VALUE PRIOR TO ORDINANCE 18-29-CC

Based on the current zoning and the Destin Land Development Code previously discussed, there is currently no limit to the number of guests allowed in the subject improvement. The subject can accommodate up to twenty (20) guests based on the data provided by the owner and my identification of sleeping capacity previously identified.

CURRENT CONTRACT RENT
I note that seasonal rentals are typically described with annual rental amounts as opposed to more consistent monthly rental rates.

Such rental amounts are generally described using gross income data, and/or projections of gross income data.

Appraisers need to then examine expenses to arrive at a net operating rent to capitalize. Expenses to gross revenue are ad valorem taxes, flood and hazard insurance, HOA dues, maintenance and repairs, utilities, lawn maintenance, pest control, professional fees and reserves. I note that interest/mortgage payments and depreciation are not expenses when capitalizing property for value.

In the case of the subject, I corresponded with the owner, Joseph Bellinghieri, via several email exchanges to identify 2018 actual incomes and expenses, as well as his projection for 2019 income.

Mr. Bellinghieri stated that his 2018 actual income was $305,393. He also stated that is 2018 expenses were 'about $150,000'.

This would suggest an approximate 49% expense ratio.

Mr. Bellinghieri also stated that he thought that 2019 income would be relatively the same as 2018 income with some possible increase based on higher rates and a more established presence in the market, given that 2017 was the first year the subject was offered for seasonal rental purposes.

In performing several Burt Harris Appraisals, I have noted that most owners/management companies have much higher 2019 income projections than 2018 actual income.

I consider it refreshing that Mr. Bellinghieri appears to be conservative/reasonable in his 2019 estimate of annual income.

I will use his estimate, but will supplement it with market data from other seasonal rentals from my files.

See the following page.

MARKET SUPPORT FOR GROSS INCOME ESTIMATE

Some of these comparables were provided to me by Ben Giles, an owner of several large homes. Other owners who provided data were Tari Furey, Nick Athens, Kevin Hense, Doris Reel and Andrea Farrell.

Number	Address	Gross Income	Guest capacity	Annual Income per Guest
1	42 Miami Street	$463,852	34	$13,643
2	3487 Scenic Highway 98	$305,393	32	$9,545
3	3463 Scenic Highway 98	380,000	32	$11,875
4	3461 Scenic Highway 98	$364,723	36	$10,131
5	107 Hollywood Street	$289,647	38	$7,622
6	112 Sandprint Circle	$325,000	30	$10,833
7	3485 Scenic Highway 98	$145,100	22	$6,595
8	3489 Scenic Highway 98	$160,900	20	$8,045
9	4664 Destiny Way	$275,000	20	$13,750
10	2984 Scenic Gulf Drive	$263,000	22	$11,954

The average of these ten market comparable rentals is $10,399. The most similar homes based on location is #7 and #8 as they are the two homes contiguous to the subject on both its west and east sides. I have appraised both of these homes for a Burt Harris claim.

Comparable #7 is an older home and was of a very average construction. I consider the subject substantially superior to Comparable #7.

Comparable #8 is older than the subject but is of a similar construction quality. I would consider the subject superior to Comparable #8.

However, working against the subject is its sleeping capacity of 32 guests. The principle of marginal utility will drive the annual rate per guest downward in larger homes.

The 2018 income per guest annually for the subject was $9,545.

Given a combination of the 2018 actual income, the superiority of the subject over the $6,595 income of Comparable #7 and the $8,045 income of Comparable #8, as well as the owner's reasonable estimate of increase from 2018 to 2019, I estimate a rounded $10,000 per guest annually.

The subject can accommodate 32 guests. Multiplying 32 by $10,000 per guest results in an annual gross income of $320,000.

MARKET SUPPORT FOR GROSS TO NET RATIO

I have attempted to derive gross and net income figures for comparable properties in the market. However, my research indicates that many owners and property managers are unwilling to divulge private financial information, especially the net income.

Thus, I will provide some market examples of properties where clients or close associates did divulge data.

The first example is a detached home located at 112 Sandprint Circle in the Dunes of Destin. The owners, Edward and Tari Furey, provided me with detailed data regarding income and expenses. They indicted annual revenue of $325,000 and annual expense of $100,000. This suggests an expense ratio of $100,000 / $325,000, or 31%, rounded.

I again spoke to Nick Athens who still owns a detached house at 4664 Destiny Way which grossed $275,000 in 2018. The expenses for this property were an approximate $89,000. This suggests an expense ratio of $89,000 / $275,000, or 32% rounded.

As a third indicator, I spoke to Kevin Hense, who sold a detached house at 2984 Scenic Highway 98 for $3,000,000 on 1/11/2019. Mr. Hense indicated that the 2018 gross rent was $263,000 and that the expenses were $87,000. This suggests an expense ratio of $87,000 / $263,000, or 33%, rounded.

As a fourth indicator, I spoke to Doris Reel who owns 3485 Scenic Gulf Drive. She stated she had gross income of $145,100 in 2018 and expenses of $48,858. This is an expense ration of 35%.

The subject features income of $305,393 and expenses of 'around $150,000'. This is an expense ratio of 49%.

I consider the historical operating expense ratio for the subject to be higher than typical for the market.

In my series of email exchanges with the owner, it was difficult to ask continuation questions. It occurs to me that the owner may be including some capital improvement or some one time repairs in his expense estimate.

I am interpolating between the 2018 actual percentage of 49% and the market based percentage of an approximate 35% to select an expense ratio of 40%.

The next step is applying the previously calculated expense ratio to the gross rent to arrive at a net operating income (NOI). Applying a 40% expense ratio to $320,000 results in a net rent of $192,000.

Capitalizing $192,000 with a 6.25% capitalization rate results in a value of $3,072,000, rounded to $3,070,000.

It is my professional opinion that the subject value, prior to the promulgation of Destin Ordinance 19-23-CC is $3,070,000, based on income analysis.

$3,070,000

ESTIMATE OF VALUE AFTER THE PROMULGATION OF ORDINANCE 18-29-CC

Destin Ordinance 18-29-CC reduces the subject sleeping capacity to 16 guests as the limit is two guests per bedroom, plus four (4) additional guests. There are seven (7) bedrooms. Thus, 2 x 7 = 14 + 4 = 18.

I note for the reader that the ordinance states clearly that a bedroom must meet the requirements of the Okaloosa County Property Appraiser who states that a bedroom has a door, a window and a closet. The Okaloosa County Property Appraiser states that the subject is a seven bedroom house.

To estimate the difference, I need to research the market for homes which are limited to smaller guest totals.

MARKET SUPPORT FOR GROSS INCOME ESTIMATE

Some of these comparables were provided to me by Jordan Shane, Florida Luxury vacation Rentals, Cheryl St.Pe', Destin Comforts and Ben Giles.

#	Address	Gross Income	Guest capacity	Income per guest annually
1	3489 Scenic Highway 98	$160,900	20	$8,045
1	3893 Sandprint Circle	$118,796	20	$5,939
2	113 Los Angeles Street	$137,308	19	$7,227
3	1737 Scenic Highway 98	$144,814	20	$7,241
4	100 Sandprint Circle	$105,000	20	$5,250
5	84 Woodward Street	$80,560	12	$6,713
6	212 Kono Way	$74,815	12	$6,235
7	75 Shirah Street	$79,885	14	$5,706

The average of these eight market comparable rentals is $6,544 per guest annually. None of these homes are gulf front homes. The subject is a also not gulf front, but features unimpeded gulf views. I consider the subject to command a slightly higher rate per guest than the above averages.

Based on my research, homes which can sleep less do not attract the same customer as the larger homes which cater to extended families. In addition, there is substantially more competition at the lower capacities as there are substantially more homes which sleep 15 to 20 as opposed to 30+ guests.

I would still consider a per guest rate of $9,000 per year to be credible.

Based on the impact of Ordinance 18-20-CC, the subject will be limited to 18 guests.

Multiplying $9,000 per guest by 18 guests results in gross annual rent of $162,000.

The next step is applying the previously calculated expense ratio to the gross rent to arrive at a net operating rent (NOI).

Applying a 40% expense ratio to $162,000 results in a net rent of $97,200.

Capitalizing $97,200 with a 6.25% capitalization rate results in a value of $1,555,200, rounded to $1,555,000.

It is my professional opinion that the subject value, after to the promulgation of Destin Ordinance 19-23-CC is $1,555,000, based on income analysis.

$1,555,000

ESTIMATE OF THE DIMINUTION OF VALUE

My research and analysis indicates that the value of the subject based on the right to sleep 32 guests is a rounded $3,070,000.

My research and analysis indicates the value of the subject based on the limit to sleep only 18 guests is a rounded $1,555,000.

It is my opinion the promulgation of Destin Ordinance results in an approximate $1,515,000 diminution of value.

DIMINUTION OF VALUE

$1,515,000

ADDENDA

Appraiser License

APPRAISER LICENSE

THIS INSTRUMENT PREPARED BY
AND AFTER RECORDING RETURN TO:

Kimberly Romano Kopp, Esq.
Romano Kopp Law, P.A.
P.O. Box 445
Destin, Florida 32541

For Recording Purposes Only

SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is entered into this _____day of _____ 2019, ("Effective Date") by and between, Villa Pensionamento, LLC. ("Owner") and the City of Destin ("City"), collectively referred to as the "Parties."

RECITALS

WHEREAS, on January 22, 2019, the City enacted Ordinance 18-29-CC, the Short-Term Rental Occupancy Ordinance ("Ordinance"), which limits the occupancy of short-term rental homes to two (2) people per bedroom plus an additional four (4) persons; and

WHEREAS, Owner owns the real property and improvements located at 3487 Scenic Highway 98, Destin, FL 32541, as more particularly described in the attached Exhibit "A" (the "Property"); and

WHEREAS, on May 10, 2019, Owner filed a claim with the City, pursuant to the provisions of §70.001, Florida Statutes, the Bert J. Harris, Jr., Private Property Rights Protection Act (the "Harris Act"), alleging that the Property had been inordinately burdened by the adoption of the Ordinance, (the "Claim"); and

WHEREAS, the Harris Act provides for the City to have the ability to enter into a settlement agreement which would have the effect of a modification or variance to the application of a regulation or ordinance as it would otherwise apply to the subject real property, provided the relief granted protects the public interest served by the regulations at issue and is the appropriate relief necessary to prevent the governmental regulatory effort from inordinately burdening the real property; and

WHEREAS, the City has determined that the modifications to the effect of the Ordinance effected by this Agreement protect the public interest served by the Ordinance and are the appropriate relief necessary to prevent the regulatory effect of the Ordinance from inordinately burdening the Property; and

WHEREAS, the Parties now desire to settle and finally resolve all disputes between and among them concerning the Claim.

NOW, THEREFORE, the Parties hereby agree as follows:

1. **Recitals.** The above recitals are true and correct and are incorporated herein by reference.

2. **Occupancy Allowable Under Ordinance.**

(a) Owner is hereby granted a variance from the provisions of the Ordinance so that the Owner shall have the right to apply under the Ordinance for a maximum occupancy of twenty-four (24) overnight guests at the seven (7) bedroom vacation rental property noted above and the City shall grant such occupancy. The right shall continue in perpetuity, regardless of any future changes in ownership, provided that this right shall expire permanently if the Property were to be voluntarily remodeled or voluntarily rebuilt in such a manner as to change the number of bedrooms that existed at the date of the Claim. The Property remains subject to all other requirements of the City's regulations, including but not limited to regulations for short-term rentals, parking, trash, and noise.

(b) No greater than six (6) vehicles may be parked on the Property. No vehicle may encroach upon the City's right-of way.

(c) Owner shall ensure that at least four (4) outdoor trash receptacles are provided by the applicable trash hauler and available for use by occupants at all times.

(d) Owner agrees that the City shall be permitted to access the property on an annual basis for the purpose of life-safety inspections to ensure code compliance with minimum egress and emergency egress requirements pursuant to the Florida Building Code (Residential) and to ensure the property has adequate and working smoke detectors. Owner shall submit to the City a separate application and fee for such inspection, on a form provided by the City, at the time Owner submits its annual short-term rental registration application to the City

3. **Development in Accordance with Code.** Notwithstanding any provisions contained herein, the Owner shall at any time have the right and option to remodel, develop, or use the Property in accordance with the applicable ordinances of the City of Destin in effect at the time of application therefor, and this variance shall not be construed as making the Property in any way non-conforming.

4. **Entire Agreement.** The Parties acknowledge that this Agreement constitutes the entire agreement between them regarding the settlement of their dispute and any prior statements, whether oral or written, are merged herein. This Agreement may not be modified or amended without a written instrument signed by the party against whom enforcement is sought.

5. **Duration of Agreement.** This Agreement shall be perpetual and deemed to run with the land, and shall be binding upon and the benefits shall inure to the parties hereto and their respective heirs, devisees, personal representatives, successors and assigns.

6. **Authority.** The signatories to this Agreement are expressly authorized to resolve their dispute as set forth herein and by their signatures here represent and affirm their authority to execute this Agreement.

7. **Governing Law.** The law of the State of Florida shall apply to this Agreement. Any dispute regarding this Agreement shall be litigated exclusively in the courts of Okaloosa County, Florida. The parties expressly consent to such agreed jurisdiction and venue, and waive any objections thereto.

8. **Notices.** Any notice required or permitted to be given hereunder shall be in writing and shall be (i) delivered by hand, (ii) delivered by reputable national or local courier (such as United Parcel Service or Federal Express), (iii) mailed by United States registered or certified mail, return receipt requested and postage prepaid, or (iv) sent by facsimile transmission provided a confirmation of such facsimile transmission is sent the same day by one of the methods of delivery in (i), (ii), or (iii) above. Any notice shall be addressed to each party at its address as set forth below. Any such notice shall be considered given on the date of such hand delivery, deposit with such courier for same day or next business day delivery, upon receipt of return receipt of certified mail, or receipt of facsimile transmissions, as the case may be, and the time period (if any is provided herein) in which to respond to such notice shall commence on the date of receipt. Rejection or other refusal to accept or inability to deliver because of changed address of which no notice was given shall be deemed to be receipt of the notice. By giving to the other party at least ten (10) days' notice thereof, any party shall have the right from time to time to change the addresses thereof and to specify up to two (2) additional addresses within the United States of America to which copies of notices to it shall be sent. Notice may be given on behalf of any party by such party's counsel. In the event the subject property owner changes, notices shall be addressed to the current owner as indicated in the records of the Okaloosa County Property Appraiser. Otherwise, notices shall be sent as follows:

Each notice shall be addressed as follows:

To City: City of Destin, Florida
Attn:
4200 Indian Bayou Trail
Destin, Florida 32541

With a copy to:
City Land Use Attorney
Romano Kopp Law, PA
PO Box 445
Destin, Florida 32541

To Villa Pensionamento: Villa Pensionamento, LLC
1159 Troon Drive
Miramar Beach, Florida 32550

With a copy to: Matthews & Jones, LLP

Attn: C. Stephen Tatum
4475 Legendary Drive
Destin, Florida 32541

9. **Attorney's Fees**. In the event of any action, whether pre-suit, mediation, litigation or appellate proceeding to enforce the terms and conditions of this Agreement, each party to the action shall pay its own attorney's fees and costs incurred therein.

10. **Venue**. Venue over any action to enforce the terms and conditions of this Agreement, including mediation, shall lie solely in Okaloosa County, Florida.

OWNER: Villa Pensionamento, LLC

_____
Signature of Witness #1

_____
Joseph A. Bellinghieri

_____
Print or type name

_____
Kimberly Bellinghieri

_____
Signature of Witness # 2

_____
Print or type name

STATE OF_____
COUNTY OF_____

The foregoing instrument was acknowledged before me this _____ day of _____ 2019, by _____ _____ and _____, who are personal known to me or who have produced _____ as identification and who did not (did) take an oath.

_____
Signature of Notary

(NOTARY SEAL)

_____
Print or type name

CITY OF DESTIN

By:_____
Gary Jarvis, Mayor

Date:_____

ATTEST:

_____
Rey Bailey, City Clerk

Date:_____

STATE OF_____
COUNTY OF_____

The foregoing instrument was acknowledged before me this _____ day of _____ 2019, by _____ _____ and _____, who are personal known to me or who have produced _____ as identification and who did not (did) take an oath.

_____
Signature of Notary

(NOTARY SEAL)

_____
Print or Type Name

Approved as to form and legality for use and reliance
by the City of Destin, Florida, only.

_____
Kimberly Romano Kopp, Esq.
City Land Use Attorney

Exhibit "A"

Legal Description of Property

Lot 8, GRAND PALMS, according to the Plat thereof as recorded in Plat Book 15, Page(s) 38 and 39, of the Public Records of Okaloosa County, Florida.

ITEM # 2019-1889

CITY OF DESTIN

AGENDA ITEM

COUNCIL MEETING DATE: December 9, 2019
TYPE OF AGENDA ITEM: Action Item

TO: City Council

THRU: Lance Johnson, City Manager

FROM: Kimberly Kopp, Land Use Attorney
Louis Zunguze, Community Development Director

DATE: December 5, 2019

SUBJECT: 9) 3473 Scenic Hwy 98

I. BACKGROUND:

On January 22, 2019, the City enacted Ordinance 18-29-CC, the Short-Term Rental Occupancy Ordinance ("Ordinance"), which limits the occupancy of short-term rental homes to two (2) people per bedroom plus an additional four (4) persons.

The subject property owner owns the real property and improvements located at 3473 Scenic Highway 98, Destin, FL 32541, as more particularly described in Exhibit "A" (the"Property") to the proposed settlement agreement.

Owner filed a claim with the City, pursuant to the provisions of §70.001, Florida Statutes, the Bert J. Harris Jr., Private Property Rights Protection Act (the "Harris Act"), alleging that the Property had been inordinately burdened by the adoption of the Ordinance, (the "Claim).

The Harris Act provides for the City to have the ability to enter into a settlement agreement which would have the effect of a modification or variance to the application of a regulation or ordinance as it would otherwise apply to the subject real property, provided the relief granted protects the public interest served by the regulations at issue and is the appropriate relief necessary to prevent the governmental regulatory effort from inordinately burdening the real property.

The City Council should settle the claim if the City Council determines that the modifications within the settlement agreement protect the public interest served by the Ordinance and are the appropriate relief necessary to prevent the regulatory effect of the Ordinance from inordinately burdening the Property.

II. DISCUSSION: The property owner has requested a maximum occupancy of thirty-four (34) occupants. City staff is recommending an occupancy of twenty-two (22) occupants based on the square footage of the property. The building official utilized a one-occupant per 200 square feet methodology for recommending the above-stated occupancy.

Additionally, staff is recommending at least four (4) trash cans on the property. This recommendation is based on industry standard (Waste Management) that, on average, one trash can is required for every six occupants in order to ensure adequate garbage disposal. Therefore, if the maximum number of occupants exceeds any multiple of six (6, 12, 18, 24, 30, 36, etc.), then an extra trash can will be needed to accommodate the additional occupants. For example, if thirteen (13) is the maximum occupation, then three (3) trash cans are required. This is because, on average, two (2) trash cans will only accommodate twelve (12) occupants. The third trash can will be needed to accommodate the thirteenth occupant.

Further, the property owner must agree to annual life safety inspections, as provided in the proposed settlement agreement.

Finally, staff is recommending that no greater than six (6) vehicles be parked on this property

As stated in the agreement, the property owner remains bound by all other provisions of City codes.

A. **Link to Strategic Goals / Objectives:**
B. **Effect on Budget (EOB):**
C. **Level of Service (LOS):**

III. CONCLUSION:

IV. RECOMMENDED MOTION: 1. I move to approve the settlement agreement prepared by the City Land Use Attorney and Staff.

or

2. I move to approve the settlement agreement prepared by the City Land Use Attorney and Staff with the following modifications:_____.

or

3. I move to direct the City Land Use Attorney to negotiate in good faith with the property owner and to bring back an alternate settlement proposal to the City

Council for consideration.

or

4. I move to deny settlement of the subject claim at this time.

Attachments:

1. Bert Harris Case - 3473 Scenic Highway 98
2. 3473 Scenic Highway 98 (1)

DANA C. MATTHEWS
MICHAEL A. JONES
KENNETH M. BORICK
Of Counsel
Also admitted in Georgia and South Carolina
DANA C. "D.C." MATTHEWS II
SAMUEL B. TAYLOR
DANIEL C. O'ROURKE
Florida Supreme Court Certified
Civil and Family Mediator

MATTHEWS & JONES
ATTORNEYS AT LAW
INSIGHT | INTEGRITY | INNOVATION

CHRISTA P. DIVINEY
Board Certified Criminal Trial Lawyer
Also admitted in Alabama
LAURA PENTEL-KLANG
JESSICA L. STEWART
SALVADOR "A.J." GOMEZ
C. STEPHEN TATUM

Reply to Destin

STATUM@DESTINLAW.COM

October 18, 2019

VIA HAND DELIVERY

Mayor Gary Jarvis
City of Destin
4200 Indian Bayou Trail
Destin, FL 32541
gjarvis@cityofdestin.com

Dear Mayor Jarvis:

Our firm represents Gemini Capital Acquisitions II, LLC, (hereinafter "GCAII) the owner of the home located at 3473 Scenic Highway 98; Destin, Florida, also identified as Lot 6, Grand Palms, a Part of Destiny, recorded in Okaloosa County Plat Book 15, at Page 38.

Due to the enactment of City of Destin Ordinance 18-29-CC, which limits the occupancy of short term rental homes to two (2) people per bedroom plus an additional four (4) persons, GCAII's reasonable investment-backed expectations for use of the home as a short-term vacation rental property have been inordinately burdened, as defined in the "Bert J. Harris, Jr., Private Property Rights Protections Act", Chapter 70, Florida Statutes ("Harris Act"). This property was permitted, inspected and approved by the City of Destin within the last year for a $60,000 remodel, which captured unused space and converted it to a bunkroom sleeping 16 persons.

GCAII hereby submits this letter along with the enclosed EquiValue Appraisal's property appraisal dated January 22, 2019, as a claim under the Harris Act against the City of Destin for One Million Two Hundred Seventy-Five Thousand Dollars ($1,275,000.00), which represents the diminution in value of GCAII's property.

Pursuant to the provisions of the Harris Act, GCAII hereby demands payment in the amount of One Million Two Hundred Seventy-Five Thousand Dollars ($1,275,000.00) plus attorneys fees and costs.

If no resolution is reached during the statutorily prescribed waiting period, GCAII intends to file suit pursuant to this claim and pursue any other legal remedies for the actions that gave rise to this claim. GCAII explicitly reserves the right to bring any and all legal challenges, appeals and objections with respect to Ordinance 18-29-CC.

Sincerely,

C. Stephen Tatum
Matthews & Jones, LLP
Attorney for Gemini Capital Investments II,, LLC

Enclosure

cc: Lance Johnson, City Manager (via email)
Rey Bailey, City Clerk (via email)
Kimberley Romano-Kopp, Esq. (via email)
Client

APPRAISAL REPORT

PROPERTY: AN APPROXIMATE +/-4,707 SQUARE FOOT HEATED AND COOLED RESORT RESIDENTIAL RENTAL PROPERTY, ALONG WITH ASSOCIATED SITE IMPROVEMENTS INCLUDING A HEATED POOL, POOL DECK AND PARKING, ALL OF WHICH IS SITED ON AN APPROXIMATE 0.24-ACRE SITE

3473 SCENIC HIGHWAY 98, DESTIN, OKALOOSA COUNTY, FL

EQUIVALUE APPRAISAL

EQUIVALUE APPRAISAL, LLC
PROFESSIONAL APPRAISAL AND VALUATION SERVICES
PO BOX 5326
DESTIN, FLORIDA 32540
PHONE (850) 424-6119

Jason P. Shirey, MAI, CCIM, CPM
State-Certified General Real Estate Appraiser, RZ3186 (FL)
Direct Phone (850) 543-5953 (Mobile)

EquiValue Appraisal File No.: 190331

APPRAISAL REPORT

Of Resort Residential Property
+/-0.24-Acre of Residential-Zoned Land
Improved with two resort residential structures,
Containing an aggregate +/-4,707 SF of Heated and Cooled Livable Area,
Along with Associated Site Improvements Including a Heated Pool and Pool Deck

Location
3473 Scenic Highway 98,
Destin, Okaloosa County, FL
32541

Property Owner
Gemini Capital Acquisitions II

Effective Date
January 22, 2019 (Retrospective)

Report Date
October 9, 2019

Client / Intended User
Gemini Acquisitions II, LLC
11767 South Dixie Highway, Suite 263
Pinecrest, FL 33156

Prepared by:
Jason P. Shirey, MAI, CCIM, Cert Gen RZ3186

EQUIVALUE
APPRAISAL

Phone 850 424 6119 Fax 888 774 4503
EquiValue Appraisal, LLC File #: 190331

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October 9, 2019

Gemini Capital Acquisitions II, LLC
Mr. Adam Lamnin
11767 South Dixie Highway, Suite 263
Pinecrest, FL 33156

Re: Diminution in Value Appraisal of an approximate +/-4,707 HVAC Square Foot Resort Multi-Story Residential Rental Property, 'As Is', whose postal address is 3473 Scenic Highway 98, Destin, Okaloosa County, FL 32541. EquiValue Appraisal File No. 190331.

Dear Client:

At your request and authorization, we have prepared an appraisal for the above-referenced resort residential rental property. A copy of the pertinent engagement document has been included in the addenda to this report if applicable.

This letter of transmittal is *not* an appraisal report, but merely serves to transmit the attached appraisal report and convey the final conclusion of value. The accompanying research, analyses and conclusions, and appraisal report following this letter of transmittal has been compiled in accordance with USPAP Standards Rule 2-2(a) for a written appraisal report.

The purpose of this appraisal is to determine if there is a Dimunition in Value as result of recently-adopted City of Destin Ordinance No. 18-29-CC, and if so, to derive an opinion of the Dimunition in Value to the subject property associated with the implementation of said Ordinance.

This Ordinance was implemented January 22, 2019, and the incorporation of this ordinance limits the occupancy of the subject property to 18 guests. Prior to the implementation of this Ordinance, the designed occupancy of the subject property was 34 guests. Therefore, as a result of the ordinance, the maximum occupancy of the subject has been reduced by 16 guests, or approximately -47.06%.

We are therefore opining on the difference in market value of the subject before and after the adoption of City of Destin Ordinance No. 18-29-CC, which was promulgated on January 22, 2019.

The values reported are predicated upon market conditions prevailing as of the effective date of the appraisal. In the context of the scope of work, the appraisal is considered to render a credible opinion of value, specific to the client, intended use and intended user.

The intended use of this appraisal is for internal decision making purposes by the stated Client and their advisors. This appraisal is intended for the use of the client and client's advisors.

We have completed the requisite inspections, research, and analyses necessary to appraise the 100% fee simple interest in the subject property, 'As Is' as of January 22, 2019, both prior to adoption of Ordinance No. 18-29-CC and after, in order to evaluate the potential Dimunition in value.

Please reference the Scope section of this report for information regarding the scope of research and analysis for this appraisal, including property identification, inspection, highest and best use analysis and valuation methodology.

I certify that I have no present or contemplated future interest in the property beyond this opinion of value. The reported value(s) in this appraisal have not been based on a requested minimum valuation, a specific valuation, and have been prepared in compliance with the Uniform Standards of Professional Appraisal Practice.

Your attention is directed to the Limiting Conditions and Assumptions section following the reconciliation and appraisal certification in this report. Acceptance of this report constitutes an agreement with these conditions and assumptions.

This appraisal is subject to the following Hypothetical Condition(s):

- None.

This appraisal is subject to the following Extraordinary Assumption(s):

- None.

Our opinion of value was formed based on our experience in the field of real property valuation, as well as the research and analysis set forth in this appraisal.

I am of the opinion that as a result of the implemented City of Destin Ordinance 18-29-CC that the market value of the subject property is negatively impacted.

The implemented Ordinance reduces the maximum occupancy of the subject property, and therefore the subject's associated income generation potential.

The subject property is a resort-residential property specifically utilized for income generation purposes. Therefore, a reduction in scheduled income due the subject correlates to a reduction in associated value.

The Dimunition in Value to the subject is represented by the difference between the 'Before' and the 'After' value conclusions.

In this case, this is represented by the difference between the opined value prior to implementation of the Ordinance (ie. the 'Before Ordinance' value of $2,075,000) and the value after implementation of the Ordinance (ie. the 'After Ordinance' value of $800,000).

Per this calculation, with supporting documentation as to the rationale of these values provided within this report, the opinion of Dimunition in Value to the subject as a result of City of Destin Ordinance 18-29-CC is opined to be $1,275,000.

Therefore,

Dimunition in Market Value
As A Result of Implementation of City of Destin Ordinance 18-29-CC:

One Million Two Hundred Seventy Five Thousand Dollars
($1,275,000)

The estimated market exposure period necessary for the subject to have achieved these values is estimated to be 9-12 months.

It was a pleasure assisting you with this matter. If you have any questions concerning the following analysis, or if we can be of further assistance, please do not hesitate to call.

Respectfully submitted,
EquiValue Appraisal, LLC

Jason P. Shirey, MAI, CCIM, CPM
Cert Gen RZ3186

INTRODUCTION

QUALIFICATIONS OF THE APPRAISER

Qualifications of

Jason P. Shirey, MAI, CCIM, MS-RECM

State-Certified General Real Estate Appraiser No. RZ 3186 (FL)
State-Certified General Contractor No. CGC 062478 (FL)
Licensed Real Estate Broker No. BK 3168469 (FL)

MAI : Designated Member of the Appraisal Institute
Appraisal Insitute, Chicago, Illinois.

CCIM : Designated Certified Commercial Investment Member
CCIM Institute, Chicago, Illinois.

M.S. RECM : Master of Science, Real Estate and Construction Management
University of Denver - Denver, Colorado.

B.S. BCN : Bachelor of Science, Building Construction Management
University of Florida – Gainesville, Florida.

Business Affiliations and Work Experience, Past / Present

EquiValue Appraisal and Consulting Services
Principal and Founder; Real Estate Appraiser, Real Estate Broker, Certified General Contractor

Marsh Appraisal Corporation - Real Estate Appraisal and Valuation Services, Fort Walton Beach, Florida
Registered Trainee Appraiser / State Certified Real Estate Appraiser

Plantation Coast Properties, LLC – Fort Walton Beach, Florida
Principal; Real Estate Investments and Property Management

Alcon Associates, Inc. – Commercial General Contractors / Construction Managers; Pensacola, Florida
Florida Division Manager

National Construction Enterprises, LLC – General Contractor / Construction Managers; Savannah, Georgia
Vice President of Operations, Savannah-Hilton Head Division

Acoustics and Specialties, Inc. – General Contractors; Memphis, Tennessee
Senior Estimator / Project Manager of Healthcare Construction

Brasfield and Gorrie General Contractor Inc. – General Contractors and Construction Managers; Orlando, Florida
Construction Estimator / Project Manager

United States Air Force Reserve
Reserve Pilot, Boeing C-17 Globemaster III

EQUIVALUE APPRAISAL

Jason P. Shirey, MAI, CCIM, MS-RECM (Continued)

Professional / Continuing Education

Litigation Appraising - Specialized Topics and Applications
Appraisal Institute

Uniform Standards of Professinal Appraisal Practice
7 Hour Update, *Appraisal Institute*

Advanced Income Capitalization
Appraisal Institute

Advanced Sales Comparison Approach
and Principles In Highest and Best Use
Appraisal Institute

User Decision Analysis for Commercial Real Estate
CCIM Institute Course CI-103

Advanced Cost Approach
Appraisal Institue

Real Estate Taxation, Planning and Consequences
University of Denver, Burns School of Real Estate

Advanced Real Estate Feasibility Analysis
Urban Land Institute / University of Denver

Real Estate Securities and Syndications
University of Denver, Burns School of Real Estate

Legal Issues In Real Estate and Construction Management
University of Denver, Burns School of Real Estate

Income Property Investment
Urban Land Institute / University of Denver

Argus Financial Analysis
University of Denver, Burns School of Real Estate

Residential Real Estate Appraiser Course ABII
Ed Klopfer Schools of Real Estate

Real Estate Salesperson Pre-Licensing Course
Ed Klopfer Schools of Real Estate

Income Property Management
Institute of Real Estate Management / University of Denver

Certified Commercial Investment Member Core Concepts
CCIM Insitute Comprehensive Exam

Appraising from Blueprints and Specifications
Appraisal Institute

Florida Building Code Update
Florida Workplace Safety and OSHA Update
Universal Inspection Service

Uniform Standards of Professional Appraisal Practice
15 Hour Update, *Appraisal Institute*

Business Practices and Ethics for Appraisers
Appraisal Institute Course #420

Basic Income Capitalization
Appraisal Institute

Advanced Valuation and Report Writing
Appraisal Institute Course #540

Real Estate Investment Finance
University of Denver, Burns School of Real Estate

Computer Applications for Real Estate Analysis
University of Denver, Burns School of Real Estate

Risk Management and Insurance for Investment Real Estate
University of Denver, Burns School of Real Estate

Indoor Air Quality and Mold Contamination Remediation
National Association of Mold Professionals, 2004

Real Estate Trainee Appraiser Course ABI
Ed klopfer Schools of Real Estate

Uniform Standards of Professional Appraisal Practice
15 Hour Update, *Appraisal Institute*

EQUIVALUE APPRAISAL

Jason P. Shirey, MAI, CCIM, MS-RECM (Continued)

Appraiser Experience - Property Types

Affordable Housing
Agricultural Land
Aircraft Hangars
Antenna Towers
Apartments
Automobile Dealerships
Hotels and Motels
Bank Buildings
Bowling Alleys
Broadcast Facilities
Campgrounds / Recreational Vehicle Parks
Car Washes
Churches
Coastal Land
Condominium Units:
  Assemblages, Complexes, Conversions
Condominium Projects:
  Pre-development, Insurable Replacement Cost
Convenience Stores
Day Care Centers
Development Appraisals
Distribution Facilities
Golf Clubs and Country Clubs
Health Clubs
High-End Residential
Hobby Farms
Home Sites (Lots)
Home Sites (Land - Large Tracts)
Hotel - Resorts
Industrial Land
Indstrial Improvements
Light Industrial Properties
Manufacturing Facilities
Marinas / Docks / Boat Storage Facilities
Medical Offices
Mixed Use Developments
Mobile Home Parks
Multifamily Land
Multifamily Developments
Nurseries
Office Buildings
Office Condominiums
Office-Warehouse Facilities
Outdoor Signs
Parking Facilities
Replacement Cost Appraisals
Retail Stores (Anchor Tenant / Owner Occupied)
Retail Strip Centers (Multiple Tenant)
Restaurants (All types)
Self-Storage Facilities
Subdivisions (Commercial)
Subdivisions (Residential)
Single Family Residences
Sustainable Development (Green Buildings)
Urban Land (Vacant and Interim Use)
Warehouses
Yacht Clubs

Previous Client List (Partial)

Access Bank and Mortgage
Alternative Funding Corporation
BanCorp South
Bank of America
Bank of Bonifay
Bank of Pensacola
BankTrust
Beach Community Bank
CB Richard Ellis
CCB Community Bank
Colonial Bank
Community Bank
Compass Bank
Cotton and Gates
Crystal Beach Development
DestinFirst Bank
First Capital Bank
First City Bank
First Gulf Bank
First National Bank and Trust
Florida Coastal Mortgage
Guaranty Federal Bank
GulfSouth Private Bank
Jay Odom
Kevin Helmich, P.A.
Legendary, Inc.
LNK Development
M & F Bank
People's First Community Bank
Premier Community Bank
Regions Bank
Renasant Bank
Sunbird Condominium Owner's Association
Suntrust Bank
The Plaza Owner's Association
Tranquil Harbor Owner's Association
Trustmark National Bank
Vanguard Bank
Villas on the Gulf Condominium Onwer's Association
Vision Bank
Wachovia Bank
Whitney Bank

Assignment Purposes

Acquisition
Disposition
Assessment Appeal
Development Feasibility
Estate Planning
Financing (Institutional and Private)
Investment Analysis
Portfolio Analysis
Marital Dissolution
Relocation
Mediation, Arbitration, Dispute Resolution

EQUIVALUE APPRAISAL

Jason P. Shirey, MAI, CCIM, MS-RECM (Continued)

Assignment Types

Appraisal Review
Buyer Brokerage
Complex Valuation
Construction Progress / Draw Request Inspection
Demographic Analysis
Detrimental Conditions Valuation and Consulting
Eminent Domain Valuation and Consulting
Estate Valuation
Feasibility Studies
Fee Appraisals Including Full and Fractional Interests
Foreclosure / REO Appraisal - Assessment
Highest and Best Use Analysis
Insurance
Litigation Support
Market Studies
Portfolio Valuation and Analysis
Relocation Appraisal
Rent Analysis / Studies
Retrospective Valuation
Site Location Services
Valuation and Consultation for Financial Reporting

Primary Market Area

Okaloosa County
- Destin
- Fort Walton Beach
- Crestview
- Mary Esther
- Niceville
- Bluewater Bay

Walton County
- Miramar Beach
- Panama City Beach
- Rosemary Beach
- Santa Rosa Beach
- Blue Mountain Beach
- Freeport
- Defuniak Springs
- Inlet Beach
- Seacrest Beach

Santa Rosa County
- Navarre
- Navarre Beach
- Gulf Breeze

Bay County
- Panama City
- Panama City Beach
- Springfield

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Subject Photograph(s)

Additional photographs can be referenced in the Property Description Section of the Appraisal Report.

View of south (Front) elevation - Main House

View of east (Front) elevation - Carriage House

Summary of Salient Facts and Conclusions

GENERAL	
EquiValue Appraisal File No:	190331
Subject:	An approximate 4,707 HVAC SF / 6,076 Gross SF (Aggregate) Resort Residential Rental Property located along the north side of Scenic Highway 98, approximately +/-220 feet north of the Beaches of the Gulf of Mexico, having the assigned postal address of 3473 Scenic Highway 98 in Destin, Okaloosa County, Florida. The subject site is comprised of +/-0.24 acres of Crystal Beach Neighborhood-zoned land (a residentially-oriented zoning designation) which is improved with two resort rental residential structures which include a primary residence and a secondary improvement (Carriage House), along with associated site improvements which include a heated pool, pool deck, and parking. According to information provided by the Okaloosa County Property Appraisers Office, the existing improvements were originally constructed in 2001, provided for an actual age of 18 years. These improvements were recently extensively renovated and are considered to be of very good quality of construction and are in very good condition. Per the owner of the subject property, extensive renovations were completed after acquisition of the subject in July of 2017 in order to make the subject ready for resort rental occupancy in the current configuration. The cost of these renovations was approximately $150,000.

The configuration of the existing structures were specifically designed and outfitted to accommodate 34 overnight (sleeping) guests and features the following characteristics (in aggregate),

- 7 Full Bedrooms (5 Main House / 2 Carriage House)
- 5.5 Bathrooms (4.5 Main House / 1 Carriage House)
- Den, Dining, 2 Living Room Areas, Kitchen Area
- Heated Swimming Pool and Pool Deck
- Outdoor Living Areas
- Surface parking.

The use of the subject property in 'As Is' condition is as a beach proximate, resort residential rental property and this is the use represented in the valuation of the subject property, as of the effective date of this appraisal.

In the 'Before' condition, occupancy of the subject was specifically designed for 34 guests with sleeping accommodations as follows:

Main House – Living Room – 1st Floor
1 Sleeper Sofa (Sleeps 2)

Main House - Bedroom #1 – 1st Floor
1 King Bed (Sleeps 2)

Main House - Bedroom #2 – 2nd Floor
1 King Bed (Sleeps 2)

Main House - Bedroom #3 – 2nd Floor
1 King Bed (Sleeps 2)

Main House – Bedroom#4 (Bunkroom) – 2nd Floor
2 (Sets) Twin/Twin Bunk Beds (Sleeps 4)

Main House – Bedroom#5 – 3rd Floor
1 Queen Bed (Sleeps 2)

Carriage House – Bedroom #6 – 1st Floor
3 (Sets) Queen/Queen Bunk Beds: 1 (Set) Twin/Twin Bunk Beds (Sleeps 14)

	Carriage House - Bedroom #7 – 2nd Floor 2 Queen Beds (Sleeps 4) Carriage House – Living Room – 2nd Floor 1 Sleeper Sofa (Sleeps 2) In the 'After' condition and taking into account the City of Destin Ordinance 18-29-CC which was implemented January 22, 2019, the occupancy of the subject (in aggregate) is limited to 18 Guests as calculated by having a total of 7 bedrooms at 2 guests per bedroom, plus 4 additional guests.
Owner:	Gemini Capital Acquisitions II, LLC 11767 South Dixie Highway Pinecrest, FL 33156
Legal Description:	Grand Palms S/D Lot 6
Tax Identification:	00-2S-2-0541-0000-0060
Date of Report:	October 9, 2019
Date of Value:	January 22, 2019
Property Rights Appraised:	Fee Simple
Intended Use:	The intended use of this appraisal is for internal decision making purposes by the client, and for Bert Harris Act computation of damages.
Intended User(s):	The intended user of this report is the property owner, the property owner advisors, courts and local government and regulatory agencies.
Appraisal Purpose:	Market Value Opinion 'As Is' in the 'Before Ordinance' and 'After Ordinance' conditions, and subsequent evaluation of Dimunition in Value.

2018 Assessed Value: **$1,620,147**

Despite the intention of the property appraiser to value property at market value on a yearly basis, it is the appraiser's opinion that assessed value has no direct correlation to fair market value in the subject market area. It is noted that as the subject was just recently extensively renovated.

2018 Taxes: **$20,803.66 (Paid)**

According to the Okaloosa County Tax Collector, taxes for 2018 have been paid in full and no prior year delinquent taxes remain owing.

Sale History: The most recent transaction related to the subject property can be found on a Certificate of Title recorded in the Okaloosa County public records at OR Book 3313 Page 2610. According to this document, a Certificate of Sale was issued by the Okaloosa County Clerk of Court on July 31, 2017 transferring the property to Gemini Capital Acquisitions II, LLC pursuant to assignment of an undisclosed bid. This transaction was not given any consideration in our valuation of the subject property as this was not an arm's length transaction.

According to information provided by the current property owner, upon acquisition the subject property was extensively renovated at an approximate cost of $150,000.

The renovations included, but are not limited to, new floors, kitchen, bathrooms, patio decks, lighting, stucco repairs, deck repairs, interior/exterior paint, construction of bunk rooms, new HVAC systems, all new fixtures, all new appliances, new furnishings, to name a few.

Additionally we note, that information provided the property owner indicated that the motivation of the expenditure for the renovations was for income generation purposes with a specific design for 34 occupants.

Sale History (Cont.):	There have been no other transfers of the subject property in the preceding 3 years.
Current Contracts/Listing:	We were unable to locate any active listing for sale of the subject property in the prior 12 months. We are unaware of any intention by the current owner to market the subject for sale. It is our understanding that the property owner plans to retain the subject property for short-term rental purposes and income generation potential.

PROPERTY	
Land Area:	Total: +/-0.24-Acre Usable: +/-0.24-Acre Excess: 0.00 Acres
Zoning/ Future Land Use:	CBN – Crystal Beach Neighborhood by the City of Destin
Highest and Best Use 'As Is':	Utilizing the subject as a resort-residential rental property at maximum occupancy is estimated to be the highest and best use of the subject 'As Is'. It is noted that occupancy limitations imposed on the subject by virtue of City of Destin Ordinance 18-29-CC, which limits occupancy of the subject property to a lesser number than that for which the subject was specifically renovated and outfitted, is anticipated to have a negative impact on the market value / return on investment of the subject property to the owner.

VALUE CONCLUSIONS	
Land Value:	Not Utilized
Cost Approach:	Not Utilized
Improved Sales Comparison Approach:	Not Utilized
Income Approach:	$2,075,000 – Before Ordinance 18-29-CC $800,000 – After Ordinance 18-29-CC $1,275,000 – Diminution in Value as a Result of Ordinance 18-29-CC

Appraisal Scope of Work

In accordance with the 2018-2019 Uniform Standards of Professional Appraisal Practice, it is the appraiser's responsibility to develop and report a scope of work that results in credible results that are appropriate for the appraisal problem and intended user(s).

This process should meet the expectations of parties who are regularly intended users for similar assignments and be consistent with what an appraiser's peers actions would be in performing the same or a similar assignment.

Therefore, the appraiser must identify and consider:

- the client and intended users;
- the intended use of the report;
- the type and definition of value;
- the effective date of value;
- assignment conditions;
- typical client expectations; and
- typical appraisal work by peers for similar assignments**.**

This appraisal is prepared for the Client, Gemini Capital Acquisitions II, LLC.

The intended use of this appraisal is for internal decision making purposes by the client, the client's advisors, and for Bert Harris Act computation of damages.

The intended user of this report is the property owner, the property owner's advisors, courts and local government and regulatory agencies.

SCOPE OF WORK	
Report Type:	This is a written Appraisal Report, which is intended to comply with the reporting requirements established by Standards Rule 2-2(a) of the *2018-2019* edition of the U*SPAP* for a written Appraisal Report. It presents summary discussions of the data, reasoning, and analyses utilized in the appraisal process to develop the appraiser's opinion of value. Supporting documentation not provided with the report concerning the data, reasoning, and analyses is retained in the appraiser's file. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated in the report. The appraiser is not responsible for the unauthorized use of this report.

Property Identification:	The subject was identified by the legal description and the assessor's parcel number, and appraiser inspection.
Inspection:	An inspection of the site and improvements was made, and photographs were taken.
Market Area and Analysis of Market Conditions:	A complete analysis of market conditions was made. The appraisers physically inspected the micro and/or macro market environments which influence the subject property.
Highest and Best Use Analysis:	A complete analysis of highest and best use for the subject property in 'As Is' condition was made.

Valuation Analyses

Land Valuation and Cost Approach:	An opinion of value for the subject property in 'as if vacant' condition and subsequent application of the cost approach has not been provided. The purpose of this appraisal is to evaluate the impact to the value of the subject by virtue of the implementation of City of Destin Ordinance 18-29-CC which limits occupancy of the subject and corresponding associated income generation potential. Thus, the cost to acquire land and construct a replacement property is meaningless to the purpose of the assignment and was not applied.
Sales Comparison Approach:	The improved sales comparison approach was not utilized in this appraisal assignment. The purpose of this appraisal is to evaluate the impact to the value to the subject by virtue of the implementation of City of Destin Ordinance 18-29-CC which limits occupancy of the subject and associated income generation potential. As this ordinance was just recently implemented, an adequate number of improved sales which sold after the Ordinance implementation date were not available from which to derive an opinion of market value from this approach. As sales which occurred prior to this Ordinance will reflect market transactions without this restriction, they are not considered valid indicators of value for the subject in the restricted condition. Therefore this approach could not be applied due to lack of sufficient comparable data.

Income Approach:	The income approach was applied for the subject in both the 'Before Ordinance' and 'After Ordinance' scenarios.
Hypothetical Conditions:	None.
Extraordinary Assumptions:	None.
Exposure Time (Market Value):	Exposure Time may be defined as: the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective opinion based on an analysis of past events assuming a competitive and open market. The estimate of exposure time is presented in consideration of the exposure periods for comparable sales utilized in this appraisal, marketing time information available from nationally published sources including the CB Richard Ellis National Market Survey and the opinions of market participants. ***It is estimated that the exposure time necessary for the subject to have achieved the opinion of value is 9-12 months.***

Definition of Value, Property Rights Appraised, and Intended Use

Purpose of the Appraisal:

The purpose of an appraisal is the stated reason and scope of the appraisal assignment. It is established by the client, and points to the information that the client needs to answer specific questions pertaining to real property. The purpose of the appraisal establishes the foundation for the final value conclusion, which does not change to accommodate the use of the appraisal.[1]

The purpose of this appraisal is to derive an opinion of the Dimunition in Value to the subject property associated with the implementation of City of Destin Ordinance No. 18-29-CC.

This Ordinance was implemented January 22, 2019, and the incorporation of this ordinance limits the occupancy of the subject property to 18 guests. Prior to the implementation of this Ordinance, the designed occupancy of the subject property was 34 guests. Therefore, as a result of the ordinance, the maximum occupancy of the subject has been reduced by 16 guests, or approximately -47.06%.

We are therefore opining on the difference in market value of the subject before and after the adoption of City of Destin Ordinance No. 18-29-CC, which was promulgated on January 22, 2019.

Intended Use of the Appraisal and Intended User:

The intended use of an appraisal is the manner in which a client will employ the information contained in the appraisal report. The intended use or function of an appraisal is determined by the client's needs. Because an appraisal may provide a basis for a decision concerning real property, the intended use of the appraisal depends on the decision that the client wishes to make.[2]

The intended use of this appraisal is for internal decision making purposes by the client, and for Bert Harris Act computation of damages. The intended user of this report is the client / property owner, advisors, courts and local government and regulatory agencies.

Property Rights Appraised

Real property is said to have value as a result of the "bundle of rights" that are inherent to property ownership. Regardless of the type of ownership, the owner of real property is said to have an interest in that property. The following definitions are for the three most commonly-valuated interests as defined by the Dictionary of Real Estate Appraisal, Fourth Edition.

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[1] The Appraisal of Real Estate, Twelfth Edition
[2] The Appraisal of Real Estate, Twelfth Edition

Fee Simple Interest:
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.

Leased Fee Interest:
An ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the lessee are specified by contract terms contained within the lease.

Leasehold Interest:
The interest held by the lessee (the tenant or renter) through a lease transferring the rights of use and occupancy for a stated term under certain conditions. See also negative leasehold; positive leasehold.

The subject property is being appraised 'fee simple', taking into account market conditions at the effective date of the report. Given the valuation of the subject in 'As Is' condition and the nature of the subject being a resort-rental property which is occupied on a short term or seasonal basis, fee simple basis is considered to be the appropriate valuation standard.

Date of Value Opinion
Value opinions are presented as of a specific date, taking into account market conditions at that time. The effective date of an appraisal is the date at which the analyses, opinions, and advice in an appraisal, review, or consulting service apply. (USPAP, 2018-2019 edition.)

The date of the value opinion can be current, in the past (retrospective), or forecast into the future (prospective).

The following presents definitions regarding the date of the opinion of value, as provided by the text The Appraisal of Real Estate, Twelfth Edition:

Date of Value Opinion:
The date for which an opinion of value is valid.

Current Value:
In accounting, synonymous with market value.

Retrospective Value Opinion:
An opinion of value that is likely to have applied as of a specified historic date. A retrospective value opinion is most frequently sought in connection with appraisals for estate tax, condemnation, inheritance tax, and similar purposes.

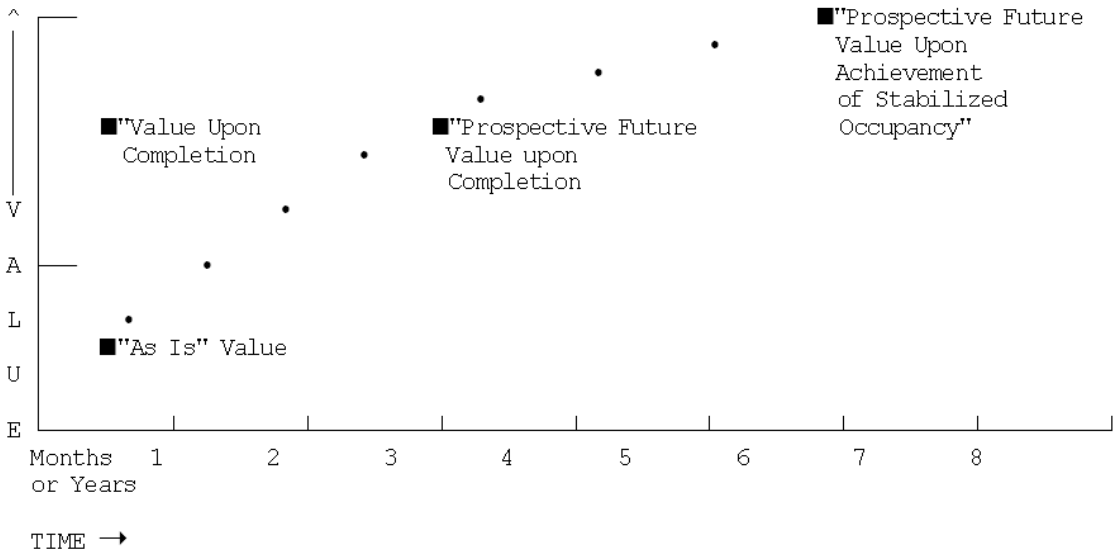
Prospective Value Opinion:
A forecast of the value expected at a specified future date. A prospective value opinion is most frequently sought in connection with real estate projects that are

proposed, under construction, or under conversion to a new use, or those that have not achieved sellout or a stabilized level of long-term occupancy at the time the appraisal report is written.

In a prospective appraisal, the appraiser analyzes market trends to provide support for forecasted income and expense or sell-out opinions, absorption periods, capitalization rates, and discount rates as of the effective date of the appraisal. This appraisal report was prepared taking into account market conditions present as of the date of the report. The appraiser(s) can not be held responsible for unforeseen events that alter market conditions prior to the effective date of the appraisal.

The following graph presents a graphical depiction of the above-described date of value opinions and their associated position within a potential overall development time scenario.

Value Creation Continuum[1]



The preceding exhibit graphically displays the creation of value in a real estate development project over time, assuming a zero inflation environment for clarity of presentation.

1 Code of Federal Regulations, Title 12, as amended by the Federal Home Loan Bank Board.

Basis of the Subject Value Opinion

The four time differential values on the preceding graph which may be considered in the appraisal of proposed developments are defined as follows:

(1) **"As Is"** means an estimate of the market value of a property in the condition observed upon inspection and as it physically and legally exists without hypothetical conditions, assumptions, or qualifications as of the date of appraisal.

(2) **"Value as Complete" or "Value Upon Completion"** means the market value of a property with all proposed construction, conversion, or rehabilitation hypothetically completed, or under other specified hypothetical conditions as of the date of appraisal. With regard to properties wherein anticipated market conditions indicate that stabilized occupancy is not likely as of the date of completion, this estimate of value shall reflect the market value of the property as if complete and prepared for occupancy by tenants.

(3) **"Prospective Future Value Upon Completion"** means the prospective future value of a property on the date that construction is completed, based upon market conditions forecast to exist as of that completion date.

(4) **"Prospective Future Value Upon Achievement of Stabilized Occupancy"** means the prospective future value of a property at a point in time when all improvements have been physically constructed and the property has been leased to its optimum level of long term occupancy.

The purpose of this appraisal is to derive an opinion of the Dimunition in Value to the subject property associated with the implementation of City of Destin Ordinance No. 18-29-CC.

The following are the pertinent dates to the valuation, viewing, and appraisal reporting of the subject property:

Effective Date of Value Opinion:	**January 22, 2019**
Date of Viewing:	**October 3, 2019**
Date of Appraisal Report:	**October 9, 2019**
Date of Photographs:	**October 3, 2019**

Definition of Value

The definition of "Market Value", as defined by the Office of the Comptroller of Currency (OCC) under 12 CFR, Part 34, Subpart C-Appraisals, 34.42 Definitions, the Board of Governors of the Federal Reserve System (FRS) and the Federal Deposit Insurance Corporation in compliance with Title XI of FIRREA, as well as by the Uniform Standards of Appraisal Practice as promulgated by the Appraisal Foundation, is as follows.

> Market value means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby,
>
> 1. Buyer and seller are typically motivated;
>
> 2. Both parties are well informed or well advised, and acting in what they consider their own best interest;
>
> 3. A reasonable time is allowed for exposure in the open market;
>
> 4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
>
> 5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Policy Statement of the Appraisal Institute

It is improper to base a conclusion or opinion of value upon the premise the racial, ethnic, or religious homogeneity of the inhabitants of an area or of a property is necessary for maximum value.

Racial, religious, and ethnic factors are deemed unreliable predictors of value trends or price variance.

It is improper to base a conclusion or opinion of value, or a conclusion with respect to neighborhood trends, upon stereotyped, biased presumptions relating to the effective age or remaining life of the property being appraised or the life expectancy of the neighborhood in which it is located.

FACTUAL DESCRIPTIONS

Property Description

Summary of Site Characteristics and Improvements

SITE	
Information Sources:	Deed, assessment records, inspection, owner
Total Site Size:	+/-0.24-Acre
Usable Site Size:	+/-0.24-Acre
Excess Land:	0.00 acres
Corner Lot:	The site is not a corner lot.
Visibility:	The subject site benefits from good visibility from Scenic Highway 98, which parallels the southern boundary of the subject property. The subject site is considered to have good visibility for the subject market area.
Shape:	Rectangular. See aerial photograph / property appraiser map for a visual depiction of the site shape and parcel.
Road Frontage/Access:	The subject features direct access from Scenic Highway 98.
Waterfront Proximity:	The subject is located approximately +/-220' north of the Beaches of the Gulf of Mexico and benefits from approximately +/-60' of waterfrontage along the southern shoreline of a +/-8 acre lake which is a portion of a neighboring subdivision. The subject property is well-positioned as a resort rental property which would take capitalize on proximity to beaches.
Drainage:	Drainage appears adequate for the subject property. Drainage on the subject site meets current standards for storm water retention. The subject property is considered typical with regard to other similar properties in the subject market area.
Potential For Environmental Contamination:	The appraisers have not observed, nor are qualified to detect, the existence of potentially hazardous material or underground storage tanks which may be present on or near the subject site. The appraisers recommend that an environmental survey be attained to assure the environmental stability of the subject

property. This appraisal assumes no subsoil contamination of the subject site.

Utilities: *Electricity***:** Electricity is provided by Gulf Power, Inc. Standard service capacity exists at the subject property with adequate capacity to service the subject existing improvements.

Sewer: Public sewer is provided and is on site.

Water: Public water is provided and is on site.

Natural Gas: Natural Gas service is provided and is on site.

Adequacy: Utility service is considered adequate for the subject improvements and at least standard for the subject market area.

Site Improvements: Site improvements present on the subject at the time of inspection included pavered parking area, utilities, landscaping, fencing, a heated outdoor swimming pool with pavered pool deck area.

Landscaping: The subject features very good quality landscaping with various plantings and grassy areas with irrigation.

Site Utility: Good

Flood Zone: The subject is located in an area mapped by the Federal Emergency Management Agency (FEMA). The subject property appears to be located in Flood Zone 'X' (CBRS Area) as noted by the following FEMA Map Number:
FEMA Map Number: 12091C0493H 12/06/2002

Easements: We were not provided with a survey for the subject property. Our review of the appropriate maps and public records for the subject property indicated that standard utility easements exist. Our viewing did not indicate that any of these easements would adversely affect the value opinion of the subject contained herein. This appraisal assumes no easements, encroachments, or private deed restrictions which would adversely affect the value of the subject property.

Encroachments: We were not provided with a survey for the subject property. Our review of the appropriate maps and public records for the subject property did not reveal any encroachments on the subject site. Our viewing did not indicate any encroachments

that would adversely affect the value opinion of the subject contained herein. This appraisal assumes no easements, encroachments, or private deed restrictions which would adversely affect the value of the subject property.

In 'As Is' condition the subject property is improved with two resort rental residential structures which include a primary residence and a secondary improvement (carriage house), along with associated site improvements which include a heated pool, pool deck, and parking.

In order to avoid redundancy, the following descriptions are applicable to each of the existing subject improvements unless otherwise noted.

IMPROVEMENTS – AS IS	
Summary:	Very good Quality Resort Rental Residence and Carriage House
Architectural Style:	Modern Multi-Story Residential 'Resort Style' Single Family Home and associated Carriage House
Building Class (Marshall Valuation)	Class D, Wood Frame
Construction:	Wood Frame / Stucco Exterior
Quality:	Very Good Quality Resort Residential Dwelling and Carriage (Guest) House
Actual / Effective Age:	Actual Year Built 2001 / Actual Age 18 Years Effective Year Built 2009 / Effective Age 10 Years According to information provided by the current property owner, upon acquisition the subject property was extensively renovated. The renovations included, but are not limited to, new floors, kitchen, bathrooms, patio decks, lighting, stucco repairs, deck repairs, interior/exterior paint, construction of bunk rooms, new HVAC systems, all new fixtures, all new appliances, new furnishings, to name a few.
Condition:	Very Good
Remaining Useful Life:	45 Years

Areas & Ratios:

Main House
Bedrooms: 5
Baths: 4.5
Total Gross Building Area: 4,518 Square Feet
Total HVAC Building Area: 3,281 Square Feet

Carriage House
Bedrooms: 2
Baths: 1
Gross Building Area: 1,581 Square Feet
HVAC Building Area: 1,426 Square Feet

Both Houses (Aggregate)
Bedrooms: 7
Baths: 5.5
Gross Building Area: 6,099 Square Feet
HVAC Building Area: 4,707 Square Feet

In aggregate the subject features 7 bedrooms and 5.5 bathrooms. Per instituted City of Destin Ordinance, the maximum number of guests will be calculated at the rate of 2 guests per bedroom based on the Property Appraiser's residential profile of the property, plus 4 additional guests. Therefore, the subject in the 'after ordinance' condition will be limited to 18 total guests. See Excerpt below.

Sec. 13-117. – Maximum occupancy based on site capacity/Grandfathering.

(a) The maximum overnight occupancy of a short-term rental shall b
the short-term rental registration form, and shall be limited to
occupancy of the following two options:

i. Two (2) persons for each bedroom, plus four (4) additiona
The number of bedrooms shall be based upon the
Appraiser's residential profile of the property, and other d
of record, as needed. In no case shall the maximum total o
for any dwelling unit exceed the occupancy limits permitt
Florida Fire Prevention Code or Florida Building Code.

or

ii. A total of twenty-four (24) persons per short-term rental
event that there is more than one building or dwelling on or
lot, the maximum occupancy shall be capped at twenty-
occupants per lot or structure, whichever is less.

FOUNDATION, FRAME & EXTERIOR

Foundation: Concrete, Concrete Block Stemwall, Concrete Slab

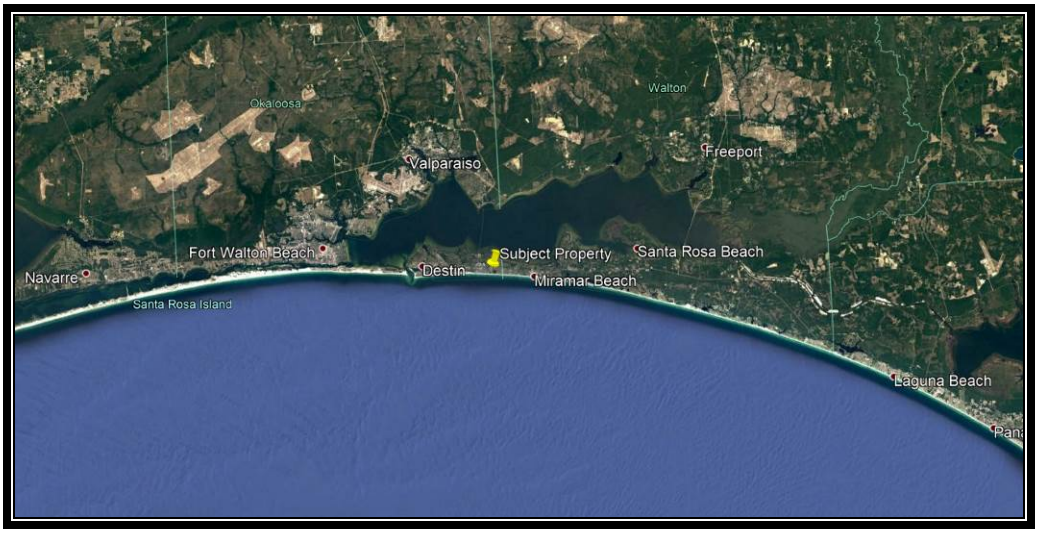
Frame: Wood Frame

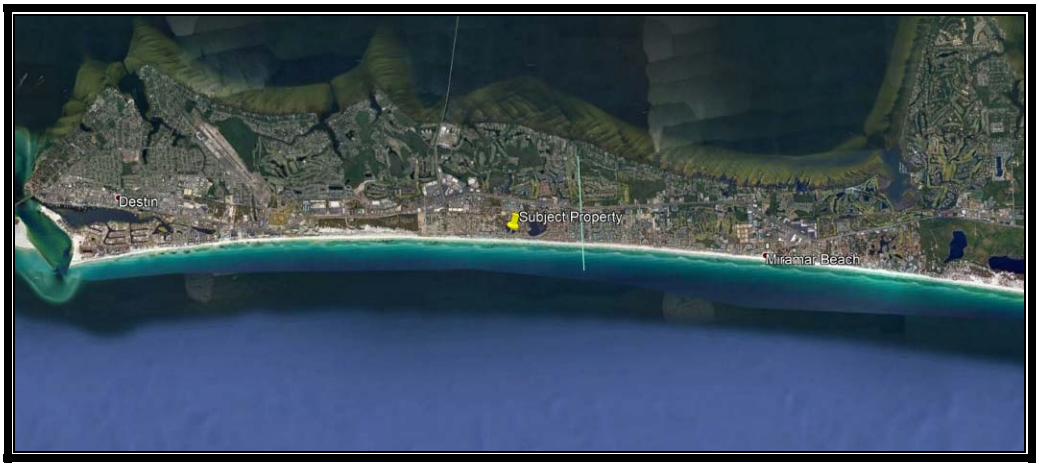
Exterior:	Stucco
Roof/Cover:	Tile, Sloped

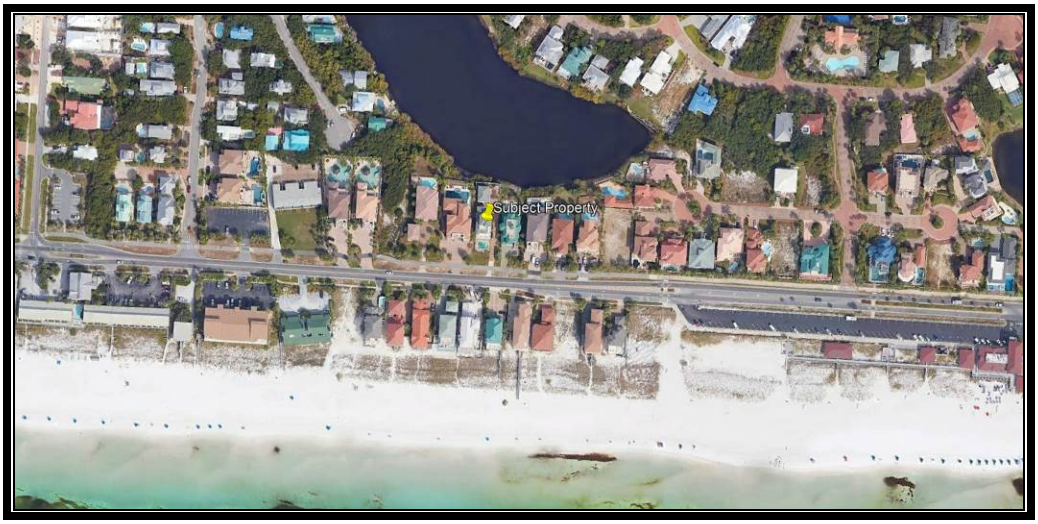
INTERIOR	
Notes Regarding Interior Finish:	Interior finishes to the subject are of very good quality and include, but are not limited to, custom cabinetry, stone or solid surface countertops, custom backsplashes, stainless steel appliances, and very good quality bathroom and kitchen fixtures. Very good quality flooring and appurtenances. The subject features a finish consistent with to superior to most resort residences in the existing Destin / Crystal Beach market.
Interior Finish:	Very Good Quality.
Ceilings & Ceiling Height:	Finished Ceilings throughout, generally 10-0”-12’-0” height
Floor Cover:	Porcelain/Ceramic tile. Very good level of floor finish.
Doors:	Very good Quality and condition solid core / six-panel doors with lever style handles throughout. Glass windows and doors are good quality insulated double pane impact resistant.
Additional Amenities:	The subject property has a very good level of finish with good design and outdoor living areas including an outdoor heated swimming pool with pavered pool deck and covered outdoor patios. Elevator provides access to upper levels of main residence.

MECHANICAL SYSTEMS	
Heating / Cooling:	Multiple Individual HVAC systems.
Hot Water:	Adequate for property.
Electrical:	Adequate for property.
Plumbing:	Adequate for property with 5 Full Bathrooms and 1 Half Bathroom. The subject was specifically designed as a resort rental property with planned occupancy / sleeping accommodations for 34 persons.

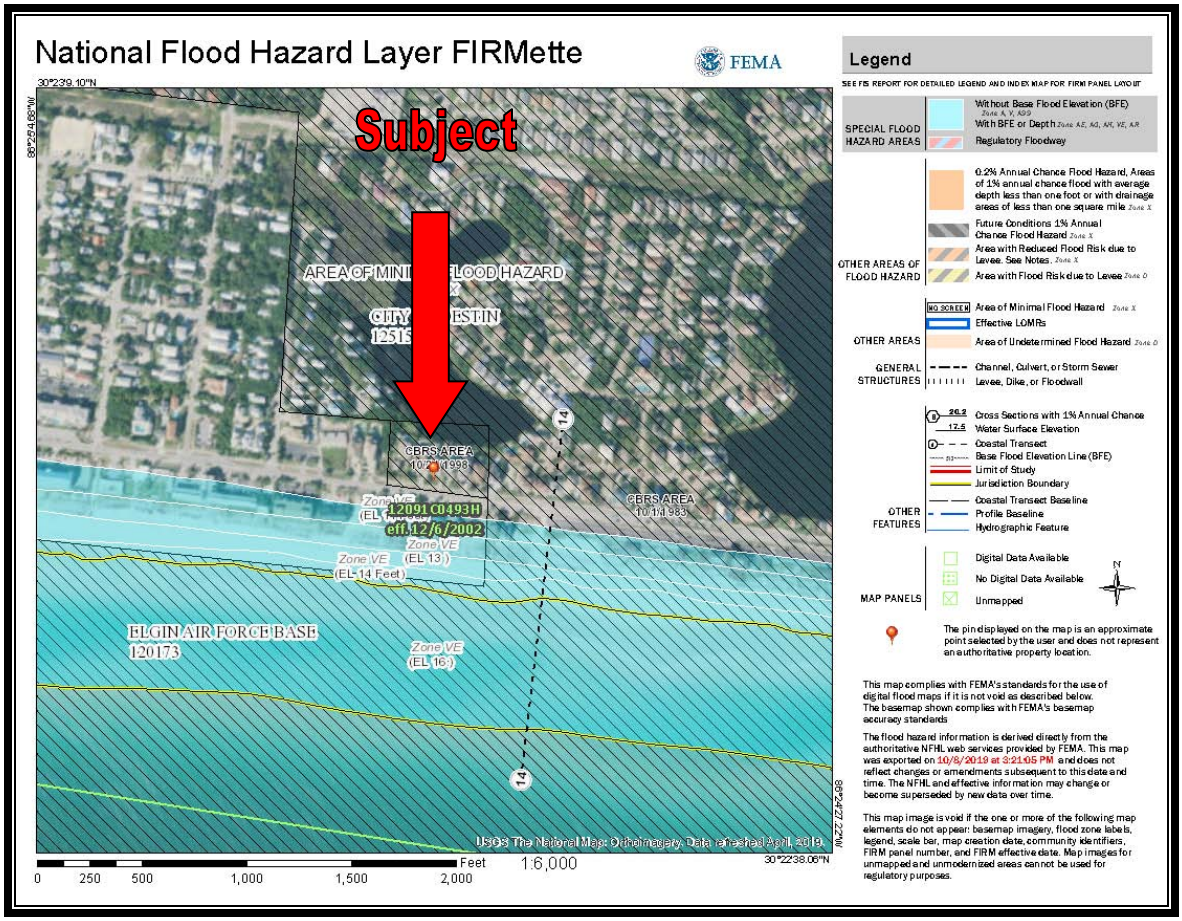
Regional/Area Maps







Flood Map


National Flood Hazard Layer FIRMette
FEMA
Subject
AREA OF MINI FLOOD HAZARD
CITY DESTIN
12515
CBRS AREA
CBRS AREA
12091 C0493H
eff. 12/6/2002
Zone VE
(EL 13)
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ELGIN AIR FORCE BASE
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Zone VE
(EL 16)
USGS The National Map: Orthoimagery. Data refreshed April, 2019
Feet
1:6,000
0 250 500 1,000 1,500 2,000
Legend
SEE FIS REPORT FOR DETAILED LEGEND AND INDEX MAP FOR FIRM PANEL LAYOUT
SPECIAL FLOOD HAZARD AREAS
Without Base Flood Elevation (BFE)
With BFE or Depth
Regulatory Floodway
OTHER AREAS OF FLOOD HAZARD
0.2% Annual Chance Flood Hazard, Areas of 1% annual chance flood with average depth less than one foot or with drainage areas of less than one square mile
Future Conditions 1% Annual Chance Flood Hazard
Area with Reduced Flood Risk due to Levee. See Notes.
Area with Flood Risk due to Levee
OTHER AREAS
Area of Minimal Flood Hazard
Effective LOMRs
Area of Undetermined Flood Hazard
GENERAL STRUCTURES
Channel, Culvert, or Storm Sewer
Levee, Dike, or Floodwall
OTHER FEATURES
Cross Sections with 1% Annual Chance
Water Surface Elevation
Coastal Transect
Base Flood Elevation Line (BFE)
Limit of Study
Jurisdiction Boundary
Coastal Transect Baseline
Profile Baseline
Hydrographic Feature
MAP PANELS
Digital Data Available
No Digital Data Available
Unmapped
The pin displayed on the map is an approximate point selected by the user and does not represent an authoritative property location.
This map complies with FEMA's standards for the use of digital flood maps if it is not void as described below. The basemap shown complies with FEMA's basemap accuracy standards
The flood hazard information is derived directly from the authoritative NFHL web services provided by FEMA. This map was exported on 10/8/2019 at 3:21:05 PM and does not reflect changes or amendments subsequent to this date and time. The NFHL and effective information may change or become superseded by new data over time.
This map image is void if the one or more of the following map elements do not appear: basemap imagery, flood zone labels, legend, scale bar, map creation date, community identifiers, FIRM panel number, and FIRM effective date. Map images for unmapped and unmodernized areas cannot be used for regulatory purposes.

Flood Zone Descriptions

“A 100-year flood is a flood that has a 1-percent chance of being equaled or exceeded in any given year. A base flood may also be referred to as a 100-year storm and the area inundated during the base flood is sometimes called the 100-year flood plain.

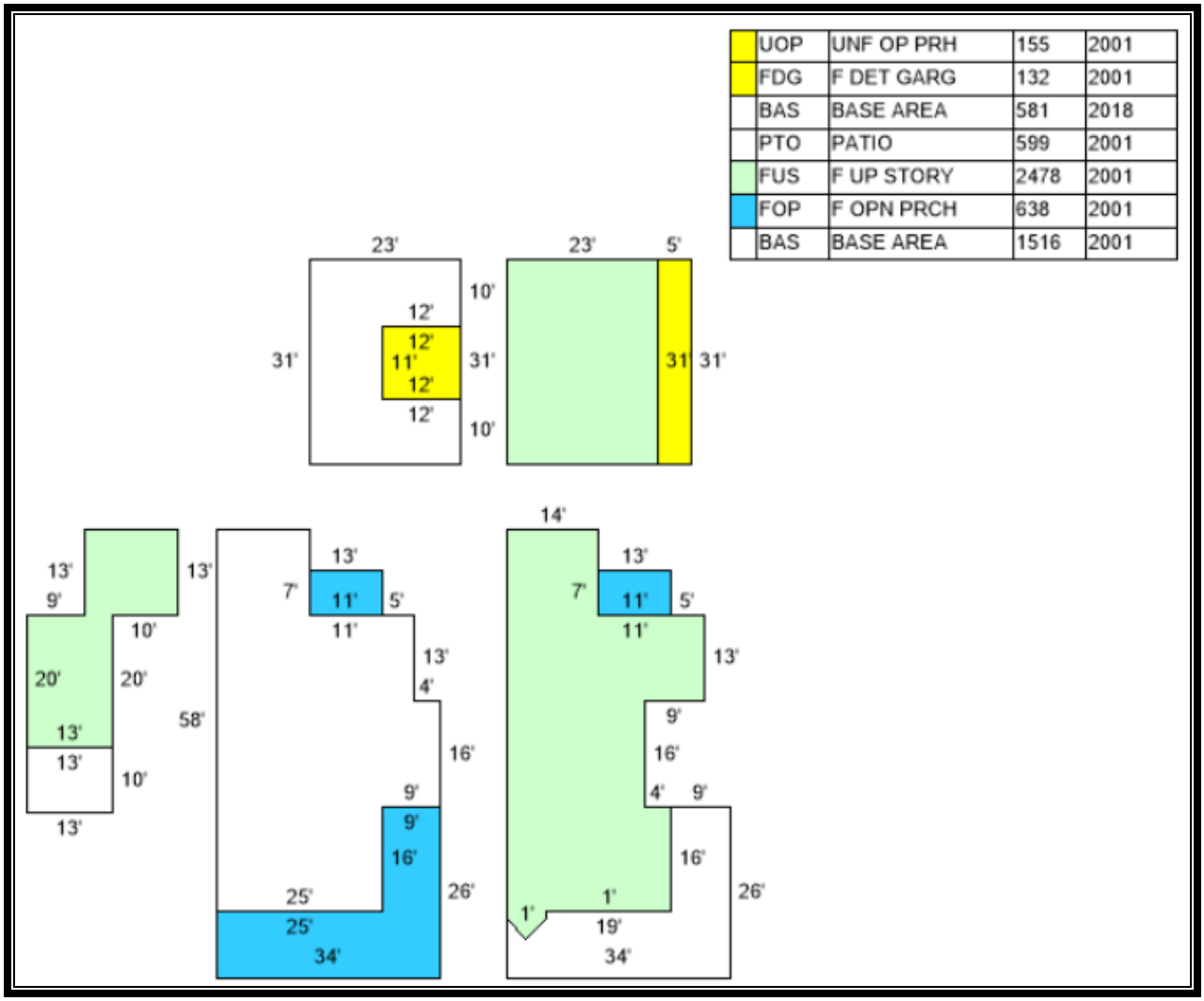
The term "100-year flood" is misleading. It is not the flood that will occur once every 100 years. Rather, it is the flood elevation that has a 1- percent chance of being equaled or exceeded each year. Thus, the 100-year flood could occur more than once in a relatively short period of time. The 100-year flood, which is the standard used by most Federal and state agencies, is used by the National Flood Insurance Program (NFIP) as the standard for floodplain management and to determine the need for flood insurance. A structure located within a special flood hazard area shown on an NFIP map has a 26 percent chance of suffering flood damage during the term of a 30-year mortgage.

Zone AE and A1-A30
Zones AE and A1-A30 are the flood insurance rate zones that correspond to the 100-year floodplains that are determined in the Flood Insurance Study by detailed methods. In most instances, Base Flood Elevations derived from the detailed hydraulic analyses are shown at selected intervals within this zone. Mandatory flood insurance purchase requirements apply.

Zone VE
Zone VE is the flood insurance rate zone that corresponds to the 100-year coastal floodplains that have additional hazards associated with storm waves. BFEs derived from the detailed hydraulic analyses are shown at selected intervals within this zone. Mandatory flood insurance purchase requirements apply.

Zones B, C, and X are the flood insurance rate zones that correspond to areas outside the 100-year floodplains, areas of 100-year sheet flow flooding where average depths are less than 1 foot, areas of 100-year stream flooding where the contributing drainage area is less than 1 square mile, or areas protected from the 100-year flood by levees. No BFEs or depths are shown within this zone.”

Building Floor Plan



We note that the identifed Detached Garage has been converted/renovated to residential use.

Aerial Photograph

Subject property outlined in blue above

Subject Photographs

View along Scenic Highway 98 facing west from the subejct property

View along Scenic Highway 98 facing east from the subejct property

Subject South (Front) Elevation – Main House

Subject North (Rear) Elevation – Main House

Subject North (Rear) and West (Side) Elevations – Main House

Subject North (Rear) and East (Side) Elevations – Main House

Subject East (Front) and North (Side) Elevations – Carriage House

Subject North (Side) Elevation – Carriage House

Subject West (Rear) and South (Side) Elevations – Carriage House

Pavered Parking
Situated Along the Eastern Elevations

Pavered Parking and Drive
Situated Along the Eastern Elevations

Pavered Parking and Drive
Situated Along the Eastern Elevations

Heated Pool with Pavered Deck

Subject Signage

Interior View – Main House

Interior View – Main House

Interior View – Main House

Interior View – Main House

Interior View – Main House

Interior View – Main House

Interior View – Main House

Interior View – Main House

Interior View – Main House

Interior View – Main House

View of lake from rear 2nd floor balcony

Interior View – Main House

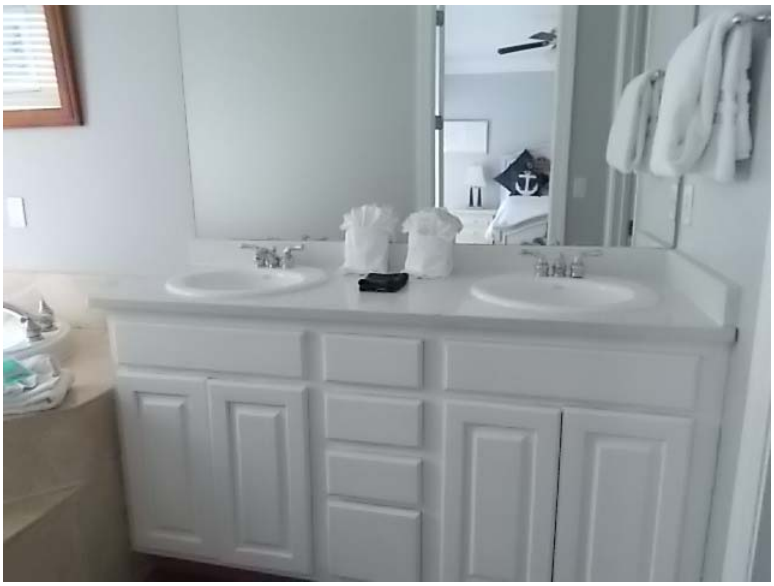
Interior View – Main House

Interior View – Main House

Interior View – Main House

Interior View – Main House

Interior View – Main House

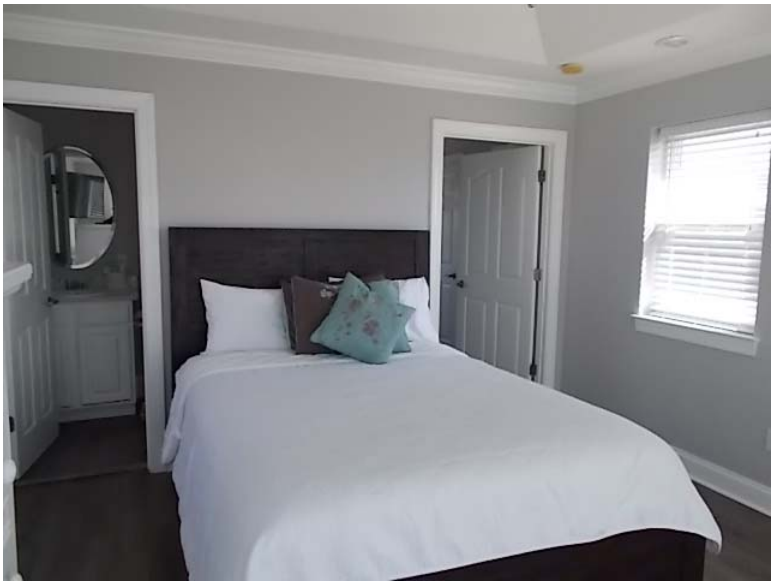


Interior View – Main House

Interior View – Main House

View of balcony area

Interior View – Main House



Interior View – Main House

Distant Gulf view from 3rd Floor Balcony

Interior View – Carriage House

Interior View – Carriage House

Interior View – Carriage House

Interior View – Carriage House

Interior View – Carriage House

Interior View – Carriage House

Interior View – Carriage House

Interior View – Carriage House

Interior View – Carriage House

Zoning

The subject property is located within the Crystal Beach Neighborhood land use designation, as governed by the City of Destin.

Use of the subject for various residential, short term seasonal rental, guest house and other varied uses are legally permissible by the zoning in place.

Therefore, use of the subject as a seasonal rental property is considered legal, conforming. It is noted that the zoning category description within the land development code does not provide for any outlined maximum occupancies for the subject property or other similar properties. We therefore ascertain that prior to implementation of City of Destin Ordinance 18-29-CC occupancy of the subject for the planned number of sleeping guests of 34 was legally permissible.

Community Development Department
Planning Division
4200 Indian Bayou Trail, Destin, FL 32541
Phone (850) 337-3123 • Fax (850) 837-7949
www.cityofdestin.com/index.aspx?nid=91

ZONING DISTRICT FACTSHEET

The purpose and intent of establishing zoning districts is to ensure that all development is consistent with the goals, objectives and policies of the Comprehensive Plan, by establishing a series of zoning districts that indicate what uses are allowed and site development regulations that control the use of land in each district. All development within each zoning district shall be consistent with the purposes stated for each district. (LDC 7.12.05)

CRYSTAL BEACH NEIGHBORHOOD (CBN)

Purpose and intent: The Crystal Beach Neighborhood zoning district shall apply to areas developed, redeveloped and/or maintained and conserved as permanent or seasonal single-family detached or multi-family attached residential dwelling units. Very limited supportive non-residential uses are allowed and are strictly limited to: places of worship, parks, playgrounds, community buildings and similar public service facilities serving the residents of the area, childcare centers and other ancillary neighborhood commercial uses which are approved as part of a planned unit development (PUD) for the exclusive use of the residents of the PUD. It is the intent of the CBN zoning district to specifically not allow the following uses to be located in the district: commercial hotels, motels, bed and breakfast establishments, or other commercial transient living accommodations.

Table 7-2: Table of Allowable Uses (excerpt from LDC 7.12.06)

PERMITTED USES:

Permanent or long-term residential uses

Single-family detached dwelling
Guest house [1]
Accessory dwelling
Single room occupancy housing
Museums, historical sites, zoos & parks [10]
Religious organizations

Seasonal or short-term residential uses

Single-family detached dwelling

Other residential uses

Community residential home, small (1-6)
Family day care home

CONDITIONAL USES:

Other residential uses

Permanent or long-term Multi-family attached dwelling
Seasonal or short-term Multi-family attached dwelling
Community residential home, large (7-14)
Child day care services

ACCESSORY USES:

Uses and structures which are customarily accessory, clearly incidental and subordinate to permitted uses and structures, including home occupations and off-site businesses.

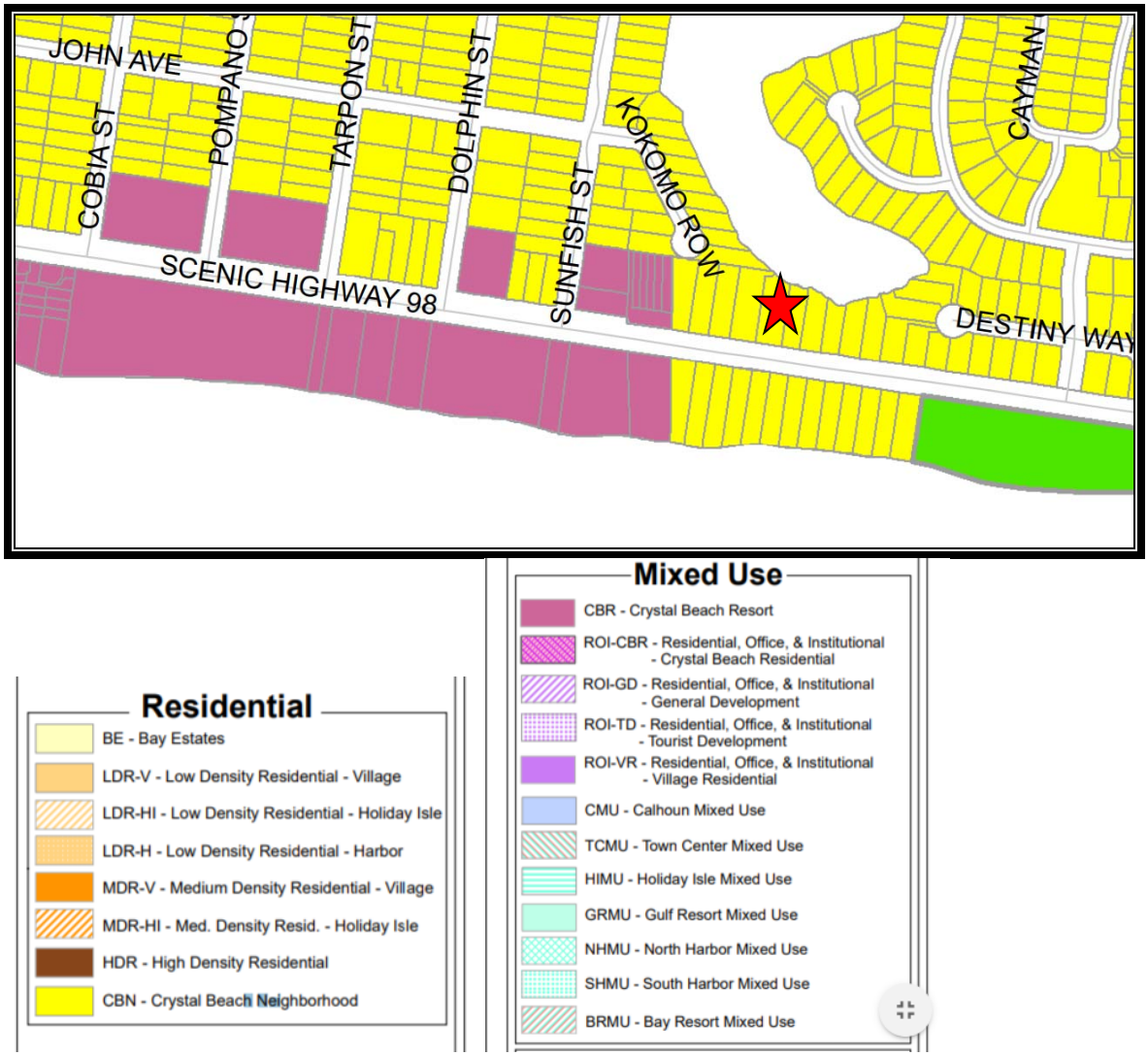
Footnotes:

1 Guest houses are permitted only if the owner of the subject property occupies the primary dwelling as his/her main residence. However, guest houses shall not be rented out separately from the main residence. (refer to LDC section 7.12.04.M).

10 Zoos are only allowed in the Industrial zoning district.

Supplement 14, thru 16-18-LC, Dec 2016

Zoning Map


JOHN AVE
COBIA ST
POMPANO
TARPON ST
DOLPHIN ST
SUNFISH ST
KOKOMO ROW
CAYMAN
SCENIC HIGHWAY 98
DESTINY WAY
Residential
BE - Bay Estates
LDR-V - Low Density Residential - Village
LDR-HI - Low Density Residential - Holiday Isle
LDR-H - Low Density Residential - Harbor
MDR-V - Medium Density Residential - Village
MDR-HI - Med. Density Resid. - Holiday Isle
HDR - High Density Residential
CBN - Crystal Beach Neighborhood
Mixed Use
CBR - Crystal Beach Resort
ROI-CBR - Residential, Office, & Institutional - Crystal Beach Residential
ROI-GD - Residential, Office, & Institutional - General Development
ROI-TD - Residential, Office, & Institutional - Tourist Development
ROI-VR - Residential, Office, & Institutional - Village Residential
CMU - Calhoun Mixed Use
TCMU - Town Center Mixed Use
HIMU - Holiday Isle Mixed Use
GRMU - Gulf Resort Mixed Use
NHMU - North Harbor Mixed Use
SHMU - South Harbor Mixed Use
BRMU - Bay Resort Mixed Use

Assessment and Taxes

Tax Structure, Overview

Florida Law requires that the just value of all property be determined each year. The Supreme Court of Florida has declared "just value" to be legally synonymous to "full cash value" and "fair market value." The fair market value of real property is the amount for which it could sell on the open market, and assumes the present use is the highest and best use. The property appraiser analyzes these market transactions annually to determine fair market value as of January 1 of each year.

The property appraiser is responsible for identifying, locating, and fairly valuing all property, both real and personal, within the county for tax purposes. The "market" value of real property is based on the current real estate market, and is determined by market participants. The property appraiser has the legal responsibility to study the transactions of market participants and appraise real property accordingly.

At least once every three years, the county property appraiser or a staff appraiser will visit and inspect each property. Additionally, individual property values may be adjusted between visits in light of sales activity or other factors affecting real estate values in the subject neighborhood. Sales of similar properties are typically used as strong indicators of value in the real estate market.

Each August, the Property Appraiser sends a "Notice of Proposed Taxes," to all property owners to notify them of the taxable value of their property. Taxable value is the assessed value less any exemptions. The TRIM notice also gives information on proposed millage rates and taxes as estimated by community taxing authorities, and when and where these taxing authorities will hold public meetings to discuss tentative budgets to set your millage tax rates.

The property appraiser only assesses all property in the county and is neither a taxing authority nor a tax collector. Three separate government entities, each having unique and distinct roles, determine the tax bill of any property in their jurisdiction.

The following is a summary of the process:

> First the property appraiser annually appraises all property in their respective county at the market value as of January 1 each year.
>
> Second, each taxing authority within the county sets their own millage rate based on the amount of tax dollars necessary to fund their annual budget.
>
> Finally, the tax collector takes the amount of taxes due in order to bill and collect all taxes levied within the county.

Tax Collector Card

BEN ANDERSON
Okaloosa County Tax Collector

2018 Paid Real Estate
Notice of Ad Valorem Tax and Non-Ad Valorem Assessments

MAIL PAYMENTS TO: P.O. BOX 1390, NICEVILLE, FL 32588

ACCOUNT NUMBER	ESCROW CD	MILLAGE CODE	ALTERNATE KEY	PROPERTY ADDRESS
00ZS220541000000060		DEDF	1002759	3473 SCENIC HWY 98, DESTIN, 32541

GEMINI CAPITAL ACQUISITIONS II
7378 SW 48 ST SUITE B
MIAMI, FL 33155

3473 SCENIC HWY 98

GRAND PALMS S/D
LOT 6

AD VALOREM TAXES

TAXING AUTHORITY	MILLAGE RATE	ASSESSED VALUE	EXEMPTION AMOUNT	TAXABLE VALUE	TAXES LEVIED
OKALOOSA COUNTY BD OF CO COMMS					
EMERGENCY MEDICAL SERVICES	0.0741	1,620,147	0	1,620,147	120.05
GENERAL	3.7214	1,620,147	0	1,620,147	6,029.22
COUNTY PUBLIC HEALTH UNIT	0.0353	1,620,147	0	1,620,147	57.19
SCHOOL LOCAL	2.2480	1,620,147	0	1,620,147	3,642.09
SCHOOL STATE	4.1130	1,620,147	0	1,620,147	6,663.66
NORTHWEST WATER DISTRICT	0.0338	1,620,147	0	1,620,147	54.76
CITY OF DESTIN	1.6150	1,620,147	0	1,620,147	2,616.54
DESTIN FIRE DISTRICT	1.0000	1,620,147	0	1,620,147	1,620.15

EXEMPTIONS APPLIED:

TOTAL MILLAGE	12.8406	AD VALOREM TAXES	$20,803.66

WANT TO RECEIVE YOUR BILL ELECTRONICALLY NEXT YEAR? VISIT www.OkaloosaTax.com AND SIGN UP FOR E-BILLS!

NON-AD VALOREM ASSESSMENTS

LEVYING AUTHORITY	RATE	AMOUNT

PAY ON LINE WITH CREDIT/DEBIT CARD AT www.OkaloosaTax.com - BANK CARD USER FEE WILL APPLY

NON-AD VALOREM ASSESSMENTS	$0.00

COMBINED TAXES AND ASSESSMENTS	$20,803.66

PAYING ONLINE VIA
E-CHECK IS FREE
Visit www.OkaloosaTax.com

PAY YOUR BILL

"PAY ONLINE, NOT IN LINE"

RETAIN THIS PORTION FOR YOUR RECORDS
WALK-IN CUSTOMERS PLEASE BRING FOR RECEIPT
AFTER MARCH 31ST, TAXES MUST BE PAID WITH CASH, CASHIER'S CHECK OR MONEY ORDER.

If Postmarked By	Nov 30, 2018
Please Pay	$0.00

BEN ANDERSON
Okaloosa County Tax Collector

2018 Paid Real Estate
Notice of Ad Valorem Tax and Non-Ad Valorem Assessments

MAIL PAYMENTS TO: P.O. BOX 1390, NICEVILLE, FL 32588

ACCOUNT NUMBER	ESCROW CD	MILLAGE CODE	ALTERNATE KEY	PROPERTY ADDRESS
00ZS220541000000060		DEDF	1002759	3473 SCENIC HWY 98, DESTIN, 32541

PRIOR TO MARCH 31ST TAXES CAN BE PAID USING CASH, CHECK, CREDIT/DEBIT CARDS OR E-CHECK

If Postmarked By	Nov 30, 2018
Please Pay	$0.00

GEMINI CAPITAL ACQUISITIONS II
7378 SW 48 ST SUITE B
MIAMI, FL 33155

3473 SCENIC HWY 98

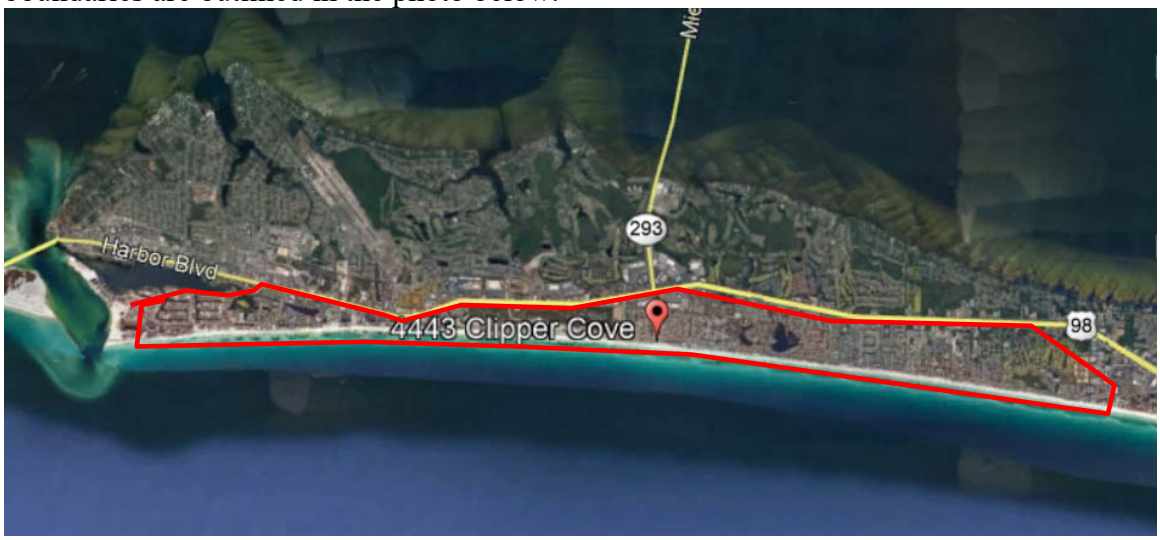
GRAND PALMS S/D
LOT 6

Paid GEMINI CAPITAL ACQUISITIONS C/O A 11/14/2018 Receipt # 262-18000111 Check $19,971.51

ANALYSIS OF DATA AND OPINIONS OF THE APPRAISERS

Market Area Summary / Neighborhood Information

The subject property is located in the Destin-Miramar Beach market area, which is bounded by the Destin Harbor / East Pass to the West, US Highway 98 and the waters of the Destin Harbor to the North, the Gulf of Mexico to the South and the intersection of US Highway 98 / Scenic Gulf Drive to the East. The approximate neighborhood boundaries are outlined in the photo below.



This is a resort area driven primarily by proximity to area beaches and resort activities. The predominant property type in the area is of second home and seasonal vacation properties with far fewer full-time residents than seasonal occupants.

Many second home and resort area property owners rent their properties on a seasonal basis to either offset costs of ownership or in the pursuit of income generation potential, and the seasonal income attributed to a property is often a significant factor contemplated by purchasers in the market when evaluating a purchase decision.

We have witnessed a trend for increased rental demand of larger resort residences which can accommodate larger groups for family reunions, large family vacations, etc.

This has led to the construction of larger and larger seasonal resort rental homes to serve this need. These larger properties often witness more robust demand and income generation potential than smaller properties with less sleeping capacity where vacationing groups would otherwise be required to split between several locations.

In summary, the subject is sited directly in an area that is geared toward seasonal rental operations, be it solely for the purpose of income generation potential or as an offset to the costs of personal use. The ability to rent a property seasonally remains a significant motivator for market participants and weighs heavily in their buy-sell decision making process. A restriction that negatively impacts the ability to seasonally rent a resort property is estimated to have a significant negative impact on the value of this asset class.

Highest and Best Use

The definition of "highest and best use" is presented unabridged in the definitions section of this report. However, in brief, highest and best use refers to the reasonably probable and legal use of vacant land or an improved property, which is legally permissible, physically possible, appropriately supported, financially feasible, and that results in the highest value, i.e. maximally productive.[3]

Objective analysis and interpretation of market data leads to an informed opinion of that use. However, the estimate of highest and best use should not be interpreted as a provable fact. A typical highest and best analysis evaluation process and pertinent questions which aid in the elimination of possible alternatives are presented below.

1. **Permissible Use.** What uses are permitted by zoning and other legal restrictions? What are the land use controls that will govern the site? Uses that are *legally permissible* are those allowed under current or likely zoning and those that could meet building codes. In addition, local communities may have restrictions on public utility loads, traffic creation, access restrictions, and so on, all of which must be considered when selecting legally permissible uses

2. **Physically Possible Use.** To what use is the site physically adaptable? What is an appropriate improvement given architectural / engineer study? Unless prohibited by soil or subsoil problems or land size constraints, it is *physically possible* to place most potential improvements on the site. Usually this test, if performed first or second, will not significantly reduce the number of potential uses.

3. **Feasible Use.** Which possible and permissible use will produce any net return to the owner of the site? Should the land be developed, and if so, what kind of improvement should be built? If an improvement should be constructed, what is the type and characteristics of an ideal improvement? Uses that are considered economically or financially feasible are those that potentially would logically produce net operating income and net resale price levels high enough to adequately support construction of the potential improvement and provide the investor with a reasonable profit. Implicit to this analysis is that riskier projects require higher profit levels to induce potential developers to undertake the burden of coordination of land, labor and capital.

4. **Maximally Productive Use.** The final test is to determine of the financially feasible options, which of these would result in the highest land value or values as

[3] The Appraisal of Real Estate, Twelfth Edition

improved. Among the feasible uses which use will produce the highest net return, (i.e., the highest present worth)? If there are existing improvements on the property should they be maintained in their current state or should they be altered to more closely resemble the ideal improvement?

Although these criteria are generally evaluated sequentially, the resulting conclusion of highest and best use should be identical regardless of the order of application of the above tests.

Implied within this definition is that the estimation of the highest and best use for a particular property results from the appraisers' judgment and analytical skill with respect to the market for that particular property.

However, the highest and best use of a specific parcel of land is not just a matter of subjective opinion; rather, highest and best use is indicated by supply and demand forces within the market where the property is located, availability of capital, supply of alternative investments, need for additional products or services within a community, and other factors.

Highest and Best Use 'As Is'

The highest and best use 'As Is' recognizes among all reasonable, alternative uses, the use that yields the highest present land value after payments are made for labor, capital, and entrepreneurial coordination.[4]

We have evaluated the most probable uses for the subject property, 'As Is', given the current market for resort residential rental property and recent development activity in the subject market area.

Legally Permissible

The subject property is located within the Crystal Beach Neighborhood land use designation, as governed by the City of Destin. Use of the subject for various residential, short term seasonal rental, guest house and other varied uses are legally permissible by the zoning in place.

Therefore, use of the subject as a seasonal rental property is considered legal, conforming. It is noted that the zoning category description within the land development code does not provide for any outlined maximum occupancies for the subject property or other similar properties. We therefore ascertain that prior to implementation of City of Destin Ordinance 18-29-CC occupancy of the subject for the planned number of sleeping guests of 34 was legally permissible. After implementation of City Ordinance 18-29-CC, the subject will be limited to a total of 18 sleeping guests.

Therefore, use of the subject as a resort residential property is legally permissible. Use of the subject prior to Ordinance implementation for occupancy by up to 34 guests was permitted, however after implementation of the Ordinance occupancy is limited to 18 guests.

Physically Possible

The subject property is generally level, well-drained, and at or level with the existing road grade of Scenic Highway 98 and features sufficient parking and site improvements to operate in the designed capacity for 34 occupants.

The subject represents a well-constructed resort residential property with two improvements (Main House/Carriage (Guest) House configured to provide multiple bedrooms, bathrooms, a heated in ground pool, kitchen, and living areas, etc. The subject has been specifically configured for occupancy as a resort rental property, and features all necessary components for operation as intended, with a designed occupancy of 34 overnight guests.

[4] The Appraisal Of Real Estate, Twelfth Edition

Therefore, use of the subject as a resort residential rental property for 34 sleeping guests is physically possible.

Financially Feasible
Demand for resort residential properties in the subject market area has improved in the previous 24-48 month period, with a number of increased transactions. Most market participants would describe the market for similar properties as robust.

As described in the market analysis section of this report, the predominant property type in the market area is of second home and seasonal vacation properties with limited full-time residents.

Many property owners rent their properties on a seasonal basis to offset costs of ownership or for income generation potential, and the income a property can generate is often a significant factor contemplated by purchasers in the market. This can be done with or without the assistance of a professional property manager.

We have witnessed a trend for increased rental demand of resort residences which can accommodate larger groups for family reunions, large family vacations, etc. This has led to the construction and renovation of seasonal resort rental homes to serve this need.

Reference the subject, the property was specifically renovated/configured to house up to 34 sleeping guests. Similar properties in the market (and the subject property) achieve sufficient income to provide an adequate return on investment to be definitively financially feasible, however this financial feasibility is directly linked to occupancy.

The recently-implemented City of Destin Ordinance 18-29-CC serves to reduce occupancy of the subject to no more than 18 persons, a net reduction in occupancy of -47.06%.

This no doubt will impact the income generation potential of the property and associated net income, as now the improvement which was renovated/configured for 34 guests will be limited to 18; But, the predominant costs of ownership remain the same.

This ordinance inevitably lowers net income to the property owner- a situation that has no result other than to reduce the value of the asset in its respective marketplace where income generation potential is valued by prospective purchasers.

Therefore, use of the subject as a resort rental property is considered to be financially feasible. However, it is noted that the reduction in permissible occupancy by Ordinance 18-29-CC is estimated to impact the financial performance and associated market value of the subject property negatively.

Maximally Productive Given the legally permissible, physically possible, and financially feasible uses of the subject property we are of the opinion that the maximally

productive use of the subject property ‘As Is’ is for continued resort rental use at the occupancy for which is was specifically renovated/configured (ie. 34 guests).

This use will certainly bring the highest net return to the land. While operation in a reduced occupancy capacity (as dictated by City of Destin Ordinance 18-29-CC) is still possible, the impact to the income generation potential is significant, as the occupancy has now been reduced by -47.06% based on number of persons.

This ordinance inevitably reduces gross and net income to the property owner, resulting in a reduced financial benefit of ownership and negative impact to market value.

Therefore, use of the subject as a seasonal rental property is considered legal, conforming. It is noted that the zoning category description within the land development code does not provide for any outlined maximum occupancies for the subject property or other similar properties. We therefore ascertain that prior to implementation of City of Destin Ordinance 18-29-CC occupancy of the subject for the planned number of sleeping guests of 34 was legally permissible.

Valuation Methodology - Overview

The appraisal analysis is based on analytical techniques that may encompass anticipation of costs to be incurred, and benefits to be derived in the future; however, the subject is appraised as described in this report, including only those assumptions also described in this report.

This appraisal analysis has been conducted, and the appraisal report was prepared in conformance with the requirements of Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA).

The valuation process is a systematic procedure an appraiser follows to provide answers to a client's questions about real property value.[1] Three basic approaches may be used to arrive at an estimate of market value. They are:

1. The Cost Approach
2. The Income Approach
3. The Sales Comparison Approach

Land Valuation Methodology

Land Valuation is generally a component of the Cost Approach in appraisal of an improved property. In most appraisal analyses, separate land valuation is conducted utilizing the Sales Comparison Approach.

Cost Approach Methodology

The cost approach is a reliable methodology for new, nearly new or special-use buildings. In the cost approach, value is estimated as the current cost of reproducing or replacing the existing or proposed improvements and site improvements (including direct and indirect costs as well as an appropriate entrepreneurial incentive or profit), and then deducting the loss in value from depreciation due to physical, functional, and external sources.[5]

The depreciated replacement or reproduction cost of the improvements is then added to the value of the site resulting in a value indication of the fee simple interest in the property.

The Cost Approach is summarized as follows:

Cost New
- Depreciation
+ Entrepreneurial Incentive
+ Land Value
= Value

[5] The Appraisal of Real Estate, Twelfth Edition

Sales Comparison Approach Methodology

The sales comparison approach is premised on the "Principle of Substitution" which indicates an informed purchaser would pay no more for a property than the cost of acquiring an equally desirable substitute property possessing the same or similar utility.

This approach is applicable when an active market provides sufficient quantities of reliable data which can be verified from authoritative sources. The Sales Comparison Approach is most reliable in an active market or if an opinion of value is related to properties for which there are comparable sales available- and heavy emphasis is generally placed on this sales comparison approach when these market conditions are present.

The Sales Comparison Approach compares sales of similar properties with the subject property. Each comparable sale is adjusted for its inferior or superior characteristics. The values derived from the adjusted comparable sales form a range of value for the subject. By process of correlation and analysis, a final indicated value is derived.

Income Approach Methodology

The Income Approach converts the anticipated flow of future benefits (income) to a present value estimate through a capitalization and/or a discounting process.

The income approach is recognized as a reliable approach for estimating the value of "income producing" property to an investor. The income approach consists of methods, techniques, and mathematical procedures that an appraiser utilizes to analyze a property's capacity to generate income and convert income into an indication of present value either by capitalizing the current income at a market capitalization rate, or discounting the future cash flows into a present value estimate using an appropriate yield (discount) rate. The appraisal process emulates the actions of the market, and the income approach is most applicable when the probable buyer would be an investor or prospective owner occupant. Two techniques associated with the income approach are direct capitalization and discounted cash flow analysis.

Final Reconciliation Process

In the appraisal process for improved property, typically more than one approach to value is applied, resulting in two or more value indications that must be evaluated for relevancy, applicability and reliability, and a final point value or range of value is chosen.

Resolving the differences among various value indications is called reconciliation.[6]

The appraisal process concludes with the Final Reconciliation of the values derived from the approaches applied to arrive at a single estimate or range of market value opinions. Different properties require different means of analysis and lend themselves to one

[6] The Appraisal of Real Estate, Twelfth Edition

approach over the others. As such, in the reconciliation appropriate weight is given to the most applicable and/or reliable indications of value to arrive at a conclusion.

Reconciliation is not a mathematical process. Rather, at this point in the valuation process the appraiser must reevaluate all pertinent data in the analysis for appropriateness, accuracy, and quality of evidence.

The appraiser then weighs the relative significance, applicability, and defensibility of each value indication and relies most heavily on the approach that is most appropriate to the nature of the appraisal problem.

Valuation Methodology Utilized in this Assignment

Valuation Analyses

Purpose of Assignment:	The purpose of this appraisal is to derive an opinion of the Dimunition in Value to the subject property associated with the implementation of City of Destin Ordinance No. 18-29-CC. This Ordinance was implemented January 22, 2019, and the incorporation of this ordinance limits the occupancy of the subject property to 18 guests. Prior to the implementation of this Ordinance, the designed occupancy of the subject property was 34 guests. Therefore, as a result of the ordinance, the maximum occupancy of the subject has been reduced by 16 guests, or approximately –47.06%. We are therefore opining on the difference in market value of the subject before and after the adoption of City of Destin Ordinance No. 18-29-CC, which was promulgated on January 22, 2019.
Land Valuation:	An opinion of value for the subject property in 'as if vacant' condition and subsequent application of the cost approach has not been provided. The purpose of this appraisal is to evaluate the impact to the value of the subject by virtue of the implementation of City of Destin Ordinance 18-29-CC which limits occupancy of the subject and corresponding associated income generation potential. Thus, the cost to acquire land and construct a replacement property is meaningless to the purpose of the assignment and was not applied.

Sales Comparison Approach:	The improved sales comparison approach was not utilized in this appraisal assignment. The purpose of this appraisal is to evaluate the impact to the value to the subject by virtue of the implementation of City of Destin Ordinance 18-29-CC which limits occupancy of the subject and associated income generation potential. As this ordinance was just recently implemented, an adequate number of improved sales which sold after the Ordinance implementation date were not available from which to derive an opinion of market value from this approach. As sales which occurred prior to this Ordinance will reflect market transactions without this restriction, they are not considered valid indicators of value for the subject in the restricted condition. Therefore this approach could not be applied due to lack of sufficient comparable data.
Income Approach:	The income approach was applied for the subject in both the 'Before Ordinance' and 'After Ordinance' scenarios.

Income Approach

The Income Approach to value is based on the principle of anticipation, i.e. the value of property correlates to the present worth of the future rights to benefits to be received by the owner. Income approach analysis considers the property from an investor's point of view, the basic premise being that the amount and quality of the income stream are the basis for value of the property.

The income approach is applied by projecting a net income stream through analysis of the subject historical data, comparable property's income and expense information, and historical income expense information for similar properties in the subject market area.

The estimated net income is then converted to a value indication utilizing either the process of direct capitalization analysis, discounted cash flow (DCF) analysis (yield capitalization), or a combination of these methods.

Discounted Cash Flow Analysis (Yield Analysis)
Discounted Cash Flow (DCF) analysis is the procedure in which a discount rate is applied to a series of projected income streams and a reversion. The analyst specifies the quantity, variability, timing, and duration of the income streams as well as the quantity and timing of the reversion and discounts each to its present value at a specified yield rate. DCF analysis can be applied with any yield capitalization technique and may be performed on either a lease-by-lease or aggregate basis.[7]

Applicability: DCF (Yield) analysis is generally used when the net income of the property is forecast to be variable, when the property is of a sufficient size and investment value to cause market participants to evaluate purchase decisions based on DCF, or when specifically requested by the client in an assignment.

Given the nature of the subject property, a discounted cash flow analysis was not employed in this appraisal analysis, as market participants typically do not utilize DCF methodology when evaluating purchase decisions for properties such as the subject.

Direct Capitalization
Conversion of a net income to a present value dollar estimate is called capitalization. Direct capitalization is a method used to convert an estimate of a single year's income expectancy into an indication of value in one direct step, either by dividing the income estimate by an appropriate rate or by multiplying the income estimate by an appropriate factor. This technique employs capitalization rates and multipliers extracted from sales. Only the first year's income is considered. Yield and value change are implied, but not identified.

[7] The Dictionary of Real Estate Appraisal, Fourth Edition

Applicability: Direct Capitalization analysis is generally appropriate for small to medium sized income-producing properties, in stable markets, single tenant or multi-user-oriented properties, or those with a forecast stable income stream.

Direct Capitalization is utilized in this appraisal given the subject market environment, the character of the subject property in the local market, and the tendency for market participants to use direct capitalization analysis when evaluating investment thresholds and financial benefits for similar property.

The steps involved in capitalizing the subject's net operating income are as follows:

- Develop the subject's Potential Gross Income (PGI) through analysis of the subject's actual historic income and an analysis of competitive current market income rates.

- Estimate and deduct vacancy and collection losses to develop the Effective Gross Income (EGI).

- Develop and subtract operating expenses to derive the Net Operating Income (NOI).

- Develop the appropriate capitalization rate (R_o).

- Divide the net operating income by the capitalization rate for an estimate of value through the income approach.

The reliability of a value found by this approach depends on an appraiser's ability to forecast and support income forecasts and to apply the appropriate income capitalization technique to arrive at the value estimate. When estimating market value, the income forecast must be considered by the appraiser to be typical and the income capitalization techniques must reflect the way investors usually estimate value.

Valuation of a Fee Simple Interest by the Income Approach
When estimating the value of the fee simple interest by the income approach, the annual operating income is forecast assuming market levels. The term "market levels" means that the income and expenses are set at levels considered suitable for the subject property after comparing it to similar properties under current market conditions. Rental rates are projected based on expected market rents and vacancy, and collection loss is based on what is typical in the market for properties renting at the market rate.

Estimate of Potential Gross Income (PGI)

Potential Gross Income is the total income attributable to real property at full occupancy before vacancy and operating expenses are deducted. Potential Gross Income includes the sum of potential rental income, other income, and expense recoveries. The income and expense history of the subject property is described below.

Property Income / Use History:
The property owner provided us with historical rental income and expense data the subject property. The subject property was renovated in 2017/2018 and the first full seasonal rental year will be 2019.

As of September 30, 2019, the subject property has produced in income of approximately $158,000 and current bookings thru the end of the year indicate an overall income for the 2019 year of approximately $186,000, or $7,750 per person based on an occupancy of 24 guests. According to the property owner, in January of 2019 he reduced his occupancy level to 24 occupants in order to comply with the instituted City of Destin Ordinance.

We again mention that the subject property is a resort residential property that was specifically renovated/configured for income generation potential based on a sleeping occupancy load of 34 persons. This is the basis of the 'Before Ordinance' valuation scenario.

As a result of the implementation of City of Destin Ordinance 18-29-CC, the subject is now limited to a maximum sleeping occupancy of 18 persons, or a reduction of approximately -47.06%. This is the basis of the 'After Ordinance' valuation scenario.

We now seek to formulate an opinion of probable annual gross income due the subject in the 'Before Ordinance' configuration with a sleeping occupancy of 34 guests and in the 'After Ordinance' configuration with a sleeping occupancy of 18 guests.

Market Rent Based on Occupancy
The appraiser has researched the local market area in order to derive potential subject market rents based on the respective occupancy levels in the 'before' and 'after' configurations.

We will present a table of comparable gross rental income for comparable resort residential properties for both the 'before' and 'after' occupancy categories. The following table outlines comparable rentals of residential resort rental homes in the subject market area with a sleeping capacity of 26-38 or more guests (before ordinance), then for 14-24 guests (after ordinance).

COMPARABLE RENTAL SCHEDULE, SLEEPING OCCUPANCY APPROXIMATELY 34 PERSONS 'Before Ordinance' Dataset					
Address	Sleeping Capacity	HVAC SF	Year Built	Annual Gross Income	Gross Income Per Sleeping Occupant
3 Magnolia Drive	26	3,290	2017	$251,696	$9,681
96 Tarpon Street	28	3,398	2017	$161,000	$5,750
3487 Scenic Highway 98	32	6,600	2016	$305,393	$9,544
3463 Scenic Highway 98	32	6,153	2015	$380,000	$11,875
42 Miami Street	34	7,424	2016	$463,852	$13,643
3561 Scenic Highway 98	36	6,531	2018	$305,890	$8,497
107 Hollywood Street	38	6,465	2013	$289,647	$7,622
SUBJECT FORECAST REVENUE	24	4,707	2009 (Eff.)	$186,000	$7,750
Comparable Statistics*					
Minimum	24	3,290	2013	$161,000	$5,750
Maximum	38	7,424	2018	$463,852	$13,643
Average	31	5,571	2016	$292,935	$9,295
Median	32	6,309	2016	$297,520	$9,020

The array of comparable rentals above exhibited a range of income per guest per year of between $5,750 and $13,643 per occupant. In consideration of the data above, we consider that an appropriate conclusion of gross annual rent per sleeping occupant is supported at $7,000 per sleeping space, which is within the range of comparable rental data presented.

CONCLUSION OF POTENTIAL GROSS ANNUAL RENT, SUBJECT SLEEPING OCCUPANCY OF 34 PERSONS 'Before Ordinance'				
Address	Sleeping Capacity	HVAC SF	Concluded Annual Gross Income Calculated Per Sleeping Occupant	Calculated Conclusion of Annual Gross Income
Subject Property	*34*	*4,707*	*$7,000*	*$238,000*

COMPARABLE RENTAL SCHEDULE, SLEEPING OCCUPANCY OF APPROXIMATELY 18 PERSONS 'After Ordinance' Dataset					
Address	Sleeping Capacity	HVAC SF	Year Built	Annual Gross Income	Gross Income Per Sleeping Occupant
4835 Ocean Boulevard	14	3,546	2000	$126,000	$9,000
8 Magnolia Drive	16	4,278	2004	$92,942	$5,809
91 Barracuda Street	18	3,320	2007	$139,577	$7,754
4735 Ocean Boulevard	18	4,263	2003	$157,980	$8,777
113 Los Angeles Street	19	3,122	2005	$137,308	$7,227
100 Sandprint Circle	20	4,227	1999	$105,000	$5,250
84 Pompano Stret	20	3,310	2012	$160,000	$8,000
3147 Scenic Highway 98	20	4,204	2008	$132,000	$6,600
96 Sarasota Street	22	4,132	2009	$143,813	$6,537
58 Sunfish Sttreet	22	3,470	1997	$140,000	$6,364
375 Gulf Shore Drive	22	3,360	2004	$183,209	$8,328
4488 Ocean View Drive	24	3,885	2018	$163,393	$6,808
2825 Scenic Highway 98	24	5,000	1991	$220,000	$9,167
Minimum	14	3,122	1991	$92,942	$5,250
Maximum	24	5,000	2018	$220,000	$9,167
Average	20	3,855	1991	$146,248	$7,355
Median	20	3,885	2004	$140,000	$7,227

The array of comparable rentals above exhibited a range of income per guest per year of between $5,250 and $9,167 per occupant. In consideration of the data above, we consider that an appropriate conclusion of gross annual rent per sleeping occupant is supported at the upper end of the range, in consideration of the recent renovations and larger size of the structure per number of occupants. We therefore estimate an annual rent of $7,500 per sleeping space is supported.

CONCLUSION OF POTENTIAL GROSS ANNUAL RENT, SUBJECT SLEEPING OCCUPANCY OF 18 PERSONS 'After Ordinance'				
Address	Sleeping Capacity	HVAC SF	Concluded Annual Gross Income Calculated Per Sleeping Occupant	Calculated Conclusion of Annual Gross Income
Subject Property	*18*	*4,707*	*$7,500*	*$135,000*

In the preceding section of the report we derived an opinion of probable gross annual rent due the subejct in both the 'Before Ordinance' ($238,000) and 'After Ordinance' ($135,000) conditions. The result was a decrease in annual income as a result of the reduced sleeping capacity of -43.53% commensurate with the decrease in ocupancy from 34 to 18 persons or -47.06%.

We now seek to evaluate the expenses pertinent to the subject in order to forecast Net Operating Income in both the Before and After scenarios.

Estimation of Operating Expenses

Vacancy and Collection Loss
As we forecast income based on comparable rentals with reported gross income figures, there is no need to deduct a vacancy and collection loss allocation, as the figures utilized already take into account a vacant and credit loss deduction.

Taxes
The property taxes for the subject property as of 2018 are reported to be a rounded figure of $20,804 annually. This cost is stable regardless of the occupancy of the subject in the 'before' and 'after' conditions.

Insurance
The insurance costs (Flood/Building) for the subject are reported to be a rounded $7,000 annually, which is consistent with other similar properties in the market area. This cost is stable regardless of the occupancy of the subject in the 'before' and 'after' conditions.

Utilities (Power, Water/Sewer/Garbage, Cable and Internet)
The owner pays all utilities, including power, water/sewer/garbage, cable and internet, for the subject property. The annual 2018 Utilities expenses were reported to be a rounded $15,700, and we will utilize this annual cost for the subject in the 'before' condition, and at the rounded rate of $14,130 in the 'after' condition. It is noted that regardless of the occupancy of the subject, the costs of electricity remain relatively constant, and the costs of cable and internet are the same regardless of the number of occupants. Only the expenses of water, gas and to a nominal degree electricity are variable with occupancy.

Repairs/Maintenance
We have included a repairs/maintenance allowance as a percentage of EGI at 10.0% in the before configuration which equates to $23,800 annually. With regard to the after configuration, noting that routine maintenance is likely not significantly impacted by differences in occupancy between 34 and 18 persons, but the annual income is reduced, we must increase our maintenance in the 'after' configuration as this expense is calculated as a % of EGI. In the 'after' condition we estimate maintenance at the rate of 15.5% of EGI. While we do recognize that 'wear and tear' is somewhat linked to occupancy, the fact that the entire house area is subject to use by 18 guests just as it is with 34 guests, this cost is somewhat fixed.

Management

We estimate management costs based on the costs of a third party manager who would typically charge between 15% and 25% of collected rents for the management service. We will utilize a rate on the lower end of this scale for both value scenarios, or a rate of 15% of EGI.

Income and Expense Statement

The table below recaps our projected income stream and breaks down each expense item. Expenses are totaled, and the net operating income is displayed for both the 'before' and 'after' ordinance conditions.

"Before" Condition

Income Capitalization Analysis - 'Before Ordinance Limiting Occupancy'				
Unit	**Income**	**Method**	**Units/SF**	**Annual**
Annual Income 'Before Ordinance' - 34 Guests	$238,000.00	$/Year	1	$238,000
			Potential Gross Income:	$238,000
			Vacancy & Collection Loss Included	$0
			Effective Gross Income (EGI):	$238,000

Expense	**Amount (% or**	**Method**	**Annual**
Taxes	$20,804	$/Year	$20,804
Insurance	$7,000	$/Year	$7,000
Utilities	$15,700	$/Year	$15,700
Repairs/Maintenance	10.0%	% of EGI	$23,800
Management	15%	% of EGI	$35,700
		Total Expenses:	$103,004
		Expense Ratio (Expenses/EGI):	43.28%
		Net Operating Income (NOI):	$134,996

"After" Condition

Income Capitalization Analysis - 'After Ordinance Limiting Occupancy'				
Unit	**Income**	**Method**	**Units/SF**	**Annual**
Annual Income 'After Ordinance' - 18 Guests	$135,000.00	$/Year	1	$135,000
			Potential Gross Income:	$135,000
			Vacancy & Collection Loss Included	$0
			Effective Gross Income (EGI):	$135,000

Expense	**Amount (% or**	**Method**	**Annual**
Taxes	$20,804	$/Year	$20,804
Insurance	$7,000	$/Year	$7,000
Utilities	$14,130	$/Year	$14,130
Repairs/Maintenance	15.50%	% of EGI	$20,925
Management	15%	% of EGI	$20,250
		Total Expenses:	$83,109
		Expense Ratio (Expenses/EGI):	61.56%
		Net Operating Income (NOI):	$51,891

Capitalization Rate Derivation
The capitalization rate is the factor that coverts the stabilized net operating income (NOI) to a present value. It is the ratio of net income to value or sale price.

NOI ÷ Sale Price = Capitalization Rate

For example, if a property sells for $500,000, and has a stabilized NOI of $50,000, the indicated capitalization rate is 10%.

Four methods are generally recognized for estimating an appropriate capitalization rate for use in direct capitalization analysis. These four methods are:

1. Market-Extracted Capitalization Rate Data
2. Band of Investment Method Calculation
3. Debt Coverage Method Calculation
4. Nationally-Published Capitalization Rate Data

Market Extracted Capitalization Rate Data
The market-extraction method of estimating capitalization rates involves finding comparable sales of property similar to the subject, and extracting a market rate from the net operating income and sales price of the comparable property.

We present the following examples of market-extracted capitalization rates for Resort Residential properties, based on similar sales in the local and broader markets.

- 3463 Scenic Highway 98 is a resort rental property that sold in February of 2016 for $3,615,000. Net Operating Income was reported to be $222,125, therefore indicating a capitalization rate of 6.14%.

- 925 Scenic Gulf Drive in Miramar Beach is a resort rental property that sold in November of 2018 for $1,900,000. Net Operating Income based on forecast income and expenses was reported to be $130,000, therefore indicating a capitalization rate of 6.84%.

- 917 Scenic Gulf Drive in Miramar Beach is a resort rental property that sold in August of 2018 for $1,925,000. Net Operating Income based on forecast income and expenses was reported to be $135,000, therefore indicating a capitalization rate of 7.00%.

- 1850 Scenic Gulf Drive in Miramar Beach is a resort rental property that sold in September of 2015 for $2,205,000. Net Operating Income at the time of sale was reported to be $133,200, therefore indicating a capitalization rate of 6.03%.

Based on the above information, and taking into consideration the overall market appeal we consider that a market extracted rate of 6.50% would be applicable for the subject property.

Band of Investment Method Analysis

This technique utilizes lender and real estate investor investment criteria to develop, or synthesize a capitalization rate. As most income producing properties are purchased with debt plus equity capital, the return on investment portion of the overall capitalization rate must satisfy the market returns of both the investor and the lender. The lender must receive a competitive interest rate, and the investor must anticipate receiving a competitive equity yield.

There are four key inputs necessary for this method:

1. The loan-to-value ratio (M)
2. The mortgage interest rate (i)
3. The loan term (n)
4. The equity cap rate or equity dividend rate (R_E)

The mortgage variables are used to build the mortgage constant (R_M), which is the total amount of the payments made in one year, expressed as a percentage of the original loan amount.

Payments x 12 / Original Loan Amount = Mortgage Constant (R_M)

The equity cap rate is the annual return to the investor, expressed as a percent of the original amount invested. The annual return to the investor is also known as the equity dividend rate; it is the profit remaining after debt service and all other expenses.

After Debt Service Profit / Equity Investment = Equity Cap Rate (R_E)

Note that the equity cap rate is not the same (usually, that is) as the equity yield rate. The equity yield rate reflects the total return to the investor over the life of the investment. Factors such as appreciation and mortgage pay down affect and usually increase this return to a point higher than the equity dividend rate. In markets where substantial appreciation is expected, investors will often accept a low or even negative equity dividend rate, anticipating a compensating payoff when the property is eventually sold. In markets where little appreciation is expected, much more weight is given to the annual equity dividend.

Formula:

R_M x M	= rate
R_E x (1-M)	= rate
	= Cap Rate (R_o)

A survey of local lenders indicated that competitive fixed rate loans for properties similar to the subject as investment property are typically available at a rate of between 5.50% and 7.50% on a 30 year amortization schedule with a 50-70% loan to value.

Thus, we will use a rate of 6.00% in our calculations, with a 70% loan to value and a 30 year amortization term for our analysis of the band of investment and debt coverage ratio analyses.

The debt capitalization rate (or mortgage constant) for a typical loan made at 6.00% for 30 years is 0.07194606.

Equity dividend (capitalization) rates in the local market range from 4-9%. We estimate an equity dividend rate of 6.00% in the local market for property such as the subject.

Debt Coverage Ratio Method Analysis

This technique develops a capitalization rate based on typical mortgage terms. There are four variables necessary for this method:

1. The loan-to-value ratio (M)
2. The mortgage interest rate (i)
3. The loan term (n)
4. The debt coverage ratio (DCR)

Items 1 through 3 are discussed above under the Band of Investment section. In this method it is also used to develop the mortgage constant (R_M). The debt coverage ratio is the factor by which income exceeds debt on an annual basis.

Formula:
Debt Coverage Ratio x Loan to Value Ratio x Mortgage Constant = R_o
or: DCR x M x R_M = R_o

We have researched mortgage rates and terms typical for the subject within the market area as noted above. The table below details the Band of Investment and Debt Coverage Ratio Analyses calculations.

Capitalization Rate Calculations					
Capitalization Rate Variables					
Mortgage Interest Rate	6.00%				
Loan Term (Years)	30				
Loan To Value Ratio	70.%				
Debt Coverage Ratio	1.25				
Equity Dividend Rate	6.00%				
Band of Investment Analysis					
Mortgage Constant			Loan Ratio	Contributions	
0.071946063		x	70.%	=	5.04%
Equity Dividend Rate			Equity Ratio		
6.00%		x	30.%	=	1.80%
			Band of Investment Capitalization Rate		**6.84%**
Debt Coverage Ratio Analysis					
Debt Coverage Ratio x Loan to Value Ratio x Mortgage Constant					
1.25 x 0.7 x 0.0719460630183303				=	6.30%
			Debt Coverage Ratio Capitalization Rate		**6.30%**

The Band of Investment capitalization rate analysis indicated an appropriate capitalization rate per the preceding assumptions of 6.84%.

The Debt Coverage Ratio Analysis indicated an appropriate capitalization rate per the preceding assumptions of 6.30%.

National Survey Data

RealtyRates.com Investor Survey
RealtyRates does not track capitalization rates for resort residential property such as the subject, however they do track rates for lodging facilities, a property type that is similar in use to the subject, being a facility for short term rental on a seasonal basis where all services are included in the rental rate. We therefore look to this property category in realty rates for an indication of an applicable capitalization rate for the subject.

The *Realty Rates Investor Survey*, dated 4th Quarter 2018, indicates going-in capitalization rates for Lodging Facilities – All Types ranged from 5.21% to 17.22% with an average of 11.32%. In consideration of the excellent quality and condition of the subject property, as well as the resort location, we would estimate an applicable capitalization rate would be below the national average indicated by the survey data and within the lower quartile of exhibited rates, or a rate of between 5.21% and 8.22%.

RealtyRates.com INVESTOR SURVEY - 4th Quarter 2018* LODGING FACILITIES -ALL TYPES							
Item	**Input**						**OAR**
Minimum							
Spread Over 10-Year Treasury	0.86%	**DCR Technique**		1.00	0.048303	0.80	**3.86**
Debt Coverage Ratio	1.00	**Band of Investment Technique**					
Interest Rate	3.75%	Mortgage		80%	0.048303	0.038642	
Amortization	40	Equity		20%	0.080938	0.016188	
Mortgage Constant	0.048303	OAR					**5.48**
Loan-to-Value Ratio	80%	**Surveyed Rates**					**5.21**
Equity Dividend Rate	8.09%						
Maximum							
Spread Over 10-Year Treasury	11.58%	**DCR Technique**		2.85	0.163616	0.50	**23.32**
Debt Coverage Ratio	2.85	**Band of Investment Technique**					
Interest Rate	14.47%	Mortgage		50%	0.163616	0.081808	
Amortization	15	Equity		50%	0.198946	0.099473	
Mortgage Constant	0.163616	OAR					**18.13**
Loan-to-Value Ratio	50%	**Surveyed Rates**					**17.22**
Equity Dividend Rate	19.89%						
Average							
Spread Over 10-Year Treasury	3.54%	**DCR Technique**		1.53	0.084242	0.67	**8.60**
Debt Coverage Ratio	1.53	**Band of Investment Technique**					
Interest Rate	6.43%	Mortgage		67%	0.084242	0.056324	
Amortization	22	Equity		33%	0.145842	0.048333	
Mortgage Constant	0.084242	OAR					**10.47**
Loan-to-Value Ratio	66.9%	**Surveyed Rates**					**11.32**
Equity Dividend Rate	14.6%						

Capitalization Rate Summary and Conclusion

We consider that a market extracted rate of 6.50% would be applicable for the subject property based on market-extracted capitalization rate indications.

The Band of Investment capitalization rate analysis indicated an appropriate capitalization rate per the preceding assumptions of 6.84%.

The Debt Coverage Ratio Analysis indicated an appropriate capitalization rate per the preceding assumptions of 6.30%.

National Market Indicators as reported by realty rates for a related property type indicate an appropriate capitalization rate of between 5.21% and 8.22% for the subject property.

Capitalization Rate Conclusion:

It is the opinion of the appraiser that a **6.50% capitalization rate** should be employed in this analysis.

On the following page we present the direct capitalization analysis for both the 'Before' and 'After' Ordinance 18-29-CC value scenarios.

Capitalization to Value

"Before" Condition

Income Capitalization Analysis - 'Before Ordinance Limiting Occupancy'				
Unit	**Income**	**Method**	**Units/SF**	**Annual**
Annual Income 'Before Ordinance' - 34 Guests	$238,000.00	$/Year	1	$238,000
			Potential Gross Income:	$238,000
			Vacancy & Collection Loss Included	$0
			Effective Gross Income (EGI):	$238,000

Expense	Amount (% or	Method	Annual
Taxes	$20,804	$/Year	$20,804
Insurance	$7,000	$/Year	$7,000
Utilities	$15,700	$/Year	$15,700
Repairs/Maintenance	10.0%	% of EGI	$23,800
Management	15%	% of EGI	$35,700
		Total Expenses:	$103,004
		Expense Ratio (Expenses/EGI):	43.28%
		Net Operating Income (NOI):	$134,996
		Capitalization Rate:	6.50%
		Value (NOI/Cap Rate):	$2,076,862
		Rounded:	$2,075,000

"After" Condition

Income Capitalization Analysis - 'After Ordinance Limiting Occupancy'				
Unit	**Income**	**Method**	**Units/SF**	**Annual**
Annual Income 'After Ordinance' - 18 Guests	$135,000.00	$/Year	1	$135,000
			Potential Gross Income:	$135,000
			Vacancy & Collection Loss Included	$0
			Effective Gross Income (EGI):	$135,000

Expense	Amount (% or	Method	Annual
Taxes	$20,804	$/Year	$20,804
Insurance	$7,000	$/Year	$7,000
Utilities	$14,130	$/Year	$14,130
Repairs/Maintenance	15.50%	% of EGI	$20,925
Management	15%	% of EGI	$20,250
		Total Expenses:	$83,109
		Expense Ratio (Expenses/EGI):	61.56%
		Net Operating Income (NOI):	$51,891
		Capitalization Rate:	6.50%
		Value (NOI/Cap Rate):	$798,323
		Rounded:	$800,000

Conclusion of Dimunition in Value

In the 'before ordinance' configuration direct capitalization of the net operating income to the subject property revealed a value opinion of $2,075,000 based on an occupancy of 34 sleeping guests.

In the 'after ordinance' configuration direct capitalization of the net operating income to the subject property revealed a value opinion of $800,000 based on an occupancy of 18 sleeping guests.

The Dimunition in Value is represented by the difference between the 'before' and 'after' value conclusions, or in this case the difference between $2,075,000 and $800,000 or $1,275,000.

As an augmenting check to this value opinion, we consider a discounted cash flow analysis of the lost income to the subject as a result of the reduced occupancy, for the remaining term of the economic life of the improvement.

As presented in the preceding income analyses, the difference in annual Net Operating Income between the 'before' scenario at $134,996 and the 'after' scenario at $51,891, calculates to $83,105 annually.

This is the annual net income loss as a result of the implemented restriction on occupancy by virtue of City of Destin Ordinance 18-29-CC, and will promulgate for the remainder of the economic life of the structure and the site is redeveloped.

We previously stated in the report that information provided by the Okaloosa County Property Appraisers Office indicates that the subject improvements were originally constructed in 2001 which provides for an actual age of 18 years. However, these improvements have been recently renovated and are considered to be of very good quality of construction and are in very good condition providing for an effective year built of 2009 and an effective age of approximately 10 Years

The published economic life of improvements similar to the subject is 55 years per Marshall Valuation Service. Subtracting the economic age of the improvement of 10 years from the overall life of 55 years we calculate a remaining economic life for the subject structure is 45 years.

If we consider that City of Destin Ordinance 18-29-CC serves to reduce occupancy to the subject, thereby reducing annual income in the amount of $83,105 annually, presumably for the remaining economic life of the improvement, we can calculate the present value of this financial loss over time as a check to the Dimunition in value calculation via direct capitalization analysis presented preceding.

If we discount the annual loss of $83,105 for a period of 45 years, at a discount rate of 6% annually, the present value of the future loss of income is calculated to be $1,284,456 which provides additional support for our opinion of Dimunition in Value via direct capitalization analysis of $1,275,000.

Therefore, our opinion of Dimunition in value for the subject property is opined to be $1,275,000 consistent with our calculation via direct capitalization analysis:

One Million Two Hundred Seventy Five Thousand Dollars
$1,275,000

Certification

The appraiser has no present or prospective interest in the subject property of this appraisal and no personal interest of bias with respect to the parties involved in this appraisal. I have the appropriate education and experience to conduct this appraisal.

The appraiser will not divulge the analytical findings or conclusions to anyone other than the client or designee, except as may be required by the Appraisal Institute or by a court of law with power of subponea.

I certify, to the best of our knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions and conclusions.
- I have no present or prospective interest in the property which is the subject of this report and no personal interest with respect to the parties involved.
- I have no bias with respect to the property which is the subject of this report or to the parties involved with this assignment.
- The engagement in this assignment was not contingent upon developing or reporting predetermined results.
- The compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- I have made a personal inspection of the property that is the subject of this report.

Certification
(Continued)

- The signatory appraiser has not performed any services, as an appraiser or in any other capacity, regarding the subject property within the 3 years prior to acceptance of this appraisal assignment.

This appraisal has been conducted, and the appraisal report prepared in conformance with the requirements of Title XI of the Financial Institutions Reform, Recover, and Enforcement Act of 1989 (FIRREA, 12 U.S.C. 3331 et seq.). This appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.

No person other than the undersigned made a significant professional contribution to the research and analysis in this appraisal unless specifically noted above.

Respectfully Submitted,

EquiValue Appraisal, LLC

Jason P. Shirey, MAI, CCIM
Cert Gen RZ3186

Limiting Conditions and Assumptions

1. Unless otherwise noted in the body of the report, we assumed that title to the property or properties appraised is clear and marketable and that there are no recorded or unrecorded matters or exceptions that would adversely affect marketability or value. We are not aware of any title defects nor were we advised of any unless such is specifically noted in the report. We did not examine a title report and make no representations relative to the condition thereof. Documents dealing with liens, encumbrances, easements, deed restrictions, clouds and other conditions that may affect the quality of title were not reviewed. Insurance against financial loss resulting in claims that may arise out of defects in the subject property's title should be sought from a qualified title company that issues or insures title to real property.

2. We assume that improvements are constructed or will be constructed according to approved architectural plans and specifications and in conformance with recommendations contained in or based upon any soils report(s).

3. Unless otherwise noted in the body of this report, we assumed: that any existing improvements on the property or properties being appraised are structurally sound, seismically safe and code conforming; that all building systems (mechanical/electrical, HVAC, elevator, plumbing, etc.) are, or will be upon completion, in good working order with no major deferred maintenance or repair required; that the roof and exterior are in good condition and free from intrusion by the elements; that the property or properties have been engineered in such a manner that it or they will withstand any known elements such as windstorm, hurricane, tornado, flooding, earthquake, or similar natural occurrences; and, that the improvements, as currently constituted, conform to all applicable local, state, and federal building codes and ordinances. We are not engineers and are not competent to judge matters of an engineering nature. We did not retain independent structural, mechanical, electrical, or civil engineers in connection with this appraisal and, therefore, make no representations relative to the condition of improvements. Unless otherwise noted in the body of this report no problems were brought to our attention by ownership or management. We were not furnished any engineering studies by the owners or by the party requesting this appraisal. If questions in these areas are critical to the decision process of the reader, the advice of competent engineering consultants should be obtained and relied upon. It is specifically assumed that any knowledgeable and prudent purchaser would, as a precondition to closing a sale, obtain a satisfactory engineering report relative to the structural integrity of the property and the integrity of the building systems. Structural problems and/or building system problems may not be visually detectable. If engineering consultants retained should report negative factors of a material nature, or if such are later discovered, relative to the condition of the improvements, such information could have a substantial negative impact on the conclusions reported in this appraisal. Accordingly, if engineering consultants report negative findings, we reserve the right to amend the appraisal conclusions reported herein.

4. All furnishings, equipment and business operations, except as specifically stated and typically considered as part of real property, have been disregarded with only real property being considered in the appraisal. Any existing or proposed improvements, on- or off-site, as well as any alterations or repairs considered, are assumed to be completed

in a workmanlike manner according to standard practices based upon information submitted. This report may be subject to amendment upon re-inspection of the subject property subsequent to repairs, modifications, alterations and completed new construction. Any estimate of Market Value is as of the date indicated; based upon the information, conditions and projected levels of operation.

5. We assume that all factual data furnished by the client, property owner, owner's representative, or persons designated by the client or owner to supply said data are accurate and correct unless otherwise noted in the appraisal report. We have no reason to believe that any of the data furnished contain any material error. Information and data referred to in this paragraph include, without being limited to, numerical street addresses, lot and block numbers, Assessor's Parcel Numbers, land dimensions, square footage area of the land, dimensions of the improvements, gross building areas, net rentable areas, usable areas, unit count, room count, rent schedules, income data, historical operating expenses, budgets, and related data. Any material error in any of the above data could have a substantial impact on the conclusions reported. Thus, we reserve the right to amend our conclusions if errors are revealed. Accordingly, the client-addressee should carefully review all assumptions, data, relevant calculations, and conclusions within 30 days after the date of delivery of this report and should immediately notify us of any questions or errors.

6. The date of value to which any of the conclusions and opinions expressed in this report apply, is set forth in the Letter of Transmittal. Further, that the dollar amount of any value opinion herein rendered is based upon the purchasing power of the American Dollar on that date. This appraisal is based on market conditions existing as of the date of this appraisal. Under the terms of the engagement, we will have no obligation to revise this report to reflect events or conditions which occur subsequent to the date of the appraisal. However, we will be available to discuss the necessity for revision resulting from changes in economics or market factors affecting the subject.

7. We assume no private deed restrictions, limiting the use of the subject property in any way.

8. Unless otherwise noted in the body of the report, we assume that there are no mineral deposits or subsurface rights of value involved in this appraisal, whether they be gas, liquid, or solid. Nor are the rights associated with extraction or exploration of such elements considered unless otherwise stated in this appraisal report. Unless otherwise stated we also assumed that there are no air or development rights of value that may be transferred.

9. We are not aware of any contemplated public initiatives, governmental development controls, or rent controls that would significantly affect the value of the subject.

10. The estimate of Market Value, which may be defined within the body of this report, is subject to change with market fluctuations over time. Market value is highly related to exposure, time promotion effort, terms, motivation, and conclusions surrounding the offering. The value estimate(s) consider the productivity and relative attractiveness of the property, both physically and economically, on the open market.

11. Unless specifically set forth in the body of the report, nothing contained herein shall be construed to represent any direct or indirect recommendation to buy, sell, or hold the

properties at the value stated. Such decisions involve substantial investment strategy questions and must be specifically addressed in consultation form.

12. Unless otherwise noted in the body of this report, we assume that no changes in the present zoning ordinances or regulations governing use, density, or shape are being considered. The property is appraised assuming 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 estimates contained in this report is based, unless otherwise stated.

13. This study may not be duplicated in whole or in part without our written consent, nor may this report or copies hereof be transmitted to third parties without said consent. Exempt from this restriction is duplication for the internal use of the client-addressee and/or transmission to attorneys, accountants, or advisors of the client-addressee. Also exempt from this restriction is transmission of the report to any court, governmental authority, or regulatory agency having jurisdiction over the party/parties for whom this appraisal was prepared, provided that this report and/or its contents shall not be published, in whole or in part, in any public document without our written consent. Finally, this report shall not be advertised to the public or otherwise used to induce a third party to purchase the property or to make a "sale" or "offer for sale" of any "security", as such terms are defined and used in this Securities Act of 1933, as amended. Any third party, not covered by the exemptions herein, who may possess this report, is advised that they should rely on their own independently secured advice for any decision in connection with this property. We shall have no accountability or responsibility to any such third party.

14. Any value estimate provided in the report applies to the entire property, and any pro ration or division of the title into fractional interests will invalidate the value estimate, unless such pro ration or division of interests has been set forth in the report.

15. Any distribution of the total valuation in this report between land and improvement applies only under the existing program of utilization. Component values for land and/or buildings are not intended to be used in conjunction with any other property or appraisal and are invalid if so used.

16. The maps, plats, sketches, graphs, photographs, and exhibits included in this report are for illustration purposes only and are to be used only to assist in visualizing matters discussed within this report. Except as specifically stated, data relative to size or areas of the subject and comparable properties was obtained from sources deemed accurate and reliable. None of the exhibits are to be removed, reproduced, or used apart from this report.

17. No opinion is intended to be expressed on matters that may require legal expertise or specialized investigation or knowledge beyond that which is customarily employed by real estate appraisers. Values and opinions expressed presume that environmental and other governmental restrictions/conditions by applicable agencies have been met, including but not limited to seismic hazards, flight patters, decibel levels/noise envelopes, fire hazards, hillside ordinances, density, allowable uses, building codes, permits, licenses, etc. No survey, engineering study or architectural analysis was provided to us unless otherwise stated within the body of this report. If we were not supplied with a

termite inspection, survey or occupancy permit, no responsibility or representation is assumed or made for any costs associated with obtaining same or for any deficiencies discovered before or after they are obtained. No representation or warranty is made concerning obtaining these items. We assume no responsibility for any costs or consequences arising due to the need, or the lack of need, for flood hazard insurance. An agent for the Federal Flood Insurance Program should be contacted to determine the actual need for Flood Hazard Insurance.

18. Acceptance and/or use of this report constitutes full acceptance of the Assumptions and Limiting Conditions and extraordinary assumptions set forth in this report. It is the responsibility of the Client, or client's designees, to read in full, comprehend and thus become aware of the aforementioned assumptions and limiting conditions. We assume no responsibility for any situation arising out of the Client's failure to become familiar with and understand the same. The Client is advised to retain experts in areas that fall outside the scope of the real estate appraisal/consulting profession if so desired.

19. We assume that the subject property will be under prudent and competent management and ownership; neither inefficient nor super-efficient.

20. We assume 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 reports.

21. No survey of the boundaries of the property was undertaken. All areas and dimensions furnished are presumed correct. It is further assumed that no encroachments to the realty exists.

22. All value opinions expressed herein are as of the date of value. In some cases, facts or opinions are expressed in the present tense. All opinions are expressed as of the date of value, unless specifically noted.

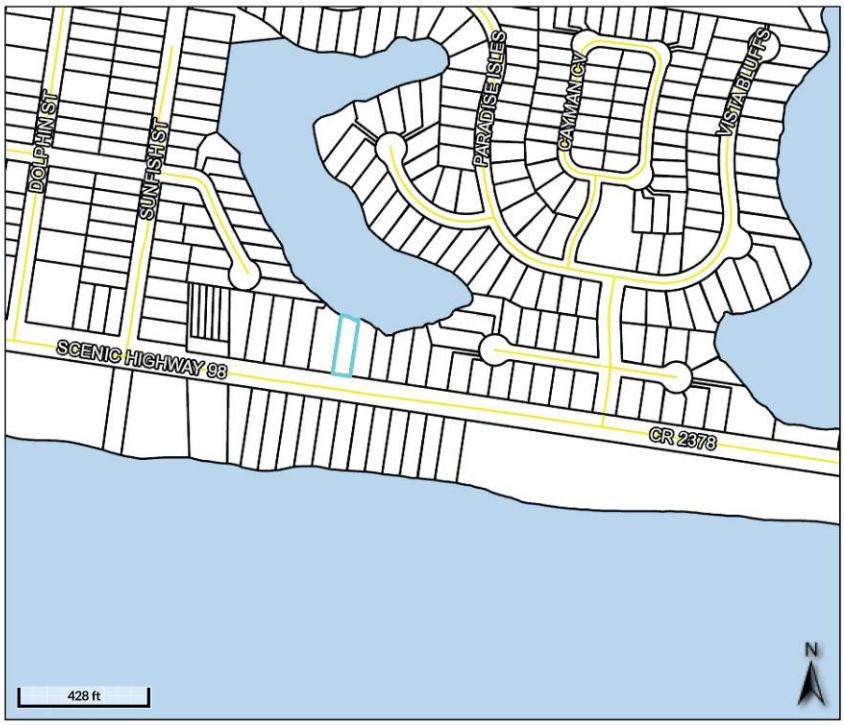
23. The Americans with Disabilities Act (ADA) became effective January 26, 1992. Notwithstanding any discussion of possible readily achievable barrier removal construction items in this report, we did not perform a specific compliance survey and analysis of this property to determine wither it is in conformance with the various detailed requirements of the ADA. It is possible that a compliance survey of the property together with a detailed analysis of the requirements of the ADA could reveal that the property is not in compliance with one or more of the requirements of the ADA. If so, the fact could have a negative effect on the value estimated herein. Since we have no specific information relating to this issue, nor are we qualified to make such an assessment, the effect of any possible non-compliance was not considered in estimating the value of the subject property.

24. The value estimate rendered in this report is predicated on the assumption that there is no hazardous material on or in the property that would cause a loss of value. We were not provided with an Environmental Assessment Report. Further, we are not qualified to determine the existence or extent of environmental hazards. If there are any concerns pertaining to environmental hazards for this property, we recommend that a qualified engineer perform an assessment.

ADDENDA

Parcel Map

Okaloosa County Property Appraiser



Parcel ID	00-2S-22-0541-0000-0060	**Physical Address**	3473 SCENIC HWY 98 DESTIN	**Land Value**	$654,840	**Last 2 Sales**			
				Ag Land Value	$0	**Date**	**Price**	**Reason**	**Qual**
Acres (GIS)	0.24	**Mailing Address**	GEMINI CAPITAL ACQUISITIONS II 11767 SOUTH DIXIE HWY SUITE 263 PINECREST, FL 33156			7/31/2017	$100	UNQUAL/FEDERAL/STATE/LOCAL GOV	U
Property Class	SINGLE FAM			**Building Value**	$708,379	5/25/2005	$2378000	N/A	Q
Taxing District	10			**Misc Value**	$52,938				
				Just Value	$1,416,157				
				Assessed Value	$1,416,160				
				Exempt Value	$0				
				Taxable Value	$1,416,160				

Date created: 10/8/2019
Last Data Uploaded: 10/8/2019 3:36:31 AM

Developed by Schneider GEOSPATIAL

Property Appraiser Card

Okaloosa County Property Appraiser

Parcel Summary

Parcel ID	00-2S-22-0541-0000-0060
Location Address	3473 SCENIC HWY 98 DESTIN 32541
Brief Tax Description*	GRAND PALMS S/D LOT 6 *The Description above is not to be used on legal documents.
Property Use Code	SINGLE FAM (000100)
Sec/Twp/Rng	00-2S-22
Tax District	Destin (District 10)
Millage Rate	12.8406
Acreage	0.000
Homestead	N
Acreage (GIS)	0.24
Fire District	N/A

View Map

Owner Information

Primary Owner
Gemini Capital Acquisitions II
11767 South Dixie Hwy
Suite 263
Pinecrest, FL 33156

Valuation

	2019 Proposed Values	2018 Certified Values
Building Value	$708,379	$925,209
Extra Features Value	$52,938	$52,938
Land Value	$654,840	$642,000
Land Agricultural Value	$0	$0
Agricultural (Market) Value	$0	$0
Just (Market) Value	$1,416,157	$1,620,147
Assessed Value	$1,416,157	$1,620,147
Exempt Value	$0	$0
Taxable Value	$1,416,157	$1,620,147
Maximum Save Our Homes Portability	$0	$0

Just (Market) Value description – This is the value established by the Property Appraiser for ad valorem purposes. This value does not represent anticipated selling price.

Building Information

Building 1

Type	SFR EXCEPT
Total Area	6,099
Heated Area	4,575
Exterior Walls	WD FR STUC;
Roof Cover	CONC TILE; .
Interior Walls	DECORATIVE; DRYWALL
Frame Type	.
Floor Cover	VINYL PLNK; .
Heat	AIR DUCTED
Air Conditioning	CENTRAL
Bathrooms	5
Bedrooms	8
Stories	3
Actual Year Built	2001
Effective Year Built	2001

Extra Features

Code	Description	Number of Items	Length x Width x Height	Units	Unit Type	Effective Year Built
PAVERS	PAVERS	1	0 x 0 x 0	1	UT	2001
FIRPLC	FIREPLC	1	0 x 0 x 0	1	UT	2001
ELEVTR	ELEVATOR	1	0 x 0 x 0	1	UT	2001
SWPOOL	SWIMPOOL	1	0 x 0 x 0	1	UT	2003
IRFENC	IRFENCE	1	0 x 0 x 0	1	UT	2003

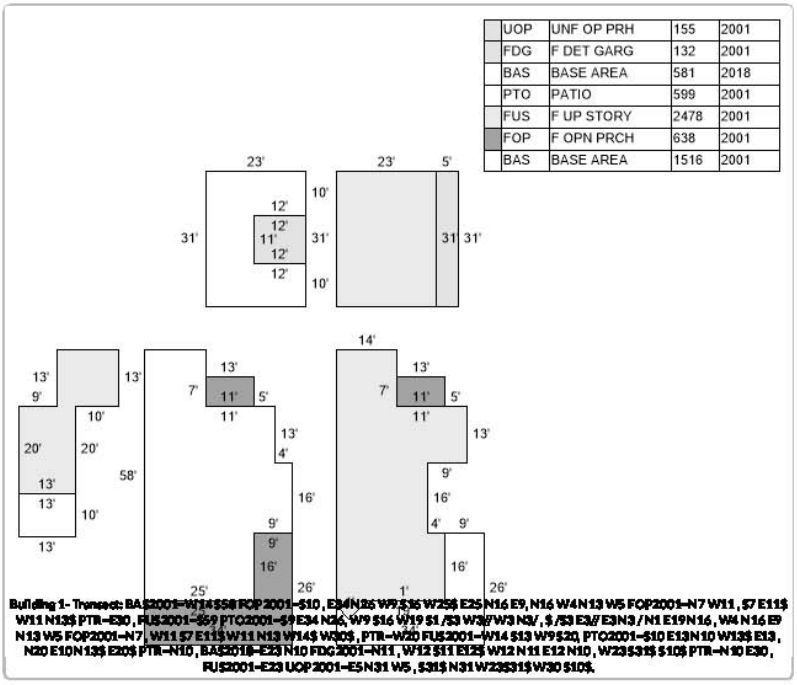
Building Area Types

Type	Description	Sq Footage	Year
BAS	BASE AREA	1,516	2001
FOP	F OPN PRCH	638	2001
FUS	F UP STORY	2,478	2001
PTO	PATIO	599	2001
BAS	BASE AREA	581	2018
FDG	F DET GARG	132	2001
UOP	UNF OP PRH	155	2001

Sales

Multi Parcel	Sale Date	Sale Price	Instrument	Book	Page	Qualification	Vacant/Improved	Grantor	Grantee
N	07/31/2017	$100	CT	3313	2610	Unqualified (U)	Improved	CLERK OF COURT	GEMINI CAPITAL ACQUISITIONS II LLC
N	05/25/2005	$2,376,000	WD	2625	4732	Qualified (Q)	Improved	GRAND PALMS LLC	HIDALGO MARY R & ETAL(SEE OWNERS SCREEN)
N	04/29/2002	$935,000	WD	2356	3633	Qualified (Q)	Improved	LOWERY RODNEY C & BRENDA G	GRAND PALMS LLC
N	02/13/2001	$790,000	WD	2281	2127	Qualified (Q)	Improved	PRESTIGE HOMES INC	LOWERY RODNEY C & BRENDA G
N	02/10/2000	$365,300	WD	2239	4106	Unqualified (U)	Vacant	BROWN DWAN A & VENESIA G	PRESTIGE HOMES INC
N	05/13/1999	$226,000	WD	2210	315	Qualified (Q)	Vacant	CRYSTAL BEACH DEV LTD	BROWN DWAN A& VENESIA G

Sketches



Building 1- Transect: BAS2001-W14 $58 FOP2001-$10 , E24 N26 W9 $16 W19 $1 /$3 W3 /FW3 N3/ , $ /$3 E3// E3N3 / N1 E19 N16 , W4 N16 E9 N13 W5 FOP2001-N7 , W11 $7 E11$ W11 N13$ PTR-E30 , FUS2001-$59 PTO2001-$9 E34 N26 , W9 $16 W19 $1 /$3 W3 /FW3 N3/ , $ /$3 E3// E3N3 / N1 E19 N16 , W4 N16 E9 N13 W5 FOP2001-N7 , W11 $7 E11$ W11 N13 W14$ W30$, PTR-W20 FUS2001-W14 $13 W9 $20, PTO2001-$10 E13 N10 W13$ E13 , N20 E10 N13$ E20$ PTR-N10 , BAS2018-E23 N10 FDG2001-N11 , W12 $11 E12$ W12 N11 E12 N10 , W23$31$ 10 PTR-N10 E30 , FUS2001-E23 UOP2001-E5 N31 W5 , 31 N31 W23$31$ W30 10.

Print Sketches

Certificate of Title

FILE #3154211 RCD: 8/16/2017 11:05 AM, BK: 3313 PG: 2610,
D Doc Stmp: $0.70 DEPUTY CLERK JLALLEN
JD PEACOCK II CLERK OF COURTS, OKALOOSA COUNTY, FLORIDA

IN THE CIRCUIT COURT IN AND FOR OKALOOSA COUNTY

US BANK NATIONAL ASSOCIATION AS TRUSTEE SUCCESSOR IN INTEREST TO WACHOVIA BANK NATIONAL ASSOCIATION AS TRUSTEE FOR BANC OF AMERICA FUNDING CORPORATION MORTGAGE PASS THROUGH CERTIFICATES SERIES 2005-F
Plaintiff(s)

Case No:2016 CA 003977 F

VS.

HIDALGO, REDEMPTOR SALAMEDA , et al.
Defendant(s).

CERTIFICATE OF TITLE

The undersigned Clerk of the Circuit Court certifies that a Certificate of Sale was executed and filed in this action on July 31, 2017, for the property described herein and that no objections to the sale have been filed within the time allowed for filing objections. The following property in Okaloosa County, Florida:

LOT 6, GRAND PALMS, A PART OF DESTINY, ACCORDING TO THE PLAT THEREOF AS RECORDED IN PLAT BOOK 15, PAGES 38 AND 39 OF THE PUBLIC RECORDS OF OKALOOSA COUNTY, FLORIDA.

Property Address: 3473 Scenic Highway 98, Destin, FL 32541

Parcel No.: 00-2S-22-0541-0000-0060

was sold to: GEMINI CAPITAL ACQUISITIONS II LLC, PURSUANT TO ASSIGNMENT OF BID
whose address is: 7378 SW 48 STREET SUITE B, MIAMI FL, 33155

WITNESS my hand and the seal of this court on August 14, 2017

Bid: $100.00.

J D PEACOCK II
CLERK OF CIRCUIT COURT
By: Vicki Jackson
Deputy Clerk

PREPARED BY:
J D PEACOCK II
CLERK OF CIRCUIT COURT
101 E. JAMES LEE BLVD
CRESTVIEW, FL 32536

THIS INSTRUMENT PREPARED BY
AND AFTER RECORDING RETURN TO:

Kimberly Romano Kopp, Esq.
Romano Kopp Law, P.A.
P.O. Box 445
Destin, Florida 32541

For Recording Purposes Only

SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is entered into this _____day of _____ 2019, ("Effective Date") by and between, Gemini Acquisition II, LLC. ("Owner") and the City of Destin ("City"), collectively referred to as the "Parties."

RECITALS

WHEREAS, on January 22, 2019, the City enacted Ordinance 18-29-CC, the Short-Term Rental Occupancy Ordinance ("Ordinance"), which limits the occupancy of short-term rental homes to two (2) people per bedroom plus an additional four (4) persons; and

WHEREAS, Owner owns the real property and improvements located at 3473 Scenic Highway 98, Destin, FL 32541, as more particularly described in the attached Exhibit "A" (the "Property"); and

WHEREAS, on May 10, 2019, Owner filed a claim with the City, pursuant to the provisions of §70.001, Florida Statutes, the Bert J. Harris, Jr., Private Property Rights Protection Act (the "Harris Act"), alleging that the Property had been inordinately burdened by the adoption of the Ordinance, (the "Claim"); and

WHEREAS, the Harris Act provides for the City to have the ability to enter into a settlement agreement which would have the effect of a modification or variance to the application of a regulation or ordinance as it would otherwise apply to the subject real property, provided the relief granted protects the public interest served by the regulations at issue and is the appropriate relief necessary to prevent the governmental regulatory effort from inordinately burdening the real property; and

WHEREAS, the City has determined that the modifications to the effect of the Ordinance effected by this Agreement protect the public interest served by the Ordinance and are the appropriate relief necessary to prevent the regulatory effect of the Ordinance from inordinately burdening the Property; and

WHEREAS, the Parties now desire to settle and finally resolve all disputes between and among them concerning the Claim.

NOW, THEREFORE, the Parties hereby agree as follows:

1. **Recitals.** The above recitals are true and correct and are incorporated herein by reference.

2. **Occupancy Allowable Under Ordinance.**

(a) Owner is hereby granted a variance from the provisions of the Ordinance so that the Owner shall have the right to apply under the Ordinance for a maximum occupancy of twenty-two (22) overnight guests at the seven (7) bedroom vacation rental property noted above and the City shall grant such occupancy. The right shall continue in perpetuity, regardless of any future changes in ownership, provided that this right shall expire permanently if the Property were to be voluntarily remodeled or voluntarily rebuilt in such a manner as to change the number of bedrooms that existed at the date of the Claim. The Property remains subject to all other requirements of the City's regulations, including but not limited to regulations for short-term rentals, parking, trash, and noise.

(b) No greater than six (6) vehicles may be parked on the Property. No vehicle may encroach upon the City's right-of way.

(c) Owner shall ensure that at least four (4) outdoor trash receptacles are provided by the applicable trash hauler and available for use by occupants at all times.

(d) Owner agrees that the City shall be permitted to access the property on an annual basis for the purpose of life-safety inspections to ensure code compliance with minimum egress requirements pursuant to the Florida Building Code (Residential) and to ensure the property has adequate and working smoke detectors.

3. **Development in Accordance with Code.** Notwithstanding any provisions contained herein, the Owner shall at any time have the right and option to remodel, develop, or use the Property in accordance with the applicable ordinances of the City of Destin in effect at the time of application therefor, and this variance shall not be construed as making the Property in any way non-conforming.

4. **Entire Agreement.** The Parties acknowledge that this Agreement constitutes the entire agreement between them regarding the settlement of their dispute and any prior statements, whether oral or written, are merged herein. This Agreement may not be modified or amended without a written instrument signed by the party against whom enforcement is sought.

5. **Duration of Agreement.** This Agreement shall be perpetual and deemed to run with the land, and shall be binding upon and the benefits shall inure to the parties hereto and their respective heirs, devisees, personal representatives, successors and assigns.

6. **Authority.** The signatories to this Agreement are expressly authorized to resolve their dispute as set forth herein and by their signatures here represent and affirm their authority to execute this Agreement.

7. **Governing Law.** The law of the State of Florida shall apply to this Agreement. Any dispute regarding this Agreement shall be litigated exclusively in the courts of Okaloosa County, Florida. The parties expressly consent to such agreed jurisdiction and venue, and waive any objections thereto.

8. **Notices.** Any notice required or permitted to be given hereunder shall be in writing and shall be (i) delivered by hand, (ii) delivered by reputable national or local courier (such as United Parcel Service or Federal Express), (iii) mailed by United States registered or certified mail, return receipt requested and postage prepaid, or (iv) sent by facsimile transmission provided a confirmation of such facsimile transmission is sent the same day by one of the methods of delivery in (i), (ii), or (iii) above. Any notice shall be addressed to each party at its address as set forth below. Any such notice shall be considered given on the date of such hand delivery, deposit with such courier for same day or next business day delivery, upon receipt of return receipt of certified mail, or receipt of facsimile transmissions, as the case may be, and the time period (if any is provided herein) in which to respond to such notice shall commence on the date of receipt. Rejection or other refusal to accept or inability to deliver because of changed address of which no notice was given shall be deemed to be receipt of the notice. By giving to the other party at least ten (10) days' notice thereof, any party shall have the right from time to time to change the addresses thereof and to specify up to two (2) additional addresses within the United States of America to which copies of notices to it shall be sent. Notice may be given on behalf of any party by such party's counsel. In the event the subject property owner changes, notices shall be addressed to the current owner as indicated in the records of the Okaloosa County Property Appraiser. Otherwise, notices shall be sent as follows:

Each notice shall be addressed as follows:

To City: City of Destin, Florida
Attn:
4200 Indian Bayou Trail
Destin, Florida 32541

With a copy to:
City Land Use Attorney
Romano Kopp Law, PA
PO Box 445
Destin, Florida 32541

To Gemini Acquisition II, LLC: Adam Lamnin
9245 SW 93rd Avenue
Miami, FL 33176

With a copy to: Matthews & Jones, LLP
Attn: C. Stephen Tatum
4475 Legendary Drive
Destin, Florida 32541

9. **Attorney's Fees**. In the event of any action, whether pre-suit, mediation, litigation or appellate proceeding to enforce the terms and conditions of this Agreement, each party to the action shall pay its own attorney's fees and costs incurred therein.

10. **Venue**. Venue over any action to enforce the terms and conditions of this Agreement, including mediation, shall lie solely in Okaloosa County, Florida.

OWNER: Gemini Acquisition II, LLC

_____ _____
Signature of Witness #1 Anna Diamond

_____ _____
Print or type name

_____
Signature of Witness # 2

_____
Print or type name

STATE OF_____
COUNTY OF_____

The foregoing instrument was acknowledged before me this _____ day of _____ 2019, by _____ _____ and _____, who are personal known to me or who have produced _____ as identification and who did not (did) take an oath.

_____
Signature of Notary

(NOTARY SEAL)

_____
Print or type name

CITY OF DESTIN

By:_____
Gary Jarvis, Mayor

Date:_____

ATTEST:

_____
Rey Bailey, City Clerk

Date:_____

STATE OF_____
COUNTY OF_____

The foregoing instrument was acknowledged before me this _____ day of _____ 2019, by _____ _____ and _____, who are personal known to me or who have produced _____ as identification and who did not (did) take an oath.

_____
Signature of Notary

(NOTARY SEAL)

_____
Print or Type Name

Approved as to form and legality for use and reliance
by the City of Destin, Florida, only.

_____
Kimberly Romano Kopp, Esq.
City Land Use Attorney

Exhibit "A"

Legal Description of Property

LOT 6, GRAND PALMS, A PART OF DESTINY, ACCORDING TO THE PLAT THEREOF AS RECORDED IN PLAT BOOK 15, PAGES 38 AND 39 OF THE PUBLIC RECORDS OF OKALOOSA COUNTY, FLORIDA.

ITEM # 2019-1890

CITY OF DESTIN

AGENDA ITEM

COUNCIL MEETING DATE: December 9, 2019
TYPE OF AGENDA ITEM: Action Item

TO: City Council

THRU: Lance Johnson, City Manager

FROM: Kimberly Kopp, Land Use Attorney
Louis Zunguze, Community Development Director

DATE: December 5, 2019

SUBJECT: 10) 3461 Scenic Hwy 98

I. BACKGROUND:

On January 22, 2019, the City enacted Ordinance 18-29-CC, the Short-Term Rental Occupancy Ordinance ("Ordinance"), which limits the occupancy of short-term rental homes to two (2) people per bedroom plus an additional four (4) persons.

The subject property owner owns the real property and improvements located at 3461 Scenic Highway 98, Destin, FL 32541, as more particularly described in Exhibit "A" (the"Property") to the proposed settlement agreement.

Owner filed a claim with the City, pursuant to the provisions of §70.001, Florida Statutes, the Bert J. Harris Jr., Private Property Rights Protection Act (the "Harris Act"), alleging that the Property had been inordinately burdened by the adoption of the Ordinance, (the "Claim).

The Harris Act provides for the City to have the ability to enter into a settlement agreement which would have the effect of a modification or variance to the application of a regulation or ordinance as it would otherwise apply to the subject real property, provided the relief granted protects the public interest served by the regulations at issue and is the appropriate relief necessary to prevent the governmental regulatory effort from inordinately burdening the real property.

The City Council should settle the claim if the City Council determines that the modifications within the settlement agreement protect the public interest served by the Ordinance and are the appropriate relief necessary to prevent the regulatory effect of the Ordinance from inordinately burdening the Property.

II. DISCUSSION: The property owner has requested a maximum occupancy of thirty-six (36) occupants. City staff is recommending an occupancy of thirty-two (32) occupants based on the square footage of the property. The building official utilized a one-occupant per 200 square feet methodology for recommending the above-stated occupancy.

Additionally, staff is recommending at least six (6) trash cans on the property. This recommendation is based on industry standard (Waste Management) that, on average, one trash can is required for every six occupants in order to ensure adequate garbage disposal. Therefore, if the maximum number of occupants exceeds any multiple of six (6, 12, 18, 24, 30, 36, etc.), then an extra trash can will be needed to accommodate the additional occupants. For example, if thirteen (13) is the maximum occupation, then three (3) trash cans are required. This is because, on average, two (2) trash cans will only accommodate twelve (12) occupants. The third trash can will be needed to accommodate the thirteenth occupant.

Further, the property owner must agree to annual life safety inspections, as provided in the proposed settlement agreement.

Finally, staff is recommending that no greater than six (6) vehicles be parked on this property

As stated in the agreement, the property owner remains bound by all other provisions of City codes.

A. Link to Strategic Goals / Objectives:

B. Effect on Budget (EOB):

C. Level of Service (LOS):

III. CONCLUSION:

IV. RECOMMENDED MOTION: 1. I move to approve the settlement agreement prepared by the City Land Use Attorney and Staff.

or

2. I move to approve the settlement agreement prepared by the City Land Use Attorney and Staff with the following modifications:_____.

or

3. I move to direct the City Land Use Attorney to negotiate in good faith with the property owner and to bring back an alternate settlement proposal to the City

Council for consideration.

or

4. I move to deny settlement of the subject claim at this time.

Attachments:

1. Bert Harris Case - 3461 Scenic Highway 98
2. 3461 Scenic Highway 98

DANA C. MATTHEWS
MICHAEL A. JONES
KENNETH M. BORICK
Of Counsel
Also admitted in Georgia and South Carolina
DANA C. "D.C." MATTHEWS II
SAMUEL B. TAYLOR
DANIEL C. O'ROURKE
Florida Supreme Court Certified
Civil and Family Mediator

MATTHEWS & JONES
ATTORNEYS AT LAW
INSIGHT | INTEGRITY | INNOVATION

CHRISTA P. DIVINEY
Board Certified Criminal Trial Lawyer
Also admitted in Alabama
LAURA PENTEL-KLANG
JESSICA L. STEWART
SALVADOR "A.J." GOMEZ
C. STEPHEN TATUM

Reply to Destin

STATUM@DESTINLAW.COM

October 9, 2019

VIA HAND DELIVERY

Mayor Gary Jarvis
City of Destin
4200 Indian Bayou Trail
Destin, FL 32541
gjarvis@cityofdestin.com

Dear Mayor Jarvis:

Our firm represents Golf Beach Rentals, LLC, the owner of the home located at 3461 Scenic Highway 98; Destin, Florida, also identified as Lot 1, GRAND PALMS, a part of Destiny, on that plat recorded in Okaloosa County Plat Book 15, at Page 38-39.

Due to the enactment of City of Destin Ordinance 18-29-CC, which limits the occupancy of short term rental homes to two (2) people per bedroom plus an additional four (4) persons, Golf Beach's reasonable investment-backed expectations for use of the home as a short-term vacation rental property have been inordinately burdened, as defined in the "Bert J. Harris, Jr., Private Property Rights Protections Act", Chapter 70, Florida Statutes ("Harris Act"). Golf Beach hereby submits this letter along with the enclosed EquiValue Appraisal, LLC property appraisal dated July 15, 2019, as a claim under the Harris Act against the City of Destin for One Million Five Hundred Ninety Five Thousand Dollars ($1,595,000.00), which represents the diminution in value of Golf Beach's property.

Pursuant to the provisions of the Harris Act, Golf Beach hereby demands payment in the amount of One Million Five Hundred Ninety Five Thousand Dollars ($1,595,000.00) plus attorneys fees and costs.

If no resolution is reached during the statutorily prescribed waiting period, Golf Beach intends to file suit pursuant to this claim and pursue any other legal remedies for the

actions that gave rise to this claim. Golf Beach explicitly reserves the right to bring any and all legal challenges, appeals and objections with respect to Ordinance 18-29-CC.

Sincerely,

C. Stephen Tatum
Matthews & Jones, LLP
Attorney for Golf Beach Rentals, LLC

Enclosure

cc: Lance Johnson, City Manager (via email)
Rey Bailey, City Clerk (via email)
Kimberley Romano-Kopp, Esq. (via email)
Client

APPRAISAL REPORT

PROPERTY: AN APPROXIMATE 6,531 SQUARE FOOT HEATED AND COOLED RESORT RENTAL RESIDENCE, SITED ON AN APPROXIMATE 0.32 ACRE SITE WITH ASSOCIATED SITE IMPROVEMENTS INCLUDING RESORT POOL & POOL DECK

3461 SCENIC HIGHWAY 98, DESTIN, OKALOOSA COUNTY, FL

EQUIVALUE APPRAISAL

EQUIVALUE APPRAISAL, LLC
PROFESSIONAL APPRAISAL AND VALUATION SERVICES
PO BOX 5326
DESTIN, FLORIDA 32540
PHONE (850) 424-6119

Jason P. Shirey, MAI, CCIM, CPM
State-Certified General Real Estate Appraiser, RZ3186 (FL)
Direct Phone (850) 543-5953 (Mobile)

EquiValue Appraisal File No.: 190-153

APPRAISAL REPORT

Of Resort Residential Property
+/-0.32 Acres of Residential-Zoned Land
Improved with An Approximate 9,677 Gross SF / 6,531 SF Heated and Cooled
Resort Rental Residence With 9 Bedrooms
And Associated Improvements Including Resort Pool, Pool Deck, Outdoor Living Area

Location
3461 Scenic Highway 98
Destin, Okaloosa County, FL
32541

Property Owner
Golf Beach Rentals, LLC

Effective Date
January 22, 2019 (Retrospective)

Report Date
July 15, 2019

Client / Intended User
Mr. Timothy Deroche
Golf Beach Rentals, LLC
5270 West Main Street
Houma, LA 70360

Prepared by:
Jason P. Shirey, MAI, CCIM, Cert Gen RZ3186

EQUIVALUE
APPRAISAL

Phone 850 424 6119 Fax 888 774 4503
EquiValue Apprasial, LLC File #: 190-153

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July 15, 2019

Mr. Timothy Deroche
Golf Beach Rentals, LLC
5270 West Main Street
Houma, LA 70360

Re: Dimunition in Value Appraisal of an approximate 6,531 HVAC Square Foot Resort Rental Residence, 'As Is', whose postal address is 3461 Scenic Highway 98, Destin, Okaloosa County, FL 32541. EquiValue Appraisal File No. 190-153.

Dear Client:

At your request and authorization, we have prepared an appraisal for the above-referenced resort residential rental property. A copy of the pertinent engagement document has been included in the addenda to this report if applicable.

This letter of transmittal is *not* an appraisal report, but merely serves to transmit the attached appraisal report and convey the final conclusion of value. The accompanying research, analyses and conclusions, and appraisal report following this letter of transmittal has been compiled in accordance with USPAP Standards Rule 2-2(a) for a written appraisal report.

The purpose of this appraisal is to determine if there is a Dimunition in Value as result of recently-adopted City of Destin Ordinance No. 18-29-CC, and if so, to derive an opinion of the Dimunition in Value to the subject property associated with the implementation of said Ordinance.

This Ordinance was implemented January 22, 2019, and the incorporation of this ordinance limits the occupancy of the subject property to 22 guests. Prior to the implementation of this Ordinance, the designed occupancy of the subject property was 36 guests. Therefore, as a result of the ordinance, the maximum occupancy of the subject has been reduced by 14 guests, or approximately -38.89%.

We are therefore opining on the difference in market value of the subject before and after the adoption of City of Destin Ordinance No. 18-29-CC, which was promulgated on January 22, 2019.

The values reported are predicated upon market conditions prevailing as of the effective date of the appraisal. In the context of the scope of work, the appraisal is considered to render a credible opinion of value, specific to the client, intended use and intended user.

The intended use of this appraisal is for internal decision making purposes by the stated Client and their advisors. This appraisal is intended for the use of the client and client's advisors.

We have completed the requisite inspections, research, and analyses necessary to appraise the 100% fee simple interest in the subject property, 'As Is' as of January 22, 2019, both prior to adoption of Ordinance No. 18-29-CC and after, in order to evaluate the potential Dimunition in value.

Please reference the Scope section of this report for information regarding the scope of research and analysis for this appraisal, including property identification, inspection, highest and best use analysis and valuation methodology.

I certify that I have no present or contemplated future interest in the property beyond this opinion of value. The reported value(s) in this appraisal have not been based on a requested minimum valuation, a specific valuation, and have been prepared in compliance with the Uniform Standards of Professional Appraisal Practice.

Your attention is directed to the Limiting Conditions and Assumptions section following the reconciliation and appraisal certification in this report. Acceptance of this report constitutes an agreement with these conditions and assumptions.

This appraisal is subject to the following Hypothetical Condition(s):

- None.

This appraisal is subject to the following Extraordinary Assumption(s):

- None.

Our opinion of value was formed based on our experience in the field of real property valuation, as well as the research and analysis set forth in this appraisal.

I am of the opinion that as a result of the implemented City of Destin Ordinance 18-29-CC that the market value of the subject property is negatively impacted.

The implemented Ordinance reduces the maximum occupancy of the subject property, and therefore the subject's associated income generation potential.

The subject property is a resort-residential property specifically utilized for income generation purposes. Therefore, a reduction in scheduled income due the subject correlates to a reduction in associated value.

The Dimunition in Value to the subject is represented by the difference between the 'Before' and the 'After' value conclusions.

In this case, this is represented by the difference between the opined value prior to implementation of the Ordinance (ie. the 'Before Ordinance' value of $3,285,000) and the value after implementation of the Ordinance (ie. the 'After Ordinance' value of $1,690,000).

Per this calculation, with supporting documentation as to the rationale of these values provided within this report, the opinion of Dimunition in Value to the subject as a result of City of Destin Ordinance 18-29-CC is opined to be $1,595,000.

Therefore,

Dimunition in Market Value
As A Result of Implementation of City of Destin Ordinance 18-29-CC:

One Million Five Hundred Ninety Five Thousand Dollars
($1,595,000)

The estimated market exposure period necessary for the subject to have achieved these values is estimated to be 9-12 months.

It was a pleasure assisting you with this matter. If you have any questions concerning the following analysis, or if we can be of further assistance, please do not hesitate to call.

Respectfully submitted,
EquiValue Appraisal, LLC

Jason P. Shirey, MAI, CCIM, CPM
Cert Gen RZ3186

INTRODUCTION

QUALIFICATIONS OF THE APPRAISER

EQUIVALUE
APPRAISAL

Qualifications of

Jason P. Shirey, MAI, CCIM, MS-RECM

State-Certified General Real Estate Appraiser No. RZ 3186 (FL)
State-Certified General Contractor No. CGC 062478 (FL)
Licensed Real Estate Broker No. BK 3168469 (FL)

MAI : Designated Member of the Appraisal Institute
Appraisal Insitute, Chicago, Illinois.

CCIM : Designated Certified Commercial Investment Member
CCIM Institute, Chicago, Illinois.

M.S. RECM : Master of Science, Real Estate and Construction Management
University of Denver - Denver, Colorado.

B.S. BCN : Bachelor of Science, Building Construction Management
University of Florida – Gainesville, Florida.

Business Affiliations and Work Experience, Past / Present

EquiValue Appraisal and Consulting Services
Principal and Founder; Real Estate Appraiser, Real Estate Broker, Certified General Contractor

Marsh Appraisal Corporation - Real Estate Appraisal and Valuation Services, Fort Walton Beach, Florida
Registered Trainee Appraiser / State Certified Real Estate Appraiser

Plantation Coast Properties, LLC – Fort Walton Beach, Florida
Principal; Real Estate Investments and Property Management

Alcon Associates, Inc. – Commercial General Contractors / Construction Managers; Pensacola, Florida
Florida Division Manager

National Construction Enterprises, LLC – General Contractor / Construction Managers; Savannah, Georgia
Vice President of Operations, Savannah-Hilton Head Division

Acoustics and Specialties, Inc. – General Contractors; Memphis, Tennessee
Senior Estimator / Project Manager of Healthcare Construction

Brasfield and Gorrie General Contractor Inc. – General Contractors and Construction Managers; Orlando, Florida
Construction Estimator / Project Manager

United States Air Force Reserve
Reserve Pilot, Boeing C-17 Globemaster III

EQUIVALUE APPRAISAL

Jason P. Shirey, MAI, CCIM, MS-RECM (Continued)

Professional / Continuing Education

Litigation Appraising - Specialized Topics and Applications
Appraisal Institute

Uniform Standards of Professinal Appraisal Practice
7 Hour Update, *Appraisal Institute*

Advanced Income Capitalization
Appraisal Institute

Advanced Sales Comparison Approach
and Principles In Highest and Best Use
Appraisal Institute

User Decision Analysis for Commercial Real Estate
CCIM Institute Course CI-103

Advanced Cost Approach
Appraisal Institue

Real Estate Taxation, Planning and Consequences
University of Denver, Burns School of Real Estate

Advanced Real Estate Feasibility Analysis
Urban Land Institute / University of Denver

Real Estate Securities and Syndications
University of Denver, Burns School of Real Estate

Legal Issues In Real Estate and Construction Management
University of Denver, Burns School of Real Estate

Income Property Investment
Urban Land Institute / University of Denver

Argus Financial Analysis
University of Denver, Burns School of Real Estate

Residential Real Estate Appraiser Course ABII
Ed Klopfer Schools of Real Estate

Real Estate Salesperson Pre-Licensing Course
Ed Klopfer Schools of Real Estate

Income Property Management
Institute of Real Estate Management / University of Denver

Certified Commercial Investment Member Core Concepts
CCIM Insitute Comprehensive Exam

Appraising from Blueprints and Specifications
Appraisal Institute

Florida Building Code Update
Florida Workplace Safety and OSHA Update
Universal Inspection Service

Uniform Standards of Professional Appraisal Practice
15 Hour Update, *Appraisal Institute*

Business Practices and Ethics for Appraisers
Appraisal Institute Course #420

Basic Income Capitalization
Appraisal Institute

Advanced Valuation and Report Writing
Appraisal Institute Course #540

Real Estate Investment Finance
University of Denver, Burns School of Real Estate

Computer Applications for Real Estate Analysis
University of Denver, Burns School of Real Estate

Risk Management and Insurance for Investment Real Estate
University of Denver, Burns School of Real Estate

Indoor Air Quality and Mold Contamination Remediation
National Association of Mold Professionals, 2004

Real Estate Trainee Appraiser Course ABI
Ed klopfer Schools of Real Estate

Uniform Standards of Professional Appraisal Practice
15 Hour Update, *Appraisal Institute*

EQUIVALUE APPRAISAL

Jason P. Shirey, MAI, CCIM, MS-RECM (Continued)

Appraiser Experience - Property Types

Affordable Housing
Agricultural Land
Aircraft Hangars
Antenna Towers
Apartments
Automobile Dealerships
Hotels and Motels
Bank Buildings
Bowling Alleys
Broadcast Facilities
Campgrounds / Recreational Vehicle Parks
Car Washes
Churches
Coastal Land
Condominium Units:
  Assemblages, Complexes, Conversions
Condominium Projects:
  Pre-development, Insurable Replacement Cost
Convenience Stores
Day Care Centers
Development Appraisals
Distribution Facilities
Golf Clubs and Country Clubs
Health Clubs
High-End Residential
Hobby Farms
Home Sites (Lots)
Home Sites (Land - Large Tracts)
Hotel - Resorts
Industrial Land
Indstrial Improvements
Light Industrial Properties
Manufacturing Facilities
Marinas / Docks / Boat Storage Facilities
Medical Offices
Mixed Use Developments
Mobile Home Parks
Multifamily Land
Multifamily Developments
Nurseries
Office Buildings
Office Condominiums
Office-Warehouse Facilities
Outdoor Signs
Parking Facilities
Replacement Cost Appraisals
Retail Stores (Anchor Tenant / Owner Occupied)
Retail Strip Centers (Multiple Tenant)
Restaurants (All types)
Self-Storage Facilities
Subdivisions (Commercial)
Subdivisions (Residential)
Single Family Residences
Sustainable Development (Green Buildings)
Urban Land (Vacant and Interim Use)
Warehouses
Yacht Clubs

Previous Client List (Partial)

Access Bank and Mortgage
Alternative Funding Corporation
BanCorp South
Bank of America
Bank of Bonifay
Bank of Pensacola
BankTrust
Beach Community Bank
CB Richard Ellis
CCB Community Bank
Colonial Bank
Community Bank
Compass Bank
Cotton and Gates
Crystal Beach Development
DestinFirst Bank
First Capital Bank
First City Bank
First Gulf Bank
First National Bank and Trust
Florida Coastal Mortgage
Guaranty Federal Bank
GulfSouth Private Bank
Jay Odom
Kevin Helmich, P.A.
Legendary, Inc.
LNK Development
M & F Bank
People's First Community Bank
Premier Community Bank
Regions Bank
Renasant Bank
Sunbird Condominium Owner's Association
Suntrust Bank
The Plaza Owner's Association
Tranquil Harbor Owner's Association
Trustmark National Bank
Vanguard Bank
Villas on the Gulf Condominium Onwer's Association
Vision Bank
Wachovia Bank
Whitney Bank

Assignment Purposes

Acquisition
Disposition
Assessment Appeal
Development Feasibility
Estate Planning
Financing (Institutional and Private)
Investment Analysis
Portfolio Analysis
Marital Dissolution
Relocation
Mediation, Arbitration, Dispute Resolution

EQUIVALUE APPRAISAL

Jason P. Shirey, MAI, CCIM, MS-RECM (Continued)

Assignment Types

Appraisal Review
Buyer Brokerage
Complex Valuation
Construction Progress / Draw Request Inspection
Demographic Analysis
Detrimental Conditions Valuation and Consulting
Eminent Domain Valuation and Consulting
Estate Valuation
Feasibility Studies
Fee Appraisals Including Full and Fractional Interests
Foreclosure / REO Appraisal - Assessment
Highest and Best Use Analysis
Insurance
Litigation Support
Market Studies
Portfolio Valuation and Analysis
Relocation Appraisal
Rent Analysis / Studies
Retrospective Valuation
Site Location Services
Valuation and Consultation for Financial Reporting

Primary Market Area

Okaloosa County
- Destin
- Fort Walton Beach
- Crestview
- Mary Esther
- Niceville
- Bluewater Bay

Walton County
- Miramar Beach
- Panama City Beach
- Rosemary Beach
- Santa Rosa Beach
- Blue Mountain Beach
- Freeport
- Defuniak Springs
- Inlet Beach
- Seacrest Beach

Santa Rosa County
- Navarre
- Navarre Beach
- Gulf Breeze

Bay County
- Panama City
- Panama City Beach
- Springfield

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Subject Photograph(s)

Additional photographs can be referenced in the Property Description Section of the Appraisal Report.

Summary of Salient Facts and Conclusions

GENERAL	
EquiValue Appraisal File No:	190-153
Subject:	An approximate 6,531 HVAC SF / 9,677 Gross SF Resort Rental Residence located along the north side of Scenic Highway 98, directly across the street from the Beaches of the Gulf of Mexico, with postal address of 3561 Scenic Highway 98 in Destin, Okaloosa County, Florida. The subject site is comprised of +/-0.32 acres of Crystal Beach Neighborhood-zoned land (a residentially-oriented zoning designation) which is improved with the previously-mentioned resort rental residence. This residence, which was constructed in 2015 was specifically designed and outfitted to accommodate and adequately park 36 overnight (sleeping) guests and features: • 9 Full Bedrooms • 9.5 Bathrooms • Bunk Room / Lounge / Sleeping Area • Den, Dining, Living, Kitchen Areas • Resort Style Swimming Pool and Pool Deck with Sunken Bar • Outdoor Living Areas • Outdoor Kitchen Area The subject property is identified by Okaloosa County Parcel ID Number 00-2S-22-0541-0000-0000. The use of the subject property in 'As Is' condition is as a beach proximate, resort residential rental property and this is the use represented in the valuation of the subject property, as of the effective date of this appraisal.

In the 'Before' condition, occupancy of the subject was specifically designed for 36 guests with sleeping accommodations as follows:

Bedroom #1 (Sleeps 4)
1 King Bed
1 Bunk Bed with Two Singles

Bedroom #2 (Sleeps 2):
1 King Bed

Bedroom #3 (Sleeps 2):
1 King Bed

Bedroom #4 (Sleeps 2):
1 King Bed

Bedroom #5 (Sleeps 2):
1 King Bed

Bedroom #6 (Sleeps 2):
1 King Bed

Bedroom 7 (Sleeps 12)
6 Bunk Beds with Two Singles

Bedroom #8 (Sleeps 4)
1 King Bed
1 Bunk Bed with Two Singles

Bedroom #9 (Sleeps 2):
1 King Bed

Bunk Room / Lounge Area (Sleeps 4)
2 Bunk Beds with Two Singles

In the 'After' condition and taking into account the City of Destin Ordinance 18-29-CC which was implemented January 22, 2019, the occupancy of the subject is limited to 22 Guests as calculated by 9 bedrooms at 2 guests per bedroom plus 4 additional guests.

Owner: Golf Beach Rentals, LLC
5270 West Main Street
Houma, LA 70360

Legal Description:	Grand Palms Subdivision Lot 1
Tax Identification:	00-2S-22-0541-0000-0010
Date of Report:	July 15, 2019
Date of Value:	January 22, 2019
Property Rights Appraised:	Fee Simple
Intended Use:	The intended use of this appraisal is for internal decision making purposes by the client, and for Bert Harris Act computation of damages.
Intended User(s):	The intended users of this report is the property owner, the property owner advisors, courts and local government and regulatory agencies.
Appraisal Purpose:	Market Value Opinion 'As Is' in the 'Before Ordinance' and 'After Ordinance' conditions, and subsequent evaluation of Dimunition in Value.
2018 Assessed Value:	**$3,006,550** Despite the intention of the property appraiser to value property at market value on a yearly basis, it is the appraiser's opinion that assessed value has no direct correlation to fair market value in the subject market area.
2018 Taxes:	**$38,605.91 (Paid)** According to the Okaloosa County Tax Collector, taxes for 2018 have been paid in full and no prior year delinquent taxes remain owing.
Sale History:	The subject was purchased by the current owner on October 2, 2015 for the reported price of $3,400,000 per ORB/P 3219/1467. This was an arm's length purchase which was nominally consistent with current market value at the time of the sale. There have been no other transfers of the subject property in the preceding 3 years.

Current Contracts/Listing:	We were unable to locate any active listing for sale of the subject property in the prior 12 months. We are unaware of any intention by the current owner to market the subject for sale. It is our understanding that the property owner plans to retain the subject property for short-term rental purposes and income generation potential.

PROPERTY

Land Area:	Total: +/-0.32 Acres Usable: +/-0.32 Acres Excess: 0.00 Acres
Zoning/ Future Land Use:	CBN – Crystal Beach Neighborhood by the City of Destin
Highest and Best Use 'As Is':	Utilizing the subject as a resort-residential rental property at maximum occupancy is estimated to be the highest and best use of the subject 'As Is'. It is noted that occupancy limitations imposed on the subject by virtue of City of Destin Ordinance 18-29-CC, which limits occupancy of the subject property to a lesser number than that for which the subject was specifically designed and outfitted, is anticipated to have a negative impact on the market value / return on investment of the subject property to the owner.

VALUE CONCLUSIONS

Land Value:	Not Utilized
Cost Approach:	Not Utilized
Improved Sales Comparison Approach:	Not Utilized
Income Approach:	$3,285,000 – Before Ordinance 18-29-CC $1,690,000 – After Ordinance 18-29-CC $1,595,000 – Dimunition in Value as a Result of Ordinance 18-29-CC

Appraisal Scope of Work

In accordance with the 2018-2019 Uniform Standards of Professional Appraisal Practice, it is the appraiser's responsibility to develop and report a scope of work that results in credible results that are appropriate for the appraisal problem and intended user(s).

This process should meet the expectations of parties who are regularly intended users for similar assignments and be consistent with what an appraiser's peers actions would be in performing the same or a similar assignment.

Therefore, the appraiser must identify and consider:

- the client and intended users;
- the intended use of the report;
- the type and definition of value;
- the effective date of value;
- assignment conditions;
- typical client expectations; and
- typical appraisal work by peers for similar assignments**.**

This appraisal is prepared for the Client, Mr. Timothy Deroche, Golf Beach Rentals, LLC.

The intended use of this appraisal is for internal decision making purposes by the client, the client's advisors, and for Bert Harris Act computation of damages.

The intended users of this report is the property owner, the property owner's advisors, courts and local government and regulatory agencies.

SCOPE OF WORK	
Report Type:	This is a written Appraisal Report, which is intended to comply with the reporting requirements established by Standards Rule 2-2(a) of the *2018-2019* edition of the U*SPAP* for a written Appraisal Report. It presents summary discussions of the data, reasoning, and analyses utilized in the appraisal process to develop the appraiser's opinion of value. Supporting documentation not provided with the report concerning the data, reasoning, and analyses is retained in the appraiser's file. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated in the report. The appraiser is not responsible for the unauthorized use of this report.

Property Identification:	The subject was identified by the legal description and the assessor's parcel number, and appraiser inspection.
Inspection:	An inspection of the site and improvements was made, and photographs were taken.
Market Area and Analysis of Market Conditions:	A complete analysis of market conditions was made. The appraisers physically inspected the micro and/or macro market environments which influence the subject property.
Highest and Best Use Analysis:	A complete analysis of highest and best use for the subject property in 'As Is' condition was made.

Valuation Analyses

Land Valuation and Cost Approach:	An opinion of value for the subject property in 'as if vacant' condition and subsequent application of the cost approach has not been provided. The purpose of this appraisal is to evaluate the impact to the value of the subject by virtue of the implementation of City of Destin Ordinance 18-29-CC which limits occupancy of the subject and corresponding associated income generation potential. Thus, the cost to acquire land and construct a replacement property is meaningless to the purpose of the assignment and was not applied.
Sales Comparison Approach:	The improved sales comparison approach was not utilized in this appraisal assignment. The purpose of this appraisal is to evaluate the impact to the value to the subject by virtue of the implementation of City of Destin Ordinance 18-29-CC which limits occupancy of the subject and associated income generation potential. As this ordinance was just recently implemented, an adequate number of improved sales which sold after the Ordinance implementation date were not available from which to derive an opinion of market value from this approach. As sales which occurred prior to this Ordinance will reflect market transactions without this restriction, they are not considered valid indicators of value for the subject in the restricted condition. Therefore this approach could not be applied due to lack of sufficient comparable data.

Income Approach:	The income approach was applied for the subject in both the 'Before Ordinance' and 'After Ordinance' scenarios.
Hypothetical Conditions:	None.
Extraordinary Assumptions:	None.
Exposure Time (Market Value):	Exposure Time may be defined as: the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective opinion based on an analysis of past events assuming a competitive and open market. The estimate of exposure time is presented in consideration of the exposure periods for comparable sales utilized in this appraisal, marketing time information available from nationally published sources including the CB Richard Ellis National Market Survey and the opinions of market participants. ***It is estimated that the exposure time necessary for the subject to have achieved the opinion of value is 9-12 months.***

Definition of Value, Property Rights Appraised, and Intended Use

Purpose of the Appraisal:

The purpose of an appraisal is the stated reason and scope of the appraisal assignment. It is established by the client, and points to the information that the client needs to answer specific questions pertaining to real property. The purpose of the appraisal establishes the foundation for the final value conclusion, which does not change to accommodate the use of the appraisal.[1]

The purpose of this appraisal is to derive an opinion of the Dimunition in Value to the subject property associated with the implementation of City of Destin Ordinance No. 18-29-CC.

This Ordinance was implemented January 22, 2019, and the incorporation of this ordinance limits the occupancy of the subject property to 22 guests. Prior to the implementation of this Ordinance, the designed occupancy of the subject property was 36 guests. Therefore, as a result of the ordinance, the maximum occupancy of the subject has been reduced by 14 guests, or approximately -38.89%.

We are therefore opining on the difference in market value of the subject before and after the adoption of City of Destin Ordinance No. 18-29-CC, which was promulgated on January 22, 2019.

Intended Use of the Appraisal and Intended User:

The intended use of an appraisal is the manner in which a client will employ the information contained in the appraisal report. The intended use or function of an appraisal is determined by the client's needs. Because an appraisal may provide a basis for a decision concerning real property, the intended use of the appraisal depends on the decision that the client wishes to make.[2]

The intended use of this appraisal is for internal decision making purposes by the client, and for Bert Harris Act computation of damages. The intended users of this report is the client / property owner, advisors, courts and local government and regulatory agencies.

Property Rights Appraised

Real property is said to have value as a result of the "bundle of rights" that are inherent to property ownership. Regardless of the type of ownership, the owner of real property is said to have an interest in that property. The following definitions are for the three most commonly-valuated interests as defined by the Dictionary of Real Estate Appraisal, Fourth Edition.

---

[1] The Appraisal of Real Estate, Twelfth Edition
[2] The Appraisal of Real Estate, Twelfth Edition

Fee Simple Interest:
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.

Leased Fee Interest:
An ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the lessee are specified by contract terms contained within the lease.

Leasehold Interest:
The interest held by the lessee (the tenant or renter) through a lease transferring the rights of use and occupancy for a stated term under certain conditions. See also negative leasehold; positive leasehold.

The subject property is being appraised 'fee simple', taking into account market conditions at the effective date of the report. Given the valuation of the subject in 'As Is' condition and the nature of the subject being a resort-rental property which is occupied on a short term or seasonal basis, fee simple basis is considered to be the appropriate valuation standard.

Date of Value Opinion
Value opinions are presented as of a specific date, taking into account market conditions at that time. The effective date of an appraisal is the date at which the analyses, opinions, and advice in an appraisal, review, or consulting service apply. (USPAP, 2018-2019 edition.)

The date of the value opinion can be current, in the past (retrospective), or forecast into the future (prospective).

The following presents definitions regarding the date of the opinion of value, as provided by the text The Appraisal of Real Estate, Twelfth Edition:

Date of Value Opinion:
The date for which an opinion of value is valid.

Current Value:
In accounting, synonymous with market value.

Retrospective Value Opinion:
An opinion of value that is likely to have applied as of a specified historic date. A retrospective value opinion is most frequently sought in connection with appraisals for estate tax, condemnation, inheritance tax, and similar purposes.

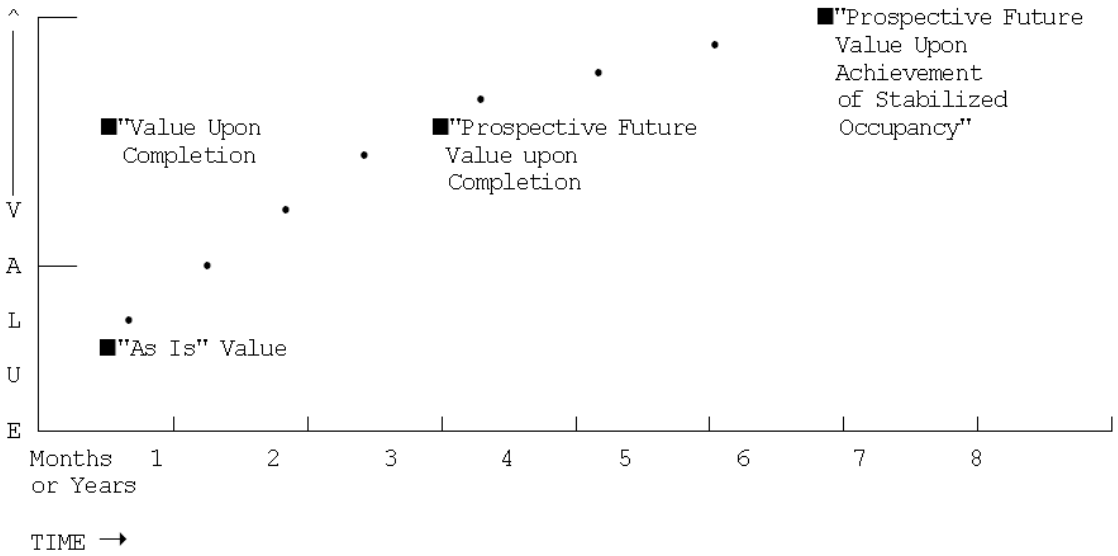
Prospective Value Opinion:
A forecast of the value expected at a specified future date. A prospective value

opinion is most frequently sought in connection with real estate projects that are proposed, under construction, or under conversion to a new use, or those that have not achieved sellout or a stabilized level of long-term occupancy at the time the appraisal report is written.

In a prospective appraisal, the appraiser analyzes market trends to provide support for forecasted income and expense or sell-out opinions, absorption periods, capitalization rates, and discount rates as of the effective date of the appraisal. This appraisal report was prepared taking into account market conditions present as of the date of the report. The appraiser(s) can not be held responsible for unforeseen events that alter market conditions prior to the effective date of the appraisal.

The following graph presents a graphical depiction of the above-described date of value opinions and their associated position within a potential overall development time scenario.

Value Creation Continuum[1]



The preceding exhibit graphically displays the creation of value in a real estate development project over time, assuming a zero inflation environment for clarity of presentation.

1 Code of Federal Regulations, Title 12, as amended by the Federal Home Loan Bank Board.

Basis of the Subject Value Opinion

The four time differential values on the preceding graph which may be considered in the appraisal of proposed developments are defined as follows:

(1) **"As Is"** means an estimate of the market value of a property in the condition observed upon inspection and as it physically and legally exists without hypothetical conditions, assumptions, or qualifications as of the date of appraisal.

(2) **"Value as Complete" or "Value Upon Completion"** means the market value of a property with all proposed construction, conversion, or rehabilitation hypothetically completed, or under other specified hypothetical conditions as of the date of appraisal. With regard to properties wherein anticipated market conditions indicate that stabilized occupancy is not likely as of the date of completion, this estimate of value shall reflect the market value of the property as if complete and prepared for occupancy by tenants.

(3) **"Prospective Future Value Upon Completion"** means the prospective future value of a property on the date that construction is completed, based upon market conditions forecast to exist as of that completion date.

(4) **"Prospective Future Value Upon Achievement of Stabilized Occupancy"** means the prospective future value of a property at a point in time when all improvements have been physically constructed and the property has been leased to its optimum level of long term occupancy.

The purpose of this appraisal is to derive an opinion of the Dimunition in Value to the subject property associated with the implementation of City of Destin Ordinance No. 18-29-CC.

The following are the pertinent dates to the valuation, viewing, and appraisal reporting of the subject property:

Effective Date of Value Opinion:	**January 22, 2019**
Date of Viewing:	**May 1, 2019**
Date of Appraisal Report:	**July 15, 2019**
Date of Photographs:	**May 1, 2019**

Definition of Value

The definition of "Market Value", as defined by the Office of the Comptroller of Currency (OCC) under 12 CFR, Part 34, Subpart C-Appraisals, 34.42 Definitions, the Board of Governors of the Federal Reserve System (FRS) and the Federal Deposit Insurance Corporation in compliance with Title XI of FIRREA, as well as by the Uniform Standards of Appraisal Practice as promulgated by the Appraisal Foundation, is as follows.

> Market value means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby,
>
> 1. Buyer and seller are typically motivated;
>
> 2. Both parties are well informed or well advised, and acting in what they consider their own best interest;
>
> 3. A reasonable time is allowed for exposure in the open market;
>
> 4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
>
> 5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Policy Statement of the Appraisal Institute

It is improper to base a conclusion or opinion of value upon the premise the racial, ethnic, or religious homogeneity of the inhabitants of an area or of a property is necessary for maximum value.

Racial, religious, and ethnic factors are deemed unreliable predictors of value trends or price variance.

It is improper to base a conclusion or opinion of value, or a conclusion with respect to neighborhood trends, upon stereotyped, biased presumptions relating to the effective age or remaining life of the property being appraised or the life expectancy of the neighborhood in which it is located.

FACTUAL DESCRIPTIONS

Property Description

Summary of Site Characteristics and Improvements

SITE	
Information Sources:	Deed, assessment records, inspection, plans, owner
Total Site Size:	+/-0.32 Acres
Usable Site Size:	+/-0.32 Acres
Excess Land:	0.00 acres
Corner Lot:	The site is not a corner lot.
Visibility:	The subject site benefits from visibility from Scenic Highway 98 on the South boundary of the subject site. The subject site is considered to have good visibility for the subject market area.
Shape:	Rectangular and Functional. See aerial photograph / property appraiser map for a visual depiction of the site shape and parcel.
Road Frontage/Access:	The subject features direct access from Scenic Highway 98, a two lane secondary arterial roadway.
Waterfront Proximity:	The subject is located directly across the street from (approximately 150 feet north of) the Beaches of the Gulf of Mexico and is well-positioned as a resort rental property which would capitalize on proximity to beaches.
Drainage:	Drainage appears adequate for the subject property. Drainage on the subject site meets current standards for storm water retention, being recently permitted and constructed. The subject property is considered typical with regard to other similar properties in the subject market area.
Potential For Environmental Contamination:	The appraisers have not observed, nor are qualified to detect, the existence of potentially hazardous material or underground storage tanks which may be present on or near the subject site. The appraisers recommend that an environmental survey be attained to assure the environmental stability of the subject property. This appraisal assumes no subsoil contamination of the subject site.

Utilities: *Electricity*: Electricity is provided by Gulf Power, Inc. Standard service capacity exists at the subject property with adequate capacity to service the subject existing improvements.
Sewer: Public sewer is provided and is on site.
Water: Public water is provided and is on site.
Natural Gas: Natural Gas service is provided and is on site.

Site Improvements: Site improvements present on the subject at the time of inspection included pavered parking, utilities, extensive landscaping, a resort-style outdoor swimming pool with sunken bar and pavered pool deck. In addition the subject features extensive outdoor living areas including summer kitchen, outdoor fireplace and recreation areas.

Landscaping: The subject features excellent quality landscaping with various plantings and grassy areas with irrigation.

Site Utility: Excellent

Flood Zone: The subject is located in an area mapped by the Federal Emergency Management Agency (FEMA). The subject property appears to be located in Flood Zone 'X' as noted by the following FEMA Map Number:
FEMA Map Number: 12091C0493H 12/06/2002

Easements: We were not provided with a survey for the subject property. Our review of the appropriate maps and public records for the subject property indicated that standard utility easements exist. Our viewing did not indicate that any of these easements would adversely affect the value opinion of the subject contained herein. This appraisal assumes no easements, encroachments, or private deed restrictions which would adversely affect the value of the subject property.

Encroachments: We were not provided with a survey for the subject property. Our review of the appropriate maps and public records for the subject property did not reveal any encroachments on the subject site. Our viewing did not indicate any encroachments that would adversely affect the value opinion of the subject contained herein. This appraisal assumes no easements, encroachments, or private deed restrictions which would adversely affect the value of the subject property.

IMPROVEMENTS	
Summary:	Excellent Quality Resort Rental Residence
Architectural Style:	Modern Multi-Story Residential 'Resort Style' Single Family Home
Building Class (Marshall Valuation)	Class D, Wood Frame
Construction:	Wood Frame and Stucco Siding
Quality:	Excellent Quality Resort Residential Dwelling
Year Built:	Actual 2015 / Effective 2015
Actual / Effective Age:	4 Year / 4 Year
Condition:	Excellent
Remaining Useful Life:	51 Years
Areas & Ratios:	Gross Building Area: 9,677 Square Feet HVAC Building Area: 6,531 Square Feet Per the Okaloosa County Property Appraiser, The subject features 9 bedrooms and 9.5 bathrooms. Per instituted City of Destin Ordinance, the maximum number of guests will be calculated at the rate of 2 guests per bedroom based on the Property Appraiser's residential profile of the property, plus 4 additional guests. Therefore, the subject in the 'after ordinance' condition will be limited to 22 total guests. See Excerpt below.

Sec. 13-117. – Maximum occupancy based on site capacity/Grandfathering.

(a) The maximum overnight occupancy of a short-term rental shall be stated in the short-term rental registration form, and shall be limited to the lesser occupancy of the following two options:

i. Two (2) persons for each bedroom, plus four (4) additional persons. The number of bedrooms shall be based upon the Property Appraiser's residential profile of the property, and other documents of record, as needed. In no case shall the maximum total occupancy for any dwelling unit exceed the occupancy limits permitted by the Florida Fire Prevention Code or Florida Building Code.

or

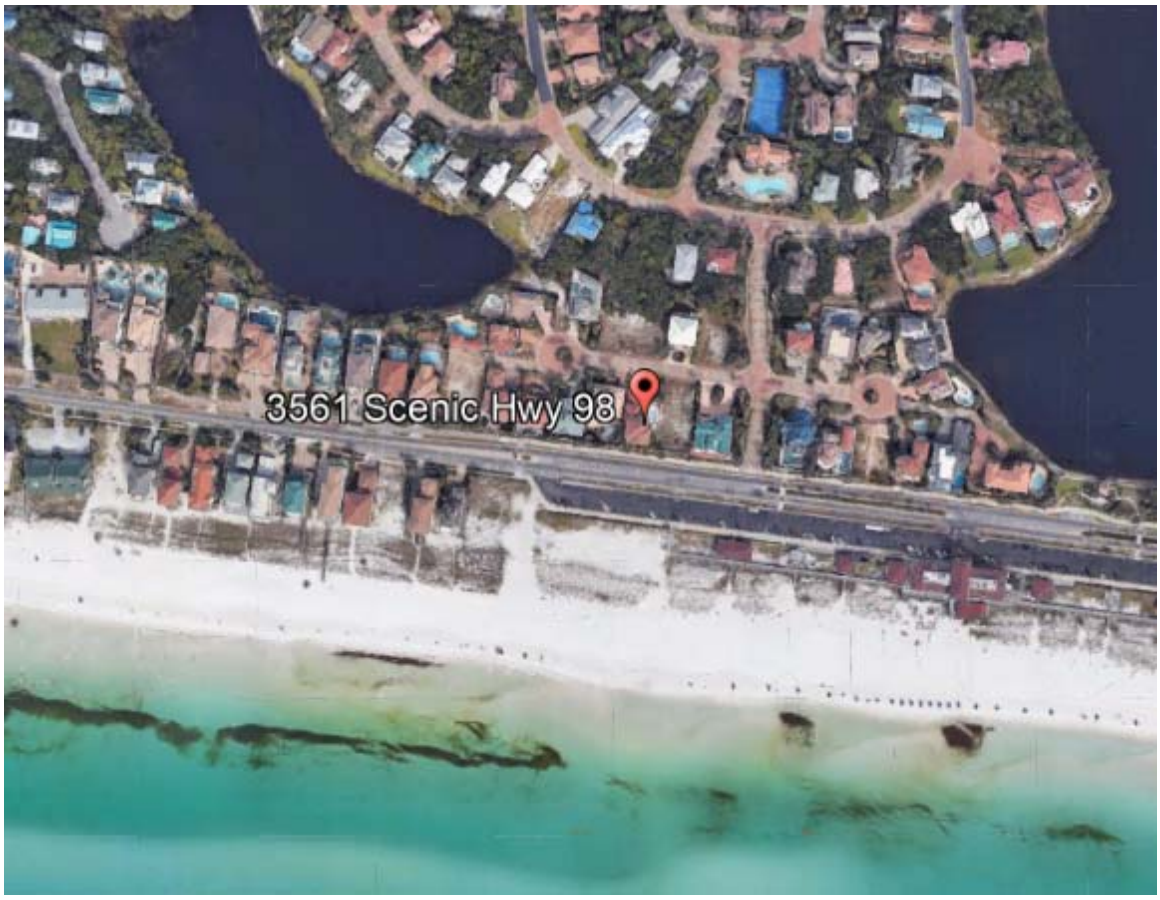
ii. A total of twenty-four (24) persons per short-term rental. In the event that there is more than one building or dwelling on one platted lot, the maximum occupancy shall be capped at twenty-four (24) occupants per lot or structure, whichever is less.

FOUNDATION, FRAME & EXTERIOR	
Foundation:	Concrete, Concrete Block Stemwall, Concrete Slab
Frame:	Wood Frame
Exterior:	Stucco
Roof/Cover:	Concrete Tile and Metal Roofing, Sloped

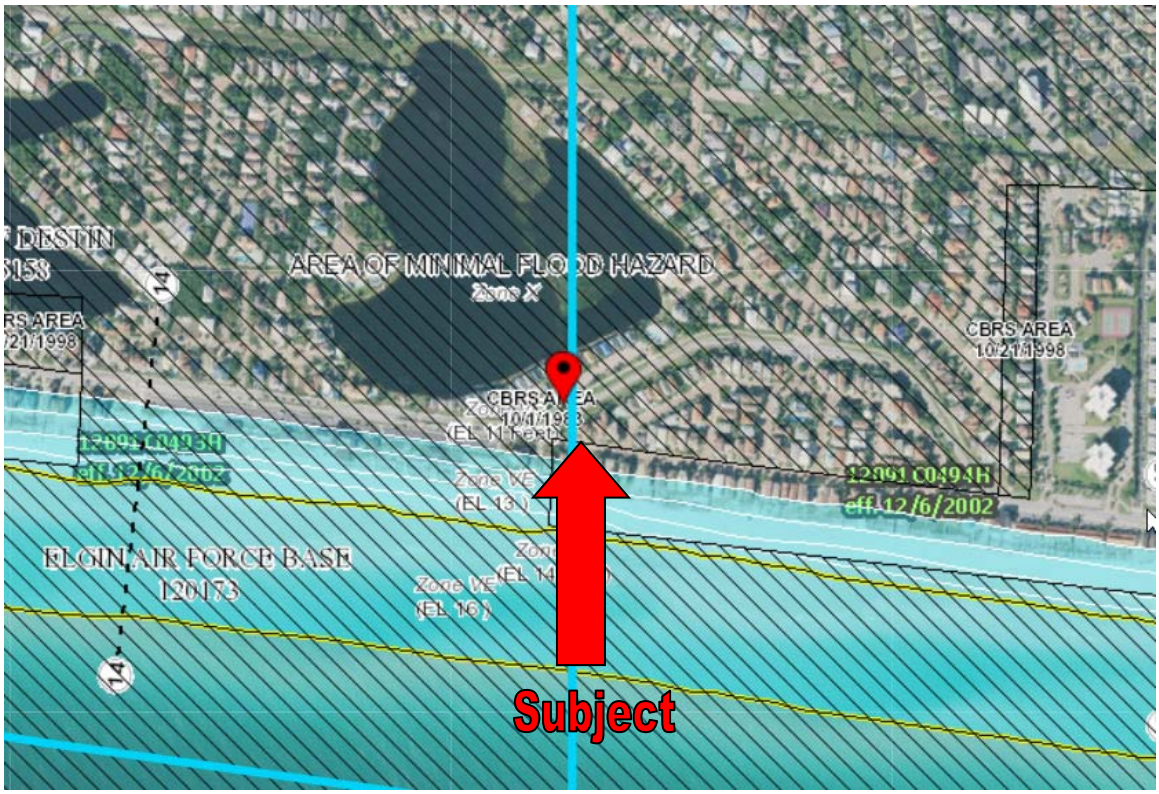
INTERIOR	
Notes Regarding Interior Finish:	Interior finishes to the subject includes custom kitchen cabinetry, stone or solid surface countertops, custom backsplash, stainless steel appliances, custom bath cabinetry and excellent quality bathroom and kitchen fixtures. Excellent quality flooring and appurtenances. The subject features a finish superior to most resort residences in the existing Destin / Crystal Beach market.
Interior Finish:	Excellent Quality.
Ceilings & Ceiling Height:	Finished Ceilings throughout, generally 10-0”-12’-0” height.
Floor Cover:	Porcelain tile, Stone, wood, carpet. Excellent level of floor finish.
Doors:	Excellent Quality and condition solid core / six-panel doors with lever style handles throughout. Glass windows and doors are good quality insulated double pane impact resistant.
Additional Amenities:	The subject property has an excellent level of finish with exclusive design and outdoor living areas including an outdoor swimming pool with sunken bar, pavered pool deck and covered outdoor patios with extensive outdoor living areas.

MECHANICAL SYSTEMS	
Heating / Cooling:	Multiple Individual HVAC systems.
Hot Water:	Adequate for property.
Electrical:	Adequate for property.
Plumbing:	Adequate for property with 9.5 Full Bathrooms. The subject was specifically designed as a resort rental property with planned occupancy / sleeping accommodations for 36 persons.

Regional Maps



Flood Map


AREA OF MINIMAL FLOOD HAZARD
Zone X
CBRS AREA
10/21/1998
12091 C0494H
eff. 12/6/2002
ELGIN AIR FORCE BASE
120173
Subject

Flood Zone Descriptions

“A 100-year flood is a flood that has a 1-percent chance of being equaled or exceeded in any given year. A base flood may also be referred to as a 100-year storm and the area inundated during the base flood is sometimes called the 100-year flood plain.

The term "100-year flood" is misleading. It is not the flood that will occur once every 100 years. Rather, it is the flood elevation that has a 1- percent chance of being equaled or exceeded each year. Thus, the 100-year flood could occur more than once in a relatively short period of time. The 100-year flood, which is the standard used by most Federal and state agencies, is used by the National Flood Insurance Program (NFIP) as the standard for floodplain management and to determine the need for flood insurance. A structure located within a special flood hazard area shown on an NFIP map has a 26 percent chance of suffering flood damage during the term of a 30-year mortgage.

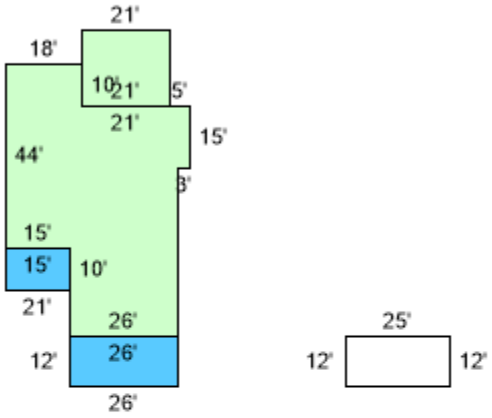
Zone AE and A1-A30
Zones AE and A1-A30 are the flood insurance rate zones that correspond to the 100-year floodplains that are determined in the Flood Insurance Study by detailed methods. In most instances, Base Flood Elevations derived from the detailed hydraulic analyses are shown at selected intervals within this zone. Mandatory flood insurance purchase requirements apply.

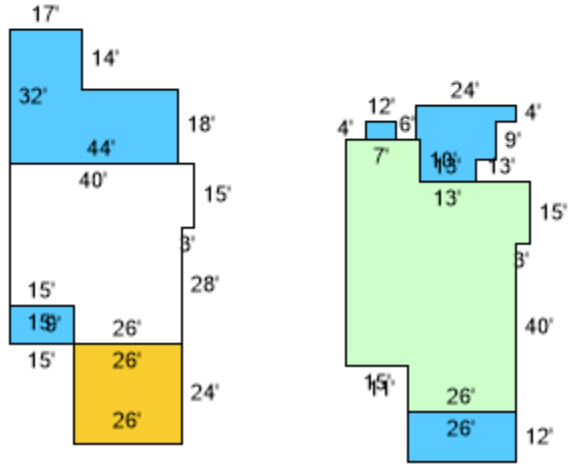
Zone VE
Zone VE is the flood insurance rate zone that corresponds to the 100-year coastal floodplains that have additional hazards associated with storm waves. BFEs derived from the detailed hydraulic analyses are shown at selected intervals within this zone. Mandatory flood insurance purchase requirements apply.

Zones B, C, and X are the flood insurance rate zones that correspond to areas outside the 100-year floodplains, areas of 100-year sheet flow flooding where average depths are less than 1 foot, areas of 100-year stream flooding where the contributing drainage area is less than 1 square mile, or areas protected from the 100-year flood by levees. No BFEs or depths are shown within this zone.”

Building Floor Plan Excerpts

	PTO	PATIO	300	2015
	FUS	F UP STORY	378	2018
	FUS	F UP STORY	4480	2015
	FGR	F GARAGE	624	2015
	BAS	BASE AREA	1673	2015
	FOP	F OPN PRCH	2222	2015





Aerial Photograph

Subject property outlined in blue above

Subject Photographs

Subject Front and Parking Area

Subject Front

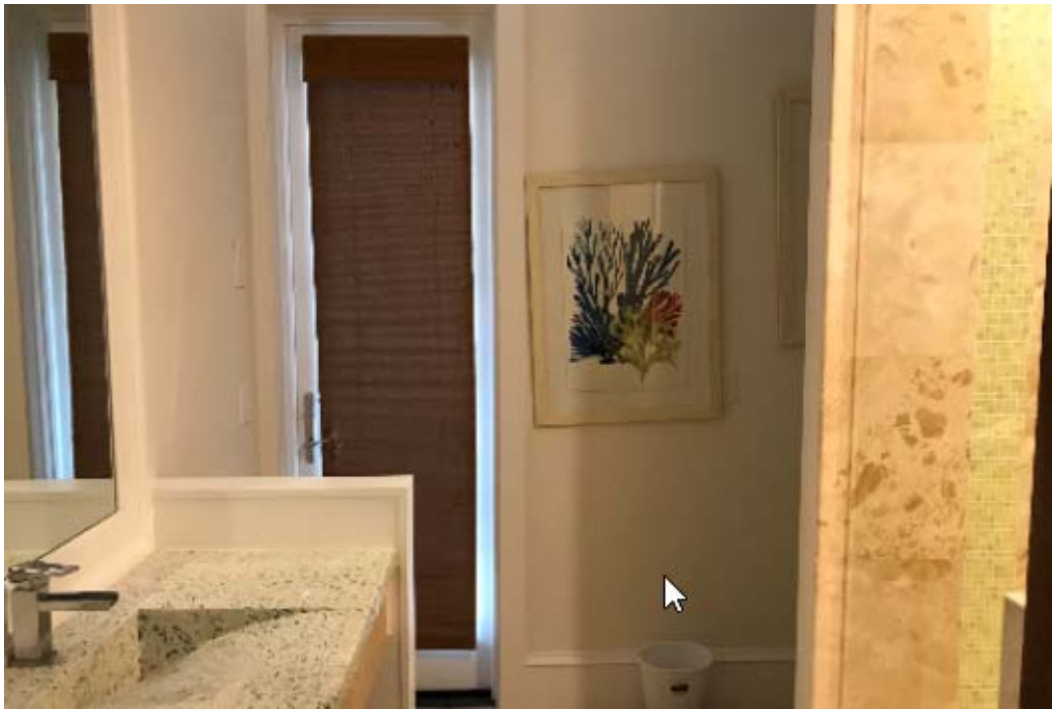
Subject Entry

Ground Floor Entertainment Area

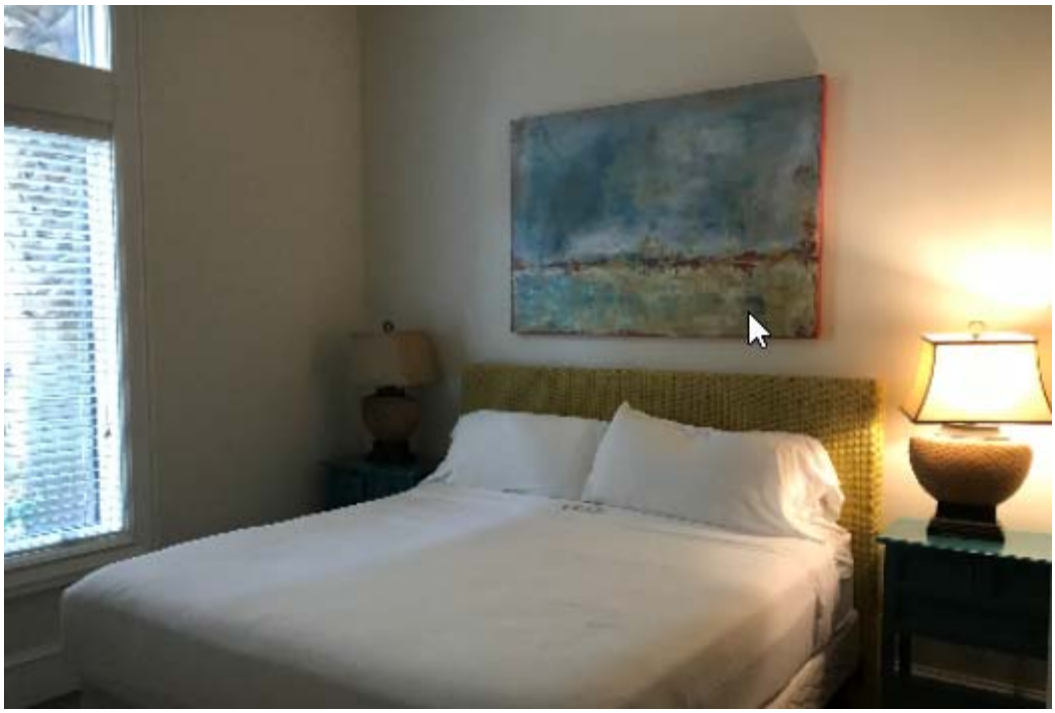
Entry Foyer

Built-In Bunks

Entertainment Area



Full Bathroom



King Bedroom

Full Bathroom

King Bedroom with Two Built-In Bunks

Outdoor Living Area with Resort Pool

Outdoor Kitchen and Bar

Outdoor Living Area with Fireplace

Subject Rear

Sunken Bar at Resort Pool

Living and Kitchen Area

Dining Area

Living and Kitchen Area

King Bedroom

King Bedroom

King Bedroom

King Bedroom

Built-In Bunks

Built-In Bunks

King Bedroom

Built-In Bunks

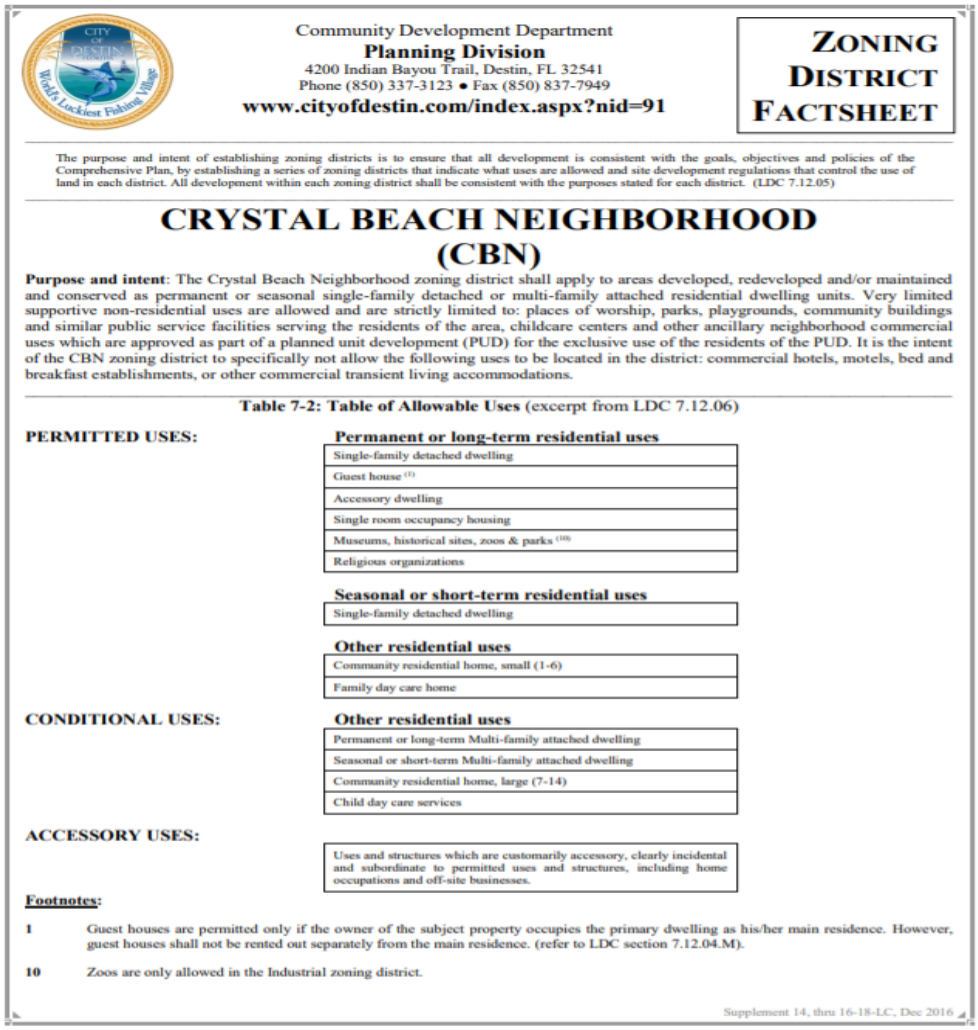
King Bedroom

Zoning

The subject property is located within the Crystal Beach Neighborhood land use designation, as governed by the City of Destin.

Use of the subject for various residential, short term seasonal rental, guest house and other varied uses are legally permissible by the zoning in place.

Therefore, use of the subject as a seasonal rental property is considered legal, conforming. It is noted that the zoning category description within the land development code does not provide for any outlined maximum occupancies for the subject property or other similar properties. We therefore ascertain that prior to implementation of City of Destin Ordinance 18-29-CC occupancy of the subject for the planned number of sleeping guests of 36 was legally permissible.



Community Development Department
Planning Division
4200 Indian Bayou Trail, Destin, FL 32541
Phone (850) 337-3123 • Fax (850) 837-7949
www.cityofdestin.com/index.aspx?nid=91

ZONING DISTRICT FACTSHEET

The purpose and intent of establishing zoning districts is to ensure that all development is consistent with the goals, objectives and policies of the Comprehensive Plan, by establishing a series of zoning districts that indicate what uses are allowed and site development regulations that control the use of land in each district. All development within each zoning district shall be consistent with the purposes stated for each district. (LDC 7.12.05)

CRYSTAL BEACH NEIGHBORHOOD (CBN)

Purpose and intent: The Crystal Beach Neighborhood zoning district shall apply to areas developed, redeveloped and/or maintained and conserved as permanent or seasonal single-family detached or multi-family attached residential dwelling units. Very limited supportive non-residential uses are allowed and are strictly limited to: places of worship, parks, playgrounds, community buildings and similar public service facilities serving the residents of the area, childcare centers and other ancillary neighborhood commercial uses which are approved as part of a planned unit development (PUD) for the exclusive use of the residents of the PUD. It is the intent of the CBN zoning district to specifically not allow the following uses to be located in the district: commercial hotels, motels, bed and breakfast establishments, or other commercial transient living accommodations.

Table 7-2: Table of Allowable Uses (excerpt from LDC 7.12.06)

PERMITTED USES:

Permanent or long-term residential uses

Single-family detached dwelling
Guest house [1]
Accessory dwelling
Single room occupancy housing
Museums, historical sites, zoos & parks [10]
Religious organizations

Seasonal or short-term residential uses

Single-family detached dwelling

Other residential uses

Community residential home, small (1-6)
Family day care home

CONDITIONAL USES:

Other residential uses

Permanent or long-term Multi-family attached dwelling
Seasonal or short-term Multi-family attached dwelling
Community residential home, large (7-14)
Child day care services

ACCESSORY USES:

Uses and structures which are customarily accessory, clearly incidental and subordinate to permitted uses and structures, including home occupations and off-site businesses.

Footnotes:

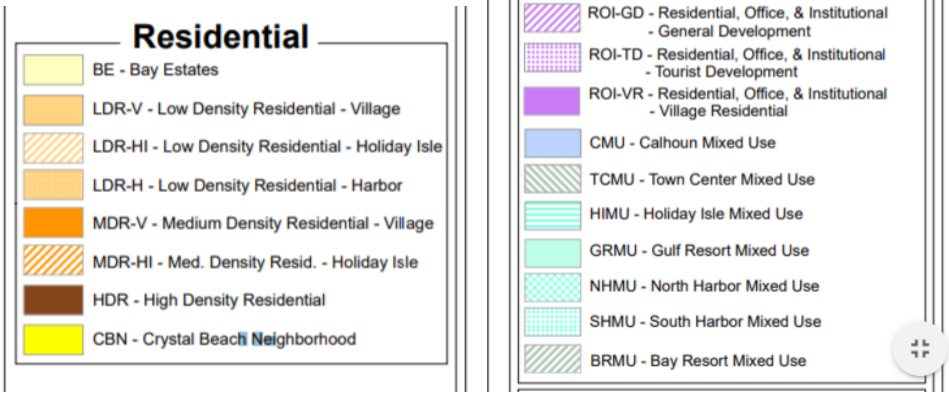
1 Guest houses are permitted only if the owner of the subject property occupies the primary dwelling as his/her main residence. However, guest houses shall not be rented out separately from the main residence. (refer to LDC section 7.12.04.M).

10 Zoos are only allowed in the Industrial zoning district.

Supplement 14, thru 16-18-LC, Dec 2016

Zoning Map

WINDSTARR DR
SUNSAIL CIR
CRYSTAL BEACH
CAYMAN CV
DOLPHIN ST
KOKOMO ROW
SUNFISH ST
DESTINY WAY


Residential
BE - Bay Estates
LDR-V - Low Density Residential - Village
LDR-HI - Low Density Residential - Holiday Isle
LDR-H - Low Density Residential - Harbor
MDR-V - Medium Density Residential - Village
MDR-HI - Med. Density Resid. - Holiday Isle
HDR - High Density Residential
CBN - Crystal Beach Neighborhood
Mixed Use
CBR - Crystal Beach Resort
ROI-CBR - Residential, Office, & Institutional - Crystal Beach Residential
ROI-GD - Residential, Office, & Institutional - General Development
ROI-TD - Residential, Office, & Institutional - Tourist Development
ROI-VR - Residential, Office, & Institutional - Village Residential
CMU - Calhoun Mixed Use
TCMU - Town Center Mixed Use
HIMU - Holiday Isle Mixed Use
GRMU - Gulf Resort Mixed Use
NHMU - North Harbor Mixed Use
SHMU - South Harbor Mixed Use
BRMU - Bay Resort Mixed Use

Assessment and Taxes

Tax Structure, Overview

Florida Law requires that the just value of all property be determined each year. The Supreme Court of Florida has declared "just value" to be legally synonymous to "full cash value" and "fair market value." The fair market value of real property is the amount for which it could sell on the open market, and assumes the present use is the highest and best use. The property appraiser analyzes these market transactions annually to determine fair market value as of January 1 of each year.

The property appraiser is responsible for identifying, locating, and fairly valuing all property, both real and personal, within the county for tax purposes. The "market" value of real property is based on the current real estate market, and is determined by market participants. The property appraiser has the legal responsibility to study the transactions of market participants and appraise real property accordingly.

At least once every three years, the county property appraiser or a staff appraiser will visit and inspect each property. Additionally, individual property values may be adjusted between visits in light of sales activity or other factors affecting real estate values in the subject neighborhood. Sales of similar properties are typically used as strong indicators of value in the real estate market.

Each August, the Property Appraiser sends a "Notice of Proposed Taxes," to all property owners to notify them of the taxable value of their property. Taxable value is the assessed value less any exemptions. The TRIM notice also gives information on proposed millage rates and taxes as estimated by community taxing authorities, and when and where these taxing authorities will hold public meetings to discuss tentative budgets to set your millage tax rates.

The property appraiser only assesses all property in the county and is neither a taxing authority nor a tax collector. Three separate government entities, each having unique and distinct roles, determine the tax bill of any property in their jurisdiction.

The following is a summary of the process:

> First the property appraiser annually appraises all property in their respective county at the market value as of January 1 each year.
>
> Second, each taxing authority within the county sets their own millage rate based on the amount of tax dollars necessary to fund their annual budget.
>
> Finally, the tax collector takes the amount of taxes due in order to bill and collect all taxes levied within the county.

Tax Collector Card

BEN ANDERSON
Okaloosa County Tax Collector

MAIL PAYMENTS TO: P.O. BOX 1390, NICEVILLE, FL 32588

2018 Paid Real Estate
Notice of Ad Valorem Tax and Non-Ad Valorem Assessments

ACCOUNT NUMBER	ESCROW CD	MILLAGE CODE	ALTERNATE KEY	PROPERTY ADDRESS
002S22054100000010		DEDF	1002754	3461 SCENIC HWY 98, DESTIN, 32541

GULF BEACH RENTALS LLC
5270 WEST MAIN ST
HOUMA, LA 70360

3461 SCENIC HWY 98

GRAND PALMS S/D
LOT 1

AD VALOREM TAXES

TAXING AUTHORITY	MILLAGE RATE	ASSESSED VALUE	EXEMPTION AMOUNT	TAXABLE VALUE	TAXES LEVIED
OKALOOSA COUNTY BD OF CO COMMS					
EMERGENCY MEDICAL SERVICES	0.0741	3,006,550	0	3,006,550	222.79
GENERAL	3.7214	3,006,550	0	3,006,550	11,188.57
COUNTY PUBLIC HEALTH UNIT	0.0353	3,006,550	0	3,006,550	106.13
SCHOOL LOCAL	2.2480	3,006,550	0	3,006,550	6,758.73
SCHOOL STATE	4.1130	3,006,550	0	3,006,550	12,365.94
NORTHWEST WATER DISTRICT	0.0338	3,006,550	0	3,006,550	101.62
CITY OF DESTIN	1.6150	3,006,550	0	3,006,550	4,855.58
DESTIN FIRE DISTRICT	1.0000	3,006,550	0	3,006,550	3,006.55

EXEMPTIONS APPLIED:

TOTAL MILLAGE 12.8406 AD VALOREM TAXES $38,605.91

WANT TO RECEIVE YOUR BILL ELECTRONICALLY NEXT YEAR? VISIT www.OkaloosaTax.com AND SIGN UP FOR E-BILLS!

NON–AD VALOREM ASSESSMENTS

LEVYING AUTHORITY	RATE	AMOUNT

PAY ONLINE WITH CREDIT/DEBIT CARD AT www.OkaloosaTax.com - BANK CARD USER FEE WILL APPLY

NON– AD VALOREM ASSESSMENTS $0.00

COMBINED TAXES AND ASSESSMENTS $38,605.91

PAYING ONLINE VIA
E-CHECK IS FREE
Visit www.OkaloosaTax.com

PAY YOUR BILL

"PAY ONLINE, NOT IN LINE"

RETAIN THIS PORTION FOR YOUR RECORDS
WALK-IN CUSTOMERS PLEASE BRING FOR RECEIPT
AFTER MARCH 31ST, TAXES MUST BE PAID WITH CASH, CASHIER'S CHECK OR MONEY ORDER.

If Postmarked By	Nov 30, 2018				
Please Pay	$0.00				

BEN ANDERSON
Okaloosa County Tax Collector

MAIL PAYMENTS TO: P.O. BOX 1390, NICEVILLE, FL 32588

2018 Paid Real Estate
Notice of Ad Valorem Tax and Non-Ad Valorem Assessments

ACCOUNT NUMBER	ESCROW CD	MILLAGE CODE	ALTERNATE KEY	PROPERTY ADDRESS
002S22054100000010		DEDF	1002754	3461 SCENIC HWY 98, DESTIN, 32541

PRIOR TO MARCH 31ST TAXES CAN BE PAID USING CASH, CHECK, CREDIT/DEBIT CARDS OR E-CHECK

If Postmarked By	Nov 30, 2018				
Please Pay	$0.00				

GULF BEACH RENTALS LLC
5270 WEST MAIN ST
HOUMA, LA 70360

3461 SCENIC HWY 98

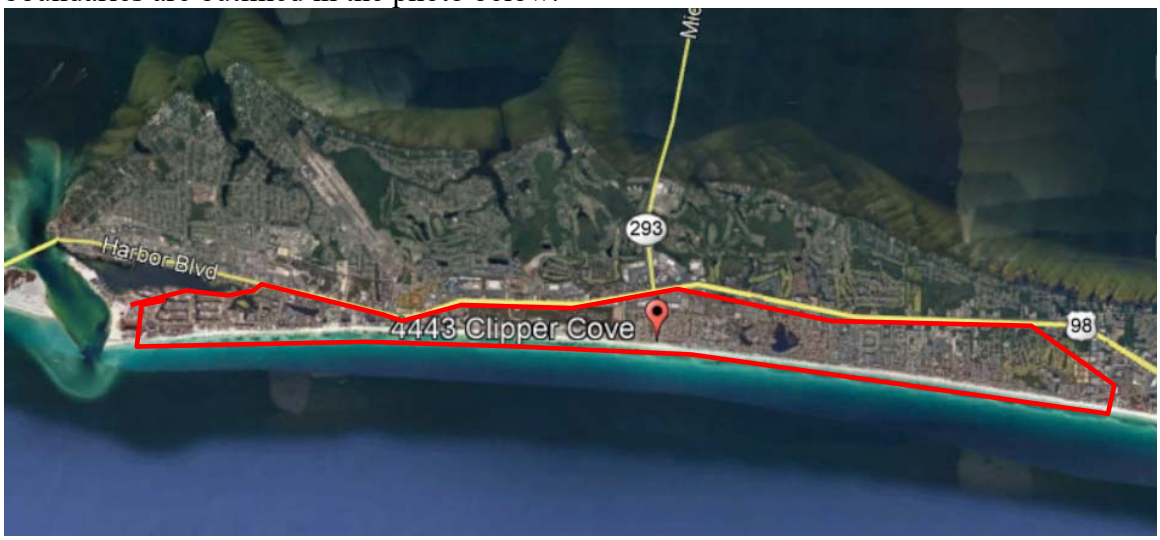
GRAND PALMS S/D
LOT 1

Paid 11/21/2018 Receipt # 97-18010792 Check $37,061.67

ANALYSIS OF DATA AND OPINIONS OF THE APPRAISERS

Market Area Summary / Neighborhood Information

The subject property is located in the Destin-Miramar Beach market area, which is bounded by the Destin Harbor / East Pass to the West, US Highway 98 and the waters of the Destin Harbor to the North, the Gulf of Mexico to the South and the intersection of US Highway 98 / Scenic Gulf Drive to the East. The approximate neighborhood boundaries are outlined in the photo below.



This is a resort area driven primarily by proximity to area beaches and resort activities. The predominant property type in the area is of second home and seasonal vacation properties with far fewer full-time residents than seasonal occupants.

Many second home and resort area property owners rent their properties on a seasonal basis to either offset costs of ownership or in the pursuit of income generation potential, and the seasonal income attributed to a property is often a significant factor contemplated by purchasers in the market when evaluating a purchase decision.

We have witnessed a trend for increased rental demand of larger resort residences which can accommodate larger groups for family reunions, large family vacations, etc.

This has led to the construction of larger and larger seasonal resort rental homes to serve this need. These larger properties often witness more robust demand and income generation potential than smaller properties with less sleeping capacity where vacationing groups would otherwise be required to split between several locations.

In summary, the subject is sited directly in an area that is geared toward seasonal rental operations, be it solely for the purpose of income generation potential or as an offset to the costs of personal use. The ability to rent a property seasonally remains a significant motivator for market participants and weighs heavily in their buy-sell decision making process. A restriction that negatively impacts the ability to seasonally rent a resort property is estimated to have a significant negative impact on the value of this asset class.

Highest and Best Use

The definition of "highest and best use" is presented unabridged in the definitions section of this report. However, in brief, highest and best use refers to the reasonably probable and legal use of vacant land or an improved property, which is legally permissible, physically possible, appropriately supported, financially feasible, and that results in the highest value, i.e. maximally productive.[3]

Objective analysis and interpretation of market data leads to an informed opinion of that use. However, the estimate of highest and best use should not be interpreted as a provable fact. A typical highest and best analysis evaluation process and pertinent questions which aid in the elimination of possible alternatives are presented below.

1. **Permissible Use.** What uses are permitted by zoning and other legal restrictions? What are the land use controls that will govern the site? Uses that are *legally permissible* are those allowed under current or likely zoning and those that could meet building codes. In addition, local communities may have restrictions on public utility loads, traffic creation, access restrictions, and so on, all of which must be considered when selecting legally permissible uses

2. **Physically Possible Use.** To what use is the site physically adaptable? What is an appropriate improvement given architectural / engineer study? Unless prohibited by soil or subsoil problems or land size constraints, it is *physically possible* to place most potential improvements on the site. Usually this test, if performed first or second, will not significantly reduce the number of potential uses.

3. **Feasible Use.** Which possible and permissible use will produce any net return to the owner of the site? Should the land be developed, and if so, what kind of improvement should be built? If an improvement should be constructed, what is the type and characteristics of an ideal improvement? Uses that are considered economically or financially feasible are those that potentially would logically produce net operating income and net resale price levels high enough to adequately support construction of the potential improvement and provide the investor with a reasonable profit. Implicit to this analysis is that riskier projects require higher profit levels to induce potential developers to undertake the burden of coordination of land, labor and capital.

4. **Maximally Productive Use.** The final test is to determine of the financially feasible options, which of these would result in the highest land value or values as

[3] The Appraisal of Real Estate, Twelfth Edition

> improved. Among the feasible uses which use will produce the highest net return, (i.e., the highest present worth)? If there are existing improvements on the property should they be maintained in their current state or should they be altered to more closely resemble the ideal improvement?

Although these criteria are generally evaluated sequentially, the resulting conclusion of highest and best use should be identical regardless of the order of application of the above tests.

Implied within this definition is that the estimation of the highest and best use for a particular property results from the appraisers' judgment and analytical skill with respect to the market for that particular property.

However, the highest and best use of a specific parcel of land is not just a matter of subjective opinion; rather, highest and best use is indicated by supply and demand forces within the market where the property is located, availability of capital, supply of alternative investments, need for additional products or services within a community, and other factors.

Highest and Best Use 'As Is'

The highest and best use 'As Is' recognizes among all reasonable, alternative uses, the use that yields the highest present land value after payments are made for labor, capital, and entrepreneurial coordination.[4]

We have evaluated the most probable uses for the subject property, 'As Is', given the current market for resort residential rental property and recent development activity in the subject market area.

Legally Permissible

The subject property is located within the Crystal Beach Neighborhood land use designation, as governed by the City of Destin. Use of the subject for various residential, short term seasonal rental, guest house and other varied uses are legally permissible by the zoning in place.

Therefore, use of the subject as a seasonal rental property is considered legal, conforming. It is noted that the zoning category description within the land development code does not provide for any outlined maximum occupancies for the subject property or other similar properties. We therefore ascertain that prior to implementation of City of Destin Ordinance 18-29-CC occupancy of the subject for the planned number of sleeping guests of 36 was legally permissible. After implementation of City Ordinance 18-29-CC, the subject will be limited to a total of 22 sleeping guests.

Therefore, use of the subject as a resort residential property is legally permissible. Use of the subject prior to Ordinance implementation for occupancy by up to 36 guests was permitted, however after implementation of the Ordinance occupancy is limited to 22 guests.

Physically Possible

The subject property is generally level, well-drained, and at or level with the existing road grade of Scenic Highway 98 and features sufficient parking and site improvements to operate in the designed capacity for 36 occupants.

The subject represents a well-constructed resort residential property with multiple bedrooms, bathrooms, pool, kitchen and living areas, etc. The subject has been specifically configured for occupancy as a resort rental property, and features all necessary components for operation as intended, with a designed occupancy of 36 overnight guests.

Therefore, use of the subject as a resort residential rental property for 36 sleeping guests is physically possible.

[4] The Appraisal Of Real Estate, Twelfth Edition

Financially Feasible
Demand for resort residential properties in the subject market area has improved in the previous 24-48 month period, with a number of increased transactions. Most market participants would describe the market for similar properties as robust.

As described in the market analysis section of this report. The predominant property type in the market area is of second home and seasonal vacation properties with limited full-time residents.

Many property owners rent their properties on a seasonal basis to offset costs of ownership or for income generation potential, and the income a property can generate is often a significant factor contemplated by purchasers in the market. This can be done with or without the assistance of a professional property manager.

We have witnessed a trend for increased rental demand of resort residences which can accommodate larger groups for family reunions, large family vacations, etc. This has led to the construction and renovation of seasonal resort rental homes to serve this need.

Reference the subject, the property was specifically configured to house up to 36 sleeping guests. Similar properties in the market (and the subject property) achieve sufficient income to provide an adequate return on investment to be definitively financially feasible, however this financial feasibility is directly linked to occupancy.

The recently-implemented City of Destin Ordinance 18-29-CC serves to reduce occupancy of the subject to no more than 22 persons, a net reduction in occupancy of -38.89%.

This no doubt will impact the income generation potential of the property and associated net income, as now the improvement which was sized for 36 guests will be limited to 22; But, the predominant costs of ownership remain the same.

This ordinance inevitably lowers net income to the property owner- a situation that has no result other than to reduce the value of the asset in its respective marketplace where income generation potential is valued by prospective purchasers.

Therefore, use of the subject as a resort rental property is considered to be financially feasible. However, it is noted that the reduction in permissible occupancy by Ordinance 18-29-CC is estimated to impact the financial performance and associated market value of the subject property negatively.

Maximally Productive Given the legally permissible, physically possible, and financially feasible uses of the subject property we are of the opinion that the maximally productive use of the subject property 'As Is' is for continued resort rental use at the occupancy for which is was specifically designed (ie. 36 guests).

This use will certainly bring the highest net return to the land.

While operation in a reduced occupancy capacity (as dictated by City of Destin Ordinance 18-29-CC) is still possible, the impact to the income generation potential is significant, as the occupancy has now been reduced by -38.89% based on number of persons.

This ordinance inevitably reduces gross and net income to the property owner, resulting in a reduced financial benefit of ownership and negative impact to market value.

Valuation Methodology - Overview

The appraisal analysis is based on analytical techniques that may encompass anticipation of costs to be incurred, and benefits to be derived in the future; however, the subject is appraised as described in this report, including only those assumptions also described in this report.

This appraisal analysis has been conducted, and the appraisal report was prepared in conformance with the requirements of Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA).

The valuation process is a systematic procedure an appraiser follows to provide answers to a client's questions about real property value.[1] Three basic approaches may be used to arrive at an estimate of market value. They are:

1. The Cost Approach
2. The Income Approach
3. The Sales Comparison Approach

Land Valuation Methodology

Land Valuation is generally a component of the Cost Approach in appraisal of an improved property. In most appraisal analyses, separate land valuation is conducted utilizing the Sales Comparison Approach.

Cost Approach Methodology

The cost approach is a reliable methodology for new, nearly new or special-use buildings. In the cost approach, value is estimated as the current cost of reproducing or replacing the existing or proposed improvements and site improvements (including direct and indirect costs as well as an appropriate entrepreneurial incentive or profit), and then deducting the loss in value from depreciation due to physical, functional, and external sources.[5]

The depreciated replacement or reproduction cost of the improvements is then added to the value of the site resulting in a value indication of the fee simple interest in the property.

The Cost Approach is summarized as follows:

Cost New
- Depreciation
+ Entrepreneurial Incentive
+ Land Value
= Value

[5] The Appraisal of Real Estate, Twelfth Edition

Sales Comparison Approach Methodology

The sales comparison approach is premised on the "Principle of Substitution" which indicates an informed purchaser would pay no more for a property than the cost of acquiring an equally desirable substitute property possessing the same or similar utility.

This approach is applicable when an active market provides sufficient quantities of reliable data which can be verified from authoritative sources. The Sales Comparison Approach is most reliable in an active market or if an opinion of value is related to properties for which there are comparable sales available- and heavy emphasis is generally placed on this sales comparison approach when these market conditions are present.

The Sales Comparison Approach compares sales of similar properties with the subject property. Each comparable sale is adjusted for its inferior or superior characteristics. The values derived from the adjusted comparable sales form a range of value for the subject. By process of correlation and analysis, a final indicated value is derived.

Income Approach Methodology

The Income Approach converts the anticipated flow of future benefits (income) to a present value estimate through a capitalization and/or a discounting process.

The income approach is recognized as a reliable approach for estimating the value of "income producing" property to an investor. The income approach consists of methods, techniques, and mathematical procedures that an appraiser utilizes to analyze a property's capacity to generate income and convert income into an indication of present value either by capitalizing the current income at a market capitalization rate, or discounting the future cash flows into a present value estimate using an appropriate yield (discount) rate. The appraisal process emulates the actions of the market, and the income approach is most applicable when the probable buyer would be an investor or prospective owner occupant. Two techniques associated with the income approach are direct capitalization and discounted cash flow analysis.

Final Reconciliation Process

In the appraisal process for improved property, typically more than one approach to value is applied, resulting in two or more value indications that must be evaluated for relevancy, applicability and reliability, and a final point value or range of value is chosen.

Resolving the differences among various value indications is called reconciliation.[6]

The appraisal process concludes with the Final Reconciliation of the values derived from the approaches applied to arrive at a single estimate or range of market value opinions. Different properties require different means of analysis and lend themselves to one

[6] The Appraisal of Real Estate, Twelfth Edition

approach over the others. As such, in the reconciliation appropriate weight is given to the most applicable and/or reliable indications of value to arrive at a conclusion.

Reconciliation is not a mathematical process. Rather, at this point in the valuation process the appraiser must reevaluate all pertinent data in the analysis for appropriateness, accuracy, and quality of evidence.

The appraiser then weighs the relative significance, applicability, and defensibility of each value indication and relies most heavily on the approach that is most appropriate to the nature of the appraisal problem.

Valuation Methodology Utilized in this Assignment

Valuation Analyses

Purpose of Assignment:	The purpose of this appraisal is to derive an opinion of the Dimunition in Value to the subject property associated with the implementation of City of Destin Ordinance No. 18-29-CC. This Ordinance was implemented January 22, 2019, and the incorporation of this ordinance limits the occupancy of the subject property to 22 guests. Prior to the implementation of this Ordinance, the designed occupancy of the subject property was 36 guests. Therefore, as a result of the ordinance, the maximum occupancy of the subject has been reduced by 14 guests, or approximately -38.89%. We are therefore opining on the difference in market value of the subject before and after the adoption of City of Destin Ordinance No. 18-29-CC, which was promulgated on January 22, 2019.
Land Valuation:	An opinion of value for the subject property in 'as if vacant' condition and subsequent application of the cost approach has not been provided. The purpose of this appraisal is to evaluate the impact to the value of the subject by virtue of the implementation of City of Destin Ordinance 18-29-CC which limits occupancy of the subject and corresponding associated income generation potential. Thus, the cost to acquire land and construct a replacement property is meaningless to the purpose of the assignment and was not applied.

Sales Comparison Approach:	The improved sales comparison approach was not utilized in this appraisal assignment. The purpose of this appraisal is to evaluate the impact to the value to the subject by virtue of the implementation of City of Destin Ordinance 18-29-CC which limits occupancy of the subject and associated income generation potential. As this ordinance was just recently implemented, an adequate number of improved sales which sold after the Ordinance implementation date were not available from which to derive an opinion of market value from this approach. As sales which occurred prior to this Ordinance will reflect market transactions without this restriction, they are not considered valid indicators of value for the subject in the restricted condition. Therefore this approach could not be applied due to lack of sufficient comparable data.
Income Approach:	The income approach was applied for the subject in both the 'Before Ordinance' and 'After Ordinance' scenarios.

Income Approach

The Income Approach to value is based on the principle of anticipation, i.e. the value of property correlates to the present worth of the future rights to benefits to be received by the owner. Income approach analysis considers the property from an investor's point of view, the basic premise being that the amount and quality of the income stream are the basis for value of the property.

The income approach is applied by projecting a net income stream through analysis of the subject historical data, comparable property's income and expense information, and historical income expense information for similar properties in the subject market area.

The estimated net income is then converted to a value indication utilizing either the process of direct capitalization analysis, discounted cash flow (DCF) analysis (yield capitalization), or a combination of these methods.

Discounted Cash Flow Analysis (Yield Analysis)
Discounted Cash Flow (DCF) analysis is the procedure in which a discount rate is applied to a series of projected income streams and a reversion. The analyst specifies the quantity, variability, timing, and duration of the income streams as well as the quantity and timing of the reversion and discounts each to its present value at a specified yield rate. DCF analysis can be applied with any yield capitalization technique and may be performed on either a lease-by-lease or aggregate basis.[7]

Applicability: DCF (Yield) analysis is generally used when the net income of the property is forecast to be variable, when the property is of a sufficient size and investment value to cause market participants to evaluate purchase decisions based on DCF, or when specifically requested by the client in an assignment.

Given the nature of the subject property, a discounted cash flow analysis was not employed in this appraisal analysis, as market participants typically do not utilize DCF methodology when evaluating purchase decisions for properties such as the subject.

Direct Capitalization
Conversion of a net income to a present value dollar estimate is called capitalization. Direct capitalization is a method used to convert an estimate of a single year's income expectancy into an indication of value in one direct step, either by dividing the income estimate by an appropriate rate or by multiplying the income estimate by an appropriate factor. This technique employs capitalization rates and multipliers extracted from sales. Only the first year's income is considered. Yield and value change are implied, but not identified.

[7] The Dictionary of Real Estate Appraisal, Fourth Edition

Applicability: Direct Capitalization analysis is generally appropriate for small to medium sized income-producing properties, in stable markets, single tenant or multi-user-oriented properties, or those with a forecast stable income stream.

Direct Capitalization is utilized in this appraisal given the subject market environment, the character of the subject property in the local market, and the tendency for market participants to use direct capitalization analysis when evaluating investment thresholds and financial benefits for similar property.

The steps involved in capitalizing the subject's net operating income are as follows:

- Develop the subject's Potential Gross Income (PGI) through analysis of the subject's actual historic income and an analysis of competitive current market income rates.

- Estimate and deduct vacancy and collection losses to develop the Effective Gross Income (EGI).

- Develop and subtract operating expenses to derive the Net Operating Income (NOI).

- Develop the appropriate capitalization rate (R_o).

- Divide the net operating income by the capitalization rate for an estimate of value through the income approach.

The reliability of a value found by this approach depends on an appraiser's ability to forecast and support income forecasts and to apply the appropriate income capitalization technique to arrive at the value estimate. When estimating market value, the income forecast must be considered by the appraiser to be typical and the income capitalization techniques must reflect the way investors usually estimate value.

Valuation of a Fee Simple Interest by the Income Approach
When estimating the value of the fee simple interest by the income approach, the annual operating income is forecast assuming market levels. The term "market levels" means that the income and expenses are set at levels considered suitable for the subject property after comparing it to similar properties under current market conditions. Rental rates are projected based on expected market rents and vacancy, and collection loss is based on what is typical in the market for properties renting at the market rate.

Estimate of Potential Gross Income (PGI)

Potential Gross Income is the total income attributable to real property at full occupancy before vacancy and operating expenses are deducted. Potential Gross Income includes the sum of potential rental income, other income, and expense recoveries. The income and expense history of the subject property is described below.

Property Income / Use History:
The property owner provided us with historical rental income and expense data for the prior 3 years of operation of the subject property, fiscal years 2017-2019 to date.

The historical income generated by the subject property as provided by the property owner for the past 2 full years of rental operations are presented below:

- 2019 Year to Date Through July 15, 2019 Gross Rental Income $288,530
- 2018 Gross Rental Income $305,890
- 2017 Gross Rental Income $366,268

As can be referenced above, income to the subject per year based on the advertised occupancy of 36 persons has been relatively consistent averaging approximately $330,000 annually after annualizing the 2019 data for a full year of operation not yet concluded.

We again mention that the subject property is a resort residential home that was specifically configured for income generation potential based on a sleeping occupancy load of 36 persons. This is the basis of the 'Before Ordinance' valuation scenario.

As a result of the implementation of City of Destin Ordinance 18-29-CC, the subject is now limited to a maximum sleeping occupancy of 22 persons, or a reduction of approximately -38.89%. This is the basis of the 'After Ordinance' valuation scenario.

We now seek to formulate an opinion of probable annual gross income due the subject in the 'Before Ordinance' configuration with a sleeping occupancy of 36 guests and in the 'After Ordinance' configuration with a sleeping occupancy of 22 guests.

Market Rent Based on Occupancy
The appraiser has researched the local market area in order to derive potential subject market rents based on the respective occupancy levels in the 'before' and 'after' configurations.

We will present a table of comparable gross rental income for comparable resort residential properties for both the 'before' and 'after' occupancy categories. The following table outlines comparable rentals of residential resort rental homes in the subject market area with a sleeping capacity of over 30 guests, then for between 20-24 guests.

COMPARABLE RENTAL SCHEDULE, SLEEPING OCCUPANCY GREATER THAN 30 PERSONS 'Before Ordinance' Dataset						
Address	Sleeping Capacity	HVAC SF	Year Built	Annual Gross Income	Gross Income Per Sleeping Occupant	Gross Income Per HVAC SF
3487 Scenic Highway 98	32	6,600	2016	$463,852	$14,495	$70.28
3463 Scenic Highway 98	32	6,153	2015	$305,393	$9,544	$49.63
42 Miami Street	34	7,424	2016	$380,000	$11,176	$51.19
107 Hollywood Street	38	6,465	2013	$289,647	$7,622	$44.80
Subject Property	*36*	*6,531*	*2015*	*$330,000*	*$9,166.67*	*$50.53*
Comparable Statistics*						
Minimum	32	6,153	2013	$289,647	$7,622	$44.80
Maximum	38	7,424	2016	$463,852	$14,495	$70.28
Average	34	6,661	2015	$359,723	$10,709	$53.98
Median	33	6,533	2016	$342,697	$10,360	$50.41

The array of comparable rentals with a total number of potential guests greater than 30 as presented above exhibited a range of income per guest per year of between $7,622 and $14,995 per occupant.

In consideration of the data above, we consider that an appropriate conclusion of gross annual rent per sleeping occupant is supported at $9,200 per sleeping space consistent with the historical performance of the subject, which is within the range of comparable rental data presented. This is also consistent with the median indication of gross income per HVAC SF of all the comparables of $50.41 per SF.

CONCLUSION OF POTENTIAL GROSS ANNUAL RENT, SUBJECT SLEEPING OCCUPANCY OF 36 PERSONS 'Before Ordinance'						
Address	Sleeping Capacity	HVAC SF	Concluded Annual Gross Income Calculated Per Sleeping Occupant	Concluded Annual Gross Income Per HVAC SF	Calculated Gross Income Per Sleeping Occupant	Calculated Gross Income Per HVAC SF
Subject Property	*36*	*6,531*	*$9,200*	*$51.00*	*$331,200*	*$333,081*

We reconcile these figures and forecast likely subject gross income at the rate of $332,000 annually based on an occupancy of 36 sleeping guests.

We now proceed with our analysis of the subject income generation potential in the after condition, with occupancy limited to 22 guests.

COMPARABLE RENTAL SCHEDULE, SLEEPING OCCUPANCY OF APPROXIMATELY 22 PERSONS 'After Ordinance' Dataset						
Address	Sleeping Capacity	HVAC SF	Year Built	Annual Gross Income	Gross Income Per Sleeping Occupant	Gross Income Per HVAC SF
3893 Sandprint Cir	20	3,107	2018	$118,796	$5,940	$38.23
100 Sandprint Circle	20	4,227	1999	$105,000	$5,250	$24.84
84 Pompano Stret	20	3,310	2012	$160,000	$8,000	$48.34
3147 Scenic Highway 98	20	4,204	2008	$132,000	$6,600	$31.40
76 Dolphin Street	21	3,086	1998	$101,300	$4,824	$32.83
96 Sarasota Street	22	4,132	2009	$143,813	$6,537	$34.80
4488 Ocean View Drive	24	3,885	2018	$163,393	$6,808	$42.06
2825 Scenic Highway 98	24	5,000	1991	$220,000	$9,167	$44.00
Subject Property	*22*	*6,531*	*2015*			
Comparable Statistics*						
Minimum	20	3,086	1991	$101,300	$4,824	$24.84
Maximum	24	5,000	2018	$220,000	$9,167	$48.34
Average	21.375	3,869	2007	$143,038	$6,641	$37.06
Median	20.5	4,009	2009	$137,907	$6,568	$36.52

*Subject Occupancy Limited by City of Destin Ordinance 18-29-CC

The array of comparable rentals with a total number of potential guests between 20-24 exhibited a range of income per guest per year of between $4,824 and $9,167 per occupant and between $24.84 and $48.34 per SF.

In consideration of the data above, we consider that an appropriate conclusion of gross annual rent per sleeping occupant is supported at a rate at the upper end of the rage per sleeping occupant, given the large size of the subject and lower number of occupants. We ascertain that this is reasonable based on the quality of the amenities present at the subject which we conclude that renters will pay a premium.

Conversely, we consider that an appropriate forecast of income per HVAC must be at the lower end of the range given the lower number of occupants that can be accommodated in the fixed size structure. We therefore estimate an annual rent of $7,000 per sleeping space and $36 per HVAC SF is supported.

CONCLUSION OF POTENTIAL GROSS ANNUAL RENT, SUBJECT SLEEPING OCCUPANCY OF 20 PERSONS 'After Ordinance'						
Address	Sleeping Capacity	HVAC SF	Concluded Annual Gross Income Calculated Per Sleeping Occupant	Concluded Annual Gross Income Per HVAC SF	Calculated Gross Income Per Sleeping Occupant	Calculated Gross Income Per HVAC SF
Subject Property	*22*	*6,531*	*$9,000*	*$36.00*	*$198,000*	*$235,116*

We reconcile these figures and forecast likely subject gross income at the rate of $217,000 annually based on an occupancy of 22 sleeping guests.

In the preceding section of the report we derived an opinion of probable gross annual rent due the subejct in both the 'Before Ordinance' ($332,000) and 'After Ordinance' ($217,000) conditions. The result was a decrease in annual income as a result of the reduced sleeping capaicty of -34.64% commensurate with the decrease in ocupancy from 36 to 22 persons or -38.89%.

We now seek to evaluate the expenses pertinent to the subject in order to forecast Net Operating Income in both the Before and After scenarios.

Estimation of Operating Expenses

Vacancy and Collection Loss
As we forecast income based on comparable rentals with reported gross income figures, there is no need to deduct a vacancy and collection loss allocation, as the figures utilized already take into account a vacant and credit loss deduction.

Taxes
The property taxes for the subject property as of 2018 are reported to be a rounded figure of $38,605 annually. This cost is stable regardless of the occupancy of the subject in the 'before' and 'after' conditions.

Insurance
The insurance costs for the subject are reported to be $11,000 annually, which is consistent with other similar properties in the market area. This cost is stable regardless of the occupancy of the subject in the 'before' and 'after' conditions.

Utilities (Power, Water/Sewer/Garbage, Cable and Internet)
The owner pays all utilities, including power, water/sewer/garbage, cable and internet, for the subject property. 2018 Utilities expenses were $2,000 per month and we will utilize this annual cost for the subject in the 'before' condition, and at the rate of $1,800 per month in the 'after' condition. It is noted that regardless of the occupancy of the subject, the costs of electricity remain relatively constant, and the costs of cable and internet are the same regardless of the number of occupants. Only the expenses of water, gas and to a nominal degree electricity are variable with occupancy.

Repairs/Maintenance
We have included a repairs/maintenance allowance as a percentage of EGI at 3.5% in the before configuration which equates to $11,620 annually. With regard to the after configuration, noting that routine maintenance is likely not significantly impacted by differences in occupancy between 36 and 22 persons, but the annual income is reduced, we must increase our maintenance in the 'after' configuration as this expense is calculated as a % of EGI. In the 'after' condition we estimate maintenance at the rate of 5.5% of EGI, which correlates to $11,935. While we do recognize that 'wear and tear' is somewhat linked to occupancy, the fact that the entire house area is subject to use by 22 guests just as it is with 36 guests, this cost is most likely fixed.

Management

We estimate management costs based on the costs of a third party manager who would typically charge between 15% and 25% of collected rents for the management service. We will utilize a rate on the lower end of this scale for both value scenarios, or a rate of 15% of EGI.

Income and Expense Statement

The table below recaps our projected income stream and breaks down each expense item. Expenses are totaled, and the net operating income is displayed for both the 'before' and 'after' ordinance conditions.

Income Capitalization Analysis - 'Before Ordinance Limiting Occupancy'				
Unit	**Income**	**Method**	**Units/SF**	**Annual**
Annual Income 'Before Ordinance' - 36 Guests	$332,000.00	$/Year	1	$332,000
			Potential Gross Income:	$332,000
		Vacancy & Collection Loss	Included	$0
			Effective Gross Income (EGI):	$332,000

Expense	**Amount (% or $)**	**Method**	**Annual**
Taxes	$38,605	$/Year	$38,605
Insurance	$11,000	$/Year	$11,000
Utilities	$24,000	$/Year	$24,000
Repairs/Maintenance	3.5%	% of EGI	$11,620
Management	15%	% of EGI	$49,800
		Total Expenses:		$135,025
		Expense Ratio (Expenses/EGI):		40.67%
		Net Operating Income (NOI):		$196,975

Income Capitalization Analysis - 'After Ordinance Limiting Occupancy'				
Unit	**Income**	**Method**	**Units/SF**	**Annual**
Annual Income 'After Ordinance' - 22 Guests	$217,000.00	$/Year	1	$217,000
			Potential Gross Income:	$217,000
		Vacancy & Collection Loss	Included	$0
			Effective Gross Income (EGI):	$217,000

Expense	**Amount (% or $)**	**Method**	**Annual**
Taxes	$38,605	$/Year	$38,605
Insurance	$11,000	$/Year	$11,000
Utilities	$21,600	$/Year	$21,600
Repairs/Maintenance	5.5%	% of EGI	$11,935
Management	15%	% of EGI	$32,550
		Total Expenses:		$115,690
		Expense Ratio (Expenses/EGI):		53.31%
		Net Operating Income (NOI):		$101,310

Capitalization Rate Derivation

The capitalization rate is the factor that coverts the stabilized net operating income (NOI) to a present value. It is the ratio of net income to value or sale price.

NOI ÷ Sale Price = Capitalization Rate

For example, if a property sells for $500,000, and has a stabilized NOI of $50,000, the indicated capitalization rate is 10%.

Four methods are generally recognized for estimating an appropriate capitalization rate for use in direct capitalization analysis. These four methods are:

1. Market-Extracted Capitalization Rate Data
2. Band of Investment Method Calculation
3. Debt Coverage Method Calculation
4. Nationally-Published Capitalization Rate Data

Market Extracted Capitalization Rate Data

The market-extraction method of estimating capitalization rates involves finding comparable sales of property similar to the subject, and extracting a market rate from the net operating income and sales price of the comparable property.

We present the following examples of market-extracted capitalization rates for Resort Residential properties, based on similar sales in the local and broader markets.

- 3463 Scenic Highway 98 is a resort rental property that sold in February of 2016 for $3,615,000. Net Operating Income was reported to be $222,125, therefore indicating a capitalization rate of 6.14%.

- 925 Scenic Gulf Drive in Miramar Beach is a resort rental property that sold in November of 2018 for $1,900,000. Net Operating Income based on forecast income and expenses was reported to be $130,000, therefore indicating a capitalization rate of 6.84%.

- 917 Scenic Gulf Drive in Miramar Beach is a resort rental property that sold in August of 2018 for $1,925,000. Net Operating Income based on forecast income and expenses was reported to be $135,000, therefore indicating a capitalization rate of 7.00%.

- 1850 Scenic Gulf Drive in Miramar Beach is a resort rental property that sold in September of 2015 for $2,205,000. Net Operating Income at the time of sale was reported to be $133,200, therefore indicating a capitalization rate of 6.03%.

Based on the above information, and taking into consideration the overall market appeal we consider that a market extracted rate of 6.00% would be applicable for the subject property given its quality and level of amenities.

Band of Investment Method Analysis

This technique utilizes lender and real estate investor investment criteria to develop, or synthesize a capitalization rate. As most income producing properties are purchased with debt plus equity capital, the return on investment portion of the overall capitalization rate must satisfy the market returns of both the investor and the lender. The lender must receive a competitive interest rate, and the investor must anticipate receiving a competitive equity yield.

There are four key inputs necessary for this method:

1. The loan-to-value ratio (M)
2. The mortgage interest rate (i)
3. The loan term (n)
4. The equity cap rate or equity dividend rate (R_E)

The mortgage variables are used to build the mortgage constant (R_M), which is the total amount of the payments made in one year, expressed as a percentage of the original loan amount.

Payments x 12 / Original Loan Amount = Mortgage Constant (R_M)

The equity cap rate is the annual return to the investor, expressed as a percent of the original amount invested. The annual return to the investor is also known as the equity dividend rate; it is the profit remaining after debt service and all other expenses.

After Debt Service Profit / Equity Investment = Equity Cap Rate (R_E)

Note that the equity cap rate is not the same (usually, that is) as the equity yield rate. The equity yield rate reflects the total return to the investor over the life of the investment. Factors such as appreciation and mortgage pay down affect and usually increase this return to a point higher than the equity dividend rate. In markets where substantial appreciation is expected, investors will often accept a low or even negative equity dividend rate, anticipating a compensating payoff when the property is eventually sold. In markets where little appreciation is expected, much more weight is given to the annual equity dividend.

Formula:

R_M x M = rate
R_E x (1-M) = rate
= Cap Rate (R_o)

A survey of local lenders indicated that competitive fixed rate loans for properties similar to the subject as investment property are typically available at a rate of between 5.50% and 7.50% on a 30 year amortization schedule with a 50-70% loan to value.

Thus, we will use a rate of 6.00% in our calculations, with a 70% loan to value and a 30 year amortization term for our analysis of the band of investment and debt coverage ratio analyses.

The debt capitalization rate (or mortgage constant) for a typical loan made at 6.00% for 30 years is 0.07194606.

Equity dividend (capitalization) rates in the local market range from 4-9%. We estimate an equity dividend rate of 5.00% in the local market for property such as the subject.

Debt Coverage Ratio Method Analysis

This technique develops a capitalization rate based on typical mortgage terms. There are four variables necessary for this method:

1. The loan-to-value ratio (M)
2. The mortgage interest rate (i)
3. The loan term (n)
4. The debt coverage ratio (DCR)

Items 1 through 3 are discussed above under the Band of Investment section. In this method it is also used to develop the mortgage constant (R_M). The debt coverage ratio is the factor by which income exceeds debt on an annual basis.

Formula:
Debt Coverage Ratio x Loan to Value Ratio x Mortgage Constant = R_o
or: DCR x M x R_M = R_o

We have researched mortgage rates and terms typical for the subject within the market area as noted above. The table below details the Band of Investment and Debt Coverage Ratio Analyses calculations.

Capitalization Rate Calculations

Capitalization Rate Variables

Mortgage Interest Rate	6.00%
Loan Term (Years)	30
Loan To Value Ratio	70.%
Debt Coverage Ratio	1.25
Equity Dividend Rate	5.00%

Band of Investment Analysis

Mortgage Constant		Loan Ratio	Contributions	
0.071946063	x	70.%	=	5.04%
Equity Dividend Rate		Equity Ratio		
5.00%	x	30.%	=	1.50%
		Band of Investment Capitalization Rate		**6.54%**

Debt Coverage Ratio Analysis

Debt Coverage Ratio x Loan to Value Ratio x Mortgage Constant		
1.25 x 0.7 x 0.0719460630183303	=	6.30%
Debt Coverage Ratio Capitalization Rate		**6.30%**

The Band of Investment capitalization rate analysis indicated an appropriate capitalization rate per the preceding assumptions of 6.54%.

The Debt Coverage Ratio Analysis indicated an appropriate capitalization rate per the preceding assumptions of 6.30%.

National Survey Data

RealtyRates.com Investor Survey
RealtyRates does not track capitalization rates for resort residential property such as the subject, however they do track rates for lodging facilities, a property type that is similar in use to the subject, being a facility for short term rental on a seasonal basis where all services are included in the rental rate. We therefore look to this property category in realty rates for an indication of an applicable capitalization rate for the subject.

The *Realty Rates Investor Survey*, dated 4th Quarter 2018, indicates going-in capitalization rates for Lodging Facilities – All Types ranged from 5.21% to 17.22% with an average of 11.32%. In consideration of the excellent quality and condition of the subject property, as well as the resort location, we would estimate an applicable capitalization rate would be below the national average indicated by the survey data and within the lower quartile of exhibited rates, or a rate of between 5.21% and 8.22%.

RealtyRates.com INVESTOR SURVEY - 4th Quarter 2018* LODGING FACILITIES -ALL TYPES							
Item	**Input**						**OAR**
Minimum							
Spread Over 10-Year Treasury	0.86%	**DCR Technique**		1.00	0.048303	0.80	**3.86**
Debt Coverage Ratio	1.00	**Band of Investment Technique**					
Interest Rate	3.75%	Mortgage		80%	0.048303	0.038642	
Amortization	40	Equity		20%	0.080938	0.016188	
Mortgage Constant	0.048303	OAR					**5.48**
Loan-to-Value Ratio	80%	**Surveyed Rates**					**5.21**
Equity Dividend Rate	8.09%						
Maximum							
Spread Over 10-Year Treasury	11.58%	**DCR Technique**		2.85	0.163616	0.50	**23.32**
Debt Coverage Ratio	2.85	**Band of Investment Technique**					
Interest Rate	14.47%	Mortgage		50%	0.163616	0.081808	
Amortization	15	Equity		50%	0.198946	0.099473	
Mortgage Constant	0.163616	OAR					**18.13**
Loan-to-Value Ratio	50%	**Surveyed Rates**					**17.22**
Equity Dividend Rate	19.89%						
Average							
Spread Over 10-Year Treasury	3.54%	**DCR Technique**		1.53	0.084242	0.67	**8.60**
Debt Coverage Ratio	1.53	**Band of Investment Technique**					
Interest Rate	6.43%	Mortgage		67%	0.084242	0.056324	
Amortization	22	Equity		33%	0.145842	0.048333	
Mortgage Constant	0.084242	OAR					**10.47**
Loan-to-Value Ratio	66.9%	**Surveyed Rates**					**11.32**
Equity Dividend Rate	14.6%						

Capitalization Rate Summary and Conclusion

We consider that a market extracted rate of 6.00% would be applicable for the subject property based on market-extracted capitalization rate indications.

The Band of Investment capitalization rate analysis indicated an appropriate capitalization rate per the preceding assumptions of 6.54%.

The Debt Coverage Ratio Analysis indicated an appropriate capitalization rate per the preceding assumptions of 6.30%.

National Market Indicators as reported by realty rates for a related property type indicate an appropriate capitalization rate of between 5.21% and 8.22% for the subject property.

Capitalization Rate Conclusion:

It is the opinion of the appraiser that a **6.00% capitalization rate** should be employed in this analysis.

On the following page we present the direct capitalization analysis for both the ‘Before’ and ‘After’ Ordinance 18-29-CC value scenarios.

Capitalization to Value

Income Capitalization Analysis - 'Before Ordinance Limiting Occupancy'				
Unit	**Income**	**Method**	**Units/SF**	**Annual**
Annual Income 'Before Ordinance' - 36 Guests	$332,000.00	$/Year	1	$332,000
			Potential Gross Income:	$332,000
		Vacancy & Collection Loss	Included	$0
			Effective Gross Income (EGI):	$332,000

Expense	**Amount (% or $)**	**Method**	**Annual**
Taxes	$38,605	$/Year	$38,605
Insurance	$11,000	$/Year	$11,000
Utilities	$24,000	$/Year	$24,000
Repairs/Maintenance	3.5%	% of EGI	$11,620
Management	15%	% of EGI	$49,800
		Total Expenses:	$135,025
		Expense Ratio (Expenses/EGI):	40.67%
		Net Operating Income (NOI):	$196,975
		Capitalization Rate:	6.00%
		Value (NOI/Cap Rate):	$3,282,917
		Rounded:	$3,285,000

Income Capitalization Analysis - 'After Ordinance Limiting Occupancy'				
Unit	**Income**	**Method**	**Units/SF**	**Annual**
Annual Income 'After Ordinance' - 22 Guests	$217,000.00	$/Year	1	$217,000
			Potential Gross Income:	$217,000
		Vacancy & Collection Loss	Included	$0
			Effective Gross Income (EGI):	$217,000

Expense	**Amount (% or $)**	**Method**	**Annual**
Taxes	$38,605	$/Year	$38,605
Insurance	$11,000	$/Year	$11,000
Utilities	$21,600	$/Year	$21,600
Repairs/Maintenance	5.5%	% of EGI	$11,935
Management	15%	% of EGI	$32,550
		Total Expenses:	$115,690
		Expense Ratio (Expenses/EGI):	53.31%
		Net Operating Income (NOI):	$101,310
		Capitalization Rate:	6.00%
		Value (NOI/Cap Rate):	$1,688,500
		Rounded:	$1,690,000

Conclusion of Dimunition in Value

In the ‘before ordinance’ configuration direct capitalization of the net operating income to the subject property revealed a value opinion of $3,285,000 based on an occupancy of 36 sleeping guests.

In the ‘after ordinance’ configuration direct capitalization of the net operating income to the subject property revealed a value opinion of $1,690,000 based on an occupancy of 22 sleeping guests.

The Dimunition in Value is represented by the difference between the 'before' and 'after' value conclusions, or in this case the difference between $3,285,000 and $1,690,000 or $1,595,000.

As an augmenting check to this value opinion, we consider a discounted cash flow analysis of the lost income to the subject as a result of the reduced occupancy, for the remaining term of the economic life of the improvement.

As presented in the preceding income analyses, the difference in annual Net Operating Income between the 'before' scenario at $196,975 and the 'after' scenario at $101,310, calculates to $95,665 annually. This is the annual net income loss as a result of the implemented restriction on occupancy by virtue of City of Destin Ordinance 18-29-CC, and will promulgate for the remainder of the economic life of the structure and the site is redeveloped.

We previously stated in the report that the subject improvement was constructed in 2015, providing for an effective age of 4 years.

The published economic life of improvements similar to the subject is 55 years per Marshall Valuation Service. Subtracting the economic age of the improvement of 4 years from the overall life of 55 years we calculate a remaining economic life for the subject structure is 51 years.

If we consider that City of Destin Ordinance 18-29-CC serves to reduce occupancy to the subject, thereby reducing annual income in the amount of $95,665 annually, presumably for the remaining economic life of the improvement, we can calculate the present value of this financial loss over time as a check to the Dimunition in value calculation via direct capitalization analysis presented preceding.

If we discount the annual loss of $95,665 for a period of 51 years, at a discount rate of 6% annually, the present value of the future loss of income is calculated to be $1,512,757 which provides additional support for our opinion of Dimunition in Value via direct capitalization analysis of $1,595,000.

Therefore, our opinion of Dimunition in value for the subject property is opined to be $1,595,000 consistent with our calculation via direct capitalization analysis:

One Million Five Hundred Ninety Five Thousand Dollars
$1,595,000

Certification

The appraiser has no present or prospective interest in the subject property of this appraisal and no personal interest of bias with respect to the parties involved in this appraisal. I have the appropriate education and experience to conduct this appraisal.

The appraiser will not divulge the analytical findings or conclusions to anyone other than the client or designee, except as may be required by the Appraisal Institute or by a court of law with power of subponea.

I certify, to the best of our knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions and conclusions.
- I have no present or prospective interest in the property which is the subject of this report and no personal interest with respect to the parties involved.
- I have no bias with respect to the property which is the subject of this report or to the parties involved with this assignment.
- The engagement in this assignment was not contingent upon developing or reporting predetermined results.
- The compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- I have made a personal inspection of the property that is the subject of this report.

Certification
(Continued)

- The signatory appraiser has not performed any services, as an appraiser or in any other capacity, regarding the subject property within the 3 years prior to acceptance of this appraisal assignment.

This appraisal has been conducted, and the appraisal report prepared in conformance with the requirements of Title XI of the Financial Institutions Reform, Recover, and Enforcement Act of 1989 (FIRREA, 12 U.S.C. 3331 et seq.). This appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.

No person other than the undersigned made a significant professional contribution to the research and analysis in this appraisal unless specifically noted above.

Respectfully Submitted,

EquiValue Appraisal, LLC

Jason P. Shirey, MAI, CCIM
Cert Gen RZ3186

Limiting Conditions and Assumptions

1. Unless otherwise noted in the body of the report, we assumed that title to the property or properties appraised is clear and marketable and that there are no recorded or unrecorded matters or exceptions that would adversely affect marketability or value. We are not aware of any title defects nor were we advised of any unless such is specifically noted in the report. We did not examine a title report and make no representations relative to the condition thereof. Documents dealing with liens, encumbrances, easements, deed restrictions, clouds and other conditions that may affect the quality of title were not reviewed. Insurance against financial loss resulting in claims that may arise out of defects in the subject property's title should be sought from a qualified title company that issues or insures title to real property.

2. We assume that improvements are constructed or will be constructed according to approved architectural plans and specifications and in conformance with recommendations contained in or based upon any soils report(s).

3. Unless otherwise noted in the body of this report, we assumed: that any existing improvements on the property or properties being appraised are structurally sound, seismically safe and code conforming; that all building systems (mechanical/electrical, HVAC, elevator, plumbing, etc.) are, or will be upon completion, in good working order with no major deferred maintenance or repair required; that the roof and exterior are in good condition and free from intrusion by the elements; that the property or properties have been engineered in such a manner that it or they will withstand any known elements such as windstorm, hurricane, tornado, flooding, earthquake, or similar natural occurrences; and, that the improvements, as currently constituted, conform to all applicable local, state, and federal building codes and ordinances. We are not engineers and are not competent to judge matters of an engineering nature. We did not retain independent structural, mechanical, electrical, or civil engineers in connection with this appraisal and, therefore, make no representations relative to the condition of improvements. Unless otherwise noted in the body of this report no problems were brought to our attention by ownership or management. We were not furnished any engineering studies by the owners or by the party requesting this appraisal. If questions in these areas are critical to the decision process of the reader, the advice of competent engineering consultants should be obtained and relied upon. It is specifically assumed that any knowledgeable and prudent purchaser would, as a precondition to closing a sale, obtain a satisfactory engineering report relative to the structural integrity of the property and the integrity of the building systems. Structural problems and/or building system problems may not be visually detectable. If engineering consultants retained should report negative factors of a material nature, or if such are later discovered, relative to the condition of the improvements, such information could have a substantial negative impact on the conclusions reported in this appraisal. Accordingly, if engineering consultants report negative findings, we reserve the right to amend the appraisal conclusions reported herein.

4. All furnishings, equipment and business operations, except as specifically stated and typically considered as part of real property, have been disregarded with only real property being considered in the appraisal. Any existing or proposed improvements, on- or off-site, as well as any alterations or repairs considered, are assumed to be completed

in a workmanlike manner according to standard practices based upon information submitted. This report may be subject to amendment upon re-inspection of the subject property subsequent to repairs, modifications, alterations and completed new construction. Any estimate of Market Value is as of the date indicated; based upon the information, conditions and projected levels of operation.

5. We assume that all factual data furnished by the client, property owner, owner's representative, or persons designated by the client or owner to supply said data are accurate and correct unless otherwise noted in the appraisal report. We have no reason to believe that any of the data furnished contain any material error. Information and data referred to in this paragraph include, without being limited to, numerical street addresses, lot and block numbers, Assessor's Parcel Numbers, land dimensions, square footage area of the land, dimensions of the improvements, gross building areas, net rentable areas, usable areas, unit count, room count, rent schedules, income data, historical operating expenses, budgets, and related data. Any material error in any of the above data could have a substantial impact on the conclusions reported. Thus, we reserve the right to amend our conclusions if errors are revealed. Accordingly, the client-addressee should carefully review all assumptions, data, relevant calculations, and conclusions within 30 days after the date of delivery of this report and should immediately notify us of any questions or errors.

6. The date of value to which any of the conclusions and opinions expressed in this report apply, is set forth in the Letter of Transmittal. Further, that the dollar amount of any value opinion herein rendered is based upon the purchasing power of the American Dollar on that date. This appraisal is based on market conditions existing as of the date of this appraisal. Under the terms of the engagement, we will have no obligation to revise this report to reflect events or conditions which occur subsequent to the date of the appraisal. However, we will be available to discuss the necessity for revision resulting from changes in economics or market factors affecting the subject.

7. We assume no private deed restrictions, limiting the use of the subject property in any way.

8. Unless otherwise noted in the body of the report, we assume that there are no mineral deposits or subsurface rights of value involved in this appraisal, whether they be gas, liquid, or solid. Nor are the rights associated with extraction or exploration of such elements considered unless otherwise stated in this appraisal report. Unless otherwise stated we also assumed that there are no air or development rights of value that may be transferred.

9. We are not aware of any contemplated public initiatives, governmental development controls, or rent controls that would significantly affect the value of the subject.

10. The estimate of Market Value, which may be defined within the body of this report, is subject to change with market fluctuations over time. Market value is highly related to exposure, time promotion effort, terms, motivation, and conclusions surrounding the offering. The value estimate(s) consider the productivity and relative attractiveness of the property, both physically and economically, on the open market.

11. Unless specifically set forth in the body of the report, nothing contained herein shall be construed to represent any direct or indirect recommendation to buy, sell, or hold the

properties at the value stated. Such decisions involve substantial investment strategy questions and must be specifically addressed in consultation form.

12. Unless otherwise noted in the body of this report, we assume that no changes in the present zoning ordinances or regulations governing use, density, or shape are being considered. The property is appraised assuming 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 estimates contained in this report is based, unless otherwise stated.

13. This study may not be duplicated in whole or in part without our written consent, nor may this report or copies hereof be transmitted to third parties without said consent. Exempt from this restriction is duplication for the internal use of the client-addressee and/or transmission to attorneys, accountants, or advisors of the client-addressee. Also exempt from this restriction is transmission of the report to any court, governmental authority, or regulatory agency having jurisdiction over the party/parties for whom this appraisal was prepared, provided that this report and/or its contents shall not be published, in whole or in part, in any public document without our written consent. Finally, this report shall not be advertised to the public or otherwise used to induce a third party to purchase the property or to make a "sale" or "offer for sale" of any "security", as such terms are defined and used in this Securities Act of 1933, as amended. Any third party, not covered by the exemptions herein, who may possess this report, is advised that they should rely on their own independently secured advice for any decision in connection with this property. We shall have no accountability or responsibility to any such third party.

14. Any value estimate provided in the report applies to the entire property, and any pro ration or division of the title into fractional interests will invalidate the value estimate, unless such pro ration or division of interests has been set forth in the report.

15. Any distribution of the total valuation in this report between land and improvement applies only under the existing program of utilization. Component values for land and/or buildings are not intended to be used in conjunction with any other property or appraisal and are invalid if so used.

16. The maps, plats, sketches, graphs, photographs, and exhibits included in this report are for illustration purposes only and are to be used only to assist in visualizing matters discussed within this report. Except as specifically stated, data relative to size or areas of the subject and comparable properties was obtained from sources deemed accurate and reliable. None of the exhibits are to be removed, reproduced, or used apart from this report.

17. No opinion is intended to be expressed on matters that may require legal expertise or specialized investigation or knowledge beyond that which is customarily employed by real estate appraisers. Values and opinions expressed presume that environmental and other governmental restrictions/conditions by applicable agencies have been met, including but not limited to seismic hazards, flight patters, decibel levels/noise envelopes, fire hazards, hillside ordinances, density, allowable uses, building codes, permits, licenses, etc. No survey, engineering study or architectural analysis was provided to us unless otherwise stated within the body of this report. If we were not supplied with a

termite inspection, survey or occupancy permit, no responsibility or representation is assumed or made for any costs associated with obtaining same or for any deficiencies discovered before or after they are obtained. No representation or warranty is made concerning obtaining these items. We assume no responsibility for any costs or consequences arising due to the need, or the lack of need, for flood hazard insurance. An agent for the Federal Flood Insurance Program should be contacted to determine the actual need for Flood Hazard Insurance.

18. Acceptance and/or use of this report constitutes full acceptance of the Assumptions and Limiting Conditions and extraordinary assumptions set forth in this report. It is the responsibility of the Client, or client's designees, to read in full, comprehend and thus become aware of the aforementioned assumptions and limiting conditions. We assume no responsibility for any situation arising out of the Client's failure to become familiar with and understand the same. The Client is advised to retain experts in areas that fall outside the scope of the real estate appraisal/consulting profession if so desired.

19. We assume that the subject property will be under prudent and competent management and ownership; neither inefficient nor super-efficient.

20. We assume 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 reports.

21. No survey of the boundaries of the property was undertaken. All areas and dimensions furnished are presumed correct. It is further assumed that no encroachments to the realty exists.

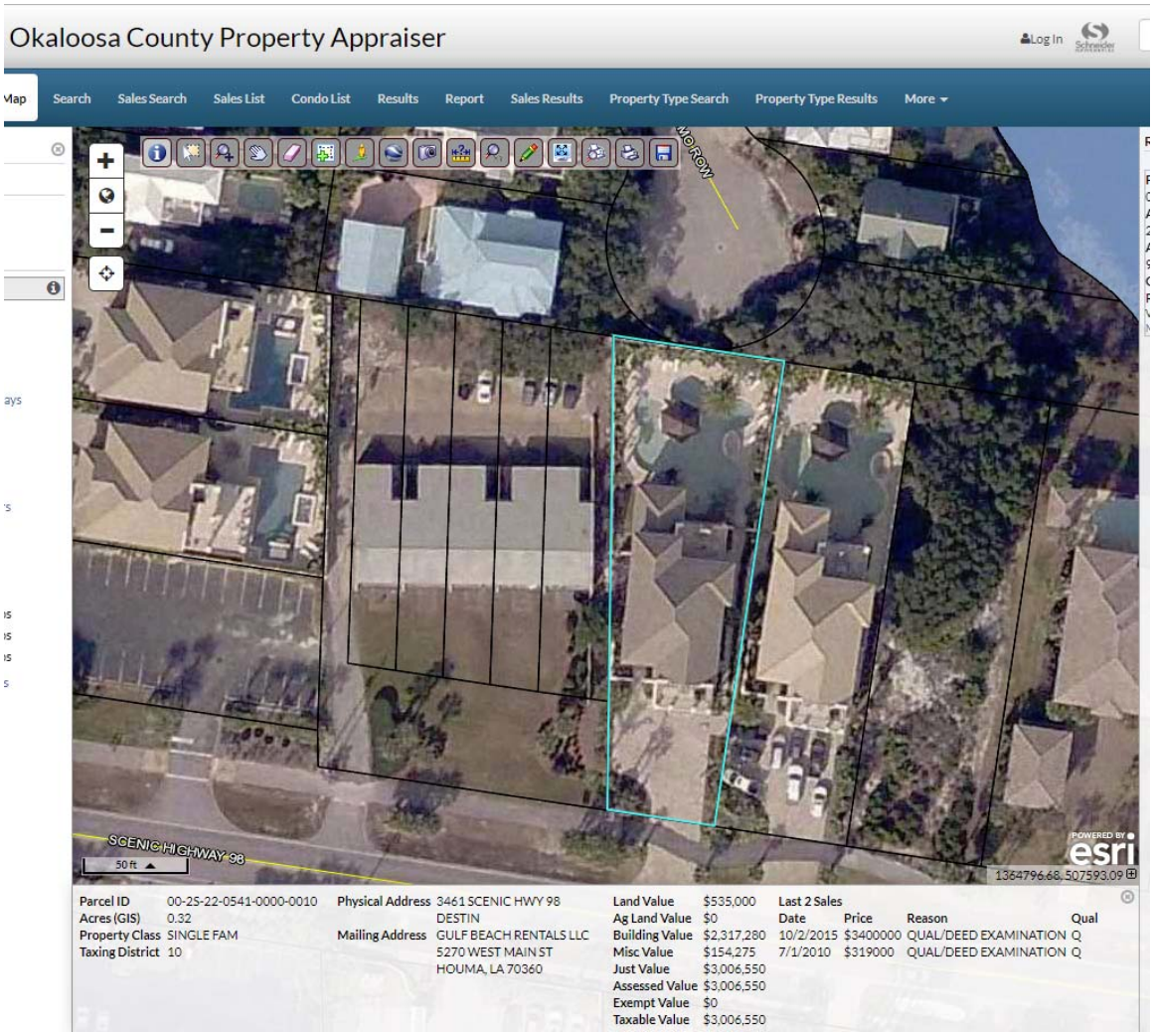
22. All value opinions expressed herein are as of the date of value. In some cases, facts or opinions are expressed in the present tense. All opinions are expressed as of the date of value, unless specifically noted.

23. The Americans with Disabilities Act (ADA) became effective January 26, 1992. Notwithstanding any discussion of possible readily achievable barrier removal construction items in this report, we did not perform a specific compliance survey and analysis of this property to determine wither it is in conformance with the various detailed requirements of the ADA. It is possible that a compliance survey of the property together with a detailed analysis of the requirements of the ADA could reveal that the property is not in compliance with one or more of the requirements of the ADA. If so, the fact could have a negative effect on the value estimated herein. Since we have no specific information relating to this issue, nor are we qualified to make such an assessment, the effect of any possible non-compliance was not considered in estimating the value of the subject property.

24. The value estimate rendered in this report is predicated on the assumption that there is no hazardous material on or in the property that would cause a loss of value. We were not provided with an Environmental Assessment Report. Further, we are not qualified to determine the existence or extent of environmental hazards. If there are any concerns pertaining to environmental hazards for this property, we recommend that a qualified engineer perform an assessment.

ADDENDA

Parcel Map


Okaloosa County Property Appraiser
Log In
Map
Search
Sales Search
Sales List
Condo List
Results
Report
Sales Results
Property Type Search
Property Type Results
More
NO ROW
SCENIC HIGHWAY 98
50 ft
POWERED BY esri
1364796.68, 507593.09
Parcel ID 00-2S-22-0541-0000-0010
Acres (GIS) 0.32
Property Class SINGLE FAM
Taxing District 10
Physical Address 3461 SCENIC HWY 98
DESTIN
Mailing Address GULF BEACH RENTALS LLC
5270 WEST MAIN ST
HOUMA, LA 70360
Land Value $535,000
Ag Land Value $0
Building Value $2,317,280
Misc Value $154,275
Just Value $3,006,550
Assessed Value $3,006,550
Exempt Value $0
Taxable Value $3,006,550
Last 2 Sales
Date Price Reason Qual
10/2/2015 $3400000 QUAL/DEED EXAMINATION Q
7/1/2010 $319000 QUAL/DEED EXAMINATION Q

Property Appraiser Card

Okaloosa County Property Appraiser

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Layers | Report | Map | Search | Sales Search | Sales List | Condo List | Results | Sales Results | Property Type Search | Property Type Results | More

Parcel Summary

Parcel ID	00-2S-22-0541-0000-0010
Location Address	3461 SCENIC HWY 98 DESTIN 32541
Brief Tax Description*	GRAND PALMS S/D LOT 1 *The Description above is not to be used on legal documents.
Property Use Code	SINGLE FAM (000100)
Sec/Twp/Rng	00-2S-22
Tax District	Destin (District 10)
Millage Rate	12.8406
Acreage	0.000
Homestead	N
Acreage (GIS)	0.32
Fire District	N/A

View Map

Owner Information

Primary Owner
Gulf Beach Rentals LLC
5270 West Main St
Houma, LA 70360

Valuation

Columns

	2018 Certified Values	2017 Certified Values	2016 Certified Values
Building Value	$2,317,275	$2,338,363	$2,337,630
Extra Features Value	$154,275	$154,275	$153,000
Land Value	$535,000	$257,225	$252,181
Land Agricultural Value	$0	$0	$0
Agricultural (Market) Value	$0	$0	$0
Just (Market) Value	**$3,006,550**	**$2,749,863**	**$2,742,811**
Assessed Value	$3,006,550	$2,749,863	$2,742,811
Exempt Value	$0	$0	$0
Taxable Value	$3,006,550	$2,749,863	$2,742,811
Maximum Save Our Homes Portability	$0	$0	$0

"Just (Market) Value" description - This is the value established by the Property Appraiser for ad valorem purposes. This value does not represent anticipated selling price.

Land Information

Code	Land Use	Number of Units	Unit Type	Frontage	Depth
000100	SFR	1.00	LT	0	0

Building Information

Building 1

Type	SFR EXCEPT
Total Area	9,677
Heated Area	6,531
Exterior Walls	WD FR STUC;
Roof Cover	CONC TILE; .
Interior Walls	DECORATIVE; .
Frame Type	.
Floor Cover	CLAY/CERMC; HARDWOOD
Heat	AIR DUCTED
Air Conditioning	CENTRAL
Bathrooms	9.5
Bedrooms	9
Stories	4
Actual Year Built	2015
Effective Year Built	2015

Extra Features

Code	Description	Number of Items	Length x Width x Height	Units	Unit Type	Effective Year Built
CONWAL	CONWAL	1	0 x 0 x 0	1	UT	2015
SWPOOL	SWIMPOOL	1	0 x 0 x 0	1	UT	2015
ELEVTR	ELEVATOR	1	0 x 0 x 0	1	UT	2015
FIRPLC	FIREPLC	1	0 x 0 x 0	2	UT	2015
PAVERS	PAVERS	1	0 x 0 x 0	1	UT	2015

Building Area Types

Type	Description	Sq. Footage	Year
FOP	F OPN PRCH	2,222	2015
BAS	BASE AREA	1,673	2015
FGR	F GARAGE	624	2015
FUS	F UP STORY	4,480	2015
FUS	F UP STORY	378	2018
PTO	PATIO	300	2015

Sales

Multi Parcel	Sale Date	Sale Price	Instrument	Book	Page	Qualification	Vacant/Improved	Grantor	Grantee
N	10/02/2015	$3,400,000	WD	3219	1467	Qualified (Q)	Improved	WEST GRAND PALMS LLC	GULF BEACH RENTALS LLC
N	07/01/2010	$319,000	WD	2942	3189	Qualified (Q)	Vacant	AUSETTS DUANE J	WEST GRAND PALMS LLC
N	03/03/2003	$197,500	WD	2419	3652	Qualified (Q)	Vacant	CORNERSTONE FAMILY INVESTMENTS LLC	AUSETTS DUANE J
Y	11/19/2002	$750,000	WD	2397	2549	Qualified (Q)	Vacant	FOWLER JOAN B	CORNERSTONE FAMILY INVESTMENTS LLC
N	11/01/1994	$416,500	WD	1878	1216	Unqualified (U)	Vacant		FOWLER JOAN BERRYMAN

Deed

FILE # 3025457 RCD: 10/05/2015 @ 02:53 PM, BK: 3219 PG: 1467 RECORDING: $6.00 RECORDING ARTICLE V: $4.00 DEED DOCSTAMP $23800.00 DEPUTY CLERK ASECRIST JD PEACOCK II, CLERK OF COURTS, OKALOOSA CO, FL

Prepared by and Return to:
Kelly Helmstetter
Mark A. Violette, P.A.
36008 Emerald Coast Parkway, Suite 201
Destin, Florida 32541

File Number: 15-193KW

Corporate Warranty Deed

Made this October 2, 2015 A.D. By **West Grand Palms, LLC, a Florida limited liability company,** whose address is: 50 Rose Lane, Glen Mills, Pennsylvania 19342, hereinafter called the grantor, to **Golf Beach Rentals, LLC, a Louisiana limited liability company**, whose post office address is: 5270 West Main Street, Houma, Louisiana 70360, hereinafter called the grantee:

(Whenever used herein the term "grantor" and "grantee" include all the parties to this instrument and the heirs, legal representatives and assigns of individuals, and the successors and assigns of corporations)

Witnesseth, that the grantor, for and in consideration of the sum of Ten Dollars, ($10.00) and other valuable considerations, receipt whereof is hereby acknowledged, hereby grants, bargains, sells, aliens, remises, releases, conveys and confirms unto the grantee, all that certain land situate in Okaloosa County, Florida, viz:

Lot 1, GRAND PALMS, a part of Destiny, according to the Plat thereof as recorded in Plat Book 15, Page(s) 38 and 39, of the Public Records of Okaloosa County, Florida.

Parcel ID Number: **002S22054100000010**

Together with all the tenements, hereditaments and appurtenances thereto belonging or in anywise appertaining.

To Have and to Hold, the same in fee simple forever.

And the grantor hereby covenants with said grantee that the grantor is lawfully seized of said land in fee simple; that the grantor has good right and lawful authority to sell and convey said land; that the grantor hereby fully warrants the title to said land and will defend the same against the lawful claims of all persons whomsoever; and that said land is free of all encumbrances except taxes accruing subsequent to December 31, 2014.

In Witness Whereof, the said grantor has signed and sealed these presents the day and year first above written.

Signed, sealed and delivered in our presence:

West Grand Palms, LLC,
a Florida limited liability company

Witness Printed Name Dixie Latta

Witness Printed Name Arlene Noelle

_____ (Seal)
By: Joseph A. Bellinghieri
Its Managing Member.

State of Pennsylvania
County of Chester

The foregoing instrument was acknowledged before me this 2nd day of October, 2015, by Joseph A. Bellinghieri, its Managing Member on behalf of West Grand Palms, LLC, a Florida limited liability company, who is personally known to me or who has produced _____ as identification.

Notary Public

My Commission Expires: 6/13/2019

COMMONWEALTH OF PENNSYLVANIA
NOTARIAL SEAL
Ruthann Boyd, Notary Public
West Chester Boro, Chester County
My Commission Expires June 13, 2019
MEMBER, PENNSYLVANIA ASSOCIATION OF NOTARIES

THIS INSTRUMENT PREPARED BY
AND AFTER RECORDING RETURN TO:

Kimberly Romano Kopp, Esq.
Romano Kopp Law, P.A.
P.O. Box 445
Destin, Florida 32541

For Recording Purposes Only

SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is entered into this _____day of _____ 2019, ("Effective Date") by and between, Golf Beach Rentals LLC. ("Owner") and the City of Destin ("City"), collectively referred to as the "Parties."

RECITALS

WHEREAS, on January 22, 2019, the City enacted Ordinance 18-29-CC, the Short-Term Rental Occupancy Ordinance ("Ordinance"), which limits the occupancy of short-term rental homes to two (2) people per bedroom plus an additional four (4) persons; and

WHEREAS, Owner owns the real property and improvements located at 3461 Scenic Highway 98, Destin, FL 32541, as more particularly described in the attached Exhibit "A" (the "Property"); and

WHEREAS, on May 10, 2019, Owner filed a claim with the City, pursuant to the provisions of §70.001, Florida Statutes, the Bert J. Harris, Jr., Private Property Rights Protection Act (the "Harris Act"), alleging that the Property had been inordinately burdened by the adoption of the Ordinance, (the "Claim"); and

WHEREAS, the Harris Act provides for the City to have the ability to enter into a settlement agreement which would have the effect of a modification or variance to the application of a regulation or ordinance as it would otherwise apply to the subject real property, provided the relief granted protects the public interest served by the regulations at issue and is the appropriate relief necessary to prevent the governmental regulatory effort from inordinately burdening the real property; and

WHEREAS, the City has determined that the modifications to the effect of the Ordinance effected by this Agreement protect the public interest served by the Ordinance and are the appropriate relief necessary to prevent the regulatory effect of the Ordinance from inordinately burdening the Property; and

WHEREAS, the Parties now desire to settle and finally resolve all disputes between and among them concerning the Claim.

NOW, THEREFORE, the Parties hereby agree as follows:

1. **Recitals.** The above recitals are true and correct and are incorporated herein by reference.

2. **Occupancy Allowable Under Ordinance.**

(a) Owner is hereby granted a variance from the provisions of the Ordinance so that the Owner shall have the right to apply under the Ordinance for a maximum occupancy of thirty-two (32) overnight guests at the nine (9) bedroom vacation rental property noted above and the City shall grant such occupancy. The right shall continue in perpetuity, regardless of any future changes in ownership, provided that this right shall expire permanently if the Property were to be voluntarily remodeled or voluntarily rebuilt in such a manner as to change the number of bedrooms that existed at the date of the Claim. The Property remains subject to all other requirements of the City's regulations, including but not limited to regulations for short-term rentals, parking, trash, and noise.

(b) No greater than six (6) vehicles may be parked on the Property. No vehicle may encroach upon the City's right-of way.

(c) Owner shall ensure that at least six (6) outdoor trash receptacles are provided by the applicable trash hauler and available for use by occupants at all times.

(d) Owner agrees that the City shall be permitted to access the property on an annual basis for the purpose of life-safety inspections to ensure code compliance with minimum egress and emergency egress requirements pursuant to the Florida Building Code (Residential) and to ensure the property has adequate and working smoke detectors. Owner shall submit to the City a separate application and fee for such inspection, on a form provided by the City, at the time Owner submits its annual short-term rental registration application to the City

3. **Development in Accordance with Code.** Notwithstanding any provisions contained herein, the Owner shall at any time have the right and option to remodel, develop, or use the Property in accordance with the applicable ordinances of the City of Destin in effect at the time of application therefor, and this variance shall not be construed as making the Property in any way non-conforming.

4. **Entire Agreement.** The Parties acknowledge that this Agreement constitutes the entire agreement between them regarding the settlement of their dispute and any prior statements, whether oral or written, are merged herein. This Agreement may not be modified or amended without a written instrument signed by the party against whom enforcement is sought.

5. **Duration of Agreement.** This Agreement shall be perpetual and deemed to run with the land, and shall be binding upon and the benefits shall inure to the parties hereto and their respective heirs, devisees, personal representatives, successors and assigns.

6. **Authority.** The signatories to this Agreement are expressly authorized to resolve their dispute as set forth herein and by their signatures here represent and affirm their authority to execute this Agreement.

7. **Governing Law.** The law of the State of Florida shall apply to this Agreement. Any dispute regarding this Agreement shall be litigated exclusively in the courts of Okaloosa County, Florida. The parties expressly consent to such agreed jurisdiction and venue, and waive any objections thereto.

8. **Notices.** Any notice required or permitted to be given hereunder shall be in writing and shall be (i) delivered by hand, (ii) delivered by reputable national or local courier (such as United Parcel Service or Federal Express), (iii) mailed by United States registered or certified mail, return receipt requested and postage prepaid, or (iv) sent by facsimile transmission provided a confirmation of such facsimile transmission is sent the same day by one of the methods of delivery in (i), (ii), or (iii) above. Any notice shall be addressed to each party at its address as set forth below. Any such notice shall be considered given on the date of such hand delivery, deposit with such courier for same day or next business day delivery, upon receipt of return receipt of certified mail, or receipt of facsimile transmissions, as the case may be, and the time period (if any is provided herein) in which to respond to such notice shall commence on the date of receipt. Rejection or other refusal to accept or inability to deliver because of changed address of which no notice was given shall be deemed to be receipt of the notice. By giving to the other party at least ten (10) days' notice thereof, any party shall have the right from time to time to change the addresses thereof and to specify up to two (2) additional addresses within the United States of America to which copies of notices to it shall be sent. Notice may be given on behalf of any party by such party's counsel. In the event the subject property owner changes, notices shall be addressed to the current owner as indicated in the records of the Okaloosa County Property Appraiser. Otherwise, notices shall be sent as follows:

Each notice shall be addressed as follows:

To City: City of Destin, Florida
Attn:
4200 Indian Bayou Trail
Destin, Florida 32541

With a copy to:
City Land Use Attorney
Romano Kopp Law, PA
PO Box 445
Destin, Florida 32541

To Golf Beach Rentals LLC: Timothy Deroche
5270 West Main Street
Houma, LA 70360

With a copy to: Matthews & Jones, LLP

Attn: C. Stephen Tatum
4475 Legendary Drive
Destin, Florida 32541

9. **Attorney's Fees**. In the event of any action, whether pre-suit, mediation, litigation or appellate proceeding to enforce the terms and conditions of this Agreement, each party to the action shall pay its own attorney's fees and costs incurred therein.

10. **Venue**. Venue over any action to enforce the terms and conditions of this Agreement, including mediation, shall lie solely in Okaloosa County, Florida.

OWNER: Golf Beach Rentals LLC

_____ _____
Signature of Witness #1 Timothy Deroche

_____ _____
Print or type name

_____
Signature of Witness # 2

_____
Print or type name

STATE OF_____
COUNTY OF_____

The foregoing instrument was acknowledged before me this _____ day of _____ 2019, by _____ _____ and _____, who are personal known to me or who have produced _____ as identification and who did not (did) take an oath.

_____
Signature of Notary

(NOTARY SEAL)

_____
Print or type name

CITY OF DESTIN

By:_____
Gary Jarvis, Mayor

Date:_____

ATTEST:

_____
Rey Bailey, City Clerk

Date:_____

STATE OF_____
COUNTY OF_____

The foregoing instrument was acknowledged before me this _____ day of _____ 2019, by _____ _____ and _____, who are personal known to me or who have produced _____ as identification and who did not (did) take an oath.

_____
Signature of Notary

(NOTARY SEAL)

_____
Print or Type Name

Approved as to form and legality for use and reliance
by the City of Destin, Florida, only.

_____
Kimberly Romano Kopp, Esq.
City Land Use Attorney

Exhibit "A"

Legal Description of Property

Lot 1, GRAND PALMS, a part of Destiny, according to the Plat thereof as recorded in Plat Book 15, Page(s) 38 and 39, of the Public Records of Okaloosa County, Florida.

ITEM # 2019-1891

CITY OF DESTIN

AGENDA ITEM

COUNCIL MEETING DATE: December 9, 2019
TYPE OF AGENDA ITEM: Action Item

TO: City Council

THRU: Lance Johnson, City Manager

FROM: Kimberly Kopp, Land Use Attorney
Louis Zunguze, Community Development Director

DATE: December 5, 2019

SUBJECT: 11) 2968 Scenic Hwy 98

I. BACKGROUND:

On January 22, 2019, the City enacted Ordinance 18-29-CC, the Short-Term Rental Occupancy Ordinance ("Ordinance"), which limits the occupancy of short-term rental homes to two (2) people per bedroom plus an additional four (4) persons.

The subject property owner owns the real property and improvements located at 2968 Scenic Highway 98, Destin, FL 32541, as more particularly described in Exhibit "A" (the"Property") to the proposed settlement agreement.

Owner filed a claim with the City, pursuant to the provisions of §70.001, Florida Statutes, the Bert J. Harris Jr., Private Property Rights Protection Act (the "Harris Act"), alleging that the Property had been inordinately burdened by the adoption of the Ordinance, (the "Claim).

The Harris Act provides for the City to have the ability to enter into a settlement agreement which would have the effect of a modification or variance to the application of a regulation or ordinance as it would otherwise apply to the subject real property, provided the relief granted protects the public interest served by the regulations at issue and is the appropriate relief necessary to prevent the governmental regulatory effort from inordinately burdening the real property.

The City Council should settle the claim if the City Council determines that the modifications within the settlement agreement protect the public interest served by the Ordinance and are the appropriate relief necessary to prevent the regulatory effect of the Ordinance from inordinately burdening the Property.

II. DISCUSSION: The property owner has requested a maximum occupancy of thirty (30) occupants. City staff is recommending an occupancy of thirty (30) occupants based on the square footage of the property. The building official utilized a one-occupant per 200 square feet methodology for recommending the above-stated occupancy.

Additionally, staff is recommending at least five (5) trash cans on the property. This recommendation is based on industry standard (Waste Management) that, on average, one trash can is required for every six occupants in order to ensure adequate garbage disposal. Therefore, if the maximum number of occupants exceeds any multiple of six (6, 12, 18, 24, 30, 36, etc.), then an extra trash can will be needed to accommodate the additional occupants. For example, if thirteen (13) is the maximum occupation, then three (3) trash cans are required. This is because, on average, two (2) trash cans will only accommodate twelve (12) occupants. The third trash can will be needed to accommodate the thirteenth occupant.

Further, the property owner must agree to annual life safety inspections, as provided in the proposed settlement agreement.

Finally, staff is recommending that no greater than five (5) vehicles be parked on this property

As stated in the agreement, the property owner remains bound by all other provisions of City codes.

A. Link to Strategic Goals / Objectives:

B. Effect on Budget (EOB):

C. Level of Service (LOS):

III. CONCLUSION:

IV. RECOMMENDED MOTION: 1. I move to approve the settlement agreement prepared by the City Land Use Attorney and Staff.

or

2. I move to approve the settlement agreement prepared by the City Land Use Attorney and Staff with the following modifications:_____.

or

3. I move to direct the City Land Use Attorney to negotiate in good faith with the property owner and to bring back an alternate settlement proposal to the City

Council for consideration.

or

4. I move to deny settlement of the subject claim at this time.

Attachments:

1. Bert Harris Case - 2968 Scenic Highway 98
2. 2968 Scenic Highway 98

DANA C. MATTHEWS
MICHAEL A. JONES
KENNETH M. BORICK
Of Counsel
Also admitted in Georgia and South Carolina
DANA C. "D.C." MATTHEWS II
SAMUEL B. TAYLOR
DANIEL C. O'ROURKE
Florida Supreme Court Certified
Civil and Family Mediator

MATTHEWS & JONES
ATTORNEYS AT LAW
INSIGHT | INTEGRITY | INNOVATION

CHRISTA P. DIVINEY
Board Certified Criminal Trial Lawyer
Also admitted in Alabama
LAURA PENTEL-KLANG
JESSICA L. STEWART
SALVADOR "A.J." GOMEZ
C. STEPHEN TATUM

Reply to Destin
STATUM@DESTINLAW.COM

October 18, 2019

VIA HAND DELIVERY

Mayor Gary Jarvis
City of Destin
4200 Indian Bayou Trail
Destin, FL 32541
gjarvis@cityofdestin.com

Dear Mayor Jarvis:

Our firm represents Gemini Capital Acquisitions II, LLC, (hereinafter "GCAII) the owner of the home located at 2968 Scenic Highway 98; Destin, Florida, also identified as Lot 2, The Shores of Crystal Beach, recorded in Okaloosa County Plat Book 13, at Page 82.

Due to the enactment of City of Destin Ordinance 18-29-CC, which limits the occupancy of short term rental homes to two (2) people per bedroom plus an additional four (4) persons, GCAII's reasonable investment-backed expectations for use of the home as a short-term vacation rental property have been inordinately burdened, as defined in the "Bert J. Harris, Jr., Private Property Rights Protections Act", Chapter 70, Florida Statutes ("Harris Act"). GCAII hereby submits this letter along with the enclosed EquiValue Appraisal's property appraisal dated January 22, 2019, as a claim under the Harris Act against the City of Destin for One Million Seven Hundred Eighty Thousand Dollars ($1,780,000.00), which represents the diminution in value of GCAII's property.

Pursuant to the provisions of the Harris Act, GCAII hereby demands payment in the amount of One Million Seven Hundred Eighty Thousand Dollars ($1,780,000.00) plus attorneys fees and costs.

If no resolution is reached during the statutorily prescribed waiting period, GCAII intends to file suit pursuant to this claim and pursue any other legal remedies for the actions

that gave rise to this claim. GCAII explicitly reserves the right to bring any and all legal challenges, appeals and objections with respect to Ordinance 18-29-CC.

Sincerely,

C. Stephen Tatum
Matthews & Jones, LLP
Attorney for Gemini Capital Investments, LLC

Enclosure

cc: Lance Johnson, City Manager (via email)
Rey Bailey, City Clerk (via email)
Kimberley Romano-Kopp, Esq. (via email)
Client

APPRAISAL REPORT

PROPERTY: AN APPROXIMATE +/-6,370 SQUARE FOOT HEATED AND COOLED GULF FRONT RESORT RESIDENTIAL RENTAL PROPERTY, ALONG WITH ASSOCIATED SITE IMPROVEMENTS INCLUDING A HEATED POOL, POOL DECK AND PARKING, ALL OF WHICH IS SITED ON AN APPROXIMATE 0.44-ACRE SITE

2968 SCENIC HIGHWAY 98, DESTIN, OKALOOSA COUNTY, FL

EQUIVALUE APPRAISAL

EQUIVALUE APPRAISAL, LLC
PROFESSIONAL APPRAISAL AND VALUATION SERVICES
PO BOX 5326
DESTIN, FLORIDA 32540
PHONE (850) 424-6119

Jason P. Shirey, MAI, CCIM, CPM
State-Certified General Real Estate Appraiser, RZ3186 (FL)
Direct Phone (850) 543-5953 (Mobile)
EquiValue Appraisal File No.: 190330

APPRAISAL REPORT

Of Resort Residential Property
+/-0.44-Acre of Residential-Zoned Land
Improved with two resort residential structures,
Containing an aggregate +/-6,370 SF of Heated and Cooled Area,
Along with Associated Site Improvements Including a Heated Pool and Pool Deck

Location
2968 Scenic Highway 98,
Destin, Okaloosa County, FL
32541

Property Owner
Gemini Capital Acquisitions II

Effective Date
January 22, 2019 (Retrospective)

Report Date
October 10, 2019

Client / Intended User
Gemini Acquisitions II, LLC
11767 South Dixie Highway, Suite 263
Pinecrest, FL 33156

Prepared by:
Jason P. Shirey, MAI, CCIM, Cert Gen RZ3186

EQUIVALUE
APPRAISAL

Phone 850 424 6119 Fax 888 774 4503
EquiValue Appraisal, LLC File #: 190330

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October 10, 2019

Gemini Capital Acquisitions II, LLC
Mr. Adam Lamnin
11767 South Dixie Highway, Suite 263
Pinecrest, FL 33156

Re: Diminution in Value Appraisal of an approximate +/-6,370 HVAC Square Foot Gulf Front Resort Residential Rental Property, 'As Is', whose postal address is 2968 Scenic Highway 98, Destin, Okaloosa County, FL 32541. EquiValue Appraisal File No. 190330.

Dear Client:

At your request and authorization, we have prepared an appraisal for the above-referenced resort residential rental property. A copy of the pertinent engagement document has been included in the addenda to this report if applicable.

This letter of transmittal is *not* an appraisal report, but merely serves to transmit the attached appraisal report and convey the final conclusion of value. The accompanying research, analyses and conclusions, and appraisal report following this letter of transmittal has been compiled in accordance with USPAP Standards Rule 2-2(a) for a written appraisal report.

The purpose of this appraisal is to determine if there is a Dimunition in Value as result of recently-adopted City of Destin Ordinance No. 18-29-CC, and if so, to derive an opinion of the Dimunition in Value to the subject property associated with the implementation of said Ordinance.

This Ordinance was implemented January 22, 2019, and the incorporation of this ordinance limits the occupancy of the subject property to 18 guests. Prior to the implementation of this Ordinance, the designed occupancy of the subject property was 30 guests. Therefore, as a result of the ordinance, the maximum occupancy of the subject has been reduced by 12 guests, or approximately -40.00%.

We are therefore opining on the difference in market value of the subject before and after the adoption of City of Destin Ordinance No. 18-29-CC, which was promulgated on January 22, 2019.

The values reported are predicated upon market conditions prevailing as of the effective date of the appraisal. In the context of the scope of work, the appraisal is considered to render a credible opinion of value, specific to the client, intended use and intended user.

The intended use of this appraisal is for internal decision making purposes by the stated Client and their advisors. This appraisal is intended for the use of the client and client's advisors.

We have completed the requisite inspections, research, and analyses necessary to appraise the 100% fee simple interest in the subject property, 'As Is' as of January 22, 2019, both prior to adoption of Ordinance No. 18-29-CC and after, in order to evaluate the potential Dimunition in value.

Please reference the Scope section of this report for information regarding the scope of research and analysis for this appraisal, including property identification, inspection, highest and best use analysis and valuation methodology.

I certify that I have no present or contemplated future interest in the property beyond this opinion of value. The reported value(s) in this appraisal have not been based on a requested minimum valuation, a specific valuation, and have been prepared in compliance with the Uniform Standards of Professional Appraisal Practice.

Your attention is directed to the Limiting Conditions and Assumptions section following the reconciliation and appraisal certification in this report. Acceptance of this report constitutes an agreement with these conditions and assumptions.

This appraisal is subject to the following Hypothetical Condition(s):

- None.

This appraisal is subject to the following Extraordinary Assumption(s):

- None.

Our opinion of value was formed based on our experience in the field of real property valuation, as well as the research and analysis set forth in this appraisal.

I am of the opinion that as a result of the implemented City of Destin Ordinance 18-29-CC that the market value of the subject property is negatively impacted.

The implemented Ordinance reduces the maximum occupancy of the subject property, and therefore the subject's associated income generation potential.

The subject property is a gulf front resort-residential property specifically utilized for income generation purposes. Therefore, a reduction in scheduled income due the subject correlates to a reduction in associated value.

The Dimunition in Value to the subject is represented by the difference between the 'Before' and the 'After' value conclusions.

In this case, this is represented by the difference between the opined value prior to implementation of the Ordinance (ie. the 'Before Ordinance' value of $3,755,000) and the value after implementation of the Ordinance (ie. the 'After Ordinance' value of $1,975,000).

Per this calculation, with supporting documentation as to the rationale of these values provided within this report, the opinion of Dimunition in Value to the subject as a result of City of Destin Ordinance 18-29-CC is opined to be $1,780,000.

Therefore,

Dimunition in Market Value
As A Result of Implementation of City of Destin Ordinance 18-29-CC:

One Million Seven Hundred Eighty Thousand Dollars
($1,780,000)

The estimated market exposure period necessary for the subject to have achieved these values is estimated to be 9-12 months.

It was a pleasure assisting you with this matter. If you have any questions concerning the following analysis, or if we can be of further assistance, please do not hesitate to call.

Respectfully submitted,
EquiValue Appraisal, LLC

Jason P. Shirey, MAI, CCIM, CPM
Cert Gen RZ3186

INTRODUCTION

QUALIFICATIONS OF THE APPRAISER

Qualifications of

Jason P. Shirey, MAI, CCIM, MS-RECM

State-Certified General Real Estate Appraiser No. RZ 3186 (FL)
State-Certified General Contractor No. CGC 062478 (FL)
Licensed Real Estate Broker No. BK 3168469 (FL)

MAI : Designated Member of the Appraisal Institute
Appraisal Insitute, Chicago, Illinois.

CCIM : Designated Certified Commercial Investment Member
CCIM Institute, Chicago, Illinois.

M.S. RECM : Master of Science, Real Estate and Construction Management
University of Denver - Denver, Colorado.

B.S. BCN : Bachelor of Science, Building Construction Management
University of Florida – Gainesville, Florida.

Business Affiliations and Work Experience, Past / Present

EquiValue Appraisal and Consulting Services
Principal and Founder; Real Estate Appraiser, Real Estate Broker, Certified General Contractor

Marsh Appraisal Corporation - Real Estate Appraisal and Valuation Services, Fort Walton Beach, Florida
Registered Trainee Appraiser / State Certified Real Estate Appraiser

Plantation Coast Properties, LLC – Fort Walton Beach, Florida
Principal; Real Estate Investments and Property Management

Alcon Associates, Inc. – Commercial General Contractors / Construction Managers; Pensacola, Florida
Florida Division Manager

National Construction Enterprises, LLC – General Contractor / Construction Managers; Savannah, Georgia
Vice President of Operations, Savannah-Hilton Head Division

Acoustics and Specialties, Inc. – General Contractors; Memphis, Tennessee
Senior Estimator / Project Manager of Healthcare Construction

Brasfield and Gorrie General Contractor Inc. – General Contractors and Construction Managers; Orlando, Florida
Construction Estimator / Project Manager

United States Air Force Reserve
Reserve Pilot, Boeing C-17 Globemaster III

EQUIVALUE APPRAISAL

Jason P. Shirey, MAI, CCIM, MS-RECM (Continued)

Professional / Continuing Education

Litigation Appraising - Specialized Topics and Applications
Appraisal Institute

Uniform Standards of Professinal Appraisal Practice
7 Hour Update, *Appraisal Institute*

Advanced Income Capitalization
Appraisal Institute

Advanced Sales Comparison Approach
and Principles In Highest and Best Use
Appraisal Institute

User Decision Analysis for Commercial Real Estate
CCIM Institute Course CI-103

Advanced Cost Approach
Appraisal Institue

Real Estate Taxation, Planning and Consequences
University of Denver, Burns School of Real Estate

Advanced Real Estate Feasibility Analysis
Urban Land Institute / University of Denver

Real Estate Securities and Syndications
University of Denver, Burns School of Real Estate

Legal Issues In Real Estate and Construction Management
University of Denver, Burns School of Real Estate

Income Property Investment
Urban Land Institute / University of Denver

Argus Financial Analysis
University of Denver, Burns School of Real Estate

Residential Real Estate Appraiser Course ABII
Ed Klopfer Schools of Real Estate

Real Estate Salesperson Pre-Licensing Course
Ed Klopfer Schools of Real Estate

Income Property Management
Institute of Real Estate Management / University of Denver

Certified Commercial Investment Member Core Concepts
CCIM Insitute Comprehensive Exam

Appraising from Blueprints and Specifications
Appraisal Institute

Florida Building Code Update
Florida Workplace Safety and OSHA Update
Universal Inspection Service

Uniform Standards of Professional Appraisal Practice
15 Hour Update, *Appraisal Institute*

Business Practices and Ethics for Appraisers
Appraisal Institute Course #420

Basic Income Capitalization
Appraisal Institute

Advanced Valuation and Report Writing
Appraisal Institute Course #540

Real Estate Investment Finance
University of Denver, Burns School of Real Estate

Computer Applications for Real Estate Analysis
University of Denver, Burns School of Real Estate

Risk Management and Insurance for Investment Real Estate
University of Denver, Burns School of Real Estate

Indoor Air Quality and Mold Contamination Remediation
National Association of Mold Professionals, 2004

Real Estate Trainee Appraiser Course ABI
Ed klopfer Schools of Real Estate

Uniform Standards of Professional Appraisal Practice
15 Hour Update, *Appraisal Institute*

EQUIVALUE APPRAISAL

Jason P. Shirey, MAI, CCIM, MS-RECM (Continued)

Appraiser Experience - Property Types

Affordable Housing
Agricultural Land
Aircraft Hangars
Antenna Towers
Apartments
Automobile Dealerships
Hotels and Motels
Bank Buildings
Bowling Alleys
Broadcast Facilities
Campgrounds / Recreational Vehicle Parks
Car Washes
Churches
Coastal Land
Condominium Units:
  Assemblages, Complexes, Conversions
Condominium Projects:
  Pre-development, Insurable Replacement Cost
Convenience Stores
Day Care Centers
Development Appraisals
Distribution Facilities
Golf Clubs and Country Clubs
Health Clubs
High-End Residential
Hobby Farms
Home Sites (Lots)
Home Sites (Land - Large Tracts)
Hotel - Resorts
Industrial Land
Indstrial Improvements
Light Industrial Properties
Manufacturing Facilities
Marinas / Docks / Boat Storage Facilities
Medical Offices
Mixed Use Developments
Mobile Home Parks
Multifamily Land
Multifamily Developments
Nurseries
Office Buildings
Office Condominiums
Office-Warehouse Facilities
Outdoor Signs
Parking Facilities
Replacement Cost Appraisals
Retail Stores (Anchor Tenant / Owner Occupied)
Retail Strip Centers (Multiple Tenant)
Restaurants (All types)
Self-Storage Facilities
Subdivisions (Commercial)
Subdivisions (Residential)
Single Family Residences
Sustainable Development (Green Buildings)
Urban Land (Vacant and Interim Use)
Warehouses
Yacht Clubs

Previous Client List (Partial)

Access Bank and Mortgage
Alternative Funding Corporation
BanCorp South
Bank of America
Bank of Bonifay
Bank of Pensacola
BankTrust
Beach Community Bank
CB Richard Ellis
CCB Community Bank
Colonial Bank
Community Bank
Compass Bank
Cotton and Gates
Crystal Beach Development
DestinFirst Bank
First Capital Bank
First City Bank
First Gulf Bank
First National Bank and Trust
Florida Coastal Mortgage
Guaranty Federal Bank
GulfSouth Private Bank
Jay Odom
Kevin Helmich, P.A.
Legendary, Inc.
LNK Development
M & F Bank
People's First Community Bank
Premier Community Bank
Regions Bank
Renasant Bank
Sunbird Condominium Owner's Association
Suntrust Bank
The Plaza Owner's Association
Tranquil Harbor Owner's Association
Trustmark National Bank
Vanguard Bank
Villas on the Gulf Condominium Onwer's Association
Vision Bank
Wachovia Bank
Whitney Bank

Assignment Purposes

Acquisition
Disposition
Assessment Appeal
Development Feasibility
Estate Planning
Financing (Institutional and Private)
Investment Analysis
Portfolio Analysis
Marital Dissolution
Relocation
Mediation, Arbitration, Dispute Resolution

EQUIVALUE APPRAISAL

Jason P. Shirey, MAI, CCIM, MS-RECM (Continued)

Assignment Types

Appraisal Review
Buyer Brokerage
Complex Valuation
Construction Progress / Draw Request Inspection
Demographic Analysis
Detrimental Conditions Valuation and Consulting
Eminent Domain Valuation and Consulting
Estate Valuation
Feasibility Studies
Fee Appraisals Including Full and Fractional Interests
Foreclosure / REO Appraisal - Assessment
Highest and Best Use Analysis
Insurance
Litigation Support
Market Studies
Portfolio Valuation and Analysis
Relocation Appraisal
Rent Analysis / Studies
Retrospective Valuation
Site Location Services
Valuation and Consultation for Financial Reporting

Primary Market Area

Okaloosa County
- Destin
- Fort Walton Beach
- Crestview
- Mary Esther
- Niceville
- Bluewater Bay

Walton County
- Miramar Beach
- Panama City Beach
- Rosemary Beach
- Santa Rosa Beach
- Blue Mountain Beach
- Freeport
- Defuniak Springs
- Inlet Beach
- Seacrest Beach

Santa Rosa County
- Navarre
- Navarre Beach
- Gulf Breeze

Bay County
- Panama City
- Panama City Beach
- Springfield

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Subject Photograph(s)

Additional photographs can be referenced in the Property Description Section of the Appraisal Report.

View of north (Front) elevation - Main House

View of west (Front) elevation – Detached Garage/Carriage House

Summary of Salient Facts and Conclusions

GENERAL	
EquiValue Appraisal File No:	190330
Subject:	An approximate 6,370 HVAC SF / 9,283 Gross SF (Aggregate) Resort Residential Rental Property located along the south side of Scenic Highway 98, and directly along the northern shoreline of the Gulf of Mexico, having the assigned postal address of 2968 Scenic Highway 98 in Destin, Okaloosa County, Florida. The subject site is comprised of +/-0.44 acres of Crystal Beach Neighborhood-zoned land (a residentially-oriented zoning designation) which is improved with two resort rental residential structures which include a primary residence and a secondary improvement (detached garage/carriage house), along with associated site improvements which include a heated pool, pool deck, and parking. According to information provided by the Okaloosa County Property Appraisers Office, the existing improvements were originally constructed in 1996, provided for an actual age of 23 years. These improvements were recently extensively renovated and are considered to be of very good quality of construction and are in very good condition. Per the owner of the subject property, partial renovations were completed after acquisition of the subject in August of 2017 in order to make the subject ready for resort rental occupancy in the current configuration. The cost of these renovations was approximately $250,000.

The configuration of the existing structures were specifically designed and outfitted to accommodate 30 overnight (sleeping) guests and features the following characteristics (in aggregate),

- 7 Full Bedrooms (5 Main House / 2 Carriage House)
- 6 Bathrooms (5 Main House / 1 Carriage House)
- 3 Living Room Areas, Dining Room, 2 Kitchen Areas
- Heated Swimming Pool and Pool Deck
- Outdoor Living Areas
- Surface parking.

The use of the subject property in 'As Is' condition is as a beach front, resort residential rental property and this is the use represented in the valuation of the subject property, as of the effective date of this appraisal.

In the 'Before' condition, occupancy of the subject was specifically designed for 30 guests with sleeping accommodations as follows:

Main House – Living Room – 1st Floor
1 Sleeper Sofa (Sleeps 2)

Main House - Bedroom #1 – 1st Floor
1 King Bed (Sleeps 2)

Main House - Bedroom #2 – 2nd Floor
1 King Bed (Sleeps 2)

Main House - Bedroom #3 – 2nd Floor
1 King Bed (Sleeps 2)

Main House – Bedroom#4 (Bunkroom) – 2nd Floor
1 (Set) Queen/Queen Bunk Beds; 1 (Set) Full/Full Bunk Beds (Sleeps 8)

Main House – Bedroom#5 – 3rd Floor
1 King Bed (Sleeps 2)

Main House – Living Room – 3rd Floor
1 Sleeper Sofa (Sleeps 2)

	Carriage House – Bedroom #6 – 2nd Floor 1 (Set) Full/Full Bunk Beds; 1 (Set) Twin/Twin Bunk Beds (Sleeps 6) Carriage House - Bedroom #7 – 2nd Floor 1 Queen Bed (Sleeps 2) Carriage House – Living Room – 2nd Floor 1 Sleeper Sofa (Sleeps 2) In the 'After' condition and taking into account the City of Destin Ordinance 18-29-CC which was implemented January 22, 2019, the occupancy of the subject (in aggregate) is limited to 18 Guests as calculated by having a total of 7 bedrooms at 2 guests per bedroom, plus 4 additional guests.
Owner:	Gemini Capital Acquisitions II, LLC 11767 South Dixie Highway Pinecrest, FL 33156
Legal Description:	Shores of Crystal Beach Lot 2
Tax Identification:	00-2S-2-0584-0000-0020
Date of Report:	October 10, 2019
Date of Value:	January 22, 2019
Property Rights Appraised:	Fee Simple
Intended Use:	The intended use of this appraisal is for internal decision making purposes by the client, and for Bert Harris Act computation of damages.
Intended User(s):	The intended user of this report is the property owner, the property owner advisors, courts and local government and regulatory agencies.
Appraisal Purpose:	Market Value Opinion 'As Is' in the 'Before Ordinance' and 'After Ordinance' conditions, and subsequent evaluation of Dimunition in Value.

2018 Assessed Value: **$2,761,607**

Despite the intention of the property appraiser to value property at market value on a yearly basis, it is the appraiser's opinion that assessed value has no direct correlation to fair market value in the subject market area. It is noted that as the subject was just recently extensively renovated.

2018 Taxes: **$35,460.69 (Paid)**

According to the Okaloosa County Tax Collector, taxes for 2018 have been paid in full and no prior year delinquent taxes remain owing.

Sale History: The most recent transaction related to the subject property can be found on a Certificate of Title recorded in the Okaloosa County public records at OR Book 3313 Page 3159. According to this document, a Certificate of Sale was issued by the Okaloosa County Clerk of Court on August 4, 2017 transferring the property to Gemini Capital Acquisitions II, LLC pursuant to assignment of an undisclosed bid. This transaction was not given any consideration in our valuation of the subject property as this was not an arm's length transaction.

According to information provided by the current property owner, upon acquisition the subject property was extensively renovated.

The renovations included, but are not limited to, new floors, kitchen, bathrooms, lighting, stucco repairs, new decks, interior/exterior paint, new HVAC systems, all new fixtures, all new appliances, and new furnishings, to name a few.

Additionally we note, that information provided the property owner indicated that the motivation of the expenditure for the renovations was for income generation purposes with a specific design for 30 occupants.

There have been no other transfers of the subject property in the preceding 3 years.

Current Contracts/Listing:	We were unable to locate any active listing for sale of the subject property in the prior 12 months. We are unaware of any intention by the current owner to market the subject for sale. It is our understanding that the property owner plans to retain the subject property for short-term rental purposes and income generation potential.

PROPERTY

Land Area:	Total: +/-0.44-Acre Usable: +/-0.44-Acre Excess: 0.00 Acres
Zoning/ Future Land Use:	CBN – Crystal Beach Neighborhood by the City of Destin
Highest and Best Use 'As Is':	Utilizing the subject as a resort-residential rental property at maximum occupancy is estimated to be the highest and best use of the subject 'As Is'. It is noted that occupancy limitations imposed on the subject by virtue of City of Destin Ordinance 18-29-CC, which limits occupancy of the subject property to a lesser number than that for which the subject was specifically renovated and outfitted, is anticipated to have a negative impact on the market value / return on investment of the subject property to the owner.

VALUE CONCLUSIONS

Land Value:	Not Utilized
Cost Approach:	Not Utilized
Improved Sales Comparison Approach:	Not Utilized
Income Approach:	$3,755,000 – Before Ordinance 18-29-CC $1,975,000 – After Ordinance 18-29-CC $1,780,000 – Diminution in Value as a Result of Ordinance 18-29-CC

Appraisal Scope of Work

In accordance with the 2018-2019 Uniform Standards of Professional Appraisal Practice, it is the appraiser's responsibility to develop and report a scope of work that results in credible results that are appropriate for the appraisal problem and intended user(s).

This process should meet the expectations of parties who are regularly intended users for similar assignments and be consistent with what an appraiser's peers actions would be in performing the same or a similar assignment.

Therefore, the appraiser must identify and consider:

- the client and intended users;
- the intended use of the report;
- the type and definition of value;
- the effective date of value;
- assignment conditions;
- typical client expectations; and
- typical appraisal work by peers for similar assignments**.**

This appraisal is prepared for the Client, Gemini Capital Acquisitions II, LLC.

The intended use of this appraisal is for internal decision making purposes by the client, the client's advisors, and for Bert Harris Act computation of damages.

The intended user of this report is the property owner, the property owner's advisors, courts and local government and regulatory agencies.

SCOPE OF WORK	
Report Type:	This is a written Appraisal Report, which is intended to comply with the reporting requirements established by Standards Rule 2-2(a) of the *2018-2019* edition of the U*SPAP* for a written Appraisal Report. It presents summary discussions of the data, reasoning, and analyses utilized in the appraisal process to develop the appraiser's opinion of value. Supporting documentation not provided with the report concerning the data, reasoning, and analyses is retained in the appraiser's file. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated in the report. The appraiser is not responsible for the unauthorized use of this report.

Property Identification:	The subject was identified by the legal description and the assessor's parcel number, and appraiser inspection.
Inspection:	An inspection of the site and improvements was made, and photographs were taken.
Market Area and Analysis of Market Conditions:	A complete analysis of market conditions was made. The appraisers physically inspected the micro and/or macro market environments which influence the subject property.
Highest and Best Use Analysis:	A complete analysis of highest and best use for the subject property in 'As Is' condition was made.

Valuation Analyses

Land Valuation and Cost Approach:	An opinion of value for the subject property in 'as if vacant' condition and subsequent application of the cost approach has not been provided. The purpose of this appraisal is to evaluate the impact to the value of the subject by virtue of the implementation of City of Destin Ordinance 18-29-CC which limits occupancy of the subject and corresponding associated income generation potential. Thus, the cost to acquire land and construct a replacement property is meaningless to the purpose of the assignment and was not applied.
Sales Comparison Approach:	The improved sales comparison approach was not utilized in this appraisal assignment. The purpose of this appraisal is to evaluate the impact to the value to the subject by virtue of the implementation of City of Destin Ordinance 18-29-CC which limits occupancy of the subject and associated income generation potential. As this ordinance was just recently implemented, an adequate number of improved sales which sold after the Ordinance implementation date were not available from which to derive an opinion of market value from this approach. As sales which occurred prior to this Ordinance will reflect market transactions without this restriction, they are not considered valid indicators of value for the subject in the restricted condition. Therefore this approach could not be applied due to lack of sufficient comparable data.

Income Approach:	The income approach was applied for the subject in both the 'Before Ordinance' and 'After Ordinance' scenarios.
Hypothetical Conditions:	None.
Extraordinary Assumptions:	None.
Exposure Time (Market Value):	Exposure Time may be defined as: the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective opinion based on an analysis of past events assuming a competitive and open market. The estimate of exposure time is presented in consideration of the exposure periods for comparable sales utilized in this appraisal, marketing time information available from nationally published sources including the CB Richard Ellis National Market Survey and the opinions of market participants. ***It is estimated that the exposure time necessary for the subject to have achieved the opinion of value is 9-12 months.***

Definition of Value, Property Rights Appraised, and Intended Use

Purpose of the Appraisal:

The purpose of an appraisal is the stated reason and scope of the appraisal assignment. It is established by the client, and points to the information that the client needs to answer specific questions pertaining to real property. The purpose of the appraisal establishes the foundation for the final value conclusion, which does not change to accommodate the use of the appraisal.[1]

The purpose of this appraisal is to derive an opinion of the Dimunition in Value to the subject property associated with the implementation of City of Destin Ordinance No. 18-29-CC.

This Ordinance was implemented January 22, 2019, and the incorporation of this ordinance limits the occupancy of the subject property to 18 guests. Prior to the implementation of this Ordinance, the designed occupancy of the subject property was 30 guests. Therefore, as a result of the ordinance, the maximum occupancy of the subject has been reduced by 12 guests, or approximately -40.00%.

We are therefore opining on the difference in market value of the subject before and after the adoption of City of Destin Ordinance No. 18-29-CC, which was promulgated on January 22, 2019.

Intended Use of the Appraisal and Intended User:

The intended use of an appraisal is the manner in which a client will employ the information contained in the appraisal report. The intended use or function of an appraisal is determined by the client's needs. Because an appraisal may provide a basis for a decision concerning real property, the intended use of the appraisal depends on the decision that the client wishes to make.[2]

The intended use of this appraisal is for internal decision making purposes by the client, and for Bert Harris Act computation of damages. The intended user of this report is the client / property owner, advisors, courts and local government and regulatory agencies.

Property Rights Appraised

Real property is said to have value as a result of the "bundle of rights" that are inherent to property ownership. Regardless of the type of ownership, the owner of real property is said to have an interest in that property. The following definitions are for the three most commonly-valuated interests as defined by the Dictionary of Real Estate Appraisal, Fourth Edition.

---

[1] The Appraisal of Real Estate, Twelfth Edition
[2] The Appraisal of Real Estate, Twelfth Edition

Fee Simple Interest:
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.

Leased Fee Interest:
An ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the lessee are specified by contract terms contained within the lease.

Leasehold Interest:
The interest held by the lessee (the tenant or renter) through a lease transferring the rights of use and occupancy for a stated term under certain conditions. See also negative leasehold; positive leasehold.

The subject property is being appraised 'fee simple', taking into account market conditions at the effective date of the report. Given the valuation of the subject in 'As Is' condition and the nature of the subject being a resort-rental property which is occupied on a short term or seasonal basis, fee simple basis is considered to be the appropriate valuation standard.

Date of Value Opinion
Value opinions are presented as of a specific date, taking into account market conditions at that time. The effective date of an appraisal is the date at which the analyses, opinions, and advice in an appraisal, review, or consulting service apply. (USPAP, 2018-2019 edition.)

The date of the value opinion can be current, in the past (retrospective), or forecast into the future (prospective).

The following presents definitions regarding the date of the opinion of value, as provided by the text The Appraisal of Real Estate, Twelfth Edition:

Date of Value Opinion:
The date for which an opinion of value is valid.

Current Value:
In accounting, synonymous with market value.

Retrospective Value Opinion:
An opinion of value that is likely to have applied as of a specified historic date. A retrospective value opinion is most frequently sought in connection with appraisals for estate tax, condemnation, inheritance tax, and similar purposes.

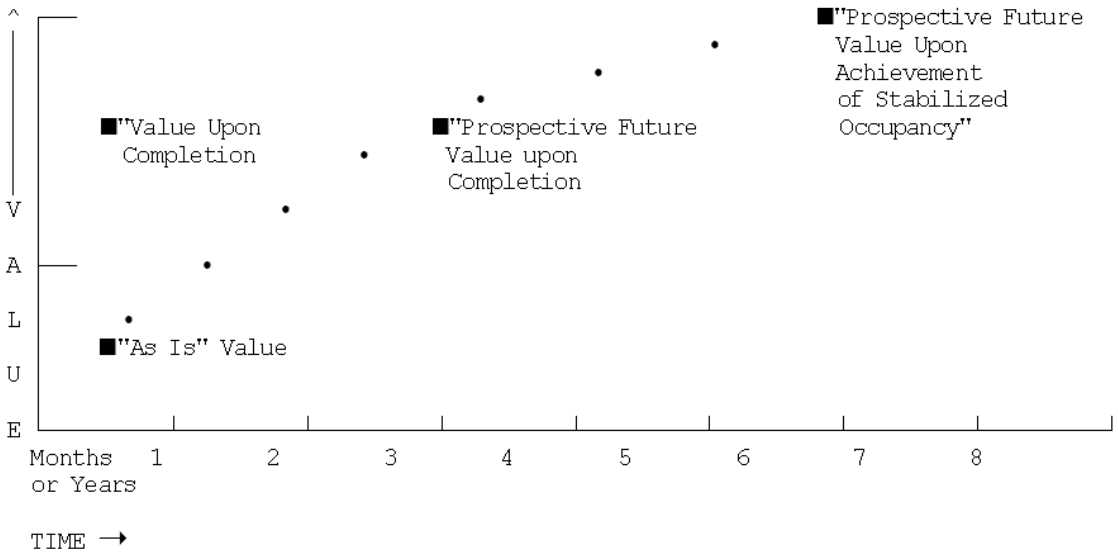
Prospective Value Opinion:
A forecast of the value expected at a specified future date. A prospective value opinion is most frequently sought in connection with real estate projects that are

proposed, under construction, or under conversion to a new use, or those that have not achieved sellout or a stabilized level of long-term occupancy at the time the appraisal report is written.

In a prospective appraisal, the appraiser analyzes market trends to provide support for forecasted income and expense or sell-out opinions, absorption periods, capitalization rates, and discount rates as of the effective date of the appraisal. This appraisal report was prepared taking into account market conditions present as of the date of the report. The appraiser(s) can not be held responsible for unforeseen events that alter market conditions prior to the effective date of the appraisal.

The following graph presents a graphical depiction of the above-described date of value opinions and their associated position within a potential overall development time scenario.

Value Creation Continuum[1]



The preceding exhibit graphically displays the creation of value in a real estate development project over time, assuming a zero inflation environment for clarity of presentation.

1 Code of Federal Regulations, Title 12, as amended by the Federal Home Loan Bank Board.

Basis of the Subject Value Opinion

The four time differential values on the preceding graph which may be considered in the appraisal of proposed developments are defined as follows:

(1) **"As Is"** means an estimate of the market value of a property in the condition observed upon inspection and as it physically and legally exists without hypothetical conditions, assumptions, or qualifications as of the date of appraisal.

(2) **"Value as Complete" or "Value Upon Completion"** means the market value of a property with all proposed construction, conversion, or rehabilitation hypothetically completed, or under other specified hypothetical conditions as of the date of appraisal. With regard to properties wherein anticipated market conditions indicate that stabilized occupancy is not likely as of the date of completion, this estimate of value shall reflect the market value of the property as if complete and prepared for occupancy by tenants.

(3) **"Prospective Future Value Upon Completion"** means the prospective future value of a property on the date that construction is completed, based upon market conditions forecast to exist as of that completion date.

(4) **"Prospective Future Value Upon Achievement of Stabilized Occupancy"** means the prospective future value of a property at a point in time when all improvements have been physically constructed and the property has been leased to its optimum level of long term occupancy.

The purpose of this appraisal is to derive an opinion of the Dimunition in Value to the subject property associated with the implementation of City of Destin Ordinance No. 18-29-CC.

The following are the pertinent dates to the valuation, viewing, and appraisal reporting of the subject property:

Effective Date of Value Opinion:	**January 22, 2019**
Date of Viewing:	**September 20, 2019**
Date of Appraisal Report:	**October 10, 2019**
Date of Photographs:	**September 20, 2019**

Definition of Value

The definition of "Market Value", as defined by the Office of the Comptroller of Currency (OCC) under 12 CFR, Part 34, Subpart C-Appraisals, 34.42 Definitions, the Board of Governors of the Federal Reserve System (FRS) and the Federal Deposit Insurance Corporation in compliance with Title XI of FIRREA, as well as by the Uniform Standards of Appraisal Practice as promulgated by the Appraisal Foundation, is as follows.

> Market value means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby,
>
> 1. Buyer and seller are typically motivated;
>
> 2. Both parties are well informed or well advised, and acting in what they consider their own best interest;
>
> 3. A reasonable time is allowed for exposure in the open market;
>
> 4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
>
> 5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Policy Statement of the Appraisal Institute

It is improper to base a conclusion or opinion of value upon the premise the racial, ethnic, or religious homogeneity of the inhabitants of an area or of a property is necessary for maximum value.

Racial, religious, and ethnic factors are deemed unreliable predictors of value trends or price variance.

It is improper to base a conclusion or opinion of value, or a conclusion with respect to neighborhood trends, upon stereotyped, biased presumptions relating to the effective age or remaining life of the property being appraised or the life expectancy of the neighborhood in which it is located.

FACTUAL DESCRIPTIONS

Property Description

Summary of Site Characteristics and Improvements

SITE	
Information Sources:	Deed, assessment records, inspection, owner
Total Site Size:	+/-0.44-Acre
Usable Site Size:	+/-0.44-Acre
Excess Land:	0.00 acres
Corner Lot:	The site is not a corner lot.
Visibility:	The subject site benefits from good visibility from Scenic Highway 98, which parallels the northern boundary of the subject property. The subject site is considered to have good visibility for the subject market area.
Shape:	Rectangular. See aerial photograph / property appraiser map for a visual depiction of the site shape and parcel.
Road Frontage/Access:	The subject features direct access from Scenic Highway 98.
Waterfront Proximity:	The subject is located directly along the northern shoreline of the Gulf of Mexico, and offers direct access to the beaches to the south. The subject property is well-positioned as a resort rental property which would take capitalize on its direct beachfront location.
Drainage:	Drainage appears adequate for the subject property. Drainage on the subject site meets current standards for storm water retention. The subject property is considered typical with regard to other similar properties in the subject market area.
Potential For Environmental Contamination:	The appraisers have not observed, nor are qualified to detect, the existence of potentially hazardous material or underground storage tanks which may be present on or near the subject site. The appraisers recommend that an environmental survey be attained to assure the environmental stability of the subject property. This appraisal assumes no subsoil contamination of the subject site.

Utilities:

*Electricity***:** Electricity is provided by Gulf Power, Inc. Standard service capacity exists at the subject property with adequate capacity to service the subject existing improvements.

Sewer: Public sewer is provided and is on site.
Water: Public water is provided and is on site.
Natural Gas: Natural Gas service is provided and is on site.

Adequacy: Utility service is considered adequate for the subject improvements and at least standard for the subject market area.

Site Improvements: Site improvements present on the subject at the time of inspection included pavered parking area, utilities, landscaping, a heated outdoor swimming pool with tile pool deck area, and a wooden dune walkover providing direct access to the beach.

Landscaping: The subject features very good quality landscaping with various plantings and grassy areas with irrigation.

Site Utility: Good

Flood Zone: The subject is located in an area mapped by the Federal Emergency Management Agency (FEMA). The subject property appears to be located in Flood Zone 'VE' (EL 11 Feet) as noted by the following FEMA Map Number:
FEMA Map Number: 12091C0493H 12/06/2002

Easements: We were not provided with a survey for the subject property. Our review of the appropriate maps and public records for the subject property indicated that standard utility easements exist. Our viewing did not indicate that any of these easements would adversely affect the value opinion of the subject contained herein. This appraisal assumes no easements, encroachments, or private deed restrictions which would adversely affect the value of the subject property.

Encroachments: We were not provided with a survey for the subject property. Our review of the appropriate maps and public records for the subject property did not reveal any encroachments on the subject site. Our viewing did not indicate any encroachments that would adversely affect the value opinion of the subject contained herein. This appraisal assumes no easements, encroachments, or private deed restrictions which would adversely affect the value of the subject property.

In 'As Is' condition the subject property is improved with two resort rental residential structures which include a primary residence and a secondary improvement (detached garage / carriage house), along with associated site improvements which include a heated pool, pool deck, and parking.

In order to avoid redundancy, the following descriptions are applicable to each of the existing subject improvements unless otherwise noted.

IMPROVEMENTS – AS IS	
Summary:	Very good Quality Resort Rental Residence and Carriage House
Architectural Style:	Modern Multi-Story Residential 'Resort Style' Single Family Home and associated Carriage House
Building Class (Marshall Valuation)	Class D, Wood Frame
Construction:	Wood Frame / Stucco Exterior
Quality:	Very Good Quality Resort Residential Dwelling and Carriage House
Actual / Effective Age:	Actual Year Built 1996 / Actual Age 23 Years Effective Year Built 2006 / Effective Age 13 Years According to information provided by the current property owner, upon acquisition the subject property was extensively renovated. The renovations included, but are not limited to, new floors, kitchen, bathrooms, patio decks, lighting, stucco repairs, deck repairs, interior/exterior paint, new HVAC systems, all new fixtures, all new appliances, and new furnishings, to name a few.
Condition:	Very Good
Remaining Useful Life:	42 Years

Areas & Ratios:

Main House
Bedrooms: 5
Baths: 5
Total Gross Building Area: 7,375 Square Feet
Total HVAC Building Area: 5,506 Square Feet

Carriage (Guest) House
Bedrooms: 2
Baths: 1
Gross Building Area: 1908 Square Feet
HVAC Building Area: 864 Square Feet

Both Houses (Aggregate)
Bedrooms: 7
Baths: 6
Gross Building Area: 9,283 Square Feet
HVAC Building Area: 6,370 Square Feet

In aggregate the subject features 7 bedrooms and 6 bathrooms. Per instituted City of Destin Ordinance, the maximum number of guests will be calculated at the rate of 2 guests per bedroom based on the Property Appraiser's residential profile of the property, plus 4 additional guests. Therefore, the subject in the 'after ordinance' condition will be limited to 18 total guests. See Excerpt below.

Sec. 13-117. – Maximum occupancy based on site capacity/Grandfathering.

(a) The maximum overnight occupancy of a short-term rental shall be stated in the short-term rental registration form, and shall be limited to the lesser occupancy of the following two options:

i. Two (2) persons for each bedroom, plus four (4) additional persons. The number of bedrooms shall be based upon the Property Appraiser's residential profile of the property, and other documents of record, as needed. In no case shall the maximum total occupancy for any dwelling unit exceed the occupancy limits permitted by the Florida Fire Prevention Code or Florida Building Code.

or

ii. A total of twenty-four (24) persons per short-term rental. In the event that there is more than one building or dwelling on one platted lot, the maximum occupancy shall be capped at twenty-four (24) occupants per lot or structure, whichever is less.

FOUNDATION, FRAME & EXTERIOR

Foundation: Concrete, Concrete Block Stemwall, Concrete Slab

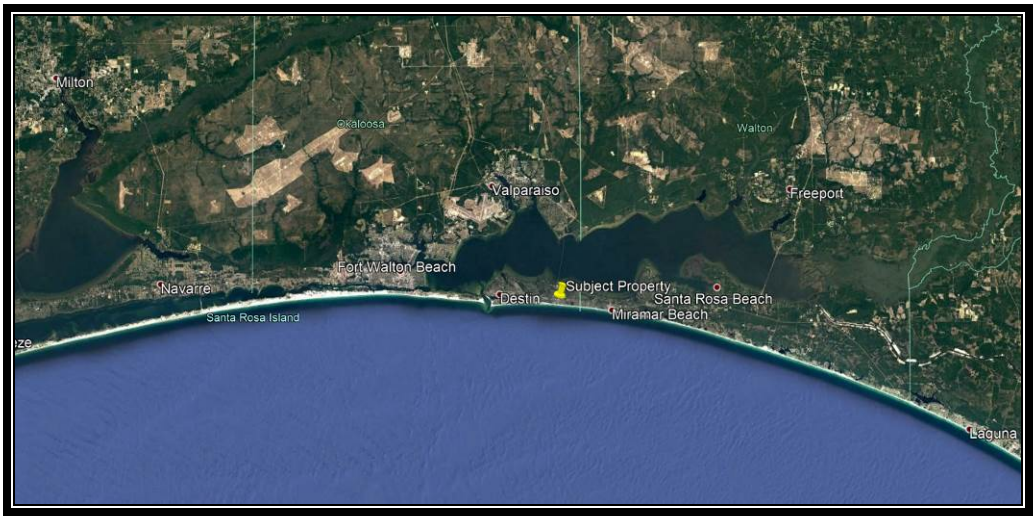
Frame: Wood Frame

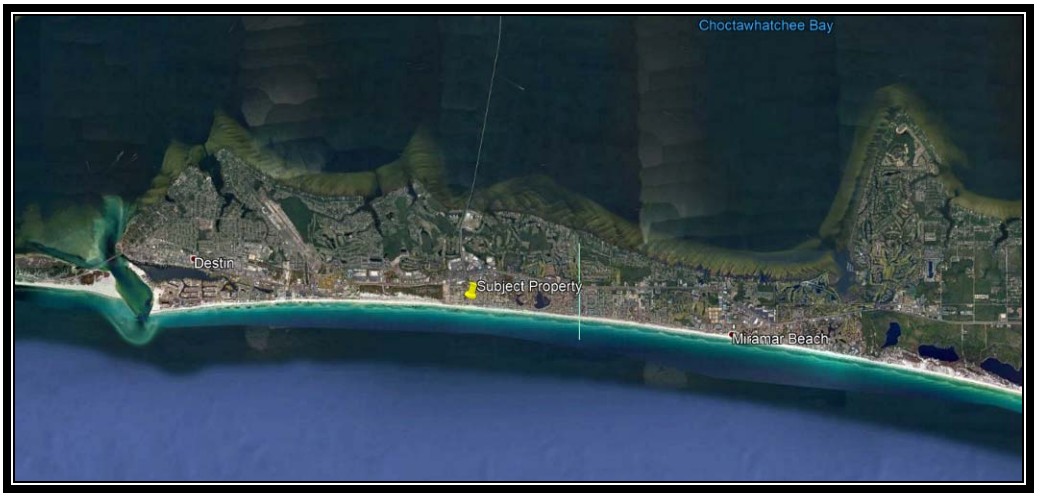
Exterior:	Stucco
Roof/Cover:	Tile, Sloped

INTERIOR	
Notes Regarding Interior Finish:	Interior finishes to the subject are of very good quality and include, but are not limited to, custom cabinetry, stone or solid surface countertops, custom backsplashes, stainless steel appliances, and very good quality bathroom and kitchen fixtures. Very good quality flooring and appurtenances. The subject features a finish consistent with to superior to most resort residences in the existing Destin / Crystal Beach market.
Interior Finish:	Very Good Quality.
Ceilings & Ceiling Height:	Finished Ceilings throughout, generally 10-0”-12’-0” height
Floor Cover:	Porcelain/Ceramic/Stone tile, Wood. Very good level of floor finish.
Doors:	Very good Quality and condition solid core / six-panel doors with lever style handles throughout. Glass windows and doors are good quality insulated double pane impact resistant.
Additional Amenities:	The subject property has a very good level of finish with good design and outdoor living areas including an outdoor heated swimming pool with concrete tile pool deck, covered outdoor patios, and 3rd floor observation deck/outdoor entertaining area.

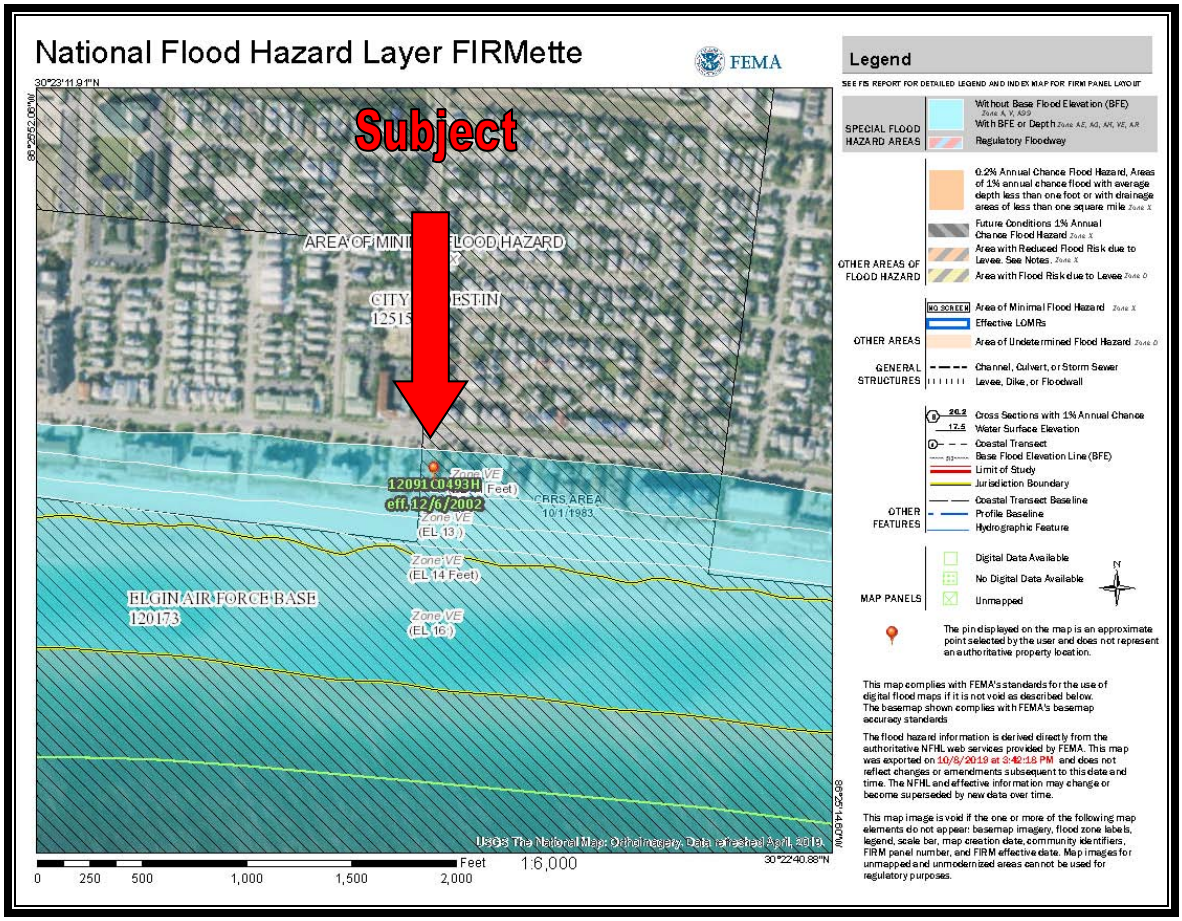
MECHANICAL SYSTEMS	
Heating / Cooling:	Multiple Individual HVAC systems.
Hot Water:	Adequate for property.
Electrical:	Adequate for property.
Plumbing:	Adequate for property with 6 Full Bathrooms.
	The subject was specifically designed as a resort rental property with planned occupancy / sleeping accommodations for 30 persons.

Regional/Area Maps





Flood Map


National Flood Hazard Layer FIRMette
FEMA
Subject
AREA OF MINI FLOOD HAZARD
CITY ESTIN
12515
12091C0493H
eff. 12/6/2002
Zone VE
(EL 13)
Zone VE
(EL 14 Feet)
Zone VE
(EL 16)
CBRS AREA
10/1/1983
ELGIN AIR FORCE BASE
120173
USGS The National Map: Orthoimagery. Data refreshed April, 2019.
Feet
1:6,000
0 250 500 1,000 1,500 2,000
30°23'11.91"N
86°25'52.06"W
30°22'40.88"N
86°25'14.60"W
Legend
SEE FIS REPORT FOR DETAILED LEGEND AND INDEX MAP FOR FIRM PANEL LAYOUT
SPECIAL FLOOD HAZARD AREAS
Without Base Flood Elevation (BFE)
With BFE or Depth
Regulatory Floodway
OTHER AREAS OF FLOOD HAZARD
0.2% Annual Chance Flood Hazard, Areas of 1% annual chance flood with average depth less than one foot or with drainage areas of less than one square mile
Future Conditions 1% Annual Chance Flood Hazard
Area with Reduced Flood Risk due to Levee. See Notes.
Area with Flood Risk due to Levee
OTHER AREAS
Area of Minimal Flood Hazard
Effective LOMRs
Area of Undetermined Flood Hazard
GENERAL STRUCTURES
Channel, Culvert, or Storm Sewer
Levee, Dike, or Floodwall
OTHER FEATURES
Cross Sections with 1% Annual Chance Water Surface Elevation
Coastal Transect
Base Flood Elevation Line (BFE)
Limit of Study
Jurisdiction Boundary
Coastal Transect Baseline
Profile Baseline
Hydrographic Feature
MAP PANELS
Digital Data Available
No Digital Data Available
Unmapped
N
The pin displayed on the map is an approximate point selected by the user and does not represent an authoritative property location.
This map complies with FEMA's standards for the use of digital flood maps if it is not void as described below. The basemap shown complies with FEMA's basemap accuracy standards
The flood hazard information is derived directly from the authoritative NFHL web services provided by FEMA. This map was exported on 10/8/2019 at 3:42:18 PM and does not reflect changes or amendments subsequent to this date and time. The NFHL and effective information may change or become superseded by new data over time.
This map image is void if the one or more of the following map elements do not appear: basemap imagery, flood zone labels, legend, scale bar, map creation date, community identifiers, FIRM panel number, and FIRM effective date. Map images for unmapped and unmodernized areas cannot be used for regulatory purposes.

Flood Zone Descriptions

“A 100-year flood is a flood that has a 1-percent chance of being equaled or exceeded in any given year. A base flood may also be referred to as a 100-year storm and the area inundated during the base flood is sometimes called the 100-year flood plain.

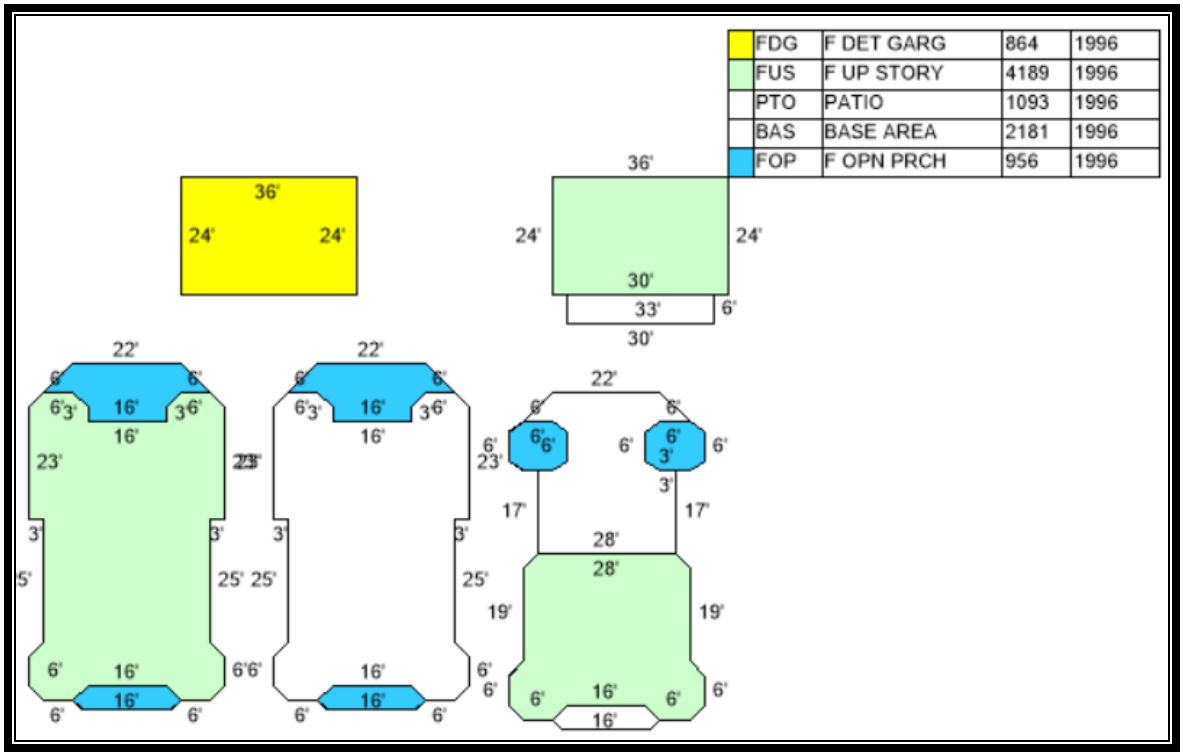
The term "100-year flood" is misleading. It is not the flood that will occur once every 100 years. Rather, it is the flood elevation that has a 1- percent chance of being equaled or exceeded each year. Thus, the 100-year flood could occur more than once in a relatively short period of time. The 100-year flood, which is the standard used by most Federal and state agencies, is used by the National Flood Insurance Program (NFIP) as the standard for floodplain management and to determine the need for flood insurance. A structure located within a special flood hazard area shown on an NFIP map has a 26 percent chance of suffering flood damage during the term of a 30-year mortgage.

Zone AE and A1-A30
Zones AE and A1-A30 are the flood insurance rate zones that correspond to the 100-year floodplains that are determined in the Flood Insurance Study by detailed methods. In most instances, Base Flood Elevations derived from the detailed hydraulic analyses are shown at selected intervals within this zone. Mandatory flood insurance purchase requirements apply.

Zone VE
Zone VE is the flood insurance rate zone that corresponds to the 100-year coastal floodplains that have additional hazards associated with storm waves. BFEs derived from the detailed hydraulic analyses are shown at selected intervals within this zone. Mandatory flood insurance purchase requirements apply.

Zones B, C, and X are the flood insurance rate zones that correspond to areas outside the 100-year floodplains, areas of 100-year sheet flow flooding where average depths are less than 1 foot, areas of 100-year stream flooding where the contributing drainage area is less than 1 square mile, or areas protected from the 100-year flood by levees. No BFEs or depths are shown within this zone.”

Building Floor Plan



Aerial Photograph

Subject property outlined in blue above

Subject Photographs

Subject North (Front) Elevation – Main House

Subject North (Rear) Elevation – Main House

Subject West (Side) Elevation – Main House

Subject West (Front) Elevation – Detached Garage/Carriage House

Heated Pool with Concrete Tile Deck

Outside entertainement area along pool deck

Wooden walkway leading directly to beaches from rear of subejct property

View facing east from rear of subject property

View facing south from rear of subject property

View facing west from rear of subject property

Interior View – Detached Garage/Carriage House

Interior View – Detached Garage/Carriage House

Interior View – Detached Garage/Carriage House

Interior View – Detached Garage/Carriage House

Interior View – Detached Garage/Carriage House

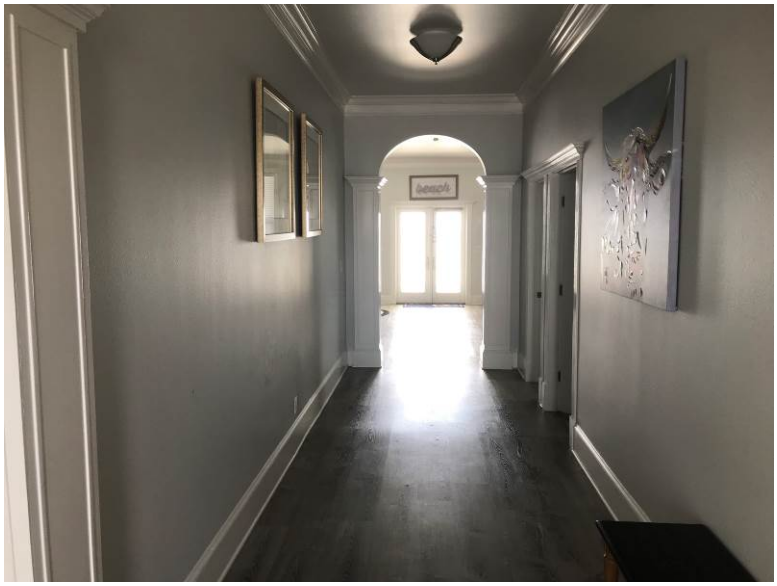
Interior View – Detached Garage/Carriage House

Interior View – Detached Garage/Carriage House

Interior View – Detached Garage/Carriage House

Interior View – Detached Garage/Carriage House

Interior View – Main House



Interior View – Main House

Interior View – Main House

Interior View – Main House

Interior View – Main House

Interior View – Main House

Interior View – Main House

Interior View – Main House

Interior View – Main House

Interior View – Main House

Interior View – Main House

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Interior View – Main House

Interior View – Main House

Interior View – Main House

Interior View – Main House

Interior View – Main House

Interior View – Main House

Interior View – Main House

Interior View – Main House

Interior View – Main House

View of 3rd floor observation/entertainment area

View of 3rd floor observation/entertainment area

View of 3rd floor observation/entertainment area

View of 3rd floor observation/entertainment area

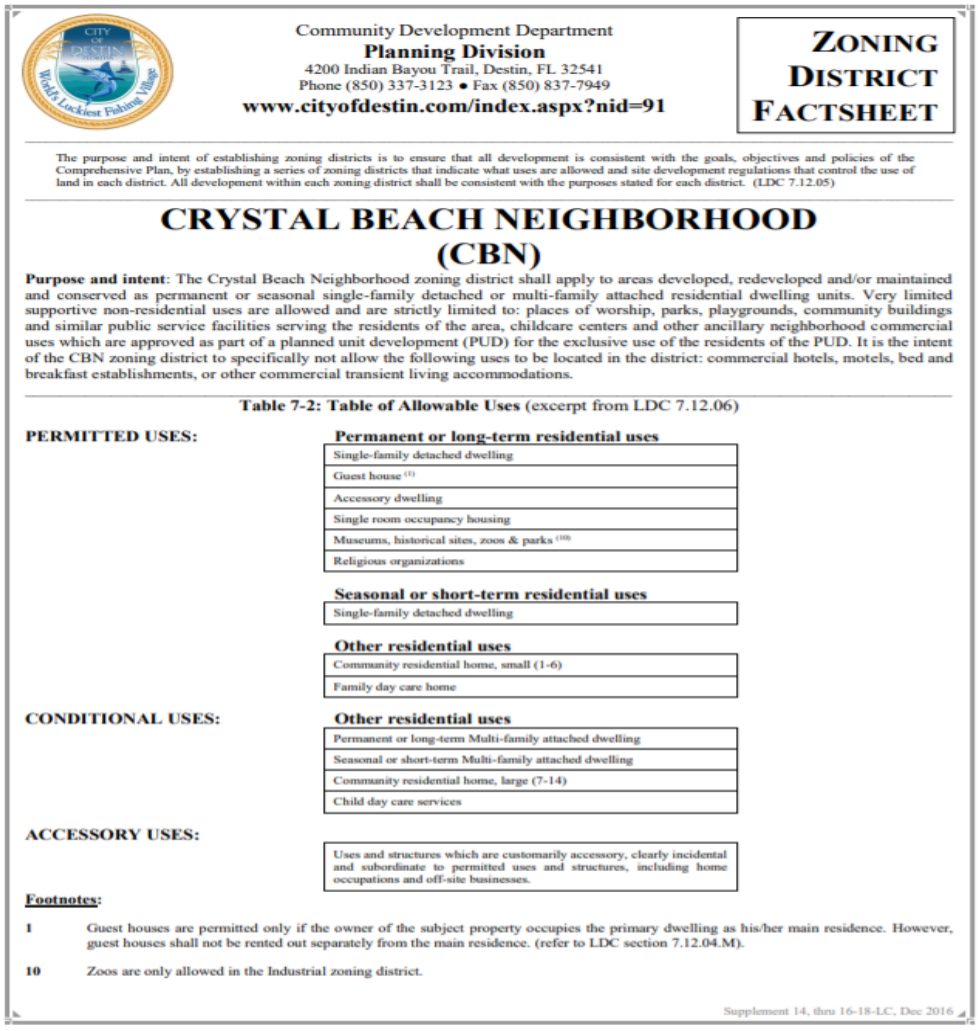
View of Gulf facing south from 3rd floor observation/entertainment area

Zoning

The subject property is located within the Crystal Beach Neighborhood land use designation, as governed by the City of Destin.

Use of the subject for various residential, short term seasonal rental, guest house and other varied uses are legally permissible by the zoning in place.

Therefore, use of the subject as a seasonal rental property is considered legal, conforming. It is noted that the zoning category description within the land development code does not provide for any outlined maximum occupancies for the subject property or other similar properties. We therefore ascertain that prior to implementation of City of Destin Ordinance 18-29-CC occupancy of the subject for the planned number of sleeping guests of 30 was legally permissible.



Community Development Department
Planning Division
4200 Indian Bayou Trail, Destin, FL 32541
Phone (850) 337-3123 • Fax (850) 837-7949
www.cityofdestin.com/index.aspx?nid=91

ZONING DISTRICT FACTSHEET

The purpose and intent of establishing zoning districts is to ensure that all development is consistent with the goals, objectives and policies of the Comprehensive Plan, by establishing a series of zoning districts that indicate what uses are allowed and site development regulations that control the use of land in each district. All development within each zoning district shall be consistent with the purposes stated for each district. (LDC 7.12.05)

CRYSTAL BEACH NEIGHBORHOOD (CBN)

Purpose and intent: The Crystal Beach Neighborhood zoning district shall apply to areas developed, redeveloped and/or maintained and conserved as permanent or seasonal single-family detached or multi-family attached residential dwelling units. Very limited supportive non-residential uses are allowed and are strictly limited to: places of worship, parks, playgrounds, community buildings and similar public service facilities serving the residents of the area, childcare centers and other ancillary neighborhood commercial uses which are approved as part of a planned unit development (PUD) for the exclusive use of the residents of the PUD. It is the intent of the CBN zoning district to specifically not allow the following uses to be located in the district: commercial hotels, motels, bed and breakfast establishments, or other commercial transient living accommodations.

Table 7-2: Table of Allowable Uses (excerpt from LDC 7.12.06)

PERMITTED USES:

Permanent or long-term residential uses

Single-family detached dwelling
Guest house (1)
Accessory dwelling
Single room occupancy housing
Museums, historical sites, zoos & parks (10)
Religious organizations

Seasonal or short-term residential uses

Single-family detached dwelling

Other residential uses

Community residential home, small (1-6)
Family day care home

CONDITIONAL USES:

Other residential uses

Permanent or long-term Multi-family attached dwelling
Seasonal or short-term Multi-family attached dwelling
Community residential home, large (7-14)
Child day care services

ACCESSORY USES:

Uses and structures which are customarily accessory, clearly incidental and subordinate to permitted uses and structures, including home occupations and off-site businesses.

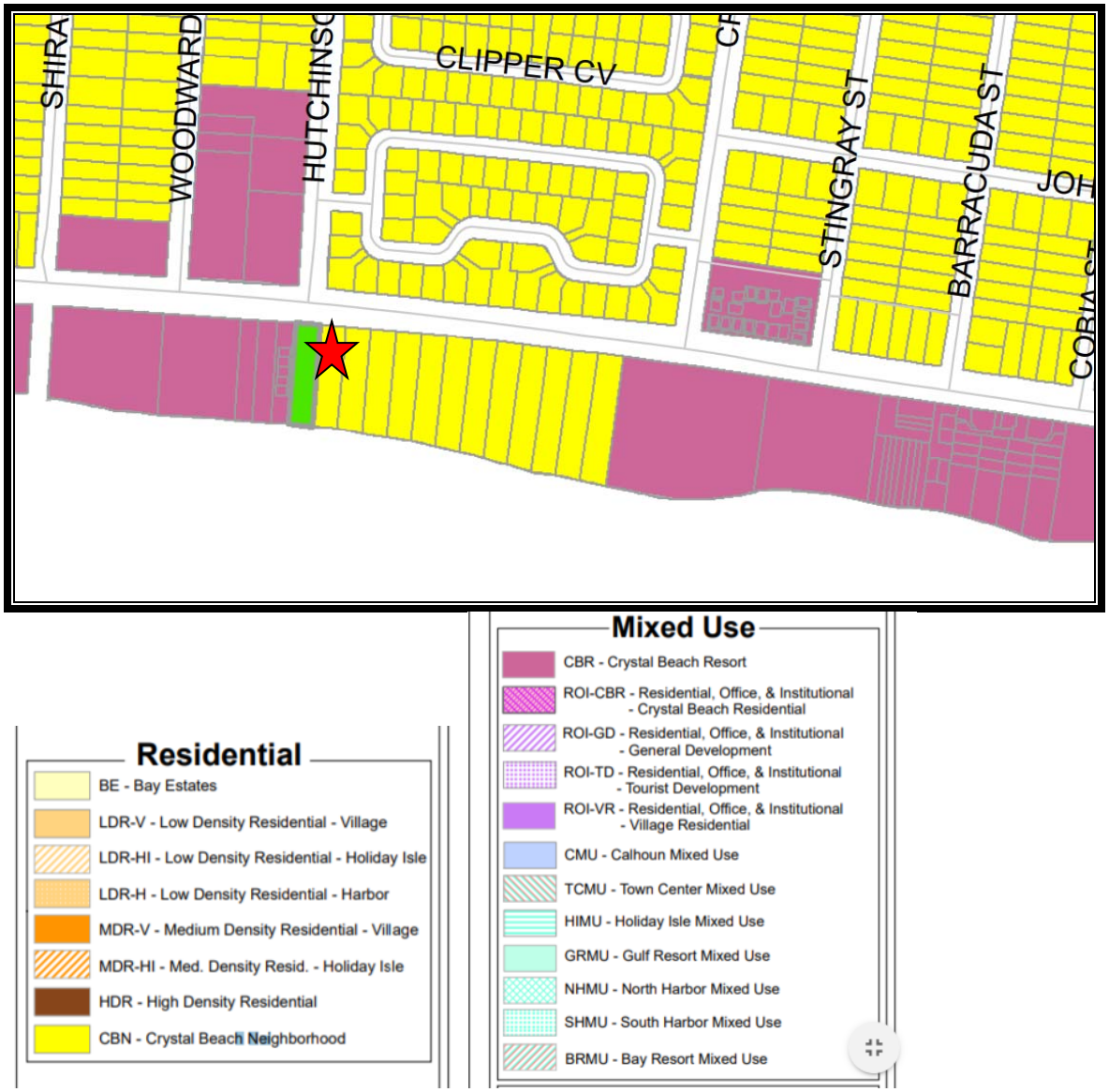
Footnotes:

1 Guest houses are permitted only if the owner of the subject property occupies the primary dwelling as his/her main residence. However, guest houses shall not be rented out separately from the main residence. (refer to LDC section 7.12.04.M).

10 Zoos are only allowed in the Industrial zoning district.

Supplement 14, thru 16-18-LC, Dec 2016

Zoning Map


SHIRA
WOODWARD
HUTCHINSO
CLIPPER CV
STINGRAY ST
BARRACUDA ST
JOH
CORIA ST
Residential
BE - Bay Estates
LDR-V - Low Density Residential - Village
LDR-HI - Low Density Residential - Holiday Isle
LDR-H - Low Density Residential - Harbor
MDR-V - Medium Density Residential - Village
MDR-HI - Med. Density Resid. - Holiday Isle
HDR - High Density Residential
CBN - Crystal Beach Neighborhood
Mixed Use
CBR - Crystal Beach Resort
ROI-CBR - Residential, Office, & Institutional - Crystal Beach Residential
ROI-GD - Residential, Office, & Institutional - General Development
ROI-TD - Residential, Office, & Institutional - Tourist Development
ROI-VR - Residential, Office, & Institutional - Village Residential
CMU - Calhoun Mixed Use
TCMU - Town Center Mixed Use
HIMU - Holiday Isle Mixed Use
GRMU - Gulf Resort Mixed Use
NHMU - North Harbor Mixed Use
SHMU - South Harbor Mixed Use
BRMU - Bay Resort Mixed Use

Assessment and Taxes

Tax Structure, Overview

Florida Law requires that the just value of all property be determined each year. The Supreme Court of Florida has declared "just value" to be legally synonymous to "full cash value" and "fair market value." The fair market value of real property is the amount for which it could sell on the open market, and assumes the present use is the highest and best use. The property appraiser analyzes these market transactions annually to determine fair market value as of January 1 of each year.

The property appraiser is responsible for identifying, locating, and fairly valuing all property, both real and personal, within the county for tax purposes. The "market" value of real property is based on the current real estate market, and is determined by market participants. The property appraiser has the legal responsibility to study the transactions of market participants and appraise real property accordingly.

At least once every three years, the county property appraiser or a staff appraiser will visit and inspect each property. Additionally, individual property values may be adjusted between visits in light of sales activity or other factors affecting real estate values in the subject neighborhood. Sales of similar properties are typically used as strong indicators of value in the real estate market.

Each August, the Property Appraiser sends a "Notice of Proposed Taxes," to all property owners to notify them of the taxable value of their property. Taxable value is the assessed value less any exemptions. The TRIM notice also gives information on proposed millage rates and taxes as estimated by community taxing authorities, and when and where these taxing authorities will hold public meetings to discuss tentative budgets to set your millage tax rates.

The property appraiser only assesses all property in the county and is neither a taxing authority nor a tax collector. Three separate government entities, each having unique and distinct roles, determine the tax bill of any property in their jurisdiction.

The following is a summary of the process:

> First the property appraiser annually appraises all property in their respective county at the market value as of January 1 each year.
>
> Second, each taxing authority within the county sets their own millage rate based on the amount of tax dollars necessary to fund their annual budget.
>
> Finally, the tax collector takes the amount of taxes due in order to bill and collect all taxes levied within the county.

Tax Collector Card

BEN ANDERSON
Okaloosa County Tax Collector

MAIL PAYMENTS TO: P.O. BOX 1390, NICEVILLE, FL 32588

2018 Paid Real Estate
Notice of Ad Valorem Tax and Non-Ad Valorem Assessments

ACCOUNT NUMBER	ESCROW CD	MILLAGE CODE	ALTERNATE KEY	PROPERTY ADDRESS
00ZS220S8400000020		DEDF	1003403	2968 SCENIC HWY 98 E, DESTIN, 32541

GEMINI CAPITAL ACQUISITIONS
C/O AKERMAN LLP
777 SOUTH FLAGLER DR STE 1100W
WEST PALM BEACH, FL 33401

2968 SCENIC HWY 98 E

SHORES OF CRYSTAL BEACH
LOT 2

AD VALOREM TAXES

TAXING AUTHORITY	MILLAGE RATE	ASSESSED VALUE	EXEMPTION AMOUNT	TAXABLE VALUE	TAXES LEVIED
OKALOOSA COUNTY BD OF CO COMMS					
EMERGENCY MEDICAL SERVICES	0.0741	2,761,607	0	2,761,607	204.64
GENERAL	3.7214	2,761,607	0	2,761,607	10,277.04
COUNTY PUBLIC HEALTH UNIT	0.0353	2,761,607	0	2,761,607	97.48
SCHOOL LOCAL	2.2480	2,761,607	0	2,761,607	6,208.09
SCHOOL STATE	4.1130	2,761,607	0	2,761,607	11,358.49
NORTHWEST WATER DISTRICT	0.0336	2,761,607	0	2,761,607	92.34
CITY OF DESTIN	1.6150	2,761,607	0	2,761,607	4,460.00
DESTIN FIRE DISTRICT	1.0000	2,761,607	0	2,761,607	2,761.61

EXEMPTIONS APPLIED:

TOTAL MILLAGE	12.8406	AD VALOREM TAXES	$35,460.69

WANT TO RECEIVE YOUR BILL ELECTRONICALLY NEXT YEAR? VISIT www.OkaloosaTax.com AND SIGN UP FOR E-BILLS!

NON-AD VALOREM ASSESSMENTS

LEVYING AUTHORITY	RATE	AMOUNT

PAY ON LINE WITH CREDIT/DEBIT CARD AT www.OkaloosaTax.com - BANK CARD USER FEE WILL APPLY

NON-AD VALOREM ASSESSMENTS	$0.00

COMBINED TAXES AND ASSESSMENTS	$35,460.69

PAYING ONLINE VIA
E-CHECK IS FREE
Visit www.OkaloosaTax.com

PAY YOUR BILL

"PAY ONLINE, NOT IN LINE"

RETAIN THIS PORTION FOR YOUR RECORDS
WALK-IN CUSTOMERS PLEASE BRING FOR RECEIPT
AFTER MARCH 31ST, TAXES MUST BE PAID WITH CASH, CASHIER'S CHECK OR MONEY ORDER.

If Postmarked By	Nov 30, 2018
Please Pay	$0.00

BEN ANDERSON
Okaloosa County Tax Collector

MAIL PAYMENTS TO: P.O. BOX 1390, NICEVILLE, FL 32588

2018 Paid Real Estate
Notice of Ad Valorem Tax and Non-Ad Valorem Assessments

ACCOUNT NUMBER	ESCROW CD	MILLAGE CODE	ALTERNATE KEY	PROPERTY ADDRESS
00ZS220S8400000020		DEDF	1003403	2968 SCENIC HWY 98 E, DESTIN, 32541

PRIOR TO MARCH 31ST TAXES CAN BE PAID USING CASH, CHECK, CREDIT/DEBIT CARDS OR E-CHECK

If Postmarked By	Nov 30, 2018
Please Pay	$0.00

GEMINI CAPITAL ACQUISITIONS
C/O AKERMAN LLP
777 SOUTH FLAGLER DR STE 1100W
WEST PALM BEACH, FL 33401

2968 SCENIC HWY 98 E

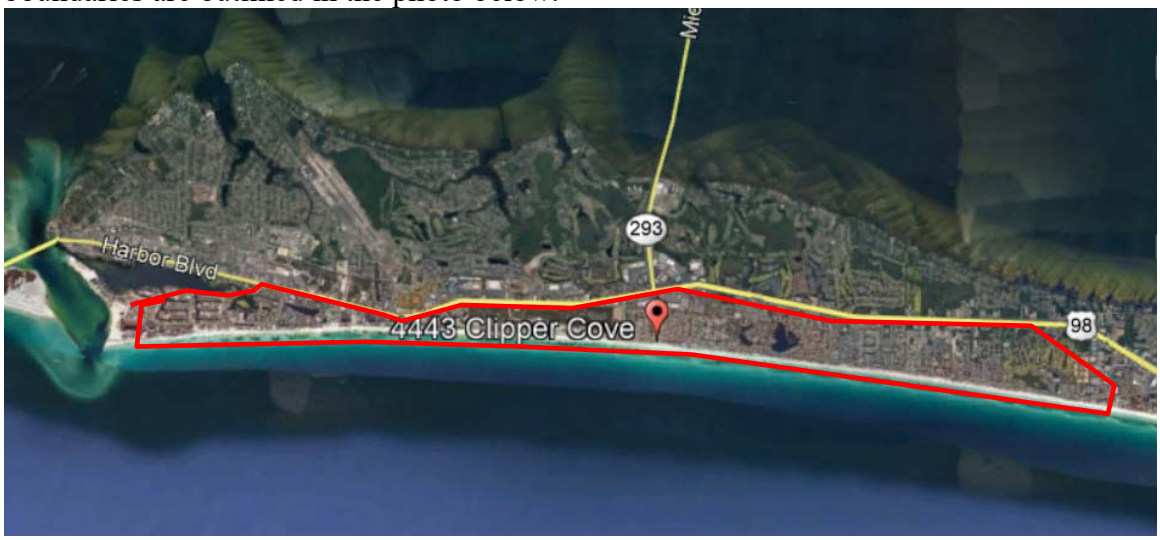
SHORES OF CRYSTAL BEACH
LOT 2

Paid GEMINI CAPITAL ACQUISITIONS C/O A 11/14/2018 Receipt # 252-18000110 Check $34,042.26

ANALYSIS OF DATA AND OPINIONS OF THE APPRAISERS

Market Area Summary / Neighborhood Information

The subject property is located in the Destin-Miramar Beach market area, which is bounded by the Destin Harbor / East Pass to the West, US Highway 98 and the waters of the Destin Harbor to the North, the Gulf of Mexico to the South and the intersection of US Highway 98 / Scenic Gulf Drive to the East. The approximate neighborhood boundaries are outlined in the photo below.



This is a resort area driven primarily by proximity to area beaches and resort activities. The predominant property type in the area is of second home and seasonal vacation properties with far fewer full-time residents than seasonal occupants.

Many second home and resort area property owners rent their properties on a seasonal basis to either offset costs of ownership or in the pursuit of income generation potential, and the seasonal income attributed to a property is often a significant factor contemplated by purchasers in the market when evaluating a purchase decision.

We have witnessed a trend for increased rental demand of larger resort residences which can accommodate larger groups for family reunions, large family vacations, etc.

This has led to the construction of larger and larger seasonal resort rental homes to serve this need. These larger properties often witness more robust demand and income generation potential than smaller properties with less sleeping capacity where vacationing groups would otherwise be required to split between several locations.

In summary, the subject is sited directly in an area that is geared toward seasonal rental operations, be it solely for the purpose of income generation potential or as an offset to the costs of personal use. The ability to rent a property seasonally remains a significant motivator for market participants and weighs heavily in their buy-sell decision making process. A restriction that negatively impacts the ability to seasonally rent a resort property is estimated to have a significant negative impact on the value of this asset class.

Highest and Best Use

The definition of "highest and best use" is presented unabridged in the definitions section of this report. However, in brief, highest and best use refers to the reasonably probable and legal use of vacant land or an improved property, which is legally permissible, physically possible, appropriately supported, financially feasible, and that results in the highest value, i.e. maximally productive.[3]

Objective analysis and interpretation of market data leads to an informed opinion of that use. However, the estimate of highest and best use should not be interpreted as a provable fact. A typical highest and best analysis evaluation process and pertinent questions which aid in the elimination of possible alternatives are presented below.

1. **Permissible Use.** What uses are permitted by zoning and other legal restrictions? What are the land use controls that will govern the site? Uses that are *legally permissible* are those allowed under current or likely zoning and those that could meet building codes. In addition, local communities may have restrictions on public utility loads, traffic creation, access restrictions, and so on, all of which must be considered when selecting legally permissible uses

2. **Physically Possible Use.** To what use is the site physically adaptable? What is an appropriate improvement given architectural / engineer study? Unless prohibited by soil or subsoil problems or land size constraints, it is *physically possible* to place most potential improvements on the site. Usually this test, if performed first or second, will not significantly reduce the number of potential uses.

3. **Feasible Use.** Which possible and permissible use will produce any net return to the owner of the site? Should the land be developed, and if so, what kind of improvement should be built? If an improvement should be constructed, what is the type and characteristics of an ideal improvement? Uses that are considered economically or financially feasible are those that potentially would logically produce net operating income and net resale price levels high enough to adequately support construction of the potential improvement and provide the investor with a reasonable profit. Implicit to this analysis is that riskier projects require higher profit levels to induce potential developers to undertake the burden of coordination of land, labor and capital.

4. **Maximally Productive Use.** The final test is to determine of the financially feasible options, which of these would result in the highest land value or values as

[3] The Appraisal of Real Estate, Twelfth Edition

improved. Among the feasible uses which use will produce the highest net return, (i.e., the highest present worth)? If there are existing improvements on the property should they be maintained in their current state or should they be altered to more closely resemble the ideal improvement?

Although these criteria are generally evaluated sequentially, the resulting conclusion of highest and best use should be identical regardless of the order of application of the above tests.

Implied within this definition is that the estimation of the highest and best use for a particular property results from the appraisers' judgment and analytical skill with respect to the market for that particular property.

However, the highest and best use of a specific parcel of land is not just a matter of subjective opinion; rather, highest and best use is indicated by supply and demand forces within the market where the property is located, availability of capital, supply of alternative investments, need for additional products or services within a community, and other factors.

Highest and Best Use 'As Is'

The highest and best use 'As Is' recognizes among all reasonable, alternative uses, the use that yields the highest present land value after payments are made for labor, capital, and entrepreneurial coordination.[4]

We have evaluated the most probable uses for the subject property, 'As Is', given the current market for resort residential rental property and recent development activity in the subject market area.

Legally Permissible

The subject property is located within the Crystal Beach Neighborhood land use designation, as governed by the City of Destin. Use of the subject for various residential, short term seasonal rental, guest house and other varied uses are legally permissible by the zoning in place.

Therefore, use of the subject as a seasonal rental property is considered legal, conforming. It is noted that the zoning category description within the land development code does not provide for any outlined maximum occupancies for the subject property or other similar properties. We therefore ascertain that prior to implementation of City of Destin Ordinance 18-29-CC occupancy of the subject for the planned number of sleeping guests of 30 was legally permissible. After implementation of City Ordinance 18-29-CC, the subject will be limited to a total of 18 sleeping guests.

Therefore, use of the subject as a resort residential property is legally permissible. Use of the subject prior to Ordinance implementation for occupancy by up to 30 guests was permitted, however after implementation of the Ordinance occupancy is limited to 18 guests.

Physically Possible

The subject property is generally level, well-drained, and at or level with the existing road grade of Scenic Highway 98 and features sufficient parking and site improvements to operate in the designed capacity for 30 occupants.

The subject represents a well-constructed gulf front resort residential property with two improvements (Main House/Carriage (Guest) House configured to provide multiple bedrooms, bathrooms, a heated in ground pool, kitchens, and living areas, etc. The subject has been specifically configured for occupancy as a resort rental property, and features all necessary components for operation as intended, with a designed occupancy of 30 overnight guests.

[4] The Appraisal Of Real Estate, Twelfth Edition

Therefore, use of the subject as a resort residential rental property for 30 sleeping guests is physically possible.

Financially Feasible
Demand for resort residential properties in the subject market area has improved in the previous 24-48 month period, with a number of increased transactions. Most market participants would describe the market for similar properties as robust.

As described in the market analysis section of this report, the predominant property type in the market area is of second home and seasonal vacation properties with limited full-time residents.

Many property owners rent their properties on a seasonal basis to offset costs of ownership or for income generation potential, and the income a property can generate is often a significant factor contemplated by purchasers in the market. This can be done with or without the assistance of a professional property manager.

We have witnessed a trend for increased rental demand of resort residences which can accommodate larger groups for family reunions, large family vacations, etc. This has led to the construction and renovation of seasonal resort rental homes to serve this need.

Reference the subject, the property was specifically renovated/configured to house up to 30 sleeping guests. Similar properties in the market (and the subject property) achieve sufficient income to provide an adequate return on investment to be definitively financially feasible, however this financial feasibility is directly linked to occupancy.

The recently-implemented City of Destin Ordinance 18-29-CC serves to reduce occupancy of the subject to no more than 18 persons, a net reduction in occupancy of -40.00%.

This no doubt will impact the income generation potential of the property and associated net income, as now the improvement which was renovated/configured for 30 guests will be limited to 18; But, the predominant costs of ownership remain the same.

This ordinance inevitably lowers net income to the property owner- a situation that has no result other than to reduce the value of the asset in its respective marketplace where income generation potential is valued by prospective purchasers.

Therefore, use of the subject as a resort rental property is considered to be financially feasible. However, it is noted that the reduction in permissible occupancy by Ordinance 18-29-CC is estimated to impact the financial performance and associated market value of the subject property negatively.

Maximally Productive Given the legally permissible, physically possible, and financially feasible uses of the subject property we are of the opinion that the maximally

productive use of the subject property ‘As Is’ is for continued resort rental use at the occupancy for which is was specifically renovated/configured (ie. 30 guests).

This use will certainly bring the highest net return to the land. While operation in a reduced occupancy capacity (as dictated by City of Destin Ordinance 18-29-CC) is still possible, the impact to the income generation potential is significant, as the occupancy has now been reduced by –40.00% based on number of persons.

This ordinance inevitably reduces gross and net income to the property owner, resulting in a reduced financial benefit of ownership and negative impact to market value.

Therefore, use of the subject as a seasonal rental property is considered legal, conforming. It is noted that the zoning category description within the land development code does not provide for any outlined maximum occupancies for the subject property or other similar properties. We therefore ascertain that prior to implementation of City of Destin Ordinance 18-29-CC occupancy of the subject for the planned number of sleeping guests of 30 was legally permissible.

Valuation Methodology - Overview

The appraisal analysis is based on analytical techniques that may encompass anticipation of costs to be incurred, and benefits to be derived in the future; however, the subject is appraised as described in this report, including only those assumptions also described in this report.

This appraisal analysis has been conducted, and the appraisal report was prepared in conformance with the requirements of Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA).

The valuation process is a systematic procedure an appraiser follows to provide answers to a client's questions about real property value.[1] Three basic approaches may be used to arrive at an estimate of market value. They are:

1. The Cost Approach
2. The Income Approach
3. The Sales Comparison Approach

Land Valuation Methodology

Land Valuation is generally a component of the Cost Approach in appraisal of an improved property. In most appraisal analyses, separate land valuation is conducted utilizing the Sales Comparison Approach.

Cost Approach Methodology

The cost approach is a reliable methodology for new, nearly new or special-use buildings. In the cost approach, value is estimated as the current cost of reproducing or replacing the existing or proposed improvements and site improvements (including direct and indirect costs as well as an appropriate entrepreneurial incentive or profit), and then deducting the loss in value from depreciation due to physical, functional, and external sources.[5]

The depreciated replacement or reproduction cost of the improvements is then added to the value of the site resulting in a value indication of the fee simple interest in the property.

The Cost Approach is summarized as follows:

Cost New
- Depreciation
+ Entrepreneurial Incentive
+ Land Value
= Value

[5] The Appraisal of Real Estate, Twelfth Edition

Sales Comparison Approach Methodology

The sales comparison approach is premised on the "Principle of Substitution" which indicates an informed purchaser would pay no more for a property than the cost of acquiring an equally desirable substitute property possessing the same or similar utility.

This approach is applicable when an active market provides sufficient quantities of reliable data which can be verified from authoritative sources. The Sales Comparison Approach is most reliable in an active market or if an opinion of value is related to properties for which there are comparable sales available- and heavy emphasis is generally placed on this sales comparison approach when these market conditions are present.

The Sales Comparison Approach compares sales of similar properties with the subject property. Each comparable sale is adjusted for its inferior or superior characteristics. The values derived from the adjusted comparable sales form a range of value for the subject. By process of correlation and analysis, a final indicated value is derived.

Income Approach Methodology

The Income Approach converts the anticipated flow of future benefits (income) to a present value estimate through a capitalization and/or a discounting process.

The income approach is recognized as a reliable approach for estimating the value of "income producing" property to an investor. The income approach consists of methods, techniques, and mathematical procedures that an appraiser utilizes to analyze a property's capacity to generate income and convert income into an indication of present value either by capitalizing the current income at a market capitalization rate, or discounting the future cash flows into a present value estimate using an appropriate yield (discount) rate. The appraisal process emulates the actions of the market, and the income approach is most applicable when the probable buyer would be an investor or prospective owner occupant. Two techniques associated with the income approach are direct capitalization and discounted cash flow analysis.

Final Reconciliation Process

In the appraisal process for improved property, typically more than one approach to value is applied, resulting in two or more value indications that must be evaluated for relevancy, applicability and reliability, and a final point value or range of value is chosen.

Resolving the differences among various value indications is called reconciliation.[6]

The appraisal process concludes with the Final Reconciliation of the values derived from the approaches applied to arrive at a single estimate or range of market value opinions. Different properties require different means of analysis and lend themselves to one

[6] The Appraisal of Real Estate, Twelfth Edition

approach over the others. As such, in the reconciliation appropriate weight is given to the most applicable and/or reliable indications of value to arrive at a conclusion.

Reconciliation is not a mathematical process. Rather, at this point in the valuation process the appraiser must reevaluate all pertinent data in the analysis for appropriateness, accuracy, and quality of evidence.

The appraiser then weighs the relative significance, applicability, and defensibility of each value indication and relies most heavily on the approach that is most appropriate to the nature of the appraisal problem.

Valuation Methodology Utilized in this Assignment

Valuation Analyses

Purpose of Assignment:	The purpose of this appraisal is to derive an opinion of the Dimunition in Value to the subject property associated with the implementation of City of Destin Ordinance No. 18-29-CC. This Ordinance was implemented January 22, 2019, and the incorporation of this ordinance limits the occupancy of the subject property to 18 guests. Prior to the implementation of this Ordinance, the designed occupancy of the subject property was 30 guests. Therefore, as a result of the ordinance, the maximum occupancy of the subject has been reduced by 12 guests, or approximately –40.00%. We are therefore opining on the difference in market value of the subject before and after the adoption of City of Destin Ordinance No. 18-29-CC, which was promulgated on January 22, 2019.
Land Valuation:	An opinion of value for the subject property in 'as if vacant' condition and subsequent application of the cost approach has not been provided. The purpose of this appraisal is to evaluate the impact to the value of the subject by virtue of the implementation of City of Destin Ordinance 18-29-CC which limits occupancy of the subject and corresponding associated income generation potential. Thus, the cost to acquire land and construct a replacement property is meaningless to the purpose of the assignment and was not applied.

Sales Comparison Approach:	The improved sales comparison approach was not utilized in this appraisal assignment. The purpose of this appraisal is to evaluate the impact to the value to the subject by virtue of the implementation of City of Destin Ordinance 18-29-CC which limits occupancy of the subject and associated income generation potential. As this ordinance was just recently implemented, an adequate number of improved sales which sold after the Ordinance implementation date were not available from which to derive an opinion of market value from this approach. As sales which occurred prior to this Ordinance will reflect market transactions without this restriction, they are not considered valid indicators of value for the subject in the restricted condition. Therefore this approach could not be applied due to lack of sufficient comparable data.
Income Approach:	The income approach was applied for the subject in both the 'Before Ordinance' and 'After Ordinance' scenarios.

Income Approach

The Income Approach to value is based on the principle of anticipation, i.e. the value of property correlates to the present worth of the future rights to benefits to be received by the owner. Income approach analysis considers the property from an investor's point of view, the basic premise being that the amount and quality of the income stream are the basis for value of the property.

The income approach is applied by projecting a net income stream through analysis of the subject historical data, comparable property's income and expense information, and historical income expense information for similar properties in the subject market area.

The estimated net income is then converted to a value indication utilizing either the process of direct capitalization analysis, discounted cash flow (DCF) analysis (yield capitalization), or a combination of these methods.

Discounted Cash Flow Analysis (Yield Analysis)
Discounted Cash Flow (DCF) analysis is the procedure in which a discount rate is applied to a series of projected income streams and a reversion. The analyst specifies the quantity, variability, timing, and duration of the income streams as well as the quantity and timing of the reversion and discounts each to its present value at a specified yield rate. DCF analysis can be applied with any yield capitalization technique and may be performed on either a lease-by-lease or aggregate basis.[7]

Applicability: DCF (Yield) analysis is generally used when the net income of the property is forecast to be variable, when the property is of a sufficient size and investment value to cause market participants to evaluate purchase decisions based on DCF, or when specifically requested by the client in an assignment.

Given the nature of the subject property, a discounted cash flow analysis was not employed in this appraisal analysis, as market participants typically do not utilize DCF methodology when evaluating purchase decisions for properties such as the subject.

Direct Capitalization
Conversion of a net income to a present value dollar estimate is called capitalization. Direct capitalization is a method used to convert an estimate of a single year's income expectancy into an indication of value in one direct step, either by dividing the income estimate by an appropriate rate or by multiplying the income estimate by an appropriate factor. This technique employs capitalization rates and multipliers extracted from sales. Only the first year's income is considered. Yield and value change are implied, but not identified.

[7] The Dictionary of Real Estate Appraisal, Fourth Edition

Applicability: Direct Capitalization analysis is generally appropriate for small to medium sized income-producing properties, in stable markets, single tenant or multi-user-oriented properties, or those with a forecast stable income stream.

Direct Capitalization is utilized in this appraisal given the subject market environment, the character of the subject property in the local market, and the tendency for market participants to use direct capitalization analysis when evaluating investment thresholds and financial benefits for similar property.

The steps involved in capitalizing the subject's net operating income are as follows:

- Develop the subject's Potential Gross Income (PGI) through analysis of the subject's actual historic income and an analysis of competitive current market income rates.

- Estimate and deduct vacancy and collection losses to develop the Effective Gross Income (EGI).

- Develop and subtract operating expenses to derive the Net Operating Income (NOI).

- Develop the appropriate capitalization rate (R_o).

- Divide the net operating income by the capitalization rate for an estimate of value through the income approach.

The reliability of a value found by this approach depends on an appraiser's ability to forecast and support income forecasts and to apply the appropriate income capitalization technique to arrive at the value estimate. When estimating market value, the income forecast must be considered by the appraiser to be typical and the income capitalization techniques must reflect the way investors usually estimate value.

Valuation of a Fee Simple Interest by the Income Approach
When estimating the value of the fee simple interest by the income approach, the annual operating income is forecast assuming market levels. The term "market levels" means that the income and expenses are set at levels considered suitable for the subject property after comparing it to similar properties under current market conditions. Rental rates are projected based on expected market rents and vacancy, and collection loss is based on what is typical in the market for properties renting at the market rate.

Estimate of Potential Gross Income (PGI)

Potential Gross Income is the total income attributable to real property at full occupancy before vacancy and operating expenses are deducted. Potential Gross Income includes the sum of potential rental income, other income, and expense recoveries. The income and expense history of the subject property is described below.

Property Income / Use History:
The property owner provided us with historical rental income and expense data the subject property. The subject property was renovated in 2017/2018 and the first full seasonal rental year will be 2019.

Information provided by the property owner indicates that in the 8 months of 2018, following the renovations, the subject property was utilized as a resort rental property and produced an income of approximately $265,000, or $8,833.33 per person based on an occupancy of 30 guests and only 8 months of rental operations. If we were to annualize this historical rental income the result would be a per person rental income of $13,250.

As of August 31, 2019, the subject property has produced in income of approximately $271,000 and current bookings thru the end of the year indicate an overall income for the 2019 year of approximately $330,000, or $13,750 per person based on an occupancy of 24 guests. According to the property owner, in January of 2019 he reduced his occupancy level to 24 occupants in order to comply with the instituted City of Destin Ordinance.

We again mention that the subject property is a resort residential property that was specifically renovated/configured for income generation potential based on a sleeping occupancy load of 30 persons. This is the basis of the 'Before Ordinance' valuation scenario. As a result of the implementation of City of Destin Ordinance 18-29-CC, the subject is now limited to a maximum sleeping occupancy of 18 persons, or a reduction of approximately -40.00%. This is the basis of the 'After Ordinance' valuation scenario.

We now seek to formulate an opinion of probable annual gross income due the subject in the 'Before Ordinance' configuration with a sleeping occupancy of 30 guests and in the 'After Ordinance' configuration with a sleeping occupancy of 18 guests.

Market Rent Based on Occupancy
The appraiser has researched the local market area in order to derive potential subject market rents based on the respective occupancy levels in the 'before' and 'after' configurations.

We will present a table of comparable gross rental income for comparable resort residential properties for both the 'before' and 'after' occupancy categories. The following table outlines comparable rentals of residential resort rental homes in the subject market area with a sleeping capacity of 24-34 or more guests (before ordinance), then for 16-24 guests (after ordinance).

COMPARABLE RENTAL SCHEDULE, SLEEPING OCCUPANCY APPROXIMATELY 30 PERSONS 'Before Ordinance' Dataset					
Address	Sleeping Capacity	HVAC SF	Year Built	Annual Gross Income	Gross Income Per Sleeping Occupant
4488 Ocean View Drive	24	3,885	2018	$163,393	$6,808
2825 Scenic Highway 98	24	5,000	1991	$220,000	$9,167
2978 Scenic Highway 98***	24	5,632	2003	$308,000	$12,833
3 Magnolia Drive	26	3,290	2017	$251,696	$9,681
96 Tarpon Street	28	3,398	2017	$161,000	$5,750
3487 Scenic Highway 98	32	6,600	2016	$305,393	$9,544
3463 Scenic Highway 98	32	6,153	2015	$380,000	$11,875
618 Gulf Shore Drive***	32	8,625	2016	$645,325	$20,166
42 Miami Street	34	7,424	2016	$463,852	$13,643
SUBJECT FORECAST REVENUE	24	6,370	2006 (Eff.)	$330,000	$13,750
Comparable Statistics*					
Minimum	24	3,290	1991	$161,000	$5,750
Maximum	34	8,625	2018	$645,325	$20,166
Average	28	5,638	2012	$322,866	$11,322
Median	27	5,893	2016	$306,697	$10,778

*Subject Data Excluded From Statistical Calculations

*** Gulf Front

The array of comparable rentals above exhibited a range of income per guest per year of between $5,750 and $20,166 per occupant. In consideration of the data above, we consider that an appropriate conclusion of gross annual rent per sleeping occupant is supported at $13,000 per sleeping space, which is within the range of comparable rental data presented and consistent with the historical performance of the subject.

CONCLUSION OF POTENTIAL GROSS ANNUAL RENT, SUBJECT SLEEPING OCCUPANCY OF 30 PERSONS ' Before Ordinance'				
Address	Sleeping Capacity	HVAC SF	Concluded Annual Gross Income Calculated Per Sleeping Occupant	Calculated Gross Income Per Sleeping Occupant
Subject Property	30	6370	$13,000	$390,000

COMPARABLE RENTAL SCHEDULE, SLEEPING OCCUPANCY OF APPROXIMATELY 18 PERSONS 'After Ordinance' Dataset					
Address	Sleeping Capacity	HVAC SF	Year Built	Annual Gross Income	Gross Income Per Sleeping Occupant
4835 Ocean Boulevard	14	3,546	2000	$126,000	$9,000
80 Woodward Street	16	2,378	2003	$85,000	$5,313
83 Sunfish Street	16	2,450	1994	$96,000	$6,000
4443 Clipper Cove	16	2,244	1993	$102,429	$6,402
91 Barracuda Street	18	3,320	2007	$139,577	$7,754
4735 Ocean Boulevard	18	4,263	2003	$157,980	$8,777
626 Gulf Shore Drive***	18	4,043	1998	$220,000	$12,222
2976 Scenic Highway 98***	18	4,863	1995	$245,523	$13,640
113 Los Angeles Street	19	3,122	2005	$137,308	$7,227
71 Stingray Street	20	3,014	1994	$106,000	$5,300
3893 Sandprint Cir	20	3,107	2018	$118,796	$5,940
100 Sandprint Circle	20	4,227	1999	$105,000	$5,250
84 Pompano Stret	20	3,310	2012	$160,000	$8,000
3147 Scenic Highway 98	20	4,204	2008	$132,000	$6,600
2970 Scenic Highway 98***	20	5,086	1995	$350,000	$17,500
96 Sarasota Street	22	4,132	2009	$143,813	$6,537
4488 Ocean View Drive	24	3,885	2018	$163,393	$6,808
2978 Scenic Highway 98 ***	24	5,632	2003	$308,000	$12,833
2825 Scenic Highway 98	24	5,000	1991	$220,000	$9,167
Minimum	14	2,244	1991	$85,000	$5,250
Maximum	24	5,632	2018	$350,000	$17,500
Average	19	3,780	1991	$164,043	$8,435
Median	20	3,885	2003	$139,577	$7,227

*Subject Occupancy Limited by City of Destin Ordinance 18-29-CC

*** Gulf Front

The array of comparable rentals above exhibited a range of income per guest per year of between $5,250 and $17,500 per occupant. In consideration of the data above, we consider that an appropriate conclusion of gross annual rent per sleeping occupant is supported at the upper end of the range, in consideration of the recent renovations and larger size of the structure per number of occupants. We therefore estimate an annual rent of $14,000 per sleeping space is supported.

CONCLUSION OF POTENTIAL GROSS ANNUAL RENT, SUBJECT SLEEPING OCCUPANCY OF 18 PERSONS 'After Ordinance'				
Address	Sleeping Capacity	HVAC SF	Concluded Annual Gross Income Calculated Per Sleeping Occupant	Calculated Conclusion of Annual Gross Income
Subject Property	*18*	*6,370*	*$14,000*	*$252,000*

In the preceding section of the report we derived an opinion of probable gross annual rent due the subejct in both the 'Before Ordinance' ($390,000) and 'After Ordinance' ($252,000) conditions. The result was a decrease in annual income as a result of the reduced sleeping capacity of -35.38%% commensurate with the decrease in ocupancy from 30 to 18 persons or -40.00%.

We now seek to evaluate the expenses pertinent to the subject in order to forecast Net Operating Income in both the Before and After scenarios.

Estimation of Operating Expenses

Vacancy and Collection Loss
As we forecast income based on comparable rentals with reported gross income figures, there is no need to deduct a vacancy and collection loss allocation, as the figures utilized already take into account a vacant and credit loss deduction.

Taxes
The property taxes for the subject property as of 2018 are reported to be a rounded figure of $35,461 annually. This cost is stable regardless of the occupancy of the subject in the 'before' and 'after' conditions.

Insurance
The insurance costs for the subject are reported to be a rounded $9,000 annually, which is consistent with other similar properties in the market area. This cost is stable regardless of the occupancy of the subject in the 'before' and 'after' conditions.

Utilities (Power, Water/Sewer/Garbage, Cable and Internet)
The owner pays all utilities, including power, water/sewer/garbage, cable and internet, for the subject property. The annual Utilities expenses were reported to be a rounded $17,700, and we will utilize this annual cost for the subject in the 'before' condition, and at the rounded rate of $16,000 in the 'after' condition. It is noted that regardless of the occupancy of the subject, the costs of electricity remain relatively constant, and the costs of cable and internet are the same regardless of the number of occupants. Only the expenses of water, gas and to a nominal degree electricity are variable with occupancy.

Repairs/Maintenance
We have included a repairs/maintenance allowance as a percentage of EGI at 6.5% in the before configuration which equates to $25,350 annually. With regard to the after configuration, noting that routine maintenance is likely not significantly impacted by differences in occupancy between 30 and 18 persons, but the annual income is reduced, we must increase our maintenance in the 'after' configuration as this expense is calculated as a % of EGI. In the 'after' condition we estimate maintenance at the rate of 10.0% of EGI. While we do recognize that 'wear and tear' is somewhat linked to occupancy, the fact that the entire house area is subject to use by 18 guests just as it is with 30 guests, this cost is somewhat fixed.

Management

We estimate management costs based on the costs of a third party manager who would typically charge between 15% and 25% of collected rents for the management service. We will utilize a rate on the lower end of this scale for both value scenarios, or a rate of 15% of EGI.

Income and Expense Statement

The table below recaps our projected income stream and breaks down each expense item. Expenses are totaled, and the net operating income is displayed for both the 'before' and 'after' ordinance conditions.

"Before" Condition

Income Capitalization Analysis - 'Before Ordinance Limiting Occupancy'				
Unit	**Income**	**Method**	**Units/SF**	**Annual**
Annual Income 'Before Ordinance' - 30 Guests	$390,000.00	$/Year	1	$390,000
			Potential Gross Income:	$390,000
			Vacancy & Collection Loss Included	$0
			Effective Gross Income (EGI):	$390,000

Expense	**Amount (% or**	**Method**	**Annual**
Taxes	$35,461	$/Year	$35,461
Insurance	$9,000	$/Year	$9,000
Utilities	$17,700	$/Year	$17,700
Repairs/Maintenance	6.5%	% of EGI	$25,350
Management	15%	% of EGI	$58,500
		Total Expenses:	$146,011
		Expense Ratio (Expenses/EGI):	37.44%
		Net Operating Income (NOI):	$243,989

"After" Condition

Income Capitalization Analysis - 'After Ordinance Limiting Occupancy'				
Unit	**Income**	**Method**	**Units/SF**	**Annual**
Annual Income 'After Ordinance' - 18 Guests	$252,000.00	$/Year	1	$252,000
			Potential Gross Income:	$252,000
			Vacancy & Collection Loss Included	$0
			Effective Gross Income (EGI):	$252,000

Expense	**Amount (% or**	**Method**	**Annual**
Taxes	$35,461	$/Year	$35,461
Insurance	$9,000	$/Year	$9,000
Utilities	$16,000	$/Year	$16,000
Repairs/Maintenance	10.00%	% of EGI	$25,200
Management	15%	% of EGI	$37,800
		Total Expenses:	$123,461
		Expense Ratio (Expenses/EGI):	48.99%
		Net Operating Income (NOI):	$128,539

Capitalization Rate Derivation
The capitalization rate is the factor that coverts the stabilized net operating income (NOI) to a present value. It is the ratio of net income to value or sale price.

NOI ÷ Sale Price = Capitalization Rate

For example, if a property sells for $500,000, and has a stabilized NOI of $50,000, the indicated capitalization rate is 10%.

Four methods are generally recognized for estimating an appropriate capitalization rate for use in direct capitalization analysis. These four methods are:

1. Market-Extracted Capitalization Rate Data
2. Band of Investment Method Calculation
3. Debt Coverage Method Calculation
4. Nationally-Published Capitalization Rate Data

Market Extracted Capitalization Rate Data
The market-extraction method of estimating capitalization rates involves finding comparable sales of property similar to the subject, and extracting a market rate from the net operating income and sales price of the comparable property.

We present the following examples of market-extracted capitalization rates for Resort Residential properties, based on similar sales in the local and broader markets.

- 3463 Scenic Highway 98 is a resort rental property that sold in February of 2016 for $3,615,000. Net Operating Income was reported to be $222,125, therefore indicating a capitalization rate of 6.14%.

- 925 Scenic Gulf Drive in Miramar Beach is a resort rental property that sold in November of 2018 for $1,900,000. Net Operating Income based on forecast income and expenses was reported to be $130,000, therefore indicating a capitalization rate of 6.84%.

- 917 Scenic Gulf Drive in Miramar Beach is a resort rental property that sold in August of 2018 for $1,925,000. Net Operating Income based on forecast income and expenses was reported to be $135,000, therefore indicating a capitalization rate of 7.00%.

- 1850 Scenic Gulf Drive in Miramar Beach is a resort rental property that sold in September of 2015 for $2,205,000. Net Operating Income at the time of sale was reported to be $133,200, therefore indicating a capitalization rate of 6.03%.

Based on the above information, and taking into consideration the overall market appeal we consider that a market extracted rate of 6.50% would be applicable for the subject property.

Band of Investment Method Analysis

This technique utilizes lender and real estate investor investment criteria to develop, or synthesize a capitalization rate. As most income producing properties are purchased with debt plus equity capital, the return on investment portion of the overall capitalization rate must satisfy the market returns of both the investor and the lender. The lender must receive a competitive interest rate, and the investor must anticipate receiving a competitive equity yield.

There are four key inputs necessary for this method:

1. The loan-to-value ratio (M)
2. The mortgage interest rate (i)
3. The loan term (n)
4. The equity cap rate or equity dividend rate (R_E)

The mortgage variables are used to build the mortgage constant (R_M), which is the total amount of the payments made in one year, expressed as a percentage of the original loan amount.

Payments x 12 / Original Loan Amount = Mortgage Constant (R_M)

The equity cap rate is the annual return to the investor, expressed as a percent of the original amount invested. The annual return to the investor is also known as the equity dividend rate; it is the profit remaining after debt service and all other expenses.

After Debt Service Profit / Equity Investment = Equity Cap Rate (R_E)

Note that the equity cap rate is not the same (usually, that is) as the equity yield rate. The equity yield rate reflects the total return to the investor over the life of the investment. Factors such as appreciation and mortgage pay down affect and usually increase this return to a point higher than the equity dividend rate. In markets where substantial appreciation is expected, investors will often accept a low or even negative equity dividend rate, anticipating a compensating payoff when the property is eventually sold. In markets where little appreciation is expected, much more weight is given to the annual equity dividend.

Formula:

R_M x M = rate
R_E x (1-M) = rate
= Cap Rate (R_o)

A survey of local lenders indicated that competitive fixed rate loans for properties similar to the subject as investment property are typically available at a rate of between 5.50% and 7.50% on a 30 year amortization schedule with a 50-70% loan to value.

Thus, we will use a rate of 6.00% in our calculations, with a 70% loan to value and a 30 year amortization term for our analysis of the band of investment and debt coverage ratio analyses.

The debt capitalization rate (or mortgage constant) for a typical loan made at 6.00% for 30 years is 0.07194606.

Equity dividend (capitalization) rates in the local market range from 4-9%. We estimate an equity dividend rate of 6.00% in the local market for property such as the subject.

Debt Coverage Ratio Method Analysis

This technique develops a capitalization rate based on typical mortgage terms. There are four variables necessary for this method:

1. The loan-to-value ratio (M)
2. The mortgage interest rate (i)
3. The loan term (n)
4. The debt coverage ratio (DCR)

Items 1 through 3 are discussed above under the Band of Investment section. In this method it is also used to develop the mortgage constant (R_M). The debt coverage ratio is the factor by which income exceeds debt on an annual basis.

Formula:
Debt Coverage Ratio x Loan to Value Ratio x Mortgage Constant = R_o
or: DCR x M x R_M = R_o

We have researched mortgage rates and terms typical for the subject within the market area as noted above. The table below details the Band of Investment and Debt Coverage Ratio Analyses calculations.

Capitalization Rate Calculations					
Capitalization Rate Variables					
Mortgage Interest Rate	6.00%				
Loan Term (Years)	30				
Loan To Value Ratio	70.%				
Debt Coverage Ratio	1.25				
Equity Dividend Rate	6.00%				
Band of Investment Analysis					
Mortgage Constant			Loan Ratio	Contributions	
0.071946063		x	70.%	=	5.04%
Equity Dividend Rate			Equity Ratio		
6.00%		x	30.%	=	1.80%
			Band of Investment Capitalization Rate		**6.84%**
Debt Coverage Ratio Analysis					
Debt Coverage Ratio x Loan to Value Ratio x Mortgage Constant					
1.25 x 0.7 x 0.0719460630183303				=	6.30%
			Debt Coverage Ratio Capitalization Rate		**6.30%**

The Band of Investment capitalization rate analysis indicated an appropriate capitalization rate per the preceding assumptions of 6.84%.

The Debt Coverage Ratio Analysis indicated an appropriate capitalization rate per the preceding assumptions of 6.30%.

National Survey Data

RealtyRates.com Investor Survey
RealtyRates does not track capitalization rates for resort residential property such as the subject, however they do track rates for lodging facilities, a property type that is similar in use to the subject, being a facility for short term rental on a seasonal basis where all services are included in the rental rate. We therefore look to this property category in realty rates for an indication of an applicable capitalization rate for the subject.

The *Realty Rates Investor Survey*, dated 4th Quarter 2018, indicates going-in capitalization rates for Lodging Facilities – All Types ranged from 5.21% to 17.22% with an average of 11.32%. In consideration of the excellent quality and condition of the subject property, as well as the resort location, we would estimate an applicable capitalization rate would be below the national average indicated by the survey data and within the lower quartile of exhibited rates, or a rate of between 5.21% and 8.22%.

RealtyRates.com INVESTOR SURVEY - 4th Quarter 2018* LODGING FACILITIES -ALL TYPES							
Item	**Input**						**OAR**
Minimum							
Spread Over 10-Year Treasury	0.86%	**DCR Technique**		1.00	0.048303	0.80	**3.86**
Debt Coverage Ratio	1.00	**Band of Investment Technique**					
Interest Rate	3.75%	Mortgage		80%	0.048303	0.038642	
Amortization	40	Equity		20%	0.080938	0.016188	
Mortgage Constant	0.048303	OAR					**5.48**
Loan-to-Value Ratio	80%	**Surveyed Rates**					**5.21**
Equity Dividend Rate	8.09%						
Maximum							
Spread Over 10-Year Treasury	11.58%	**DCR Technique**		2.85	0.163616	0.50	**23.32**
Debt Coverage Ratio	2.85	**Band of Investment Technique**					
Interest Rate	14.47%	Mortgage		50%	0.163616	0.081808	
Amortization	15	Equity		50%	0.198946	0.099473	
Mortgage Constant	0.163616	OAR					**18.13**
Loan-to-Value Ratio	50%	**Surveyed Rates**					**17.22**
Equity Dividend Rate	19.89%						
Average							
Spread Over 10-Year Treasury	3.54%	**DCR Technique**		1.53	0.084242	0.67	**8.60**
Debt Coverage Ratio	1.53	**Band of Investment Technique**					
Interest Rate	6.43%	Mortgage		67%	0.084242	0.056324	
Amortization	22	Equity		33%	0.145842	0.048333	
Mortgage Constant	0.084242	OAR					**10.47**
Loan-to-Value Ratio	66.9%	**Surveyed Rates**					**11.32**
Equity Dividend Rate	14.6%						

Capitalization Rate Summary and Conclusion

We consider that a market extracted rate of 6.50% would be applicable for the subject property based on market-extracted capitalization rate indications.

The Band of Investment capitalization rate analysis indicated an appropriate capitalization rate per the preceding assumptions of 6.84%.

The Debt Coverage Ratio Analysis indicated an appropriate capitalization rate per the preceding assumptions of 6.30%.

National Market Indicators as reported by realty rates for a related property type indicate an appropriate capitalization rate of between 5.21% and 8.22% for the subject property.

Capitalization Rate Conclusion:

It is the opinion of the appraiser that a **6.50% capitalization rate** should be employed in this analysis.

On the following page we present the direct capitalization analysis for both the 'Before' and 'After' Ordinance 18-29-CC value scenarios.

Capitalization to Value

"Before" Condition

Income Capitalization Analysis - 'Before Ordinance Limiting Occupancy'				
Unit	**Income**	**Method**	**Units/SF**	**Annual**
Annual Income 'Before Ordinance' - 30 Guests	$390,000.00	$/Year	1	$390,000
			Potential Gross Income:	$390,000
			Vacancy & Collection Loss Included	$0
			Effective Gross Income (EGI):	$390,000

Expense	Amount (% or	Method	Annual
Taxes	$35,461	$/Year	$35,461
Insurance	$9,000	$/Year	$9,000
Utilities	$17,700	$/Year	$17,700
Repairs/Maintenance	6.5%	% of EGI	$25,350
Management	15%	% of EGI	$58,500
		Total Expenses:	$146,011
		Expense Ratio (Expenses/EGI):	37.44%
		Net Operating Income (NOI):	$243,989
		Capitalization Rate:	6.50%
		Value (NOI/Cap Rate):	$3,753,677
		Rounded:	$3,755,000

"After" Condition

Income Capitalization Analysis - 'After Ordinance Limiting Occupancy'				
Unit	**Income**	**Method**	**Units/SF**	**Annual**
Annual Income 'After Ordinance' - 18 Guests	$252,000.00	$/Year	1	$252,000
			Potential Gross Income:	$252,000
			Vacancy & Collection Loss Included	$0
			Effective Gross Income (EGI):	$252,000

Expense	Amount (% or	Method	Annual
Taxes	$35,461	$/Year	$35,461
Insurance	$9,000	$/Year	$9,000
Utilities	$16,000	$/Year	$16,000
Repairs/Maintenance	10.00%	% of EGI	$25,200
Management	15%	% of EGI	$37,800
		Total Expenses:	$123,461
		Expense Ratio (Expenses/EGI):	48.99%
		Net Operating Income (NOI):	$128,539
		Capitalization Rate:	6.50%
		Value (NOI/Cap Rate):	$1,977,523
		Rounded:	$1,975,000

Conclusion of Dimunition in Value

In the 'before ordinance' configuration direct capitalization of the net operating income to the subject property revealed a value opinion of $3,755,000 based on an occupancy of 30 sleeping guests.

In the 'after ordinance' configuration direct capitalization of the net operating income to the subject property revealed a value opinion of $1,975,000 based on an occupancy of 18 sleeping guests.

The Dimunition in Value is represented by the difference between the 'before' and 'after' value conclusions, or in this case the difference between $3,755,000 and $1,975,000 or $1,780,000.

As an augmenting check to this value opinion, we consider a discounted cash flow analysis of the lost income to the subject as a result of the reduced occupancy, for the remaining term of the economic life of the improvement.

As presented in the preceding income analyses, the difference in annual Net Operating Income between the 'before' scenario at $243,989 and the 'after' scenario at $128,539, calculates to $115,050 annually.

This is the annual net income loss as a result of the implemented restriction on occupancy by virtue of City of Destin Ordinance 18-29-CC, and will promulgate for the remainder of the economic life of the structure and the site is redeveloped.

We previously stated in the report that information provided by the Okaloosa County Property Appraisers Office indicates that the subject improvements were originally constructed in 1996, which provides for an actual age of 23 years. However, these improvements have been recently renovated and are considered to be of very good quality of construction and are in very good condition providing for an effective year built of 2006 and an effective age of approximately 13 Years

The published economic life of improvements similar to the subject is 55 years per Marshall Valuation Service. Subtracting the economic age of the improvement of 13 years from the overall life of 55 years we calculate a remaining economic life for the subject structure is 42 years.

If we consider that City of Destin Ordinance 18-29-CC serves to reduce occupancy to the subject, thereby reducing annual income in the amount of $115,050 annually, presumably for the remaining economic life of the improvement, we can calculate the present value of this financial loss over time as a check to the Dimunition in value calculation via direct capitalization analysis presented preceding.

If we discount the annual loss of $115,050 for a period of 42 years, at a discount rate of 6% annually, the present value of the future loss of income is calculated to be $1,751,584 which provides additional support for our opinion of Dimunition in Value via direct capitalization analysis of $1,780,000.

Therefore, our opinion of Dimunition in value for the subject property is opined to be $1,780,000 consistent with our calculation via direct capitalization analysis:

One Million Seven Hundred Eighty Thousand Dollars
$1,780,000

Certification

The appraiser has no present or prospective interest in the subject property of this appraisal and no personal interest of bias with respect to the parties involved in this appraisal. I have the appropriate education and experience to conduct this appraisal.

The appraiser will not divulge the analytical findings or conclusions to anyone other than the client or designee, except as may be required by the Appraisal Institute or by a court of law with power of subponea.

I certify, to the best of our knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions and conclusions.
- I have no present or prospective interest in the property which is the subject of this report and no personal interest with respect to the parties involved.
- I have no bias with respect to the property which is the subject of this report or to the parties involved with this assignment.
- The engagement in this assignment was not contingent upon developing or reporting predetermined results.
- The compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- I have made a personal inspection of the property that is the subject of this report.

Certification
(Continued)

- The signatory appraiser has not performed any services, as an appraiser or in any other capacity, regarding the subject property within the 3 years prior to acceptance of this appraisal assignment.

This appraisal has been conducted, and the appraisal report prepared in conformance with the requirements of Title XI of the Financial Institutions Reform, Recover, and Enforcement Act of 1989 (FIRREA, 12 U.S.C. 3331 et seq.). This appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.

No person other than the undersigned made a significant professional contribution to the research and analysis in this appraisal unless specifically noted above.

Respectfully Submitted,

EquiValue Appraisal, LLC

Jason P. Shirey, MAI, CCIM
Cert Gen RZ3186

Limiting Conditions and Assumptions

1. Unless otherwise noted in the body of the report, we assumed that title to the property or properties appraised is clear and marketable and that there are no recorded or unrecorded matters or exceptions that would adversely affect marketability or value. We are not aware of any title defects nor were we advised of any unless such is specifically noted in the report. We did not examine a title report and make no representations relative to the condition thereof. Documents dealing with liens, encumbrances, easements, deed restrictions, clouds and other conditions that may affect the quality of title were not reviewed. Insurance against financial loss resulting in claims that may arise out of defects in the subject property's title should be sought from a qualified title company that issues or insures title to real property.

2. We assume that improvements are constructed or will be constructed according to approved architectural plans and specifications and in conformance with recommendations contained in or based upon any soils report(s).

3. Unless otherwise noted in the body of this report, we assumed: that any existing improvements on the property or properties being appraised are structurally sound, seismically safe and code conforming; that all building systems (mechanical/electrical, HVAC, elevator, plumbing, etc.) are, or will be upon completion, in good working order with no major deferred maintenance or repair required; that the roof and exterior are in good condition and free from intrusion by the elements; that the property or properties have been engineered in such a manner that it or they will withstand any known elements such as windstorm, hurricane, tornado, flooding, earthquake, or similar natural occurrences; and, that the improvements, as currently constituted, conform to all applicable local, state, and federal building codes and ordinances. We are not engineers and are not competent to judge matters of an engineering nature. We did not retain independent structural, mechanical, electrical, or civil engineers in connection with this appraisal and, therefore, make no representations relative to the condition of improvements. Unless otherwise noted in the body of this report no problems were brought to our attention by ownership or management. We were not furnished any engineering studies by the owners or by the party requesting this appraisal. If questions in these areas are critical to the decision process of the reader, the advice of competent engineering consultants should be obtained and relied upon. It is specifically assumed that any knowledgeable and prudent purchaser would, as a precondition to closing a sale, obtain a satisfactory engineering report relative to the structural integrity of the property and the integrity of the building systems. Structural problems and/or building system problems may not be visually detectable. If engineering consultants retained should report negative factors of a material nature, or if such are later discovered, relative to the condition of the improvements, such information could have a substantial negative impact on the conclusions reported in this appraisal. Accordingly, if engineering consultants report negative findings, we reserve the right to amend the appraisal conclusions reported herein.

4. All furnishings, equipment and business operations, except as specifically stated and typically considered as part of real property, have been disregarded with only real property being considered in the appraisal. Any existing or proposed improvements, on- or off-site, as well as any alterations or repairs considered, are assumed to be completed

in a workmanlike manner according to standard practices based upon information submitted. This report may be subject to amendment upon re-inspection of the subject property subsequent to repairs, modifications, alterations and completed new construction. Any estimate of Market Value is as of the date indicated; based upon the information, conditions and projected levels of operation.

5. We assume that all factual data furnished by the client, property owner, owner's representative, or persons designated by the client or owner to supply said data are accurate and correct unless otherwise noted in the appraisal report. We have no reason to believe that any of the data furnished contain any material error. Information and data referred to in this paragraph include, without being limited to, numerical street addresses, lot and block numbers, Assessor's Parcel Numbers, land dimensions, square footage area of the land, dimensions of the improvements, gross building areas, net rentable areas, usable areas, unit count, room count, rent schedules, income data, historical operating expenses, budgets, and related data. Any material error in any of the above data could have a substantial impact on the conclusions reported. Thus, we reserve the right to amend our conclusions if errors are revealed. Accordingly, the client-addressee should carefully review all assumptions, data, relevant calculations, and conclusions within 30 days after the date of delivery of this report and should immediately notify us of any questions or errors.

6. The date of value to which any of the conclusions and opinions expressed in this report apply, is set forth in the Letter of Transmittal. Further, that the dollar amount of any value opinion herein rendered is based upon the purchasing power of the American Dollar on that date. This appraisal is based on market conditions existing as of the date of this appraisal. Under the terms of the engagement, we will have no obligation to revise this report to reflect events or conditions which occur subsequent to the date of the appraisal. However, we will be available to discuss the necessity for revision resulting from changes in economics or market factors affecting the subject.

7. We assume no private deed restrictions, limiting the use of the subject property in any way.

8. Unless otherwise noted in the body of the report, we assume that there are no mineral deposits or subsurface rights of value involved in this appraisal, whether they be gas, liquid, or solid. Nor are the rights associated with extraction or exploration of such elements considered unless otherwise stated in this appraisal report. Unless otherwise stated we also assumed that there are no air or development rights of value that may be transferred.

9. We are not aware of any contemplated public initiatives, governmental development controls, or rent controls that would significantly affect the value of the subject.

10. The estimate of Market Value, which may be defined within the body of this report, is subject to change with market fluctuations over time. Market value is highly related to exposure, time promotion effort, terms, motivation, and conclusions surrounding the offering. The value estimate(s) consider the productivity and relative attractiveness of the property, both physically and economically, on the open market.

11. Unless specifically set forth in the body of the report, nothing contained herein shall be construed to represent any direct or indirect recommendation to buy, sell, or hold the

properties at the value stated. Such decisions involve substantial investment strategy questions and must be specifically addressed in consultation form.

12. Unless otherwise noted in the body of this report, we assume that no changes in the present zoning ordinances or regulations governing use, density, or shape are being considered. The property is appraised assuming 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 estimates contained in this report is based, unless otherwise stated.

13. This study may not be duplicated in whole or in part without our written consent, nor may this report or copies hereof be transmitted to third parties without said consent. Exempt from this restriction is duplication for the internal use of the client-addressee and/or transmission to attorneys, accountants, or advisors of the client-addressee. Also exempt from this restriction is transmission of the report to any court, governmental authority, or regulatory agency having jurisdiction over the party/parties for whom this appraisal was prepared, provided that this report and/or its contents shall not be published, in whole or in part, in any public document without our written consent. Finally, this report shall not be advertised to the public or otherwise used to induce a third party to purchase the property or to make a "sale" or "offer for sale" of any "security", as such terms are defined and used in this Securities Act of 1933, as amended. Any third party, not covered by the exemptions herein, who may possess this report, is advised that they should rely on their own independently secured advice for any decision in connection with this property. We shall have no accountability or responsibility to any such third party.

14. Any value estimate provided in the report applies to the entire property, and any pro ration or division of the title into fractional interests will invalidate the value estimate, unless such pro ration or division of interests has been set forth in the report.

15. Any distribution of the total valuation in this report between land and improvement applies only under the existing program of utilization. Component values for land and/or buildings are not intended to be used in conjunction with any other property or appraisal and are invalid if so used.

16. The maps, plats, sketches, graphs, photographs, and exhibits included in this report are for illustration purposes only and are to be used only to assist in visualizing matters discussed within this report. Except as specifically stated, data relative to size or areas of the subject and comparable properties was obtained from sources deemed accurate and reliable. None of the exhibits are to be removed, reproduced, or used apart from this report.

17. No opinion is intended to be expressed on matters that may require legal expertise or specialized investigation or knowledge beyond that which is customarily employed by real estate appraisers. Values and opinions expressed presume that environmental and other governmental restrictions/conditions by applicable agencies have been met, including but not limited to seismic hazards, flight patters, decibel levels/noise envelopes, fire hazards, hillside ordinances, density, allowable uses, building codes, permits, licenses, etc. No survey, engineering study or architectural analysis was provided to us unless otherwise stated within the body of this report. If we were not supplied with a

termite inspection, survey or occupancy permit, no responsibility or representation is assumed or made for any costs associated with obtaining same or for any deficiencies discovered before or after they are obtained. No representation or warranty is made concerning obtaining these items. We assume no responsibility for any costs or consequences arising due to the need, or the lack of need, for flood hazard insurance. An agent for the Federal Flood Insurance Program should be contacted to determine the actual need for Flood Hazard Insurance.

18. Acceptance and/or use of this report constitutes full acceptance of the Assumptions and Limiting Conditions and extraordinary assumptions set forth in this report. It is the responsibility of the Client, or client's designees, to read in full, comprehend and thus become aware of the aforementioned assumptions and limiting conditions. We assume no responsibility for any situation arising out of the Client's failure to become familiar with and understand the same. The Client is advised to retain experts in areas that fall outside the scope of the real estate appraisal/consulting profession if so desired.

19. We assume that the subject property will be under prudent and competent management and ownership; neither inefficient nor super-efficient.

20. We assume 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 reports.

21. No survey of the boundaries of the property was undertaken. All areas and dimensions furnished are presumed correct. It is further assumed that no encroachments to the realty exists.

22. All value opinions expressed herein are as of the date of value. In some cases, facts or opinions are expressed in the present tense. All opinions are expressed as of the date of value, unless specifically noted.

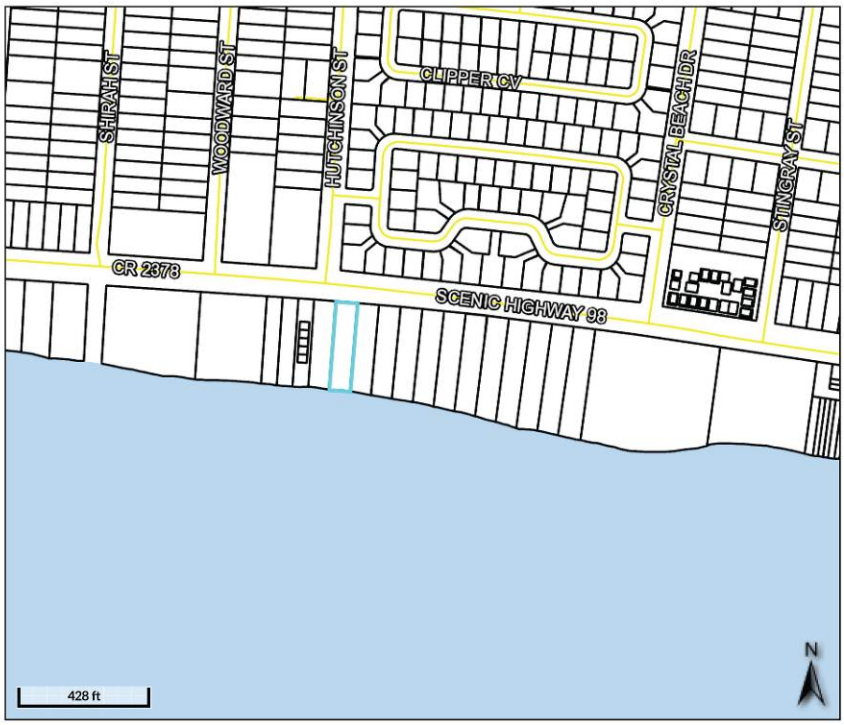
23. The Americans with Disabilities Act (ADA) became effective January 26, 1992. Notwithstanding any discussion of possible readily achievable barrier removal construction items in this report, we did not perform a specific compliance survey and analysis of this property to determine wither it is in conformance with the various detailed requirements of the ADA. It is possible that a compliance survey of the property together with a detailed analysis of the requirements of the ADA could reveal that the property is not in compliance with one or more of the requirements of the ADA. If so, the fact could have a negative effect on the value estimated herein. Since we have no specific information relating to this issue, nor are we qualified to make such an assessment, the effect of any possible non-compliance was not considered in estimating the value of the subject property.

24. The value estimate rendered in this report is predicated on the assumption that there is no hazardous material on or in the property that would cause a loss of value. We were not provided with an Environmental Assessment Report. Further, we are not qualified to determine the existence or extent of environmental hazards. If there are any concerns pertaining to environmental hazards for this property, we recommend that a qualified engineer perform an assessment.

ADDENDA

Parcel Map

Okaloosa County Property Appraiser



Parcel ID	00-2S-22-0584-0000-0020	**Physical Address**	2968 SCENIC HWY 98 E DESTIN	**Land Value**	$1,681,850	**Last 2 Sales**			
						Date	**Price**	**Reason**	**Qual**
Acres (GIS)	0.44	**Mailing Address**	GEMINI CAPITAL ACQUISITIONS 11767 SOUTH DIXIE HWY SUITE 263 PINECREST, FL 33156	**Ag Land Value**	$0	8/4/2017	$100	UNQUAL/FEDERAL/STATE/LOCAL GOV	U
Property Class	SINGLE FAM			**Building Value**	$1,033,230	6/26/2006	$100	QUAL/CREDIBLE,VERIF/DOC/EVIDEN	U
Taxing District	10			**Misc Value**	$26,103				
				Just Value	$2,741,176				
				Assessed Value	$2,741,180				
				Exempt Value	$0				
				Taxable Value	$2,741,180				

Date created: 10/8/2019
Last Data Uploaded: 10/8/2019 3:36:31 AM

Developed by Schneider GEOSPATIAL

Property Appraiser Card

Okaloosa County Property Appraiser

Parcel Summary

Parcel ID	00-2S-22-0584-0000-0020
Location Address	2968 SCENIC HWY 98 E DESTIN 32541
Brief Tax Description*	SHORES OF CRYSTAL BEACH LOT 2 *The Description above is not to be used on legal documents.
Property Use Code	SINGLE FAM (000100)
Sec/Twp/Rng	00-2S-22
Tax District	Destin (District 10)
Millage Rate	12.8406
Acreage	0.000
Homestead	N
Acreage (GIS)	0.44
Fire District	N/A

View Map

Owner Information

Primary Owner
Gemini Capital Acquisitions
11767 South Dixie Hwy
Suite 263
Pinecrest, FL 33156

Valuation

	2019 Proposed Values	2018 Certified Values
Building Value	$1,033,226	$1,085,649
Extra Features Value	$26,103	$27,088
Land Value	$1,681,847	$1,648,870
Land Agricultural Value	$0	$0
Agricultural (Market) Value	$0	$0
Just (Market) Value	$2,741,176	$2,761,607
Assessed Value	$2,741,176	$2,761,607
Exempt Value	$0	$0
Taxable Value	$2,741,176	$2,761,607
Maximum Save Our Homes Portability	$0	$0

"Just (Market) Value" description - This is the value established by the Property Appraiser for ad valorem purposes. This value does not represent anticipated selling price.

Building Information

Building 1

Type	SFR EXCEPT
Total Area	9,283
Heated Area	6,370
Exterior Walls	WD FR STUC;
Roof Cover	CLAY TILE; .
Interior Walls	DRYWALL; .
Frame Type	.
Floor Cover	CARPET; HARDTILE
Heat	AIR DUCTED
Air Conditioning	CENTRAL
Bathrooms	5
Bedrooms	8
Stories	3
Actual Year Built	1996
Effective Year Built	1996

Extra Features

Code	Description	Number of Items	Length x Width x Height	Units	Unit Type	Effective Year Built
PAVERS	PAVERS	1	0 x 0 x 0	1	UT	1996
SCFENC	SCFENCE	1	0 x 0 x 0	1	UT	1996
SWPOOL	SWIMPOOL	1	0 x 0 x 0	1	UT	1996
WALKWY	WALKWAY	1	0 x 0 x 0	1	UT	1996

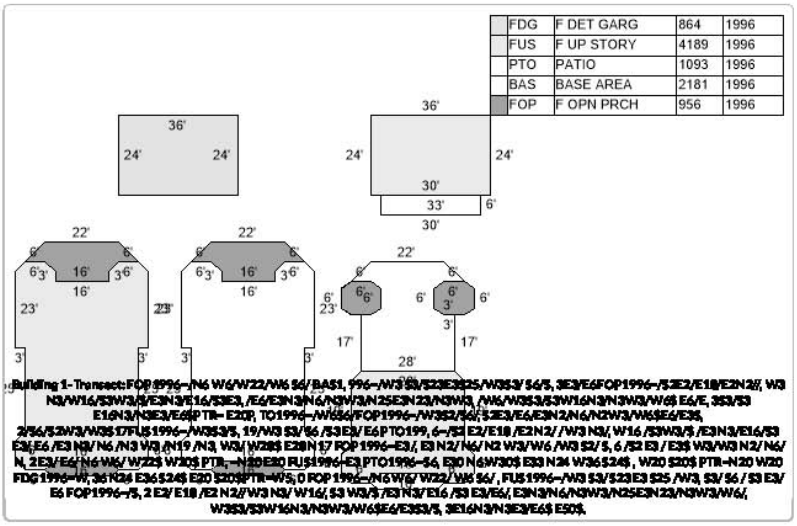
Building Area Types

Type	Description	Sq Footage	Year
FOP	FOPN PRCH	956	1996
BAS	BASE AREA	2,181	1996
PTO	PATIO	1,093	1996
FUS	FUP STORY	4,189	1996
FDG	FDET GARG	864	1996

Sales

Multi Parcel	Sale Date	Sale Price	Instrument	Book	Page	Qualification	Vacant/Improved	Grantor	Grantee
N	06/04/2017	$100	CT	3313	3159	Unqualified (U)	Improved	CLERK OF COURT	GEMINI CAPITAL ACQUISITIONS III LLC
N	06/26/2006	$100	QC	2719	2536	Unqualified (U)	Improved	RUNNELLS DAVAGE J JR & BONNIE L	COASTLINE 300 LLC
N	06/26/2006	$100	QC	2719	2513	Unqualified (U)	Improved	COASTLINE 300 LLC	RUNNELS DAVAGE J JR & BONNIE L
N	02/10/2003	$2,235,000	WD	2414	243	Qualified (Q)	Improved	KOURT PARTNERS LTD	COASTLINE 300 LLC
N	05/23/1997	$1,577,500	WD	2074	621	Qualified (Q)	Improved	SUNCOAST HOMES INC	KOURT PARTNERS LTD
N	11/01/1994	$290,000	WD	1677	1813	Qualified (Q)	Vacant		SUNCOAST HOMES INC
N	06/01/1993	$740,000	WD	1752	1335	Unqualified (U)	Vacant		

Sketches



Print Sketches

Certificate of Title

FILE #3154370 RCD: 8/16/2017 4:31 PM, BK: 3313 PG: 3159,
D Doc Stmp: $0.70 DEPUTY CLERK JLALLEN
JD PEACOCK II CLERK OF COURTS, OKALOOSA COUNTY, FLORIDA

IN THE CIRCUIT COURT IN AND FOR OKALOOSA COUNTY

WILMINGTON TRUST NATIONAL ASSOCIATION AS SUCCESSOR TRUSTEE TO CITIBANK NA AS TRUSTEE FOR BEAR STEARNS ALT-A TRUST MORTGAGE PASS THROUGH CERTIFICATES SERIES 2006-5
Plaintiff(s)

Case No:2016 CA 003529 F

VS.

COASTLINE 300, LLC , et al.
Defendant(s).

CERTIFICATE OF TITLE

The undersigned Clerk of the Circuit Court certifies that a Certificate of Sale was executed and filed in this action on August 04, 2017, for the property described herein and that no objections to the sale have been filed within the time allowed for filing objections. The following property in Okaloosa County, Florida:

LOT 2, THE SHORES OF CRYSTAL BEACH, ACCORDING TO THE PLAT THEREOF AS RECORDED IN PLAT BOOK 13, PAGE 82 OF THE PUBLIC RECORDS OF OKALOOSA COUNTY, FLORIDA.

Property Address: 2968 Scenic Highway 98, Destin, FL 32541

Parcel No.: 00-2S-22-0584-0000-0020

was sold to: GEMINI CAPITAL ACQUISITIONS III, LLC, PURSUANT TO ASSIGNMENT OF BID
whose address is: C/O AKERMAN LLP 777 SOUTH FLAGLER DRIVE, STE 1100W, WEST PALM BEACH FL, 33401

WITNESS my hand and the seal of this court on August 16, 2017

Bid: $100.00.

J D PEACOCK II
CLERK OF CIRCUIT COURT
By: Vicki Jackson
Deputy Clerk

PREPARED BY:
J D PEACOCK II
CLERK OF CIRCUIT COURT
101 E. JAMES LEE BLVD
CRESTVIEW, FL 32536

THIS INSTRUMENT PREPARED BY
AND AFTER RECORDING RETURN TO:

Kimberly Romano Kopp, Esq.
Romano Kopp Law, P.A.
P.O. Box 445
Destin, Florida 32541

For Recording Purposes Only

SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is entered into this _____day of _____ 2019, ("Effective Date") by and between, Gemini Acquisition II, LLC. ("Owner") and the City of Destin ("City"), collectively referred to as the "Parties."

RECITALS

WHEREAS, on January 22, 2019, the City enacted Ordinance 18-29-CC, the Short-Term Rental Occupancy Ordinance ("Ordinance"), which limits the occupancy of short-term rental homes to two (2) people per bedroom plus an additional four (4) persons; and

WHEREAS, Owner owns the real property and improvements located at 2968 Scenic Highway 98, Destin, FL 32541, as more particularly described in the attached Exhibit "A" (the "Property"); and

WHEREAS, on May 10, 2019, Owner filed a claim with the City, pursuant to the provisions of §70.001, Florida Statutes, the Bert J. Harris, Jr., Private Property Rights Protection Act (the "Harris Act"), alleging that the Property had been inordinately burdened by the adoption of the Ordinance, (the "Claim"); and

WHEREAS, the Harris Act provides for the City to have the ability to enter into a settlement agreement which would have the effect of a modification or variance to the application of a regulation or ordinance as it would otherwise apply to the subject real property, provided the relief granted protects the public interest served by the regulations at issue and is the appropriate relief necessary to prevent the governmental regulatory effort from inordinately burdening the real property; and

WHEREAS, the City has determined that the modifications to the effect of the Ordinance effected by this Agreement protect the public interest served by the Ordinance and are the appropriate relief necessary to prevent the regulatory effect of the Ordinance from inordinately burdening the Property; and

WHEREAS, the Parties now desire to settle and finally resolve all disputes between and among them concerning the Claim.

NOW, THEREFORE, the Parties hereby agree as follows:

1. **Recitals.** The above recitals are true and correct and are incorporated herein by reference.

2. **Occupancy Allowable Under Ordinance.**

(a) Owner is hereby granted a variance from the provisions of the Ordinance so that the Owner shall have the right to apply under the Ordinance for a maximum occupancy of thirty (30) overnight guests at the eight (8) bedroom vacation rental property noted above and the City shall grant such occupancy. The right shall continue in perpetuity, regardless of any future changes in ownership, provided that this right shall expire permanently if the Property were to be voluntarily remodeled or voluntarily rebuilt in such a manner as to change the number of bedrooms that existed at the date of the Claim. The Property remains subject to all other requirements of the City's regulations, including but not limited to regulations for short-term rentals, parking, trash, and noise.

(b) No greater than five (5) vehicles may be parked on the Property. No vehicle may encroach upon the City's right-of way.

(c) Owner shall ensure that at least five (5) outdoor trash receptacles are provided by the applicable trash hauler and available for use by occupants at all times.

(d) Owner agrees that the City shall be permitted to access the property on an annual basis for the purpose of life-safety inspections to ensure code compliance with minimum egress and emergency egress requirements pursuant to the Florida Building Code (Residential) and to ensure the property has adequate and working smoke detectors. Owner shall submit to the City a separate application and fee for such inspection, on a form provided by the City, at the time Owner submits its annual short-term rental registration application to the City

3. **Development in Accordance with Code.** Notwithstanding any provisions contained herein, the Owner shall at any time have the right and option to remodel, develop, or use the Property in accordance with the applicable ordinances of the City of Destin in effect at the time of application therefor, and this variance shall not be construed as making the Property in any way non-conforming.

4. **Entire Agreement.** The Parties acknowledge that this Agreement constitutes the entire agreement between them regarding the settlement of their dispute and any prior statements, whether oral or written, are merged herein. This Agreement may not be modified or amended without a written instrument signed by the party against whom enforcement is sought.

5. **Duration of Agreement.** This Agreement shall be perpetual and deemed to run with the land, and shall be binding upon and the benefits shall inure to the parties hereto and their respective heirs, devisees, personal representatives, successors and assigns.

6. **Authority.** The signatories to this Agreement are expressly authorized to resolve their dispute as set forth herein and by their signatures here represent and affirm their authority to execute this Agreement.

7. **Governing Law.** The law of the State of Florida shall apply to this Agreement. Any dispute regarding this Agreement shall be litigated exclusively in the courts of Okaloosa County, Florida. The parties expressly consent to such agreed jurisdiction and venue, and waive any objections thereto.

8. **Notices.** Any notice required or permitted to be given hereunder shall be in writing and shall be (i) delivered by hand, (ii) delivered by reputable national or local courier (such as United Parcel Service or Federal Express), (iii) mailed by United States registered or certified mail, return receipt requested and postage prepaid, or (iv) sent by facsimile transmission provided a confirmation of such facsimile transmission is sent the same day by one of the methods of delivery in (i), (ii), or (iii) above. Any notice shall be addressed to each party at its address as set forth below. Any such notice shall be considered given on the date of such hand delivery, deposit with such courier for same day or next business day delivery, upon receipt of return receipt of certified mail, or receipt of facsimile transmissions, as the case may be, and the time period (if any is provided herein) in which to respond to such notice shall commence on the date of receipt. Rejection or other refusal to accept or inability to deliver because of changed address of which no notice was given shall be deemed to be receipt of the notice. By giving to the other party at least ten (10) days' notice thereof, any party shall have the right from time to time to change the addresses thereof and to specify up to two (2) additional addresses within the United States of America to which copies of notices to it shall be sent. Notice may be given on behalf of any party by such party's counsel. In the event the subject property owner changes, notices shall be addressed to the current owner as indicated in the records of the Okaloosa County Property Appraiser. Otherwise, notices shall be sent as follows:

Each notice shall be addressed as follows:

To City: City of Destin, Florida
Attn:
4200 Indian Bayou Trail
Destin, Florida 32541

With a copy to:
City Land Use Attorney
Romano Kopp Law, PA
PO Box 445
Destin, Florida 32541

To Gemini Acquisition II, LLC: Adam Lamnin
9245 SW 93rd Avenue
Miami, FL 33176

With a copy to: Matthews & Jones, LLP

Attn: C. Stephen Tatum
4475 Legendary Drive
Destin, Florida 32541

9. **Attorney's Fees**. In the event of any action, whether pre-suit, mediation, litigation or appellate proceeding to enforce the terms and conditions of this Agreement, each party to the action shall pay its own attorney's fees and costs incurred therein.

10. **Venue**. Venue over any action to enforce the terms and conditions of this Agreement, including mediation, shall lie solely in Okaloosa County, Florida.

OWNER: Gemini Acquisition II, LLC

_____ _____
Signature of Witness #1 Anna Diamond

_____ _____
Print or type name

_____
Signature of Witness # 2

_____
Print or type name

STATE OF_____
COUNTY OF_____

The foregoing instrument was acknowledged before me this _____ day of _____ 2019, by _____ _____ and _____, who are personal known to me or who have produced _____ as identification and who did not (did) take an oath.

_____
Signature of Notary

(NOTARY SEAL)

_____
Print or type name

CITY OF DESTIN

By:_____
Gary Jarvis, Mayor

Date:_____

ATTEST:

_____
Rey Bailey, City Clerk

Date:_____

STATE OF_____
COUNTY OF_____

The foregoing instrument was acknowledged before me this _____ day of _____ 2019, by _____ _____ and _____, who are personal known to me or who have produced _____ as identification and who did not (did) take an oath.

_____
Signature of Notary

(NOTARY SEAL)

_____
Print or Type Name

Approved as to form and legality for use and reliance
by the City of Destin, Florida, only.

_____
Kimberly Romano Kopp, Esq.
City Land Use Attorney

Exhibit "A"

Legal Description of Property

LOT 2, THE SHORES OF CRYSTAL BEACH, ACCORDING TO THE PLAT THEREOF AS RECORDED IN PLAT BOOK 13, PAGE 82 OF THE PUBLIC RECORDS OF OKALOOSA COUNTY, FLORIDA

ITEM # 2019-1892

CITY OF DESTIN

AGENDA ITEM

COUNCIL MEETING DATE: December 9, 2019
TYPE OF AGENDA ITEM: Action Item

TO: City Council

THRU: Lance Johnson, City Manager

FROM: Kimberly Kopp, Land Use Attorney
Louis Zunguze, Community Development Director

DATE: December 5, 2019

SUBJECT: 12) 633 Gulf Shore Drive

I. BACKGROUND:

On January 22, 2019, the City enacted Ordinance 18-29-CC, the Short-Term Rental Occupancy Ordinance ("Ordinance"), which limits the occupancy of short-term rental homes to two (2) people per bedroom plus an additional four (4) persons.

The subject property owner owns the real property and improvements located at 633 Gulf Shore Drive, Destin, FL 32541, as more particularly described in Exhibit "A" (the"Property") to the proposed settlement agreement.

Owner filed a claim with the City, pursuant to the provisions of §70.001, Florida Statutes, the Bert J. Harris Jr., Private Property Rights Protection Act (the "Harris Act"), alleging that the Property had been inordinately burdened by the adoption of the Ordinance, (the "Claim).

The Harris Act provides for the City to have the ability to enter into a settlement agreement which would have the effect of a modification or variance to the application of a regulation or ordinance as it would otherwise apply to the subject real property, provided the relief granted protects the public interest served by the regulations at issue and is the appropriate relief necessary to prevent the governmental regulatory effort from inordinately burdening the real property.

The City Council should settle the claim if the City Council determines that the modifications within the settlement agreement protect the public interest served by the Ordinance and are the appropriate relief necessary to prevent the regulatory effect of the Ordinance from inordinately burdening the Property.

II. DISCUSSION: The property owner has requested a maximum occupancy of twenty-two (22) occupants. City staff is recommending an occupancy of eleven (11) occupants based on the square footage of the property. The building official utilized a one-occupant per 200 square feet methodology for recommending the above-stated occupancy.

Additionally, staff is recommending at least two (2) trash cans on the property. This recommendation is based on industry standard (Waste Management) that, on average, one trash can is required for every six occupants in order to ensure adequate garbage disposal. Therefore, if the maximum number of occupants exceeds any multiple of six (6, 12, 18, 24, 30, 36, etc.), then an extra trash can will be needed to accommodate the additional occupants. For example, if thirteen (13) is the maximum occupation, then three (3) trash cans are required. This is because, on average, two (2) trash cans will only accommodate twelve (12) occupants. The third trash can will be needed to accommodate the thirteenth occupant.

Further, the property owner must agree to annual life safety inspections, as provided in the proposed settlement agreement.

Finally, staff is recommending that no greater than eight (8) vehicles be parked on this property

As stated in the agreement, the property owner remains bound by all other provisions of City codes.

A. Link to Strategic Goals / Objectives:

B. Effect on Budget (EOB):

C. Level of Service (LOS):

III. CONCLUSION:

IV. RECOMMENDED MOTION: 1. I move to approve the settlement agreement prepared by the City Land Use Attorney and Staff.

or

2. I move to approve the settlement agreement prepared by the City Land Use Attorney and Staff with the following modifications:_____.

or

3. I move to direct the City Land Use Attorney to negotiate in good faith with the property owner and to bring back an alternate settlement proposal to the City

Council for consideration.

or

4. I move to deny settlement of the subject claim at this time.

Attachments:

1. Bert Harris Case - 633 Gulf Shore Drive
2. 633 Gulf Shore Drive

DANA C. MATTHEWS
MICHAEL A. JONES
KENNETH M. BORICK
Of Counsel
Also admitted in Georgia and South Carolina
DANA C. "D.C." MATTHEWS II
SAMUEL B. TAYLOR
DANIEL C. O'ROURKE
Florida Supreme Court Certified
Civil and Family Mediator

MATTHEWS & JONES
ATTORNEYS AT LAW
INSIGHT | INTEGRITY | INNOVATION

CHRISTA P. DIVINEY
Board Certified Criminal Trial Lawyer
Also admitted in Alabama
LAURA PENTEL-KLANG
JESSICA L. STEWART
SALVADOR "A.J." GOMEZ
C. STEPHEN TATUM

Reply to Destin

STATUM@DESTINLAW.COM

October 2, 2019

VIA HAND DELIVERY

Mayor Gary Jarvis
City of Destin
4200 Indian Bayou Trail
Destin, FL 32541
gjarvis@cityofdestin.com

Dear Mayor Jarvis:

Our firm represents M-Group Ventures Gulf Shores, LLC, the owner of the home located at 633 Gulf Shore Drive; Destin, Florida, also identified as Lot 3, Block D Holiday Isle Residential Section No. 4, recorded in Okaloosa County Plat Book 4, at Page 29.

Due to the enactment of City of Destin Ordinance 18-29-CC, which limits the occupancy of short term rental homes to two (2) people per bedroom plus an additional four (4) persons, M-Group's reasonable investment-backed expectations for use of the home as a short-term vacation rental property have been inordinately burdened, as defined in the "Bert J. Harris, Jr., Private Property Rights Protections Act", Chapter 70, Florida Statutes ("Harris Act"). M-Group hereby submits this letter along with the enclosed EquiValue Appraisal, LLC property appraisal dated September 19, 2019, as a claim under the Harris Act against the City of Destin for Four Hundred Forty Thousand Dollars ($440,000.00), which represents the diminution in value of M-Group's property.

Pursuant to the provisions of the Harris Act, M-Group hereby demands payment in the amount of Four Hundred Forty Thousand Dollars ($440,000.00) plus attorneys fees and costs.

If no resolution is reached during the statutorily prescribed waiting period, M-Group intends to file suit pursuant to this claim and pursue any other legal remedies for the

actions that gave rise to this claim. M-Group explicitly reserves the right to bring any and all legal challenges, appeals and objections with respect to Ordinance 18-29-CC.

Sincerely,

C. Stephen Tatum
Matthews & Jones, LLP
Attorney for Golf Beach Rentals, LLC

Enclosure

cc: Lance Johnson, City Manager (via email)
Rey Bailey, City Clerk (via email)
Kimberley Romano-Kopp, Esq. (via email)
Client

APPRAISAL REPORT

PROPERTY: AN APPROXIMATE +/-3,360 SQUARE FOOT HEATED AND COOLED RESORT RESIDENTIAL RENTAL PROPERTY, ALONG WITH ASSOCIATED SITE IMPROVEMENTS INCLUDING A POOL AND POOL DECK ALL OF WHICH IS SITED ON AN APPROXIMATE 0.28-ACRE SITE

633 GULF SHORE DRIVE, DESTIN, OKALOOSA COUNTY, FL

EQUIVALUE APPRAISAL

EQUIVALUE APPRAISAL, LLC
PROFESSIONAL APPRAISAL AND VALUATION SERVICES
PO BOX 5326
DESTIN, FLORIDA 32540
PHONE (850) 424-6119

Jason P. Shirey, MAI, CCIM, CPM
State-Certified General Real Estate Appraiser, RZ3186 (FL)
Direct Phone (850) 543-5953 (Mobile)

EquiValue Appraisal File No.: 190307A

APPRAISAL REPORT

Of Resort Residential Property
+/-0.28-Acres of Residential-Zoned Land
Improved with a resort residential structure,
Containing approximately +/-3,360 SF of Heated and Cooled Livable Area,
Along with Associated Site Improvements Including a Heated Pool and Pool Deck

Location
633 Gulf Shore Drive,
Destin, Okaloosa County, FL
32541

Property Owner
M Group Ventures Gulf Shores, LLC

Effective Date
January 22, 2019 (Retrospective)

Report Date
September 19, 2019

Client / Intended User
M Group Ventures Gulf Shores, LLC
18898 State Highway 6 South
College Station, TX 77845

Prepared by:
Jason P. Shirey, MAI, CCIM, Cert Gen RZ3186

EQUIVALUE
APPRAISAL

Phone 850 424 6119 Fax 888 774 4503
EquiValue Appraisal, LLC File #: 190307A

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September 19, 2019

M Group Ventures Gulf Shores, LLC
18898 State Highway 6 South
College Station, TX 77845

Re: Diminution in Value Appraisal of an approximate +/-3,360 HVAC Square Foot Resort Residential Rental Property, 'As Is', whose postal address is 633 Gulf Shore Drive, Destin, Okaloosa County, FL 32541. EquiValue Appraisal File No. 190307A.

Dear Client:

At your request and authorization, we have prepared an appraisal for the above-referenced resort residential rental property. A copy of the pertinent engagement document has been included in the addenda to this report if applicable.

This letter of transmittal is *not* an appraisal report, but merely serves to transmit the attached appraisal report and convey the final conclusion of value. The accompanying research, analyses and conclusions, and appraisal report following this letter of transmittal has been compiled in accordance with USPAP Standards Rule 2-2(a) for a written appraisal report.

The purpose of this appraisal is to determine if there is a Diminution in Value as result of recently-adopted City of Destin Ordinance No. 18-29-CC, and if so, to derive an opinion of the Diminution in Value to the subject property associated with the implementation of said Ordinance.

This Ordinance was implemented January 22, 2019, and the incorporation of this ordinance limits the occupancy of the subject property to 16 guests. Prior to the implementation of this Ordinance, the designed occupancy of the subject property was 22 guests. Therefore, as a result of the ordinance, the maximum occupancy of the subject has been reduced by 6 guests, or approximately -27.27%.

We are therefore opining on the difference in market value of the subject before and after the adoption of City of Destin Ordinance No. 18-29-CC, which was promulgated on January 22, 2019.

The values reported are predicated upon market conditions prevailing as of the effective date of the appraisal. In the context of the scope of work, the appraisal is considered to render a credible opinion of value, specific to the client, intended use and intended user.

The intended use of this appraisal is for internal decision making purposes by the stated Client and their advisors. This appraisal is intended for the use of the client and client's advisors.

We have completed the requisite inspections, research, and analyses necessary to appraise the 100% fee simple interest in the subject property, 'As Is' as of January 22, 2019, both prior to adoption of Ordinance No. 18-29-CC and after, in order to evaluate the potential Diminution in value.

Please reference the Scope section of this report for information regarding the scope of research and analysis for this appraisal, including property identification, inspection, highest and best use analysis and valuation methodology.

I certify that I have no present or contemplated future interest in the property beyond this opinion of value. The reported value(s) in this appraisal have not been based on a requested minimum valuation, a specific valuation, and have been prepared in compliance with the Uniform Standards of Professional Appraisal Practice.

Your attention is directed to the Limiting Conditions and Assumptions section following the reconciliation and appraisal certification in this report. Acceptance of this report constitutes an agreement with these conditions and assumptions.

This appraisal is subject to the following Hypothetical Condition(s):

- None.

This appraisal is subject to the following Extraordinary Assumption(s):

- None.

Our opinion of value was formed based on our experience in the field of real property valuation, as well as the research and analysis set forth in this appraisal.

I am of the opinion that as a result of the implemented City of Destin Ordinance 18-29-CC that the market value of the subject property is negatively impacted.

The implemented Ordinance reduces the maximum occupancy of the subject property, and therefore the subject's associated income generation potential.

The subject property is a resort-residential property specifically utilized for income generation purposes. Therefore, a reduction in scheduled income due the subject correlates to a reduction in associated value.

The Diminution in Value to the subject is represented by the difference between the 'Before' and the 'After' value conclusions.

In this case, this is represented by the difference between the opined value prior to implementation of the Ordinance (ie. the 'Before Ordinance' value of $1,200,000) and the value after implementation of the Ordinance (ie. the 'After Ordinance' value of $760,000).

Per this calculation, with supporting documentation as to the rationale of these values provided within this report, the opinion of Diminution in Value to the subject as a result of City of Destin Ordinance 18-29-CC is opined to be $440,000.

Therefore,

Diminution in Market Value
As A Result of Implementation of City of Destin Ordinance 18-29-CC:

Four Hundred Forty Thousand Dollars
($440,000)

The estimated market exposure period necessary for the subject to have achieved these values is estimated to be 9-12 months.

It was a pleasure assisting you with this matter. If you have any questions concerning the following analysis, or if we can be of further assistance, please do not hesitate to call.

Respectfully submitted,
EquiValue Appraisal, LLC

Jason P. Shirey, MAI, CCIM, CPM
Cert Gen RZ3186

INTRODUCTION

QUALIFICATIONS OF THE APPRAISER

Qualifications of

Jason P. Shirey, MAI, CCIM, MS-RECM

State-Certified General Real Estate Appraiser No. RZ 3186 (FL)
State-Certified General Contractor No. CGC 062478 (FL)
Licensed Real Estate Broker No. BK 3168469 (FL)

MAI : Designated Member of the Appraisal Institute
Appraisal Insitute, Chicago, Illinois.

CCIM : Designated Certified Commercial Investment Member
CCIM Institute, Chicago, Illinois.

M.S. RECM : Master of Science, Real Estate and Construction Management
University of Denver - Denver, Colorado.

B.S. BCN : Bachelor of Science, Building Construction Management
University of Florida – Gainesville, Florida.

Business Affiliations and Work Experience, Past / Present

EquiValue Appraisal and Consulting Services
Principal and Founder; Real Estate Appraiser, Real Estate Broker, Certified General Contractor

Marsh Appraisal Corporation - Real Estate Appraisal and Valuation Services, Fort Walton Beach, Florida
Registered Trainee Appraiser / State Certified Real Estate Appraiser

Plantation Coast Properties, LLC – Fort Walton Beach, Florida
Principal; Real Estate Investments and Property Management

Alcon Associates, Inc. – Commercial General Contractors / Construction Managers; Pensacola, Florida
Florida Division Manager

National Construction Enterprises, LLC – General Contractor / Construction Managers; Savannah, Georgia
Vice President of Operations, Savannah-Hilton Head Division

Acoustics and Specialties, Inc. – General Contractors; Memphis, Tennessee
Senior Estimator / Project Manager of Healthcare Construction

Brasfield and Gorrie General Contractor Inc. – General Contractors and Construction Managers; Orlando, Florida
Construction Estimator / Project Manager

United States Air Force Reserve
Reserve Pilot, Boeing C-17 Globemaster III

EQUIVALUE APPRAISAL

Jason P. Shirey, MAI, CCIM, MS-RECM (Continued)

Professional / Continuing Education

Litigation Appraising - Specialized Topics and Applications
Appraisal Institute

Uniform Standards of Professinal Appraisal Practice
7 Hour Update, *Appraisal Institute*

Advanced Income Capitalization
Appraisal Institute

Advanced Sales Comparison Approach
and Principles In Highest and Best Use
Appraisal Institute

User Decision Analysis for Commercial Real Estate
CCIM Institute Course CI-103

Advanced Cost Approach
Appraisal Institue

Real Estate Taxation, Planning and Consequences
University of Denver, Burns School of Real Estate

Advanced Real Estate Feasibility Analysis
Urban Land Institute / University of Denver

Real Estate Securities and Syndications
University of Denver, Burns School of Real Estate

Legal Issues In Real Estate and Construction Management
University of Denver, Burns School of Real Estate

Income Property Investment
Urban Land Institute / University of Denver

Argus Financial Analysis
University of Denver, Burns School of Real Estate

Residential Real Estate Appraiser Course ABII
Ed Klopfer Schools of Real Estate

Real Estate Salesperson Pre-Licensing Course
Ed Klopfer Schools of Real Estate

Income Property Management
Institute of Real Estate Management / University of Denver

Certified Commercial Investment Member Core Concepts
CCIM Insitute Comprehensive Exam

Appraising from Blueprints and Specifications
Appraisal Institute

Florida Building Code Update
Florida Workplace Safety and OSHA Update
Universal Inspection Service

Uniform Standards of Professional Appraisal Practice
15 Hour Update, *Appraisal Institute*

Business Practices and Ethics for Appraisers
Appraisal Institute Course #420

Basic Income Capitalization
Appraisal Institute

Advanced Valuation and Report Writing
Appraisal Institute Course #540

Real Estate Investment Finance
University of Denver, Burns School of Real Estate

Computer Applications for Real Estate Analysis
University of Denver, Burns School of Real Estate

Risk Management and Insurance for Investment Real Estate
University of Denver, Burns School of Real Estate

Indoor Air Quality and Mold Contamination Remediation
National Association of Mold Professionals, 2004

Real Estate Trainee Appraiser Course ABI
Ed klopfer Schools of Real Estate

Uniform Standards of Professional Appraisal Practice
15 Hour Update, *Appraisal Institute*

Jason P. Shirey, MAI, CCIM, MS-RECM (Continued)

Appraiser Experience - Property Types

Affordable Housing
Agricultural Land
Aircraft Hangars
Antenna Towers
Apartments
Automobile Dealerships
Hotels and Motels
Bank Buildings
Bowling Alleys
Broadcast Facilities
Campgrounds / Recreational Vehicle Parks
Car Washes
Churches
Coastal Land
Condominium Units:
  Assemblages, Complexes, Conversions
Condominium Projects:
  Pre-development, Insurable Replacement Cost
Convenience Stores
Day Care Centers
Development Appraisals
Distribution Facilities
Golf Clubs and Country Clubs
Health Clubs
High-End Residential
Hobby Farms
Home Sites (Lots)
Home Sites (Land - Large Tracts)
Hotel - Resorts
Industrial Land
Indstrial Improvements
Light Industrial Properties
Manufacturing Facilities
Marinas / Docks / Boat Storage Facilities
Medical Offices
Mixed Use Developments
Mobile Home Parks
Multifamily Land
Multifamily Developments
Nurseries
Office Buildings
Office Condominiums
Office-Warehouse Facilities
Outdoor Signs
Parking Facilities
Replacement Cost Appraisals
Retail Stores (Anchor Tenant / Owner Occupied)
Retail Strip Centers (Multiple Tenant)
Restaurants (All types)
Self-Storage Facilities
Subdivisions (Commercial)
Subdivisions (Residential)
Single Family Residences
Sustainable Development (Green Buildings)
Urban Land (Vacant and Interim Use)
Warehouses
Yacht Clubs

Previous Client List (Partial)

Access Bank and Mortgage
Alternative Funding Corporation
BanCorp South
Bank of America
Bank of Bonifay
Bank of Pensacola
BankTrust
Beach Community Bank
CB Richard Ellis
CCB Community Bank
Colonial Bank
Community Bank
Compass Bank
Cotton and Gates
Crystal Beach Development
DestinFirst Bank
First Capital Bank
First City Bank
First Gulf Bank
First National Bank and Trust
Florida Coastal Mortgage
Guaranty Federal Bank
GulfSouth Private Bank
Jay Odom
Kevin Helmich, P.A.
Legendary, Inc.
LNK Development
M & F Bank
People's First Community Bank
Premier Community Bank
Regions Bank
Renasant Bank
Sunbird Condominium Owner's Association
Suntrust Bank
The Plaza Owner's Association
Tranquil Harbor Owner's Association
Trustmark National Bank
Vanguard Bank
Villas on the Gulf Condominium Onwer's Association
Vision Bank
Wachovia Bank
Whitney Bank

Assignment Purposes

Acquisition
Disposition
Assessment Appeal
Development Feasibility
Estate Planning
Financing (Institutional and Private)
Investment Analysis
Portfolio Analysis
Marital Dissolution
Relocation
Mediation, Arbitration, Dispute Resolution

EQUIVALUE APPRAISAL

Jason P. Shirey, MAI, CCIM, MS-RECM (Continued)

Assignment Types

Appraisal Review
Buyer Brokerage
Complex Valuation
Construction Progress / Draw Request Inspection
Demographic Analysis
Detrimental Conditions Valuation and Consulting
Eminent Domain Valuation and Consulting
Estate Valuation
Feasibility Studies
Fee Appraisals Including Full and Fractional Interests
Foreclosure / REO Appraisal - Assessment
Highest and Best Use Analysis
Insurance
Litigation Support
Market Studies
Portfolio Valuation and Analysis
Relocation Appraisal
Rent Analysis / Studies
Retrospective Valuation
Site Location Services
Valuation and Consultation for Financial Reporting

Primary Market Area

Okaloosa County
- Destin
- Fort Walton Beach
- Crestview
- Mary Esther
- Niceville
- Bluewater Bay

Walton County
- Miramar Beach
- Panama City Beach
- Rosemary Beach
- Santa Rosa Beach
- Blue Mountain Beach
- Freeport
- Defuniak Springs
- Inlet Beach
- Seacrest Beach

Santa Rosa County
- Navarre
- Navarre Beach
- Gulf Breeze

Bay County
- Panama City
- Panama City Beach
- Springfield

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Subject Photograph(s)

Additional photographs can be referenced in the Property Description Section of the Appraisal Report.

Summary of Salient Facts and Conclusions

GENERAL	
EquiValue Appraisal File No:	190307A
Subject:	An approximate 3,360 HVAC SF / 4,328 Gross SF Resort Residential Rental Property located in the northwest corner of the non-signalized intersection of Gulf Shore Drive/Magnolia Drive, approximately 375 feet north of the Beaches of the Gulf of Mexico, with postal address of 633 Gulf Shore Drive in Destin, Okaloosa County, Florida. The subject site is comprised of +/-0.28 acres of Medium Density Residential – Holiday Isle zoned land (a residentially-oriented zoning designation) which is improved with a two story resort rental residential structure, along with associated site improvements which include a heated pool and pool deck. According to information provided by the Okaloosa County Property Appraisers Office, the main improvement was constructed in 1973, provided for actual age of 46 years. The subject improvement was extensively renovated in the 1990's and an additional remodel/renovation of the entire interior area was completed in 2014, after acquisition by the current owner. As the improvement has been extensively renovated and is considered to be of very good quality of construction and in good condition, and based on appraiser's observations made during the inspection, the appraiser is of the opinion that the subject improvement exhibits an effective year built of approximately 2004, providing for an effective age of approximately 15 years.

Per the owner of the subject property, approximately $300,000 was spent on renovations after acquisition of the subject for $533,000 in September of 2014, bringing the total owner investment to $833,000 to make the subject ready for resort rental occupancy in the current configuration.

Additionally we note, that information provided the property owner indicated that the motivation of the expenditure for the renovations was for income generation purposes with a specific design for 22 occupants.

The configuration of the existing structure was specifically designed and outfitted to accommodate and adequately park 22 overnight (sleeping) guests and features the following characteristics,

- 6 Bedrooms
- 6 Bathrooms
- Den Area, Dining Area, Game Room, Living Room, and Kitchen Area
- Heated Swimming Pool and Pool Deck
- Outdoor Living Areas

The use of the subject property in 'As Is' condition is as a beach proximate, resort residential rental property and this is the use represented in the valuation of the subject property, as of the effective date of this appraisal.

In the 'Before' condition, occupancy of the subject was specifically designed for 22 guests with sleeping accommodations as follows:

1st Floor Bedroom #1 (Sleeps 2)
1 King Bed

1st Floor Bedroom #2 (Sleeps 2)
1 King Bed

1st Floor Bedroom (Bunk Room) #3 (Sleeps 8)
2 Queen over Queen Bunk Beds

1st Floor Bedroom (Bunk Room) #4 (Sleeps 6)
1 Queen over Queen Bunk Bed and 1 Twin over Twin Bunk Bed

	2nd Floor Bedroom #5 (Sleeps 2): 1 King Bed 2nd Floor Bedroom #6 (Sleeps 2): 1 King Bed In the 'After' condition and taking into account the City of Destin Ordinance 18-29-CC which was implemented January 22, 2019, the occupancy of the subject (in aggregate) is limited to 16 Guests as calculated by having a total of 6 bedrooms (as recognized by the Okaloosa County Property Appraisers Office) at 2 guests per bedroom, plus 4 additional guests.
Owner:	M Group Ventures Gulf Shores, LLC 18898 State Highway 6 South College Station, TX 77845
Legal Description:	Holiday Isle Lot 3 Block D
Tax Identification:	00-2S-24-2186-000D-0030
Date of Report:	September 19, 2019
Date of Value:	January 22, 2019
Property Rights Appraised:	Fee Simple
Intended Use:	The intended use of this appraisal is for internal decision making purposes by the client, and for Bert Harris Act computation of damages.
Intended User(s):	The intended user of this report is the property owner, the property owner advisors, courts and local government and regulatory agencies.
Appraisal Purpose:	Market Value Opinion 'As Is' in the 'Before Ordinance' and 'After Ordinance' conditions, and subsequent evaluation of Diminution in Value.

2018 Assessed Value: **$411,364**

Despite the intention of the property appraiser to value property at market value on a yearly basis, it is the appraiser's opinion that assessed value has no direct correlation to fair market value in the subject market area. It is noted that as the subject was just recently extensively renovated.

2018 Taxes: **$6,053.07 (Paid)**

According to the Okaloosa County Tax Collector, taxes for 2018 have been paid in full and no prior year delinquent taxes remain owing.

Sale History: The most recent transaction related to the subject property can be found on a Warranty Deed recorded in the Okaloosa County public records at OR Book 3248 Page 129. According to this deed, the subject property was transferred to M Group Ventures Gulf Shores, LLC (grantee) from Bryant Scott Medlin and Phil R. Medlin (grantor) on May 11, 2016 for a total consideration of $100. This transaction was not given any consideration in our valuation of the subject property as this was a transfer between related entities.

Another transaction related to the subject property can be found on a Quit Claim Deed recorded in the Okaloosa County public records at OR Book 3247 Page 30. According to this deed, Okaloosa County (Grantor) transferred all of the grantor's revisionary interest the leasehold interest owned by Bryant Scott Medlin and Phil R. Medlin (Grantee)on April 25, 2016 for a total consideration of $100. This transaction was not given any consideration in the current valuation of the subject property.

Another transaction related to the subject property can be found in an Assignment of Sublease recorded in the Okaloosa County public records at OR Book 3164 Page 1157. According to this assignment of sub lease, the subject property was conveyed to Bryant Scott Medlin and Phil R. Medlin (assignee) from KM Investments, LLC (assignor) on September 10, 2014 or a total consideration of $533,000.

Sale History (Cont.):	There have been no transfers of the subject property in the preceding 3 years
Current Contracts/Listing:	We were unable to locate any active listing for sale of the subject property in the prior 12 months. We are unaware of any intention by the current owner to market the subject for sale. It is our understanding that the property owner plans to retain the subject property for short-term rental purposes and income generation potential.

PROPERTY	
Land Area:	Total: +/-0.28-Acre Usable: +/-0.28-Acre Excess: 0.00 Acres
Zoning/ Future Land Use:	Medium Density Residential – Holiday Isle (MDR-HI) - by the City of Destin
Highest and Best Use 'As Is':	Utilizing the subject as a resort-residential rental property at maximum occupancy is estimated to be the highest and best use of the subject 'As Is'. It is noted that occupancy limitations imposed on the subject by virtue of City of Destin Ordinance 18-29-CC, which limits occupancy of the subject property to a lesser number than that for which the subject was specifically renovated and outfitted, is anticipated to have a negative impact on the market value / return on investment of the subject property to the owner.

VALUE CONCLUSIONS	
Land Value:	Not Utilized
Cost Approach:	Not Utilized
Improved Sales Comparison Approach:	Not Utilized
Income Approach:	$1,200,000 – Before Ordinance 18-29-CC $760,000 – After Ordinance 18-29-CC $440,000 – Diminution in Value as a Result of Ordinance 18-29-CC

Appraisal Scope of Work

In accordance with the 2018-2019 Uniform Standards of Professional Appraisal Practice, it is the appraiser's responsibility to develop and report a scope of work that results in credible results that are appropriate for the appraisal problem and intended user(s).

This process should meet the expectations of parties who are regularly intended users for similar assignments and be consistent with what an appraiser's peers actions would be in performing the same or a similar assignment.

Therefore, the appraiser must identify and consider:

- the client and intended users;
- the intended use of the report;
- the type and definition of value;
- the effective date of value;
- assignment conditions;
- typical client expectations; and
- typical appraisal work by peers for similar assignments**.**

This appraisal is prepared for the Client, M Group Ventures Gulf Shores, LLC.

The intended use of this appraisal is for internal decision making purposes by the client, the client's advisors, and for Bert Harris Act computation of damages.

The intended user of this report is the property owner, the property owner's advisors, courts and local government and regulatory agencies.

SCOPE OF WORK	
Report Type:	This is a written Appraisal Report, which is intended to comply with the reporting requirements established by Standards Rule 2-2(a) of the *2018-2019* edition of the U*SPAP* for a written Appraisal Report. It presents summary discussions of the data, reasoning, and analyses utilized in the appraisal process to develop the appraiser's opinion of value. Supporting documentation not provided with the report concerning the data, reasoning, and analyses is retained in the appraiser's file. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated in the report. The appraiser is not responsible for the unauthorized use of this report.

Property Identification:	The subject was identified by the legal description and the assessor's parcel number, and appraiser inspection.
Inspection:	An inspection of the site and improvements was made, and photographs were taken.
Market Area and Analysis of Market Conditions:	A complete analysis of market conditions was made. The appraisers physically inspected the micro and/or macro market environments which influence the subject property.
Highest and Best Use Analysis:	A complete analysis of highest and best use for the subject property in 'As Is' condition was made.

Valuation Analyses

Land Valuation and Cost Approach:	An opinion of value for the subject property in 'as if vacant' condition and subsequent application of the cost approach has not been provided. The purpose of this appraisal is to evaluate the impact to the value of the subject by virtue of the implementation of City of Destin Ordinance 18-29-CC which limits occupancy of the subject and corresponding associated income generation potential. Thus, the cost to acquire land and construct a replacement property is meaningless to the purpose of the assignment and was not applied.
Sales Comparison Approach:	The improved sales comparison approach was not utilized in this appraisal assignment. The purpose of this appraisal is to evaluate the impact to the value to the subject by virtue of the implementation of City of Destin Ordinance 18-29-CC which limits occupancy of the subject and associated income generation potential. As this ordinance was just recently implemented, an adequate number of improved sales which sold after the Ordinance implementation date were not available from which to derive an opinion of market value from this approach. As sales which occurred prior to this Ordinance will reflect market transactions without this restriction, they are not considered valid indicators of value for the subject in the restricted condition. Therefore this approach could not be applied due to lack of sufficient comparable data.

Income Approach:	The income approach was applied for the subject in both the 'Before Ordinance' and 'After Ordinance' scenarios.
Hypothetical Conditions:	None.
Extraordinary Assumptions:	None.
Exposure Time (Market Value):	Exposure Time may be defined as: the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective opinion based on an analysis of past events assuming a competitive and open market. The estimate of exposure time is presented in consideration of the exposure periods for comparable sales utilized in this appraisal, marketing time information available from nationally published sources including the CB Richard Ellis National Market Survey and the opinions of market participants. ***It is estimated that the exposure time necessary for the subject to have achieved the opinion of value is 9-12 months.***

Definition of Value, Property Rights Appraised, and Intended Use

Purpose of the Appraisal:

The purpose of an appraisal is the stated reason and scope of the appraisal assignment. It is established by the client, and points to the information that the client needs to answer specific questions pertaining to real property. The purpose of the appraisal establishes the foundation for the final value conclusion, which does not change to accommodate the use of the appraisal.[1]

The purpose of this appraisal is to derive an opinion of the Diminution in Value to the subject property associated with the implementation of City of Destin Ordinance No. 18-29-CC.

This Ordinance was implemented January 22, 2019, and the incorporation of this ordinance limits the occupancy of the subject property to 16 guests. Prior to the implementation of this Ordinance, the designed occupancy of the subject property was 22 guests. Therefore, as a result of the ordinance, the maximum occupancy of the subject has been reduced by 6 guests, or approximately -27.27%.

We are therefore opining on the difference in market value of the subject before and after the adoption of City of Destin Ordinance No. 18-29-CC, which was promulgated on January 22, 2019.

Intended Use of the Appraisal and Intended User:

The intended use of an appraisal is the manner in which a client will employ the information contained in the appraisal report. The intended use or function of an appraisal is determined by the client's needs. Because an appraisal may provide a basis for a decision concerning real property, the intended use of the appraisal depends on the decision that the client wishes to make.[2]

The intended use of this appraisal is for internal decision making purposes by the client, and for Bert Harris Act computation of damages. The intended user of this report is the client / property owner, advisors, courts and local government and regulatory agencies.

Property Rights Appraised

Real property is said to have value as a result of the "bundle of rights" that are inherent to property ownership. Regardless of the type of ownership, the owner of real property is said to have an interest in that property. The following definitions are for the three most commonly-valuated interests as defined by the Dictionary of Real Estate Appraisal, Fourth Edition.

---

[1] The Appraisal of Real Estate, Twelfth Edition
[2] The Appraisal of Real Estate, Twelfth Edition

Fee Simple Interest:
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.

Leased Fee Interest:
An ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the lessee are specified by contract terms contained within the lease.

Leasehold Interest:
The interest held by the lessee (the tenant or renter) through a lease transferring the rights of use and occupancy for a stated term under certain conditions. See also negative leasehold; positive leasehold.

The subject property is being appraised 'fee simple', taking into account market conditions at the effective date of the report. Given the valuation of the subject in 'As Is' condition and the nature of the subject being a resort-rental property which is occupied on a short term or seasonal basis, fee simple basis is considered to be the appropriate valuation standard.

Date of Value Opinion
Value opinions are presented as of a specific date, taking into account market conditions at that time. The effective date of an appraisal is the date at which the analyses, opinions, and advice in an appraisal, review, or consulting service apply. (USPAP, 2018-2019 edition.)

The date of the value opinion can be current, in the past (retrospective), or forecast into the future (prospective).

The following presents definitions regarding the date of the opinion of value, as provided by the text The Appraisal of Real Estate, Twelfth Edition:

Date of Value Opinion:
The date for which an opinion of value is valid.

Current Value:
In accounting, synonymous with market value.

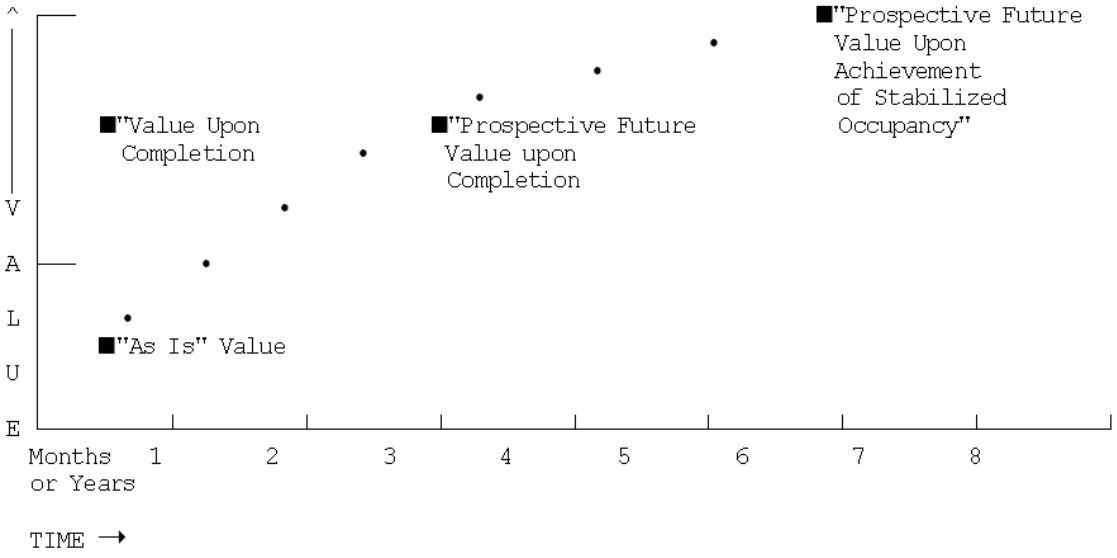
Retrospective Value Opinion:
An opinion of value that is likely to have applied as of a specified historic date. A retrospective value opinion is most frequently sought in connection with appraisals for estate tax, condemnation, inheritance tax, and similar purposes.

Prospective Value Opinion:
A forecast of the value expected at a specified future date. A prospective value opinion is most frequently sought in connection with real estate projects that are proposed, under construction, or under conversion to a new use, or those that have not achieved sellout or a stabilized level of long-term occupancy at the time the appraisal report is written.

In a prospective appraisal, the appraiser analyzes market trends to provide support for forecasted income and expense or sell-out opinions, absorption periods, capitalization rates, and discount rates as of the effective date of the appraisal. This appraisal report was prepared taking into account market conditions present as of the date of the report. The appraiser(s) can not be held responsible for unforeseen events that alter market conditions prior to the effective date of the appraisal.

The following graph presents a graphical depiction of the above-described date of value opinions and their associated position within a potential overall development time scenario.

Value Creation Continuum[1]



The preceding exhibit graphically displays the creation of value in a real estate development project over time, assuming a zero inflation environment for clarity of presentation.

1 Code of Federal Regulations, Title 12, as amended by the Federal Home Loan Bank Board.

Basis of the Subject Value Opinion

The four time differential values on the preceding graph which may be considered in the appraisal of proposed developments are defined as follows:

(1) **"As Is"** means an estimate of the market value of a property in the condition observed upon inspection and as it physically and legally exists without hypothetical conditions, assumptions, or qualifications as of the date of appraisal.

(2) **"Value as Complete" or "Value Upon Completion"** means the market value of a property with all proposed construction, conversion, or rehabilitation hypothetically completed, or under other specified hypothetical conditions as of the date of appraisal. With regard to properties wherein anticipated market conditions indicate that stabilized occupancy is not likely as of the date of completion, this estimate of value shall reflect the market value of the property as if complete and prepared for occupancy by tenants.

(3) **"Prospective Future Value Upon Completion"** means the prospective future value of a property on the date that construction is completed, based upon market conditions forecast to exist as of that completion date.

(4) **"Prospective Future Value Upon Achievement of Stabilized Occupancy"** means the prospective future value of a property at a point in time when all improvements have been physically constructed and the property has been leased to its optimum level of long term occupancy.

The purpose of this appraisal is to derive an opinion of the Diminution in Value to the subject property associated with the implementation of City of Destin Ordinance No. 18-29-CC.

The following are the pertinent dates to the valuation, viewing, and appraisal reporting of the subject property:

Effective Date of Value Opinion:	**January 22, 2019**
Date of Viewing:	**August 2, 2019**
Date of Appraisal Report:	**September 19, 2019**
Date of Photographs:	**August 2, 2019**

Definition of Value

The definition of "Market Value", as defined by the Office of the Comptroller of Currency (OCC) under 12 CFR, Part 34, Subpart C-Appraisals, 34.42 Definitions, the Board of Governors of the Federal Reserve System (FRS) and the Federal Deposit Insurance Corporation in compliance with Title XI of FIRREA, as well as by the Uniform Standards of Appraisal Practice as promulgated by the Appraisal Foundation, is as follows.

> Market value means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby,
>
> 1. Buyer and seller are typically motivated;
>
> 2. Both parties are well informed or well advised, and acting in what they consider their own best interest;
>
> 3. A reasonable time is allowed for exposure in the open market;
>
> 4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
>
> 5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Policy Statement of the Appraisal Institute

It is improper to base a conclusion or opinion of value upon the premise the racial, ethnic, or religious homogeneity of the inhabitants of an area or of a property is necessary for maximum value.

Racial, religious, and ethnic factors are deemed unreliable predictors of value trends or price variance.

It is improper to base a conclusion or opinion of value, or a conclusion with respect to neighborhood trends, upon stereotyped, biased presumptions relating to the effective age or remaining life of the property being appraised or the life expectancy of the neighborhood in which it is located.

FACTUAL DESCRIPTIONS

Property Description

Summary of Site Characteristics and Improvements

SITE	
Information Sources:	Deed, assessment records, inspection, owner
Total Site Size:	+/-0.28-Acre
Usable Site Size:	+/-0.28-Acre
Excess Land:	0.00 acres
Corner Lot:	The site is located in the northwest corner of the non-signalized intersection of Gulf Shore Drive/Magnolia Drive.
Visibility:	The subject site benefits from visibility from Gulf Shore Drive (which parallels the southern boundary) and Magnolia Drive (which parallels the eastern boundary). The subject site is considered to have good visibility for the subject market area.
Shape:	Rectangular. See aerial photograph / property appraiser map for a visual depiction of the site shape and parcel.
Road Frontage/Access:	The subject features direct access from Magnolia Drive, a two lane secondary residential roadway.
Waterfront Proximity:	The subject is located approximately 375 feet north of the Beaches of the Gulf of Mexico and is well-positioned as a resort rental property which would capitalize on its close proximity to the beaches to the south.
Drainage:	Drainage appears adequate for the subject property. Drainage on the subject site meets current standards for storm water retention. The subject property is considered typical with regard to other similar properties in the subject market area.
Potential For Environmental Contamination:	The appraisers have not observed, nor are qualified to detect, the existence of potentially hazardous material or underground storage tanks which may be present on or near the subject site. The appraisers recommend that an environmental survey be attained to assure the environmental stability of the subject property. This appraisal assumes no subsoil contamination of the subject site.

Utilities: *Electricity*: Electricity is provided by Gulf Power, Inc. Standard service capacity exists at the subject property with adequate capacity to service the subject existing improvements.

Sewer: Public sewer is provided and is on site.
Water: Public water is provided and is on site.
Natural Gas: Natural Gas service is provided and is on site.
Adequacy: Utility service is considered adequate for the subject improvements and at least standard for the subject market area.

Site Improvements: Site improvements present on the subject at the time of inspection included concrete driveway/parking for a minimum of 8 vehicles (estimated), utilities, landscaping, a heated swimming pool with concrete pool deck area.

Landscaping: The subject features excellent quality landscaping with various plantings and grassy areas with irrigation.

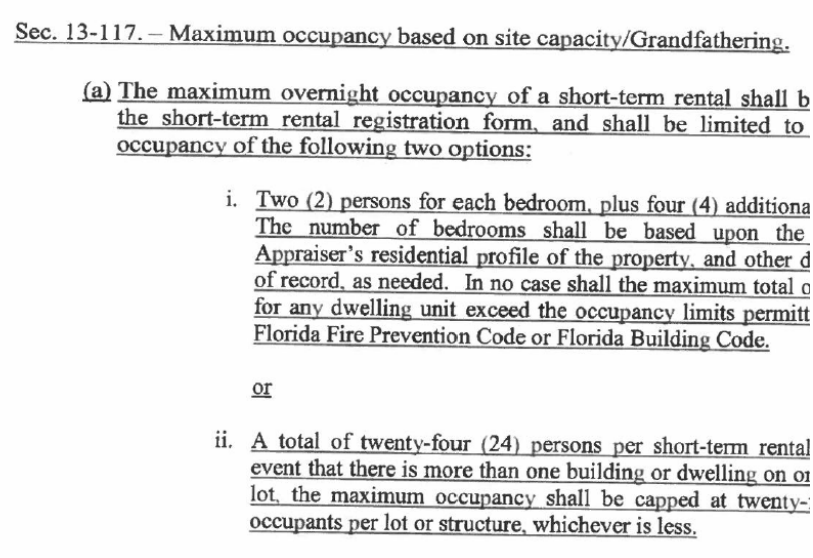
Site Utility: Good

Flood Zone: The subject is located in an area mapped by the Federal Emergency Management Agency (FEMA). The subject property appears to be located in Flood Zone 'AE (EL 11)' as noted by the following FEMA Map Number:
FEMA Map Number: 12091C0488H 12/06/2002

Easements: We were not provided with a survey for the subject property. Our review of the appropriate maps and public records for the subject property indicated that standard utility easements exist. Our viewing did not indicate that any of these easements would adversely affect the value opinion of the subject contained herein. This appraisal assumes no easements, encroachments, or private deed restrictions which would adversely affect the value of the subject property.

Encroachments: We were not provided with a survey for the subject property. Our review of the appropriate maps and public records for the subject property did not reveal any encroachments on the subject site. Our viewing did not indicate any encroachments that would adversely affect the value opinion of the subject contained herein. This appraisal assumes no easements, encroachments, or private deed restrictions which would adversely affect the value of the subject property.

IMPROVEMENTS – AS IS	
Summary:	Very Good Quality Resort Rental Residence
Architectural Style:	Modern Multi-Story Residential 'Resort Style' Single Family Home
Building Class (Marshall Valuation)	Class D, Wood Frame
Construction:	Wood Frame with Stucco Exterior
Quality:	Very Good Quality Resort Residential Dwelling
Actual / Effective Age:	Actual Year Built 1973 / Actual Age 46 Years Effective Year Built 2004 / Effective Age 15 Years The subject improvement was extensively renovated in the 1990's and a complete remodel/renovation of the entire interior area was completed in 2014, after acquisition by the current owner. According to information provided by the property owner, after acquisition the interior subject property was extensively renovated at an approximate cost of $300,000.
Condition:	Very Good
Remaining Useful Life:	40 Years
Areas & Ratios:	Bedrooms: 6 Baths: 6 Gross Building Area: 4,328 Square Feet HVAC Building Area: 3,360 Square Feet Per the Okaloosa County Property Appraiser the subject features 6 bedrooms and 3 bathrooms. Per instituted City of Destin Ordinance, the maximum number of guests will be calculated at the rate of 2 guests per bedroom based on the Property Appraiser's residential profile of the property, plus 4 additional guests. Therefore, the subject in the 'after ordinance' condition will be limited to 16 total guests. See Excerpt below.



Sec. 13-117. – Maximum occupancy based on site capacity/Grandfathering.

(a) The maximum overnight occupancy of a short-term rental shall b the short-term rental registration form, and shall be limited to occupancy of the following two options:

i. Two (2) persons for each bedroom, plus four (4) additiona The number of bedrooms shall be based upon the Appraiser's residential profile of the property, and other d of record, as needed. In no case shall the maximum total o for any dwelling unit exceed the occupancy limits permitt Florida Fire Prevention Code or Florida Building Code.

or

ii. A total of twenty-four (24) persons per short-term rental event that there is more than one building or dwelling on or lot, the maximum occupancy shall be capped at twenty- occupants per lot or structure, whichever is less.

FOUNDATION, FRAME & EXTERIOR	
Foundation:	Concrete, Concrete Block Stemwall, Concrete Slab
Frame:	Wood Frame
Exterior:	Stucco Siding
Roof/Cover:	Asphalt Shingle Roof, Sloped

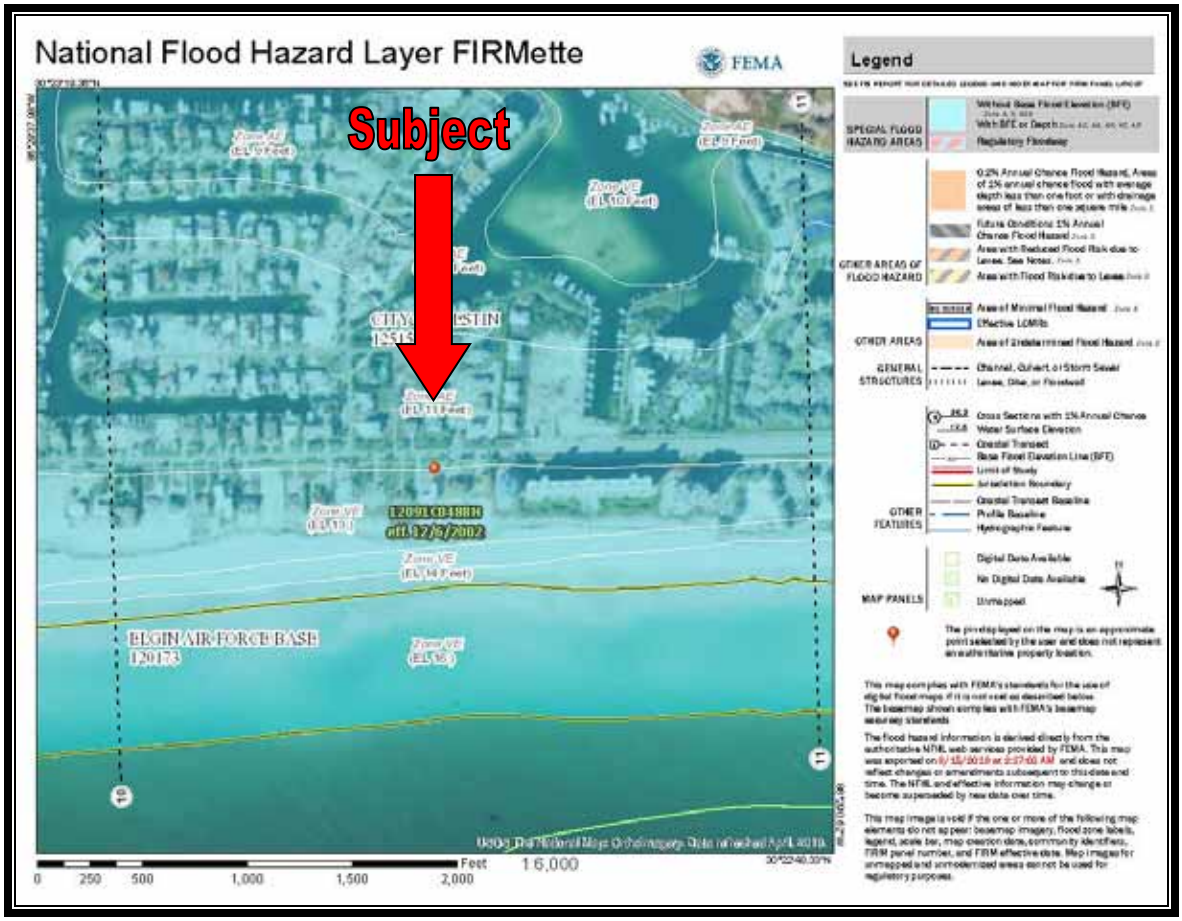
INTERIOR	
Notes Regarding Interior Finish:	Interior finishes to the subject are of very good quality and include, but are not limited to, custom cabinetry, stone or solid surface countertops, custom backsplashes, stainless steel appliances, and very good quality bathroom and kitchen fixtures. Very good quality flooring and appurtenances. The subject features a finish consistent with to superior to most resort residences in the existing Destin / Crystal Beach market.
Interior Finish:	Very Good Quality.
Ceilings & Ceiling Height:	Finished Ceilings throughout, generally 10-0”-12’-0” height.
Floor Cover:	Wood, Tile, and Painted/Treated Concrete. Good/Very good level of floor finish.
Doors:	Good Quality and condition solid core doors. Glass windows and doors are good quality insulated double pane impact resistant.

Additional Amenities:	The subject property has a very good level of finish with good design and outdoor living areas including an outdoor heated swimming pool with concrete pool deck and covered balconies/patios.

MECHANICAL SYSTEMS	
Heating / Cooling:	Multiple Individual HVAC systems.
Hot Water:	Adequate for property.
Electrical:	Adequate for property.
Plumbing:	Adequate for property.
	The subject was specifically designed as a resort rental property with planned occupancy / sleeping accommodations for 22 persons.

Regional/Area Maps

Flood Map


National Flood Hazard Layer FIRMette
FEMA
Subject
Legend
ELGIN AIR FORCE BASE
120173
Feet
0
250
500
1,000
1,500
2,000
1:6,000

Flood Zone Descriptions

“A 100-year flood is a flood that has a 1-percent chance of being equaled or exceeded in any given year. A base flood may also be referred to as a 100-year storm and the area inundated during the base flood is sometimes called the 100-year flood plain.

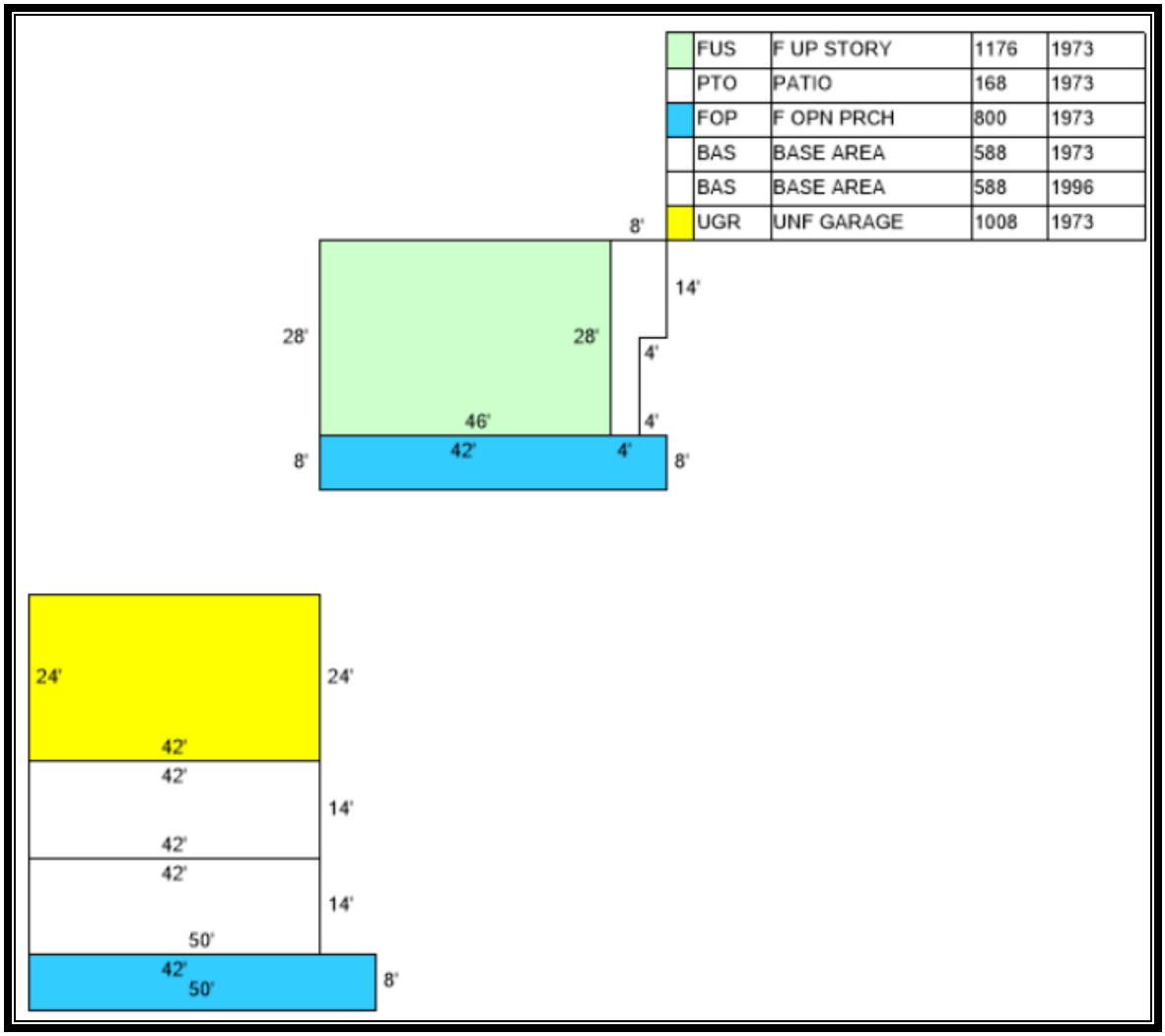
The term "100-year flood" is misleading. It is not the flood that will occur once every 100 years. Rather, it is the flood elevation that has a 1- percent chance of being equaled or exceeded each year. Thus, the 100-year flood could occur more than once in a relatively short period of time. The 100-year flood, which is the standard used by most Federal and state agencies, is used by the National Flood Insurance Program (NFIP) as the standard for floodplain management and to determine the need for flood insurance. A structure located within a special flood hazard area shown on an NFIP map has a 26 percent chance of suffering flood damage during the term of a 30-year mortgage.

Zone AE and A1-A30
Zones AE and A1-A30 are the flood insurance rate zones that correspond to the 100-year floodplains that are determined in the Flood Insurance Study by detailed methods. In most instances, Base Flood Elevations derived from the detailed hydraulic analyses are shown at selected intervals within this zone. Mandatory flood insurance purchase requirements apply.

Zone VE
Zone VE is the flood insurance rate zone that corresponds to the 100-year coastal floodplains that have additional hazards associated with storm waves. BFEs derived from the detailed hydraulic analyses are shown at selected intervals within this zone. Mandatory flood insurance purchase requirements apply.

Zones B, C, and X are the flood insurance rate zones that correspond to areas outside the 100-year floodplains, areas of 100-year sheet flow flooding where average depths are less than 1 foot, areas of 100-year stream flooding where the contributing drainage area is less than 1 square mile, or areas protected from the 100-year flood by levees. No BFEs or depths are shown within this zone.”

Building Floor Plan



We note that upon completion of the interior renovations, the area depicted as Unfinished Garage on the above floor plan, has now been finished and utilized as a game room

Aerial Photograph

Subject property outlined in blue above

Subject Photographs

Subject South (Front) Elevation

Subject West (Side) Elevation

Subject North (Rear) Elevation

Subject East (Side) Elevation

Subject Parking Area (along east elevation)

Heated Pool with Concrete Deck

Subject Signage

Interior View

Interior View

Interior View

Interior View

Interior View

Interior View

Interior View

Interior View

Interior View

Interior View

Interior View

Zoning

The subject property is designated with the Medium Density Residential – Holiday Isle (MDR-HI) zoning designation, as governed by the City of Destin.

Use of the subject for various residential, short term seasonal rental, guest house and other varied uses are legally permissible by the zoning in place.

Therefore, use of the subject as a seasonal rental property is considered legal, conforming. It is noted that the zoning category description within the land development code does not provide for any outlined maximum occupancies for the subject property or other similar properties. We therefore ascertain that prior to implementation of City of Destin Ordinance 18-29-CC occupancy of the subject for the planned number of sleeping guests of 22 was legally permissible.

City of Destin
Community Development Department
Planning Division
4200 Indian Bayou Trail, Destin, FL 32541
Phone (850) 837-4242 • Fax (850) 650-0693

ZONING DISTRICT FACTSHEET

The purpose and intent of establishing zoning districts is to ensure that all development is consistent with the goals, objectives and policies of the Comprehensive Plan, by establishing a series of zoning districts that indicate what uses are allowed and site development regulations that control the use of land in each district. All development within each zoning district shall be consistent with the purposes stated for each district. (LDC 7.12.05)

MEDIUM DENSITY RESIDENTIAL – HOLIDAY ISLE (MDR-HI)

Purpose and intent: The Medium Density Residential - Holiday Isle Apartment zoning district shall apply to areas developed, redeveloped and/or maintained and conserved as permanent or seasonal single-family detached or multi-family attached residential dwelling units. It is the intent of the MDR - HI zoning district to specifically not allow the following uses to be located in the district: commercial hotels, motels, bed and breakfast establishments, or other commercial transient living accommodations; and all non-residential uses.

Table 7-2: Table of Allowable Uses (excerpt from LDC 7.12.06)

PERMITTED USES:

Permanent or long-term residential uses

Single-family detached dwelling
Multi-family attached dwelling
Guest house [1]
Accessory dwelling
Single room occupancy housing

Seasonal or short-term residential uses

Single-family detached dwelling
Multi-family attached dwelling

Other residential uses

Community residential home, small (1-6)
Family day care home

CONDITIONAL USES:

Other residential uses

Community residential home, large (7-14)

ACCESSORY USES:

Uses and structures which are customarily accessory, clearly incidental and subordinate to permitted uses and structures, including home occupations and off-site businesses.

Footnotes:

1 Guest houses are permitted only if the owner of the subject property occupies the primary dwelling as his/her main residence. However, guest houses shall not be rented out separately from the main residence. (refer to LDC section 7.12.04.M).

Table 7-3: Schedule of Dimensional Requirements in Zoning Districts (excerpt from LDC 7.12.08)
(all dimensions in feet)

Medium Density Residential – Holiday Isle (MDR-HI)			
Dwelling Units		**1**	**2+**
Minimum Lot Area (square feet)		7,500	None
Minimum Lot Size	Width	70	None
	Depth	100	None
Maximum Building Height / Stories	Tier 1	35/3	35/3
	Tier 2	N/A	N/A
	Tier 3	N/A	N/A
Setbacks	Front	20	C/D
	Side	7½	C/D
	Rear	10	C/D
Maximum Density (units per acre)	Tier 1	5.81	9.99
	Tier 2	N/A	N/A
	Tier 3	N/A	N/A
Maximum Floor Area Ratio	Tier 1	N/A	N/A
	Tier 2	N/A	N/A
	Tier 3	N/A	N/A
Minimum Open Space (%)	Tier 1	25%	25%
	Tier 2	N/A	N/A
	Tier 3	N/A	N/A

Footnotes:

C For all structures three stories in height, the minimum front setback shall be 20 feet, the minimum side setback shall be 15 feet on each side and the minimum rear setback shall be 20 feet.

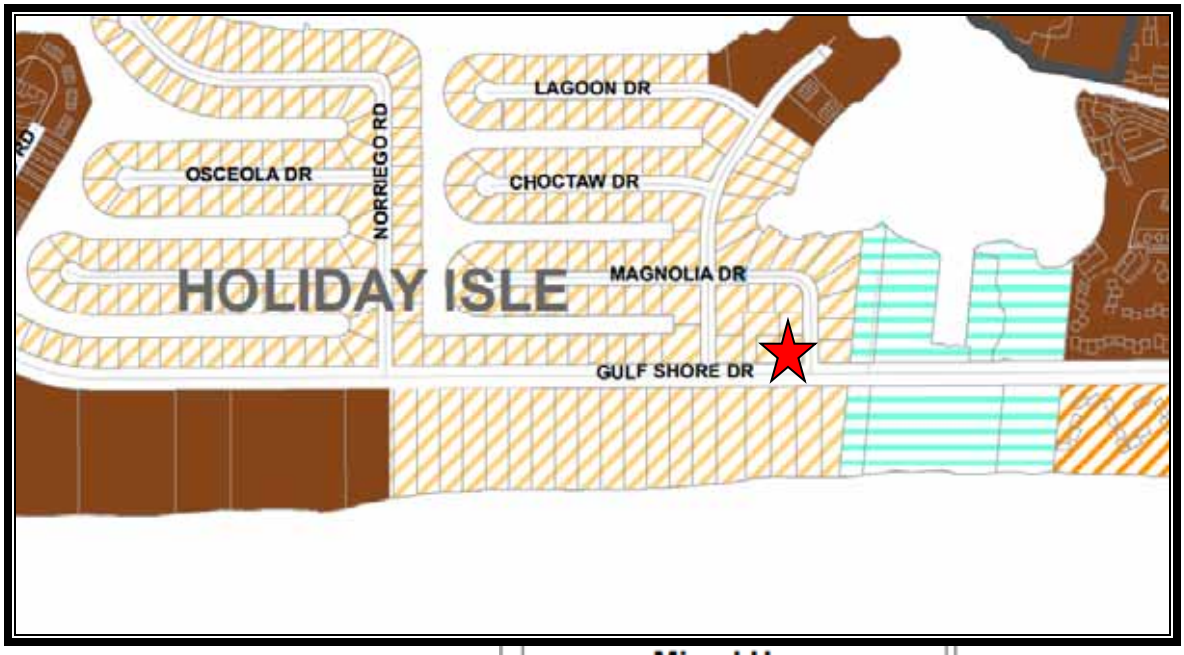
For all buildings exceeding three stories in height, the minimum front setback shall be 20 feet, the minimum side setback shall be 20 feet and increased by two feet on each side for each story exceeding four stories, and a minimum 25-foot rear yard setback shall be required.

Within the Old Destin MMTD, no minimum front, side or rear setbacks are required, except where the property line is contiguous with a BE or LDR residential district boundary; then ten-foot side and rear yards, maintained as open space, shall be provided

Buildings or structures three stories or less utilized for residential or multifamily purposes on the same lot shall be a minimum of ten feet apart. All buildings exceeding three stories in height, the distance apart on the same lot shall be increased by two feet for each story exceeding three stories with a maximum of 50 feet between buildings being required. There are no minimum spacing requirements between residential, nonresidential, mixed-use or multifamily buildings located on the same lot in the Old Destin MMTD

D For all structures two stories or less in height, the minimum front setback shall be 20 feet, and no side or rear yards are required except where property line is contiguous with residential district boundary; then a ten-foot yard, maintained as open space, shall be provided. Within the Old Destin MMTD, no minimum front setback is required.

Zoning Map



Residential

- BE - Bay Estates
- LDR-V - Low Density Residential - Village
- LDR-HI - Low Density Residential - Holiday Isle
- LDR-H - Low Density Residential - Harbor
- MDR-V - Medium Density Residential - Village
- MDR-HI - Med. Density Resid. - Holiday Isle
- HDR - High Density Residential
- CBN - Crystal Beach Neighborhood

Mixed Use

- CBR - Crystal Beach Resort
- ROI-CBR - Residential, Office, & Institutional - Crystal Beach Residential
- ROI-GD - Residential, Office, & Institutional - General Development
- ROI-TD - Residential, Office, & Institutional - Tourist Development
- ROI-VR - Residential, Office, & Institutional - Village Residential
- CMU - Calhoun Mixed Use
- TCMU - Town Center Mixed Use
- HIMU - Holiday Isle Mixed Use
- GRMU - Gulf Resort Mixed Use
- NHMU - North Harbor Mixed Use
- SHMU - South Harbor Mixed Use
- BRMU - Bay Resort Mixed Use

Assessment and Taxes

Tax Structure, Overview

Florida Law requires that the just value of all property be determined each year. The Supreme Court of Florida has declared "just value" to be legally synonymous to "full cash value" and "fair market value." The fair market value of real property is the amount for which it could sell on the open market, and assumes the present use is the highest and best use. The property appraiser analyzes these market transactions annually to determine fair market value as of January 1 of each year.

The property appraiser is responsible for identifying, locating, and fairly valuing all property, both real and personal, within the county for tax purposes. The "market" value of real property is based on the current real estate market, and is determined by market participants. The property appraiser has the legal responsibility to study the transactions of market participants and appraise real property accordingly.

At least once every three years, the county property appraiser or a staff appraiser will visit and inspect each property. Additionally, individual property values may be adjusted between visits in light of sales activity or other factors affecting real estate values in the subject neighborhood. Sales of similar properties are typically used as strong indicators of value in the real estate market.

Each August, the Property Appraiser sends a "Notice of Proposed Taxes," to all property owners to notify them of the taxable value of their property. Taxable value is the assessed value less any exemptions. The TRIM notice also gives information on proposed millage rates and taxes as estimated by community taxing authorities, and when and where these taxing authorities will hold public meetings to discuss tentative budgets to set your millage tax rates.

The property appraiser only assesses all property in the county and is neither a taxing authority nor a tax collector. Three separate government entities, each having unique and distinct roles, determine the tax bill of any property in their jurisdiction.

The following is a summary of the process:

> First the property appraiser annually appraises all property in their respective county at the market value as of January 1 each year.
>
> Second, each taxing authority within the county sets their own millage rate based on the amount of tax dollars necessary to fund their annual budget.
>
> Finally, the tax collector takes the amount of taxes due in order to bill and collect all taxes levied within the county.

Tax Collector Card

BEN ANDERSON
Okaloosa County Tax Collector

2018 Paid Real Estate
Notice of Ad Valorem Tax and Non-Ad Valorem Assessments

MAIL PAYMENTS TO: P.O. BOX 1390, NICEVILLE, FL 32588

ACCOUNT NUMBER	ESCROW CD	MILLAGE CODE	ALTERNATE KEY	PROPERTY ADDRESS
00ZS242186000D0030		DEDF	1020110	633 GULF SHORE, DESTIN, 32541

M GROUP VENTURES GULF SHORES
18898 STATE HWY 6 SOUTH
COLLEGE STATION, TX 77845

633 GULF SHORE

HOLIDAY ISLE
LOT 3 BLK D

AD VALOREM TAXES

TAXING AUTHORITY	MILLAGE RATE	ASSESSED VALUE	EXEMPTION AMOUNT	TAXABLE VALUE	TAXES LEVIED
OKALOOSA COUNTY BD OF CO COMMS					
EMERGENCY MEDICAL SERVICES	0.0741	411,264	0	411,264	30.48
GENERAL	3.7214	411,264	0	411,264	1,530.85
COUNTY PUBLIC HEALTH UNIT	0.0353	411,264	0	411,264	14.52
SCHOOL LOCAL	2.2480	532,559	0	532,559	1,197.19
SCHOOL STATE	4.1130	532,559	0	532,559	2,190.42
NORTHWEST WATER DISTRICT	0.0338	411,264	0	411,264	12.90
CITY OF DESTIN	1.6150	411,264	0	411,264	664.25
DESTIN FIRE DISTRICT	1.0000	411,264	0	411,264	411.26

EXEMPTIONS APPLIED:

TOTAL MILLAGE	12.8406	AD VALOREM TAXES	$6,053.07

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NON-AD VALOREM ASSESSMENTS

LEVYING AUTHORITY	RATE	AMOUNT
OKALOOSA BEACH RESTORATION MSB		0.00

PAY ON LINE WITH CREDIT/DEBIT CARD AT www.OkaloosaTax.com - BANK CARD USER FEE WILL APPLY

NON-AD VALOREM ASSESSMENTS	$0.00

COMBINED TAXES AND ASSESSMENTS	$6,053.07

PAYING ONLINE VIA
E-CHECK IS FREE
Visit www.OkaloosaTax.com

PAY YOUR BILL

"PAY ONLINE, NOT IN LINE"

RETAIN THIS PORTION FOR YOUR RECORDS
WALK-IN CUSTOMERS PLEASE BRING FOR RECEIPT
AFTER MARCH 31ST, TAXES MUST BE PAID WITH CASH, CASHIER'S CHECK OR MONEY ORDER.

If Postmarked By	Feb 28, 2019
Please Pay	$0.00

BEN ANDERSON
Okaloosa County Tax Collector

2018 Paid Real Estate
Notice of Ad Valorem Tax and Non-Ad Valorem Assessments

MAIL PAYMENTS TO: P.O. BOX 1390, NICEVILLE, FL 32588

ACCOUNT NUMBER	ESCROW CD	MILLAGE CODE	ALTERNATE KEY	PROPERTY ADDRESS
00ZS242186000D0030		DEDF	1020110	633 GULF SHORE, DESTIN, 32541

PRIOR TO MARCH 31ST TAXES CAN BE PAID USING CASH, CHECK, CREDIT/DEBIT CARDS OR E-CHECK

If Postmarked By	Feb 28, 2019
Please Pay	$0.00

M GROUP VENTURES GULF SHORES
18898 STATE HWY 6 SOUTH
COLLEGE STATION, TX 77845

633 GULF SHORE

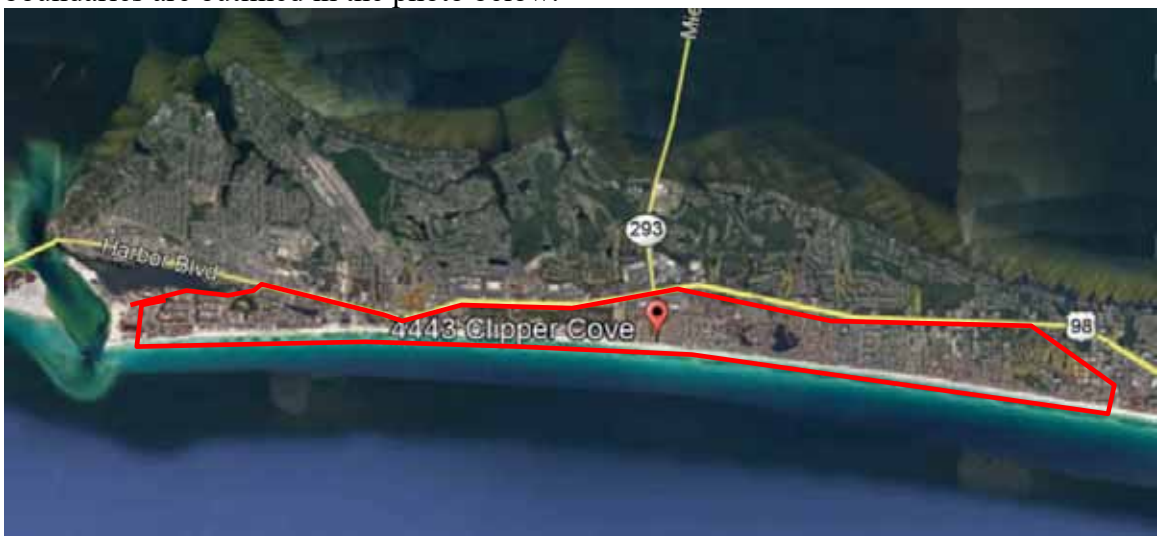
HOLIDAY ISLE
LOT 3 BLK D

Paid M-Group Ventures Gulf Shores, LLC 02/11/2019 Receipt # 0-19041792 Echeck $6,992.54

ANALYSIS OF DATA AND OPINIONS OF THE APPRAISERS

Market Area Summary / Neighborhood Information

The subject property is located in the Destin-Miramar Beach market area, which is bounded by the Destin Harbor / East Pass to the West, US Highway 98 and the waters of the Destin Harbor to the North, the Gulf of Mexico to the South and the intersection of US Highway 98 / Scenic Gulf Drive to the East. The approximate neighborhood boundaries are outlined in the photo below.



This is a resort area driven primarily by proximity to area beaches and resort activities. The predominant property type in the area is of second home and seasonal vacation properties with far fewer full-time residents than seasonal occupants.

Many second home and resort area property owners rent their properties on a seasonal basis to either offset costs of ownership or in the pursuit of income generation potential, and the seasonal income attributed to a property is often a significant factor contemplated by purchasers in the market when evaluating a purchase decision.

We have witnessed a trend for increased rental demand of larger resort residences which can accommodate larger groups for family reunions, large family vacations, etc.

This has led to the construction of larger and larger seasonal resort rental homes to serve this need. These larger properties often witness more robust demand and income generation potential than smaller properties with less sleeping capacity where vacationing groups would otherwise be required to split between several locations.

In summary, the subject is sited directly in an area that is geared toward seasonal rental operations, be it solely for the purpose of income generation potential or as an offset to the costs of personal use. The ability to rent a property seasonally remains a significant motivator for market participants and weighs heavily in their buy-sell decision making process. A restriction that negatively impacts the ability to seasonally rent a resort property is estimated to have a significant negative impact on the value of this asset class.

Highest and Best Use

The definition of "highest and best use" is presented unabridged in the definitions section of this report. However, in brief, highest and best use refers to the reasonably probable and legal use of vacant land or an improved property, which is legally permissible, physically possible, appropriately supported, financially feasible, and that results in the highest value, i.e. maximally productive.[3]

Objective analysis and interpretation of market data leads to an informed opinion of that use. However, the estimate of highest and best use should not be interpreted as a provable fact. A typical highest and best analysis evaluation process and pertinent questions which aid in the elimination of possible alternatives are presented below.

1. **Permissible Use.** What uses are permitted by zoning and other legal restrictions? What are the land use controls that will govern the site? Uses that are *legally permissible* are those allowed under current or likely zoning and those that could meet building codes. In addition, local communities may have restrictions on public utility loads, traffic creation, access restrictions, and so on, all of which must be considered when selecting legally permissible uses

2. **Physically Possible Use.** To what use is the site physically adaptable? What is an appropriate improvement given architectural / engineer study? Unless prohibited by soil or subsoil problems or land size constraints, it is *physically possible* to place most potential improvements on the site. Usually this test, if performed first or second, will not significantly reduce the number of potential uses.

3. **Feasible Use.** Which possible and permissible use will produce any net return to the owner of the site? Should the land be developed, and if so, what kind of improvement should be built? If an improvement should be constructed, what is the type and characteristics of an ideal improvement? Uses that are considered economically or financially feasible are those that potentially would logically produce net operating income and net resale price levels high enough to adequately support construction of the potential improvement and provide the investor with a reasonable profit. Implicit to this analysis is that riskier projects require higher profit levels to induce potential developers to undertake the burden of coordination of land, labor and capital.

4. **Maximally Productive Use.** The final test is to determine of the financially feasible options, which of these would result in the highest land value or values as

[3] The Appraisal of Real Estate, Twelfth Edition

> improved. Among the feasible uses which use will produce the highest net return, (i.e., the highest present worth)? If there are existing improvements on the property should they be maintained in their current state or should they be altered to more closely resemble the ideal improvement?

Although these criteria are generally evaluated sequentially, the resulting conclusion of highest and best use should be identical regardless of the order of application of the above tests.

Implied within this definition is that the estimation of the highest and best use for a particular property results from the appraisers' judgment and analytical skill with respect to the market for that particular property.

However, the highest and best use of a specific parcel of land is not just a matter of subjective opinion; rather, highest and best use is indicated by supply and demand forces within the market where the property is located, availability of capital, supply of alternative investments, need for additional products or services within a community, and other factors.

Highest and Best Use 'As Is'

The highest and best use 'As Is' recognizes among all reasonable, alternative uses, the use that yields the highest present land value after payments are made for labor, capital, and entrepreneurial coordination.[4]

We have evaluated the most probable uses for the subject property, 'As Is', given the current market for resort residential rental property and recent development activity in the subject market area.

Legally Permissible

The subject property is designated with the Medium Density Residential – Holiday Isle (MDR-HI) zoning designation, as governed by the City of Destin. Use of the subject for various residential, short term seasonal rental, guest house and other varied uses are legally permissible by the zoning in place.

Therefore, use of the subject as a seasonal rental property is considered legal, conforming. It is noted that the zoning category description within the land development code does not provide for any outlined maximum occupancies for the subject property or other similar properties. We therefore ascertain that prior to implementation of City of Destin Ordinance 18-29-CC occupancy of the subject for the planned number of sleeping guests of 22 was legally permissible. After implementation of City Ordinance 18-29-CC, the subject will be limited to a total of 16 sleeping guests.

Therefore, use of the subject as a resort residential property is legally permissible. Use of the subject prior to Ordinance implementation for occupancy by up to 22 guests was permitted, however after implementation of the Ordinance occupancy is limited to 16 guests.

Physically Possible

The subject property is generally level, well-drained, and at or level with the existing road grade of Gulf Shore Drive/Magnolia Drive and features sufficient parking and site improvements to operate in the designed capacity for 22 occupants.

The subject represents a well-constructed resort residential property with multiple bedrooms, bathrooms, a heated in ground pool, kitchen, and living areas, etc. The subject has been specifically configured for occupancy as a resort rental property, and features all necessary components for operation as intended, with a designed occupancy of 22 overnight guests.

Therefore, use of the subject as a resort residential rental property for 22 sleeping guests is physically possible.

[4] The Appraisal Of Real Estate, Twelfth Edition

Financially Feasible
Demand for resort residential properties in the subject market area has improved in the previous 24-48 month period, with a number of increased transactions. Most market participants would describe the market for similar properties as robust.

As described in the market analysis section of this report, the predominant property type in the market area is of second home and seasonal vacation properties with limited full-time residents.

Many property owners rent their properties on a seasonal basis to offset costs of ownership or for income generation potential, and the income a property can generate is often a significant factor contemplated by purchasers in the market. This can be done with or without the assistance of a professional property manager.

We have witnessed a trend for increased rental demand of resort residences which can accommodate larger groups for family reunions, large family vacations, etc. This has led to the construction and renovation of seasonal resort rental homes to serve this need.

Reference the subject, the property was specifically renovated/configured to house up to 22 sleeping guests. Similar properties in the market (and the subject property) achieve sufficient income to provide an adequate return on investment to be definitively financially feasible, however this financial feasibility is directly linked to occupancy.

The recently-implemented City of Destin Ordinance 18-29-CC serves to reduce occupancy of the subject to no more than 16 persons, a net reduction in occupancy of -27.27%.

This no doubt will impact the income generation potential of the property and associated net income, as now the improvement which was renovated/configured for 22 guests will be limited to 16; But, the predominant costs of ownership remain the same.

This ordinance inevitably lowers net income to the property owner- a situation that has no result other than to reduce the value of the asset in its respective marketplace where income generation potential is valued by prospective purchasers.

Therefore, use of the subject as a resort rental property is considered to be financially feasible. However, it is noted that the reduction in permissible occupancy by Ordinance 18-29-CC is estimated to impact the financial performance and associated market value of the subject property negatively.

Maximally Productive Given the legally permissible, physically possible, and financially feasible uses of the subject property we are of the opinion that the maximally productive use of the subject property 'As Is' is for continued resort rental use at the occupancy for which is was specifically renovated/configured (ie. 22 guests).

This use will certainly bring the highest net return to the land. While operation in a reduced occupancy capacity (as dictated by City of Destin Ordinance 18-29-CC) is still possible, the impact to the income generation potential is significant, as the occupancy has now been reduced by -27.27% based on number of persons.

This ordinance inevitably reduces gross and net income to the property owner, resulting in a reduced financial benefit of ownership and negative impact to market value.

Therefore, use of the subject as a seasonal rental property is considered legal, conforming. It is noted that the zoning category description within the land development code does not provide for any outlined maximum occupancies for the subject property or other similar properties. We therefore ascertain that prior to implementation of City of Destin Ordinance 18-29-CC occupancy of the subject for the planned number of sleeping guests of 22 was legally permissible.

Valuation Methodology - Overview

The appraisal analysis is based on analytical techniques that may encompass anticipation of costs to be incurred, and benefits to be derived in the future; however, the subject is appraised as described in this report, including only those assumptions also described in this report.

This appraisal analysis has been conducted, and the appraisal report was prepared in conformance with the requirements of Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA).

The valuation process is a systematic procedure an appraiser follows to provide answers to a client's questions about real property value.[1] Three basic approaches may be used to arrive at an estimate of market value. They are:

1. The Cost Approach
2. The Income Approach
3. The Sales Comparison Approach

Land Valuation Methodology

Land Valuation is generally a component of the Cost Approach in appraisal of an improved property. In most appraisal analyses, separate land valuation is conducted utilizing the Sales Comparison Approach.

Cost Approach Methodology

The cost approach is a reliable methodology for new, nearly new or special-use buildings. In the cost approach, value is estimated as the current cost of reproducing or replacing the existing or proposed improvements and site improvements (including direct and indirect costs as well as an appropriate entrepreneurial incentive or profit), and then deducting the loss in value from depreciation due to physical, functional, and external sources.[5]

The depreciated replacement or reproduction cost of the improvements is then added to the value of the site resulting in a value indication of the fee simple interest in the property.

The Cost Approach is summarized as follows:

Cost New
- Depreciation
+ Entrepreneurial Incentive
+ Land Value
= Value

[5] The Appraisal of Real Estate, Twelfth Edition

Sales Comparison Approach Methodology

The sales comparison approach is premised on the "Principle of Substitution" which indicates an informed purchaser would pay no more for a property than the cost of acquiring an equally desirable substitute property possessing the same or similar utility.

This approach is applicable when an active market provides sufficient quantities of reliable data which can be verified from authoritative sources. The Sales Comparison Approach is most reliable in an active market or if an opinion of value is related to properties for which there are comparable sales available- and heavy emphasis is generally placed on this sales comparison approach when these market conditions are present.

The Sales Comparison Approach compares sales of similar properties with the subject property. Each comparable sale is adjusted for its inferior or superior characteristics. The values derived from the adjusted comparable sales form a range of value for the subject. By process of correlation and analysis, a final indicated value is derived.

Income Approach Methodology

The Income Approach converts the anticipated flow of future benefits (income) to a present value estimate through a capitalization and/or a discounting process.

The income approach is recognized as a reliable approach for estimating the value of "income producing" property to an investor. The income approach consists of methods, techniques, and mathematical procedures that an appraiser utilizes to analyze a property's capacity to generate income and convert income into an indication of present value either by capitalizing the current income at a market capitalization rate, or discounting the future cash flows into a present value estimate using an appropriate yield (discount) rate. The appraisal process emulates the actions of the market, and the income approach is most applicable when the probable buyer would be an investor or prospective owner occupant. Two techniques associated with the income approach are direct capitalization and discounted cash flow analysis.

Final Reconciliation Process

In the appraisal process for improved property, typically more than one approach to value is applied, resulting in two or more value indications that must be evaluated for relevancy, applicability and reliability, and a final point value or range of value is chosen.

Resolving the differences among various value indications is called reconciliation.[6]

The appraisal process concludes with the Final Reconciliation of the values derived from the approaches applied to arrive at a single estimate or range of market value opinions. Different properties require different means of analysis and lend themselves to one

[6] The Appraisal of Real Estate, Twelfth Edition

approach over the others. As such, in the reconciliation appropriate weight is given to the most applicable and/or reliable indications of value to arrive at a conclusion.

Reconciliation is not a mathematical process. Rather, at this point in the valuation process the appraiser must reevaluate all pertinent data in the analysis for appropriateness, accuracy, and quality of evidence.

The appraiser then weighs the relative significance, applicability, and defensibility of each value indication and relies most heavily on the approach that is most appropriate to the nature of the appraisal problem.

Valuation Methodology Utilized in this Assignment

Valuation Analyses

Purpose of Assignment:	The purpose of this appraisal is to derive an opinion of the Diminution in Value to the subject property associated with the implementation of City of Destin Ordinance No. 18-29-CC. This Ordinance was implemented January 22, 2019, and the incorporation of this ordinance limits the occupancy of the subject property to 16 guests. Prior to the implementation of this Ordinance, the designed occupancy of the subject property was 22 guests. Therefore, as a result of the ordinance, the maximum occupancy of the subject has been reduced by 6 guests, or approximately -27.27%. We are therefore opining on the difference in market value of the subject before and after the adoption of City of Destin Ordinance No. 18-29-CC, which was promulgated on January 22, 2019.
Land Valuation:	An opinion of value for the subject property in 'as if vacant' condition and subsequent application of the cost approach has not been provided. The purpose of this appraisal is to evaluate the impact to the value of the subject by virtue of the implementation of City of Destin Ordinance 18-29-CC which limits occupancy of the subject and corresponding associated income generation potential. Thus, the cost to acquire land and construct a replacement property is meaningless to the purpose of the assignment and was not applied.

Sales Comparison Approach:	The improved sales comparison approach was not utilized in this appraisal assignment. The purpose of this appraisal is to evaluate the impact to the value to the subject by virtue of the implementation of City of Destin Ordinance 18-29-CC which limits occupancy of the subject and associated income generation potential. As this ordinance was just recently implemented, an adequate number of improved sales which sold after the Ordinance implementation date were not available from which to derive an opinion of market value from this approach. As sales which occurred prior to this Ordinance will reflect market transactions without this restriction, they are not considered valid indicators of value for the subject in the restricted condition. Therefore this approach could not be applied due to lack of sufficient comparable data.
Income Approach:	The income approach was applied for the subject in both the 'Before Ordinance' and 'After Ordinance' scenarios.

Income Approach

The Income Approach to value is based on the principle of anticipation, i.e. the value of property correlates to the present worth of the future rights to benefits to be received by the owner. Income approach analysis considers the property from an investor's point of view, the basic premise being that the amount and quality of the income stream are the basis for value of the property.

The income approach is applied by projecting a net income stream through analysis of the subject historical data, comparable property's income and expense information, and historical income expense information for similar properties in the subject market area.

The estimated net income is then converted to a value indication utilizing either the process of direct capitalization analysis, discounted cash flow (DCF) analysis (yield capitalization), or a combination of these methods.

Discounted Cash Flow Analysis (Yield Analysis)
Discounted Cash Flow (DCF) analysis is the procedure in which a discount rate is applied to a series of projected income streams and a reversion. The analyst specifies the quantity, variability, timing, and duration of the income streams as well as the quantity and timing of the reversion and discounts each to its present value at a specified yield rate. DCF analysis can be applied with any yield capitalization technique and may be performed on either a lease-by-lease or aggregate basis.[7]

Applicability: DCF (Yield) analysis is generally used when the net income of the property is forecast to be variable, when the property is of a sufficient size and investment value to cause market participants to evaluate purchase decisions based on DCF, or when specifically requested by the client in an assignment.

Given the nature of the subject property, a discounted cash flow analysis was not employed in this appraisal analysis, as market participants typically do not utilize DCF methodology when evaluating purchase decisions for properties such as the subject.

Direct Capitalization
Conversion of a net income to a present value dollar estimate is called capitalization. Direct capitalization is a method used to convert an estimate of a single year's income expectancy into an indication of value in one direct step, either by dividing the income estimate by an appropriate rate or by multiplying the income estimate by an appropriate factor. This technique employs capitalization rates and multipliers extracted from sales. Only the first year's income is considered. Yield and value change are implied, but not identified.

[7] The Dictionary of Real Estate Appraisal, Fourth Edition

Applicability: Direct Capitalization analysis is generally appropriate for small to medium sized income-producing properties, in stable markets, single tenant or multi-user-oriented properties, or those with a forecast stable income stream.

Direct Capitalization is utilized in this appraisal given the subject market environment, the character of the subject property in the local market, and the tendency for market participants to use direct capitalization analysis when evaluating investment thresholds and financial benefits for similar property.

The steps involved in capitalizing the subject's net operating income are as follows:

- Develop the subject's Potential Gross Income (PGI) through analysis of the subject's actual historic income and an analysis of competitive current market income rates.

- Estimate and deduct vacancy and collection losses to develop the Effective Gross Income (EGI).

- Develop and subtract operating expenses to derive the Net Operating Income (NOI).

- Develop the appropriate capitalization rate (R_o).

- Divide the net operating income by the capitalization rate for an estimate of value through the income approach.

The reliability of a value found by this approach depends on an appraiser's ability to forecast and support income forecasts and to apply the appropriate income capitalization technique to arrive at the value estimate. When estimating market value, the income forecast must be considered by the appraiser to be typical and the income capitalization techniques must reflect the way investors usually estimate value.

Valuation of a Fee Simple Interest by the Income Approach
When estimating the value of the fee simple interest by the income approach, the annual operating income is forecast assuming market levels. The term "market levels" means that the income and expenses are set at levels considered suitable for the subject property after comparing it to similar properties under current market conditions. Rental rates are projected based on expected market rents and vacancy, and collection loss is based on what is typical in the market for properties renting at the market rate.

Estimate of Potential Gross Income (PGI)

Potential Gross Income is the total income attributable to real property at full occupancy before vacancy and operating expenses are deducted. Potential Gross Income includes the sum of potential rental income, other income, and expense recoveries. The income and expense history of the subject property is described below.

Property Income / Use History:
The property owner provided us with historical rental income and expense data the subject property.

The historical income generated by the subject property as provided by the property owner for the 2018 rental year was $183,209, or $8,327.68 per sleeping guest based on a published occupancy of 22 guests.

We again mention that the subject property is a resort residential property that was specifically renovated/configured for income generation potential based on a sleeping occupancy load of 22 persons. This is the basis of the 'Before Ordinance' valuation scenario.

As a result of the implementation of City of Destin Ordinance 18-29-CC, the subject is now limited to a maximum sleeping occupancy of 16 persons, or a reduction of approximately -27.27%. This is the basis of the 'After Ordinance' valuation scenario.

We now seek to formulate an opinion of probable annual gross income due the subject in the 'Before Ordinance' configuration with a sleeping occupancy of 22 guests and in the 'After Ordinance' configuration with a sleeping occupancy of 16 guests.

Market Rent Based on Occupancy
The appraiser has researched the local market area in order to derive potential subject market rents based on the respective occupancy levels in the 'before' and 'after' configurations.

We will present a table of comparable gross rental income for comparable resort residential properties for both the 'before' and 'after' occupancy categories. The following table outlines comparable rentals of residential resort rental homes in the subject market area with a sleeping capacity of 20 or more guests (before ordinance), then for 12-19 guests (after ordinance).

COMPARABLE RENTAL SCHEDULE, SLEEPING OCCUPANCY APPROXIMATELY 22 PERSONS 'Before Ordinance' Dataset					
Address	**Sleeping Capacity**	**HVAC SF**	**Year Built**	**Annual Gross Income**	**Gross Income Per Sleeping Occupant**
71 Stingray Street	20	3,014	1994	$106,000	$5,300
3893 Sandprint Cir	20	3,107	2018	$118,796	$5,940
84 Pompano Street	20	3,310	2012	$160,000	$8,000
3147 Scenic highway 98	20	4,204	2008	$132,000	$6,600
96 Sarasota Street	22	4,132	2009	$143,813	$6,537
58 Sunfish	22	3,470	2014 (Eff)	$140,000	$6,364
2825 Scenic Highway 98	24	5,000	1991	$220,000	$9,167
96 Tarpon Street	28	3,398	2017	$161,000	$5,750
SUBJECT FORECAST REVENUE	*22*	*3,360*	*2004 (Eff)*	*$183,209*	*$8,328*
Comparable Statistics*					
Minimum	20	3,014	1991	$106,000	$5,300
Maximum	28	5,000	2018	$220,000	$9,167
Average	22	3,704	2008	$147,701	$6,707
Median	21	3,434	2011	$141,907	$6,450

The array of comparable rentals above exhibited a range of income per guest per year of between $5,300 and $9,167 per occupant. In consideration of the data above, we consider that an appropriate conclusion of gross annual rent per sleeping occupant is supported at $8,328 per sleeping space consistent with the historical performance of the subject, which is within the range of comparable rental data presented.

CONCLUSION OF POTENTIAL GROSS ANNUAL RENT, SUBJECT SLEEPING OCCUPANCY OF 24 PERSONS 'Before Ordinance'				
Address	**Sleeping Capacity**	**HVAC SF**	**Concluded Annual Gross Income Calculated Per Sleeping Occupant**	**Calculated Conclusion of Annual Gross Income**
Subject Property	*22*	*3,360*	*$8,328*	*$183,216*

COMPARABLE RENTAL SCHEDULE, SLEEPING OCCUPANCY OF APPROXIMATELY 16 PERSONS 'After Ordinance' Dataset					
Address	Sleeping Capacity	HVAC SF	Year Built	Annual Gross Income	Gross Income Per Sleeping Occupant
212 Kono Way	12	2,130	2015	$74,815	$6,235
56 Kokomo Row	12	3,433	1997	$86,667	$7,222
4835 Ocean Boulevard	14	3,546	1981	$79,885	$5,706
83 Sunfish Street	16	2,450	1994	$96,000	$6,000
4443 Clipper Cove	16	2,244	1993	$102,429	$6,402
91 Barracuda Street	18	3,320	2007	$139,577	$7,754
4735 Ocean Boulevard	18	4,263	2003	$157,980	$8,777
113 Los Angeles Street	19	3,122	2005	$137,308	$7,227
Minimum	12	2,130	1981	$74,815	$5,706
Maximum	19	4,263	2015	$157,980	$8,777
Average	16	3,064	1999	$109,333	$6,915
Median	16	3,221	2000	$99,215	$6,812
*Subject Occupancy Limited by City of Destin Ordinance 18-29-CC					

The array of comparable rentals above exhibited a range of income per guest per year of between $5,706 and $8,777 per occupant. In consideration of the data above, we consider that an appropriate conclusion of gross annual rent per sleeping occupant is supported at the upper end of the range, in consideration of the recent renovations, location, and larger size of the structure per number of occupants. We therefore estimate an annual rent of $8,500 per sleeping space is supported.

CONCLUSION OF POTENTIAL GROSS ANNUAL RENT, SUBJECT SLEEPING OCCUPANCY OF 16 PERSONS 'After Ordinance'				
Address	Sleeping Capacity	HVAC SF	Concluded Annual Gross Income Calculated Per Sleeping Occupant	Calculated Conclusion of Annual Gross Income
Subject Property	*16*	*3,360*	*$8,500*	*$136,000*

In the preceding section of the report we derived an opinion of probable gross annual rent due the subejct in both the 'Before Ordinance' ($183,216) and 'After Ordinance' ($136,000) conditions. The result was a decrease in annual income as a result of the reduced sleeping capaicty of -25.77% commensurate with the decrease in ocupancy from 22 to 16 persons or -27.27%.

We now seek to evaluate the expenses pertinent to the subject in order to forecast Net Operating Income in both the Before and After scenarios.

Estimation of Operating Expenses

Vacancy and Collection Loss
As we forecast income based on comparable rentals with reported gross income figures, there is no need to deduct a vacancy and collection loss allocation, as the figures utilized already take into account a vacant and credit loss deduction.

Taxes
The property taxes for the subject property as of 2018 are reported to be a rounded figure of $6,053 annually. This cost is stable regardless of the occupancy of the subject in the 'before' and 'after' conditions.

Insurance
The insurance costs for the subject are reported to be a rounded $9,394 annually, which is consistent with other similar properties in the market area. This cost is stable regardless of the occupancy of the subject in the 'before' and 'after' conditions.

Utilities (Power, Water/Sewer/Garbage, Cable and Internet)
The owner pays all utilities, including power, water/sewer/garbage, cable and internet, for the subject property. The annual 2018 Utilities expenses were reported to be a rounded $12,100, and we will utilize this annual cost for the subject in the 'before' condition, and at the rounded rate of $11,200 in the 'after' condition. It is noted that regardless of the occupancy of the subject, the costs of electricity remain relatively constant, and the costs of cable and internet are the same regardless of the number of occupants. Only the expenses of water, gas and to a nominal degree electricity are variable with occupancy.

Repairs/Maintenance
We have included a repairs/maintenance allowance as a percentage of EGI at 15.0% in the before configuration which equates to $27,482 annually. With regard to the after configuration, noting that routine maintenance is likely not significantly impacted by differences in occupancy between 22 and 16 persons, but the annual income is reduced, we must increase our maintenance in the 'after' configuration as this expense is calculated as a % of EGI. In the 'after' condition we estimate maintenance at the rate of 18% of EGI. While we do recognize that 'wear and tear' is somewhat linked to occupancy, the fact that the entire house area is subject to use by 16 guests just as it is with 22 guests, this cost is somewhat fixed.

Management

We estimate management costs based on the costs of a third party manager who would typically charge between 15% and 25% of collected rents for the management service. We will utilize a rate in the middle of this scale for both value scenarios, or a rate of 22% of EGI, based on information provided by the property owner.

Income and Expense Statement

The table below recaps our projected income stream and breaks down each expense item. Expenses are totaled, and the net operating income is displayed for both the 'before' and 'after' ordinance conditions.

"Before" Condition

Income Capitalization Analysis - 'Before Ordinance Limiting Occupancy'				
Unit	**Income**	**Method**	**Units/SF**	**Annual**
Annual Income 'Before Ordinance' - 22 Guests	$183,216.00	$/Year	1	$183,216
			Potential Gross Income:	$183,216
			Vacancy & Collection Loss Included	$0
			Effective Gross Income (EGI):	$183,216

Expense	**Amount (% or**	**Method**	**Annual**
Taxes	$6,053	$/Year	$6,053
Insurance	$9,394	$/Year	$9,394
Utilities	$12,100	$/Year	$12,100
Repairs/Maintenance	15.0%	% of EGI	$27,482
Management	22%	% of EGI	$40,308
		Total Expenses:	$95,337
		Expense Ratio (Expenses/EGI):	52.04%
		Net Operating Income (NOI):	$87,879

"After" Condition

Income Capitalization Analysis - 'After Ordinance Limiting Occupancy'				
Unit	**Income**	**Method**	**Units/SF**	**Annual**
Annual Income 'After Ordinance' - 16 Guests	$136,000.00	$/Year	1	$136,000
			Potential Gross Income:	$136,000
			Vacancy & Collection Loss Included	$0
			Effective Gross Income (EGI):	$136,000

Expense	**Amount (% or**	**Method**	**Annual**
Taxes	$6,053	$/Year	$6,053
Insurance	$9,394	$/Year	$9,394
Utilities	$11,200	$/Year	$11,200
Repairs/Maintenance	18.0%	% of EGI	$24,480
Management	22%	% of EGI	$29,920
		Total Expenses:	$81,047
		Expense Ratio (Expenses/EGI):	59.59%
		Net Operating Income (NOI):	$54,953

Capitalization Rate Derivation
The capitalization rate is the factor that coverts the stabilized net operating income (NOI) to a present value. It is the ratio of net income to value or sale price.

NOI ÷ Sale Price = Capitalization Rate

For example, if a property sells for $500,000, and has a stabilized NOI of $50,000, the indicated capitalization rate is 10%.

Four methods are generally recognized for estimating an appropriate capitalization rate for use in direct capitalization analysis. These four methods are:

1. Market-Extracted Capitalization Rate Data
2. Band of Investment Method Calculation
3. Debt Coverage Method Calculation
4. Nationally-Published Capitalization Rate Data

Market Extracted Capitalization Rate Data
The market-extraction method of estimating capitalization rates involves finding comparable sales of property similar to the subject, and extracting a market rate from the net operating income and sales price of the comparable property.

We present the following examples of market-extracted capitalization rates for Resort Residential properties, based on similar sales in the local and broader markets.

- 3463 Scenic Highway 98 is a resort rental property that sold in February of 2016 for $3,615,000. Net Operating Income was reported to be $222,125, therefore indicating a capitalization rate of 6.14%.

- 925 Scenic Gulf Drive in Miramar Beach is a resort rental property that sold in November of 2018 for $1,900,000. Net Operating Income based on forecast income and expenses was reported to be $130,000, therefore indicating a capitalization rate of 6.84%.

- 917 Scenic Gulf Drive in Miramar Beach is a resort rental property that sold in August of 2018 for $1,925,000. Net Operating Income based on forecast income and expenses was reported to be $135,000, therefore indicating a capitalization rate of 7.00%.

- 1850 Scenic Gulf Drive in Miramar Beach is a resort rental property that sold in September of 2015 for $2,205,000. Net Operating Income at the time of sale was reported to be $133,200, therefore indicating a capitalization rate of 6.03%.

Based on the above information, and taking into consideration the overall market appeal we consider that a market extracted rate of 7.00% would be applicable for the subject property.

Band of Investment Method Analysis

This technique utilizes lender and real estate investor investment criteria to develop, or synthesize a capitalization rate. As most income producing properties are purchased with debt plus equity capital, the return on investment portion of the overall capitalization rate must satisfy the market returns of both the investor and the lender. The lender must receive a competitive interest rate, and the investor must anticipate receiving a competitive equity yield.

There are four key inputs necessary for this method:

1. The loan-to-value ratio (M)
2. The mortgage interest rate (i)
3. The loan term (n)
4. The equity cap rate or equity dividend rate (R_E)

The mortgage variables are used to build the mortgage constant (R_M), which is the total amount of the payments made in one year, expressed as a percentage of the original loan amount.

Payments x 12 / Original Loan Amount = Mortgage Constant (R_M)

The equity cap rate is the annual return to the investor, expressed as a percent of the original amount invested. The annual return to the investor is also known as the equity dividend rate; it is the profit remaining after debt service and all other expenses.

After Debt Service Profit / Equity Investment = Equity Cap Rate (R_E)

Note that the equity cap rate is not the same (usually, that is) as the equity yield rate. The equity yield rate reflects the total return to the investor over the life of the investment. Factors such as appreciation and mortgage pay down affect and usually increase this return to a point higher than the equity dividend rate. In markets where substantial appreciation is expected, investors will often accept a low or even negative equity dividend rate, anticipating a compensating payoff when the property is eventually sold. In markets where little appreciation is expected, much more weight is given to the annual equity dividend.

Formula:

R_M x M = rate
R_E x (1-M) = rate
= Cap Rate (R_o)

A survey of local lenders indicated that competitive fixed rate loans for properties similar to the subject as investment property are typically available at a rate of between 5.50% and 7.50% on a 30 year amortization schedule with a 50-70% loan to value.

Thus, we will use a rate of 6.00% in our calculations, with a 70% loan to value and a 30 year amortization term for our analysis of the band of investment and debt coverage ratio analyses.

The debt capitalization rate (or mortgage constant) for a typical loan made at 6.00% for 30 years is 0.07194606.

Equity dividend (capitalization) rates in the local market range from 4-9%. We estimate an equity dividend rate of 8.00% in the local market for property such as the subject.

Debt Coverage Ratio Method Analysis

This technique develops a capitalization rate based on typical mortgage terms. There are four variables necessary for this method:

1. The loan-to-value ratio (M)
2. The mortgage interest rate (i)
3. The loan term (n)
4. The debt coverage ratio (DCR)

Items 1 through 3 are discussed above under the Band of Investment section. In this method it is also used to develop the mortgage constant (R_M). The debt coverage ratio is the factor by which income exceeds debt on an annual basis.

Formula:
Debt Coverage Ratio x Loan to Value Ratio x Mortgage Constant = R_o
or: DCR x M x R_M = R_o

We have researched mortgage rates and terms typical for the subject within the market area as noted above. The table below details the Band of Investment and Debt Coverage Ratio Analyses calculations.

Capitalization Rate Calculations

Capitalization Rate Variables					
Mortgage Interest Rate	6.00%				
Loan Term (Years)	30				
Loan To Value Ratio	70.%				
Debt Coverage Ratio	1.25				
Equity Dividend Rate	8.00%				

Band of Investment Analysis					
Mortgage Constant			Loan Ratio	Contributions	
0.071946063		x	70.%	=	5.04%
Equity Dividend Rate			Equity Ratio		
8.00%		x	30.%	=	2.40%
			Band of Investment Capitalization Rate		**7.44%**

Debt Coverage Ratio Analysis			
Debt Coverage Ratio x Loan to Value Ratio x Mortgage Constant			
1.25 x 0.7 x 0.0719460630183303		=	6.30%
	Debt Coverage Ratio Capitalization Rate		**6.30%**

The Band of Investment capitalization rate analysis indicated an appropriate capitalization rate per the preceding assumptions of 7.44%.

The Debt Coverage Ratio Analysis indicated an appropriate capitalization rate per the preceding assumptions of 6.30%.

National Survey Data

RealtyRates.com Investor Survey
RealtyRates does not track capitalization rates for resort residential property such as the subject, however they do track rates for lodging facilities, a property type that is similar in use to the subject, being a facility for short term rental on a seasonal basis where all services are included in the rental rate. We therefore look to this property category in realty rates for an indication of an applicable capitalization rate for the subject.

The *Realty Rates Investor Survey*, dated 4th Quarter 2018, indicates going-in capitalization rates for Lodging Facilities – All Types ranged from 5.21% to 17.22% with an average of 11.32%. In consideration of the excellent quality and condition of the subject property, as well as the resort location, we would estimate an applicable capitalization rate would be below the national average indicated by the survey data and within the lower quartile of exhibited rates, or a rate of between 5.21% and 8.22%.

RealtyRates.com INVESTOR SURVEY - 4th Quarter 2018* LODGING FACILITIES -ALL TYPES							
Item	**Input**						**OAR**
Minimum							
Spread Over 10-Year Treasury	0.86%	**DCR Technique**		1.00	0.048303	0.80	**3.86**
Debt Coverage Ratio	1.00	**Band of Investment Technique**					
Interest Rate	3.75%	Mortgage		80%	0.048303	0.038642	
Amortization	40	Equity		20%	0.080938	0.016188	
Mortgage Constant	0.048303	OAR					**5.48**
Loan-to-Value Ratio	80%	**Surveyed Rates**					**5.21**
Equity Dividend Rate	8.09%						
Maximum							
Spread Over 10-Year Treasury	11.58%	**DCR Technique**		2.85	0.163616	0.50	**23.32**
Debt Coverage Ratio	2.85	**Band of Investment Technique**					
Interest Rate	14.47%	Mortgage		50%	0.163616	0.081808	
Amortization	15	Equity		50%	0.198946	0.099473	
Mortgage Constant	0.163616	OAR					**18.13**
Loan-to-Value Ratio	50%	**Surveyed Rates**					**17.22**
Equity Dividend Rate	19.89%						
Average							
Spread Over 10-Year Treasury	3.54%	**DCR Technique**		1.53	0.084242	0.67	**8.60**
Debt Coverage Ratio	1.53	**Band of Investment Technique**					
Interest Rate	6.43%	Mortgage		67%	0.084242	0.056324	
Amortization	22	Equity		33%	0.145842	0.048333	
Mortgage Constant	0.084242	OAR					**10.47**
Loan-to-Value Ratio	66.9%	**Surveyed Rates**					**11.32**
Equity Dividend Rate	14.6%						

Capitalization Rate Summary and Conclusion

We consider that a market extracted rate of 7.00% would be applicable for the subject property based on market-extracted capitalization rate indications.

The Band of Investment capitalization rate analysis indicated an appropriate capitalization rate per the preceding assumptions of 7.44%.

The Debt Coverage Ratio Analysis indicated an appropriate capitalization rate per the preceding assumptions of 6.30%.

National Market Indicators as reported by realty rates for a related property type indicate an appropriate capitalization rate of between 5.21% and 8.22% for the subject property.

Capitalization Rate Conclusion:

It is the opinion of the appraiser that a **7.25% capitalization rate** should be employed in this analysis.

On the following page we present the direct capitalization analysis for both the 'Before' and 'After' Ordinance 18-29-CC value scenarios.

Capitalization to Value

"Before" Condition

Income Capitalization Analysis - 'Before Ordinance Limiting Occupancy'				
Unit	**Income**	**Method**	**Units/SF**	**Annual**
Annual Income 'Before Ordinance' - 22 Guests	$183,216.00	$/Year	1	$183,216
			Potential Gross Income:	$183,216
		Vacancy & Collection Loss	Included	$0
			Effective Gross Income (EGI):	$183,216

Expense	**Amount (% or**	**Method**	**Annual**
Taxes	$6,053	$/Year	$6,053
Insurance	$9,394	$/Year	$9,394
Utilities	$12,100	$/Year	$12,100
Repairs/Maintenance	15.0%	% of EGI	$27,482
Management	22%	% of EGI	$40,308
		Total Expenses:	$95,337
		Expense Ratio (Expenses/EGI):	52.04%
		Net Operating Income (NOI):	$87,879
		Capitalization Rate:	7.25%
		Value (NOI/Cap Rate):	$1,212,125
		Rounded:	$1,200,000

"After" Condition

Income Capitalization Analysis - 'After Ordinance Limiting Occupancy'				
Unit	**Income**	**Method**	**Units/SF**	**Annual**
Annual Income 'After Ordinance' - 16 Guests	$136,000.00	$/Year	1	$136,000
			Potential Gross Income:	$136,000
		Vacancy & Collection Loss	Included	$0
			Effective Gross Income (EGI):	$136,000

Expense	**Amount (% or**	**Method**	**Annual**
Taxes	$6,053	$/Year	$6,053
Insurance	$9,394	$/Year	$9,394
Utilities	$11,200	$/Year	$11,200
Repairs/Maintenance	18.0%	% of EGI	$24,480
Management	22%	% of EGI	$29,920
		Total Expenses:	$81,047
		Expense Ratio (Expenses/EGI):	59.59%
		Net Operating Income (NOI):	$54,953
		Capitalization Rate:	7.25%
		Value (NOI/Cap Rate):	$757,972
		Rounded:	$760,000

Conclusion of Diminution in Value

In the 'before ordinance' configuration direct capitalization of the net operating income to the subject property revealed a value opinion of $1,200,000 based on an occupancy of 22 sleeping guests.

In the 'after ordinance' configuration direct capitalization of the net operating income to the subject property revealed a value opinion of $760,000 based on an occupancy of 16 sleeping guests.

The Diminution in Value is represented by the difference between the 'before' and 'after' value conclusions, or in this case the difference between $1,200,000 and $760,000 or $440,000.

As an augmenting check to this value opinion, we consider a discounted cash flow analysis of the lost income to the subject as a result of the reduced occupancy, for the remaining term of the economic life of the improvement.

As presented in the preceding income analyses, the difference in annual Net Operating Income between the 'before' scenario at $87,879 and the 'after' scenario at $54,953, calculates to $32,926 annually.

This is the annual net income loss as a result of the implemented restriction on occupancy by virtue of City of Destin Ordinance 18-29-CC, and will promulgate for the remainder of the economic life of the structure and the site is redeveloped.

We previously stated in the report that information provided by the Okaloosa County Property Appraisers Office indicates that the subject improvement was constructed in 1973 which provides for an actual age of 46 years. However, the improvement has been recently renovated and is considered to be of very good quality of construction and in very good condition providing for an effective year built of 2004 and an effective age of approximately 15 Years.

The published economic life of improvements similar to the subject is 55 years per Marshall Valuation Service. Subtracting the economic age of the improvement of 15 years from the overall life of 55 years we calculate a remaining economic life for the subject structure is 40 years.

If we consider that City of Destin Ordinance 18-29-CC serves to reduce occupancy to the subject, thereby reducing annual income in the amount of $32,926 annually, presumably for the remaining economic life of the improvement, we can calculate the present value of this financial loss over time as a check to the Diminution in value calculation via direct capitalization analysis presented preceding.

If we discount the annual loss of $32,926 for a period of 40 years, at a discount rate of 6% annually, the present value of the future loss of income is calculated to be $495,414 which provides additional support for our opinion of Diminution in Value via direct capitalization analysis of $440,000.

Therefore, our opinion of Diminution in value for the subject property is opined to be $440,000 consistent with our calculation via direct capitalization analysis:

Four Hundred Forty Thousand Dollars
$440,000

Certification

The appraiser has no present or prospective interest in the subject property of this appraisal and no personal interest of bias with respect to the parties involved in this appraisal. I have the appropriate education and experience to conduct this appraisal.

The appraiser will not divulge the analytical findings or conclusions to anyone other than the client or designee, except as may be required by the Appraisal Institute or by a court of law with power of subponea.

I certify, to the best of our knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions and conclusions.
- I have no present or prospective interest in the property which is the subject of this report and no personal interest with respect to the parties involved.
- I have no bias with respect to the property which is the subject of this report or to the parties involved with this assignment.
- The engagement in this assignment was not contingent upon developing or reporting predetermined results.
- The compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- I have made a personal inspection of the property that is the subject of this report.

Certification
(Continued)

- The signatory appraiser has not performed any services, as an appraiser or in any other capacity, regarding the subject property within the 3 years prior to acceptance of this appraisal assignment.

This appraisal has been conducted, and the appraisal report prepared in conformance with the requirements of Title XI of the Financial Institutions Reform, Recover, and Enforcement Act of 1989 (FIRREA, 12 U.S.C. 3331 et seq.). This appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.

No person other than the undersigned made a significant professional contribution to the research and analysis in this appraisal unless specifically noted above.

Respectfully Submitted,

EquiValue Appraisal, LLC

Jason P. Shirey, MAI, CCIM
Cert Gen RZ3186

Limiting Conditions and Assumptions

1. Unless otherwise noted in the body of the report, we assumed that title to the property or properties appraised is clear and marketable and that there are no recorded or unrecorded matters or exceptions that would adversely affect marketability or value. We are not aware of any title defects nor were we advised of any unless such is specifically noted in the report. We did not examine a title report and make no representations relative to the condition thereof. Documents dealing with liens, encumbrances, easements, deed restrictions, clouds and other conditions that may affect the quality of title were not reviewed. Insurance against financial loss resulting in claims that may arise out of defects in the subject property's title should be sought from a qualified title company that issues or insures title to real property.

2. We assume that improvements are constructed or will be constructed according to approved architectural plans and specifications and in conformance with recommendations contained in or based upon any soils report(s).

3. Unless otherwise noted in the body of this report, we assumed: that any existing improvements on the property or properties being appraised are structurally sound, seismically safe and code conforming; that all building systems (mechanical/electrical, HVAC, elevator, plumbing, etc.) are, or will be upon completion, in good working order with no major deferred maintenance or repair required; that the roof and exterior are in good condition and free from intrusion by the elements; that the property or properties have been engineered in such a manner that it or they will withstand any known elements such as windstorm, hurricane, tornado, flooding, earthquake, or similar natural occurrences; and, that the improvements, as currently constituted, conform to all applicable local, state, and federal building codes and ordinances. We are not engineers and are not competent to judge matters of an engineering nature. We did not retain independent structural, mechanical, electrical, or civil engineers in connection with this appraisal and, therefore, make no representations relative to the condition of improvements. Unless otherwise noted in the body of this report no problems were brought to our attention by ownership or management. We were not furnished any engineering studies by the owners or by the party requesting this appraisal. If questions in these areas are critical to the decision process of the reader, the advice of competent engineering consultants should be obtained and relied upon. It is specifically assumed that any knowledgeable and prudent purchaser would, as a precondition to closing a sale, obtain a satisfactory engineering report relative to the structural integrity of the property and the integrity of the building systems. Structural problems and/or building system problems may not be visually detectable. If engineering consultants retained should report negative factors of a material nature, or if such are later discovered, relative to the condition of the improvements, such information could have a substantial negative impact on the conclusions reported in this appraisal. Accordingly, if engineering consultants report negative findings, we reserve the right to amend the appraisal conclusions reported herein.

4. All furnishings, equipment and business operations, except as specifically stated and typically considered as part of real property, have been disregarded with only real property being considered in the appraisal. Any existing or proposed improvements, on- or off-site, as well as any alterations or repairs considered, are assumed to be completed

in a workmanlike manner according to standard practices based upon information submitted. This report may be subject to amendment upon re-inspection of the subject property subsequent to repairs, modifications, alterations and completed new construction. Any estimate of Market Value is as of the date indicated; based upon the information, conditions and projected levels of operation.

5. We assume that all factual data furnished by the client, property owner, owner's representative, or persons designated by the client or owner to supply said data are accurate and correct unless otherwise noted in the appraisal report. We have no reason to believe that any of the data furnished contain any material error. Information and data referred to in this paragraph include, without being limited to, numerical street addresses, lot and block numbers, Assessor's Parcel Numbers, land dimensions, square footage area of the land, dimensions of the improvements, gross building areas, net rentable areas, usable areas, unit count, room count, rent schedules, income data, historical operating expenses, budgets, and related data. Any material error in any of the above data could have a substantial impact on the conclusions reported. Thus, we reserve the right to amend our conclusions if errors are revealed. Accordingly, the client-addressee should carefully review all assumptions, data, relevant calculations, and conclusions within 30 days after the date of delivery of this report and should immediately notify us of any questions or errors.

6. The date of value to which any of the conclusions and opinions expressed in this report apply, is set forth in the Letter of Transmittal. Further, that the dollar amount of any value opinion herein rendered is based upon the purchasing power of the American Dollar on that date. This appraisal is based on market conditions existing as of the date of this appraisal. Under the terms of the engagement, we will have no obligation to revise this report to reflect events or conditions which occur subsequent to the date of the appraisal. However, we will be available to discuss the necessity for revision resulting from changes in economics or market factors affecting the subject.

7. We assume no private deed restrictions, limiting the use of the subject property in any way.

8. Unless otherwise noted in the body of the report, we assume that there are no mineral deposits or subsurface rights of value involved in this appraisal, whether they be gas, liquid, or solid. Nor are the rights associated with extraction or exploration of such elements considered unless otherwise stated in this appraisal report. Unless otherwise stated we also assumed that there are no air or development rights of value that may be transferred.

9. We are not aware of any contemplated public initiatives, governmental development controls, or rent controls that would significantly affect the value of the subject.

10. The estimate of Market Value, which may be defined within the body of this report, is subject to change with market fluctuations over time. Market value is highly related to exposure, time promotion effort, terms, motivation, and conclusions surrounding the offering. The value estimate(s) consider the productivity and relative attractiveness of the property, both physically and economically, on the open market.

11. Unless specifically set forth in the body of the report, nothing contained herein shall be construed to represent any direct or indirect recommendation to buy, sell, or hold the

properties at the value stated. Such decisions involve substantial investment strategy questions and must be specifically addressed in consultation form.

12. Unless otherwise noted in the body of this report, we assume that no changes in the present zoning ordinances or regulations governing use, density, or shape are being considered. The property is appraised assuming 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 estimates contained in this report is based, unless otherwise stated.

13. This study may not be duplicated in whole or in part without our written consent, nor may this report or copies hereof be transmitted to third parties without said consent. Exempt from this restriction is duplication for the internal use of the client-addressee and/or transmission to attorneys, accountants, or advisors of the client-addressee. Also exempt from this restriction is transmission of the report to any court, governmental authority, or regulatory agency having jurisdiction over the party/parties for whom this appraisal was prepared, provided that this report and/or its contents shall not be published, in whole or in part, in any public document without our written consent. Finally, this report shall not be advertised to the public or otherwise used to induce a third party to purchase the property or to make a "sale" or "offer for sale" of any "security", as such terms are defined and used in this Securities Act of 1933, as amended. Any third party, not covered by the exemptions herein, who may possess this report, is advised that they should rely on their own independently secured advice for any decision in connection with this property. We shall have no accountability or responsibility to any such third party.

14. Any value estimate provided in the report applies to the entire property, and any pro ration or division of the title into fractional interests will invalidate the value estimate, unless such pro ration or division of interests has been set forth in the report.

15. Any distribution of the total valuation in this report between land and improvement applies only under the existing program of utilization. Component values for land and/or buildings are not intended to be used in conjunction with any other property or appraisal and are invalid if so used.

16. The maps, plats, sketches, graphs, photographs, and exhibits included in this report are for illustration purposes only and are to be used only to assist in visualizing matters discussed within this report. Except as specifically stated, data relative to size or areas of the subject and comparable properties was obtained from sources deemed accurate and reliable. None of the exhibits are to be removed, reproduced, or used apart from this report.

17. No opinion is intended to be expressed on matters that may require legal expertise or specialized investigation or knowledge beyond that which is customarily employed by real estate appraisers. Values and opinions expressed presume that environmental and other governmental restrictions/conditions by applicable agencies have been met, including but not limited to seismic hazards, flight patters, decibel levels/noise envelopes, fire hazards, hillside ordinances, density, allowable uses, building codes, permits, licenses, etc. No survey, engineering study or architectural analysis was provided to us unless otherwise stated within the body of this report. If we were not supplied with a

termite inspection, survey or occupancy permit, no responsibility or representation is assumed or made for any costs associated with obtaining same or for any deficiencies discovered before or after they are obtained. No representation or warranty is made concerning obtaining these items. We assume no responsibility for any costs or consequences arising due to the need, or the lack of need, for flood hazard insurance. An agent for the Federal Flood Insurance Program should be contacted to determine the actual need for Flood Hazard Insurance.

18. Acceptance and/or use of this report constitutes full acceptance of the Assumptions and Limiting Conditions and extraordinary assumptions set forth in this report. It is the responsibility of the Client, or client's designees, to read in full, comprehend and thus become aware of the aforementioned assumptions and limiting conditions. We assume no responsibility for any situation arising out of the Client's failure to become familiar with and understand the same. The Client is advised to retain experts in areas that fall outside the scope of the real estate appraisal/consulting profession if so desired.

19. We assume that the subject property will be under prudent and competent management and ownership; neither inefficient nor super-efficient.

20. We assume 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 reports.

21. No survey of the boundaries of the property was undertaken. All areas and dimensions furnished are presumed correct. It is further assumed that no encroachments to the realty exists.

22. All value opinions expressed herein are as of the date of value. In some cases, facts or opinions are expressed in the present tense. All opinions are expressed as of the date of value, unless specifically noted.

23. The Americans with Disabilities Act (ADA) became effective January 26, 1992. Notwithstanding any discussion of possible readily achievable barrier removal construction items in this report, we did not perform a specific compliance survey and analysis of this property to determine wither it is in conformance with the various detailed requirements of the ADA. It is possible that a compliance survey of the property together with a detailed analysis of the requirements of the ADA could reveal that the property is not in compliance with one or more of the requirements of the ADA. If so, the fact could have a negative effect on the value estimated herein. Since we have no specific information relating to this issue, nor are we qualified to make such an assessment, the effect of any possible non-compliance was not considered in estimating the value of the subject property.

24. The value estimate rendered in this report is predicated on the assumption that there is no hazardous material on or in the property that would cause a loss of value. We were not provided with an Environmental Assessment Report. Further, we are not qualified to determine the existence or extent of environmental hazards. If there are any concerns pertaining to environmental hazards for this property, we recommend that a qualified engineer perform an assessment.

ADDENDA

Parcel Map

Okaloosa County Property Appraiser

Parcel ID	00-2S-24-2186-000D-0030	Physical Address	633 GULF SHORE DR DESTIN	Land Value	$272,850	Last 2 Sales			
						Date	Price	Reason	Qual
Acres (GIS)	0.28	Mailing Address	M GROUP VENTURES GULF SHORES 18898 STATE HWY 6 SOUTH COLLEGE STATION, TX 77845	Ag Land Value	$0	5/11/2016	$100	UNQUAL/CORRECTIVE/QCD,TD	U
Property Class	SINGLE FAM			Building Value	$299,308	4/25/2016	$100	UNQUAL/FEDERAL/STATE/LOCAL GOV	U
Taxing District	10			Misc Value	$10,700				
				Just Value	$582,858				
				Assessed Value	$452,500				
				Exempt Value	$0				
				Taxable Value	$452,500				

Date created: 9/15/2019
Last Data Uploaded: 9/13/2019 4:48:42 AM

Developed by Schneider GEOSPATIAL

Property Appraiser Card

Okaloosa County Property Appraiser

Parcel Summary

Parcel ID	00-2S-24-2186-000D-0030
Location Address	633 GULF SHORE DR DESTIN 32541
Brief Tax Description*	HOLIDAY ISLE LOT 3 BLK D
	*The Description above is not to be used on legal documents.
Property Use Code	SINGLE FAM (000100)
Sec/Twp/Rng	00-2S-24
Tax District	Destin (District 10)
Millage Rate	12.8406
Acreage	0.000
Homestead	N
Acreage (GIS)	0.28
Fire District	N/A

View Map

Owner Information

Primary Owner
M Group Ventures Gulf Shores
18898 State Hwy 6 South
College Station, TX 77845

Valuation

	2019 Proposed Values	2018 Certified Values
Building Value	$299,308	$255,459
Extra Features Value	$10,700	$9,600
Land Value	$272,850	$267,500
Land Agricultural Value	$0	$0
Agricultural (Market) Value	$0	$0
Just (Market) Value	$582,858	$532,559
Assessed Value	$452,500	$411,364
Exempt Value	$0	$0
Taxable Value	$452,500	$411,364
Maximum Save Our Homes Portability	$0	$121,195

Just (Market) Value description - This is the value established by the Property Appraiser for ad valorem purposes. This value does not represent anticipated selling price.

Land Information

Code	Land Use	Number of Units	Unit Type	Frontage	Depth
000100	SFR	1.00	LT	103	0

Building Information

Building 1

Type	SINGLE FAM
Total Area	4,328
Heated Area	2,352
Exterior Walls	WD FRSTUC;
Roof Cover	DIMEN/TIMB; .
Interior Walls	CUST PANEL; .
Frame Type	.
Floor Cover	CLAY/CERMC; CARPET
Heat	AIR DUCTED
Air Conditioning	CENTRAL
Bathrooms	3
Bedrooms	6
Stories	2
Actual Year Built	1973
Effective Year Built	1996

Extra Features

Code	Description	Number of Items	Length x Width x Height	Units	Unit Type	Effective Year Built
SWPOOL	SWIMPOOL	1	0 x 0 x 0	1	UT	2001

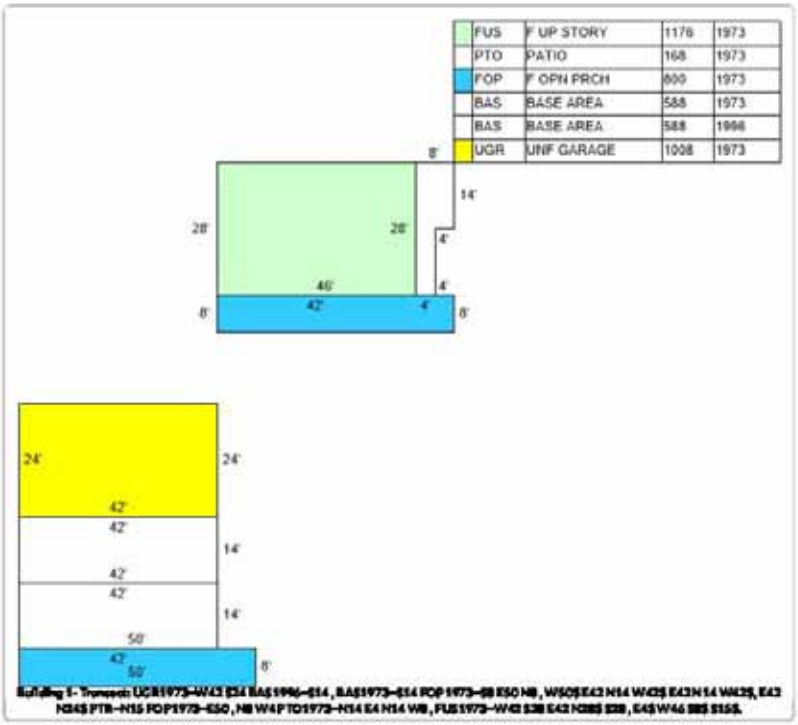
Building Area Types

Type	Description	Sq. Footage	Year
UGR	UNF GARAGE	1,008	1973
BAS	BASE AREA	588	1996
BAS	BASE AREA	588	1973
FOP	F OPN PRCH	600	1973
PTO	PATIO	168	1973
FUS	F UP STORY	1,176	1973

Sales

Multi Parcel	Sale Date	Sale Price	Instrument	Book	Page	Qualification	Vacant/Improved	Grantor	Grantee
N	05/11/2016	$100	WD	3246	129	Unqualified (U)	Improved	MEDLIN BRYANT S & PHIL R	M-GROUP VENTURES GULF SHORES LLC
N	04/25/2016	$100	QC	3247	30	Unqualified (U)	Improved	OKALOOSA COUNTY	MEDLIN BRYANT S & PHIL R
N	09/15/2014	$500,000	AL	3164	1157	Unqualified (V)	Improved	KM INVESTMENTS LLC	MEDLIN BRYANT S & PHIL R
N	12/31/2010	$100	AL	2967	273	Unqualified (U)	Improved	LITTLE KENNETH & MARCIA	KM INVESTMENTS LLC
N	12/01/1986	$97,400	AL	1361	1056	Unqualified (U)	Improved		LITTLE KENNETH & MARCIA
N	03/01/1986	$56,800	AS	1334	1541	Unqualified (U)	Improved		
N	03/01/1986	$56,700	AS	1334	1540	Unqualified (U)	Improved		
N	01/01/1977	$36,361	PV	806	819	Unqualified (U)	Improved	SEBREE TROWBRIDGE E & MARIE A (WIFE)	HOLLOWAY JOHN M III & MARIE B (WIFE)

Sketches



Most Recent Deeds

FILE #3065691 RCD: 5/13/2016 2:35 PM, BK: 3248 PG: 129, RECORDING: $10.50 RECORDING ARTICLE V: $8.00
D Doc Stmp: $0.70 DEPUTY CLERK NBENNETT
JD PEACOCK II CLERK OF COURTS, OKALOOSA COUNTY, FLORIDA

Prepared by and return to:
Julie R. Barbeau
McNeese Title, LLC
36468 Emerald Coast Parkway, Suite 1201
Destin, Florida 32541

File Number: 16-0263JB

THIS INSTRUMENT IS NOT SUBJECT TO DOCUMENTARY STAMP TAX PURSUANT TO *CRESCENT MIAMI CENTER, LLC V. FLORIDA DEPARTMENT OF REVENEUE, 903 SO. 2D 913 (FLA, 2005)*, AS THE SUBJECT PROPERTY IS UNENCUMBERED AND GRANTEE IS WHOLLY OWNED BY GRANTOR.

Warranty Deed

Made this May 11, 2016 A.D. By **Bryant Scott Medlin and Phil R. Medlin**, hereinafter called the grantor, to **M-Group Ventures Gulf Shores, LLC, a Texas limited liability company**, whose post office address is: 18898 State Highway 6 South, College Station, Texas 77845, hereinafter called the grantee:

(Whenever used herein the term "grantor" and "grantee" include all the parties to this instrument and the heirs, legal representatives and assigns of individuals, and the successors and assigns of corporations)

Witnesseth, that the grantor, for and in consideration of the sum of Ten Dollars, ($10.00) and other valuable considerations, receipt whereof is hereby acknowledged, hereby grants, bargains, sells, aliens, remises, releases, conveys and confirms unto the grantee, all that certain land situate in Okaloosa County, Florida, viz:

Lot 3, Block D, HOLIDAY ISLE RESIDENTIAL SECTION NO. 4, according to the Plat thereof as recorded in Plat Book 4, Page(s) 29, of the Public Records of Okaloosa County, Florida.

Being and intended to be the same premises conveyed to the Grantor herein by deed recorded **September 15, 2014** in Book **3164**, Page **1157** Public Records of **Okaloosa** County, **Florida**.

Said property is not the homestead of the Grantor(s) under the laws and constitution of the State of Florida in that neither Grantor(s) or any members of the household of Grantor(s) reside thereon.

Parcel ID Number: **00-2S-24-2186-000D-0030**

Subject, however, to all covenants, conditions, restrictions, reservations, limitations, easements and to all applicable zoning ordinances and/or restrictions and prohibitions imposed by governmental authorities, if any.

Together with all the tenements, hereditaments and appurtenances thereto belonging or in anywise appertaining.

To Have and to Hold, the same in fee simple forever.

And the grantor hereby covenants with said grantee that the grantor is lawfully seized of said land in fee simple; that the grantor has good right and lawful authority to sell and convey said land; that the grantor hereby fully warrants the title to said land and will defend the same against the lawful claims of all persons whomsoever; and that said land is free of all encumbrances except for all covenants, conditions, restrictions, reservations, limitations and easements of record, and to all applicable zoning ordinances and/or restrictions and prohibitions imposed by governmental authorities, if any and taxes accruing subsequent to December 31, 2015.

BK: 3248 PG: 130

Prepared by and return to:
Julie R. Barbeau
McNeese Title, LLC
36468 Emerald Coast Parkway, Suite 1201
Destin, Florida 32541

File Number: 16-0263JB

In Witness Whereof, the said grantor has signed and sealed these presents the day and year first above written.

Signed, sealed and delivered in our presence:

Witness Signature: _____

Witness Printed Name Julie R. Barbeau

_____ (Seal)
Bryant Scott Medlin

Witness Signature: _____

Witness Printed Name _____

_____ (Seal)
Phil R. Medlin by Bryant Scott Medlin as Attorney in Fact
as Attorney in Fact

State of Florida
County of Okaloosa

The foregoing instrument was acknowledged before me this 11th day of May, 2016, by Bryant Scott Medlin, individually and as Attorney in Fact for Phil R. Medlin, who is/are personally known to me or who has produced a driver's license as identification.

JULIE R. BARBEAU
MY COMMISSION # FF 012888
EXPIRES: August 29, 2017
Bonded Thru Notary Public Underwriters

_____
Notary Public
Print Name: Julie R. Barbeau
My Commission Expires: _____

(Seal)

DEED Individual Warranty Deed With Non-Homestead-Legal on Face
Closers' Choice

FILE #3064239 RCD: 5/6/2016 12:05 PM, BK: 3247 PG: 30, RECORDING: $6.00 RECORDING ARTICLE V: $4.00
D Doc Stmp: $0.70 DEPUTY CLERK ASECRIST
JD PEACOCK II CLERK OF COURTS, OKALOOSA COUNTY, FLORIDA

This Instrument Prepared by:
Billie Jene Martin
Surety Land Title of Florida, LLC
41 S. 6th Street
DeFuniak Springs, FL 32435
Property Appraiser's Parcel: 00-2S-24-2186-000D-0030
Identification No.: 1606-110

(Space above this line is for recording purposes only)

QUIT CLAIM DEED

THIS QUIT CLAIM DEED executed this 25th day of **April, 2016,** by **Okaloosa County,** a governmental subdivision of the State of Florida, grantor, whose post office address is: Okaloosa County Courthouse Extension, Crestview, FL 32536 to **Bryant Scott Medlin and Phil R. Medlin** as grantees, whose address is: **PO Box 9734, College Station, TX 77842.**

WITNESSETH, That the grantor, for and inconsideration of the sum of **ONE HUNDRED AND NO/100 –DOLLARS ($100.00),** the receipt of which is hereby acknowledged, has granted, bargained, and sold to the said grantee(s) their heirs and assigns forever, all of the grantor's reversionary interest in such part of the leasehold interest owned by the grantee on the date of this conveyance in the following described real property, situated, lying and being in the County of Okaloosa, State of Florida, to-wit:

Lot 3, Block D, HOLIDAY ISLE RESIDENTIAL SECTION NO. 4, according to the Plat thereof as recorded in Plat Book 4, Page(s) 29, of the Public Records of Okaloosa County, Florida

IT IS THE EXPRESS intent of the grantor that its reversionary estate in that portion of the original leasehold estate from the Okaloosa County and/or Okaloosa Island Authority which the grantee now owns in the subject premises shall be merged with such present leasehold interest owned by the grantee, subject, however to such terms and conditions contained in the 1963 quitclaim deed or record from the United States of America to the grantor and all protective covenants previously imposed of record on the above land by Okaloosa County or its agent, Okaloosa Island Authority, and by acceptance of this deed, grantee acknowledges the validity of such protective covenants and restrictions (with the term "owner" being substituted for "leaseholder" and "Lessee" therein where appropriate), which are hereby reimposed.

THIS CONVEYANCE, is also subject to all existing encumbrances, liens, condominium declarations, planned united development declarations, sublease, and/or lease assignment conditions, easements, restrictions, covenants or other similar servitudes of record, which were validly imposed, voluntarily or involuntarily, subsequent to the original lease from Okaloosa County and/or Okaloosa Island Authority by any subsequent owner of the leasehold interest in the chain of record title to the above-described property. By acceptance of this deed, grantees acknowledge the validity and enforceability to pay an annual assessment fee to Holiday Isle Improvement Association, Inc. and agree to be bound thereby, **if applicable**.

IN WITNESS WHEREOF, the said grantor has caused these presents to be executed in its name by its board of county commissioners acting by the chairman or vice-chairman of said board, day and year aforesaid.

OKALOOSA COUNTY
BY ITS BOARD OF COUNTY COMMISSIONERS

(OFFICIAL SEAL)

By: _____
CHAIRMAN OR VICE-CHAIRMAN

ATTEST: _____
CLERK OF DEPUTY CLERK

FILE # 2950900 RCD: 09/15/2014 @ 02:56 PM, BK: 3164 PG: 1157 RECORDING: $10.50 RECORDING ARTICLE V: $8.00 DEED DOCSTAMPS $3731.00 DEPUTY CLERK PDUNN DON W. HOWARD, CLERK OF COURTS, OKALOOSA COUNTY FL

Prepared by and return to:
Mark A. Violette, Esq.
Mark A. Violette, P.A.
1241 Airport Road, Suite D
Destin, Florida 32541
(850) 654-0068

Assignment of Leasehold Interest

WHEREAS, KM Investments, LLC, an Alabama limited liability company, (hereinafter "Assignor"), whose address is: 4200 Harpers Ferry Road, Birmingham, AL 35213, desires to quitclaim, assign and transfer all of its right, title and interest in and to the real property described herein below to **Bryant Scott Medlin and Phil R. Medlin** (hereinafter "Assignee"), whose address is: P.O. Box 9734, College Station, TX 77842, and Assignee desires to accept this Assignment.

("ASSIGNOR" and "ASSIGNEE" shall be used for singular or plural, natural or artificial, which terms shall include the heirs, legal representatives, successors and assigns of ASSIGNOR and ASSIGNEE whenever the context so requires or admits)

NOW THEREFORE, KNOW ALL MEN BY THESE PRESENTS, that Assignor, for and in consideration of Ten and No/Dollars ($10.00) and other good and valuable consideration to it paid by Assignee, the receipt and sufficiency of which is hereby acknowledged, and other covenants and agreements of Assignee hereinafter contained, does hereby quitclaim, grant, demise and assign to Assignee and Assignee's assigns all of Assignor's right, title and interest in that certain property in Okaloosa County, Florida, more particularly described as follows:

Lot 3, Block D, HOLIDAY ISLE RESIDENTIAL SECTION NO. 4, according to the Plat thereof as recorded in Plat Book 4, Page(s) 29, of the Public Records of Okaloosa County, Florida.

and in any lease, sublease, partial assignment or other leasehold document pertaining to the property above described and as to which Assignor has any interest.

TO HAVE AND TO HOLD the same unto Assignee and Assignee's successors and assigns for the full unexpired terms, conditions and stipulations of the Lease recorded in Official Records Book 209, Page 123, as amended in Official Records Book 244, Page 348, Official Records Book 657, Page 240, and Official Records Book 676, Page 108, all of the Public Records of Okaloosa County, Florida, and any amendments and subleases thereto and upon the terms and conditions set forth below:

1. Assignor fully warrants the title to the leasehold estate assigned hereby, subject only to taxes for the current year, valid restrictive covenants, lease conditions, assessments, if any, and other matters affecting the above-described real estate and leasehold interest therein, according to documents heretofore recorded in the Public Records of Okaloosa County, Florida.

2. Title to any building or other improvements of a permanent character that should be erected or placed upon the demised premises by Assignee shall forthwith vest in Okaloosa County, Florida, subject, however to the terms of the years and option to renew granted Assignee by the terms of the Lease.

BK: 3164 PG: 1158

3. By acceptance hereof, Assignee covenants that it will perform all of the terms and conditions under the Sublease, the Lease, Assignments and Declaration of Covenants, Conditions and Restrictions of the Homeowners Association and/or Condominium, if applicable, insofar as they relate to the subject property.

IN WITNESS WHEREOF, Assignor has hereunto executed this instrument on the 29th day of August, 2002.

Signed in the presence of:

M. Violette
Witness Signature

Dora Fowler
Print Witness Name

M. Violette
Witness Signature

Dora Fowler
Print Witness Name

KM Investments, LLC

Kenneth E. Little
By: Kenneth E. Little, Manager/Member

Marcia P. Little
By: Marcia P. Little, Manager/Member

State of Florida
County of Okaloosa

The foregoing instrument was acknowledged before me this 10th day of September, 20 14 by KM Investments, LLC, Kenneth E. Little, who are personally known to me or who have produced the following identification: driver licenses.
& and Marcia P. Little, Manager/Member

MARK VIOLETTE
MY COMMISSION # EE 851849
EXPIRES: November 15, 2016
Bonded Thru Budget Notary Services

M. Violette
Notary Public:
Print Name: _____

[NOTARY]
[SEAL]

THIS INSTRUMENT PREPARED BY
AND AFTER RECORDING RETURN TO:

Kimberly Romano Kopp, Esq.
Romano Kopp Law, P.A.
P.O. Box 445
Destin, Florida 32541

For Recording Purposes Only

SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is entered into this _____day of _____ 2019, ("Effective Date") by and between, M-Group Ventures Gulf Shores, LLC. ("Owner") and the City of Destin ("City"), collectively referred to as the "Parties."

RECITALS

WHEREAS, on January 22, 2019, the City enacted Ordinance 18-29-CC, the Short-Term Rental Occupancy Ordinance ("Ordinance"), which limits the occupancy of short-term rental homes to two (2) people per bedroom plus an additional four (4) persons; and

WHEREAS, Owner owns the real property and improvements located at 633 Gulf Shore Drive, Destin, FL 32541, as more particularly described in the attached Exhibit "A" (the "Property"); and

WHEREAS, on May 10, 2019, Owner filed a claim with the City, pursuant to the provisions of §70.001, Florida Statutes, the Bert J. Harris, Jr., Private Property Rights Protection Act (the "Harris Act"), alleging that the Property had been inordinately burdened by the adoption of the Ordinance, (the "Claim"); and

WHEREAS, the Harris Act provides for the City to have the ability to enter into a settlement agreement which would have the effect of a modification or variance to the application of a regulation or ordinance as it would otherwise apply to the subject real property, provided the relief granted protects the public interest served by the regulations at issue and is the appropriate relief necessary to prevent the governmental regulatory effort from inordinately burdening the real property; and

WHEREAS, the City has determined that the modifications to the effect of the Ordinance effected by this Agreement protect the public interest served by the Ordinance and are the appropriate relief necessary to prevent the regulatory effect of the Ordinance from inordinately burdening the Property; and

WHEREAS, the Parties now desire to settle and finally resolve all disputes between and among them concerning the Claim.

NOW, THEREFORE, the Parties hereby agree as follows:

1. **Recitals.** The above recitals are true and correct and are incorporated herein by reference.

2. **Occupancy Allowable Under Ordinance.**

(a) Owner is hereby granted a variance from the provisions of the Ordinance so that the Owner shall have the right to apply under the Ordinance for a maximum occupancy of eleven (11) overnight guests at the six (6) bedroom vacation rental property noted above and the City shall grant such occupancy. The right shall continue in perpetuity, regardless of any future changes in ownership, provided that this right shall expire permanently if the Property were to be voluntarily remodeled or voluntarily rebuilt in such a manner as to change the number of bedrooms that existed at the date of the Claim. The Property remains subject to all other requirements of the City's regulations, including but not limited to regulations for short-term rentals, parking, trash, and noise.

(b) No greater than eight (8) vehicles may be parked on the Property. No vehicle may encroach upon the City's right-of way.

(c) Owner shall ensure that at least two (2) outdoor trash receptacles are provided by the applicable trash hauler and available for use by occupants at all times.

(d) Owner agrees that the City shall be permitted to access the property on an annual basis for the purpose of life-safety inspections to ensure code compliance with minimum egress and emergency egress requirements pursuant to the Florida Building Code (Residential) and to ensure the property has adequate and working smoke detectors. Owner shall submit to the City a separate application and fee for such inspection, on a form provided by the City, at the time Owner submits its annual short-term rental registration application to the City

3. **Development in Accordance with Code.** Notwithstanding any provisions contained herein, the Owner shall at any time have the right and option to remodel, develop, or use the Property in accordance with the applicable ordinances of the City of Destin in effect at the time of application therefor, and this variance shall not be construed as making the Property in any way non-conforming.

4. **Entire Agreement.** The Parties acknowledge that this Agreement constitutes the entire agreement between them regarding the settlement of their dispute and any prior statements, whether oral or written, are merged herein. This Agreement may not be modified or amended without a written instrument signed by the party against whom enforcement is sought.

5. **Duration of Agreement.** This Agreement shall be perpetual and deemed to run with the land, and shall be binding upon and the benefits shall inure to the parties hereto and their respective heirs, devisees, personal representatives, successors and assigns.

6. **Authority.** The signatories to this Agreement are expressly authorized to resolve their dispute as set forth herein and by their signatures here represent and affirm their authority to execute this Agreement.

7. **Governing Law.** The law of the State of Florida shall apply to this Agreement. Any dispute regarding this Agreement shall be litigated exclusively in the courts of Okaloosa County, Florida. The parties expressly consent to such agreed jurisdiction and venue, and waive any objections thereto.

8. **Notices.** Any notice required or permitted to be given hereunder shall be in writing and shall be (i) delivered by hand, (ii) delivered by reputable national or local courier (such as United Parcel Service or Federal Express), (iii) mailed by United States registered or certified mail, return receipt requested and postage prepaid, or (iv) sent by facsimile transmission provided a confirmation of such facsimile transmission is sent the same day by one of the methods of delivery in (i), (ii), or (iii) above. Any notice shall be addressed to each party at its address as set forth below. Any such notice shall be considered given on the date of such hand delivery, deposit with such courier for same day or next business day delivery, upon receipt of return receipt of certified mail, or receipt of facsimile transmissions, as the case may be, and the time period (if any is provided herein) in which to respond to such notice shall commence on the date of receipt. Rejection or other refusal to accept or inability to deliver because of changed address of which no notice was given shall be deemed to be receipt of the notice. By giving to the other party at least ten (10) days' notice thereof, any party shall have the right from time to time to change the addresses thereof and to specify up to two (2) additional addresses within the United States of America to which copies of notices to it shall be sent. Notice may be given on behalf of any party by such party's counsel. In the event the subject property owner changes, notices shall be addressed to the current owner as indicated in the records of the Okaloosa County Property Appraiser. Otherwise, notices shall be sent as follows:

Each notice shall be addressed as follows:

To City: City of Destin, Florida
Attn:
4200 Indian Bayou Trail
Destin, Florida 32541

With a copy to:
City Land Use Attorney
Romano Kopp Law, PA
PO Box 445
Destin, Florida 32541

To M-Group Ventures Gulf Shores, LLC: Scott Medin
P.O. Box 9734
College Station, TX 77842

With a copy to: Matthews & Jones, LLP

Attn: C. Stephen Tatum
4475 Legendary Drive
Destin, Florida 32541

9. **Attorney's Fees**. In the event of any action, whether pre-suit, mediation, litigation or appellate proceeding to enforce the terms and conditions of this Agreement, each party to the action shall pay its own attorney's fees and costs incurred therein.

10. **Venue**. Venue over any action to enforce the terms and conditions of this Agreement, including mediation, shall lie solely in Okaloosa County, Florida.

OWNER: M-Group Ventures Gulf Shores, LLC

_____
Signature of Witness #1

_____
Bryant S. Medlin

_____
Print or type name

_____
Phillip Meldlin

_____
Signature of Witness # 2

_____
Print or type name

STATE OF_____
COUNTY OF_____

The foregoing instrument was acknowledged before me this _____ day of _____ 2019, by _____ _____ and _____, who are personal known to me or who have produced _____ as identification and who did not (did) take an oath.

_____
Signature of Notary

(NOTARY SEAL)

_____
Print or type name

CITY OF DESTIN

By:_____
Gary Jarvis, Mayor

Date:_____

ATTEST:

_____
Rey Bailey, City Clerk

Date:_____

STATE OF_____
COUNTY OF_____

The foregoing instrument was acknowledged before me this _____ day of _____ 2019, by _____ _____ and _____, who are personal known to me or who have produced _____ as identification and who did not (did) take an oath.

_____
Signature of Notary

(NOTARY SEAL)

_____
Print or Type Name

Approved as to form and legality for use and reliance
by the City of Destin, Florida, only.

_____
Kimberly Romano Kopp, Esq.
City Land Use Attorney

Exhibit "A"

Legal Description of Property

Lot 3, Block D, HOLIDAY ISLE RESIDENTIAL SECTION NO. 4, according to the Plat thereof as recorded in Plat Book 4, Page(s) 29, of the Public Records of Okaloosa County, Florida.

ITEM # 2019-1893

CITY OF DESTIN

AGENDA ITEM

COUNCIL MEETING DATE: December 9, 2019
TYPE OF AGENDA ITEM: Action Item

TO: City Council

THRU: Lance Johnson, City Manager

FROM: Kimberly Kopp, Land Use Attorney
Louis Zunguze, Community Development Director

DATE: December 5, 2019

SUBJECT: 13) 627 Gulf Shore Drive

I. BACKGROUND:

On January 22, 2019, the City enacted Ordinance 18-29-CC, the Short-Term Rental Occupancy Ordinance ("Ordinance"), which limits the occupancy of short-term rental homes to two (2) people per bedroom plus an additional four (4) persons.

The subject property owner owns the real property and improvements located at 627 Gulf Shore Drive, Destin, FL 32541, as more particularly described in Exhibit "A" (the"Property") to the proposed settlement agreement.

Owner filed a claim with the City, pursuant to the provisions of §70.001, Florida Statutes, the Bert J. Harris Jr., Private Property Rights Protection Act (the "Harris Act"), alleging that the Property had been inordinately burdened by the adoption of the Ordinance, (the "Claim).

The Harris Act provides for the City to have the ability to enter into a settlement agreement which would have the effect of a modification or variance to the application of a regulation or ordinance as it would otherwise apply to the subject real property, provided the relief granted protects the public interest served by the regulations at issue and is the appropriate relief necessary to prevent the governmental regulatory effort from inordinately burdening the real property.

The City Council should settle the claim if the City Council determines that the modifications within the settlement agreement protect the public interest served by the Ordinance and are the appropriate relief necessary to prevent the regulatory effect of the Ordinance from inordinately burdening the Property.

II. DISCUSSION: The property owner has requested a maximum occupancy of forty (40) occupants. City staff is recommending an occupancy of forty (40) occupants based on the square footage of the property. The building official utilized a one-occupant per 200 square feet methodology for recommending the above-stated occupancy.

Additionally, staff is recommending at least seven (7) trash cans on the property. This recommendation is based on industry standard (Waste Management) that, on average, one trash can is required for every six occupants in order to ensure adequate garbage disposal. Therefore, if the maximum number of occupants exceeds any multiple of six (6, 12, 18, 24, 30, 36, etc.), then an extra trash can will be needed to accommodate the additional occupants. For example, if thirteen (13) is the maximum occupation, then three (3) trash cans are required. This is because, on average, two (2) trash cans will only accommodate twelve (12) occupants. The third trash can will be needed to accommodate the thirteenth occupant.

Further, the property owner must agree to annual life safety inspections, as provided in the proposed settlement agreement.

Finally, staff is recommending that no greater than fourteen (14) vehicles be parked on this property

As stated in the agreement, the property owner remains bound by all other provisions of City codes.

A. **Link to Strategic Goals / Objectives:**
B. **Effect on Budget (EOB):**
C. **Level of Service (LOS):**

III. CONCLUSION:

IV. RECOMMENDED MOTION: 1. I move to approve the settlement agreement prepared by the City Land Use Attorney and Staff.

or

2. I move to approve the settlement agreement prepared by the City Land Use Attorney and Staff with the following modifications:_____.

or

3. I move to direct the City Land Use Attorney to negotiate in good faith with the property owner and to bring back an alternate settlement proposal to the City

Council for consideration.

or

4. I move to deny settlement of the subject claim at this time.

Attachments:

1. Bert Harris Case - 627 Gulf Shore Drive
2. 627 Gulf Shore Drive

DANA C. MATTHEWS
MICHAEL A. JONES
KENNETH M. BORICK
Of Counsel
Also admitted in Georgia and South Carolina
DANA C. "D.C." MATTHEWS II
SAMUEL B. TAYLOR
DANIEL C. O'ROURKE
Florida Supreme Court Certified
Civil and Family Mediator

MATTHEWS & JONES
ATTORNEYS AT LAW
INSIGHT | INTEGRITY | INNOVATION

CHRISTA P. DIVINEY
Board Certified Criminal Trial Lawyer
Also admitted in Alabama
LAURA PENTEL-KLANG
JESSICA L. STEWART
SALVADOR "A.J." GOMEZ
C. STEPHEN TATUM

Reply to Destin

STATUM@DESTINLAW.COM

October 9, 2019

VIA HAND DELIVERY

Mayor Gary Jarvis
City of Destin
4200 Indian Bayou Trail
Destin, FL 32541
gjarvis@cityofdestin.com

Dear Mayor Jarvis:

Our firm represents Elite Investments Florida Properties, LLC, the owner of the home located at 627 Gulf Shore Drive; Destin, Florida, also identified as Lot 26, Block E, Holiday Isle on the Gulf of Mexico at Destin, Residential Section No. 2, recorded in Okaloosa County Plat Book 3, at Page 57.

Due to the enactment of City of Destin Ordinance 18-29-CC, which limits the occupancy of short term rental homes to two (2) people per bedroom plus an additional four (4) persons, Elite's reasonable investment-backed expectations for use of the home as a short-term vacation rental property have been inordinately burdened, as defined in the "Bert J. Harris, Jr., Private Property Rights Protections Act", Chapter 70, Florida Statutes ("Harris Act"). Elite hereby submits this letter along with the enclosed EquiValue Appraisal, LLC property appraisal dated September 19, 2019, as a claim under the Harris Act against the City of Destin for One Million Five Hundred Forty-five Thousand Dollars ($1,545,000.00), which represents the diminution in value of Elites' property.

Pursuant to the provisions of the Harris Act, Elite hereby demands payment in the amount of One Million Five Hundred Forty-five Thousand Dollars ($1,545,000.00) plus attorneys fees and costs.

If no resolution is reached during the statutorily prescribed waiting period, Elite intends to file suit pursuant to this claim and pursue any other legal remedies for the actions

that gave rise to this claim. Elite explicitly reserves the right to bring any and all legal challenges, appeals and objections with respect to Ordinance 18-29-CC.

Sincerely,

C. Stephen Tatum
Matthews & Jones, LLP
Attorney for Elite Investments Florida Properties, LLC

Enclosure

cc: Lance Johnson, City Manager (via email)
Rey Bailey, City Clerk (via email)
Kimberley Romano-Kopp, Esq. (via email)
Client

APPRAISAL REPORT

PROPERTY: AN APPROXIMATE 11,913 SQUARE FOOT HEATED AND COOLED RESORT RENTAL RESIDENCE (VILLA BLANCO), SITED ON AN APPROXIMATE 0.61-ACRE CANAL FRONT SITE WITH ASSOCIATED SITE IMPROVEMENTS INCLUDING POOL, POOL DECK, DOCK (WITH BOAT LIFT),

627 GULF SHORE DRIVE, DESTIN, OKALOOSA COUNTY, FL

EQUIVALUE APPRAISAL, LLC
PROFESSIONAL APPRAISAL AND VALUATION SERVICES
PO BOX 5326
DESTIN, FLORIDA 32540
PHONE (850) 424-6119

Jason P. Shirey, MAI, CCIM, CPM
State-Certified General Real Estate Appraiser, RZ3186 (FL)
Direct Phone (850) 543-5953 (Mobile)

EquiValue Appraisal File No.: 190292B

APPRAISAL REPORT

Of Resort Residential Property
+/-0.61 Acres of Canal Front Residential-Zoned Land
Improved with an Approximate 11,913 SF Heated and Cooled Resort Rental Residence
(Villa Blanco) And Associated Improvements Including Pool, Pool Deck,
And Dock (with Boat Lift)

Location
627 Gulf Shore Drive
Destin, Okaloosa County, FL
32541

Property Owner
Elite Investments Florida Properties, LLC

Effective Date
January 22, 2019 (Retrospective)

Report Date
September 19, 2019

Client / Intended User
Elite Investments Florida Properties, LLC
101 W Court Street,
Paragould, AR 72450

Prepared by:
Jason P. Shirey, MAI, CCIM, Cert Gen RZ3186

EQUIVALUE
APPRAISAL

Phone 850 424 6119 Fax 888 774 4503
EquiValue Apprasial, LLC File #: 190292B

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September 19, 2019

Elite Investments Florida Properties, LLC
101 W Court Street
Paragould, AR 72450

Re: Diminution in Value Appraisal of an approximate 11,913 HVAC Square Foot Resort Rental Residence (Villa Blanca), 'As Is', whose postal address is 627 Gulf Shore Drive, Destin, Okaloosa County, FL 32541. EquiValue Appraisal File No. 190292B.

Dear Client:

At your request and authorization, we have prepared an appraisal for the above-referenced resort residential rental property. A copy of the pertinent engagement document has been included in the addenda to this report if applicable.

This letter of transmittal is *not* an appraisal report, but merely serves to transmit the attached appraisal report and convey the final conclusion of value. The accompanying research, analyses and conclusions, and appraisal report following this letter of transmittal has been compiled in accordance with USPAP Standards Rule 2-2(a) for a written appraisal report.

The purpose of this appraisal is to determine if there is a Diminution in Value as result of recently-adopted City of Destin Ordinance No. 18-29-CC, and if so, to derive an opinion of the Diminution in Value to the subject property associated with the implementation of said Ordinance.

This Ordinance was implemented January 22, 2019, and the incorporation of this ordinance limits the occupancy of the subject property to 26 guests. Prior to the implementation of this Ordinance, the designed occupancy of the subject property was 40 guests. Therefore, as a result of the ordinance, the maximum occupancy of the subject has been reduced by 14 guests, or approximately -35.00%.

We are therefore opining on the difference in market value of the subject before and after the adoption of City of Destin Ordinance No. 18-29-CC, which was promulgated on January 22, 2019.

The values reported are predicated upon market conditions prevailing as of the effective date of the appraisal. In the context of the scope of work, the appraisal is considered to render a credible opinion of value, specific to the client, intended use and intended user.

The intended use of this appraisal is for internal decision making purposes by the stated Client and their advisors. This appraisal is intended for the use of the client and client's advisors.

We have completed the requisite inspections, research, and analyses necessary to appraise the 100% fee simple interest in the subject property, 'As Is' as of January 22, 2019, both prior to adoption of Ordinance No. 18-29-CC and after, in order to evaluate the potential Diminution in value.

Please reference the Scope section of this report for information regarding the scope of research and analysis for this appraisal, including property identification, inspection, highest and best use analysis and valuation methodology.

I certify that I have no present or contemplated future interest in the property beyond this opinion of value. The reported value(s) in this appraisal have not been based on a requested minimum valuation, a specific valuation, and have been prepared in compliance with the Uniform Standards of Professional Appraisal Practice.

Your attention is directed to the Limiting Conditions and Assumptions section following the reconciliation and appraisal certification in this report. Acceptance of this report constitutes an agreement with these conditions and assumptions.

This appraisal is subject to the following Hypothetical Condition(s):

- None.

This appraisal is subject to the following Extraordinary Assumption(s):

- None.

Our opinion of value was formed based on our experience in the field of real property valuation, as well as the research and analysis set forth in this appraisal.

I am of the opinion that as a result of the implemented City of Destin Ordinance 18-29-CC that the market value of the subject property is negatively impacted.

The implemented Ordinance reduces the maximum occupancy of the subject property, and therefore the subject's associated income generation potential.

The subject property is a resort-residential property specifically utilized for income generation purposes. Therefore, a reduction in scheduled income due the subject correlates to a reduction in associated value.

The Diminution in Value to the subject is represented by the difference between the 'Before' and the 'After' value conclusions.

In this case, this is represented by the difference between the opined value prior to implementation of the Ordinance (ie. the 'Before Ordinance' value of $3,460,000) and the value after implementation of the Ordinance (ie. the 'After Ordinance' value of $1,915,000).

Per this calculation, with supporting documentation as to the rationale of these values provided within this report, the opinion of Diminution in Value to the subject as a result of City of Destin Ordinance 18-29-CC is opined to be $1,545,000.

Therefore,

Diminution in Market Value
As A Result of Implementation of City of Destin Ordinance 18-29-CC:

One Million Five Hundred Forty Five Thousand Dollars
($1,545,000)

The estimated market exposure period necessary for the subject to have achieved these values is estimated to be 9-12 months.

It was a pleasure assisting you with this matter. If you have any questions concerning the following analysis, or if we can be of further assistance, please do not hesitate to call.

Respectfully submitted,
EquiValue Appraisal, LLC

Jason P. Shirey, MAI, CCIM, CPM
Cert Gen RZ3186

INTRODUCTION

QUALIFICATIONS OF THE APPRAISER

Qualifications of

Jason P. Shirey, MAI, CCIM, MS-RECM

State-Certified General Real Estate Appraiser No. RZ 3186 (FL)
State-Certified General Contractor No. CGC 062478 (FL)
Licensed Real Estate Broker No. BK 3168469 (FL)

MAI : Designated Member of the Appraisal Institute
Appraisal Insitute, Chicago, Illinois.

CCIM : Designated Certified Commercial Investment Member
CCIM Institute, Chicago, Illinois.

M.S. RECM : Master of Science, Real Estate and Construction Management
University of Denver - Denver, Colorado.

B.S. BCN : Bachelor of Science, Building Construction Management
University of Florida – Gainesville, Florida.

Business Affiliations and Work Experience, Past / Present

EquiValue Appraisal and Consulting Services
Principal and Founder; Real Estate Appraiser, Real Estate Broker, Certified General Contractor

Marsh Appraisal Corporation - Real Estate Appraisal and Valuation Services, Fort Walton Beach, Florida
Registered Trainee Appraiser / State Certified Real Estate Appraiser

Plantation Coast Properties, LLC – Fort Walton Beach, Florida
Principal; Real Estate Investments and Property Management

Alcon Associates, Inc. – Commercial General Contractors / Construction Managers; Pensacola, Florida
Florida Division Manager

National Construction Enterprises, LLC – General Contractor / Construction Managers; Savannah, Georgia
Vice President of Operations, Savannah-Hilton Head Division

Acoustics and Specialties, Inc. – General Contractors; Memphis, Tennessee
Senior Estimator / Project Manager of Healthcare Construction

Brasfield and Gorrie General Contractor Inc. – General Contractors and Construction Managers; Orlando, Florida
Construction Estimator / Project Manager

United States Air Force Reserve
Reserve Pilot, Boeing C-17 Globemaster III

EQUIVALUE APPRAISAL

Jason P. Shirey, MAI, CCIM, MS-RECM (Continued)

Professional / Continuing Education

Litigation Appraising - Specialized Topics and Applications
Appraisal Institute

Uniform Standards of Professinal Appraisal Practice
7 Hour Update, *Appraisal Institute*

Advanced Income Capitalization
Appraisal Institute

Advanced Sales Comparison Approach
and Principles In Highest and Best Use
Appraisal Institute

User Decision Analysis for Commercial Real Estate
CCIM Institute Course CI-103

Advanced Cost Approach
Appraisal Institue

Real Estate Taxation, Planning and Consequences
University of Denver, Burns School of Real Estate

Advanced Real Estate Feasibility Analysis
Urban Land Institute / University of Denver

Real Estate Securities and Syndications
University of Denver, Burns School of Real Estate

Legal Issues In Real Estate and Construction Management
University of Denver, Burns School of Real Estate

Income Property Investment
Urban Land Institute / University of Denver

Argus Financial Analysis
University of Denver, Burns School of Real Estate

Residential Real Estate Appraiser Course ABII
Ed Klopfer Schools of Real Estate

Real Estate Salesperson Pre-Licensing Course
Ed Klopfer Schools of Real Estate

Income Property Management
Institute of Real Estate Management / University of Denver

Certified Commercial Investment Member Core Concepts
CCIM Insitute Comprehensive Exam

Appraising from Blueprints and Specifications
Appraisal Institute

Florida Building Code Update
Florida Workplace Safety and OSHA Update
Universal Inspection Service

Uniform Standards of Professional Appraisal Practice
15 Hour Update, *Appraisal Institute*

Business Practices and Ethics for Appraisers
Appraisal Institute Course #420

Basic Income Capitalization
Appraisal Institute

Advanced Valuation and Report Writing
Appraisal Institute Course #540

Real Estate Investment Finance
University of Denver, Burns School of Real Estate

Computer Applications for Real Estate Analysis
University of Denver, Burns School of Real Estate

Risk Management and Insurance for Investment Real Estate
University of Denver, Burns School of Real Estate

Indoor Air Quality and Mold Contamination Remediation
National Association of Mold Professionals, 2004

Real Estate Trainee Appraiser Course ABI
Ed klopfer Schools of Real Estate

Uniform Standards of Professional Appraisal Practice
15 Hour Update, *Appraisal Institute*

EQUIVALUE APPRAISAL

Jason P. Shirey, MAI, CCIM, MS-RECM (Continued)

Appraiser Experience - Property Types

Affordable Housing
Agricultural Land
Aircraft Hangars
Antenna Towers
Apartments
Automobile Dealerships
Hotels and Motels
Bank Buildings
Bowling Alleys
Broadcast Facilities
Campgrounds / Recreational Vehicle Parks
Car Washes
Churches
Coastal Land
Condominium Units:
  Assemblages, Complexes, Conversions
Condominium Projects:
  Pre-development, Insurable Replacement Cost
Convenience Stores
Day Care Centers
Development Appraisals
Distribution Facilities
Golf Clubs and Country Clubs
Health Clubs
High-End Residential
Hobby Farms
Home Sites (Lots)
Home Sites (Land - Large Tracts)
Hotel - Resorts
Industrial Land
Indstrial Improvements
Light Industrial Properties
Manufacturing Facilities
Marinas / Docks / Boat Storage Facilities
Medical Offices
Mixed Use Developments
Mobile Home Parks
Multifamily Land
Multifamily Developments
Nurseries
Office Buildings
Office Condominiums
Office-Warehouse Facilities
Outdoor Signs
Parking Facilities
Replacement Cost Appraisals
Retail Stores (Anchor Tenant / Owner Occupied)
Retail Strip Centers (Multiple Tenant)
Restaurants (All types)
Self-Storage Facilities
Subdivisions (Commercial)
Subdivisions (Residential)
Single Family Residences
Sustainable Development (Green Buildings)
Urban Land (Vacant and Interim Use)
Warehouses
Yacht Clubs

Previous Client List (Partial)

Access Bank and Mortgage
Alternative Funding Corporation
BanCorp South
Bank of America
Bank of Bonifay
Bank of Pensacola
BankTrust
Beach Community Bank
CB Richard Ellis
CCB Community Bank
Colonial Bank
Community Bank
Compass Bank
Cotton and Gates
Crystal Beach Development
DestinFirst Bank
First Capital Bank
First City Bank
First Gulf Bank
First National Bank and Trust
Florida Coastal Mortgage
Guaranty Federal Bank
GulfSouth Private Bank
Jay Odom
Kevin Helmich, P.A.
Legendary, Inc.
LNK Development
M & F Bank
People's First Community Bank
Premier Community Bank
Regions Bank
Renasant Bank
Sunbird Condominium Owner's Association
Suntrust Bank
The Plaza Owner's Association
Tranquil Harbor Owner's Association
Trustmark National Bank
Vanguard Bank
Villas on the Gulf Condominium Onwer's Association
Vision Bank
Wachovia Bank
Whitney Bank

Assignment Purposes

Acquisition
Disposition
Assessment Appeal
Development Feasibility
Estate Planning
Financing (Institutional and Private)
Investment Analysis
Portfolio Analysis
Marital Dissolution
Relocation
Mediation, Arbitration, Dispute Resolution

EQUIVALUE APPRAISAL

Jason P. Shirey, MAI, CCIM, MS-RECM (Continued)

Assignment Types

Appraisal Review
Buyer Brokerage
Complex Valuation
Construction Progress / Draw Request Inspection
Demographic Analysis
Detrimental Conditions Valuation and Consulting
Eminent Domain Valuation and Consulting
Estate Valuation
Feasibility Studies
Fee Appraisals Including Full and Fractional Interests
Foreclosure / REO Appraisal - Assessment
Highest and Best Use Analysis
Insurance
Litigation Support
Market Studies
Portfolio Valuation and Analysis
Relocation Appraisal
Rent Analysis / Studies
Retrospective Valuation
Site Location Services
Valuation and Consultation for Financial Reporting

Primary Market Area

Okaloosa County
- Destin
- Fort Walton Beach
- Crestview
- Mary Esther
- Niceville
- Bluewater Bay

Walton County
- Miramar Beach
- Panama City Beach
- Rosemary Beach
- Santa Rosa Beach
- Blue Mountain Beach
- Freeport
- Defuniak Springs
- Inlet Beach
- Seacrest Beach

Santa Rosa County
- Navarre
- Navarre Beach
- Gulf Breeze

Bay County
- Panama City
- Panama City Beach
- Springfield

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Subject Photograph(s)

Additional photographs can be referenced in the Property Description Section of the Appraisal Report.

Summary of Salient Facts and Conclusions

GENERAL	
EquiValue Appraisal File No:	190292B
Subject:	An approximate 11,913 HVAC SF / 16,400 Gross SF Resort Rental Residence (known as Villa Blanco) located in the northwest corner of the non-signalized intersection of Gulf Shores Drive/ Moreno Point Road, approximately 375 feet north of the Beaches of the Gulf of Mexico, with postal address of 627 Gulf Shore Drive in Destin, Okaloosa County, Florida. The subject site is comprised of +/-0.61-acres of Medium Density Residential – Holiday Isle zoned land (a residentially-oriented zoning designation) which is improved with the previously-mentioned canal-front resort rental residence. This residence, which was constructed in 2003, was specifically designed and outfitted to accommodate 40 overnight (sleeping) guests and features: • 11 Bedrooms • 11.5 Bathrooms • Multiple entertainment areas (including a 13 seat in-home theater) • Den, Dining, Living Rooms, Kitchen Area • Swimming Pool and Pool Deck, Dock with Boat Lift • Outdoor Living Areas • Surface parking for a minimum of 15 vehicles. The subject property is identified by Okaloosa County Parcel ID Number 00-2S-24-2186-000E-0260. The use of the subject property in 'As Is' condition is as a beach proximate canal front resort residential rental property and this is the use represented in the valuation of the subject property, as of the effective date of this appraisal.

In the 'Before' condition, occupancy of the subject was specifically designed for 24 guests with sleeping accommodations as follows:

1st Floor Bedroom #1 (Sleeps 2)
1 King Bed

1st Floor Bedroom (Bunk Room) #2 (Sleeps 4)
2 Twin over Twin Bunk Beds

1st Floor Bedroom (Bunk Room) #3 (Sleeps 8)
2 Full over Full Bunk Beds

1st Floor Bedroom (Bunk Room) #4 (Sleeps 12)
3 Full over Full Bunk Beds

2nd Floor Bedroom #5 (Sleeps 2):
1 King Bed

2nd Floor Bedroom #6 (Sleeps 2):
1 Queen Bed

3rd Floor Bedroom #7 (Sleeps 2):
1 King Bed

3rd Floor Bedroom #8 (Sleeps 2):
1 King Bed

3rd Floor Bedroom #9 (Sleeps 2):
1 Queen Bed

3rd Floor Bedroom #10 (Sleeps 2):
1 Queen Bed

3rd Floor Bedroom #11 (Sleeps 2):
1 King Bed

In the 'After' condition and taking into account the City of Destin Ordinance 18-29-CC which was implemented January 22, 2019, the occupancy of the subject is limited to 26 Guests as calculated by 11 bedrooms at 2 guests per bedroom plus 4 additional guests.

Owner:	Elite Investments FL Prop LLC 101 W Court Street Paragould, AR 72450
Legal Description:	HOLIDAY ISLE LOT 26 BLK E
Tax Identification:	00-2S-24-2186-000E-0260
Date of Report:	September 19, 2019
Date of Value:	January 22, 2019
Property Rights Appraised:	Fee Simple
Intended Use:	The intended use of this appraisal is for internal decision making purposes by the client, and for Bert Harris Act computation of damages.
Intended User(s):	The intended user of this report is the property owner, the property owner advisors, courts and local government and regulatory agencies.
Appraisal Purpose:	Market Value Opinion 'As Is' in the ‘Before Ordinance’ and ‘After Ordinance’ conditions, and subsequent evaluation of Diminution in Value.
2018 Assessed Value:	**$2,482,763** Despite the intention of the property appraiser to value property at market value on a yearly basis, it is the appraiser’s opinion that assessed value has no direct correlation to fair market value in the subject market area.
2018 Taxes:	**$31,880.16 (Paid)** According to the Okaloosa County Tax Collector, taxes for 2018 have been paid in full and no prior year delinquent taxes remain owing.

Sale History:

The most recent transaction related to the subject property can be found on a Quit Claim Deed recorded in the Okaloosa County public records at OR Book 3266 Page 114. According to this deed, Okaloosa County (Grantor) transferred all of the grantor's revisionary interest the leasehold interest owned by Elite Investments Florida Properties, LLC (Grantee) September 8, 2016 for a total consideration of $100. This transaction was not given any consideration in the current valuation of the subject property.

Another transaction related to the subject property can be found in an Assignment of Sublease recorded in the Okaloosa County public records at OR Book 3250 Page 1107. According to this assignment of sub lease, the subject property was conveyed to Elite Investments Florida Properties LLC (assignee) from Earl J. Wilde, III (assignor) on May 27, 216 or a total consideration of $3,200,000.

There have been no other transfers of the subject property in the preceding 3 years.

Current Contracts/Listing:

Per information provided obtained from the Emerald Coast Association of Realtors Multiple Listing Service (MLS), the subject property was actively listed for sale on September 8, 2016 under mls# 760779 at a listed price of $4,500,000. The listing price was reduced several times to a price of $3,999,000 where it remained until it temporarily removed from the market on July 2, 2018.

The property was relisted for sale on July 2, 2018 under mls#802252 at a listed price of $4,200,000. The listing price has been reduced several times over the course of the listing to the current price of $3,750,000.

We are unaware of any other listings, or offers to purchase, the subject property in the previous 12 month period.

The property owner has been utilizing the subject property for short-term rental purposes and income generation, since acquisition.

PROPERTY	
Land Area:	Total: +/-0.61 Acres Usable: +/-0.61 Acres Excess: 0.00 Acres
Zoning/ Future Land Use:	Medium Density Residential – Holiday Isle (MDR-HI) - by the City of Destin
Highest and Best Use 'As Is':	Utilizing the subject as a resort-residential rental property at maximum occupancy is estimated to be the highest and best use of the subject 'As Is'. It is noted that occupancy limitations imposed on the subject by virtue of City of Destin Ordinance 18-29-CC, which limits occupancy of the subject property to a lesser number than that for which the subject was specifically designed and outfitted, is anticipated to have a negative impact on the market value / return on investment of the subject property to the owner.

VALUE CONCLUSIONS	
Land Value:	Not Utilized
Cost Approach:	Not Utilized
Improved Sales Comparison Approach:	Not Utilized
Income Approach:	$3,460,000 – Before Ordinance 18-29-CC $1,915,000 – After Ordinance 18-29-CC $1,545,000 – Diminution in Value as a Result of Ordinance 18-29-CC

Appraisal Scope of Work

In accordance with the 2018-2019 Uniform Standards of Professional Appraisal Practice, it is the appraiser's responsibility to develop and report a scope of work that results in credible results that are appropriate for the appraisal problem and intended user(s).

This process should meet the expectations of parties who are regularly intended users for similar assignments and be consistent with what an appraiser's peers actions would be in performing the same or a similar assignment.

Therefore, the appraiser must identify and consider:

- the client and intended users;
- the intended use of the report;
- the type and definition of value;
- the effective date of value;
- assignment conditions;
- typical client expectations; and
- typical appraisal work by peers for similar assignments**.**

This appraisal is prepared for the Client, Elite Investments Florida Properties, LLC.

The intended use of this appraisal is for internal decision making purposes by the client, the client's advisors, and for Bert Harris Act computation of damages.

The intended user of this report is the property owner, the property owner's advisors, courts and local government and regulatory agencies.

SCOPE OF WORK	
Report Type:	This is a written Appraisal Report, which is intended to comply with the reporting requirements established by Standards Rule 2-2(a) of the *2018-2019* edition of the U*SPAP* for a written Appraisal Report. It presents summary discussions of the data, reasoning, and analyses utilized in the appraisal process to develop the appraiser's opinion of value. Supporting documentation not provided with the report concerning the data, reasoning, and analyses is retained in the appraiser's file. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated in the report. The appraiser is not responsible for the unauthorized use of this report.

Property Identification:	The subject was identified by the legal description and the assessor's parcel number, and appraiser inspection.
Inspection:	An inspection of the site and improvements was made, and photographs were taken.
Market Area and Analysis of Market Conditions:	A complete analysis of market conditions was made. The appraisers physically inspected the micro and/or macro market environments which influence the subject property.
Highest and Best Use Analysis:	A complete analysis of highest and best use for the subject property in ‘As Is’ condition was made.

Valuation Analyses

Land Valuation and Cost Approach:	An opinion of value for the subject property in 'as if vacant' condition and subsequent application of the cost approach has not been provided. The purpose of this appraisal is to evaluate the impact to the value of the subject by virtue of the implementation of City of Destin Ordinance 18-29-CC which limits occupancy of the subject and corresponding associated income generation potential. Thus, the cost to acquire land and construct a replacement property is meaningless to the purpose of the assignment and was not applied.
Sales Comparison Approach:	The improved sales comparison approach was not utilized in this appraisal assignment. The purpose of this appraisal is to evaluate the impact to the value to the subject by virtue of the implementation of City of Destin Ordinance 18-29-CC which limits occupancy of the subject and associated income generation potential. As this ordinance was just recently implemented, an adequate number of improved sales which sold after the Ordinance implementation date were not available from which to derive an opinion of market value from this approach. As sales which occurred prior to this Ordinance will reflect market transactions without this restriction, they are not considered valid indicators of value for the subject in the restricted condition. Therefore this approach could not be applied due to lack of sufficient comparable data.

Income Approach:	The income approach was applied for the subject in both the 'Before Ordinance' and 'After Ordinance' scenarios.
Hypothetical Conditions:	None.
Extraordinary Assumptions:	None.
Exposure Time (Market Value):	Exposure Time may be defined as: the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective opinion based on an analysis of past events assuming a competitive and open market. The estimate of exposure time is presented in consideration of the exposure periods for comparable sales utilized in this appraisal, marketing time information available from nationally published sources including the CB Richard Ellis National Market Survey and the opinions of market participants. ***It is estimated that the exposure time necessary for the subject to have achieved the opinion of value is 9-12 months.***

Definition of Value, Property Rights Appraised, and Intended Use

Purpose of the Appraisal:

The purpose of an appraisal is the stated reason and scope of the appraisal assignment. It is established by the client, and points to the information that the client needs to answer specific questions pertaining to real property. The purpose of the appraisal establishes the foundation for the final value conclusion, which does not change to accommodate the use of the appraisal.[1]

The purpose of this appraisal is to derive an opinion of the Diminution in Value to the subject property associated with the implementation of City of Destin Ordinance No. 18-29-CC.

This Ordinance was implemented January 22, 2019, and the incorporation of this ordinance limits the occupancy of the subject property to 26 guests. Prior to the implementation of this Ordinance, the designed occupancy of the subject property was 40 guests. Therefore, as a result of the ordinance, the maximum occupancy of the subject has been reduced by 14 guests, or approximately -35.00%.

We are therefore opining on the difference in market value of the subject before and after the adoption of City of Destin Ordinance No. 18-29-CC, which was promulgated on January 22, 2019.

Intended Use of the Appraisal and Intended User:

The intended use of an appraisal is the manner in which a client will employ the information contained in the appraisal report. The intended use or function of an appraisal is determined by the client's needs. Because an appraisal may provide a basis for a decision concerning real property, the intended use of the appraisal depends on the decision that the client wishes to make.[2]

The intended use of this appraisal is for internal decision making purposes by the client, and for Bert Harris Act computation of damages. The intended user of this report is the client / property owner, advisors, courts and local government and regulatory agencies.

Property Rights Appraised

Real property is said to have value as a result of the "bundle of rights" that are inherent to property ownership. Regardless of the type of ownership, the owner of real property is said to have an interest in that property. The following definitions are for the three most commonly-valuated interests as defined by the Dictionary of Real Estate Appraisal, Fourth Edition.

---

[1] The Appraisal of Real Estate, Twelfth Edition
[2] The Appraisal of Real Estate, Twelfth Edition

Fee Simple Interest:
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.

Leased Fee Interest:
An ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the lessee are specified by contract terms contained within the lease.

Leasehold Interest:
The interest held by the lessee (the tenant or renter) through a lease transferring the rights of use and occupancy for a stated term under certain conditions. See also negative leasehold; positive leasehold.

The subject property is being appraised 'fee simple', taking into account market conditions at the effective date of the report. Given the valuation of the subject in 'As Is' condition and the nature of the subject being a resort-rental property which is occupied on a short term or seasonal basis, fee simple basis is considered to be the appropriate valuation standard.

Date of Value Opinion
Value opinions are presented as of a specific date, taking into account market conditions at that time. The effective date of an appraisal is the date at which the analyses, opinions, and advice in an appraisal, review, or consulting service apply. (USPAP, 2018-2019 edition.)

The date of the value opinion can be current, in the past (retrospective), or forecast into the future (prospective).

The following presents definitions regarding the date of the opinion of value, as provided by the text The Appraisal of Real Estate, Twelfth Edition:

Date of Value Opinion:
The date for which an opinion of value is valid.

Current Value:
In accounting, synonymous with market value.

Retrospective Value Opinion:
An opinion of value that is likely to have applied as of a specified historic date. A retrospective value opinion is most frequently sought in connection with appraisals for estate tax, condemnation, inheritance tax, and similar purposes.

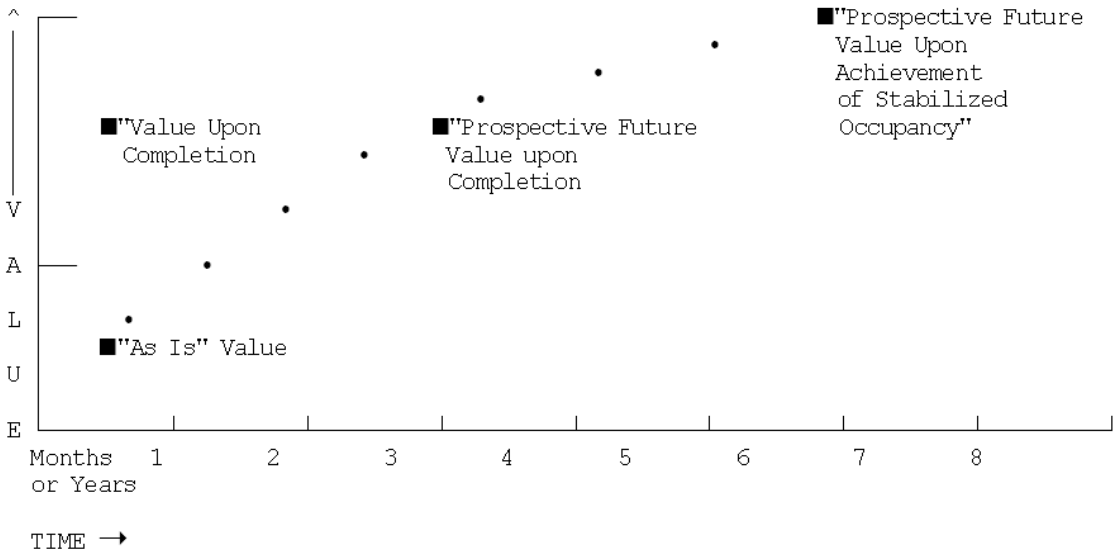
Prospective Value Opinion:
A forecast of the value expected at a specified future date. A prospective value opinion is most frequently sought in connection with real estate projects that are

proposed, under construction, or under conversion to a new use, or those that have not achieved sellout or a stabilized level of long-term occupancy at the time the appraisal report is written.

In a prospective appraisal, the appraiser analyzes market trends to provide support for forecasted income and expense or sell-out opinions, absorption periods, capitalization rates, and discount rates as of the effective date of the appraisal. This appraisal report was prepared taking into account market conditions present as of the date of the report. The appraiser(s) can not be held responsible for unforeseen events that alter market conditions prior to the effective date of the appraisal.

The following graph presents a graphical depiction of the above-described date of value opinions and their associated position within a potential overall development time scenario.

Value Creation Continuum[1]



The preceding exhibit graphically displays the creation of value in a real estate development project over time, assuming a zero inflation environment for clarity of presentation.

1 Code of Federal Regulations, Title 12, as amended by the Federal Home Loan Bank Board.

Basis of the Subject Value Opinion

The four time differential values on the preceding graph which may be considered in the appraisal of proposed developments are defined as follows:

(1) **"As Is"** means an estimate of the market value of a property in the condition observed upon inspection and as it physically and legally exists without hypothetical conditions, assumptions, or qualifications as of the date of appraisal.

(2) **"Value as Complete" or "Value Upon Completion"** means the market value of a property with all proposed construction, conversion, or rehabilitation hypothetically completed, or under other specified hypothetical conditions as of the date of appraisal. With regard to properties wherein anticipated market conditions indicate that stabilized occupancy is not likely as of the date of completion, this estimate of value shall reflect the market value of the property as if complete and prepared for occupancy by tenants.

(3) **"Prospective Future Value Upon Completion"** means the prospective future value of a property on the date that construction is completed, based upon market conditions forecast to exist as of that completion date.

(4) **"Prospective Future Value Upon Achievement of Stabilized Occupancy"** means the prospective future value of a property at a point in time when all improvements have been physically constructed and the property has been leased to its optimum level of long term occupancy.

The purpose of this appraisal is to derive an opinion of the Diminution in Value to the subject property associated with the implementation of City of Destin Ordinance No. 18-29-CC.

The following are the pertinent dates to the valuation, viewing, and appraisal reporting of the subject property:

Effective Date of Value Opinion:	**January 22, 2019**
Date of Viewing:	**April 10, 2019**
Date of Appraisal Report:	**September 19, 2019**
Date of Photographs:	**April 10, 2019**

Definition of Value

The definition of "Market Value", as defined by the Office of the Comptroller of Currency (OCC) under 12 CFR, Part 34, Subpart C-Appraisals, 34.42 Definitions, the Board of Governors of the Federal Reserve System (FRS) and the Federal Deposit Insurance Corporation in compliance with Title XI of FIRREA, as well as by the Uniform Standards of Appraisal Practice as promulgated by the Appraisal Foundation, is as follows.

> Market value means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby,
>
> 1. Buyer and seller are typically motivated;
>
> 2. Both parties are well informed or well advised, and acting in what they consider their own best interest;
>
> 3. A reasonable time is allowed for exposure in the open market;
>
> 4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
>
> 5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Policy Statement of the Appraisal Institute

It is improper to base a conclusion or opinion of value upon the premise the racial, ethnic, or religious homogeneity of the inhabitants of an area or of a property is necessary for maximum value.

Racial, religious, and ethnic factors are deemed unreliable predictors of value trends or price variance.

It is improper to base a conclusion or opinion of value, or a conclusion with respect to neighborhood trends, upon stereotyped, biased presumptions relating to the effective age or remaining life of the property being appraised or the life expectancy of the neighborhood in which it is located.

FACTUAL DESCRIPTIONS

Property Description

Summary of Site Characteristics and Improvements

SITE	
Information Sources:	Deed, assessment records, inspection, owner
Total Site Size:	+/-0.61 Acres
Usable Site Size:	+/-0.61 Acres
Excess Land:	0.00 acres
Corner Lot:	The site is located in the northwest corner of the non-signalized intersection of Gulf Shore Drive/Moreno Point Road.
Visibility:	The subject site benefits from visibility from Gulf Shore Drive (which parallels the southern boundary) and Moreno Point Road (which parallels the eastern boundary). The subject site is considered to have good visibility for the subject market area.
Shape:	Irregular but Functional. See aerial photograph / property appraiser map for a visual depiction of the site shape and parcel.
Road Frontage/Access:	The subject features direct access from Gulf Shore Drive and Moreno Point Road. Each of these roadways are described as two lane secondary residential roadways.
Waterfront/Water Front Proximity:	The subject is located at the end of a canal, which accesses the Destin Harbor and leads to Gulf of Mexico Access, and benefits from approximately +/-90’ of frontage along this waterway. In addition to the above described characteristic, the subject property is also located approximately 375 feet north of the Beaches of the Gulf of Mexico and is well-positioned as a resort rental property which would capitalize on proximity to beaches.
Drainage:	Drainage appears adequate for the subject property. Drainage on the subject site meets current standards for storm water retention, being recently permitted and approved for construction. The subject property is considered typical with regard to other similar properties in the subject market area.

Potential For Environmental Contamination: The appraisers have not observed, nor are qualified to detect, the existence of potentially hazardous material or underground storage tanks which may be present on or near the subject site. The appraisers recommend that an environmental survey be attained to assure the environmental stability of the subject property. This appraisal assumes no subsoil contamination of the subject site.

Utilities: *Electricity***:** Electricity is provided by Gulf Power, Inc. Standard service capacity exists at the subject property with adequate capacity to service the subject existing improvements.
Sewer: Public sewer is provided and is on site.
Water: Public water is provided and is on site.
Natural Gas: Natural Gas service is provided and is on site.
Adequacy: Utility service is considered adequate for the subject improvements and at least standard for the subject market area.

Site Improvements: Site improvements present on the subject at the time of inspection included pavered parking for a minimum of 15 vehicles, utilities, landscaping, an resort style heated outdoor swimming pool with pavered pool deck area, and a private dock (with boat lift).

Landscaping: The subject features excellent quality landscaping with various plantings and grassy areas with irrigation.

Site Utility: Good

Flood Zone: The subject is located in an area mapped by the Federal Emergency Management Agency (FEMA). The subject property appears to be located in Flood Zone 'AE (EL 11)' as noted by the following FEMA Map Number:
FEMA Map Number: 12091C0488H 12/06/2002

Easements: We were not provided with a survey for the subject property. Our review of the appropriate maps and public records for the subject property indicated that standard utility easements exist. Our viewing did not indicate that any of these easements would adversely affect the value opinion of the subject contained herein. This appraisal assumes no easements, encroachments, or private deed restrictions which would adversely affect the value of the subject property.

Encroachments:	We were not provided with a survey for the subject property. Our review of the appropriate maps and public records for the subject property did not reveal any encroachments on the subject site. Our viewing did not indicate any encroachments that would adversely affect the value opinion of the subject contained herein. This appraisal assumes no easements, encroachments, or private deed restrictions which would adversely affect the value of the subject property.

IMPROVEMENTS – AS IS

Summary:	Very good Quality Resort Rental Residence
Architectural Style:	Multi-Story Residential 'Mediterranean Style' Single Family Home
Building Class (Marshall Valuation)	Class C
Construction:	ICF (Insulated Concrete Forms) with Stucco Siding
Quality:	Very Good/Excellent Quality Resort Residential Dwelling
Year Built:	Actual 2003 / Effective 2009
Actual / Effective Age:	16 Years / 10 Years
Condition:	Very Good
Remaining Useful Life:	50 Years
Areas & Ratios:	Gross Building Area: +/-16,400 Square Feet HVAC Building Area: +/-11,913 Square Feet Per the Okaloosa County Property Appraiser, The subject features 11 bedrooms and 11.5 bathrooms. Per instituted City of Destin Ordinance, the maximum number of guests will be calculated at the rate of 2 guests per bedroom based on the Property Appraiser's residential profile of the property, plus 4 additional guests. Therefore, the subject in the 'after ordinance' condition will be limited to 26 total guests. See Excerpt on the following page.

Sec. 13-117. – Maximum occupancy based on site capacity/Grandfathering.

(a) The maximum overnight occupancy of a short-term rental shall be stated in the short-term rental registration form, and shall be limited to the lesser occupancy of the following two options:

i. Two (2) persons for each bedroom, plus four (4) additional persons. The number of bedrooms shall be based upon the Property Appraiser's residential profile of the property, and other documents of record, as needed. In no case shall the maximum total occupancy for any dwelling unit exceed the occupancy limits permitted by the Florida Fire Prevention Code or Florida Building Code.

or

ii. A total of twenty-four (24) persons per short-term rental. In the event that there is more than one building or dwelling on one platted lot, the maximum occupancy shall be capped at twenty-four (24) occupants per lot or structure, whichever is less.

FOUNDATION, FRAME & EXTERIOR	
Foundation:	Concrete, Concrete Block Stemwall, Concrete Slab
Frame:	ICF (Insulated Concrete Forms)
Exterior:	Stucco Siding
Roof/Cover:	Clay/Concrete Tile, Sloped

INTERIOR	
Notes Regarding Interior/Interior Finish:	The subject represents a well-constructed canal front multi-level "Mediterranean Style" resort residential property with an elevator, multiple bedrooms, multiple bathrooms, multiple entertainment areas (including an in-house theater room), kitchen and living areas, pool with pool deck area, private dock, large balconies with water views, etc. The subject has been specifically configured for occupancy as a resort rental property, and features all necessary components for operation as intended, with a designed occupancy of 40 overnight guests. Interior finishes to the subject include custom kitchen cabinetry, stone or solid surface countertops, custom backsplash, stainless steel appliances, custom bath cabinetry and good quality bathroom and kitchen fixtures. Very good quality flooring and appurtenances. The subject features a finish superior to most resort residences in the existing Destin / Crystal Beach market.
Interior Finish:	Very Good/Excellent Quality.
Ceilings & Ceiling Height:	Finished Ceilings throughout, generally 10-0"-12'-0" height.

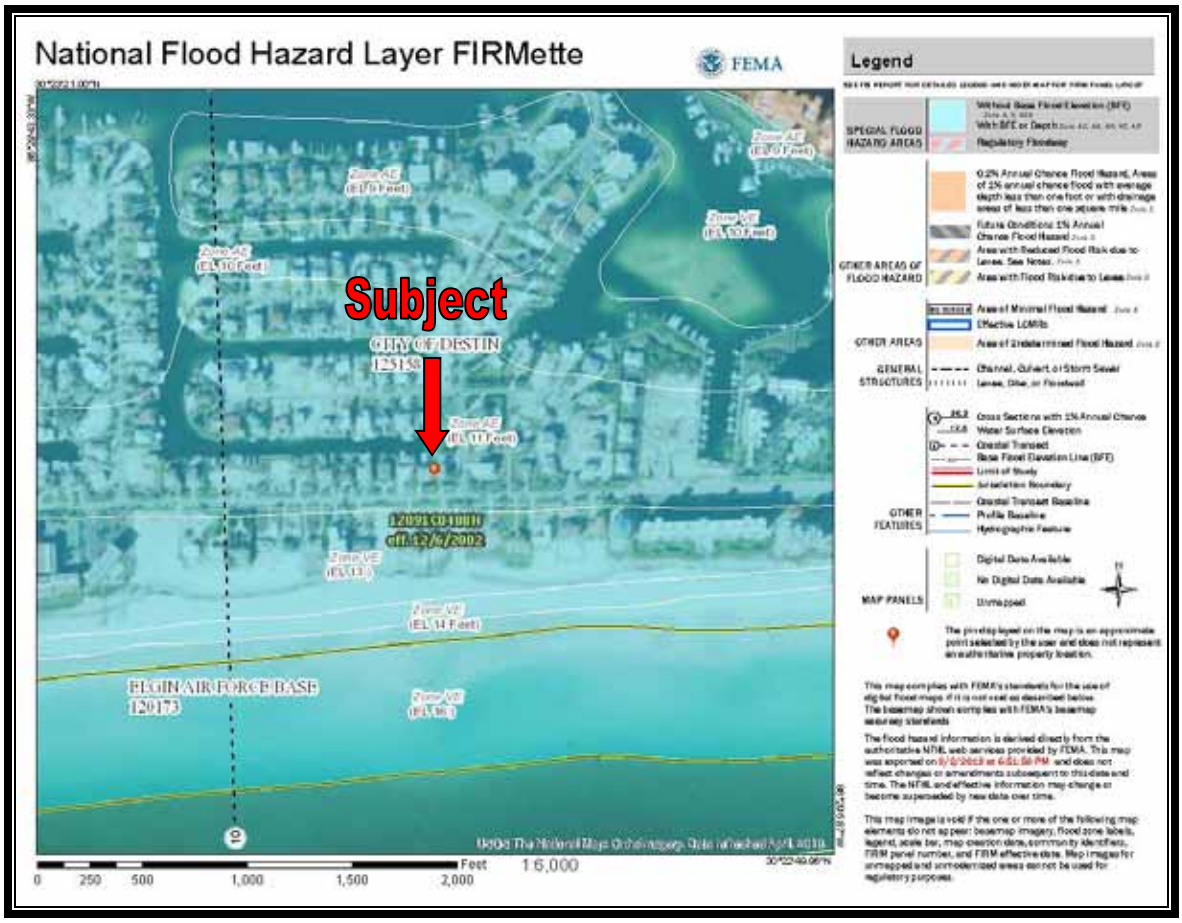
Floor Cover:	Porcelain tile, wood, carpet. Very Good level of floor finish.
Doors:	Very Good Quality and condition solid core / six-panel doors with lever style handles throughout. Glass windows and doors are good quality insulated double pane impact resistant.
Additional Amenities:	The subject property has a very good/excellent level of finish with good design and outdoor living areas including an outdoor swimming pool with pavered pool deck and covered outdoor patios with water views.

MECHANICAL SYSTEMS

Heating / Cooling:	Multiple Individual HVAC systems.
Hot Water:	Adequate for property.
Electrical:	Adequate for property.
Plumbing:	Adequate for property with 11.5 Full Bathrooms.
	The subject was specifically designed as a resort rental property with planned occupancy / sleeping accommodations for 40 persons.

Regional/Local Area Maps

Flood Map


National Flood Hazard Layer FIRMette
FEMA
Legend
Subject
CITY OF DESTIN
125158
12091C0408H
eff. 12/6/2002
ELGIN AIR FORCE BASE
120173
Zone AE
(EL 9 Feet)
Zone AE
(EL 10 Feet)
Zone AE
(EL 11 Feet)
Zone VE
(EL 13)
Zone VE
(EL 14 Feet)
Zone VE
(EL 16)
Zone VE
(EL 10 Feet)
Zone AE
(EL 9 Feet)
SPECIAL FLOOD HAZARD AREAS
OTHER AREAS OF FLOOD HAZARD
OTHER AREAS
GENERAL STRUCTURES
OTHER FEATURES
MAP PANELS
Feet
0
250
500
1,000
1,500
2,000
16,000

Flood Zone Descriptions

“A 100-year flood is a flood that has a 1-percent chance of being equaled or exceeded in any given year. A base flood may also be referred to as a 100-year storm and the area inundated during the base flood is sometimes called the 100-year flood plain.

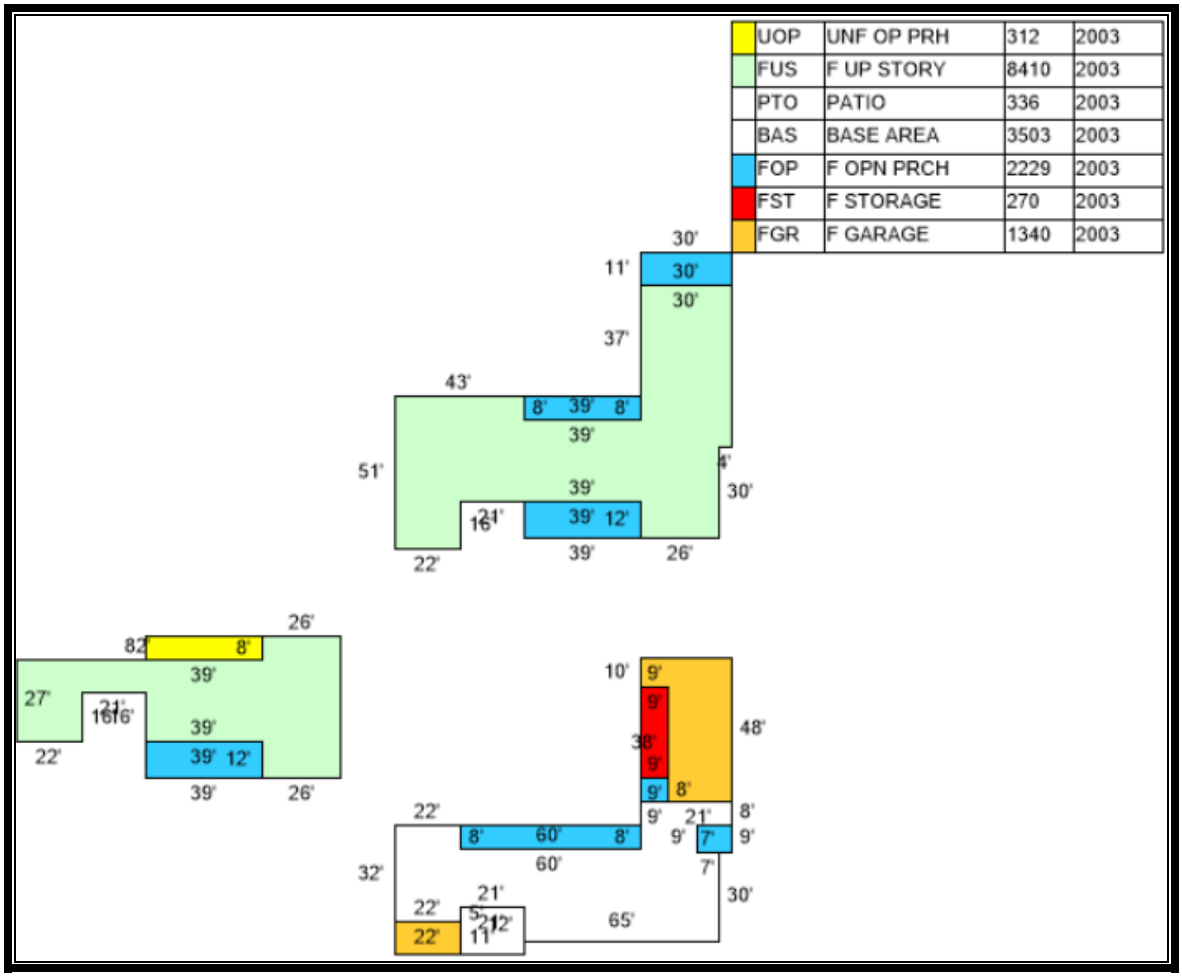
The term "100-year flood" is misleading. It is not the flood that will occur once every 100 years. Rather, it is the flood elevation that has a 1- percent chance of being equaled or exceeded each year. Thus, the 100-year flood could occur more than once in a relatively short period of time. The 100-year flood, which is the standard used by most Federal and state agencies, is used by the National Flood Insurance Program (NFIP) as the standard for floodplain management and to determine the need for flood insurance. A structure located within a special flood hazard area shown on an NFIP map has a 26 percent chance of suffering flood damage during the term of a 30-year mortgage.

Zone AE and A1-A30
Zones AE and A1-A30 are the flood insurance rate zones that correspond to the 100-year floodplains that are determined in the Flood Insurance Study by detailed methods. In most instances, Base Flood Elevations derived from the detailed hydraulic analyses are shown at selected intervals within this zone. Mandatory flood insurance purchase requirements apply.

Zone VE
Zone VE is the flood insurance rate zone that corresponds to the 100-year coastal floodplains that have additional hazards associated with storm waves. BFEs derived from the detailed hydraulic analyses are shown at selected intervals within this zone. Mandatory flood insurance purchase requirements apply.

Zones B, C, and X are the flood insurance rate zones that correspond to areas outside the 100-year floodplains, areas of 100-year sheet flow flooding where average depths are less than 1 foot, areas of 100-year stream flooding where the contributing drainage area is less than 1 square mile, or areas protected from the 100-year flood by levees. No BFEs or depths are shown within this zone.”

Building Sketch



Aerial Photograph

Subject property outlined in blue above

Subject Photographs

Subject South (Front) Elevation

Subject East (Side) Elevation

Subject West (Rear) Elevation

Subject West (Rear) Elevation

View of 2nd level observation deck overlooking pool area

Pool with Pavered Deck (from 2nd level observation area)

Pool with Pavered Deck

Boat Doack (with Lift)

View of Canal facing west from the western boundary

View of 4-Car Garage area

Interior View

Interior View

Interior View

Interior View

Interior View

Interior View

Interior View

Interior View

Interior View

Interior View

View of 2nd floor covered balconey area

Interior View

Interior View

Interior View

Interior View

Interior View

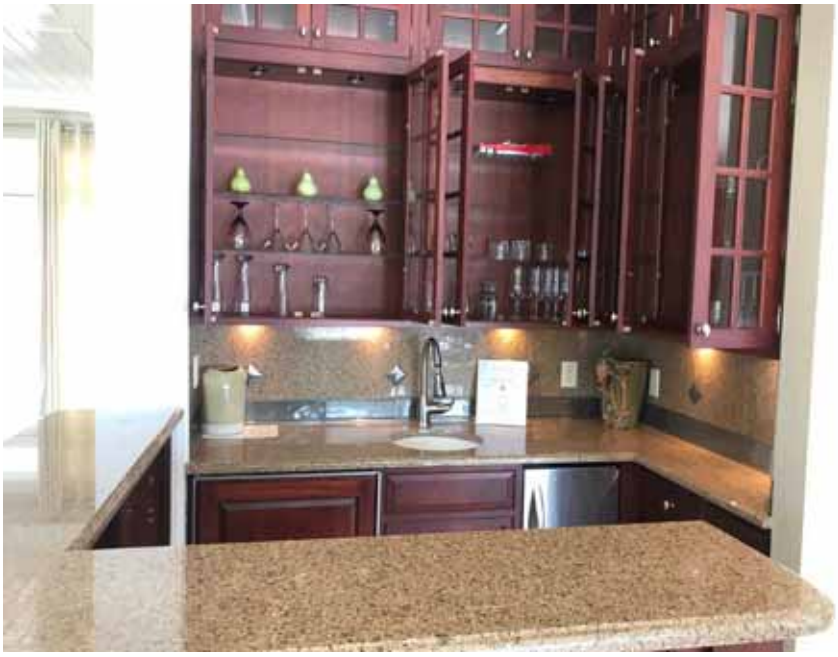
Interior View

Interior View

Interior View

Interior View

Interior View



Interior View

Interior View

Interior View

Interior View

Interior View

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Interior View

Interior View

Zoning

The subject property is designated with the Medium Density Residential – Holiday Isle (MDR-HI) zoning designation, as governed by the City of Destin.

Use of the subject for various residential, short term seasonal rental, guest house and other varied uses are legally permissible by the zoning in place.

Therefore, use of the subject as a seasonal rental property is considered legal, conforming. It is noted that the zoning category description within the land development code does not provide for any outlined maximum occupancies for the subject property or other similar properties. We therefore ascertain that prior to implementation of City of Destin Ordinance 18-29-CC occupancy of the subject for the planned number of sleeping guests of 40 was legally permissible.

City of Destin
Community Development Department
Planning Division
4200 Indian Bayou Trail, Destin, FL 32541
Phone (850) 837-4242 • Fax (850) 650-0693

ZONING DISTRICT FACTSHEET

The purpose and intent of establishing zoning districts is to ensure that all development is consistent with the goals, objectives and policies of the Comprehensive Plan, by establishing a series of zoning districts that indicate what uses are allowed and site development regulations that control the use of land in each district. All development within each zoning district shall be consistent with the purposes stated for each district. (LDC 7.12.05)

MEDIUM DENSITY RESIDENTIAL – HOLIDAY ISLE (MDR-HI)

Purpose and intent: The Medium Density Residential - Holiday Isle Apartment zoning district shall apply to areas developed, redeveloped and/or maintained and conserved as permanent or seasonal single-family detached or multi-family attached residential dwelling units. It is the intent of the MDR - HI zoning district to specifically not allow the following uses to be located in the district: commercial hotels, motels, bed and breakfast establishments, or other commercial transient living accommodations; and all non-residential uses.

Table 7-2: Table of Allowable Uses (excerpt from LDC 7.12.06)

PERMITTED USES:

Permanent or long-term residential uses

Single-family detached dwelling
Multi-family attached dwelling
Guest house [1]
Accessory dwelling
Single room occupancy housing

Seasonal or short-term residential uses

Single-family detached dwelling
Multi-family attached dwelling

Other residential uses

Community residential home, small (1-6)
Family day care home

CONDITIONAL USES:

Other residential uses

Community residential home, large (7-14)

ACCESSORY USES:

Uses and structures which are customarily accessory, clearly incidental and subordinate to permitted uses and structures, including home occupations and off-site businesses.

Footnotes:

1 Guest houses are permitted only if the owner of the subject property occupies the primary dwelling as his/her main residence. However, guest houses shall not be rented out separately from the main residence. (refer to LDC section 7.12.04.M).

Table 7-3: Schedule of Dimensional Requirements in Zoning Districts (excerpt from LDC 7.12.08)
(all dimensions in feet)

Medium Density Residential – Holiday Isle (MDR-HI)			
Dwelling Units		**1**	**2+**
Minimum Lot Area (square feet)		7,500	None
Minimum Lot Size	Width	70	None
	Depth	100	None
Maximum Building Height / Stories	Tier 1	35/3	35/3
	Tier 2	N/A	N/A
	Tier 3	N/A	N/A
Setbacks	Front	20	C/D
	Side	7½	C/D
	Rear	10	C/D
Maximum Density (units per acre)	Tier 1	5.81	9.99
	Tier 2	N/A	N/A
	Tier 3	N/A	N/A
Maximum Floor Area Ratio	Tier 1	N/A	N/A
	Tier 2	N/A	N/A
	Tier 3	N/A	N/A
Minimum Open Space (%)	Tier 1	25%	25%
	Tier 2	N/A	N/A
	Tier 3	N/A	N/A

Footnotes:

C For all structures three stories in height, the minimum front setback shall be 20 feet, the minimum side setback shall be 15 feet on each side and the minimum rear setback shall be 20 feet.

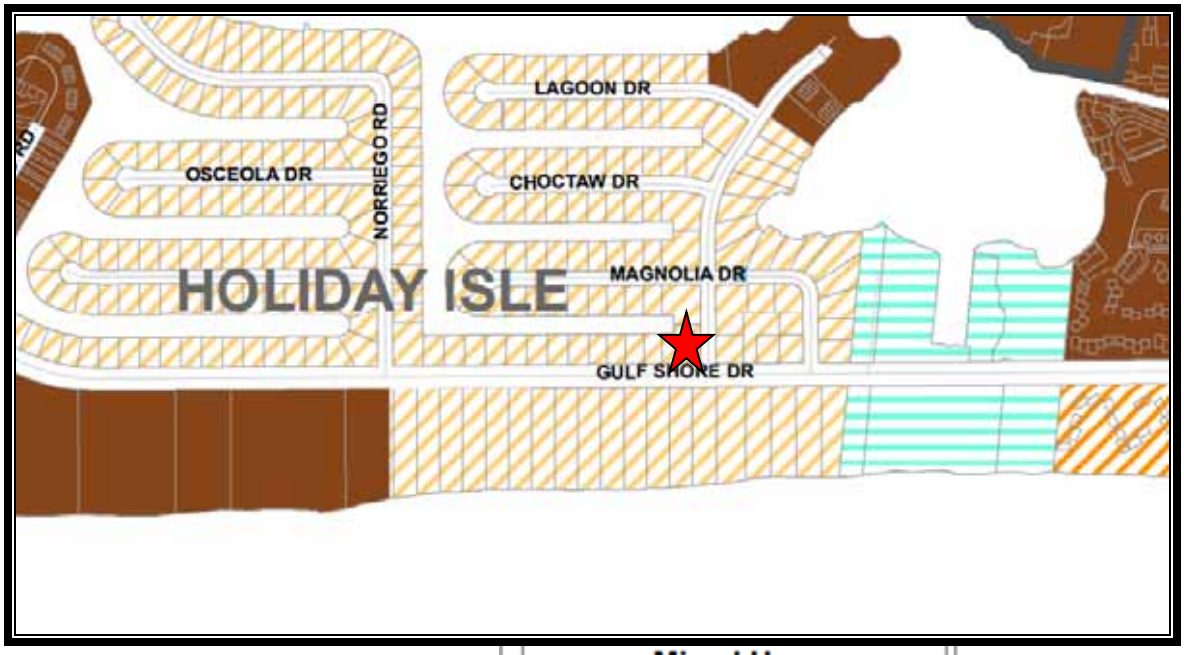
For all buildings exceeding three stories in height, the minimum front setback shall be 20 feet, the minimum side setback shall be 20 feet and increased by two feet on each side for each story exceeding four stories, and a minimum 25-foot rear yard setback shall be required.

Within the Old Destin MMTD, no minimum front, side or rear setbacks are required, except where the property line is contiguous with a BE or LDR residential district boundary; then ten-foot side and rear yards, maintained as open space, shall be provided

Buildings or structures three stories or less utilized for residential or multifamily purposes on the same lot shall be a minimum of ten feet apart. All buildings exceeding three stories in height, the distance apart on the same lot shall be increased by two feet for each story exceeding three stories with a maximum of 50 feet between buildings being required. There are no minimum spacing requirements between residential, nonresidential, mixed-use or multifamily buildings located on the same lot in the Old Destin MMTD

D For all structures two stories or less in height, the minimum front setback shall be 20 feet, and no side or rear yards are required except where property line is contiguous with residential district boundary; then a ten-foot yard, maintained as open space, shall be provided. Within the Old Destin MMTD, no minimum front setback is required.

Zoning Map



Residential

- BE - Bay Estates
- LDR-V - Low Density Residential - Village
- LDR-HI - Low Density Residential - Holiday Isle
- LDR-H - Low Density Residential - Harbor
- MDR-V - Medium Density Residential - Village
- MDR-HI - Med. Density Resid. - Holiday Isle
- HDR - High Density Residential
- CBN - Crystal Beach Neighborhood

Mixed Use

- CBR - Crystal Beach Resort
- ROI-CBR - Residential, Office, & Institutional - Crystal Beach Residential
- ROI-GD - Residential, Office, & Institutional - General Development
- ROI-TD - Residential, Office, & Institutional - Tourist Development
- ROI-VR - Residential, Office, & Institutional - Village Residential
- CMU - Calhoun Mixed Use
- TCMU - Town Center Mixed Use
- HIMU - Holiday Isle Mixed Use
- GRMU - Gulf Resort Mixed Use
- NHMU - North Harbor Mixed Use
- SHMU - South Harbor Mixed Use
- BRMU - Bay Resort Mixed Use

Assessment and Taxes

Tax Structure, Overview

Florida Law requires that the just value of all property be determined each year. The Supreme Court of Florida has declared "just value" to be legally synonymous to "full cash value" and "fair market value." The fair market value of real property is the amount for which it could sell on the open market, and assumes the present use is the highest and best use. The property appraiser analyzes these market transactions annually to determine fair market value as of January 1 of each year.

The property appraiser is responsible for identifying, locating, and fairly valuing all property, both real and personal, within the county for tax purposes. The "market" value of real property is based on the current real estate market, and is determined by market participants. The property appraiser has the legal responsibility to study the transactions of market participants and appraise real property accordingly.

At least once every three years, the county property appraiser or a staff appraiser will visit and inspect each property. Additionally, individual property values may be adjusted between visits in light of sales activity or other factors affecting real estate values in the subject neighborhood. Sales of similar properties are typically used as strong indicators of value in the real estate market.

Each August, the Property Appraiser sends a "Notice of Proposed Taxes," to all property owners to notify them of the taxable value of their property. Taxable value is the assessed value less any exemptions. The TRIM notice also gives information on proposed millage rates and taxes as estimated by community taxing authorities, and when and where these taxing authorities will hold public meetings to discuss tentative budgets to set your millage tax rates.

The property appraiser only assesses all property in the county and is neither a taxing authority nor a tax collector. Three separate government entities, each having unique and distinct roles, determine the tax bill of any property in their jurisdiction.

The following is a summary of the process:

> First the property appraiser annually appraises all property in their respective county at the market value as of January 1 each year.
>
> Second, each taxing authority within the county sets their own millage rate based on the amount of tax dollars necessary to fund their annual budget.
>
> Finally, the tax collector takes the amount of taxes due in order to bill and collect all taxes levied within the county.

Tax Collector Card

BEN ANDERSON
Okaloosa County Tax Collector

MAIL PAYMENTS TO: P.O. BOX 1390, NICEVILLE, FL 32588

2018 Paid Real Estate
Notice of Ad Valorem Tax and Non-Ad Valorem Assessments

ACCOUNT NUMBER	ESCROW CD	MILLAGE CODE	ALTERNATE KEY	PROPERTY ADDRESS
00252421860000E0260		DEDF	1020142	627 GULF SHORE, DESTIN, 32541

ELITE INVESTMENTS FL PROP LLC
101 W COURT ST
PARAGOULD, AR 72450-4337

627 GULF SHORE

HOLIDAY ISLE
LOT 26 BLK E

AD VALOREM TAXES

TAXING AUTHORITY	MILLAGE RATE	ASSESSED VALUE	EXEMPTION AMOUNT	TAXABLE VALUE	TAXES LEVIED
OKALOOSA COUNTY BD OF CO COMMS					
EMERGENCY MEDICAL SERVICES	0.0741	2,482,762	0	2,482,762	183.97
GENERAL	3.7214	2,482,762	0	2,482,762	9,239.36
COUNTY PUBLIC HEALTH UNIT	0.0353	2,482,762	0	2,482,762	87.64
SCHOOL LOCAL	2.2480	2,482,762	0	2,482,762	5,581.25
SCHOOL STATE	4.1130	2,482,762	0	2,482,762	10,211.60
NORTHWEST WATER DISTRICT	0.0336	2,482,762	0	2,482,762	83.92
CITY OF DESTIN	1.6150	2,482,762	0	2,482,762	4,009.66
DESTIN FIRE DISTRICT	1.0000	2,482,762	0	2,482,762	2,482.76

EXEMPTIONS APPLIED:

TOTAL MILLAGE	12.8406	AD VALOREM TAXES	$31,880.16

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NON-AD VALOREM ASSESSMENTS

LEVYING AUTHORITY	RATE	AMOUNT
OKALOOSA BEACH RESTORATION MSB		0.00

PAY ON LINE WITH CREDIT/DEBIT CARD AT www.OkaloosaTax.com - BANK CARD USER FEE WILL APPLY

NON-AD VALOREM ASSESSMENTS	$0.00

COMBINED TAXES AND ASSESSMENTS	$31,880.16

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E-CHECK IS FREE
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AFTER MARCH 31ST, TAXES MUST BE PAID WITH CASH, CASHIER'S CHECK OR MONEY ORDER.

If Postmarked By	Nov 30, 2018				
Please Pay	$0.00				

BEN ANDERSON
Okaloosa County Tax Collector

MAIL PAYMENTS TO: P.O. BOX 1390, NICEVILLE, FL 32588

2018 Paid Real Estate
Notice of Ad Valorem Tax and Non-Ad Valorem Assessments

ACCOUNT NUMBER	ESCROW CD	MILLAGE CODE	ALTERNATE KEY	PROPERTY ADDRESS
00252421860000E0260		DEDF	1020142	627 GULF SHORE, DESTIN, 32541

PRIOR TO MARCH 31ST TAXES CAN BE PAID USING CASH, CHECK, CREDIT/DEBIT CARDS OR E-CHECK

If Postmarked By	Nov 30, 2018				
Please Pay	$0.00				

ELITE INVESTMENTS FL PROP LLC
101 W COURT ST
PARAGOULD, AR 72450-4337

627 GULF SHORE

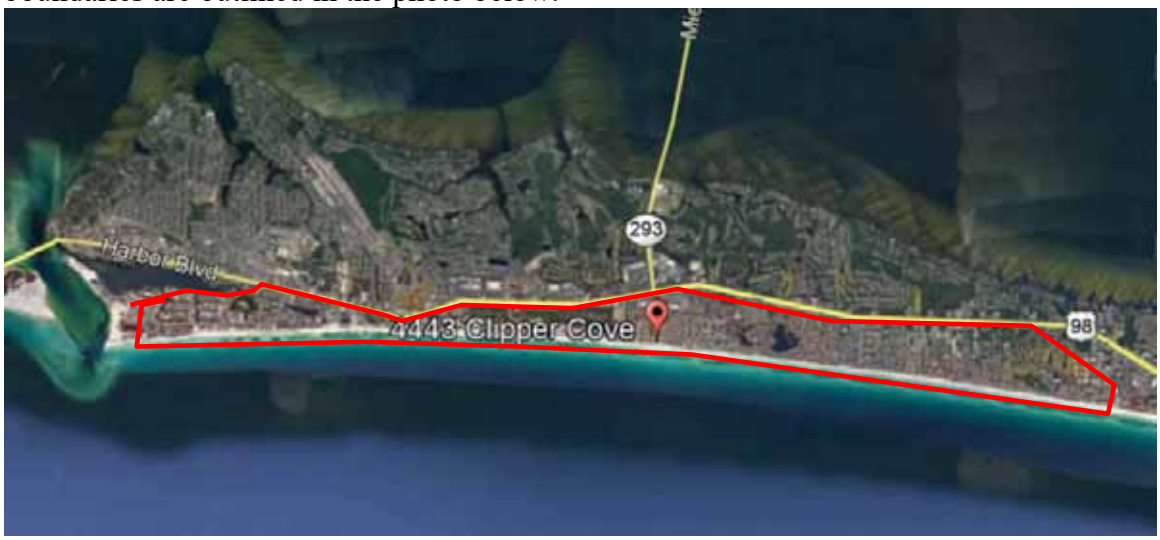
HOLIDAY ISLE
LOT 26 BLK E

Paid 11/09/2018 Receipt # 97-18005073 Check $30,604.95

ANALYSIS OF DATA AND OPINIONS OF THE APPRAISERS

Market Area Summary / Neighborhood Information

The subject property is located in the Destin-Miramar Beach market area, which is bounded by the Destin Harbor / East Pass to the West, US Highway 98 and the waters of the Destin Harbor to the North, the Gulf of Mexico to the South and the intersection of US Highway 98 / Scenic Gulf Drive to the East. The approximate neighborhood boundaries are outlined in the photo below.



This is a resort area driven primarily by proximity to area beaches and resort activities. The predominant property type in the area is of second home and seasonal vacation properties with far fewer full-time residents than seasonal occupants.

Many second home and resort area property owners rent their properties on a seasonal basis to either offset costs of ownership or in the pursuit of income generation potential, and the seasonal income attributed to a property is often a significant factor contemplated by purchasers in the market when evaluating a purchase decision.

We have witnessed a trend for increased rental demand of larger resort residences which can accommodate larger groups for family reunions, large family vacations, etc.

This has led to the construction of larger and larger seasonal resort rental homes to serve this need. These larger properties often witness more robust demand and income generation potential than smaller properties with less sleeping capacity where vacationing groups would otherwise be required to split between several locations.

In summary, the subject is sited directly in an area that is geared toward seasonal rental operations, be it solely for the purpose of income generation potential or as an offset to the costs of personal use. The ability to rent a property seasonally remains a significant motivator for market participants and weighs heavily in their buy-sell decision making process. A restriction that negatively impacts the ability to seasonally rent a resort property is estimated to have a significant negative impact on the value of this asset class.

Highest and Best Use

The definition of "highest and best use" is presented unabridged in the definitions section of this report. However, in brief, highest and best use refers to the reasonably probable and legal use of vacant land or an improved property, which is legally permissible, physically possible, appropriately supported, financially feasible, and that results in the highest value, i.e. maximally productive.[3]

Objective analysis and interpretation of market data leads to an informed opinion of that use. However, the estimate of highest and best use should not be interpreted as a provable fact. A typical highest and best analysis evaluation process and pertinent questions which aid in the elimination of possible alternatives are presented below.

1. **Permissible Use.** What uses are permitted by zoning and other legal restrictions? What are the land use controls that will govern the site? Uses that are *legally permissible* are those allowed under current or likely zoning and those that could meet building codes. In addition, local communities may have restrictions on public utility loads, traffic creation, access restrictions, and so on, all of which must be considered when selecting legally permissible uses

2. **Physically Possible Use.** To what use is the site physically adaptable? What is an appropriate improvement given architectural / engineer study? Unless prohibited by soil or subsoil problems or land size constraints, it is *physically possible* to place most potential improvements on the site. Usually this test, if performed first or second, will not significantly reduce the number of potential uses.

3. **Feasible Use.** Which possible and permissible use will produce any net return to the owner of the site? Should the land be developed, and if so, what kind of improvement should be built? If an improvement should be constructed, what is the type and characteristics of an ideal improvement? Uses that are considered economically or financially feasible are those that potentially would logically produce net operating income and net resale price levels high enough to adequately support construction of the potential improvement and provide the investor with a reasonable profit. Implicit to this analysis is that riskier projects require higher profit levels to induce potential developers to undertake the burden of coordination of land, labor and capital.

4. **Maximally Productive Use.** The final test is to determine of the financially feasible options, which of these would result in the highest land value or values as

[3] The Appraisal of Real Estate, Twelfth Edition

improved. Among the feasible uses which use will produce the highest net return, (i.e., the highest present worth)? If there are existing improvements on the property should they be maintained in their current state or should they be altered to more closely resemble the ideal improvement?

Although these criteria are generally evaluated sequentially, the resulting conclusion of highest and best use should be identical regardless of the order of application of the above tests.

Implied within this definition is that the estimation of the highest and best use for a particular property results from the appraisers' judgment and analytical skill with respect to the market for that particular property.

However, the highest and best use of a specific parcel of land is not just a matter of subjective opinion; rather, highest and best use is indicated by supply and demand forces within the market where the property is located, availability of capital, supply of alternative investments, need for additional products or services within a community, and other factors.

Highest and Best Use 'As Is'

The highest and best use 'As Is' recognizes among all reasonable, alternative uses, the use that yields the highest present land value after payments are made for labor, capital, and entrepreneurial coordination.[4]

We have evaluated the most probable uses for the subject property, 'As Is', given the current market for resort residential rental property and recent development activity in the subject market area.

Legally Permissible

The subject property is designated with the Medium Density Residential – Holiday Isle (MDR-HI) zoning designation, as governed by the City of Destin. Use of the subject for various residential, short term seasonal rental, guest house and other varied uses are legally permissible by the zoning in place.

Therefore, use of the subject as a seasonal rental property is considered legal, conforming. It is noted that the zoning category description within the land development code does not provide for any outlined maximum occupancies for the subject property or other similar properties. We therefore ascertain that prior to implementation of City of Destin Ordinance 18-29-CC occupancy of the subject for the planned number of sleeping guests of 40 was legally permissible. After implementation of City Ordinance 18-29-CC, the subject will be limited to a total of 26 sleeping guests.

Therefore, use of the subject as a resort residential property is legally permissible. Use of the subject prior to Ordinance implementation for occupancy by up to 40 guests was permitted, however after implementation of the Ordinance occupancy is limited to 26 guests.

Physically Possible

The subject property is generally level, well-drained, and at or level with the existing road grade of Gulf Shore Drive/Moreno Point Road and features sufficient parking and site improvements to operate in the designed capacity for 40 occupants.

The subject represents a well-constructed canal front "Mediterranean Style" resort residential property with multiple bedrooms, bathrooms, entertainment areas, pool, kitchen and living areas, etc. The subject has been specifically configured for occupancy as a resort rental property, and features all necessary components for operation as intended, with a designed occupancy of 40 overnight guests.

Therefore, use of the subject as a resort residential rental property for 40 sleeping guests is physically possible.

[4] The Appraisal Of Real Estate, Twelfth Edition

Financially Feasible
Demand for resort residential properties in the subject market area has improved in the previous 24-48 month period, with a number of increased transactions. Most market participants would describe the market for similar properties as robust.

As described in the market analysis section of this report. The predominant property type in the market area is of second home and seasonal vacation properties with limited full-time residents.

Many property owners rent their properties on a seasonal basis to offset costs of ownership or for income generation potential, and the income a property can generate is often a significant factor contemplated by purchasers in the market. This can be done with or without the assistance of a professional property manager.

We have witnessed a trend for increased rental demand of resort residences which can accommodate larger groups for family reunions, large family vacations, etc. This has led to the construction and renovation of seasonal resort rental homes to serve this need.

Reference the subject, the property was specifically configured to house up to 40 sleeping guests. Similar properties in the market (and the subject property) achieve sufficient income to provide an adequate return on investment to be definitively financially feasible, however this financial feasibility is directly linked to occupancy.

The recently-implemented City of Destin Ordinance 18-29-CC serves to reduce occupancy of the subject to no more than 16 persons, a net reduction in occupancy of -35.00%.

This no doubt will impact the income generation potential of the property and associated net income, as now the improvement which was sized for 40 guests will be limited to 26; But, the predominant costs of ownership remain the same.

This ordinance inevitably lowers net income to the property owner- a situation that has no result other than to reduce the value of the asset in its respective marketplace where income generation potential is valued by prospective purchasers.

Therefore, use of the subject as a resort rental property is considered to be financially feasible. However, it is noted that the reduction in permissible occupancy by Ordinance 18-29-CC is estimated to impact the financial performance and associated market value of the subject property negatively.

Maximally Productive Given the legally permissible, physically possible, and financially feasible uses of the subject property we are of the opinion that the maximally productive use of the subject property 'As Is' is for continued resort rental use at the occupancy for which is was specifically designed (ie. 40 guests).

This use will certainly bring the highest net return to the land.

While operation in a reduced occupancy capacity (as dictated by City of Destin Ordinance 18-29-CC) is still possible, the impact to the income generation potential is significant, as the occupancy has now been reduced by -35.00% based on number of persons.

This ordinance inevitably reduces gross and net income to the property owner, resulting in a reduced financial benefit of ownership and negative impact to market value.

Therefore, use of the subject as a seasonal rental property is considered legal, conforming. It is noted that the zoning category description within the land development code does not provide for any outlined maximum occupancies for the subject property or other similar properties. We therefore ascertain that prior to implementation of City of Destin Ordinance 18-29-CC occupancy of the subject for the planned number of sleeping guests of 40 was legally permissible.

Valuation Methodology - Overview

The appraisal analysis is based on analytical techniques that may encompass anticipation of costs to be incurred, and benefits to be derived in the future; however, the subject is appraised as described in this report, including only those assumptions also described in this report.

This appraisal analysis has been conducted, and the appraisal report was prepared in conformance with the requirements of Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA).

The valuation process is a systematic procedure an appraiser follows to provide answers to a client's questions about real property value.[1] Three basic approaches may be used to arrive at an estimate of market value. They are:

1. The Cost Approach
2. The Income Approach
3. The Sales Comparison Approach

Land Valuation Methodology

Land Valuation is generally a component of the Cost Approach in appraisal of an improved property. In most appraisal analyses, separate land valuation is conducted utilizing the Sales Comparison Approach.

Cost Approach Methodology

The cost approach is a reliable methodology for new, nearly new or special-use buildings. In the cost approach, value is estimated as the current cost of reproducing or replacing the existing or proposed improvements and site improvements (including direct and indirect costs as well as an appropriate entrepreneurial incentive or profit), and then deducting the loss in value from depreciation due to physical, functional, and external sources.[5]

The depreciated replacement or reproduction cost of the improvements is then added to the value of the site resulting in a value indication of the fee simple interest in the property.

The Cost Approach is summarized as follows:

Cost New
- Depreciation
+ Entrepreneurial Incentive
+ Land Value
= Value

[5] The Appraisal of Real Estate, Twelfth Edition

Sales Comparison Approach Methodology

The sales comparison approach is premised on the "Principle of Substitution" which indicates an informed purchaser would pay no more for a property than the cost of acquiring an equally desirable substitute property possessing the same or similar utility.

This approach is applicable when an active market provides sufficient quantities of reliable data which can be verified from authoritative sources. The Sales Comparison Approach is most reliable in an active market or if an opinion of value is related to properties for which there are comparable sales available- and heavy emphasis is generally placed on this sales comparison approach when these market conditions are present.

The Sales Comparison Approach compares sales of similar properties with the subject property. Each comparable sale is adjusted for its inferior or superior characteristics. The values derived from the adjusted comparable sales form a range of value for the subject. By process of correlation and analysis, a final indicated value is derived.

Income Approach Methodology

The Income Approach converts the anticipated flow of future benefits (income) to a present value estimate through a capitalization and/or a discounting process.

The income approach is recognized as a reliable approach for estimating the value of "income producing" property to an investor. The income approach consists of methods, techniques, and mathematical procedures that an appraiser utilizes to analyze a property's capacity to generate income and convert income into an indication of present value either by capitalizing the current income at a market capitalization rate, or discounting the future cash flows into a present value estimate using an appropriate yield (discount) rate. The appraisal process emulates the actions of the market, and the income approach is most applicable when the probable buyer would be an investor or prospective owner occupant. Two techniques associated with the income approach are direct capitalization and discounted cash flow analysis.

Final Reconciliation Process

In the appraisal process for improved property, typically more than one approach to value is applied, resulting in two or more value indications that must be evaluated for relevancy, applicability and reliability, and a final point value or range of value is chosen.

Resolving the differences among various value indications is called reconciliation.[6]

The appraisal process concludes with the Final Reconciliation of the values derived from the approaches applied to arrive at a single estimate or range of market value opinions. Different properties require different means of analysis and lend themselves to one

[6] The Appraisal of Real Estate, Twelfth Edition

approach over the others. As such, in the reconciliation appropriate weight is given to the most applicable and/or reliable indications of value to arrive at a conclusion.

Reconciliation is not a mathematical process. Rather, at this point in the valuation process the appraiser must reevaluate all pertinent data in the analysis for appropriateness, accuracy, and quality of evidence.

The appraiser then weighs the relative significance, applicability, and defensibility of each value indication and relies most heavily on the approach that is most appropriate to the nature of the appraisal problem.

Valuation Methodology Utilized in this Assignment

Valuation Analyses

Purpose of Assignment:	The purpose of this appraisal is to derive an opinion of the Diminution in Value to the subject property associated with the implementation of City of Destin Ordinance No. 18-29-CC. This Ordinance was implemented January 22, 2019, and the incorporation of this ordinance limits the occupancy of the subject property to 26 guests. Prior to the implementation of this Ordinance, the designed occupancy of the subject property was 40 guests. Therefore, as a result of the ordinance, the maximum occupancy of the subject has been reduced by 14 guests, or approximately -35.00%. We are therefore opining on the difference in market value of the subject before and after the adoption of City of Destin Ordinance No. 18-29-CC, which was promulgated on January 22, 2019.
Land Valuation and Cost Approach:	An opinion of value for the subject property in 'as if vacant' condition and subsequent application of the cost approach has not been provided. The purpose of this appraisal is to evaluate the impact to the value of the subject by virtue of the implementation of City of Destin Ordinance 18-29-CC which limits occupancy of the subject and corresponding associated income generation potential. Thus, the cost to acquire land and construct a replacement property is meaningless to the purpose of the assignment and was not applied.

Sales Comparison Approach:	The improved sales comparison approach was not utilized in this appraisal assignment. The purpose of this appraisal is to evaluate the impact to the value to the subject by virtue of the implementation of City of Destin Ordinance 18-29-CC which limits occupancy of the subject and associated income generation potential. As this ordinance was just recently implemented, an adequate number of improved sales which sold after the Ordinance implementation date were not available from which to derive an opinion of market value from this approach. As sales which occurred prior to this Ordinance will reflect market transactions without this restriction, they are not considered valid indicators of value for the subject in the restricted condition. Therefore this approach could not be applied due to lack of sufficient comparable data.
Income Approach:	The income approach was applied for the subject in both the 'Before Ordinance' and 'After Ordinance' scenarios.

Income Approach

The Income Approach to value is based on the principle of anticipation, i.e. the value of property correlates to the present worth of the future rights to benefits to be received by the owner. Income approach analysis considers the property from an investor's point of view, the basic premise being that the amount and quality of the income stream are the basis for value of the property.

The income approach is applied by projecting a net income stream through analysis of the subject historical data, comparable property's income and expense information, and historical income expense information for similar properties in the subject market area.

The estimated net income is then converted to a value indication utilizing either the process of direct capitalization analysis, discounted cash flow (DCF) analysis (yield capitalization), or a combination of these methods.

Discounted Cash Flow Analysis (Yield Analysis)
Discounted Cash Flow (DCF) analysis is the procedure in which a discount rate is applied to a series of projected income streams and a reversion. The analyst specifies the quantity, variability, timing, and duration of the income streams as well as the quantity and timing of the reversion and discounts each to its present value at a specified yield rate. DCF analysis can be applied with any yield capitalization technique and may be performed on either a lease-by-lease or aggregate basis.[7]

Applicability: DCF (Yield) analysis is generally used when the net income of the property is forecast to be variable, when the property is of a sufficient size and investment value to cause market participants to evaluate purchase decisions based on DCF, or when specifically requested by the client in an assignment.

Given the nature of the subject property, a discounted cash flow analysis was not employed in this appraisal analysis, as market participants typically do not utilize DCF methodology when evaluating purchase decisions for properties such as the subject.

Direct Capitalization
Conversion of a net income to a present value dollar estimate is called capitalization. Direct capitalization is a method used to convert an estimate of a single year's income expectancy into an indication of value in one direct step, either by dividing the income estimate by an appropriate rate or by multiplying the income estimate by an appropriate factor. This technique employs capitalization rates and multipliers extracted from sales. Only the first year's income is considered. Yield and value change are implied, but not identified.

[7] The Dictionary of Real Estate Appraisal, Fourth Edition

Applicability: Direct Capitalization analysis is generally appropriate for small to medium sized income-producing properties, in stable markets, single tenant or multi-user-oriented properties, or those with a forecast stable income stream.

Direct Capitalization is utilized in this appraisal given the subject market environment, the character of the subject property in the local market, and the tendency for market participants to use direct capitalization analysis when evaluating investment thresholds and financial benefits for similar property.

The steps involved in capitalizing the subject's net operating income are as follows:

- Develop the subject's Potential Gross Income (PGI) through analysis of the subject's actual historic income and an analysis of competitive current market income rates.

- Estimate and deduct vacancy and collection losses to develop the Effective Gross Income (EGI).

- Develop and subtract operating expenses to derive the Net Operating Income (NOI).

- Develop the appropriate capitalization rate (R_o).

- Divide the net operating income by the capitalization rate for an estimate of value through the income approach.

The reliability of a value found by this approach depends on an appraiser's ability to forecast and support income forecasts and to apply the appropriate income capitalization technique to arrive at the value estimate. When estimating market value, the income forecast must be considered by the appraiser to be typical and the income capitalization techniques must reflect the way investors usually estimate value.

Valuation of a Fee Simple Interest by the Income Approach
When estimating the value of the fee simple interest by the income approach, the annual operating income is forecast assuming market levels. The term "market levels" means that the income and expenses are set at levels considered suitable for the subject property after comparing it to similar properties under current market conditions. Rental rates are projected based on expected market rents and vacancy, and collection loss is based on what is typical in the market for properties renting at the market rate.

Estimate of Potential Gross Income (PGI)

Potential Gross Income is the total income attributable to real property at full occupancy before vacancy and operating expenses are deducted. Potential Gross Income includes the sum of potential rental income, other income, and expense recoveries. The income and expense history of the subject property is described below.

Property Income / Use History:
The property owner provided us with historical rental income and expense data for the previous 2018 year of seasonal rental revenue.

The historical income generated by the subject property as provided by the property owner for the previous rental year (2018) was reported to be a rounded $383,480, or $9,587 per sleeping guest based on a published occupancy of 40 guests.

We again mention that the subject property is a canal front resort residential home that was specifically configured for income generation potential based on a sleeping occupancy load of 40 persons. This is the basis of the 'Before Ordinance' valuation scenario.

As a result of the implementation of City of Destin Ordinance 18-29-CC, the subject is now limited to a maximum sleeping occupancy of 26 persons, or a reduction of approximately -35.00%. This is the basis of the 'After Ordinance' valuation scenario.

We now seek to formulate an opinion of probable annual gross income due the subject in the 'Before Ordinance' configuration with a sleeping occupancy of 40 guests and in the 'After Ordinance' configuration with a sleeping occupancy of 26 guests.

Market Rent Based on Occupancy
The appraiser has researched the local market area in order to derive potential subject market rents based on the respective occupancy levels in the 'before' and 'after' configurations.

We will present a table of comparable gross rental income for comparable resort residential properties for both the 'before' and 'after' occupancy categories. The following table outlines comparable rentals of residential resort rental homes in the subject market area with a sleeping capacity of 34 or more guests (before ordinance), then for 22-32 guests (after ordinance).

COMPARABLE RENTAL SCHEDULE, SLEEPING OCCUPANCY OF APPROXIMATELY 40 PERSONS 'Before Ordinance' Dataset					
Address	Sleeping Capacity	HVAC SF	Year Built	Annual Gross Income	Gross Income Per Sleeping Occupant
42 Miami Street	34	7,424	2016	$463,852	$13,643
3461 Scenic Highway 98	36	6,531	2015	$364,723	$10,131
107 Hollywood Street	38	6,465	2013	$289,647	$7,622
3561 Scenic Highway 98	36	6,531	2015	$305,890	$8,497
Subject 2018 Historical Reavenue	40*	11,913	2003	$383,480	$9,587
Comparable Statistics*					
Minimum	34	6,465	2013	$289,647	$7,622
Maximum	38	7,424	2016	$463,852	$13,643
Average	36	6,738	2015	$356,028	$9,973
Median	36	6,531	2015	$335,307	$9,314
*Subject Data Excluded From Statistical Calculations					

The array of comparable rentals above exhibited a range of income per guest per year of between $7,622 and $13,643 per occupant. In consideration of the data above, we consider that an appropriate conclusion of gross annual rent per sleeping occupant is supported at $9,587 per sleeping space consistent with the historical performance of the subject, which is within the range of comparable rental data presented.

CONCLUSION OF POTENTIAL GROSS ANNUAL RENT, SUBJECT SLEEPING OCCUPANCY OF 40 PERSONS 'Before Ordinance'				
Address	Sleeping Capacity	HVAC SF	Concluded Annual Gross Income Calculated Per Sleeping Occupant	Calculated Conclusion of Annual Gross Income
Subject Property	*40*	*11,913*	*$9,587*	*$383,480*

COMPARABLE RENTAL SCHEDULE, SLEEPING OCCUPANCY OF APPROXIMATELY 26 PERSONS 'After Ordinance' Dataset					
Address	Sleeping Capacity	HVAC SF	Year Built	Annual Gross Income	Gross Income Per Sleeping Occupant
96 Sarasota Street	22	4,132	2009	$143,813	$6,537
58 Sunfish Street	22	3,470	1997	$140,000	$6,364
4488 Ocean View Drive	24	3,885	2018	$163,393	$6,808
2825 Scenic Highway 98	24	5,000	1991	$220,000	$9,167
96 Tarpon Street	28	3,398	2017	$161,000	$5,750
90 Woodward	28	4,102	2013	$130,000	$4,643
3487 Scenic Highway 98	32	6,600	2016	$305,393	$9,544
3463 Scenic Highway 98	32	6,153	2015	$380,000	$11,875
Comparable Statistics*					
Minimum	22	3,398	1991	$130,000	$4,643
Maximum	32	6,600	2018	$380,000	$11,875
Average	26.5	4,593	2010	$205,450	$7,586
Median	26	4,117	2014	$162,197	$6,672

The array of comparable rentals above exhibited a range of income per guest per year of between $4,643 and $11,875 per occupant. In consideration of the data above, we consider that an appropriate conclusion of gross annual rent per sleeping occupant is supported at the upper end of the range, in consideration of the canal front location and larger size of the structure per number of occupants. We therefore estimate an annual rent of $10,000 per sleeping space is supported.

CONCLUSION OF POTENTIAL GROSS ANNUAL RENT, SUBJECT SLEEPING OCCUPANCY OF 26 PERSONS 'After Ordinance'				
Address	Sleeping Capacity	HVAC SF	Concluded Annual Gross Income Calculated Per Sleeping	Calculated Conclusion of Annual Gross Income
Subject Property	*26*	*11,913*	*$10,000*	*$260,000*

In the preceding section of the report we derived an opinion of probable gross annual rent due the subejct in both the 'Before Ordinance' ($383,480) and 'After Ordinance' ($260,000) conditions. The result was a decrease in annual income as a result of the reduced sleeping capaicty of -32.20% commensurate with the decrease in ocupancy from 40 to 26 persons or -35.00%.

We now seek to evaluate the expenses pertinent to the subject in order to forecast Net Operating Income in both the Before and After scenarios.

Estimation of Operating Expenses

Vacancy and Collection Loss
As we forecast income based on comparable rentals with reported gross income figures, there is no need to deduct a vacancy and collection loss allocation, as the figures utilized already take into account a vacant and credit loss deduction.

Taxes
The property taxes for the subject property as of 2018 are reported to be a rounded figure of $31,880 annually. This cost is stable regardless of the occupancy of the subject in the 'before' and 'after' conditions.

Insurance
The insurance costs for the subject are reported to be $13,144 annually, which is consistent with other similar properties in the market area. This cost is stable regardless of the occupancy of the subject in the 'before' and 'after' conditions.

Utilities (Power, Water/Sewer/Garbage, Cable and Internet)
The owner pays all utilities, including power, water/sewer/garbage, cable and internet, for the subject property. 2018 Utilities expenses were reported to be $29,146, and we will utilize this annual cost for the subject in the 'before' condition, and at the rate of $28,000 in the 'after' condition. It is noted that regardless of the occupancy of the subject, the costs of electricity remain relatively constant, and the costs of cable and internet are the same regardless of the number of occupants. Only the expenses of water, gas and to a nominal degree electricity are variable with occupancy.

Repairs/Maintenance
We have included a repairs/maintenance allowance as a percentage of EGI at 7% in the before configuration which equates to $26,844 annually. With regard to the after configuration, noting that routine maintenance is likely not significantly impacted by differences in occupancy between 40 and 26 persons, but the annual income is reduced, we must increase our maintenance in the 'after' configuration as this expense is calculated as a % of EGI. In the 'after' condition we estimate maintenance at the rate of 9% of EGI. While we do recognize that 'wear and tear' is somewhat linked to occupancy, the fact that the entire house area is subject to use by 26 guests just as it is with 40 guests, this cost is somewhat fixed.

Management
We estimate management costs based on the costs of a third party manager who would typically charge between 10% and 25% of collected rents for the management service. We will utilize a rate on the lower end of this scale for both value scenarios, or a rate of 15% of EGI.

Income and Expense Statement

The table below recaps our projected income stream and breaks down each expense item. Expenses are totaled, and the net operating income is displayed for both the 'before' and 'after' ordinance conditions.

Income Capitalization Analysis - 'Before Ordinance Limiting Occupancy'				
Unit	**Income**	**Method**	**Units/SF**	**Annual**
Annual Income 'Before Ordinance' - 40 Guests	$383,480.00	$/Year	1	$383,480
			Potential Gross Income:	$383,480
			Vacancy & Collection Loss Included	$0
			Effective Gross Income (EGI):	$383,480

Expense	**Amount (% or**	**Method**	**Annual**
Taxes	$31,880	$/Year	$31,880
Insurance	$13,144	$/Year	$13,144
Utilities	$29,146	$/Year	$29,146
Repairs/Maintenance	7.0%	% of EGI	$26,844
Management	15%	% of EGI	$57,522
		Total Expenses:	$158,536
		Expense Ratio (Expenses/EGI):	41.34%
		Net Operating Income (NOI):	$224,944

Income Capitalization Analysis - 'After Ordinance Limiting Occupancy'				
Unit	**Income**	**Method**	**Units/SF**	**Annual**
Annual Income 'After Ordinance' - 26 Guests	$260,000.00	$/Year	1	$260,000
			Potential Gross Income:	$260,000
			Vacancy & Collection Loss Included	$0
			Effective Gross Income (EGI):	$260,000

Expense	**Amount (% or**	**Method**	**Annual**
Taxes	$31,880	$/Year	$31,880
Insurance	$13,144	$/Year	$13,144
Utilities	$28,000	$/Year	$28,000
Repairs/Maintenance	9.0%	% of EGI	$23,400
Management	15%	% of EGI	$39,000
		Total Expenses:	$135,424
		Expense Ratio (Expenses/EGI):	52.09%
		Net Operating Income (NOI):	$124,576

Capitalization Rate Derivation
The capitalization rate is the factor that coverts the stabilized net operating income (NOI) to a present value. It is the ratio of net income to value or sale price.

NOI ÷ Sale Price = Capitalization Rate

For example, if a property sells for $500,000, and has a stabilized NOI of $50,000, the indicated capitalization rate is 10%.

Four methods are generally recognized for estimating an appropriate capitalization rate for use in direct capitalization analysis. These four methods are:

1. Market-Extracted Capitalization Rate Data
2. Band of Investment Method Calculation
3. Debt Coverage Method Calculation
4. Nationally-Published Capitalization Rate Data

Market Extracted Capitalization Rate Data
The market-extraction method of estimating capitalization rates involves finding comparable sales of property similar to the subject, and extracting a market rate from the net operating income and sales price of the comparable property.

We present the following examples of market-extracted capitalization rates for Resort Residential properties, based on similar sales in the local and broader markets.

- 3463 Scenic Highway 98 is a resort rental property that sold in February of 2016 for $3,615,000. Net Operating Income was reported to be $222,125, therefore indicating a capitalization rate of 6.14%.

- 925 Scenic Gulf Drive in Miramar Beach is a resort rental property that sold in November of 2018 for $1,900,000. Net Operating Income based on forecast income and expenses was reported to be $130,000, therefore indicating a capitalization rate of 6.84%.

- 917 Scenic Gulf Drive in Miramar Beach is a resort rental property that sold in August of 2018 for $1,925,000. Net Operating Income based on forecast income and expenses was reported to be $135,000, therefore indicating a capitalization rate of 7.00%.

- 1850 Scenic Gulf Drive in Miramar Beach is a resort rental property that sold in September of 2015 for $2,205,000. Net Operating Income at the time of sale was reported to be $133,200, therefore indicating a capitalization rate of 6.03%.

Based on the above information, and taking into consideration the overall market appeal we consider that a market extracted rate of 6.50% would be applicable for the subject property.

Band of Investment Method Analysis

This technique utilizes lender and real estate investor investment criteria to develop, or synthesize a capitalization rate. As most income producing properties are purchased with debt plus equity capital, the return on investment portion of the overall capitalization rate must satisfy the market returns of both the investor and the lender. The lender must receive a competitive interest rate, and the investor must anticipate receiving a competitive equity yield.

There are four key inputs necessary for this method:

1. The loan-to-value ratio (M)
2. The mortgage interest rate (i)
3. The loan term (n)
4. The equity cap rate or equity dividend rate (R_E)

The mortgage variables are used to build the mortgage constant (R_M), which is the total amount of the payments made in one year, expressed as a percentage of the original loan amount.

Payments x 12 / Original Loan Amount = Mortgage Constant (R_M)

The equity cap rate is the annual return to the investor, expressed as a percent of the original amount invested. The annual return to the investor is also known as the equity dividend rate; it is the profit remaining after debt service and all other expenses.

After Debt Service Profit / Equity Investment = Equity Cap Rate (R_E)

Note that the equity cap rate is not the same (usually, that is) as the equity yield rate. The equity yield rate reflects the total return to the investor over the life of the investment. Factors such as appreciation and mortgage pay down affect and usually increase this return to a point higher than the equity dividend rate. In markets where substantial appreciation is expected, investors will often accept a low or even negative equity dividend rate, anticipating a compensating payoff when the property is eventually sold. In markets where little appreciation is expected, much more weight is given to the annual equity dividend.

Formula:

R_M x M = rate
R_E x (1-M) = rate
= Cap Rate (R_o)

A survey of local lenders indicated that competitive fixed rate loans for properties similar to the subject as investment property are typically available at a rate of between 5.50% and 7.50% on a 30 year amortization schedule with a 50-70% loan to value.

Thus, we will use a rate of 6.00% in our calculations, with a 70% loan to value and a 30 year amortization term for our analysis of the band of investment and debt coverage ratio analyses.

The debt capitalization rate (or mortgage constant) for a typical loan made at 6.00% for 30 years is 0.07194606.

Equity dividend (capitalization) rates in the local market range from 4-9%. We estimate an equity dividend rate of 6.00% in the local market for property such as the subject.

Debt Coverage Ratio Method Analysis

This technique develops a capitalization rate based on typical mortgage terms. There are four variables necessary for this method:

1. The loan-to-value ratio (M)
2. The mortgage interest rate (i)
3. The loan term (n)
4. The debt coverage ratio (DCR)

Items 1 through 3 are discussed above under the Band of Investment section. In this method it is also used to develop the mortgage constant (R_M). The debt coverage ratio is the factor by which income exceeds debt on an annual basis.

Formula:
Debt Coverage Ratio x Loan to Value Ratio x Mortgage Constant = R_o
or: DCR x M x R_M = R_o

We have researched mortgage rates and terms typical for the subject within the market area as noted above. The table below details the Band of Investment and Debt Coverage Ratio Analyses calculations.

Capitalization Rate Calculations					
Capitalization Rate Variables					
Mortgage Interest Rate	6.00%				
Loan Term (Years)	30				
Loan To Value Ratio	70.%				
Debt Coverage Ratio	1.25				
Equity Dividend Rate	6.00%				
Band of Investment Analysis					
Mortgage Constant			Loan Ratio	Contributions	
0.071946063		x	70.%	=	5.04%
Equity Dividend Rate			Equity Ratio		
6.00%		x	30.%	=	1.80%
			Band of Investment Capitalization Rate		**6.84%**
Debt Coverage Ratio Analysis					
Debt Coverage Ratio x Loan to Value Ratio x Mortgage Constant					
1.25 x 0.7 x 0.0719460630183303				=	6.30%
			Debt Coverage Ratio Capitalization Rate		**6.30%**

The Band of Investment capitalization rate analysis indicated an appropriate capitalization rate per the preceding assumptions of 6.84%.

The Debt Coverage Ratio Analysis indicated an appropriate capitalization rate per the preceding assumptions of 6.30%.

National Survey Data

RealtyRates.com Investor Survey
RealtyRates does not track capitalization rates for resort residential property such as the subject, however they do track rates for lodging facilities, a property type that is similar in use to the subject, being a facility for short term rental on a seasonal basis where all services are included in the rental rate. We therefore look to this property category in realty rates for an indication of an applicable capitalization rate for the subject.

The *Realty Rates Investor Survey*, dated 4th Quarter 2018, indicates going-in capitalization rates for Lodging Facilities – All Types ranged from 5.21% to 17.22% with an average of 11.32%. In consideration of the excellent quality and condition of the subject property, as well as the resort location, we would estimate an applicable capitalization rate would be below the national average indicated by the survey data and within the lower quartile of exhibited rates, or a rate of between 5.21% and 8.22%.

RealtyRates.com INVESTOR SURVEY - 4th Quarter 2018* LODGING FACILITIES -ALL TYPES							
Item	**Input**						**OAR**
Minimum							
Spread Over 10-Year Treasury	0.86%	**DCR Technique**		1.00	0.048303	0.80	**3.86**
Debt Coverage Ratio	1.00	**Band of Investment Technique**					
Interest Rate	3.75%	Mortgage		80%	0.048303	0.038642	
Amortization	40	Equity		20%	0.080938	0.016188	
Mortgage Constant	0.048303	OAR					**5.48**
Loan-to-Value Ratio	80%	**Surveyed Rates**					**5.21**
Equity Dividend Rate	8.09%						
Maximum							
Spread Over 10-Year Treasury	11.58%	**DCR Technique**		2.85	0.163616	0.50	**23.32**
Debt Coverage Ratio	2.85	**Band of Investment Technique**					
Interest Rate	14.47%	Mortgage		50%	0.163616	0.081808	
Amortization	15	Equity		50%	0.198946	0.099473	
Mortgage Constant	0.163616	OAR					**18.13**
Loan-to-Value Ratio	50%	**Surveyed Rates**					**17.22**
Equity Dividend Rate	19.89%						
Average							
Spread Over 10-Year Treasury	3.54%	**DCR Technique**		1.53	0.084242	0.67	**8.60**
Debt Coverage Ratio	1.53	**Band of Investment Technique**					
Interest Rate	6.43%	Mortgage		67%	0.084242	0.056324	
Amortization	22	Equity		33%	0.145842	0.048333	
Mortgage Constant	0.084242	OAR					**10.47**
Loan-to-Value Ratio	66.9%	**Surveyed Rates**					**11.32**
Equity Dividend Rate	14.6%						

Capitalization Rate Summary and Conclusion

We consider that a market extracted rate of 6.50% would be applicable for the subject property based on market-extracted capitalization rate indications.

The Band of Investment capitalization rate analysis indicated an appropriate capitalization rate per the preceding assumptions of 6.84%.

The Debt Coverage Ratio Analysis indicated an appropriate capitalization rate per the preceding assumptions of 6.30%.

National Market Indicators as reported by realty rates for a related property type indicate an appropriate capitalization rate of between 5.21% and 8.22% for the subject property.

Capitalization Rate Conclusion:

It is the opinion of the appraiser that a **6.50% capitalization rate** should be employed in this analysis.

On the following page we present the direct capitalization analysis for both the 'Before' and 'After' Ordinance 18-29-CC value scenarios.

Capitalization to Value

Income Capitalization Analysis - 'Before Ordinance Limiting Occupancy'				
Unit	**Income**	**Method**	**Units/SF**	**Annual**
Annual Income 'Before Ordinance' - 40 Guests	$383,480.00	$/Year	1	$383,480
			Potential Gross Income:	$383,480
		Vacancy & Collection Loss	Included	$0
			Effective Gross Income (EGI):	$383,480

Expense	**Amount (% or**	**Method**	**Annual**
Taxes	$31,880	$/Year	$31,880
Insurance	$13,144	$/Year	$13,144
Utilities	$29,146	$/Year	$29,146
Repairs/Maintenance	7.0%	% of EGI	$26,844
Management	15%	% of EGI	$57,522
		Total Expenses:	$158,536
		Expense Ratio (Expenses/EGI):	41.34%
		Net Operating Income (NOI):	$224,944
		Capitalization Rate:	6.50%
		Value (NOI/Cap Rate):	$3,460,683
		Rounded:	$3,460,000

Income Capitalization Analysis - 'After Ordinance Limiting Occupancy'				
Unit	**Income**	**Method**	**Units/SF**	**Annual**
Annual Income 'After Ordinance' - 26 Guests	$260,000.00	$/Year	1	$260,000
			Potential Gross Income:	$260,000
		Vacancy & Collection Loss	Included	$0
			Effective Gross Income (EGI):	$260,000

Expense	**Amount (% or**	**Method**	**Annual**
Taxes	$31,880	$/Year	$31,880
Insurance	$13,144	$/Year	$13,144
Utilities	$28,000	$/Year	$28,000
Repairs/Maintenance	9.0%	% of EGI	$23,400
Management	15%	% of EGI	$39,000
		Total Expenses:	$135,424
		Expense Ratio (Expenses/EGI):	52.09%
		Net Operating Income (NOI):	$124,576
		Capitalization Rate:	6.50%
		Value (NOI/Cap Rate):	$1,916,554
		Rounded:	$1,915,000

Conclusion of Diminution in Value

In the ‘before ordinance’ configuration direct capitalization of the net operating income to the subject property revealed a value opinion of $3,460,000 based on an occupancy of 40 sleeping guests.

In the ‘after ordinance’ configuration direct capitalization of the net operating income to the subject property revealed a value opinion of $1,915,000 based on an occupancy of 26 sleeping guests.

The Diminution in Value is represented by the difference between the 'before' and 'after' value conclusions, or in this case the difference between $3,460,000 and $1,915,000 or $1,545,000.

As an augmenting check to this value opinion, we consider a discounted cash flow analysis of the lost income to the subject as a result of the reduced occupancy, for the remaining term of the economic life of the improvement.

As presented in the preceding income analyses, the difference in annual Net Operating Income between the 'before' scenario at $224,944 and the 'after' scenario at $118,336, calculates to $106,608 annually.

This is the annual net income loss as a result of the implemented restriction on occupancy by virtue of City of Destin Ordinance 18-29-CC, and will promulgate for the remainder of the economic life of the structure and the site is redeveloped.

We previously stated in the report that the subject improvement was originally constructed in 2018 however based on the very good/excellent quality of construction and the very good condition of the subject improvements we are of the opinion that the effective year built is approximately 2009.

The published economic life of improvements similar to the subject is 60 years per Marshall Valuation Service. Subtracting the economic age of the improvement of 10 years from the overall life of 60 years we calculate a remaining economic life for the subject structure is 50 years.

If we consider that City of Destin Ordinance 18-29-CC serves to reduce occupancy to the subject, thereby reducing annual income in the amount of $105,139 annually, presumably for the remaining economic life of the improvement, we can calculate the present value of this financial loss over time as a check to the Diminution in value calculation via direct capitalization analysis presented preceding.

If we discount the annual loss of $106,608 for a period of 50 years, at a discount rate of 6% annually, the present value of the future loss of income is calculated to be $1,680,340 which provides additional support for our opinion of Diminution in Value via direct capitalization analysis of $1,545,000.

Therefore, our opinion of Diminution in value for the subject property is opined to be $1,545,000 consistent with our calculation via direct capitalization analysis:

One Million Five Hundred Forty Five Thousand Dollars
$1,545,000

Certification

The appraiser has no present or prospective interest in the subject property of this appraisal and no personal interest of bias with respect to the parties involved in this appraisal. I have the appropriate education and experience to conduct this appraisal.

The appraiser will not divulge the analytical findings or conclusions to anyone other than the client or designee, except as may be required by the Appraisal Institute or by a court of law with power of subponea.

I certify, to the best of our knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions and conclusions.
- I have no present or prospective interest in the property which is the subject of this report and no personal interest with respect to the parties involved.
- I have no bias with respect to the property which is the subject of this report or to the parties involved with this assignment.
- The engagement in this assignment was not contingent upon developing or reporting predetermined results.
- The compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- I have made a personal inspection of the property that is the subject of this report.

Certification
(Continued)

- The signatory appraiser has not performed any services, as an appraiser or in any other capacity, regarding the subject property within the 3 years prior to acceptance of this appraisal assignment.

This appraisal has been conducted, and the appraisal report prepared in conformance with the requirements of Title XI of the Financial Institutions Reform, Recover, and Enforcement Act of 1989 (FIRREA, 12 U.S.C. 3331 et seq.). This appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.

No person other than the undersigned made a significant professional contribution to the research and analysis in this appraisal unless specifically noted above.

Respectfully Submitted,

EquiValue Appraisal, LLC

Jason P. Shirey, MAI, CCIM
Cert Gen RZ3186

Limiting Conditions and Assumptions

1. Unless otherwise noted in the body of the report, we assumed that title to the property or properties appraised is clear and marketable and that there are no recorded or unrecorded matters or exceptions that would adversely affect marketability or value. We are not aware of any title defects nor were we advised of any unless such is specifically noted in the report. We did not examine a title report and make no representations relative to the condition thereof. Documents dealing with liens, encumbrances, easements, deed restrictions, clouds and other conditions that may affect the quality of title were not reviewed. Insurance against financial loss resulting in claims that may arise out of defects in the subject property's title should be sought from a qualified title company that issues or insures title to real property.

2. We assume that improvements are constructed or will be constructed according to approved architectural plans and specifications and in conformance with recommendations contained in or based upon any soils report(s).

3. Unless otherwise noted in the body of this report, we assumed: that any existing improvements on the property or properties being appraised are structurally sound, seismically safe and code conforming; that all building systems (mechanical/electrical, HVAC, elevator, plumbing, etc.) are, or will be upon completion, in good working order with no major deferred maintenance or repair required; that the roof and exterior are in good condition and free from intrusion by the elements; that the property or properties have been engineered in such a manner that it or they will withstand any known elements such as windstorm, hurricane, tornado, flooding, earthquake, or similar natural occurrences; and, that the improvements, as currently constituted, conform to all applicable local, state, and federal building codes and ordinances. We are not engineers and are not competent to judge matters of an engineering nature. We did not retain independent structural, mechanical, electrical, or civil engineers in connection with this appraisal and, therefore, make no representations relative to the condition of improvements. Unless otherwise noted in the body of this report no problems were brought to our attention by ownership or management. We were not furnished any engineering studies by the owners or by the party requesting this appraisal. If questions in these areas are critical to the decision process of the reader, the advice of competent engineering consultants should be obtained and relied upon. It is specifically assumed that any knowledgeable and prudent purchaser would, as a precondition to closing a sale, obtain a satisfactory engineering report relative to the structural integrity of the property and the integrity of the building systems. Structural problems and/or building system problems may not be visually detectable. If engineering consultants retained should report negative factors of a material nature, or if such are later discovered, relative to the condition of the improvements, such information could have a substantial negative impact on the conclusions reported in this appraisal. Accordingly, if engineering consultants report negative findings, we reserve the right to amend the appraisal conclusions reported herein.

4. All furnishings, equipment and business operations, except as specifically stated and typically considered as part of real property, have been disregarded with only real property being considered in the appraisal. Any existing or proposed improvements, on- or off-site, as well as any alterations or repairs considered, are assumed to be completed

in a workmanlike manner according to standard practices based upon information submitted. This report may be subject to amendment upon re-inspection of the subject property subsequent to repairs, modifications, alterations and completed new construction. Any estimate of Market Value is as of the date indicated; based upon the information, conditions and projected levels of operation.

5. We assume that all factual data furnished by the client, property owner, owner's representative, or persons designated by the client or owner to supply said data are accurate and correct unless otherwise noted in the appraisal report. We have no reason to believe that any of the data furnished contain any material error. Information and data referred to in this paragraph include, without being limited to, numerical street addresses, lot and block numbers, Assessor's Parcel Numbers, land dimensions, square footage area of the land, dimensions of the improvements, gross building areas, net rentable areas, usable areas, unit count, room count, rent schedules, income data, historical operating expenses, budgets, and related data. Any material error in any of the above data could have a substantial impact on the conclusions reported. Thus, we reserve the right to amend our conclusions if errors are revealed. Accordingly, the client-addressee should carefully review all assumptions, data, relevant calculations, and conclusions within 30 days after the date of delivery of this report and should immediately notify us of any questions or errors.

6. The date of value to which any of the conclusions and opinions expressed in this report apply, is set forth in the Letter of Transmittal. Further, that the dollar amount of any value opinion herein rendered is based upon the purchasing power of the American Dollar on that date. This appraisal is based on market conditions existing as of the date of this appraisal. Under the terms of the engagement, we will have no obligation to revise this report to reflect events or conditions which occur subsequent to the date of the appraisal. However, we will be available to discuss the necessity for revision resulting from changes in economics or market factors affecting the subject.

7. We assume no private deed restrictions, limiting the use of the subject property in any way.

8. Unless otherwise noted in the body of the report, we assume that there are no mineral deposits or subsurface rights of value involved in this appraisal, whether they be gas, liquid, or solid. Nor are the rights associated with extraction or exploration of such elements considered unless otherwise stated in this appraisal report. Unless otherwise stated we also assumed that there are no air or development rights of value that may be transferred.

9. We are not aware of any contemplated public initiatives, governmental development controls, or rent controls that would significantly affect the value of the subject.

10. The estimate of Market Value, which may be defined within the body of this report, is subject to change with market fluctuations over time. Market value is highly related to exposure, time promotion effort, terms, motivation, and conclusions surrounding the offering. The value estimate(s) consider the productivity and relative attractiveness of the property, both physically and economically, on the open market.

11. Unless specifically set forth in the body of the report, nothing contained herein shall be construed to represent any direct or indirect recommendation to buy, sell, or hold the

properties at the value stated. Such decisions involve substantial investment strategy questions and must be specifically addressed in consultation form.

12. Unless otherwise noted in the body of this report, we assume that no changes in the present zoning ordinances or regulations governing use, density, or shape are being considered. The property is appraised assuming 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 estimates contained in this report is based, unless otherwise stated.

13. This study may not be duplicated in whole or in part without our written consent, nor may this report or copies hereof be transmitted to third parties without said consent. Exempt from this restriction is duplication for the internal use of the client-addressee and/or transmission to attorneys, accountants, or advisors of the client-addressee. Also exempt from this restriction is transmission of the report to any court, governmental authority, or regulatory agency having jurisdiction over the party/parties for whom this appraisal was prepared, provided that this report and/or its contents shall not be published, in whole or in part, in any public document without our written consent. Finally, this report shall not be advertised to the public or otherwise used to induce a third party to purchase the property or to make a "sale" or "offer for sale" of any "security", as such terms are defined and used in this Securities Act of 1933, as amended. Any third party, not covered by the exemptions herein, who may possess this report, is advised that they should rely on their own independently secured advice for any decision in connection with this property. We shall have no accountability or responsibility to any such third party.

14. Any value estimate provided in the report applies to the entire property, and any pro ration or division of the title into fractional interests will invalidate the value estimate, unless such pro ration or division of interests has been set forth in the report.

15. Any distribution of the total valuation in this report between land and improvement applies only under the existing program of utilization. Component values for land and/or buildings are not intended to be used in conjunction with any other property or appraisal and are invalid if so used.

16. The maps, plats, sketches, graphs, photographs, and exhibits included in this report are for illustration purposes only and are to be used only to assist in visualizing matters discussed within this report. Except as specifically stated, data relative to size or areas of the subject and comparable properties was obtained from sources deemed accurate and reliable. None of the exhibits are to be removed, reproduced, or used apart from this report.

17. No opinion is intended to be expressed on matters that may require legal expertise or specialized investigation or knowledge beyond that which is customarily employed by real estate appraisers. Values and opinions expressed presume that environmental and other governmental restrictions/conditions by applicable agencies have been met, including but not limited to seismic hazards, flight patters, decibel levels/noise envelopes, fire hazards, hillside ordinances, density, allowable uses, building codes, permits, licenses, etc. No survey, engineering study or architectural analysis was provided to us unless otherwise stated within the body of this report. If we were not supplied with a

termite inspection, survey or occupancy permit, no responsibility or representation is assumed or made for any costs associated with obtaining same or for any deficiencies discovered before or after they are obtained. No representation or warranty is made concerning obtaining these items. We assume no responsibility for any costs or consequences arising due to the need, or the lack of need, for flood hazard insurance. An agent for the Federal Flood Insurance Program should be contacted to determine the actual need for Flood Hazard Insurance.

18. Acceptance and/or use of this report constitutes full acceptance of the Assumptions and Limiting Conditions and extraordinary assumptions set forth in this report. It is the responsibility of the Client, or client's designees, to read in full, comprehend and thus become aware of the aforementioned assumptions and limiting conditions. We assume no responsibility for any situation arising out of the Client's failure to become familiar with and understand the same. The Client is advised to retain experts in areas that fall outside the scope of the real estate appraisal/consulting profession if so desired.

19. We assume that the subject property will be under prudent and competent management and ownership; neither inefficient nor super-efficient.

20. We assume 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 reports.

21. No survey of the boundaries of the property was undertaken. All areas and dimensions furnished are presumed correct. It is further assumed that no encroachments to the realty exists.

22. All value opinions expressed herein are as of the date of value. In some cases, facts or opinions are expressed in the present tense. All opinions are expressed as of the date of value, unless specifically noted.

23. The Americans with Disabilities Act (ADA) became effective January 26, 1992. Notwithstanding any discussion of possible readily achievable barrier removal construction items in this report, we did not perform a specific compliance survey and analysis of this property to determine wither it is in conformance with the various detailed requirements of the ADA. It is possible that a compliance survey of the property together with a detailed analysis of the requirements of the ADA could reveal that the property is not in compliance with one or more of the requirements of the ADA. If so, the fact could have a negative effect on the value estimated herein. Since we have no specific information relating to this issue, nor are we qualified to make such an assessment, the effect of any possible non-compliance was not considered in estimating the value of the subject property.

24. The value estimate rendered in this report is predicated on the assumption that there is no hazardous material on or in the property that would cause a loss of value. We were not provided with an Environmental Assessment Report. Further, we are not qualified to determine the existence or extent of environmental hazards. If there are any concerns pertaining to environmental hazards for this property, we recommend that a qualified engineer perform an assessment.

ADDENDA

Parcel Map

Okaloosa County Property Appraiser

Parcel ID	00-25-24-2186-000E-0260	Physical Address	627 GULF SHORE DR DESTIN	Land Value	$565,926	Last 2 Sales Date	Price	Reason	Qual
Acres (GIS)	0.61	Mailing Address	ELITE INVESTMENTS FL PROP LLC 101 W COURT ST PARAGOULD, AR 72450-4337	Ag Land Value	$0	9/8/2016	$100	UNQUAL/FEDERAL/STATE/LOCAL GOV	U
Property Class	SINGLE FAM			Building Value	$2,082,160	5/27/2016	$3200000	QUAL/DEED EXAMINATION	Q
Taxing District	10			Misc Value	$87,801				
				Just Value	$2,735,885				
				Assessed Value	$2,731,040				
				Exempt Value	$0				
				Taxable Value	$2,731,040				

Date created: 8/19/2019
Last Data Uploaded: 8/19/2019 10:11:16 AM

Developed by Schneider GEOSPATIAL

Property Appraiser Card

Okaloosa County Property Appraiser

Parcel Summary

Parcel ID	00-2S-24-2186-000E-0260
Location Address	627 GULF SHORE DR DESTIN 32541
Brief Tax Description*	HOLIDAY ISLE LOT 26 BLK E
	*The Description above is not to be used on legal documents.
Property Use Code	SINGLE FAM (000100)
Sec/Twp/Rng	00-2S-24
Tax District	Destin (District 10)
Millage Rate	12.8406
Acreage	0.000
Homestead	N
Acreage (GIS)	0.61
Fire District	N/A

View Map

Owner Information

Primary Owner
Elbe Investments FL Prop LLC
101 W Court St
Paragould, AR 724504337

Valuation

	2019 Proposed Values	2018 Certified Values	2017 Certified Values	2016 Certified Values
Building Value	$2,082,158	$1,849,160	$1,806,498	$1,838,264
Extra Features Value	$87,801	$78,774	$78,774	$82,056
Land Value	$565,926	$554,829	$518,532	$323,406
Land Agricultural Value	$0	$0	$0	$0
Agricultural (Market) Value	$0	$0	$0	$0
Just (Market) Value	$2,735,885	$2,482,763	$2,403,804	$2,243,726
Assessed Value	$2,731,039	$2,482,763	$2,403,804	$2,243,726
Exempt Value	$0	$0	$0	$0
Taxable Value	$2,731,039	$2,482,763	$2,403,804	$2,243,726
Maximum Save Our Homes Portability	$0	$0	$0	$0

*Just (Market) Value" description - This is the value established by the Property Appraiser for ad valorem purposes. This value does not represent anticipated selling price.

Land Information

Code	Land Use	Number of Units	Unit Type	Frontage	Depth
000131	SFR CANAL	90.00	FF	50	0

Building Information

Building 1

Type	SFR EXCEPT
Total Area	16,400
Heated Area	11,913
Exterior Walls	ICF;
Roof Cover	CONC TILE;.
Interior Walls	CUST PANEL;.
Frame Type	.
Floor Cover	STONE; HARDWOOD
Heat	AIR DUCTED
Air Conditioning	CENTRAL
Bathrooms	11.5
Bedrooms	11
Stories	3
Actual Year Built	2003
Effective Year Built	2003

Extra Features

Code	Description	Number of Items	Length x Width x Height	Units	Unit Type	Effective Year Built
DOCK	DOCK	1	0 x 0 x 0	1	UT	2003
FIRPLC	FIREPLC	1	0 x 0 x 0	1	UT	2003
ELEVTR	ELEVATOR	1	0 x 0 x 0	1	UT	2003
SWPOOL	SWIMPOOL	1	0 x 0 x 0	1	UT	2003
PAVERS	PAVERS	1	0 x 0 x 0	1	UT	2003

Building Area Types

Type	Description	Sq Footage	Year
FGR	F GARAGE	1,340	2003
FST	F STORAGE	270	2003
FOP	F OPN PRCH	2,229	2003
BAS	BASE AREA	3,503	2003
PTO	PATIO	336	2003
FUS	F UP STORY	8,410	2003
UOP	UNF OP PRH	312	2003

Sales

Multi Parcel	Sale Date	Sale Price	Instrument	Book	Page	Qualification	Vacant/Improved	Grantor	Grantee
N	09/08/2016	$100	QC	3366	114	Unqualified (U)	Improved	OKALOOSA COUNTY	ELITE INVESTMENTS FLORIDA PROPERTIES LLC
N	05/27/2016	$3,200,000	AL	3350	1107	Qualified (Q)	Improved	WILDE EARL J III	ELITE INVESTMENTS FLORIDA PROPERTIES LLC
N	05/27/2011	$3,200,000	AL	2956	4636	Unqualified (V)	Improved	JORDAN PEGGY S	WILDE EARL J III
N	05/27/2011	$100	QC	2956	4634	Unqualified (U)	Improved	JORDAN LEWIS H	JORDAN PEGGY S
N	07/01/2006	$100	FJ	2649	2666	Unqualified (U)	Improved	JORDAN LEWIS H	JORDAN PEGGY S
N	01/29/1997	$320,000	PA	2050	1256	Qualified (Q)	Vacant	BALL SMITH JACKIE & JOAN M	JORDAN PEGGY S
N	12/01/1994	$240,000	PA	1864	1991	Qualified (Q)	Vacant		BALL SMITH JACKIE & JOAN M
N	09/01/1992	$170,000	AS	1697	564	Qualified (Q)	Vacant		
N	01/01/1977	$8,900	PV	0	0	Unqualified (U)	Vacant		

Sketches

Print Sketches

Most Recent Deeds

FILE #3089602 RCD: 9/13/2016 2:10 PM, BK: 3266 PG: 114, RECORDING: $6.00 RECORDING ARTICLE V: $4.00
D Doc Stmp: $0.70 DEPUTY CLERK ASECRIST
JD PEACOCK II CLERK OF COURTS, OKALOOSA COUNTY, FLORIDA

This Instrument Prepared by:
Billie Jene Martin
Surety Land Title of Florida, LLC
188 N. Main Street, Crestview, FL 32536
Property Appraiser's Parcel: 00-2S-24-2186-000E-0260
Identification No.: 1606-188

(Space above this line is for recording purposes only)

QUIT CLAIM DEED

THIS QUIT CLAIM DEED executed this 8th day of **September, 2016,** by **Okaloosa County**, a governmental subdivision of the State of Florida, grantor, whose post office address is: Okaloosa County Courthouse Extension, Crestview, FL 32536 to **Elite Investments Florida Properties, LLC** as grantee, whose address is: **1211 W Court Street, Paragould, AR 72450.**

WITNESSETH, That the grantor, for and inconsideration of the sum of **ONE HUNDRED AND NO/100 –DOLLARS ($100.00),** the receipt of which is hereby acknowledged, has granted, bargained, and sold to the said grantee(s) their heirs and assigns forever, all of the grantor's reversionary interest in such part of the leasehold interest owned by the grantee on the date of this conveyance in the following described real property, situated, lying and being in the County of Okaloosa, State of Florida, to-wit:

Lot 26, Block E, Holiday Isle onthe Gulf of Mexico at Destis, Inc. Residential Section Number 2, according to the Plat thereof, recorded in Plat Book 3, Page(s) 57, of the Public Records of Okaloosa County, Florida.

IT IS THE EXPRESS intent of the grantor that its reversionary estate in that portion of the original leasehold estate from the Okaloosa County and/or Okaloosa Island Authority which the grantee now owns in the subject premises shall be merged with such present leasehold interest owned by the grantee, subject, however to such terms and conditions contained in the 1963 quitclaim deed or record from the United States of America to the grantor and all protective covenants previously imposed of record on the above land by Okaloosa County or its agent, Okaloosa Island Authority, and by acceptance of this deed, grantee acknowledges the validity of such protective covenants and restrictions (with the term "owner" being substituted for "leaseholder" and "Lessee" therein where appropriate), which are hereby reimposed.

THIS CONVEYANCE, is also subject to all existing encumbrances, liens, condominium declarations, planned united development declarations, sublease, and/or lease assignment conditions, easements, restrictions, covenants or other similar servitudes of record, which were validly imposed, voluntarily or involuntarily, subsequent to the original lease from Okaloosa County and/or Okaloosa Island Authority by any subsequent owner of the leasehold interest in the chain of record title to the above-described property. By acceptance of this deed, grantees acknowledge the validity and enforceability to pay an annual assessment fee to Holiday Isle Improvement Association, Inc. and agree to be bound thereby, if applicable.

IN WITNESS WHEREOF, the said grantor has caused these presents to be executed in its name by its board of county commissioners acting by the chairman or vice-chairman of said board, day and year aforesaid.

OKALOOSA COUNTY
BY ITS BOARD OF COUNTY COMMISSIONERS

(OFFICIAL SEAL)

By: _____
CHAIRMAN OR VICE-CHAIRMAN

ATTEST: _____
CLERK OR DEPUTY CLERK

FILE #3068608 RCD: 5/27/2016 4:04 PM, BK: 3250 PG: 1107, RECORDING: $15.00 RECORDING ARTICLE V: $12.00
D Doc Stmp: $22,400.00 DEPUTY CLERK JLALLEN
JD PEACOCK II CLERK OF COURTS, OKALOOSA COUNTY, FLORIDA

PREPARED BY AND RETURN TO:
Lindsey McEwan
McNeese Title, LLC
36468 Emerald Coast Parkway, Suite 1201
Destin, Florida 32541
File No. 16-0349LM

ASSIGNMENT OF SUBLEASE

THIS ASSIGNMENT OF SUBLEASE, made effective as of May 27, 2016 A.D. and entered into by and between **Earl J. Wilde, III, married man,** whose address is: 9938 Airline Highway, Suite 200, Baton Rouge, Louisiana 70816, hereinafter called the Assignor(s), to **Elite Investments Florida Properties, LLC, an Arkansas limited liability company**, whose post office address is: 1011 Linwood Drive, Paragould, Arkansas 72450, hereinafter called the Assignee(s):

(Whenever used herein the term "assignor" and "assignee" include all the parties to this instrument and the heirs, legal representatives and assigns of individuals, and the successors and assigns of corporations)

WHEREAS as interest in said sublease was subsequently assigned to Assignors as recorded in Official Records Book 2986, Page 4636, of the Public Records of Okaloosa County, Florida.

NOW THEREFORE for Ten Dollars, ($10.00) and other valuable consideration and the mutual covenants and agreements herein described to be kept and performed by the Assignee, the Assignor does hereby sell, transfer, set over to, convey, and assign all rights, title and interest to Assignee, in and to the following described Leasehold Estate, located in Okaloosa County, Florida, to-wit:

Lot 26, Block E, HOLIDAY ISLE ON THE GULF OF MEXICO AT DESTIN, INC. RESIDENTIAL SECTION NUMBER 2, according to the Plat thereof as recorded in Plat Book 3, Page 57, of the Public Records of Okaloosa County, Florida.

Parcel ID Number: **00-2S-24-2186-000E-0260**

Said property is not the homestead property of the Grantor as defined by the Constitution of the State of Florida.

Subject, however, to all covenants, conditions, restrictions, reservations, limitations, easements and to all applicable zoning ordinances and/or restrictions and prohibitions imposed by governmental authorities, if any, and taxes for the current year.

The Assignors warrant that they have a good right to assign that interest herein assigned under the terms of the original lease, that the Assignors have made no prior assignment of this leasehold interest, and that such interest is clear of all encumbrances, save and except the taxes for the year subsequent to December 31, 2015 and subsequent years.

TO HAVE AND TO HOLD the same throughout the remainder of the terms of the above-mentioned lease, the same being for an original period of 99 years, subject to the covenants, restrictions and conditions in said lease.

BK: 3250 PG: 1108

In Witness Whereof, the said assignor has signed and sealed these presents the day and year first above written.

Signed, sealed and delivered in our presence:

Witness Signature: Sean Wendell

Witness #1 Printed Name Sean Wendell

Witness Signature: Katie Slater

Witness #2 Printed Name Katie Slater

Earl J. Wilde, III

State of Louisiana
County of E. Baton Rouge

The foregoing instrument was acknowledged before me this May 19, 2016, by Earl J. Wilde, III, who is personally known to me or who has produced Drivers License as identification.

Notary Public
Print Name:
My Commission Expires:

OFFICIAL SEAL
BRYAN M. DENISON
NOTARY ID # 26860
STATE OF LOUISIANA
PARISH OF EAST BATON ROUGE
Commissioned for Life

BRYAN DENISON – ID #26860
NOTARY PUBLIC
EAST BATON ROUGE PARISH, LA

BK: 3250 PG: 1109

ACCEPTANCE OF SUBLEASE

By acceptance of this instrument, Assignee covenants and agrees to do and perform each and all of the commitments and covenants of the Assignors contained in the original lease insofar as such commitments and covenants therein pertain to the property herby assigned, including but not limited to, the payment of all amount required to be paid thereunder promptly when due.

In Witness Whereof, the said assignee has signed and sealed these presents the day and year first above written.

Signed, sealed and delivered in our presence:

Witness Signature Melissa Griffin
Witness #1 Printed Name Melissa Griffin

Witness Signature: Lisa Siebert
Witness #2 Printed Name Lisa Siebert

Elite Investments Florida Properties, LLC, an Arkansas limited liability company

By: _____
Jason Sapp, Manager

By: _____
Chris Robinson, Manager

State of Arkansas
County of Greene

The foregoing instrument was acknowledged before me this May 25, 2016, by Jason Sapp and Chris Robinson as the Managers of Elite Investments Florida Properties, LLC, an Arkansas limited liability company, who are personally known to me or who have produced Drivers License as identification.

_____
Notary Public
Print Name: Shadow Inskeep
My Commission Expires: 6-6-21

(SEAL)

SHADOW INSKEEP
NOTARY PUBLIC-STATE OF ARKANSAS
GREENE COUNTY
My Commission Expires June 06, 2021
Commission # 12382519

THIS INSTRUMENT PREPARED BY
AND AFTER RECORDING RETURN TO:

Kimberly Romano Kopp, Esq.
Romano Kopp Law, P.A.
P.O. Box 445
Destin, Florida 32541

For Recording Purposes Only

SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is entered into this _____day of _____ 2019, ("Effective Date") by and between, Elite Investments Florida Properties, LLC. ("Owner") and the City of Destin ("City"), collectively referred to as the "Parties."

RECITALS

WHEREAS, on January 22, 2019, the City enacted Ordinance 18-29-CC, the Short-Term Rental Occupancy Ordinance ("Ordinance"), which limits the occupancy of short-term rental homes to two (2) people per bedroom plus an additional four (4) persons; and

WHEREAS, Owner owns the real property and improvements located at 627 Gulf Shore Drive, Destin, FL 32541, as more particularly described in the attached Exhibit "A" (the "Property"); and

WHEREAS, on May 10, 2019, Owner filed a claim with the City, pursuant to the provisions of §70.001, Florida Statutes, the Bert J. Harris, Jr., Private Property Rights Protection Act (the "Harris Act"), alleging that the Property had been inordinately burdened by the adoption of the Ordinance, (the "Claim"); and

WHEREAS, the Harris Act provides for the City to have the ability to enter into a settlement agreement which would have the effect of a modification or variance to the application of a regulation or ordinance as it would otherwise apply to the subject real property, provided the relief granted protects the public interest served by the regulations at issue and is the appropriate relief necessary to prevent the governmental regulatory effort from inordinately burdening the real property; and

WHEREAS, the City has determined that the modifications to the effect of the Ordinance effected by this Agreement protect the public interest served by the Ordinance and are the appropriate relief necessary to prevent the regulatory effect of the Ordinance from inordinately burdening the Property; and

WHEREAS, the Parties now desire to settle and finally resolve all disputes between and among them concerning the Claim.

NOW, THEREFORE, the Parties hereby agree as follows:

1. **Recitals.** The above recitals are true and correct and are incorporated herein by reference.

2. **Occupancy Allowable Under Ordinance.**

(a) Owner is hereby granted a variance from the provisions of the Ordinance so that the Owner shall have the right to apply under the Ordinance for a maximum occupancy of forty (40) overnight guests at the eleven (11) bedroom vacation rental property noted above and the City shall grant such occupancy. The right shall continue in perpetuity, regardless of any future changes in ownership, provided that this right shall expire permanently if the Property were to be voluntarily remodeled or voluntarily rebuilt in such a manner as to change the number of bedrooms that existed at the date of the Claim. The Property remains subject to all other requirements of the City's regulations, including but not limited to regulations for short-term rentals, parking, trash, and noise.

(b) No greater than fourteen (14) vehicles may be parked on the Property. No vehicle may encroach upon the City's right-of way.

(c) Owner shall ensure that at least seven (7) outdoor trash receptacles are provided by the applicable trash hauler and available for use by occupants at all times.

(d) Owner agrees that the City shall be permitted to access the property on an annual basis for the purpose of life-safety inspections to ensure code compliance with minimum egress and emergency egress requirements pursuant to the Florida Building Code (Residential) and to ensure the property has adequate and working smoke detectors. Owner shall submit to the City a separate application and fee for such inspection, on a form provided by the City, at the time Owner submits its annual short-term rental registration application to the City

3. **Development in Accordance with Code.** Notwithstanding any provisions contained herein, the Owner shall at any time have the right and option to remodel, develop, or use the Property in accordance with the applicable ordinances of the City of Destin in effect at the time of application therefor, and this variance shall not be construed as making the Property in any way non-conforming.

4. **Entire Agreement.** The Parties acknowledge that this Agreement constitutes the entire agreement between them regarding the settlement of their dispute and any prior statements, whether oral or written, are merged herein. This Agreement may not be modified or amended without a written instrument signed by the party against whom enforcement is sought.

5. **Duration of Agreement.** This Agreement shall be perpetual and deemed to run with the land, and shall be binding upon and the benefits shall inure to the parties hereto and their respective heirs, devisees, personal representatives, successors and assigns.

6. **Authority.** The signatories to this Agreement are expressly authorized to resolve their dispute as set forth herein and by their signatures here represent and affirm their authority to execute this Agreement.

7. **Governing Law.** The law of the State of Florida shall apply to this Agreement. Any dispute regarding this Agreement shall be litigated exclusively in the courts of Okaloosa County, Florida. The parties expressly consent to such agreed jurisdiction and venue, and waive any objections thereto.

8. **Notices.** Any notice required or permitted to be given hereunder shall be in writing and shall be (i) delivered by hand, (ii) delivered by reputable national or local courier (such as United Parcel Service or Federal Express), (iii) mailed by United States registered or certified mail, return receipt requested and postage prepaid, or (iv) sent by facsimile transmission provided a confirmation of such facsimile transmission is sent the same day by one of the methods of delivery in (i), (ii), or (iii) above. Any notice shall be addressed to each party at its address as set forth below. Any such notice shall be considered given on the date of such hand delivery, deposit with such courier for same day or next business day delivery, upon receipt of return receipt of certified mail, or receipt of facsimile transmissions, as the case may be, and the time period (if any is provided herein) in which to respond to such notice shall commence on the date of receipt. Rejection or other refusal to accept or inability to deliver because of changed address of which no notice was given shall be deemed to be receipt of the notice. By giving to the other party at least ten (10) days' notice thereof, any party shall have the right from time to time to change the addresses thereof and to specify up to two (2) additional addresses within the United States of America to which copies of notices to it shall be sent. Notice may be given on behalf of any party by such party's counsel. In the event the subject property owner changes, notices shall be addressed to the current owner as indicated in the records of the Okaloosa County Property Appraiser. Otherwise, notices shall be sent as follows:

Each notice shall be addressed as follows:

To City: City of Destin, Florida
Attn:
4200 Indian Bayou Trail
Destin, Florida 32541

With a copy to:
City Land Use Attorney
Romano Kopp Law, PA
PO Box 445
Destin, Florida 32541

To Elite Investments Florida Properties LLC: Jason Sapp
4559 Sailmaker Lane
Destin, Florida 32541

With a copy to: Matthews & Jones, LLP

Attn: C. Stephen Tatum
4475 Legendary Drive
Destin, Florida 32541

9. **Attorney's Fees**. In the event of any action, whether pre-suit, mediation, litigation or appellate proceeding to enforce the terms and conditions of this Agreement, each party to the action shall pay its own attorney's fees and costs incurred therein.

10. **Venue**. Venue over any action to enforce the terms and conditions of this Agreement, including mediation, shall lie solely in Okaloosa County, Florida.

OWNER: Elite Investments Florida Properties, LLC

_____
Signature of Witness #1

_____
Jason Sapp

_____
Print or type name

_____

_____
Signature of Witness # 2

_____
Print or type name

STATE OF_____
COUNTY OF_____

The foregoing instrument was acknowledged before me this _____ day of _____ 2019, by _____ _____ and _____, who are personal known to me or who have produced _____ as identification and who did not (did) take an oath.

_____
Signature of Notary

(NOTARY SEAL)

_____
Print or type name

CITY OF DESTIN

By:_____

Gary Jarvis, Mayor

Date:_____

ATTEST:

_____
Rey Bailey, City Clerk

Date:_____

STATE OF_____
COUNTY OF_____

The foregoing instrument was acknowledged before me this _____ day of _____ 2019, by _____ _____ and _____, who are personal known to me or who have produced _____ as identification and who did not (did) take an oath.

_____
Signature of Notary

(NOTARY SEAL)

_____
Print or Type Name

Approved as to form and legality for use and reliance
by the City of Destin, Florida, only.

_____
Kimberly Romano Kopp, Esq.
City Land Use Attorney

Exhibit "A"

Legal Description of Property

Lot 26, Block E, Holiday Isle on the Gulf of Mexico at Destin, Inc. Residential Section Number 2, according to the Plat thereof, recorded in Plat Book 3, Page(s) 57, of the Public Records of Okaloosa County, Florida.

ITEM # 2019-1895

CITY OF DESTIN

AGENDA ITEM

COUNCIL MEETING DATE: December 9, 2019
TYPE OF AGENDA ITEM: Action Item

TO: City Council

THRU: Lance Johnson, City Manager

FROM: Kimberly Kopp, Land Use Attorney
Louis Zunguze, Community Development Director

DATE: December 5, 2019

SUBJECT: 14) 85 Woodward Street

I. BACKGROUND:

On January 22, 2019, the City enacted Ordinance 18-29-CC, the Short-Term Rental Occupancy Ordinance ("Ordinance"), which limits the occupancy of short-term rental homes to two (2) people per bedroom plus an additional four (4) persons.

The subject property owner owns the real property and improvements located at 85 Woodward Street Destin, FL 32541, as more particularly described in Exhibit "A" (the"Property") to the proposed settlement agreement.

Owner filed a claim with the City, pursuant to the provisions of §70.001, Florida Statutes, the Bert J. Harris Jr., Private Property Rights Protection Act (the "Harris Act"), alleging that the Property had been inordinately burdened by the adoption of the Ordinance, (the "Claim).

The Harris Act provides for the City to have the ability to enter into a settlement agreement which would have the effect of a modification or variance to the application of a regulation or ordinance as it would otherwise apply to the subject real property, provided the relief granted protects the public interest served by the regulations at issue and is the appropriate relief necessary to prevent the governmental regulatory effort from inordinately burdening the real property.

The City Council should settle the claim if the City Council determines that the modifications within the settlement agreement protect the public interest served by the Ordinance and are the appropriate relief necessary to prevent the regulatory effect of the Ordinance from inordinately burdening the Property.

II. DISCUSSION: The property owner has requested a maximum occupancy of thirty-eight (38) occupants. City staff is recommending an occupancy of thirty-five (35) occupants based on the square footage of the property. The building official utilized a one-occupant per 200 square feet methodology for recommending the above-stated occupancy.

Additionally, staff is recommending at least six (6) trash cans on the property. This recommendation is based on industry standard (Waste Management) that, on average, one trash can is required for every six occupants in order to ensure adequate garbage disposal. Therefore, if the maximum number of occupants exceeds any multiple of six (6, 12, 18, 24, 30, 36, etc.), then an extra trash can will be needed to accommodate the additional occupants. For example, if thirteen (13) is the maximum occupation, then three (3) trash cans are required. This is because, on average, two (2) trash cans will only accommodate twelve (12) occupants. The third trash can will be needed to accommodate the thirteenth occupant.

Further, the property owner must agree to annual life safety inspections, as provided in the proposed settlement agreement.

Finally, staff is recommending that no greater than ten (10) vehicles be parked on this property

As stated in the agreement, the property owner remains bound by all other provisions of City codes.

A. Link to Strategic Goals / Objectives:

B. Effect on Budget (EOB):

C. Level of Service (LOS):

III. CONCLUSION:

IV. RECOMMENDED MOTION: 1. I move to approve the settlement agreement prepared by the City Land Use Attorney and Staff.

or

2. I move to approve the settlement agreement prepared by the City Land Use Attorney and Staff with the following modifications:_____.

or

3. I move to direct the City Land Use Attorney to negotiate in good faith with the property owner and to bring back an alternate settlement proposal to the City

Council for consideration.

or

4. I move to deny settlement of the subject claim at this time.

Attachments:

1. Bert Harris Case - 85 Woodward Street
2. 85 Woodward Street

DANA C. MATTHEWS
MICHAEL A. JONES
KENNETH M. BORICK
Of Counsel
Also admitted in Georgia and South Carolina
DANA C. "D.C." MATTHEWS II
SAMUEL B. TAYLOR
DANIEL C. O'ROURKE
Florida Supreme Court Certified
Civil and Family Mediator

MATTHEWS & JONES
ATTORNEYS AT LAW
INSIGHT | INTEGRITY | INNOVATION

CHRISTA P. DIVINEY
Board Certified Criminal Trial Lawyer
Also admitted in Alabama
LAURA PENTEL-KLANG
JESSICA L. STEWART
SALVADOR "A.J." GOMEZ
C. STEPHEN TATUM

Reply to Destin statum@destinlaw.com

October 11, 2019

VIA HAND DELIVERY

Mayor Gary Jarvis
City of Destin
4200 Indian Bayou Trail
Destin, FL 32541
gjarvis@cityofdestin.com

Dear Mayor Jarvis:

Our firm represents 14 Hutchinson, LLC, the owner of the home located at 85 Woodward Street; Destin, Florida, also identified as Lot 1 of the Hutchison Courts Phase II plat, recorded in Okaloosa County Plat Book 28, at Page 77.

Due to the recent enactment of City of Destin Ordinance 18-29-CC, which limits the occupancy of short term rental homes to two (2) people per bedroom plus an additional four (4) persons, 14 Hutchinson's reasonable investment-backed expectations for use of the home as a short-term vacation rental property have been inordinately burdened, as defined in the "Bert J. Harris, Jr., Private Property Rights Protections Act", Chapter 70, Florida Statutes ("Harris Act"). 14 Hutchinson hereby submits this letter along with the enclosed Panhandle Appraisal Group property appraisal dated January 22, 2019, as a claim under the Harris Act against the City of Destin for One Million Nine Hundred Thousand Dollars ($1,900,000.00), which represents the diminution in value of 14 Hutchison's property.

Pursuant to the provisions of the Harris Act, 14 Hutchison hereby demands payment in the amount of One Million Nine Hundred Thousand Dollars ($1,900,000.00) plus attorneys fees and costs.

If no resolution is reached during the statutorily prescribed waiting period, 14 Hutchison intends to file suit pursuant to this claim and pursue any other legal remedies for the actions that gave rise to this claim. 14 Hutchison explicitly reserves the right to

bring any and all legal challenges, appeals and objections with respect to Ordinance 18-29-CC.

Sincerely,

C. Stephen Tatum
Matthews & Jones, LLP
Attorney for 14 Hutchison, LLC

Enclosure

cc: Lance Johnson, City Manager (via email)
Rey Bailey, City Clerk (via email)
Kimberley Romano-Kopp, Esq. (via email)
Client

Appraisal Report

Detached Single Family Residential Home

7,315± HVAC SF Proposed Structure

85 Woodward Street
Destin, FL 32541

DIMINUTION IN VALUE ANALYSIS
85 WOODWARD STREET
DESTIN, FL 32541

FOR
14 HUTCHISON LLC
AND
DESIGNATED ATTORNEYS

RETROSPECTIVE TO JANUARY 22, 2019

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APPRAISAL REPORT

SUBJECT PROPERTY

7,315 ± HVAC SF Proposed Detached Residential Improvement

Ten Bedrooms and Ten and One Half Bathrooms

85 Woodward Street
Destin, FL 32541

EFFECTIVE DATE OF APPRAISAL

Retrospective to January 22, 2019

REPORT DATE

July 14, 2019

VIEWING DATE OF THE SUBJECT LOT

May 18, 2019

CLIENT/INTENDED USER

14 Hutchison LLC
Attn: Ben Giles
85 Woodward Street
Destin, FL 32541

File № 190482

PREPARED BY:

Thomas A. Marr

State-certified General Real Estate Appraiser № RZ 2645 (FL)
tom@panappraisal.com

Panhandle Appraisal Group
220 Hospital Drive
Fort Walton Beach, Florida 32548
Telephone: (850) 243-0958
Facsimile: (850) 226-8462

PANHANDLE APPRAISAL GROUP

REAL ESTATE VALUATION AND RESEARCH
Specializing in Residential and Commercial Valuation Support
Fort Walton Beach, Florida

Thomas A. Marr
State-certified General Real Estate Appraiser № RZ2645 (FL)

220 Hospital Drive
Fort Walton Beach, Florida 32548

Telephone: (850) 243-0958
Facsimile: (850) 226-8462

July 14, 2019

14 Hutchison LLC
Attn: Ben Giles
85 Woodward Street
Destin, FL 32541

Re: Diminution in value appraisal of an approximate 7,315 HVAC SF detached residential improvement, 'as proposed improved', identified as 85 Woodward Street in Destin, FL 32541. **Panhandle Appraisal Group File № 190482.**

Dear Mr. Giles:

I have completed the requisite personal viewing, research, and analysis necessary to determine if a diminution in value has occurred for the subject parcel.

The subject property is a proposed four level (including the viewing deck) detached single family residential structure with an approximate 7,315 HVAC SF, ten bedrooms and ten and one half bathrooms. The projected sleeping capacity of the subject is thirty eight (38) guests.

The purpose of the appraisal analysis was to develop an opinion of the market value of the proposed subject property prior to the enactment of the city of Destin Ordinance No. 18-29-CC, which was promulgated on January 22, 2019 and then derive a value after the January 22, 2019 ordinance which limited the subject to twenty four (24) guests.

The authorized user is the client at the address above. The understood intended use of the appraisal report will be for reference in determining if the promulgation of Ordinance No. 18-29-CC resulted in a diminution of value. No other use of this report by any other entity or person is authorized.

Subject to the above and the assumptions, limiting conditions, and certification set forth herein, it is my professional opinion the retrospective market value of the fee simple interest in the subject property, 'as proposed', as of January 21, 2019, prior to the promulgation of Ordinance No. 18-29-CC, was:

FOUR MILLION FOUR HUNDRED THOUSAND DOLLARS
$4,400,000

Subject to the above and the assumptions, limiting conditions, and certification set forth herein, it is my professional opinion the current market value of the fee simple interest in the subject property, 'as is', after the promulgation of Ordinance No. 18-29-CC is:

TWO MILLION FIVE HUNDRED THOUSAND DOLLARS
$2,500,000

The diminution of value is a rounded $1,900,000.

Exposure Time
The exposure time linked to the final value opinion is a range to nine (9) to twelve (12) months based on market sales of similar properties and current market activity.

Analysis of recent trends and current market supply and demand strongly indicate the highest and best use of the subject property is completion of construction with use as a seasonal rental home.

I hereby certify I possess no interest, present or contemplated, in the appraised property. The undersigned appraiser is competent or has taken the necessary steps to become competent for the property type being appraised. This appraisal has been prepared utilizing all of the requirements set forth as standards for real estate appraisals established for federally related transactions by the Comptroller of the Currency, the Federal Reserve Board, the Federal Deposit Insurance Corporation, and the State of Florida. The appraisal is in conformity with the standards for real estate appraisals as established by the Appraisal Foundation and its Appraisal Standards Board. The appraisal also conforms to *the 2018/2019 edition of the Uniform Standards of Professional Appraisal Practice (USPAP)* and your instructions. The fee for this appraisal was not based on value, nor was the assignment undertaken based on a predetermined value, a trend in value, or a minimum or maximum value.

Respectfully submitted,

Thomas A. Marr
State-Certified General Real Estate Appraiser № RZ 2645 (Florida)

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APPRAISAL REPORT

This is an Appraisal Report which is intended to comply with the reporting requirements in accordance with the 2018/2019 edition of the Uniform Standards of Professional Appraisal Practice (USPAP) for an Appraisal Report. As such, it represents summary discussions of the data, reasoning, and analyses used in the appraisal process to develop the appraisers' opinion of value. Supporting documentation concerning the data, reasoning, and analyses may be retained in the appraiser's files. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated below. The appraisers are not responsible for unauthorized use of this report.

CLIENT:	14 Hutchison LLC Attn: Ben Giles 85 Woodward Street Destin, FL 32541
APPRAISERS:	**Thomas A. Marr** State-certified General Real Estate Appraiser № RZ 2645 (Florida) Panhandle Appraisal Group 220 Hospital Drive Fort Walton Beach, Florida 32548
SUBJECT PROPERTY:	Legal Description Lot 1, Hutchison Courts, Phase II Tax ID №: 00-2S-22-5446-0000-0010.
PURPOSE OF THE APPRAISAL:	The purpose of this appraisal was to develop an estimate of the diminution in value from prior to the promulgation of City of Destin Ordinance No. 18-29-CC and after the promulgation of the ordinance on January 22, 2019.
INTENDED USE OF REPORT:	The understood intended use of the appraisal report will be for client use in legal proceedings.
INTENDED USER:	The intended user is the client stated above, the client's attorneys, courts of law, and regulatory authorities. This report is not intended or authorized for any other user or audience.
PROPERTY RIGHTS APPRAISED:	Fee Simple, one hundred percent (100%) ownership interest in the subject property.
EFFECTIVE DATE OF VALUE:	**Retrospective to January 22, 2019.**
DATE OF REPORT:	July 14, 2019
DATE OF INSPECTION:	Thomas A. Marr viewed the subject property on May 18, 2019.
SCOPE OF WORK:	I note you have not requested an appraisal report format. Based on the Scope of Work requirements included in the 2018/2019 version of USPAP, which indicates the appraiser is responsible to coordinate the scope of work with the client, I am informing you I will perform an appraisal report. **It is my opinion this process of work meets all applicable 2018/2019 USPAP standards.**
DEFINITIONS:	The definitions, commencing on the page following, are provided to assist the reader in understanding this appraisal report.

Market Value[1]

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

- Purchaser and seller are typically motivated;
- Both parties are well informed or well advised and each acting in what they consider their best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

The four (4) time differential which may be considered in the appraisal of existing developments are defined as follows:

(1) **'As Is'** means an estimate of the market value of a property in the condition observed upon inspection and as it physically and legally exists without hypothetical conditions, assumptions, or qualifications as of the date of appraisal.

(2) **'Value Upon Completion'** means the market value of a property with all existing construction, conversion, or rehabilitation hypothetically completed, or under other specified hypothetical conditions as of the date of appraisal. With regard to properties wherein anticipated market conditions indicate stabilized occupancy is not likely as of the date of completion, this estimate of value shall reflect the market value of the property as if complete and prepared for occupancy by tenants.

(3) **'Prospective Future Value Upon Completion'** means the prospective future value of a property on the date construction is completed, based upon market conditions forecast to exist as of completion date.

(4) **'Prospective Future Value Upon Achievement of Stabilized Occupancy'** means the prospective future value of a property at a point in time when all improvements have been physically constructed and the property has been leased to its optimum level of long term occupancy.

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[1] Title XI, Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), [Pub. L. No. 101-73, 103 Stat. 183 (1989)], 12 U.S.C. 3310, 3331-3351, and section 5(b) of the Bank Holding Company Act, 12 U.S.C. 1844(b); Part 225, Subpart G: Appraisals; Paragraph 225.62 (f).
Uniform Standards of Professional Appraisal Practice, 2003 Edition, Page 3
Federal Reserve System, 12 CFR Parts 208 and 225, Sec. 225.62
Office of the Comptroller of the Currency, 12 CFR Part 34, Sec. 34.42 (g)
FDIC, 12 CFR Part 323, Sec. 323.2 (g) (2000)
Office of Thrift Supervision, 12 CFR Part 564, Sec. 564.2
NCUA, 12 CFR Part 722, Sec. 722.2

Fee Simple Estate[2]
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.

Leased Fee Interest[3]
An ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the lessee are specified by contract terms contained within the lease.

Leasehold Interest[4]
The interest held by the lessee (the tenant or renter) through a lease transferring the rights of use and occupancy for a stated term under certain conditions.

Condominium[5]
A multi-unit structure or property in which persons hold fee simple title to individual units and an undivided interest in common areas.

Highest and Best Use[6]
The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and which results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability.

...of land or a site as though vacant:

Among all reasonable, alternative uses, the use yielding the highest present land value, after payments are made for labor, capital, and coordination. The use of property based on the assumption the parcel of land is vacant or can be made vacant by demolishing any improvements.

...of property as improved:

The use which should be made of a property as it exists. An existing improvement should be renovated or retained as is so long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing building and constructing a new one.

Marketing Time[7]
The time it takes an interest in real property to sell on the market subsequent to the date of an appraisal.

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2 The Dictionary of Real Estate Appraisal, Appraisal Institute, Fourth Edition, 2002, Page 113.

3 Ibid., Page 161.

4 Ibid., Page 162.

5 Ibid., Page 59.

6 Ibid., Page 135.

8 Ibid., Page 175

Exposure Time[8]
A retrospective estimate based on an analysis of past events assuming a competitive and open market.

Advocacy[9]
Representing the cause or interest of another, even if cause or interest does not necessarily coincide with one's own beliefs, opinions, conclusions, or recommendations.

Appraisal[10]
(Noun) The act or process of developing an opinion of value; an opinion of value. (Adjective) of, or pertaining to appraising and related functions such as appraisal practice or appraisal services.

Appraisal Practice[11]
Valuation services performed by an individual acting as an appraiser, including, but not limited to appraisal, appraisal review, or appraisal consulting.

Appraisal Review[12]
The act or process of developing and communicating an opinion about the quality of another appraiser's work was performed as part of an appraisal, appraisal review, or appraisal consulting assignment.

Appraiser[13]
One who is expected to perform valuation services competently, and in a manner, is independent, impartial, and objective.

Appraiser's Peers[14]
Other appraisers who possess expertise and competency in a similar type of assignment.

Assignment[15]
A valuation service provided as a consequence if an agreement between an appraiser and a client.

Assignment Results[16]
An appraiser's opinions and conclusions developed specific to an assignment.

Assumption[17]
An occurrence which is taken to be true.

Bias[18]
A preference or inclination which precludes an appraiser's impartiality, independence, or objectivity in an assignment.

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[9] Ibid., Page 105

[9] 2018/2019 edition, *Uniform Standards of Professional Appraisal Practice (USPAP)*, Page 1

[10] Ibid, Page 1

[11] Ibid, Page 1

[12] Ibid, Page 1

[13] Ibid, Page 1

[14] Ibid, Page 2

[15] Ibid, Page 2

[16] Ibid, Page 2

[17] Ibid, Page 2

[18] Ibid, Page 2

Business Enterprise[19]
An entity pursuing an economic entity.

Business Equity[20]
The interests, benefits, and rights inherent in the ownership of a business enterprise or a part thereof in any form (including, but not necessarily limited to, capital stock, partnership interests, cooperatives, sole proprietorships, options, and warrants).

Client[21]
The party or parties who engage an appraiser (by employment or contract) in a specific assignment.

Confidential Information[22]
Information is either:

- identified by the Client as confidential when providing it to an appraiser and is not available from any other source; or,

- classified as confidential or private by applicable law or regulation.

Cost[23]
The amount required to create, produce, or obtain a property.

'Credible'[24]
Worthy of belief.

Extraordinary Assumption[25]
An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions.

Feasibility Analysis[26]
A study of the cost-benefit relationship of an economic endeavor.

Hypothetical Condition[27]
An assertion which is contrary to what exists but is supposed for the purpose of analysis.

Intangible Property[28]
(Intangible Assets) Nonphysical assets, including, but not limited to, franchises, trademarks, patents, copyrights, goodwill, equities, securities, and contracts as distinguished from physical assets such as facilities and equipment.

Intended Use[29]

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19 2018/2019 edition, USPAP, Page 2

20 Ibid, Page 2

21 Ibid, Page 2

22 Ibid, Page 2

23 Ibid, Page 2

24 Ibid, Page 3

25 Ibid, Page 3

26 Ibid, Page 3

27 Ibid, Page 3

28 Ibid, Page 3

29 Ibid, Page 3

The use or uses of an appraiser's reported appraisal, appraisal review, or appraisal consulting assignment opinions and conclusions, as identified by the appraiser based on communication with the Client at the time of the assignment.

Intended User[30]
The Client and any other party as identified, by name or type, as users of the appraisal, appraisal review, or appraisal consulting report by the appraiser on the basis of communication with the Client at the time of the assignment.

Jurisdictional Exception[31]
...an assignment condition which voids the force of a part or parts of *USPAP*, when compliance with part or parts of *USPAP* is contrary to law or public policy applicable to the assignment.

IDENTIFY THE PROBLEM TO BE SOLVED
The client has requested that I derive two values for the subject. The first value is a value as of January 22, 2019 when the proposed subject improvement could accommodate 38 guests. The second value is after the city of Destin promulgated Ordinance 18-29-CC which limits the subject to 24 guests. The problem to be solved is to derive two values and then identify the diminution of value after the promulgation of the ordinance.

EXTENT OF THE PROCESS OF COLLECTING, CONFIRMING, AND REPORTING DATA:

Preparation of this appraisal included the following scope of work:

- The subject site was inspected by the appraiser, the property was photographed. File data for similar properties was reviewed.
- The public records were reviewed. As the subject is not yet constructed, only plans were available. The appraiser reviewed the plans.
- The appraiser examined the economic, social, governmental, and environmental forces affecting value in the subject neighborhood and the entire market area as a whole.
- The appraiser identified recent and projected actual rents for the subject, based on occupancy of up to 38 guests. The appraiser then identified the annual rentals of other comparable properties which accommodated up to 38 guests. These comparable rentals provided market support for the subject actual and projected gross rental income.
- The appraiser identified market rental comparables for properties limited to 24 guests.
- The appraiser then reduced gross rent to net operating rent and capitalized the net operating rent to identify value for the subject as a 38 guest rental and a 24 guest rental. The difference between these two values is the diminution in value.

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[30] Ibid, Page 3

[31] 2018 edition, *USPAP*, Page 3

IDENTIFICATION OF THE TYPE OF APPRAISAL AND APPRAISAL REPORT FORMAT:
I have provided an **Appraisal Report**, as defined by the *2018/2019 edition of the Uniform Standards of Professional Appraisal Practice*, containing a summary of all relevant conclusions, data, and analyses used in the report.

TERMS OF THE FINAL VALUE OPINION:
The final opinion of the current market values of the subject property, 'as is' is expressed in terms of cash or financing terms equivalent to cash.

POLICY STATEMENT OF THE APPRAISAL INSTITUTE:
It is improper to base a conclusion or opinion of value upon the premise the racial, ethnic, or religious homogeneity of the inhabitants of an area or of a property is necessary for maximum value.

Racial, religious, and ethnic factors are deemed unreliable predictors of value trends or price variance.

It is improper to base a conclusion or opinion of value, or a conclusion with respect to neighborhood trends, upon stereotyped, biased presumptions relating to the effective age or remaining life of the property being appraised or the life expectancy of the neighborhood in which it is located.

The undersigned appraiser is not a member of the Appraisal Institute.

GENERAL ASSUMPTIONS:

1. No responsibility is assumed for the legal description provided or for matters relevant to legal or title considerations. Title to the property is assumed to be marketable unless otherwise stated. The legal description used in this report is assumed to be correct.

2. The subject property is appraised free and clear of any or all liens, leases, or encumbrances unless otherwise stated. All mortgages, liens, encumbrances, leases, and servitudes have been disregarded unless so specified within the report.

3. No survey of the property has been made by the appraisers and no responsibility is assumed in connection with such matters. Sketches, plot plans, or illustrative material presented in this report are included only to assist the reader in visualizing the property.

4. Information and data furnished by others is usually assumed to be true, correct and reliable. When such information and data appears to be dubious and when it is critical to the appraisal, a reasonable effort has been made to verify all such information; however, no responsibility for its accuracy is assumed by the appraiser.

5. Responsible ownership and competent property management are assumed unless otherwise stated in this report.

6. It is assumed there are no hidden or unapparent conditions of the property, subsoil or structures which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.

7. It is assumed 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.

8. It is assumed the subject property is in compliance with all applicable zoning and land use regulations, unless a nonconformity has been stated, defined and considered in the appraisal report.

9. It is assumed all required licenses, consents or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use which the value estimate contained in this report is based.

10. It is assumed the utilization of the land and improvements is within the boundaries or property lines of the property described and there is no encroachment or trespass unless noted within the report.

EXTRAORDINARY ASSUMPTIONS:
I am using data provided to me by the client and other vacation home owners.

I am making the extraordinary assumption that the data provided is accurate, credible and reliable.

If, for any reason, the data provided is not accurate, credible and reliable, the values derived in the analysis is subject to review.

The subject is just now staring to be constructed. I am making the extraordinary assumption that the completion of construction will be done in a timely and workmanlike manner. If the subject improvement is not completed in both a timely and workmanlike manner, the values derived in the analysis are subject to review.

GENERAL LIMITING CONDITIONS:

1. This is an Appraisal Report which is intended to comply with the reporting requirements set forth in accordance with the *2018/2019 edition of the Uniform Standards of Professional Appraisal Practice* for an Appraisal Report. As such, it includes summarized discussions of the data, reasoning, and analyses used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses may be retained in the appraiser's files. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraiser is not responsible for unauthorized use of this report.

2. Appraisers are not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraisers suggesting the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert in the field of environmental assessment. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The appraiser's value estimate is predicated on the assumption there exists no such material on or in the property causing a loss in value unless otherwise stated in this report. No responsibility is assumed for any environmental conditions, or for any expertise or engineering knowledge required to discover them. The appraisers' descriptions and resulting comments are the result of the routine observations made during the appraisal process.

3. The subject property is appraised without a specific compliance survey having been conducted to determine if the property is or is not in conformance with the requirements of *The Americans with Disabilities Act*. The presence of architectural and communications barriers which are structural in nature which would otherwise restrict access by disabled individuals may adversely affect the property's value, marketability, or utility.

4. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event, only with proper written qualification and only in its entirety.

5. Neither all nor any part of the contents of this report shall be conveyed to any person or entity, other than the appraiser's or firm's client, through advertising, solicitation materials, public relations, news, sales, or other media without the written consent and approval of the authors, particularly as to valuation conclusions, the identity of the appraiser or firm with which the appraiser is connected, or any reference to affiliation with any professional appraisal organization. Further, the appraiser or firm assumes no obligation, liability, or accountability to any third party. If this report is placed in the hands of anyone but the client, client shall make party aware of all the assumptions and limiting conditions of the assignment.

6. The appraiser affixing his signatures to this appraisal report will not be required to give testimony or appear in court because of having made this appraisal, with reference to the property in question, unless arrangements have been previously made thereof.

7. No environmental impact studies were either requested or made in conjunction with this appraisal, and the appraiser hereby reserves the right to alter, amend, revise, or rescind any of the value opinions based upon any subsequent environmental impact studies, research, or investigation.

8. The appraiser has not been supplied with a report of the subsoil conditions indicating the exact capacity of the subsoil. I do not have the benefit of subsoil test results of the properties and detection of possible soil defects would be beyond my realm of expertise. However, there appear to be no hidden or apparent conditions of the subject sites or subsoil structures which would render them more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.

9. Acceptance of and/or use of this appraisal report constitutes acceptance of the foregoing General Assumptions, Special Assumptions, General Limiting Conditions, and Special Limiting Conditions.

EXTRAORDINARY LIMITING CONDITIONS AND HYPOTHETICAL CONDITIONS:
This report is based on a hypothetical condition that the subject was completed as of the date of viewing, May 18, 2019.

CERTIFICATION:

I certify, to the best of my knowledge and belief:

1. The statements of fact contained in this report are true and correct.

2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions and conclusions.

3. I possess no present or prospective interest in the property which is the subject of this report and no personal interest with respect to the parties involved.

4. I possess no bias with respect to the property which is the subject of this report or to the parties involved with this assignment.

5. The engagement in this assignment was not contingent upon developing or reporting predetermined results.

6. The compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value favoring the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

7. The analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *2018/2019 edition of the Uniform Standards of Professional Appraisal Practice*.

8. Thomas A. Marr has made a personal viewing of the property which is the subject of this report. No one else has rendered significant real estate appraisal knowledge and input to the compilation of this report.

9. I have not performed any services, to include appraisal services, regarding the subject in the previous three years.

10. The opinion of market value 'as proposed improved' of the one hundred percent (100%) fee simple ownership interest in the subject property, as of the date of last my personal viewing, of May 18, 2019 'as is' is prior to the promulgation of Destin Ordinance 19-23-CC is FOUR MILLION FOUR HUNDRED EIGHTY THOUSAND DOLLARS ($4,400,000) and the value after the promulgation of Destin Ordinance 19-23-CC is TWO MILLION FIVE HUNDRED THOUSAND DOLLARS ($2,500,000). The diminution of value is estimated as ONE MILLION NINE HUNDRED THOUSAND DOLLARS ($1,900,000).

Thomas A. Marr
State-certified General Real Estate Appraiser № RZ 2645 (Florida)

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DESCRIPTION OF THE SUBJECT PROPERTY
Ownership:

The current owner is 14 Hutchison LLC.

I was unable to identify a deed in public records. I have enclosed an excerpt from the Okaloosa County Property Appraiser web site indicating that the subject is owned by 14 Hutchison LLC.

Parcel Summary

Parcel ID	00-2S-22-5446-0000-0010
Location Address	85 WOODWARD ST DESTIN 32541
Brief Tax Description*	HUTCHINSON COURTS PH II LOT 1 *The Description above is not to be used on legal documents.
Property Use Code	VACANT (000000)
Sec/Twp/Rng	00-2S-22
Tax District	Destin (District 10)
Millage Rate	12.8406
Acreage	0.000
Homestead	N
Acreage (GIS)	0.22
Fire District	N/A

View Map

Owner Information

Primary Owner
14 Hutchinson LLC
1159 Troon Dr
Miramar Bch, FL 32550

Valuation

	2018 Certified Values
Building Value	$0
Extra Features Value	$0
Land Value	$240,108
Land Agricultural Value	$0
Agricultural (Market) Value	$0
Just (Market) Value	**$240,108**
Assessed Value	$240,108
Exempt Value	$0
Taxable Value	$240,108
Maximum Save Our Homes Portability	$0

"Just (Market) Value" description - This is the value established by the Property Appraiser for ad valorem purposes. This value does not represent anticipated selling price.

SITE:

Location:
The subject is located on the east side of Woodward Street, 450 feet north of the Woodward Street and Scenic Highway 98 intersection.

The subject lot was once part of the mature Crystal Beach subdivision in Destin and has been re-designated as Lot 1 of the Hutchison Courts SD, Phase II.

The surrounding area is the Crystal Beach Subdivision which is a mix of mature homes as well as many recently constructed 'beach' homes used for seasonal rental

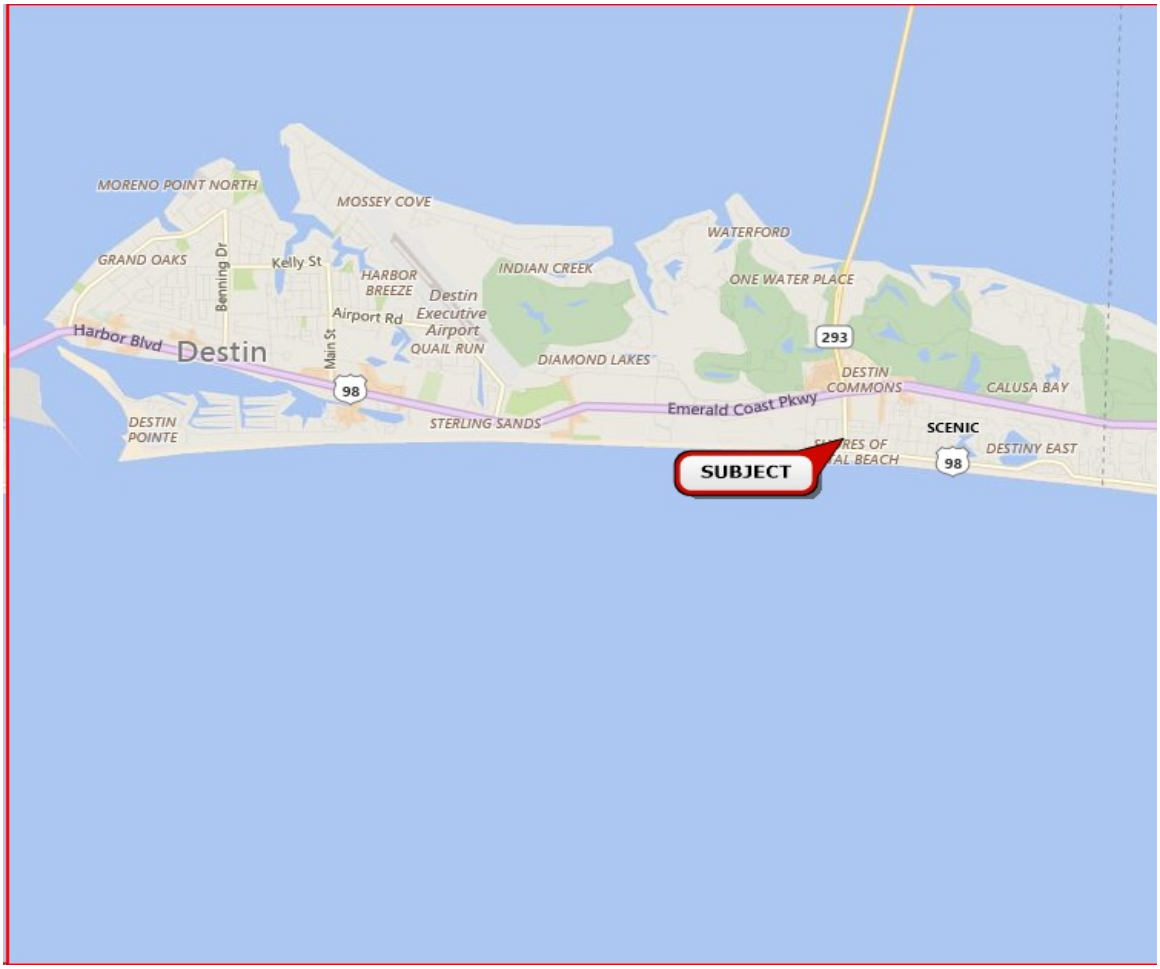
To the east and west, north of Scenic Highway 98 are primarily single family detached homes.

To the north, along the Emerald Coast Parkway (U. S. Highway 98) uses are almost exclusively commercial, and further north of the Emerald Coast Parkway are mature, residential subdivisions.

On the south side of Scenic Highway 98 are almost exclusively multi-family condominium projects mixed with a few detached single family residential homes.

The Henderson Beach Resort was just completed to the west of the subject.

See the following map for the subject location in the broad Destin market.



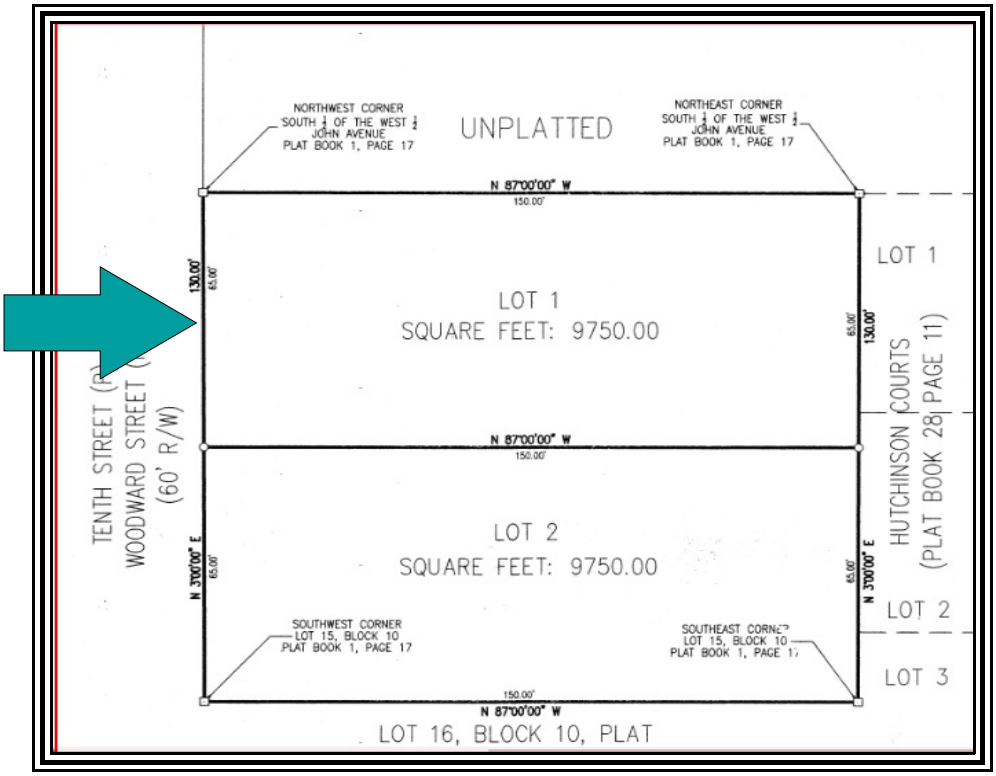
The following map indicates the Crystal Beach area which is the local market area surrounding the subject.

The following aerial photograph indicates the immediate vicinity of the subject.

Land Size:

The subject is a single residential lot.

See the following excerpt from the recorded plat map.



Based on these dimensions, the subject lot is a rectangle with east and west dimensions of 65 feet and north and south dimensions of 150 feet.

This results in a land size of 9,750 SF.

I would consider the subject land size as typical and parking to be adequate as there are eight (8) approved parking spaces indicated on the plans provided by the client.

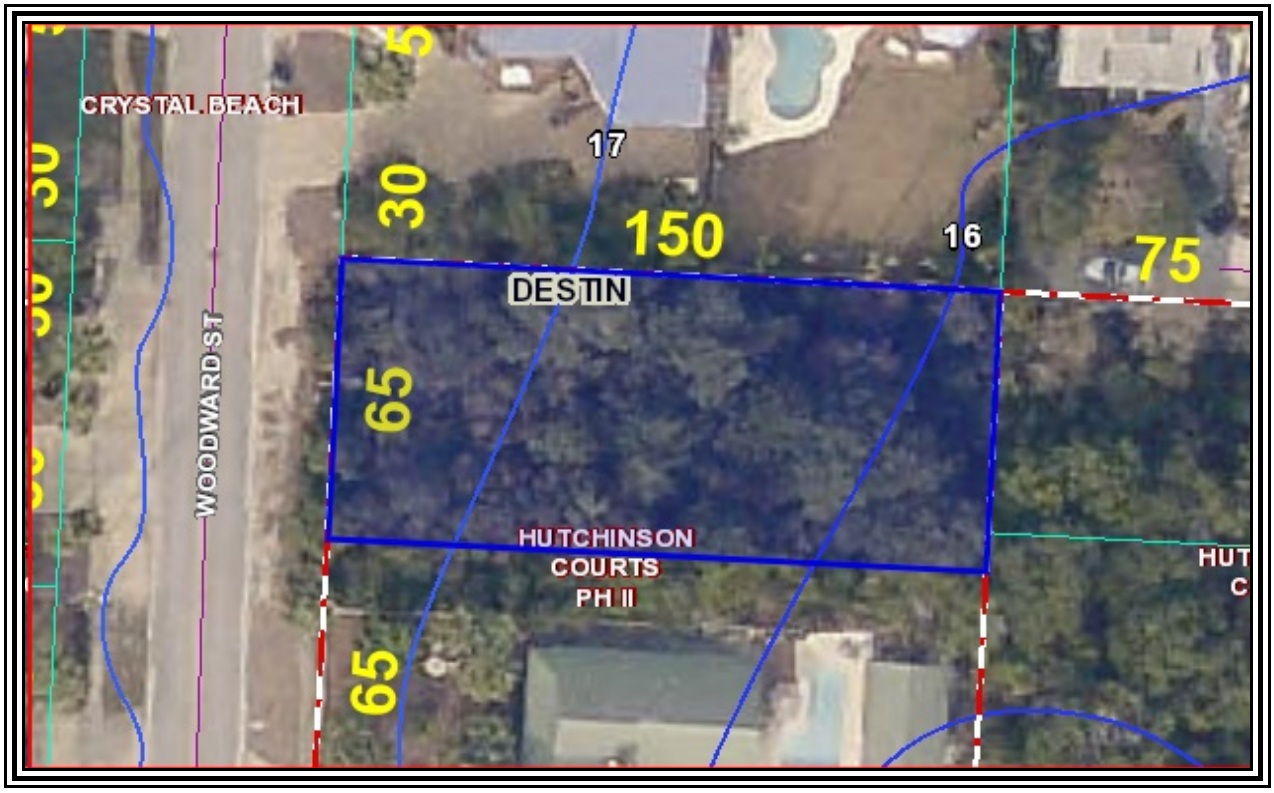
Site Topography:

Per the Okaloosa County GIS site and my viewing, the subject is at the road grade of Woodward Street.

The subject is also generally level over the entire surface of the lot, with some minor downward slope from west to east.

The subject lot contour is typical for most market parcels.

I am providing the following contour map extracted from the Okaloosa County Property Appraiser web site.



Utilities:

Utility	*Provider*	*Utility*	*Provider*
Electricity	Gulf Power	Stormwater Drainage	Destin
Water and Sewer	Okaloosa County	Fire Department	Destin
Natural Gas	Okaloosa Gas	Police Department	Contract with the Okaloosa County Sheriff
Telephone	Verizon	Refuse Removal	By contract
Cable Television	Cox Cable		

The utilities for the subject site are considered as typical in the market.

Easements/Encroachments:
I was not furnished a copy of a recent survey of the subject property. A review of the site plan, various maps and my personal viewing did not indicate any easements or encroachments.

I assume there are utility easements of record.

It is my opinion that there are no easements or encroachments which would affect value or transferability.

Ingress/Egress:
The subject property is reached directly from Woodward Street, which fronts on the subject west side.

Woodward Street is a paved, two lane public roadway.

Woodward Street connects to Scenic Highway 98 on the south and then runs north where it dead ends with a “T” intersection with Luke Avenue.

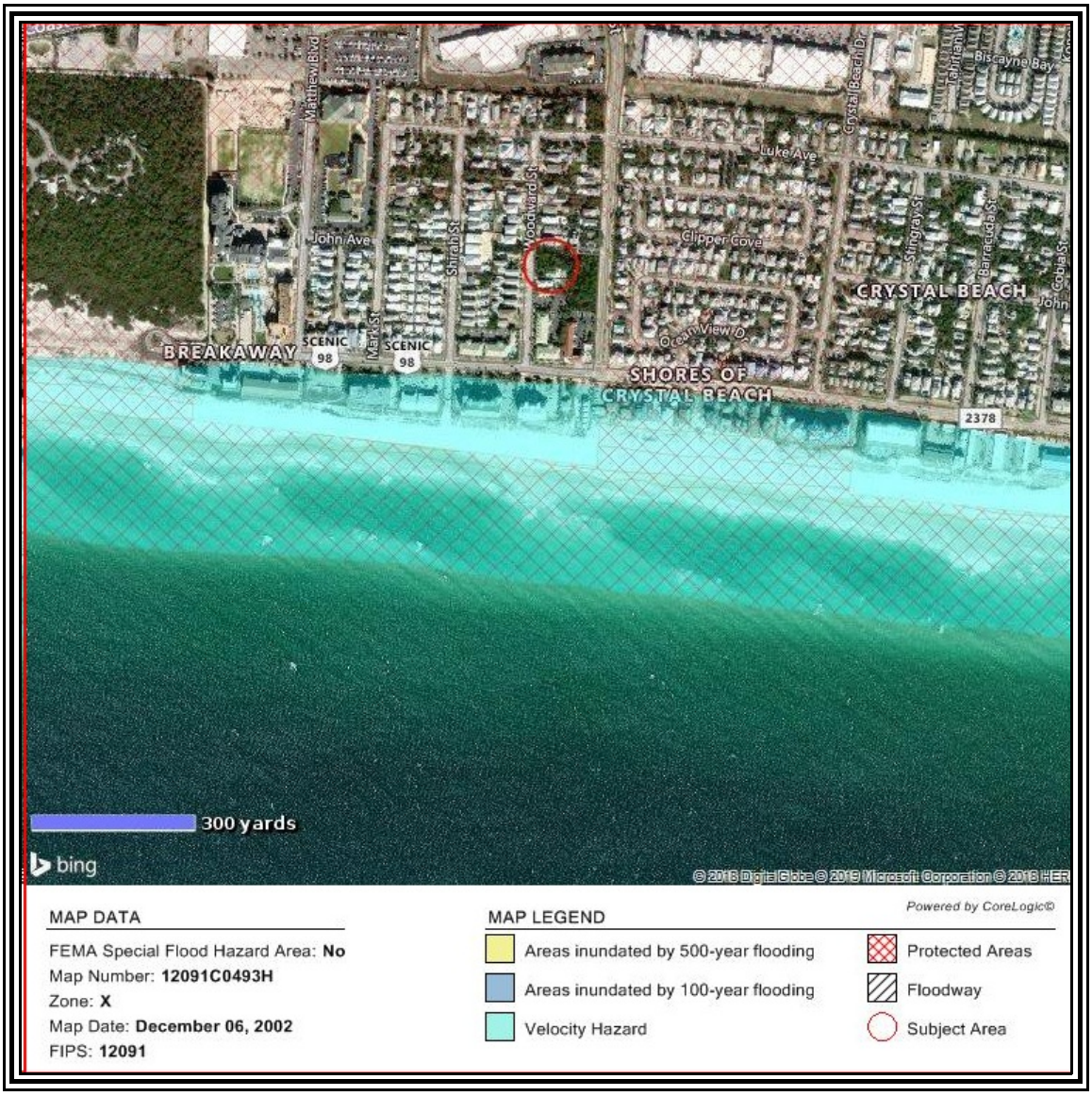
Ingress/egress is viewed as similar to most access typically found in the market.

Parking is viewed as superior to most parking found in the market as the subject was recently approved, meeting all current development codes for new construction.

Flood Risk:

FEMA Map Panel	*Map Area*	*Dated*	*Flood Zone*
12091C 0493H	Okaloosa County	December 6, 2002	"X"

* The client is advised appraisers are not surveyors, and accordingly, any final determination as to flood zone status should only be made by a licensed, adequately insured, Florida surveyor utilizing the latest FEMA flood panels. However, it appears the entire subject area is considered as Flood Zone 'X', an area of minimal flood risk. The subject is located at the red circle in the following flood map.

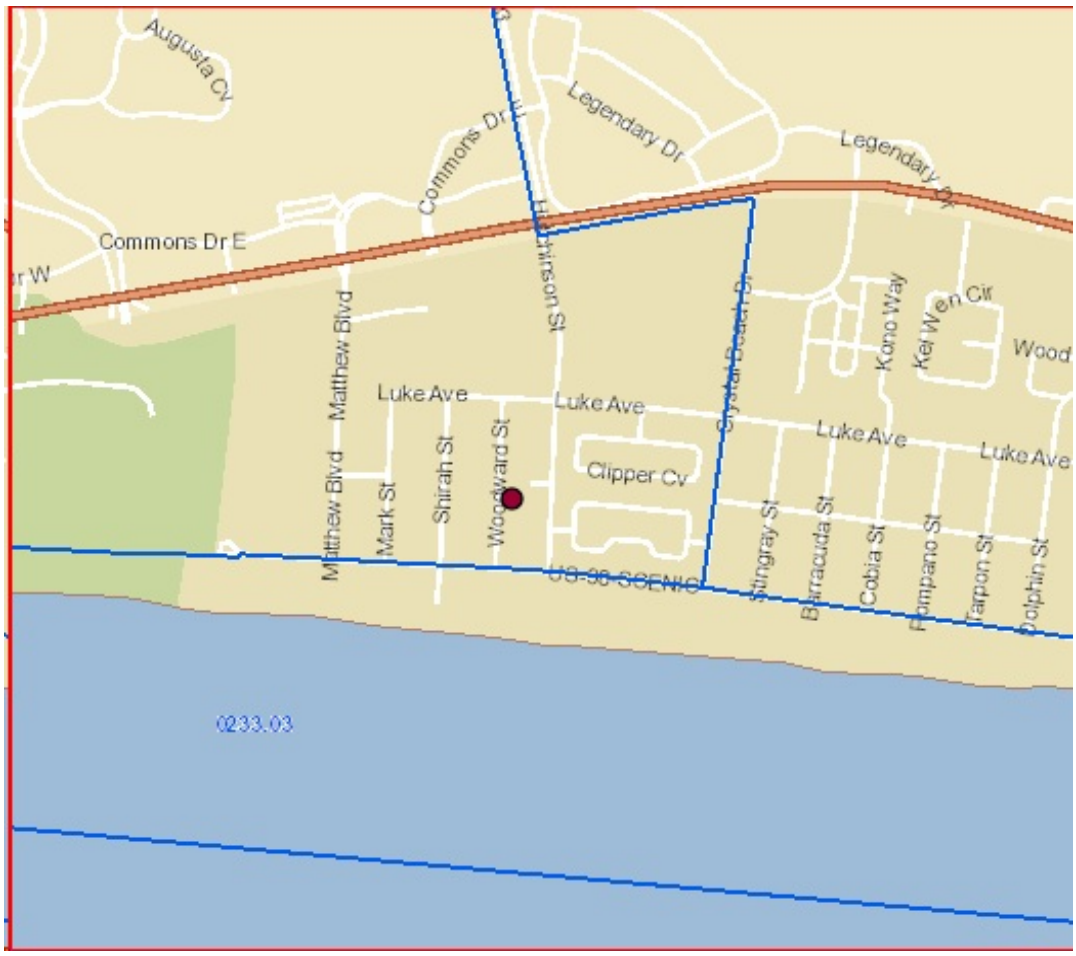


Wetlands:

The subject features no wetlands.

The wetland map is consistent with the flood panel on the previous page.

Census Data:
The subject is located in census tract 0233.04.



IMPROVEMENTS 'AS PROPOSED'

Size:
The proposed subject improvement is a single family detached improvement with three living levels and a fourth level which is a viewing deck accessed by stairs.

The subject also features an attached two car garage on the first level. The subject features substantial exterior balconies and porches, as well as an in ground swimming pool, pool deck/lanai, landscaping, and six (6) open paver parking spaces. The two (2) garage spaces and the six (6) open spaces result in a total of eight (8) parking spaces.

The first living level is two bedrooms with a king beds sleeping two (2), a second bedroom with a king bed sleeping two (2) and two bunk rooms, each sleeping eight (8) for a total of 16 in the bulk rooms and twenty (20) on the first level.

The second level is the kitchen and other living areas to include three (3) bedrooms with king beds sleeping two (2) each for a total of six (6) guests on the second level.

The third level is three bedrooms with king bed sleeping two (2) each for a total of six (6), and a bedroom with six (6) bunks for a total of twelve (12) on the third level.

The three level totals of 20, 6 and 12 result in a total of 38 guests.

Per the plans, the subject is 9,840 total SF with an approximate 7,315 HVAC SF of living area.

Construction Quality:
The quality of construction for the subject improvement is *Class C* good. Details of construction are summarized below:

Construction Component	
Foundation	4" Reinforced concrete slab
Exterior walls	Wood frame with hardi board and brick
Roof	Metal
Trim	Base and crown molding
Windows	Double pane aluminum
Exterior doors	Insulated metal with glass
Insulation	Unknown. Assumed to be R38 behind sheet rock
HVAC	Forced Air and Central HVAC
Ceiling	10 foot with sheet rock and can lights
Interior Walls	Painted sheet rock
Interior flooring	High quality stone, tile and carpet
Interior doors	Six and four panel wood
Restrooms	Seven and One Half bath rooms
Lighting	Can lights
Kitchens	One typical residential kitchen
Other	Many porches/swimming pool and lanai/elevator.

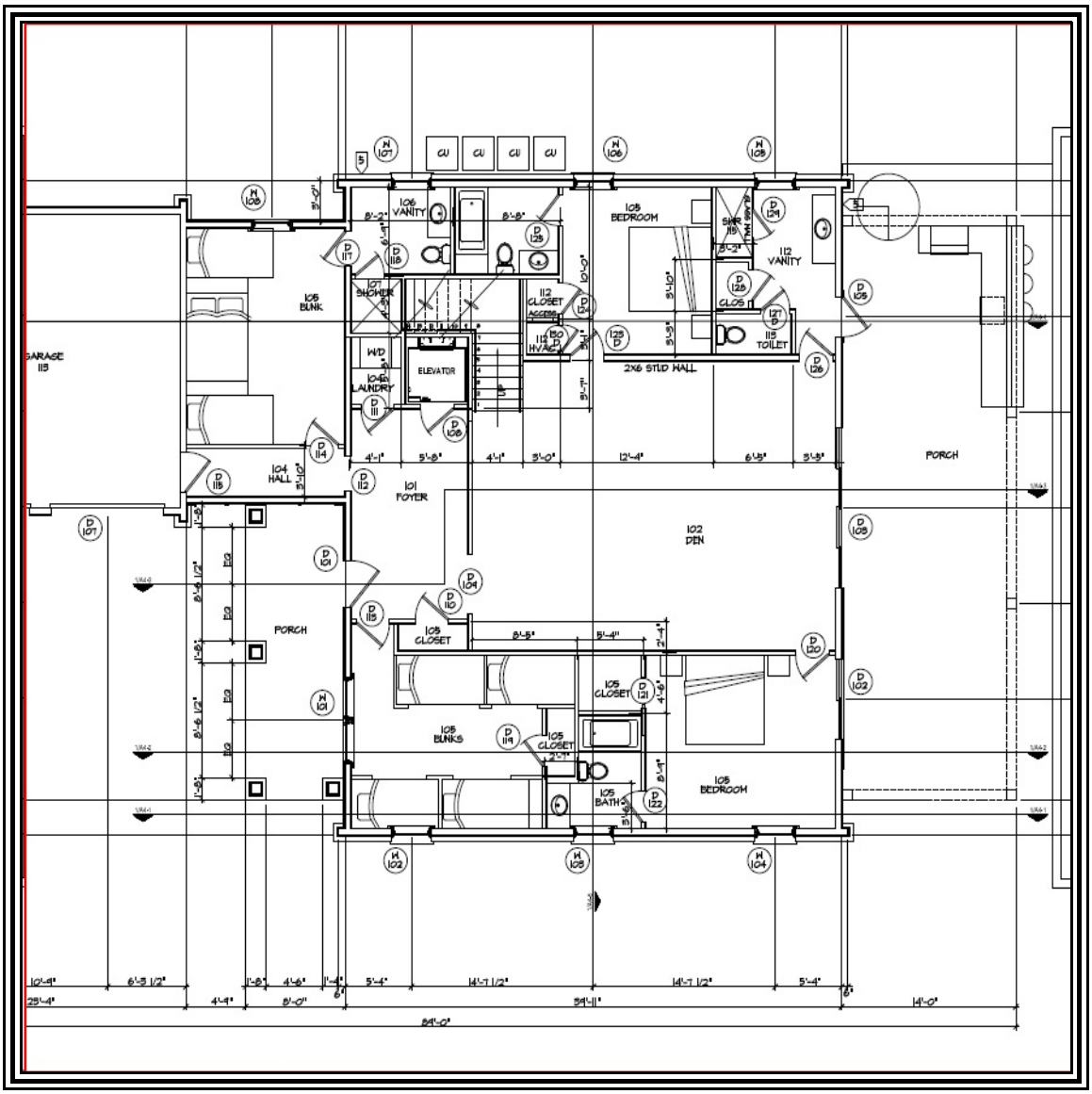
Condition of Improvements:
The subject improvement will be new and in good condition.

Age:
Public records and my viewing indicate this subject improvement will be completed in late 2019 or early 2020.

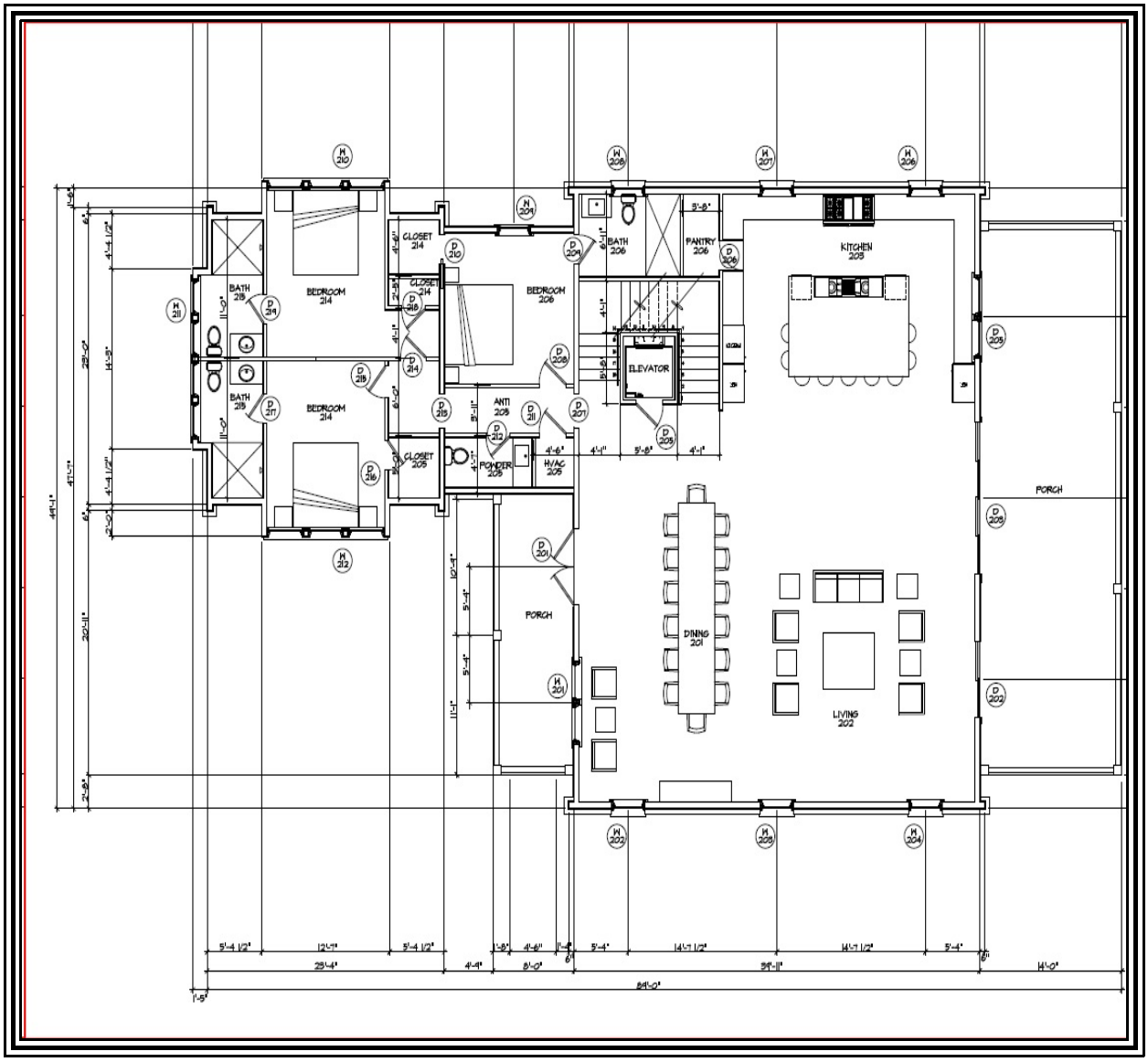
I consider the actual age and the effective age to be a similar one year. I estimate an economic life of 55 years and a physical life of 75 years.

See the following plans provided by the client.

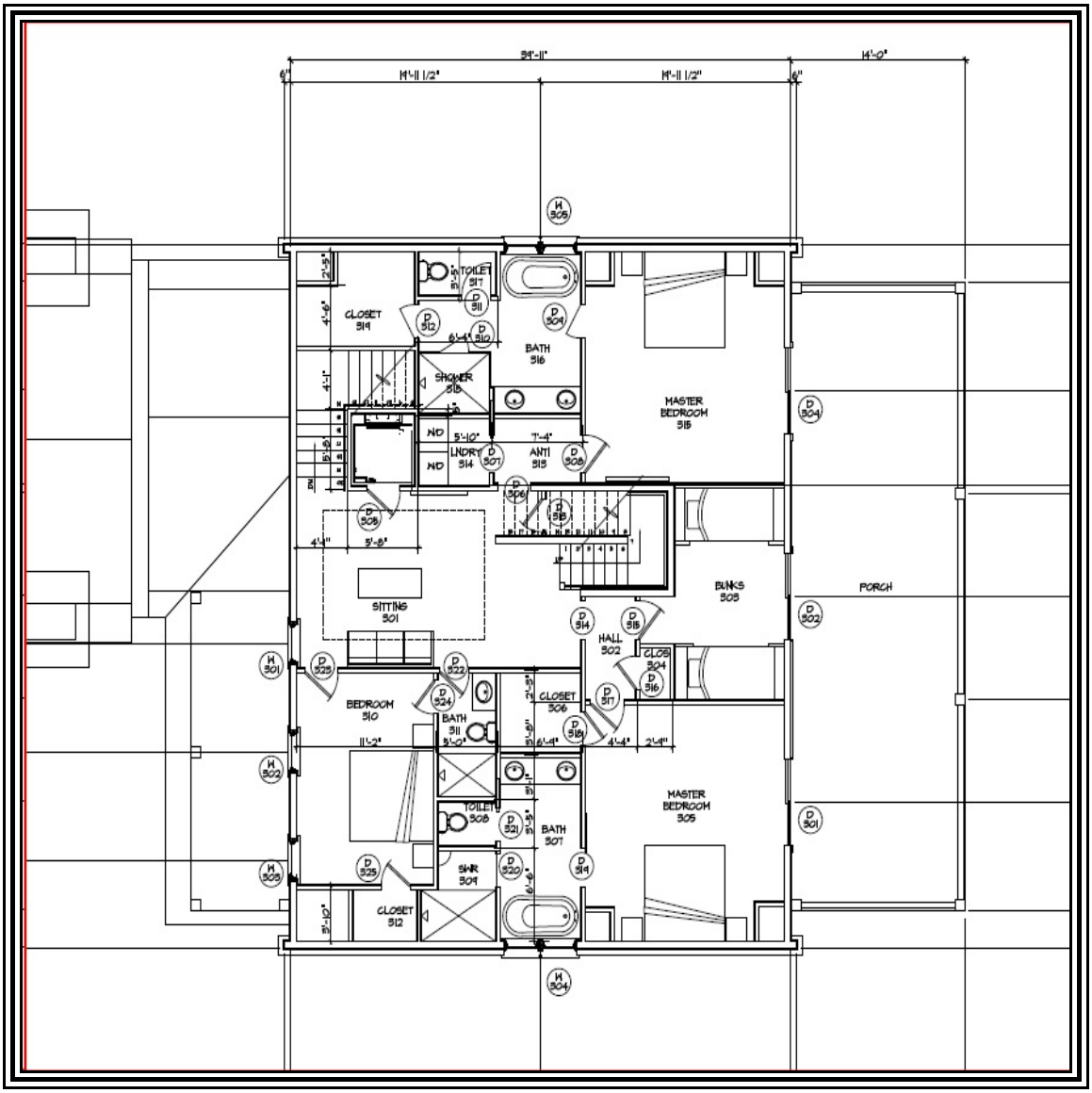
The first level sleeps twenty.



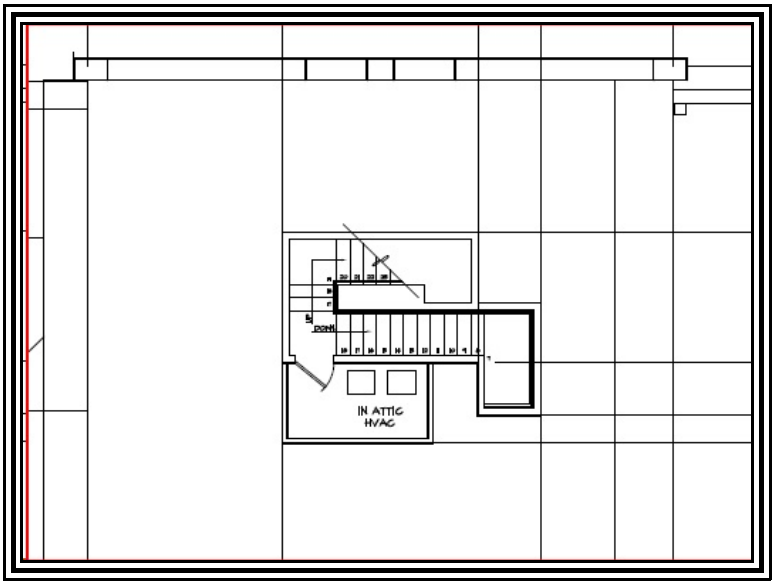
This is the second level with the main living areas of the kitchen as well as three bedrooms, sleeping a total of six (6).

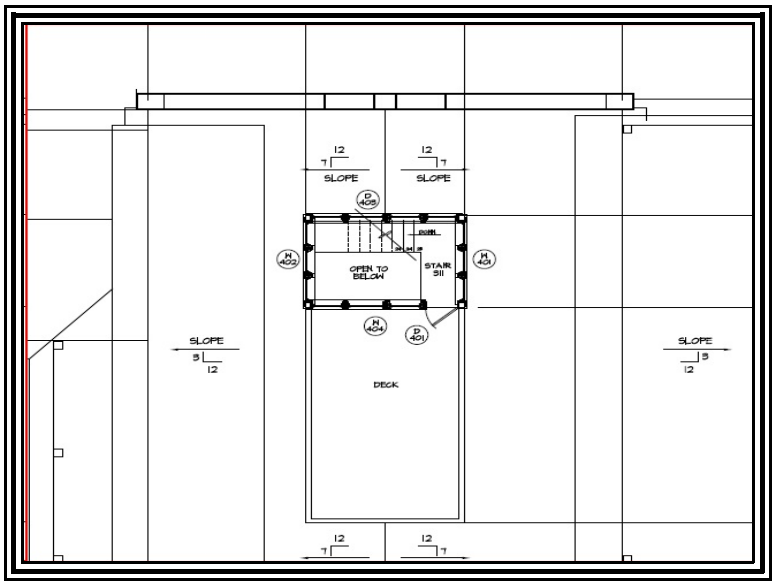


This is the third level which sleeps twelve (12)



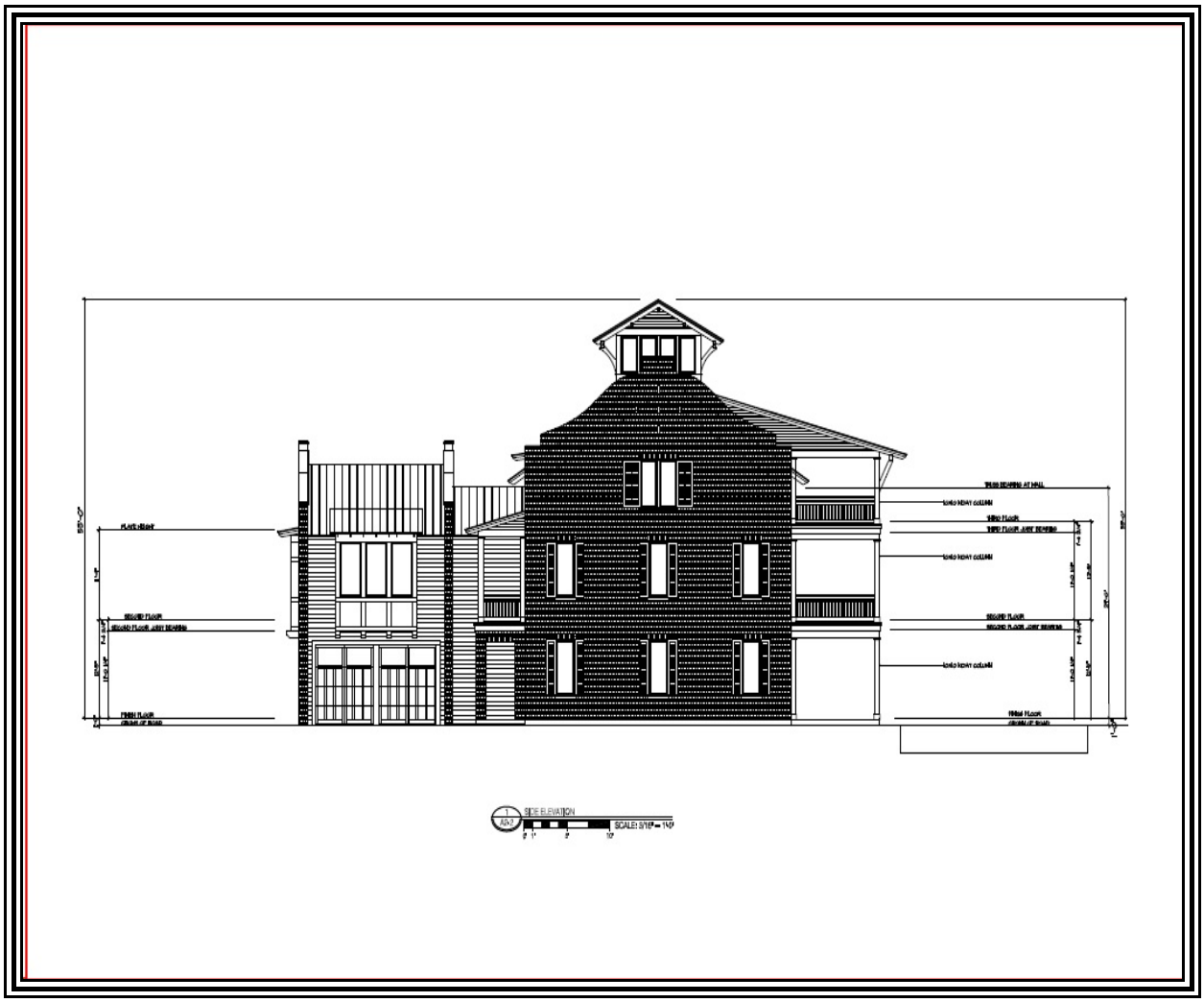
Stairwell and Viewing Deck: No Sleeping Capacity



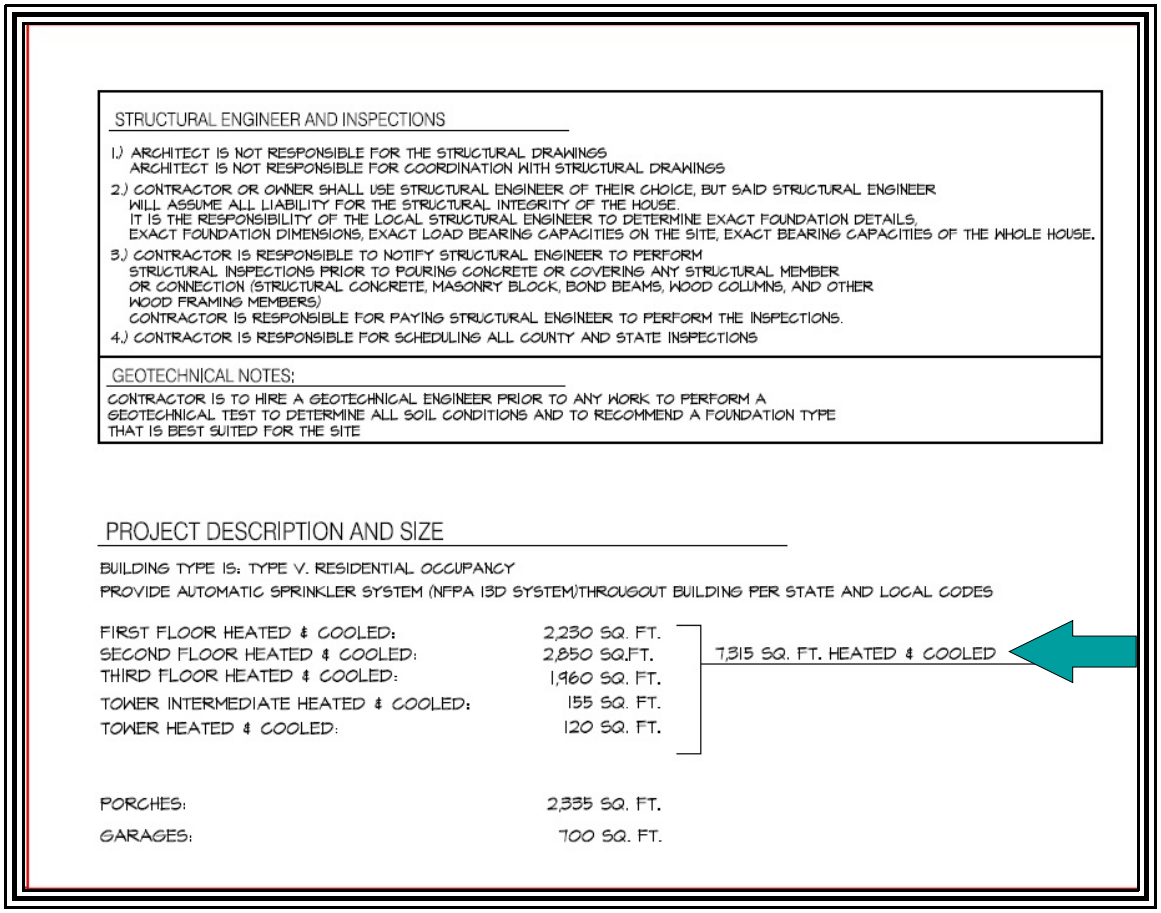


Elevations:

Elevations:



Sizes From Plans**:**



STRUCTURAL ENGINEER AND INSPECTIONS

1.) ARCHITECT IS NOT RESPONSIBLE FOR THE STRUCTURAL DRAWINGS
ARCHITECT IS NOT RESPONSIBLE FOR COORDINATION WITH STRUCTURAL DRAWINGS

2.) CONTRACTOR OR OWNER SHALL USE STRUCTURAL ENGINEER OF THEIR CHOICE, BUT SAID STRUCTURAL ENGINEER WILL ASSUME ALL LIABILITY FOR THE STRUCTURAL INTEGRITY OF THE HOUSE.
IT IS THE RESPONSIBILITY OF THE LOCAL STRUCTURAL ENGINEER TO DETERMINE EXACT FOUNDATION DETAILS, EXACT FOUNDATION DIMENSIONS, EXACT LOAD BEARING CAPACITIES ON THE SITE, EXACT BEARING CAPACITIES OF THE WHOLE HOUSE.

3.) CONTRACTOR IS RESPONSIBLE TO NOTIFY STRUCTURAL ENGINEER TO PERFORM STRUCTURAL INSPECTIONS PRIOR TO POURING CONCRETE OR COVERING ANY STRUCTURAL MEMBER OR CONNECTION (STRUCTURAL CONCRETE, MASONRY BLOCK, BOND BEAMS, WOOD COLUMNS, AND OTHER WOOD FRAMING MEMBERS)
CONTRACTOR IS RESPONSIBLE FOR PAYING STRUCTURAL ENGINEER TO PERFORM THE INSPECTIONS.

4.) CONTRACTOR IS RESPONSIBLE FOR SCHEDULING ALL COUNTY AND STATE INSPECTIONS

GEOTECHNICAL NOTES:

CONTRACTOR IS TO HIRE A GEOTECHNICAL ENGINEER PRIOR TO ANY WORK TO PERFORM A GEOTECHNICAL TEST TO DETERMINE ALL SOIL CONDITIONS AND TO RECOMMEND A FOUNDATION TYPE THAT IS BEST SUITED FOR THE SITE

PROJECT DESCRIPTION AND SIZE

BUILDING TYPE IS: TYPE V. RESIDENTIAL OCCUPANCY

PROVIDE AUTOMATIC SPRINKLER SYSTEM (NFPA 13D SYSTEM)THROUGOUT BUILDING PER STATE AND LOCAL CODES

FIRST FLOOR HEATED & COOLED:	2,230 SQ. FT.	7,315 SQ. FT. HEATED & COOLED
SECOND FLOOR HEATED & COOLED:	2,850 SQ.FT.	
THIRD FLOOR HEATED & COOLED:	1,960 SQ. FT.	
TOWER INTERMEDIATE HEATED & COOLED:	155 SQ. FT.	
TOWER HEATED & COOLED:	120 SQ. FT.	
PORCHES:	2,335 SQ. FT.	
GARAGES:	700 SQ. FT.	

Exterior Photograph:

FRONT OF SUBJECT

Taxes:
The tax identification number, gross tax amount due, amount paid, and assessed value for the 2018 tax year.

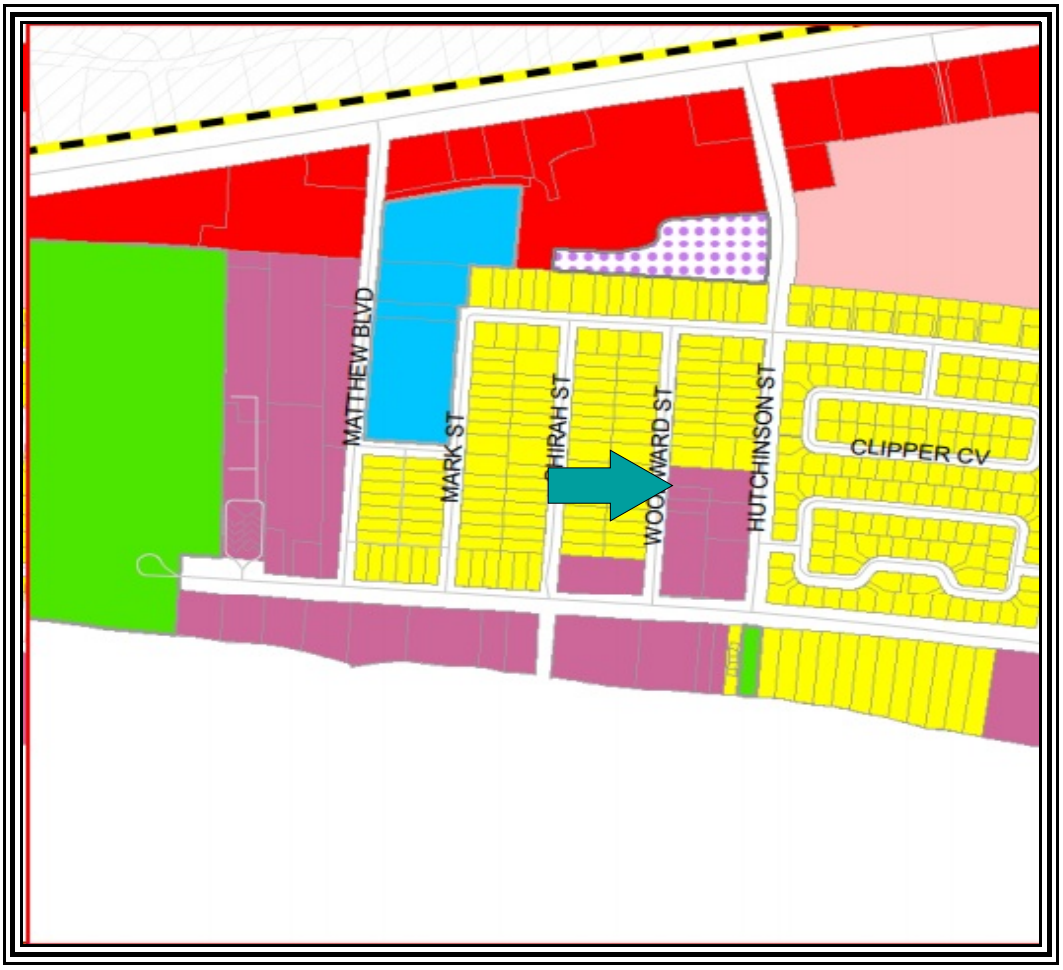
Tax Identification Number	Assessed Value	Gross Tax Amount Due	Amount paid	Amt. Due
00-2S-22-5446-0000-0020	$240,108	$3,083.13	$3,083.13	None

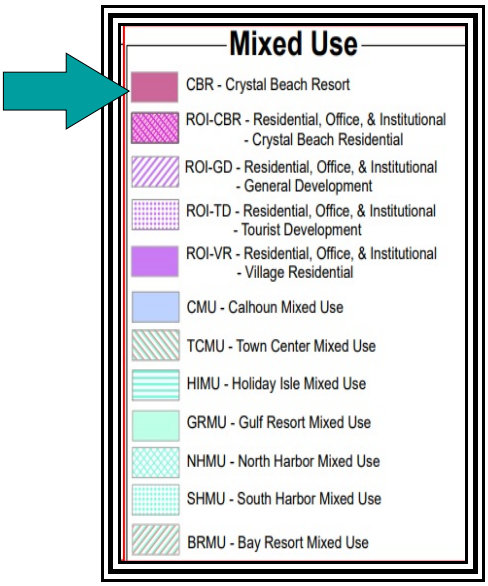
The 2018 taxes are paid.

There are no previous year taxes owing.

It is my experience that assessed value has little correlation with current market value and are typically lower than market value with a few exceptions. I also note that 2020 or 2021 ad valorem taxes will be much higher after the certificate of occupancy is awarded, as the subject will be taxed as newly constructed improved property.

Zoning:
The following map indicates zoning for the subject parcel. The subject is zoned Crystal Beach Resort by Destin. See following pages for detailed identification of allowable uses.





LAND DEVELOPMENT CODE COMMENTS
The following excerpts were taken from the Destin Land Development Code, currently on line.

This first excerpt states that Crystal Beach Resort is designed for permanent and short term residential use. I note that this description of the Crystal Beach zoning designation is silent regarding the number of allowable guests and does not limit guest numbers.

> **Policy 1-2.4.2: Crystal Beach Resort (CBR).** The "CBR" designation provides for residential and limited nonresidential uses. Both permanent long-term and short-term residential uses are permitted. Commercial hotels, motels, bed and breakfast establishments, and other commercial transient living accommodations shall be allowed. Nonresidential uses shall include places of worship, community buildings, public facilities, schools, libraries, post offices, childcare centers, clubhouses, museums, visual and performance arts buildings, neighborhood retail commercial goods and services not exceeding 5,500 square feet designed primarily to serve the needs of the Crystal Beach resort area, offices, medical and dental clinics, laundries and dry cleaning drop off centers, banks, fitness centers, dinner clubs and restaurants. The following maximum development standards shall be applied to future development within "CBR" designated areas:

This second excerpt defines long term rental and short term rental. I again note that the definition of short term rental is silent regarding the number of allowable guests.

> **Policy 1-2.1.1: Residential Uses Defined.** Residential uses shall include several structure types used for housing, including single-family detached dwellings and multiple-family structures including duplex structures units, town homes and other detached single-family structures, apartments, patio homes, atrium homes, and similar multiple-family structures. The specific FLUM designations shall identify where single-family and multiple-family structures may be located. Following are the definitions for long-term residential and short-term residential.
>
> 1. **Long-Term Residential.** Long-term residential uses shall be defined as any residential accommodation that is available for occupancy for 181 days or more. Long-term residential uses shall include lock-out units, as defined in the Glossary.
> 2. **Short-Term Residential.** Short-term residential uses shall be defined as any residential accommodation that is available for occupancy for 180 days or less. Short-Term Residential uses shall include lock-out units, as defined in the Glossary.

This third excerpt defines the grandfather clause. This clause states clearly that the grandfather status may be released only by the vested entity

> **Policy 1-2.1.5: Grandfather Clause.** Existing land uses that were lawfully conforming uses prior to the effective date of the Comprehensive Plan, shall continue as lawful uses and shall be regulated through administrative remedies for vested rights issues that shall be included in the LDC. Building heights, density and/or intensity which (a) are actual present and which lawfully existed prior to the effective date of the Comprehensive Plan, or (b) were authorized pursuant to a development order, which development order remained unexpired as of the effective date of the Comprehensive Plan, shall continue to be legal building heights, density and/or intensity (as applicable) after adoption of the Comprehensive Plan. All duly approved and recorded lots, subdivision and condominium plats of record, which existed as legal lots, subdivision and condominium plats of record prior to the adoption of this Comprehensive Plan shall continue to be legal lots, subdivision and condominium plats of record after adoption of the Comprehensive Plan. This grandfather status may only be relinquished voluntarily by the vested entity. All new lots, subdivisions, condominium plats and all replats shall comply with the [illegible]sive Plan objectives and Policies, including maximum density provisions. Similarly, all new [illegible] comply with the Comprehensive Plan and LDC unless the development is found to have a vested right in a land use, building height, density or intensity that is in conflict with the Comprehensive Plan and LDC. Under such condition the grandfather clause shall be applicable unless voluntarily relinquished by the vested entity. The intent is to sustain demonstrated private property rights while preserving the public interest, welfare, health, and safety. Notwithstanding, any single-family home that is subject to redevelopment shall be allowed to reconstruct, providing adopted building and construction codes as well as this ordinance and the size and dimension criteria of the LDC are met.

CONCLUSION
Based on these excerpts, I conclude that prior to the promulgation of Ordinance 18-29-CC, there were no restrictions to the number of allowable guests.

History:
The property appraiser web site does not include any history regarding the subject.

I spoke to Ben Giles, a representative of the owners group, who stated that the ownership had purchased several lots in the original Crystal Beach SD, to include a part of the vacated John Street.

After this purchase, the owners incorporated the subject lot into the Hutchison Court Phase II Subdivision.

The owners are now in the process of constructing the subject improvement.

Active Listings:
The subject is not listed for sale and has not been listed for sale in the previous three years.

Current Use:
The subject is currently a vacant residential lot with the ongoing construction of a detached home to be used for seasonal rental purposes.

Surrounding Uses:
The surrounding use in the Crystal Beach area is a mix of full time occupants and seasonal renters.

MARKET AREA ANALYSIS - SEASONAL RENTAL MARKET

I am restricting this analysis to the seasonal rental market.

Up until perhaps 2000, the great majority of seasonal rentals were condominium units.

However, the growing demand for larger spaces to accommodate extended families in one place led to the conversion of many larger homes to seasonal rents. It also spurred the construction of homes specifically designed for large rental parties.

Such homes feature typical living areas but emphasize a substantial number of bedrooms and baths. Often bedrooms are equipped with multiple built - in bunks for sleeping children.

Most homes also feature sofa sleepers which can sleep additional children.

Many of these homes, and certainly those recently constructed for this purpose, featured swimming pools and lanai areas as an exterior amenity.

This market has flourished as Destin is nationally recognized asa tourist attraction.

It is common to see Realtors addressing gross rental amounts or gross rental projections in MLS Listings. While the value of homes similar to the subject is estimated generally by a size / value per SF component, the fact that a home generates a substantial amount of income makes it a more attractive and safe purchase than a home which is not rented for seasonal income.

Another factor worthy of discussion is that many owners now self - manage. Typically in the past, management of rentals was performed by one of several large real estate companies, such as Resort Quest, Dale Peterson, Newman Dailey and Southern Resorts. However, in the past 10 years a substantial number of smaller management companies have surfaced.

Management fees for seasonal rentals range from perhaps 15% to 25% of gross revenue.

Entrepreneurial owners have recognized this expense line and many now self - manage with the aid of Vacation Rental By Owner (VRBO) or some similar search engine.

The seasonal rental market is increasing in the Destin/Miramar Beach market as the thriving national economy allows discretionary vacations.

I would consider the seasonal rental market to continue to flourish over the next several years.

However, with the promulgation of Ordinance 18-29-CC, limiting the subject to 24 guests, I would project a diminution in value.

HIGHEST AND BEST USE 'AS IS'

Legally Permissible
The subject property is zoned (and designated for future land use) as *Crystal Beach Resort (CBR)* by the City of Destin, Florida.

This zoning and land use designation allows for both single-family and mixed use developments, including hotels, and restaurants. The use of the subject for single-family short-term rentals is therefore allowed in this district.

Physically Possible
The subject property appears to be relatively level and well drained. Soil and subsoil conditions nearby appear compatible with both low-rise, multi-story use and traditional commercial development. All utilities required for commercial or 'mixed use' are presently at the site. The size and dimensions of the site are sufficient to allow a wide variety of legally permissible uses. The shape of the site is rectangular and this shape does not limit utility. Transportation of construction materials or labor to the site is estimated to be relatively simple due to the central location of the site within the overall market. Access to the site is above average.

However, the most compelling substantiation that the subject is physically possible is the fact that it already exists.

Therefore, use of the subject property for single family use as a seasonal rental is physically possible.

Financially Feasible
Value opinions derived in the income approach to value indicate the existing improvement contributes value to the underlying land. There is substantial other ongoing seasonal rental use in the market, suggesting that there is broad appeal for seasonal rental properties.

Therefore, continued use of the subject property for a detached single family residence used for seasonal rental income is financially feasible.

Maximally Productive
The alternatives of addition, demolition, expansion, modernization, or conversion to alternate uses have been considered within the legal, physical, and financially feasible parameters. Several alternatives exist.

Alternatives for use of improvements:

Expansion
The existing subject improvement is 7,315 HVAC SF. The subject is typical of most seasonal rental homes. Thus, there is no need for expansion. Any expansion would come at a cost of parking and/or access. Thus, expansion beyond what is existing, does not appear to be appropriate and feasible.

Renovation
Typically, any existing property could benefit from renovation. However, the subject is just being constructed and is a state of the art facility. Thus, I would not consider imminent renovation to be required or practical.

Downsizing
The existing subject improvements are 7,315 HVAC SF. I see no reason to downsize the subject improvement as it appeared that all of it is usable space. Thus, downsizing beyond what is existing does not appear to be appropriate, physically possible and feasible.

Subdividing
The purpose of the subject is to lease it seasonally to large parties of guests. Subdivision would not be legally approved and does not appear to be financially prudent as the parties of guests would be smaller and grouping smaller parties together in the same pool could prove problematic. I would not consider subdivision to be prudent or feasible.

Demolition
The subject is a newly constructed home, currently in good condition. It features a probable 55 years of remaining economic life and a probable 70-75 years of remaining physical life.

I do not consider demolition and replacement with alternative improvements to be a superior use to the currently planned use as a rental property. No alternative use would be certain to serve the land better. Thus, the subject is not a candidate for demolition.

Utilizing existing improvements
Continued use 'as is' as a seasonal rental, as planned, is considered the maximally productive use.

Conclusion of Highest and Best Use 'as is'
Analysis of recent trends and current market supply and demand indicate that the maximally productive highest and best use of the subject property is continued use as a detached single family residence used for seasonal rental income.

Conclusion of Highest and Best User 'as is'
Analysis of recent trends and current market supply and demand strongly indicate the most probable user is an entrepreneurial user who primarily self manages and leases the subject for seasonal rental income with a small amount of personal use.

SUMMARY OF ANALYSIS AND VALUATION

Methodology

Site valuation derived from Sales Comparison Analysis involves direct comparisons of the subject property to similar properties selling in the marketplace to derive a comparative value indication for the subject property 'as if vacant,' as of the effective date of value. This approach is also called the 'direct sales comparison approach', or the 'market approach', and tends to be the most reliable approach for developing an opinion of the value of vacant land or sites available for development. Other methods of developing the value of land are available. Allocation, extraction, land residual, ground rent capitalization, and discounted cash flow analysis are all recognized as reasonable methods.

The cost approach is a reliable methodology for new, or nearly new, buildings. I estimate the replacement cost or reproduction cost, in this case replacement construction cost, of the existing or existing improvements and site improvements (including direct and indirect costs as well as an appropriate developer profit), deducting accrued depreciation from physical, functional, and external sources from the total replacement or reproduction cost new. The depreciated replacement or reproduction cost of the improvements is added to the value of the site resulting in a value indication of the fee simple interest in the property.

The sales comparison approach is based on the 'Principle of Substitution' which indicates an informed purchaser would pay no more for a property than the cost of acquiring an equally desirable substitute property with the same or similar utility. This approach is applicable when an active market provides sufficient quantities of reliable data which can be verified from authoritative sources. The Sales Comparison Approach is reliable in an active market or if an opinion of value is related to properties which there are comparable sales available. This approach to value is also relevant when sales data can be verified with the principals to the transaction. Heavy emphasis is usually placed on this approach to value in an active market.

The income approach is recognized as a reliable approach for developing an opinion of the value of 'income producing' property to an investor. The income approach consists of methods, techniques, and mathematical procedures an appraiser uses to analyze a property's capacity to generate income and convert income into an indication of present value either by capitalizing the current income at a market capitalization rate or discounting the future cash flows into a present value estimate using an appropriate yield (discount) rate. The appraisal process emulates the market, and the most probable purchaser would be an investor. Two (2) techniques associated with the income approach are direct capitalization and discounted cash flow analysis.

Methodology employed and explanation of the exclusion of any of the three (3) approaches to value

I am not performing cost analysis. In addition, the problem to be solved is to derive the diminution in value based on the guest restrictions included in Destin Ordinance 18-29-CC. The number of guests would have no impact on the cost to construct.

I am not performing sales comparison analysis. The impact of Destin Ordinance 18-29-CC may not be evident in the market for several years in the selling prices of homes. The ordinance allows a five year grandfather period. Homes sold in this grandfather period may not indicate a decline in selling prices and it would not be reliable to estimate diminution in value based on comparable sales until a larger array of data was available for use in sales comparison analysis.

I am performing income analysis. I will identify contract rents for the subject (in this case, projected rents) and then identify market rents which support the subject contract rent. I will then identify operating expenses and subtract operating expense from gross rent to arrive at a net operating income (NOI). I will then apply a market based capitalization rent to the NOI to arrive at a value for the subject, prior to the promulgation of Destin Ordinance 18-29-CC.

I will then identify the rental incomes for homes which are allowed only 24 guests. I will then subtract expenses for the rents of 24 guest homes and arrive at their NOI. I will then derive a value by capitalizing this NOI.

Finally I will subtract the value for a 24 guest house from the value of a 38 guest house and this figure will be the diminution in value.

COST ANALYSIS
NOT PERFORMED

SALES COMPARISON ANALYSIS NOT PERFORMED

INCOME ANALYSIS
'AS IS'

DESCRIPTION OF INCOME ANALYSIS METHODOLOGY

The income approach to value is based on the principle of anticipation, in that the value of the subject property correlates to the present worth of the future right to receive benefits in the form of income to be received by the owner. The income approach considers the property from an investment interest with the assumption that the amount of income, coupled with the regularity and quality of the income stream, are the basis for valuing the property based on income analysis.

The income approach is applied by identifying the net income by first identifying gross income and then deducting from the gross income the expenses of operating a property to arrive at a net income, generally identified a Net Operating Income (NOI).

The estimated NOI is then converted to a value opinion by utilizing either a Discounted Cash Flow Analysis, or a Direct Capitalization Analysis, or both.

Discounted cash Flow Analysis:
The Discounted Cash Flow Analysis (DCF) is an analysis where a discount rate is applied to a series (typically several years) of income streams with a reversion after typically 7 to 10 years. The appraiser must specify the quantity, variable nature of the income, timing of payments (monthly/quarterly/annually) to a present value at a specified yield rate. The DCF analysis is most applicable when the net income is projected to be variable and when the property is on a sufficient size and investment value to influence market participants to evaluate purchase decisions based on DCF.

I note that I did not perform DCF analysis as it is my opinion that market participants would not use DCF analysis to base decisions to either purchase or sell properties such as the subject.

Direct Capitalization:
The conversion of a net income to a current value is called capitalization. Capitalization is a method which is used to convert the estimate of a single year's net income actual figures and/or expectancy of income into a value opinion by dividing the income by a appropriate rate of capitalization, as estimated by the appraiser. This technique employs capitalization rates derived from the market, using both capitalization rates from recent sales of similar properties, generally augmented by national indices, or other mathematical progressions. This process provides a one year snap shot of the property value. Future yields and values are not directly identified. The direct capitalization analysis is most appropriate for small to medium sized income producing properties, in stable markets with a forecast of generally stable income.

The procedural steps involved in capitalization are as follows:

Develop the probable gross income by identifying historical performance, income projections and market incomes from comparable properties which support the historical or projected subject income.

Estimate vacancy and collection losses to arrive at Effective Gross Income (EGI).

Estimate and subtract operating expenses to arrive at NOI.

Develop a capitalization rate which is supported by the market.

Divide the NOI by the capitalization rate to derive a value opinion.

I am employing the direct capitalization analysis to derive values in this analysis.

I note for the reader that steps #1 and #2 are generally combined in the analysis of seasonal resort properties. Owners and management companies tend to provide actual income which has already accounted for vacancy and collection loss.

INCOME ANALYSIS - ESTIMATE OF CAPITALIZATION RATE

The capitalization rate is a rate which is applied to the Net Operating Income (NOI) to derive a value for a property. As the chart below indicates, you can derive a capitalization rate by dividing the NOI by the purchase price.

The following excerpt will provide some explanation of capitalization rates.

Capitalization rates are used in a formula. As seen below, dividing the net operating income by the purchase price indicates the capitalization rate.

Another variation of the formula is to divide the net operating income by the capitalization rate and this process will indicate the value of the property.

What Is a Cap Rate?

A cap rate is simply a formula. It's the ratio of a rental property's net operating income to its purchase price (including any upfront repairs):

Cap Rate =

Net Operating Income (NOI) ÷ Purchase Price

The formula can be used on the level of an individual property by looking at its net operating income compared to its value. But it can also be used on the level of an entire market by taking *average* cap rates for a large group of properties.

Importantly, the cap rate formula does NOT include any mortgage expenses. As you can see in the formula for net operating income below, the expenses do not include a mortgage or interest payment.

Gross Rental Income
- Vacancy/Credit Loss Reserve
- Property Taxes
- Property Insurance
- Maintenance/Repairs
- Common Utilities (if any)
- Other expenses (ex: license)
= Net Operating Income

MARKET DATA BASED ON TYPICAL INDICES

Capitalization rates range widely in the market. The following table derived from Realty Rates.com indicate a wide variety of capitalization rates base on property types. This table contains very recent data from the second quarter 2019.

As can be seen, properties such as restaurants and lodging (motels and hotels) have high capitalization rates. Apartments (residential) have the lowest capitalization rates.

Realty rates does not include a separate category of single family detached homes.

RealtyRates.com INVESTOR SURVEY - 2nd Quarter 2019*
CURRENT & HISTORICAL CAP RATE INDICES

	Method-Weighted* Property Category Indices																						Weighted* Composite Indices	
	Apts		Golf		Healthcare Senior Housing		Industrial		Lodging		MH/RV Park		Office		Retail		Restaurant		Self Storage		Special Purpose			
Year	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg
2019	8.18	-24	11.79	-23	8.78	-23	8.94	-25	10.18	-35	9.32	-24	8.78	-26	9.15	-23	11.36	-21	9.61	-26	11.44	-21	9.39	-25
1st Qtr	8.18	-28	11.79	-29	8.78	-29	8.94	-29	10.18	-35	9.32	-30	8.78	-30	9.15	-29	11.36	-26	9.61	-31	11.44	-27	9.39	-29
2018	8.42	26	12.02	30	9.01	14	9.19	23	10.53	25	9.56	30	9.04	10	9.38	20	11.57	15	9.86	29	11.64	40	9.64	22
4th Qtr	8.46	8	12.08	11	9.07	11	9.23	7	10.53	1	9.62	13	9.08	13	9.44	10	11.62	11	9.92	13	11.71	11	9.68	9
2017	8.16	4	11.73	-2	8.87	-6	8.96	-12	10.28	5	9.26	11	8.94	-22	9.19	-8	11.42	-15	9.57	-9	11.25	4	9.42	-6
2016	8.13	-2	11.75	6	8.92	12	9.08	15	10.22	0	9.15	15	9.16	16	9.27	12	11.57	-10	9.67	14	11.21	10	9.48	9
2015	8.15	-9	11.69	-14	8.80	-9	8.93	-10	10.22	-20	8.99	-18	9.00	-6	9.15	-11	11.66	-13	9.52	-22	11.11	-12	9.40	-12
2014	8.24	-15	11.83	-9	8.89	-1	9.03	-4	10.43	-17	9.17	-5	9.06	-22	9.26	15	11.79	-6	9.75	-20	11.24	14	9.52	-7
2013	8.39	14	11.92	-14	8.90	5	9.07	-2	10.60	3	9.22	14	9.28	-19	9.11	-4	11.86	9	9.95	-24	11.10	1	9.58	-2
2012	8.25	-35	12.07	6	8.85	-36	9.09	-40	10.57	-24	9.08	-39	9.47	3	9.15	-13	11.77	6	10.19	-49	11.09	-4	9.60	-21
2011	8.60	-29	12.00	-22	9.21	-40	9.49	-11	10.81	-24	9.48	-8	9.44	-10	9.28	-26	11.70	-14	10.69	-3	11.12	-17	9.81	-19
2010	8.89	4	12.22	5	9.62	15	9.60	12	11.05	7	9.55	22	9.54	16	9.54	25	11.84	12	10.72	21	11.30	0	10.00	13
2009	8.85	8	12.17	16	9.47	10	9.48	10	10.98	-7	9.33	1	9.38	29	9.29	20	11.72	15	10.50	37	11.30	8	9.87	14
2008	8.77	-4	12.01	29	9.37	-16	9.38	-14	11.05	56	9.32	-5	9.09	-16	9.09	-11	11.57	-28	10.13	20	11.22	-7	9.74	-1
2007	8.81	-45	11.72	-21	9.53	-65	9.52	-25	10.49	-28	9.37	-26	9.25	-47	9.20	-12	11.85	61	9.93	-38	11.29	-24	9.75	-28
2006	9.26	12	11.93	47	10.18	15	9.77	35	10.77	27	9.63	41	9.72	26	9.32	30	11.24	18	10.31	27	11.53	9	10.03	26
2005	9.14	14	11.46	80	10.03	-16	9.42	-30	10.50	-21	9.22	19	9.46	6	9.02	16	11.06	5	10.04	13	11.44	-30	9.77	2
2004	9.00	-19	10.66	28	10.19	-37	9.72	19	10.71	-98	9.03	-48	9.40	-4	8.86	-19	11.01	-15	9.91	-13	11.74	-30	9.75	-19
2003	9.19	-2	10.38	-32	10.56	64	9.53	33	11.69	56	9.51	-11	9.44	1	9.05	-18	11.16	8	10.04	-53	12.04	105	9.94	12
2002	9.21	-40	10.70	18	9.92	-39	9.20	-61	11.13	26	9.62	-60	9.43	-35	9.23	-62	11.08	-3	10.57	-12	10.99	-177	9.82	-41
2001	9.61	64	10.52	133	10.31	90	9.81	16	10.87	98	10.22	-68	9.78	-35	9.85	-53	11.11	47	10.69	13	12.76	32	10.23	21
2000	8.97		9.19		9.41		9.65		9.89		10.90		10.13		10.38		10.64		10.56		12.44		10.01	

* Weighted by methodology: Band-of-Investment, DCR Technique, Sales Survey

^ Further weighted by property category

*1st Quarter 2019 Data

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The following chart provides some additional data regarding capitalization rates for apartments in some major metropolitan centers.

These rates are lower than the overall national rate for apartments identified on the previous page. I attribute this to the fact that the cities below are major metropolitan areas with a high density of population which keeps occupancy high and inspires investor confidence. In this regard, the Destin seasonal rental market is similar in its high density and national appeal.

Cap Rates For Stabilized, Class A Multifamily Apartments By City – 2017 (2nd Half)	
San Diego	4.25%
Chicago	4.75%
Atlanta	5.00%
Philadelphia	5.25%
St. Louis	5.75%
Cleveland	6.25%
Pittsburgh	6.50%
Detroit	7.25%

Single family homes are seldom valued via income capitalization. Most homes are owner occupied and the issue of rent and valuation through rent is generally not applicable. However, I identified the following excerpt rom the internet which indicates a range of capitalization rates from 4% to 10% for single family homes. The reader will note in the excerpt immediately above that high demand areas feature lower capitalization rates and lower demand areas feature higher capitalization rates. I would again observe that Destin is a high demand area in the seasonal rental market. Thus, I would consider it probable that capitalization rates for singe family homes in Destin were toward the low side of the 4% to 10% range.

Cap Rate for Single Family Home

Professionals purchasing commercial properties, for example, may buy at a 4% cap rate in high demand areas, or a 10% (or even higher) cap rate in low-demand areas. Generally, 4% to 10% per year is a reasonable range to earn for your investment property. Continuing with our example from above, $17,000/ **5%** = $340,000.

The following are two excerpts from the internet indicating that Panama City Beach, Florida boasts a very low capitalization rate of 4.9% and that the Destin, Florida market features a 4.75% capitalization rate for Airbnb rentals.

9. PANAMA CITY BEACH, FL

- *Short-Term Rental Cap Rate: 4.9%*

White sandy beaches, clear water, fishing piers, protected nature reserves, hiking trails... what more do you need to be convinced that Panama City Beach is one of the best places around the US to invest in a vacation rental.

Property prices are affordable with a median level of $334,700, while short-term rental income stands around $3,260. The average cap rate for vacation rentals is 4.9%.

2. Destin

- *Median Property Price:* $695,000
- *Airbnb Rental Income:* $2,720
- *Traditional Rental Income:* $1,610
- *Airbnb CoC Return:* 2.3%
- *Traditional CoC Return:* 0.5%
- *Airbnb Cap Rate:* 4.7%
- *Traditional Cap Rate:* 2.8%
- *Airbnb Occupancy Rate:* 58.4%

The second among the best places to buy a vacation home in Florida is Destin, with rental income from Airbnb just a few dollars below St. Augustine. However, this location is significantly more expensive. But it has a very important advantage for all those loving nature and sports – it is very famous for the fishing opportunities that it offers.

MARKET DATA BASED ON LOCAL SALES OF DETACHED HOMES USED FOR SEASONAL RENTAL

In addition to the national data provided above, I am also providing some data from actual sales in the local market.

I have some professional acquaintances who specialize in the management of large homes used for seasonal rentals. I have asked them to provide me some actual data from recent sales to help derive a local data base of capitalization rates.

On 7/13/2018, Frangista Beach E16 LLC (Nick Athens - a professional acquaintance well known to me) sold 3491 Scenic Highway 98 to Rich Rentals for $3,000,000. This house is 6,008 HVAC SF and features nine (9) bedrooms and 9.5 baths. It is very similar to the subject and is a very good comparable indicator of capitalization rates. Mr. Athens stated that the net operating income was $172,340. Dividing $172,340 by $3,000,000 indicates a capitalization rate of 5.74%.

On 9/4/2015, Nick and Tina Athens sold 1850 - 1852 Scenic Gulf Drive in Miramar Beach to Forty-Four Holdings for $2,205,000. This was two side by side homes in Frangista Beach which were an aggregate 3,460 HVAC SF and which features Five (5) bedrooms and 7 baths. Mr. Athens stated that the net operating rent was $133,200. Dividing $133,200 by $2,025,000 indicates a capitalization rate of 6.58%. I do not consider it a coincidence that the home with the fewest bedrooms featured the highest capitalization rate.

On 2/10/2016, Destiny Real Estate Ventures LLC sold 3463 Scenic Highway 98 to Charles Barone for $3,615,000. This house is 6,465 HVAC SF and features eight (8) bedrooms and 6.5 baths. It is very similar to the subject and is a very good comparable indicator of capitalization rates. Mr. Giles stated that the net operating income was $222,125. Dividing $202,125 by $3,615,000 indicates a capitalization rate of 6.15%.

On 1/11/2019, Kevin Hense sold 2984 Scenic Highway 98 to Russell and Susan Hancock for $3,000,000. This house is 3,997 HVAC SF and features six (6) bedrooms and 5.5 baths. It is very similar to the subject and is a very good comparable indicator of capitalization rates. Mr. Hense stated that the net operating income was $176,000. Dividing $176,000 by $3,000,000 indicates a capitalization rate of 5.87%.

RECAPITULATION OF LOCAL MARKET CAPITALIZATION RATES

The following table summarizes the capitalization rates identified in the narrative above.

Property Address	Capitalization Rate
3491 Scenic Highway 98, Destin	5.74%
1850 Scenic Gulf Drive, Mirimar Beach	6.58%
3463 Scenic Highway 98, Destin	6.15%
2984 Scenic Highway 98, Destin	5.87%
Average	6.0850%
Rounded	6.10%

I consider a rounded capitalization rate of 6.1% to be a market supported rate which is both credible and reliable.

This local rate is bracketed by the national rates from pages 42-44 above.

ESTIMATE OF VALUE PRIOR TO ORDINANCE 18-29-CC

Based on the current zoning and the Destin Land Development Code, and prior to the adoption of Ordinance 18-29-CC, there was no limit to the number of guests allowed in the subject improvement. The subject can accommodate up to thirty eight (38) guests based on the data provided by the owner and my identification of sleeping capacity previously identified.

CURRENT CONTRACT RENT
I note that seasonal rentals are typically described with annual rental amounts as opposed to more consistent monthly rental rates.

Such rental amounts are generally described using gross income data, and/or projections of gross income data.

Appraisers need to then examine expenses to arrive at a net operating rent to capitalize. Expenses to gross revenue are ad valorem taxes, flood and hazard insurance, HOA dues, maintenance and repairs, utilities, lawn maintenance, pest control, professional fees and reserves. I note that interest/mortgage payments and depreciation are not expenses when capitalizing property for value.

In the case of the subject, it is under construction and there is no historical rent available.

The owner is probably the most knowledgeable owner of large seasonal rental homes as this has been his niche occupation for the last approximate twenty (20) years. I consider his projection of income to be substantially credible.

I am accepting the projected income of $400,000 for an annual period.

ESTIMATE OF EXPENSES
Mr. Giles provided me an estimate of expense of $115,000. I assume this estimate includes ad valorem taxes at the improved rate and I would think that the ad valorem taxes will exceed $20,000 annually. It also includes a management fee.

Subtracting $115,000 from $400,000 results in a net operating income of $285,000.

These figures also indicate an operating expense ratio of 28.75%.

MARKET SUPPORT FOR SUBJECT GROSS AND NET INCOME

RATIO OF GROSS TO NET INCOME
I have attempted to derive gross and net income figures for comparable properties in the market. However, my research indicates that many owners and property managers are unwilling to divulge private financial information, especially the net income.

Thus, I will provide some market examples of properties where clients or close associates did divulge data.

The first example is a detached home located at 112 Sandprint Circle in the Dunes of Destin. The owners, Edward and Tari Furey, provided me with detailed data regarding income and expenses. They indicted annual revenue of $325,000 and annual expense of $100,000. This suggests an expense ratio of $100,000 / $325,000, or 31%, rounded.

I again spoke to Nick Athens who still owns a detached house at 4664 Destiny Way which grossed $275,000 in 2018. The expenses for this property were an approximate $89,000. This suggests an expense ratio of $89,000 / $275,000, or 32% rounded.

As a third indicator, I spoke to Kevin Hense, who sold a detached house at 2984 Scenic Highway 98 for $3,000,000 on 1/11/2019. Mr. Hense indicated that the 2018 gross rent was $263,000 and that the expenses were $87,000. This suggests an expense ratio of $87,000 / $263,000, or 33%, rounded.

This well researched market data influences me to select an expense ratio of 32% for this analysis. I fully recognize that Mr. Giles' estimate was only 28.75%. However, both his projection of annual income and annual expense are made without any historical perspective relative to this particular subject property. I am choosing to be conservative in the analysis and will use an operating expense ratio of 32%.

GROSS RENT OF HOMES SLEEPING 30 + GUESTS
To provide market support for Mr. Giles' projection of $400,000 gross rent and $285,000 net rent, I am providing some market examples of other homes which lease as 30+ guest capacity. This information was provided by the existing client, Ben Giles, a professional well known to me.

Existing rentals - similar properties	#sleeps	Gross Revenue 2018
42 Miami St Miramar Beach	34	$463,852.00
3487 Scenic Hwy 98 Destin	32	$305,393.00
3463 Scenic Hwy 98 Destin	32	$380,000.00
3461 Scenic Hwy 98 Destin	36	$364,723.00
107 Hollywood St Miramar Beach	38	$289,647.00

These five indicators of gross rent for homes which can accommodate 30 guests, or more, average $360,723. The subject sleeps 38 guests while the average of the five rental comparables is 34.4 guests. Thus, one would expect the subject to gross an amount consistent with the average of the range. However, the subject is a new house and the market likes 'new'. I am selecting an income slightly above the average at $395,000 annually.

I recognize that Mr. Giles estimated a rounded $400,000. However, I am again choosing to be conservative and will weigh the larger amount of historical market data available to me.

The next step is applying the previously calculated expense ratio to the gross rent to arrive at a net operating rent average for the five comparable rentals. Applying a 32% expense ratio to $395,000 results in a net rent of $268,600, a figure which is lower than the Mr. Giles' estimate of $285,000 of net rent.

Capitalizing $268,600 with a 6.1% capitalization rate results in a value of $4,403,278, rounded to $4,400,000.

It is my professional opinion that the subject value, prior to the promulgation of Destin Ordinance 19-23-CC is $4,400,000, based on income analysis.

ESTIMATE OF VALUE AFTER THE PROMULGATION OF ORDINANCE 18-29-CC

Destin Ordinance 18-29-CC reduces the subject sleeping capacity to 24 guests as the limit is two guests per bedroom, plus four (4) additional guests. There are eight (8) bedrooms. Thus, 2 x 10 = 20 + 4 = 24.

It is my opinion that the limit of 24 guests will have a negative impact on value.

To estimate the difference, I need to research the market for homes which are limited to 24 guests.

I have previously mentioned other homes which can accommodate only 20 - 24 guests.

I again spoke to Nick Athens who owns a detached house at 4664 Destiny Way which grossed $275,000 in 2018. This house sleeps 20 guests

I also spoke to Kevin Hense, who sold a detached house at 2984 Scenic Highway 98 for $3,000,000 on 1/11/2019. Mr. Hense indicated that the 2018 gross rent was $263,000 and the home slept 24 guests.

In addition to these more detailed descriptions, I was also provided some additional raw data via email from Ben Giles regarding other homes that slept 20+/-. This information includes the address, number of allowable guests and annual income of comparable rentals.

3893 Sandprint Dr Destin	20	$118,796.00
113 Los Angeles St Miramar Beach	19	$137,307.00
1737 Scenic Hwy 98 Miramar Beach	20	$144,814.00
96 Sarasota St Miramar Beach	22	$143,813.00
100 Sandprint Cir Destin	20	$105,000.00

Thus, I have seven (7) market comparable homes which sleep from 19 to 24 guests.

The average of the seven homes is $169,675. The subject is still a new house and will probably rent for more as a new house whether the guest size is 38 or 24. Thus, I would consider the subject to command more rent than the average of the range and I am selecting a rounded $225,000 of gross rent as compensation for the fact the subject new and more attractive to the market.

Applying the same 32% expense adjustment to convert gross rent to net operating rent results in a net operating rent of $153,000, rounded.

Applying a capitalization rate of 6.1% to the net operating rent of $153,000 results in a value after Ordinance 18-29-CC is applied of $2,508,196, rounded to $2,500,000.

ESTIMATE OF THE DIMINUTION OF VALUE

My research and analysis indicates that the value of the subject based on the right to sleep 38 guests is a rounded $4,400,000.

My research and analysis indicates the value of the subject based on the limit to sleep only 24 guests is a rounded $2,500,000.

It is my opinion the promulgation of Destin Ordinance results in an approximate $1,900,000 diminution of value.

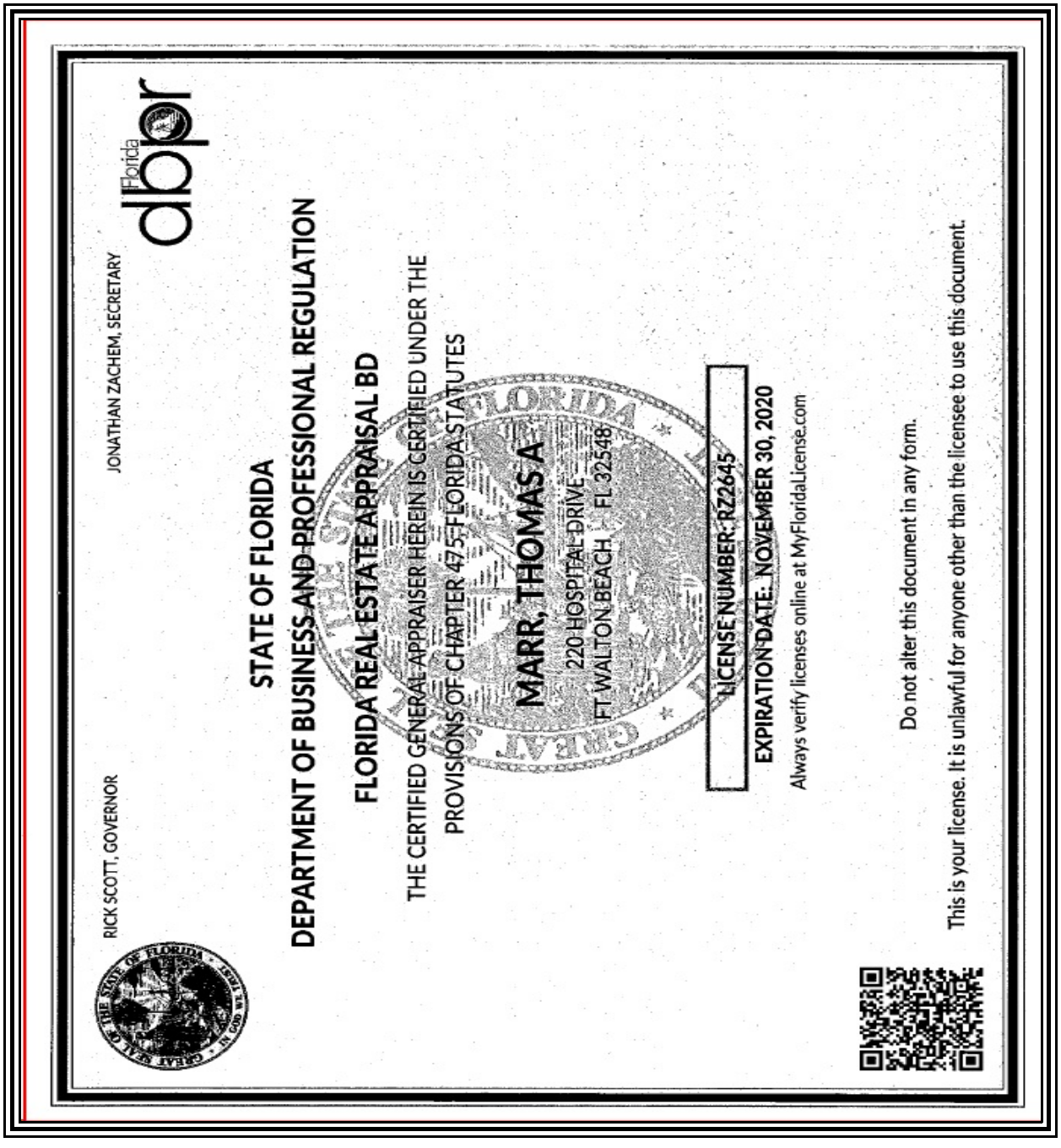
DIMINUTION OF VALUE

$1,900,000

A D D E N D A

Appraiser License

APPRAISER LICENSE



THIS INSTRUMENT PREPARED BY
AND AFTER RECORDING RETURN TO:

Kimberly Romano Kopp, Esq.
Romano Kopp Law, P.A.
P.O. Box 445
Destin, Florida 32541

For Recording Purposes Only

SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is entered into this _____day of _____ 2019, ("Effective Date") by and between, 14 Hutchison, LLC. ("Owner") and the City of Destin ("City"), collectively referred to as the "Parties."

RECITALS

WHEREAS, on January 22, 2019, the City enacted Ordinance 18-29-CC, the Short-Term Rental Occupancy Ordinance ("Ordinance"), which limits the occupancy of short-term rental homes to two (2) people per bedroom plus an additional four (4) persons; and

WHEREAS, Owner owns the real property and improvements located at 85 Woodward Street, Destin, FL 32541, as more particularly described in the attached Exhibit "A" (the "Property"); and

WHEREAS, on May 10, 2019, Owner filed a claim with the City, pursuant to the provisions of §70.001, Florida Statutes, the Bert J. Harris, Jr., Private Property Rights Protection Act (the "Harris Act"), alleging that the Property had been inordinately burdened by the adoption of the Ordinance, (the "Claim"); and

WHEREAS, the Harris Act provides for the City to have the ability to enter into a settlement agreement which would have the effect of a modification or variance to the application of a regulation or ordinance as it would otherwise apply to the subject real property, provided the relief granted protects the public interest served by the regulations at issue and is the appropriate relief necessary to prevent the governmental regulatory effort from inordinately burdening the real property; and

WHEREAS, the City has determined that the modifications to the effect of the Ordinance effected by this Agreement protect the public interest served by the Ordinance and are the appropriate relief necessary to prevent the regulatory effect of the Ordinance from inordinately burdening the Property; and

WHEREAS, the Parties now desire to settle and finally resolve all disputes between and among them concerning the Claim.

NOW, THEREFORE, the Parties hereby agree as follows:

1. **Recitals.** The above recitals are true and correct and are incorporated herein by reference.

2. **Occupancy Allowable Under Ordinance.**

(a) Owner is hereby granted a variance from the provisions of the Ordinance so that the Owner shall have the right to apply under the Ordinance for a maximum occupancy of thirty-five (35) overnight guests at the ten (10) bedroom vacation rental property noted above and the City shall grant such occupancy. The right shall continue in perpetuity, regardless of any future changes in ownership, provided that this right shall expire permanently if the Property were to be voluntarily remodeled or voluntarily rebuilt in such a manner as to change the number of bedrooms that existed at the date of the Claim. The Property remains subject to all other requirements of the City's regulations, including but not limited to regulations for short-term rentals, parking, trash, and noise.

(b) No greater than ten (10) vehicles may be parked on the Property. No vehicle may encroach upon the City's right-of way.

(c) Owner shall ensure that at least six (6) outdoor trash receptacles are provided by the applicable trash hauler and available for use by occupants at all times.

(d) Owner agrees that the City shall be permitted to access the property on an annual basis for the purpose of life-safety inspections to ensure code compliance with minimum egress and emergency egress requirements pursuant to the Florida Building Code (Residential) and to ensure the property has adequate and working smoke detectors. Owner shall submit to the City a separate application and fee for such inspection, on a form provided by the City, at the time Owner submits its annual short-term rental registration application to the City

3. **Development in Accordance with Code.** Notwithstanding any provisions contained herein, the Owner shall at any time have the right and option to remodel, develop, or use the Property in accordance with the applicable ordinances of the City of Destin in effect at the time of application therefor, and this variance shall not be construed as making the Property in any way non-conforming.

4. **Entire Agreement.** The Parties acknowledge that this Agreement constitutes the entire agreement between them regarding the settlement of their dispute and any prior statements, whether oral or written, are merged herein. This Agreement may not be modified or amended without a written instrument signed by the party against whom enforcement is sought.

5. **Duration of Agreement.** This Agreement shall be perpetual and deemed to run with the land, and shall be binding upon and the benefits shall inure to the parties hereto and their respective heirs, devisees, personal representatives, successors and assigns.

6. **Authority.** The signatories to this Agreement are expressly authorized to resolve their dispute as set forth herein and by their signatures here represent and affirm their authority to execute this Agreement.

7. **Governing Law.** The law of the State of Florida shall apply to this Agreement. Any dispute regarding this Agreement shall be litigated exclusively in the courts of Okaloosa County, Florida. The parties expressly consent to such agreed jurisdiction and venue, and waive any objections thereto.

8. **Notices.** Any notice required or permitted to be given hereunder shall be in writing and shall be (i) delivered by hand, (ii) delivered by reputable national or local courier (such as United Parcel Service or Federal Express), (iii) mailed by United States registered or certified mail, return receipt requested and postage prepaid, or (iv) sent by facsimile transmission provided a confirmation of such facsimile transmission is sent the same day by one of the methods of delivery in (i), (ii), or (iii) above. Any notice shall be addressed to each party at its address as set forth below. Any such notice shall be considered given on the date of such hand delivery, deposit with such courier for same day or next business day delivery, upon receipt of return receipt of certified mail, or receipt of facsimile transmissions, as the case may be, and the time period (if any is provided herein) in which to respond to such notice shall commence on the date of receipt. Rejection or other refusal to accept or inability to deliver because of changed address of which no notice was given shall be deemed to be receipt of the notice. By giving to the other party at least ten (10) days' notice thereof, any party shall have the right from time to time to change the addresses thereof and to specify up to two (2) additional addresses within the United States of America to which copies of notices to it shall be sent. Notice may be given on behalf of any party by such party's counsel. In the event the subject property owner changes, notices shall be addressed to the current owner as indicated in the records of the Okaloosa County Property Appraiser. Otherwise, notices shall be sent as follows:

Each notice shall be addressed as follows:

To City: City of Destin, Florida
Attn:
4200 Indian Bayou Trail
Destin, Florida 32541

With a copy to:
City Land Use Attorney
Romano Kopp Law, PA
PO Box 445
Destin, Florida 32541

To 14 Hutchinson: 14 Hutchinson, LLC
1159 Troon Drive
Miramar Beach, Florida 32550

With a copy to: Matthews & Jones, LLP

Attn: C. Stephen Tatum
4475 Legendary Drive
Destin, Florida 32541

9. **Attorney's Fees**. In the event of any action, whether pre-suit, mediation, litigation or appellate proceeding to enforce the terms and conditions of this Agreement, each party to the action shall pay its own attorney's fees and costs incurred therein.

10. **Venue**. Venue over any action to enforce the terms and conditions of this Agreement, including mediation, shall lie solely in Okaloosa County, Florida.

OWNER: 14 Hutchison, LLC

_____
Signature of Witness #1

_____
Joseph Bellinghieri

_____
Print or type name

_____

_____
Signature of Witness # 2

_____
Print or type name

STATE OF_____
COUNTY OF_____

The foregoing instrument was acknowledged before me this _____ day of _____ 2019, by _____ _____ and _____, who are personal known to me or who have produced _____ as identification and who did not (did) take an oath.

_____
Signature of Notary

(NOTARY SEAL)

_____
Print or type name

CITY OF DESTIN

By:_____
Gary Jarvis, Mayor

Date:_____

ATTEST:

_____
Rey Bailey, City Clerk

Date:_____

STATE OF_____
COUNTY OF_____

The foregoing instrument was acknowledged before me this _____ day of _____ 2019, by _____ _____ and _____, who are personal known to me or who have produced _____ as identification and who did not (did) take an oath.

_____
Signature of Notary

(NOTARY SEAL)

_____
Print or Type Name

Approved as to form and legality for use and reliance
by the City of Destin, Florida, only.

_____
Kimberly Romano Kopp, Esq.
City Land Use Attorney

Exhibit "A"

Legal Description of Property

Lot 1 of the Hutchinson Courts Phase II plat, recorded in Okaloosa County Plat Book 28, Page 77.

ITEM # 2019-1896

CITY OF DESTIN

AGENDA ITEM

COUNCIL MEETING DATE: December 9, 2019
TYPE OF AGENDA ITEM: Action Item

TO: City Council

THRU: Lance Johnson, City Manager

FROM: Kimberly Kopp, Land Use Attorney
Louis Zunguze, Community Development Director

DATE: December 5, 2019

SUBJECT: 15) 84 Hutchison Street

I. BACKGROUND:

On January 22, 2019, the City enacted Ordinance 18-29-CC, the Short-Term Rental Occupancy Ordinance ("Ordinance"), which limits the occupancy of short-term rental homes to two (2) people per bedroom plus an additional four (4) persons.

The subject property owner owns the real property and improvements located at 84 Hutchinson Street, Destin, FL 32541, as more particularly described in Exhibit "A" (the"Property") to the proposed settlement agreement.

Owner filed a claim with the City, pursuant to the provisions of §70.001, Florida Statutes, the Bert J. Harris Jr., Private Property Rights Protection Act (the "Harris Act"), alleging that the Property had been inordinately burdened by the adoption of the Ordinance, (the "Claim).

The Harris Act provides for the City to have the ability to enter into a settlement agreement which would have the effect of a modification or variance to the application of a regulation or ordinance as it would otherwise apply to the subject real property, provided the relief granted protects the public interest served by the regulations at issue and is the appropriate relief necessary to prevent the governmental regulatory effort from inordinately burdening the real property.

The City Council should settle the claim if the City Council determines that the modifications within the settlement agreement protect the public interest served by the Ordinance and are the appropriate relief necessary to prevent the regulatory effect of the Ordinance from inordinately burdening the Property.

II. DISCUSSION: The property owner has requested a maximum occupancy of thirty-five (35) occupants. City staff is recommending an occupancy of thirty-three (33) occupants based on the square footage of the property. The building official utilized a one-occupant per 200 square feet methodology for recommending the above-stated occupancy. This is consistent with the prior settlement agreements entered into for the property owner's similarly situated, recently built structures on Hutchinson Street.

As stated in the agreement, the property owner remains bound by all other provisions of City codes.

A. Link to Strategic Goals / Objectives:

B. Effect on Budget (EOB):

C. Level of Service (LOS):

III. CONCLUSION:

IV. RECOMMENDED MOTION: 1. I move to approve the settlement agreement prepared by the City Land Use Attorney and Staff.

or

2. I move to approve the settlement agreement prepared by the City Land Use Attorney and Staff with the following modifications:_____.

or

3. I move to direct the City Land Use Attorney to negotiate in good faith with the property owner and to bring back an alternate settlement proposal to the City Council for consideration.

or

4. I move to deny settlement of the subject claim at this time.

Attachments:

1. Bert Harris Case - 84 Hutchison Street
2. 84 Hutchison (1)

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Also admitted in Georgia and South Carolina

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SALVADOR "A.J." GOMEZ

Reply to Destin

statum@destinlaw.com

May 10, 2019

VIA HAND DELIVERY

Mayor Gary Jarvis
City of Destin
4200 Indian Bayou Trail
Destin, FL 32541
gjarvis@cityofdestin.com

Dear Mayor Jarvis:

Our firm represents 12 Hutchison, LLC, the owner of the newly constructed home located at 84 Hutchison Street; Destin, Florida, also identified as Lot 2 of the Hutchison Courts plat, recorded in Okaloosa County Plat Book 28, at Page 11.

Due to the recent enactment of City of Destin Ordinance 18-29-CC, which limits the occupancy of short term rental homes to two (2) people per bedroom plus an additional four (4) persons, 12 Hutchison's reasonable investment-backed expectations for use of the home as a short-term vacation rental property have been inordinately burdened, as defined in the "Bert J. Harris, Jr., Private Property Rights Protections Act", Chapter 70, Florida Statutes ("Harris Act"). 12 Hutchison hereby submits this letter along with the enclosed Panhandle Appraisal Group property appraisal dated January 22, 2019, as a claim under the Harris Act against the City of Destin for One Million Nine Hundred Fifty Thousand Dollars ($1,950,000.00), which represents the diminution in value of 12 Hutchison's property.

Pursuant to the provisions of the Harris Act, 12 Hutchison hereby demands payment in the amount of One Million Nine Hundred Fifty Thousand Dollars ($1,950,000.00) plus attorneys fees and costs.

If no resolution is reached during the statutorily prescribed waiting period, 12 Hutchison intends to file suit pursuant to this claim and pursue any other legal remedies for the actions that gave rise to this claim. 12 Hutchison explicitly reserves the right to

bring any and all legal challenges, appeals and objections with respect to Ordinance 18-29-CC.

Sincerely,

C. Stephen Tatum
Matthews & Jones, LLP
Attorney for 12 Hutchison, LLC

Enclosure

cc: Lance Johnson, City Manager (via email)
Rey Bailey, City Clerk (via email)
Kimberley Romano-Kopp, Esq. (via email)
Client

Appraisal Report

Detached Single Family Residential Home

6,804± HVAC SF Existing Structure

84 Hutchison Street
Destin, FL 32541

DIMINUTION IN VALUE ANALYSIS
84 HUTCHISON STREET
DESTIN, FL 32541

FOR
12 HUTCHISON LLC
AND
DESIGNATED ATTORNEYS

RETROSPECTIVE TO JANUARY 22, 2019

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APPRAISAL REPORT

SUBJECT PROPERTY

6,804 ± HVAC SF Existing Detached Residential Improvement

Eight Bedrooms and Eight and One Half Bathrooms

84 Hutchison Street
Destin, FL 32541

EFFECTIVE DATE OF APPRAISAL

Retrospective to January 22, 2019

REPORT DATE

March 3, 2019

VIEWING DATE

March 2, 2019

CLIENT/INTENDED USER

12 Hutchison LLC
Attn: Ben Giles
84 Hutchison Street
Destin, FL 32541

File № 190190

PREPARED BY:

Thomas A. Marr

State-certified General Real Estate Appraiser № RZ 2645 (FL)
tom@panappraisal.com

Panhandle Appraisal Group
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PANHANDLE APPRAISAL GROUP

REAL ESTATE VALUATION AND RESEARCH
Specializing in Residential and Commercial Valuation Support
Fort Walton Beach, Florida

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Fort Walton Beach, Florida 32548

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March 3, 2019

12 Hutchison LLC
Attn: Ben Giles
84 Hutchison Street
Destin, FL 32541

Re: Diminution in value appraisal of an approximate 6,804 HVAC SF detached residential improvement, 'as is' , identified as 84 Hutchison Street in Destin, FL 32541. **Panhandle Appraisal Group File № 190190.**

Dear Mr. Giles:

I have completed the requisite personal viewing, research, and analysis necessary to determine if a diminution in value has occurred for the subject parcel.

The subject property is a four level (including the viewing deck) detached single family residential structure with an approximate 6,804 HVAC SF , eight bedrooms and seven and one half bathrooms. The current sleeping capacity of the subject is thirty five (35) guests.

The purpose of the appraisal analysis was to develop an opinion of the market value of the subject property prior to the enactment of the city of Destin Ordinance No. 18-29-CC, which was promulgated on January 22, 2019 and then derive a value after the January 22, 2019 ordinance which limited the subject to twenty (20) guests.

The authorized user is the client at the address above. The understood intended use of the appraisal report will be for reference in determining if the promulgation of Ordinance No. 18-29-CC resulted in a diminution of value. No other use of this report by any other entity or person is authorized.

Subject to the above and the assumptions, limiting conditions, and certification set forth herein, it is my professional opinion the retrospective market value of the fee simple interest in the subject property, 'as is', as of January 21, 2019, prior to the promulgation of Ordinance No. 18-29-CC, was:

FOUR MILLION ONE HUNDRED EIGHTY THOUSAND DOLLARS
$4,180,000

Subject to the above and the assumptions, limiting conditions, and certification set forth herein, it is my professional opinion the current market value of the fee simple interest in the subject property, 'as is', after the promulgation of Ordinance No. 18-29-CC is:

TWO MILLION TWO HUNDRED THIRTY THOUSAND DOLLARS
$2,230,000

The diminution of value is a rounded $1,950,000.

Exposure Time
The exposure time linked to the final value opinion is a range to nine (9) to twelve (12) months based on market sales of similar properties and current market activity.

Analysis of recent trends and current market supply and demand strongly indicate the highest and best use of the subject property, is continued use as a seasonal rental home.

I hereby certify I possess no interest, present or contemplated, in the appraised property. The undersigned appraiser is competent or has taken the necessary steps to become competent for the property type being appraised. This appraisal has been prepared utilizing all of the requirements set forth as standards for real estate appraisals established for federally related transactions by the Comptroller of the Currency, the Federal Reserve Board, the Federal Deposit Insurance Corporation, and the State of Florida. The appraisal is in conformity with the standards for real estate appraisals as established by the Appraisal Foundation and its Appraisal Standards Board. The appraisal also conforms to *the 2018/2019 edition of the Uniform Standards of Professional Appraisal Practice (USPAP)* and your instructions. The fee for this appraisal was not based on value, nor was the assignment undertaken based on a predetermined value, a trend in value, or a minimum or maximum value.

Respectfully submitted,

Thomas A. Marr
State-Certified General Real Estate Appraiser № RZ 2645 (Florida)

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APPRAISAL REPORT

This is an Appraisal Report which is intended to comply with the reporting requirements in accordance with the 2018/2019 edition of the Uniform Standards of Professional Appraisal Practice (USPAP) for an Appraisal Report. As such, it represents summary discussions of the data, reasoning, and analyses used in the appraisal process to develop the appraisers' opinion of value. Supporting documentation concerning the data, reasoning, and analyses may be retained in the appraiser's files. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated below. The appraisers are not responsible for unauthorized use of this report.

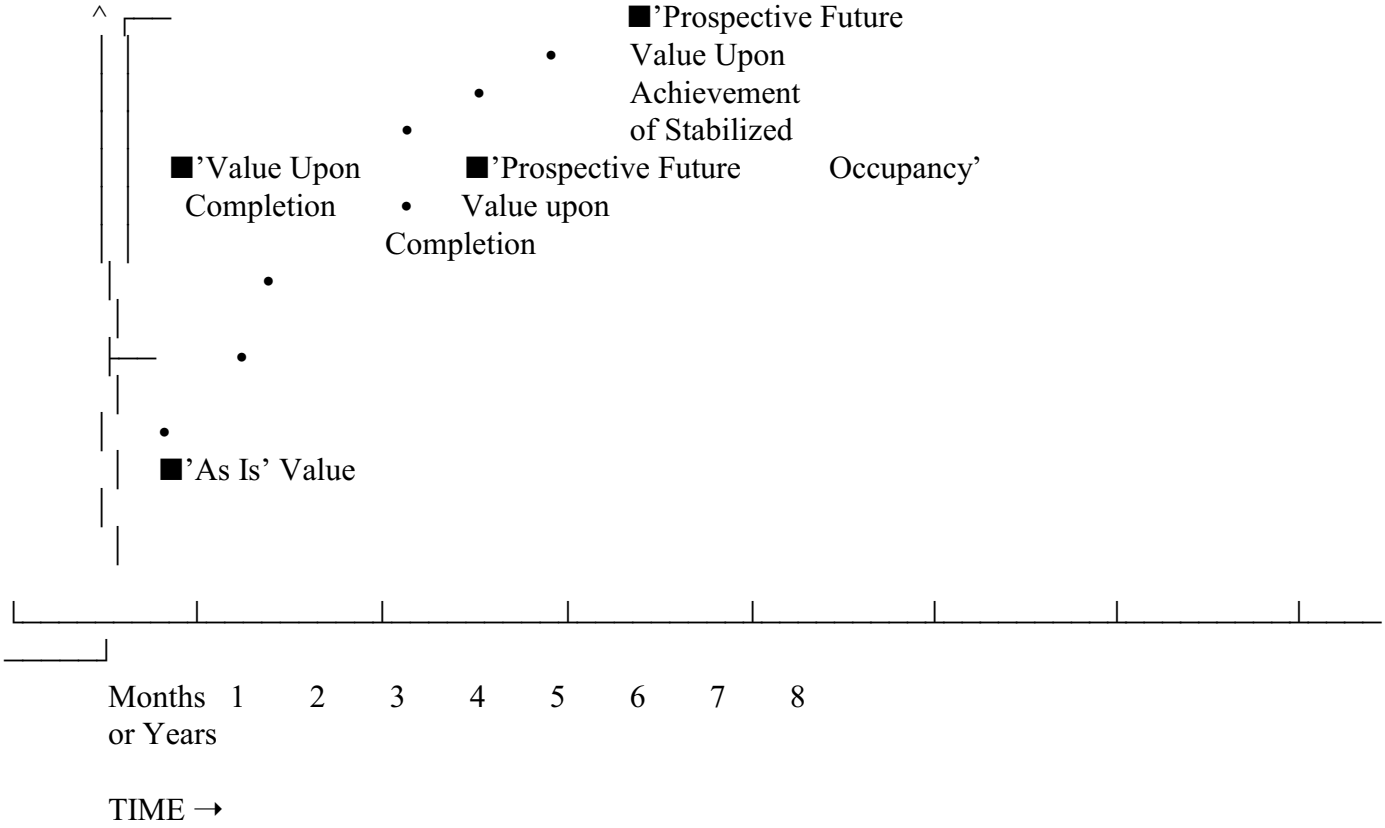
CLIENT:	12 Hutchison LLC Attn: Ben Giles 84 Hutchison Street Destin, FL 32541
APPRAISERS:	**Thomas A. Marr** State-certified General Real Estate Appraiser № RZ 2645 (Florida) Panhandle Appraisal Group 220 Hospital Drive Fort Walton Beach, Florida 32548
SUBJECT PROPERTY:	Legal Description Lot 2, Hutchison Courts Tax ID №: 00-2S-22-5445-0000-0020.
PURPOSE OF THE APPRAISAL:	The purpose of this appraisal was to develop an estimate of the diminution in value from prior to the promulgation of City of Destin Ordinance No. 18-29-CC and after the promulgation of the ordinance on January 22, 2019.
INTENDED USE OF REPORT:	The understood intended use of the appraisal report will be for client use in legal proceedings.
INTENDED USER:	The intended user is the client stated above, the client's attorneys, courts of law, and regulatory authorities. This report is not intended or authorized for any other user or audience.
PROPERTY RIGHTS APPRAISED:	Fee Simple, one hundred percent (100%) ownership interest in the subject property.
EFFECTIVE DATE OF VALUE:	**Retrospective to January 22, 2019.**
DATE OF REPORT:	March 3, 2019
DATE OF INSPECTION:	Thomas A. Marr viewed the subject property on March 2, 2019.
SCOPE OF WORK:	I note you have not requested an appraisal report format. Based on the Scope of Work requirements included in the 2018/2019 version of USPAP, which indicates the appraiser is responsible to coordinate the scope of work with the client, I am informing you I will perform an appraisal report. **It is my opinion this process of work meets all applicable 2018/2019 USPAP standards.**
DEFINITIONS:	The definitions, commencing on the page following, are provided to assist the reader in understanding this appraisal report.

Market Value[1]

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

- Purchaser and seller are typically motivated;
- Both parties are well informed or well advised and each acting in what they consider their best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Value Creation Continuum



The preceding exhibit graphically displays the creation of value in a real estate development project over time, assuming a zero inflation environment for clarity of presentation.

The four (4) time differential values on the graph which may be considered in the appraisal of existing developments are defined as follows:

(1) **'As Is'** means an estimate of the market value of a property in the condition observed upon inspection and as it

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[1] Title XI, Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), [Pub. L. No. 101-73, 103 Stat. 183 (1989)], 12 U.S.C. 3310, 3331-3351, and section 5(b) of the Bank Holding Company Act, 12 U.S.C. 1844(b); Part 225, Subpart G: Appraisals; Paragraph 225.62 (f).
Uniform Standards of Professional Appraisal Practice, 2003 Edition, Page 3
Federal Reserve System, 12 CFR Parts 208 and 225, Sec. 225.62
Office of the Comptroller of the Currency, 12 CFR Part 34, Sec. 34.42 (g)
FDIC, 12 CFR Part 323, Sec. 323.2 (g) (2000)
Office of Thrift Supervision, 12 CFR Part 564, Sec. 564.2
NCUA, 12 CFR Part 722, Sec. 722.2

physically and legally exists without hypothetical conditions, assumptions, or qualifications as of the date of appraisal.

(2) **'Value Upon Completion'** means the market value of a property with all existing construction, conversion, or rehabilitation hypothetically completed, or under other specified hypothetical conditions as of the date of appraisal. With regard to properties wherein anticipated market conditions indicate stabilized occupancy is not likely as of the date of completion, this estimate of value shall reflect the market value of the property as if complete and prepared for occupancy by tenants.

(3) **'Prospective Future Value Upon Completion'** means the prospective future value of a property on the date construction is completed, based upon market conditions forecast to exist as of completion date.

(4) **'Prospective Future Value Upon Achievement of Stabilized Occupancy'** means the prospective future value of a property at a point in time when all improvements have been physically constructed and the property has been leased to its optimum level of long term occupancy.

Fee Simple Estate[2]
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.

Leased Fee Interest[3]
An ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the lessee are specified by contract terms contained within the lease.

Leasehold Interest[4]
The interest held by the lessee (the tenant or renter) through a lease transferring the rights of use and occupancy for a stated term under certain conditions.

Condominium[5]
A multi-unit structure or property in which persons hold fee simple title to individual units and an undivided interest in common areas.

Highest and Best Use[6]
The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and which results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability.

...of land or a site as though vacant:

Among all reasonable, alternative uses, the use yielding the highest present land value, after payments are made for labor, capital, and coordination. The use of property based on the assumption the parcel of land is vacant or can be made vacant by demolishing any improvements.

...of property as improved:

The use which should be made of a property as it exists. An existing improvement should be renovated or retained as is so long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing building and constructing a new one.

---

2 The Dictionary of Real Estate Appraisal, Appraisal Institute, Fourth Edition, 2002, Page 113.

3 Ibid., Page 161.

4 Ibid., Page 162.

5 Ibid., Page 59.

6 Ibid., Page 135.

Marketing Time[7]
The time it takes an interest in real property to sell on the market subsequent to the date of an appraisal.

Exposure Time[8]
A retrospective estimate based on an analysis of past events assuming a competitive and open market.

Advocacy[9]
Representing the cause or interest of another, even if cause or interest does not necessarily coincide with one's own beliefs, opinions, conclusions, or recommendations.

Appraisal[10]
(Noun) The act or process of developing an opinion of value; an opinion of value. (Adjective) of, or pertaining to appraising and related functions such as appraisal practice or appraisal services.

Appraisal Practice[11]
Valuation services performed by an individual acting as an appraiser, including, but not limited to appraisal, appraisal review, or appraisal consulting.

Appraisal Review[12]
The act or process of developing and communicating an opinion about the quality of another appraiser's work was performed as part of an appraisal, appraisal review, or appraisal consulting assignment.

Appraiser[13]
One who is expected to perform valuation services competently, and in a manner, is independent, impartial, and objective.

Appraiser's Peers[14]
Other appraisers who possess expertise and competency in a similar type of assignment.

Assignment[15]
A valuation service provided as a consequence if an agreement between an appraiser and a client.

Assignment Results[16]
An appraiser's opinions and conclusions developed specific to an assignment.

Assumption[17]
An occurrence which is taken to be true.

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8 Ibid., Page 175

9 Ibid., Page 105

9 2018/2019 edition, *Uniform Standards of Professional Appraisal Practice (USPAP)*, Page 1

10 Ibid, Page 1

11 Ibid, Page 1

12 Ibid, Page 1

13 Ibid, Page 1

14 Ibid, Page 2

15 Ibid, Page 2

16 Ibid, Page 2

17 Ibid, Page 2

Bias[18]
A preference or inclination which precludes an appraiser's impartiality, independence, or objectivity in an assignment.

Business Enterprise[19]
An entity pursuing an economic entity.

Business Equity[20]
The interests, benefits, and rights inherent in the ownership of a business enterprise or a part thereof in any form (including, but not necessarily limited to, capital stock, partnership interests, cooperatives, sole proprietorships, options, and warrants).

Client[21]
The party or parties who engage an appraiser (by employment or contract) in a specific assignment.

Confidential Information[22]
Information is either:

- identified by the Client as confidential when providing it to an appraiser and is not available from any other source; or,

- classified as confidential or private by applicable law or regulation.

Cost[23]
The amount required to create, produce, or obtain a property.

'Credible'[24]
Worthy of belief.

Extraordinary Assumption[25]
An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions.

Feasibility Analysis[26]
A study of the cost-benefit relationship of an economic endeavor.

Hypothetical Condition[27]
An assertion which is contrary to what exists but is supposed for the purpose of analysis.

Intangible Property[28]

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18 Ibid, Page 2

19 2018/2019 edition, USPAP, Page 2

20 Ibid, Page 2

21 Ibid, Page 2

22 Ibid, Page 2

23 Ibid, Page 2

24 Ibid, Page 3

25 Ibid, Page 3

26 Ibid, Page 3

27 Ibid, Page 3

28 Ibid, Page 3

(Intangible Assets) Nonphysical assets, including, but not limited to, franchises, trademarks, patents, copyrights, goodwill, equities, securities, and contracts as distinguished from physical assets such as facilities and equipment.

Intended Use[29]
The use or uses of an appraiser's reported appraisal, appraisal review, or appraisal consulting assignment opinions and conclusions, as identified by the appraiser based on communication with the Client at the time of the assignment.

Intended User[30]
The Client and any other party as identified, by name or type, as users of the appraisal, appraisal review, or appraisal consulting report by the appraiser on the basis of communication with the Client at the time of the assignment.

Jurisdictional Exception[31]
...an assignment condition which voids the force of a part or parts of *USPAP*, when compliance with part or parts of *USPAP* is contrary to law or public policy applicable to the assignment.

IDENTIFY THE PROBLEM TO BE SOLVED
The client has requested that I derive two values for the subject. The first value is a value as of January 22, 2019 when the subject could accommodate 30 guests. The second value is after the city of Destin promulgated Ordinance 18-29-CC which limits the subject to 20 guests. The problem to be solved is to derive two values and then identify the diminution of value after the promulgation of the ordinance.

EXTENT OF THE PROCESS OF COLLECTING, CONFIRMING, AND REPORTING DATA:

Preparation of this appraisal included the following scope of work:

- The subject site, improvements, and parking improvements were inspected by the appraiser, the property was photographed. File data for similar properties was reviewed.
- The public records were reviewed. AS the subject is new construction and the plans are available, the appraiser reviewed the plans.
- The appraiser examined the economic, social, governmental, and environmental forces affecting value in the subject neighborhood and the entire market area as a whole.
- The appraiser identified recent and projected actual rents for the subject, based on occupancy of up to 35 guests. The appraiser then identified the annual rentals of other comparable properties which accommodated up to 35 guests. These comparable rentals provided market support for the subject actual and projected gross rental income.
- The appraiser identified market rental comparables for properties limited to 20 guests.
- The appraiser then reduced gross rent to net operating rent and capitalized the net operating rent to identify value for the subject as a 35 guest rental and a 20 guest rental. The difference between these two values is the diminution in value.

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[29] Ibid, Page 3

[30] Ibid, Page 3

[31] 2018 edition, *USPAP*, Page 3

IDENTIFICATION OF THE TYPE OF APPRAISAL AND APPRAISAL REPORT FORMAT:
I have provided an **Appraisal Report**, as defined by the *2018/2019 edition of the Uniform Standards of Professional Appraisal Practice*, containing a summary of all relevant conclusions, data, and analyses used in the report.

TERMS OF THE FINAL VALUE OPINION:
The final opinion of the current market values of the subject property, 'as is' is expressed in terms of cash or financing terms equivalent to cash.

POLICY STATEMENT OF THE APPRAISAL INSTITUTE:
It is improper to base a conclusion or opinion of value upon the premise the racial, ethnic, or religious homogeneity of the inhabitants of an area or of a property is necessary for maximum value.

Racial, religious, and ethnic factors are deemed unreliable predictors of value trends or price variance.

It is improper to base a conclusion or opinion of value, or a conclusion with respect to neighborhood trends, upon stereotyped, biased presumptions relating to the effective age or remaining life of the property being appraised or the life expectancy of the neighborhood in which it is located.

The undersigned appraiser is not a member of the Appraisal Institute.

GENERAL ASSUMPTIONS:

1. No responsibility is assumed for the legal description provided or for matters relevant to legal or title considerations. Title to the property is assumed to be marketable unless otherwise stated. The legal description used in this report is assumed to be correct.

2. The subject property is appraised free and clear of any or all liens, leases, or encumbrances unless otherwise stated. All mortgages, liens, encumbrances, leases, and servitudes have been disregarded unless so specified within the report.

3. No survey of the property has been made by the appraisers and no responsibility is assumed in connection with such matters. Sketches, plot plans, or illustrative material presented in this report are included only to assist the reader in visualizing the property.

4. Information and data furnished by others is usually assumed to be true, correct and reliable. When such information and data appears to be dubious and when it is critical to the appraisal, a reasonable effort has been made to verify all such information; however, no responsibility for its accuracy is assumed by the appraiser.

5. Responsible ownership and competent property management are assumed unless otherwise stated in this report.

6. It is assumed there are no hidden or unapparent conditions of the property, subsoil or structures which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.

7. It is assumed 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.

8. It is assumed the subject property is in compliance with all applicable zoning and land use regulations, unless a nonconformity has been stated, defined and considered in the appraisal report.

9. It is assumed all required licenses, consents or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use which the value estimate contained in this report is based.

10. It is assumed the utilization of the land and improvements is within the boundaries or property lines of the property described and there is no encroachment or trespass unless noted within the report.

EXTRAORDINARY ASSUMPTIONS:
I am using data provided to me by the client and other vacation home owners.

I am making the extraordinary assumption that the data provided is accurate, credible and reliable.

If, for any reason, the data provided is not accurate, credible and reliable, the values derived in the analysis is subject to review.

GENERAL LIMITING CONDITIONS:

1. This is an Appraisal Report which is intended to comply with the reporting requirements set forth in accordance with the *2018/2019 edition of the Uniform Standards of Professional Appraisal Practice* for an Appraisal Report. As such, it includes summarized discussions of the data, reasoning, and analyses used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses may be retained in the appraiser's files. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraiser is not responsible for unauthorized use of this report.

2. Appraisers are not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraisers suggesting the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert in the field of environmental assessment. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The appraiser's value estimate is predicated on the assumption there exists no such material on or in the property causing a loss in value unless otherwise stated in this report. No responsibility is assumed for any environmental conditions, or for any expertise or engineering knowledge required to discover them. The appraisers' descriptions and resulting comments are the result of the routine observations made during the appraisal process.

3. The subject property is appraised without a specific compliance survey having been conducted to determine if the property is or is not in conformance with the requirements of *The Americans with Disabilities Act*. The presence of architectural and communications barriers which are structural in nature which would otherwise restrict access by disabled individuals may adversely affect the property's value, marketability, or utility.

4. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event, only with proper written qualification and only in its entirety.

5. Neither all nor any part of the contents of this report shall be conveyed to any person or entity, other than the appraiser's or firm's client, through advertising, solicitation materials, public relations, news, sales, or other media without the written consent and approval of the authors, particularly as to valuation conclusions, the identity of the appraiser or firm with which the appraiser is connected, or any reference to affiliation with any professional appraisal organization. Further, the appraiser or firm assumes no obligation, liability, or accountability to any third party. If this report is placed in the hands of anyone but the client, client shall make party aware of all the assumptions and limiting conditions of the assignment.

6. The appraiser affixing his signatures to this appraisal report will not be required to give testimony or appear in court because of having made this appraisal, with reference to the property in question, unless arrangements have been previously made thereof.

7. No environmental impact studies were either requested or made in conjunction with this appraisal, and the appraiser hereby reserves the right to alter, amend, revise, or rescind any of the value opinions based upon any subsequent environmental impact studies, research, or investigation.

8. The appraiser has not been supplied with a report of the subsoil conditions indicating the exact capacity of the subsoil. I do not have the benefit of subsoil test results of the properties and detection of possible soil defects would be beyond my realm of expertise. However, there appear to be no hidden or apparent conditions of the subject sites or subsoil structures which would render them more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.

9. Acceptance of and/or use of this appraisal report constitutes acceptance of the foregoing General Assumptions, Special Assumptions, General Limiting Conditions, and Special Limiting Conditions.

EXTRAORDINARY LIMITING CONDITIONS AND HYPOTHETICAL CONDITIONS:
None.

CERTIFICATION:

I certify, to the best of my knowledge and belief:

1. The statements of fact contained in this report are true and correct.

2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions and conclusions.

3. I possess no present or prospective interest in the property which is the subject of this report and no personal interest with respect to the parties involved.

4. I possess no bias with respect to the property which is the subject of this report or to the parties involved with this assignment.

5. The engagement in this assignment was not contingent upon developing or reporting predetermined results.

6. The compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value favoring the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

7. The analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *2018/2019 edition of the Uniform Standards of Professional Appraisal Practice*.

8. Thomas A. Marr has made a personal viewing of the property which is the subject of this report. No one else has rendered significant real estate appraisal knowledge and input to the compilation of this report.

9. I have not performed any services, to include appraisal services, regarding the subject in the previous three years.

10. The opinion of market value 'as is' of the one hundred percent (100%) fee simple ownership interest in the subject property, as of the date of last my personal viewing, of February 22, 2019 'as is' is prior to the promulgation of Destin Ordinance 19-23-CC is FOUR MILLION ONE HUNDRED EIGHTY THOUSAND DOLLARS ($4,180,000) and the value after the promulgation of Destin Ordinance 19-23-CC is TWO MILLION TWO HUNDRED THIRTY THOUSAND DOLLARS ($2,230,000. The diminution of value is estimated as ONE MILLION NINE HUNDRED FIFTY THOUSAND DOLLARS ($1,950,000).

Thomas A. Marr
State-certified General Real Estate Appraiser № RZ 2645 (Florida)

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DESCRIPTION OF THE SUBJECT PROPERTY
Ownership:

The current owner is 12 Hutchison LLC**.** The following deed is an administrative transfer in 2017. The original acquisition deed is available on the two following pages. See additional comments in the history section on page 48.

FILE #3160520 RCD: 9/18/2017 2:03 PM, BK: 3317 PG: 4658, RECORDING: $10.50 RECORDING ARTICLE V: $8.00
D Doc Stmp: $0.70 DEPUTY CLERK ASECRIST
JD PEACOCK II CLERK OF COURTS, OKALOOSA COUNTY, FLORIDA

Corporate Warranty Deed

This Indenture, made , September 8, 2017 A.D.
Between, 12 Hutchinson, LLC, a Florida limited liability company, whose post office address is:1159 Troon Drive, Miramar Beach, Florida 32550 , a Florida limited liability company existing under the laws of the State of Florida, Grantor and **12 Hutchinson, LLC, a Florida limited liability company** whose post office address is: 1159 Troon Drive, Miramar Beach, Florida 32550, Grantee,

Witnesseth, that the said Grantor, for and in consideration of the sum of Ten and No/100 Dollars ($10.00), to it in hand paid by the said Grantee, the receipt whereof is hereby acknowledged, has granted, bargained and sold to the said Grantee forever, the following described land, situate, lying and being in the County of Okaloosa, State of Florida, to wit:

A PORTION OF LOT 13 AND A PORTION OF LOT 12, BLOCK 10, CRYSTAL BEACH, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

THE SOUTH 24 FEET OF LOT 13, BLOCK 10 AND THE NORTH 32 FEET OF LOT 12, BLOCK 10, CRYSTAL BEACH, ACCORDING TO THE PLAT THEREOF AS RECORDED IN PLAT BOOK 1, PAGE 17 OF THE PUBLIC RECORDS OF OKALOOSA COUNTY, FLORIDA.

THE ABOVE DESCRIBED PROPERTY IS NOW PLATTED AND DESCRIBED AS FOLLOWS:

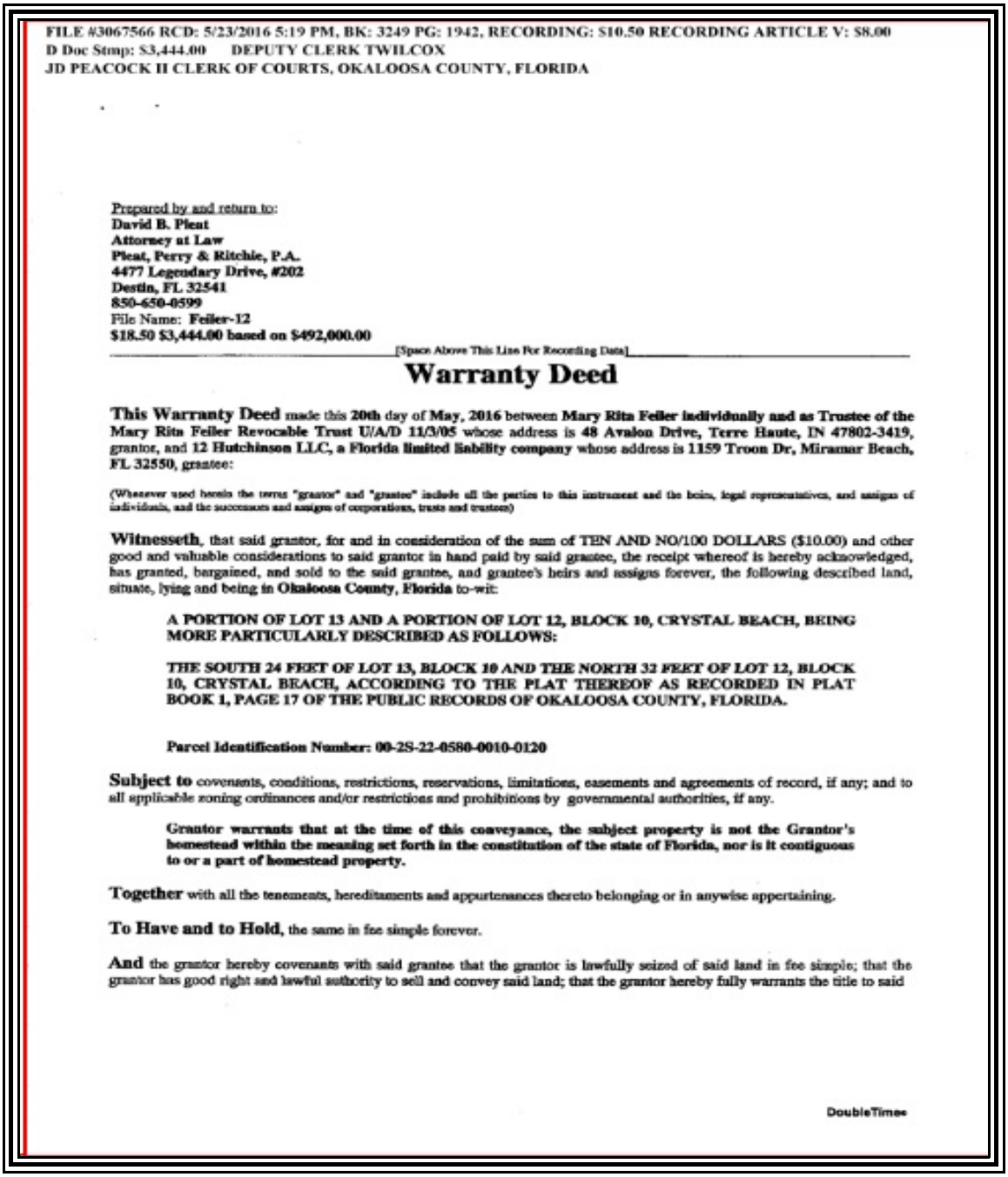
LOT 2, HUTCHINSON COURTS, ACCORDING TO THE PLAT THEREOF AS RECORDED IN PLAT BOOK 28, PAGE 11, OF THE PUBLIC RECORDS OF OKALOOSA COUNTY, FLORIDA.

Subject to taxes for the current year, covenants, restrictions and easements of record, if any.

Parcel Identification Number: **00-2S-22-5445-0000-0020**

And the said Grantor does hereby fully warrant the title to said land, and will defend the same against the lawful claims of all persons whomsoever.

The following deed is the deed where the subject was acquired in 2016.



FILE #3067566 RCD: 5/23/2016 5:19 PM, BK: 3249 PG: 1942, RECORDING: $10.50 RECORDING ARTICLE V: $8.00
D Doc Stmp: $3,444.00 DEPUTY CLERK TWILCOX
JD PEACOCK II CLERK OF COURTS, OKALOOSA COUNTY, FLORIDA

Prepared by and return to:
David B. Pleat
Attorney at Law
Pleat, Perry & Ritchie, P.A.
4477 Legendary Drive, #202
Destin, FL 32541
850-650-0599
File Name: **Feiler-12**
$18.50 $3,444.00 based on $492,000.00

[Space Above This Line For Recording Data]

Warranty Deed

This Warranty Deed made this **20th** day of **May, 2016** between **Mary Rita Feiler individually and as Trustee of the Mary Rita Feiler Revocable Trust U/A/D 11/3/05** whose address is **48 Avalon Drive, Terre Haute, IN 47802-3419**, grantor, and **12 Hutchinson LLC, a Florida limited liability company** whose address is **1159 Troon Dr, Miramar Beach, FL 32550**, grantee:

(Whenever used herein the terms "grantor" and "grantee" include all the parties to this instrument and the heirs, legal representatives, and assigns of individuals, and the successors and assigns of corporations, trusts and trustees)

Witnesseth, that said grantor, for and in consideration of the sum of TEN AND NO/100 DOLLARS ($10.00) and other good and valuable considerations to said grantor in hand paid by said grantee, the receipt whereof is hereby acknowledged, has granted, bargained, and sold to the said grantee, and grantee's heirs and assigns forever, the following described land, situate, lying and being in **Okaloosa County, Florida** to-wit:

A PORTION OF LOT 13 AND A PORTION OF LOT 12, BLOCK 10, CRYSTAL BEACH, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

THE SOUTH 24 FEET OF LOT 13, BLOCK 10 AND THE NORTH 32 FEET OF LOT 12, BLOCK 10, CRYSTAL BEACH, ACCORDING TO THE PLAT THEREOF AS RECORDED IN PLAT BOOK 1, PAGE 17 OF THE PUBLIC RECORDS OF OKALOOSA COUNTY, FLORIDA.

Parcel Identification Number: 00-2S-22-0580-0010-0120

Subject to covenants, conditions, restrictions, reservations, limitations, easements and agreements of record, if any; and to all applicable zoning ordinances and/or restrictions and prohibitions by governmental authorities, if any.

Grantor warrants that at the time of this conveyance, the subject property is not the Grantor's homestead within the meaning set forth in the constitution of the state of Florida, nor is it contiguous to or a part of homestead property.

Together with all the tenements, hereditaments and appurtenances thereto belonging or in anywise appertaining.

To Have and to Hold, the same in fee simple forever.

And the grantor hereby covenants with said grantee that the grantor is lawfully seized of said land in fee simple; that the grantor has good right and lawful authority to sell and convey said land; that the grantor hereby fully warrants the title to said

DoubleTime®

BK: 3249 PG: 1943

land and will defend the same against the lawful claims of all persons whomsoever; and that said land is free of all encumbrances, except taxes accruing subsequent to **December 31, 2015.**

In Witness Whereof, grantor has hereunto set grantor's hand and seal the day and year written below.

Signed, sealed and delivered in our presence:

Witness Name: Lisa VanReed

Witness Name: Lindsey Jones

Mary Rita Feiler, individually and as Trustee

State of Indiana
County of Lake

The foregoing instrument was acknowledged before me this 19th day of May, 2016 by Mary Rita Feiler individually and as Trustee of the Mary Rita Feiler Revocable Trust U/A/D 11/3/05, who [_] is personally known or [X] has produced a driver's license as identification.

[Notary Seal]

Notary Public

Printed Name: Lindsey Danielle Jones

My Commission Expires: Jan 2, 2021

LINDSEY DANIELLE JONES
Notary Public - Seal
State of Indiana
My Commission Expires Jan 2, 2021

SITE:

Location:
The subject is located on the west side of Hutchison Street, 450 feet north of the Hutchison Street and Scenic Highway 98 intersection.

The subject lot was once part of the mature Crystal Beach subdivision in Destin and has been re-designated as Lot 2 of the Hutchison Courts SD

The surrounding area is the Crystal Beach Subdivision which is a mix of mature homes as well as many recently constructed 'beach' homes used for seasonal rental

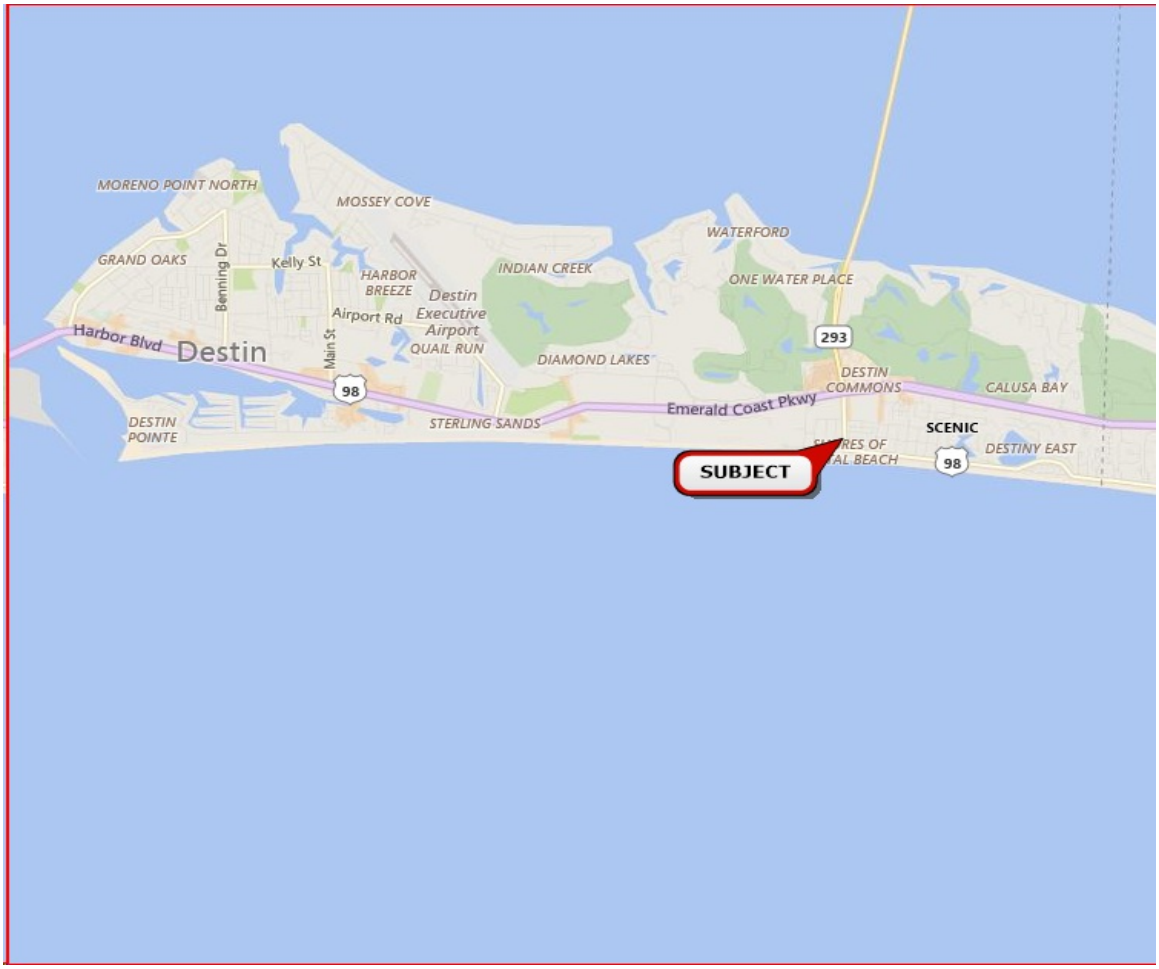
To the east and west, north of Scenic Highway 98 are primarily single family detached homes.

To the north, along the Emerald Coast Parkway (U. S. Highway 98) all uses are almost exclusively commercial, and further north of the Emerald Coast Parkway are mature, residential subdivisions.

On the south side of Scenic Highway 98 are almost exclusively multi-family condominium projects mixed with a few detached single family residential homes.

The Henderson Beach Resort was just completed to the west of the subject.

See the following map for the subject location in the broad Destin market.



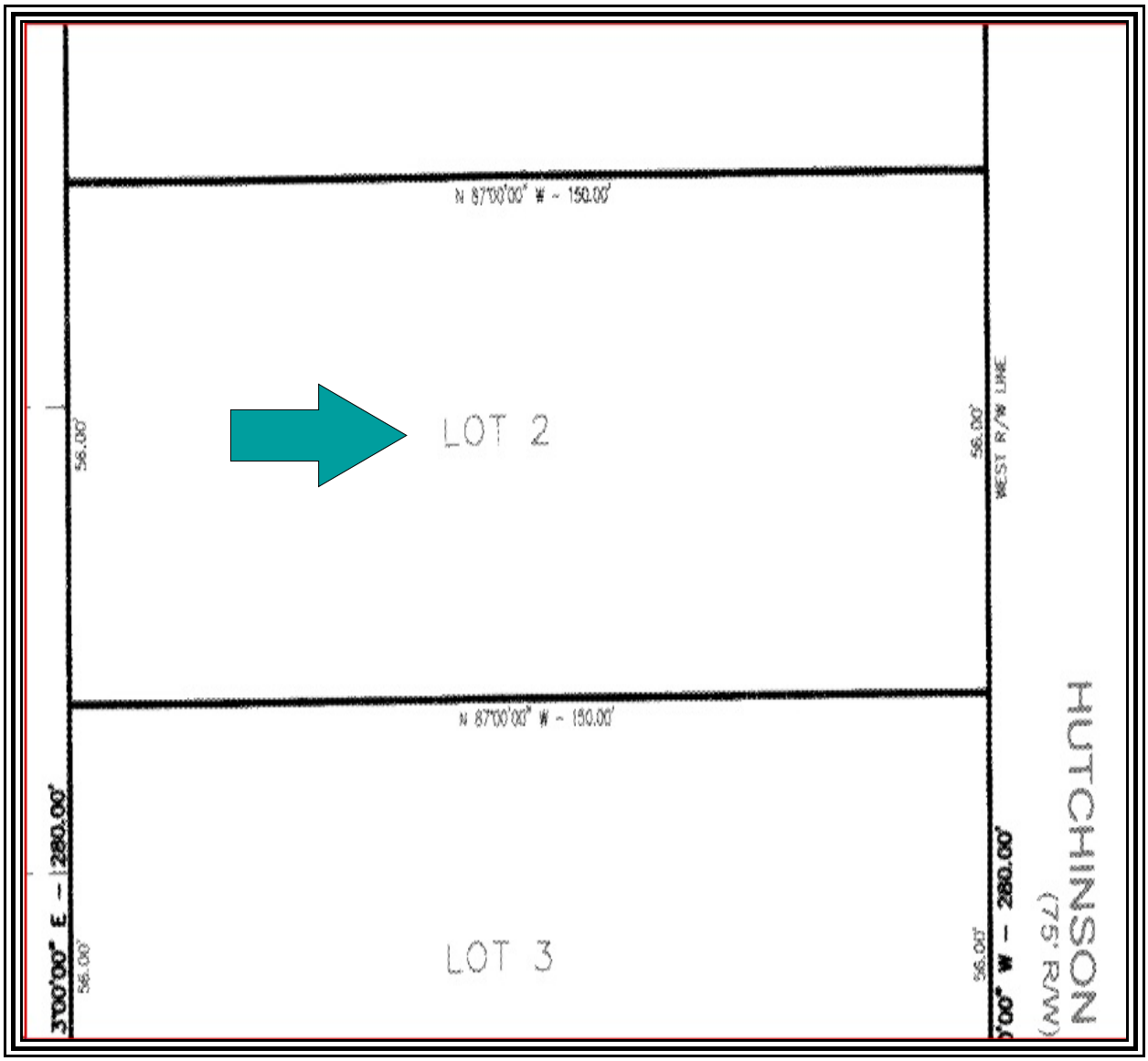
The following map indicates the Crystal Beach area which is the local market area surrounding the subject.

The following aerial photograph indicates the immediate vicinity of the subject.

Land Size:

The subject is a single residential lot.

See the following excerpt from the recorded plat map.



Based on these dimensions, the subject lot is a rectangle with east and west dimensions of 56 feet and north and south dimensions of 150 feet.

This results in a land size of 8,400 SF.

I would consider the subject land size as typical and parking to be adequate as there are eight (8) approved parking spaces.

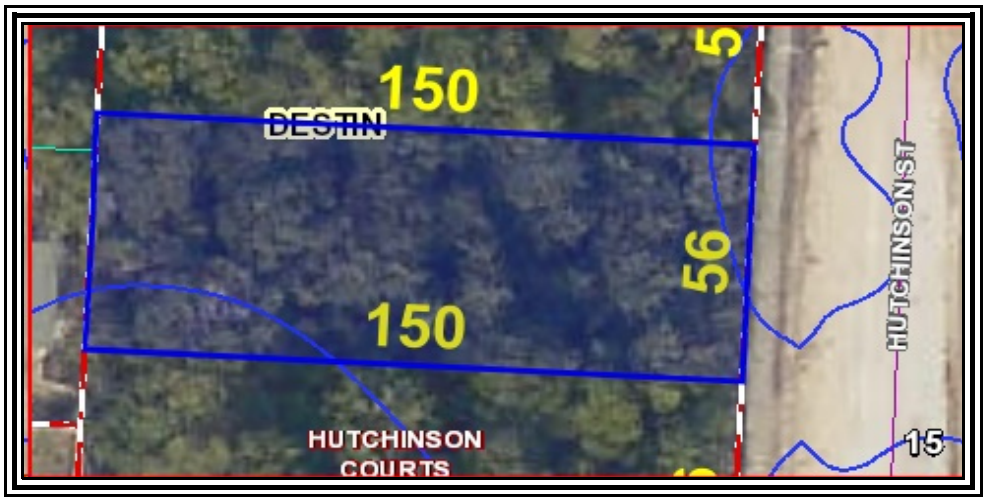
Site Topography:

Per the Okaloosa County GIS site and my viewing, the subject is at the road grade of Hutchison Street.

The subject is also generally level over the entire surface of the lot.

The subject lot contour is typical for gulf front parcels.

I am providing the following contour map extracted from the Okaloosa County Property Appraiser web site.



Utilities:

Utility	*Provider*	*Utility*	*Provider*
Electricity	Gulf Power	Stormwater Drainage	Destin
Water and Sewer	Okaloosa County	Fire Department	Destin
Natural Gas	Okaloosa Gas	Police Department	Contract with the Okaloosa County Sheriff
Telephone	Verizon	Refuse Removal	By contract
Cable Television	Cox Cable		

The utilities for the subject site are considered as typical in the market.

Easements/Encroachments:
I was not furnished a copy of a recent survey of the subject property. A review of the site plan, various maps and my personal viewing did not indicate any easements or encroachments.

I assume there are utility easements of record.

It is my opinion that there are no easements or encroachments which would affect value or transferability.

Ingress/Egress:
The subject property is reached directly from Hutchison Street, which fronts on the subject east side.

Hutchison Street is a paved, two lane public roadway.

Hutchison Street connects to Scenic Highway 98 on the south and then runs north where it crosses over Emerald Coast Parkway (U. S. Highway 98) and then is re-designated the Danny Wuerfel Highway/Mid Bay Bridge Road.

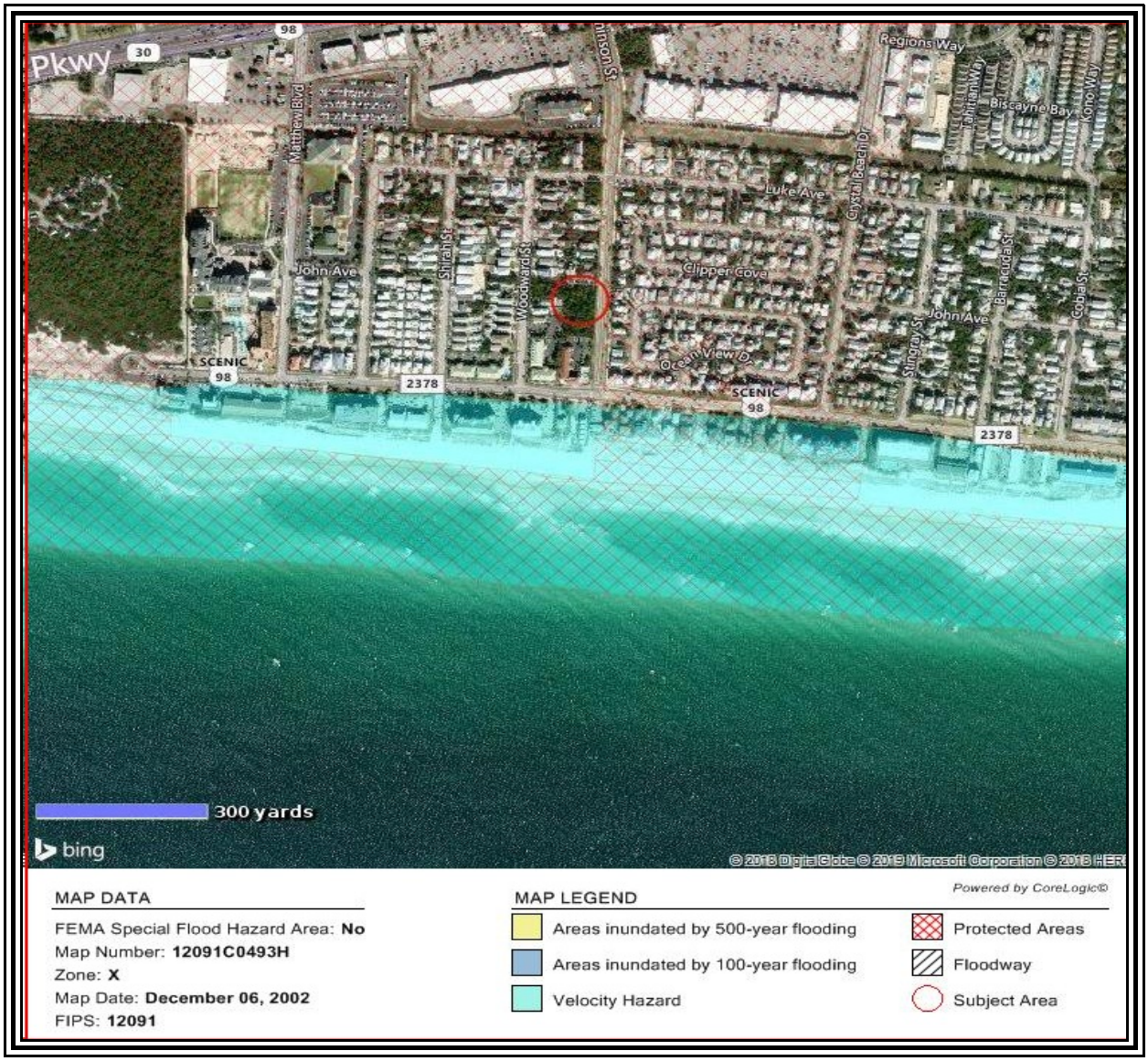
Ingress/egress is viewed as similar to most access typically found in the market.

Parking is viewed as superior to most parking found in the market as the subject was just developed and meets the most current code.

Flood Risk:

FEMA Map Panel	*Map Area*	*Dated*	*Flood Zone*
12091C 0493H	Okaloosa County	December 6, 2002	"X"

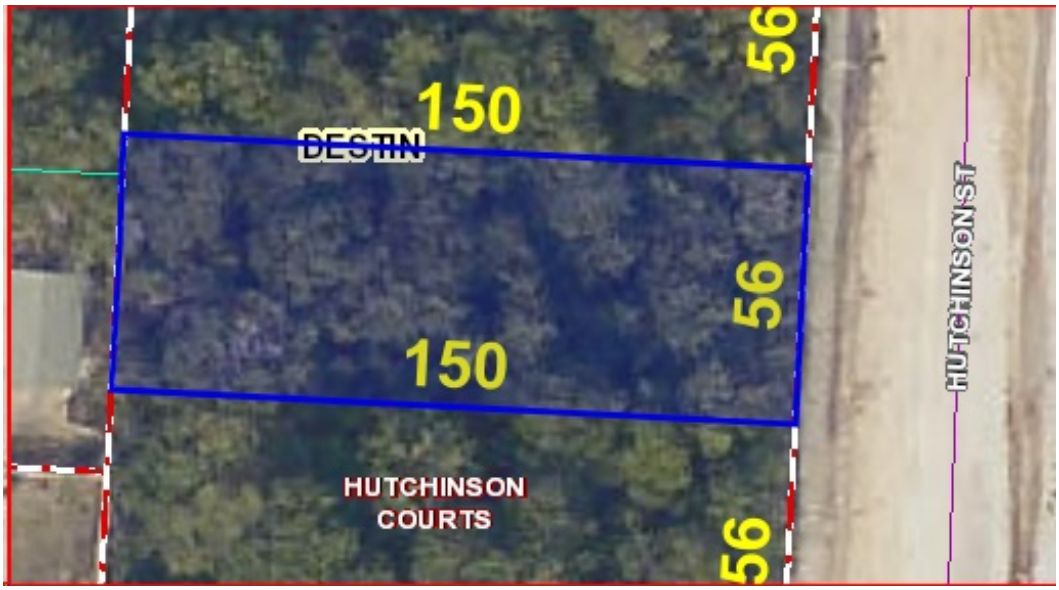
* The client is advised appraisers are not surveyors, and accordingly, any final determination as to flood zone status should only be made by a licensed, adequately insured, Florida surveyor utilizing the latest FEMA flood panels. However, it appears the entire subject area is considered as Flood Zone 'X', an area of minimal flood risk. The subject is located at the red circle in the following flood map.



Wetlands:

The subject features no wetlands.

The wetland map is consistent with the flood panel on the previous page.



Census Data:
The subject is located in census tract 0233.04.

IMPROVEMENTS 'AS IS'

Size:
The subject is a single family detached improvement with three living levels and a fourth level which is a viewing deck accessed by stairs.

The subject also features an attached two car garage on the first level. The subject features substantial exterior balconies and porches, as well as an in ground swimming pool, pool deck/lanai, landscaping, and six (6) open paver parking spaces. The two (2) garage spaces and the six (6) open spaces result in a total of eight (8) parking spaces.

The first living level is one bedroom with a king bed sleeping two (2), a second bedroom with a king bed sleeping two (2) a sofa sleeper in the game room sleeping one (1) and a media room sleeping six (6) for a total of 11 guests on the first level.

The second level is the kitchen and other living areas to include three (3) bedrooms with king beds sleeping two (2) each for a total of six (6) guests and a sofa sleeper sleeping two (2) guests for a total of eight (8) guests on the second level.

The third level is two bedrooms with king bed sleeping two (2) each for a total of four (4), a bedroom with ten (10) bunks and a den area sofa sleeper sleeping two (2) for a total of sixteen (16) on the third level.

The three level totals of 11, 8 and 16 result in a total of 35 guests.

Per Okaloosa County public records, the subject is 9,408 total SF with an approximate 6,804 HVAC SF of living area.

Construction Quality:
The quality of construction for the subject improvement is *Class C* good. Details of construction are summarized below:

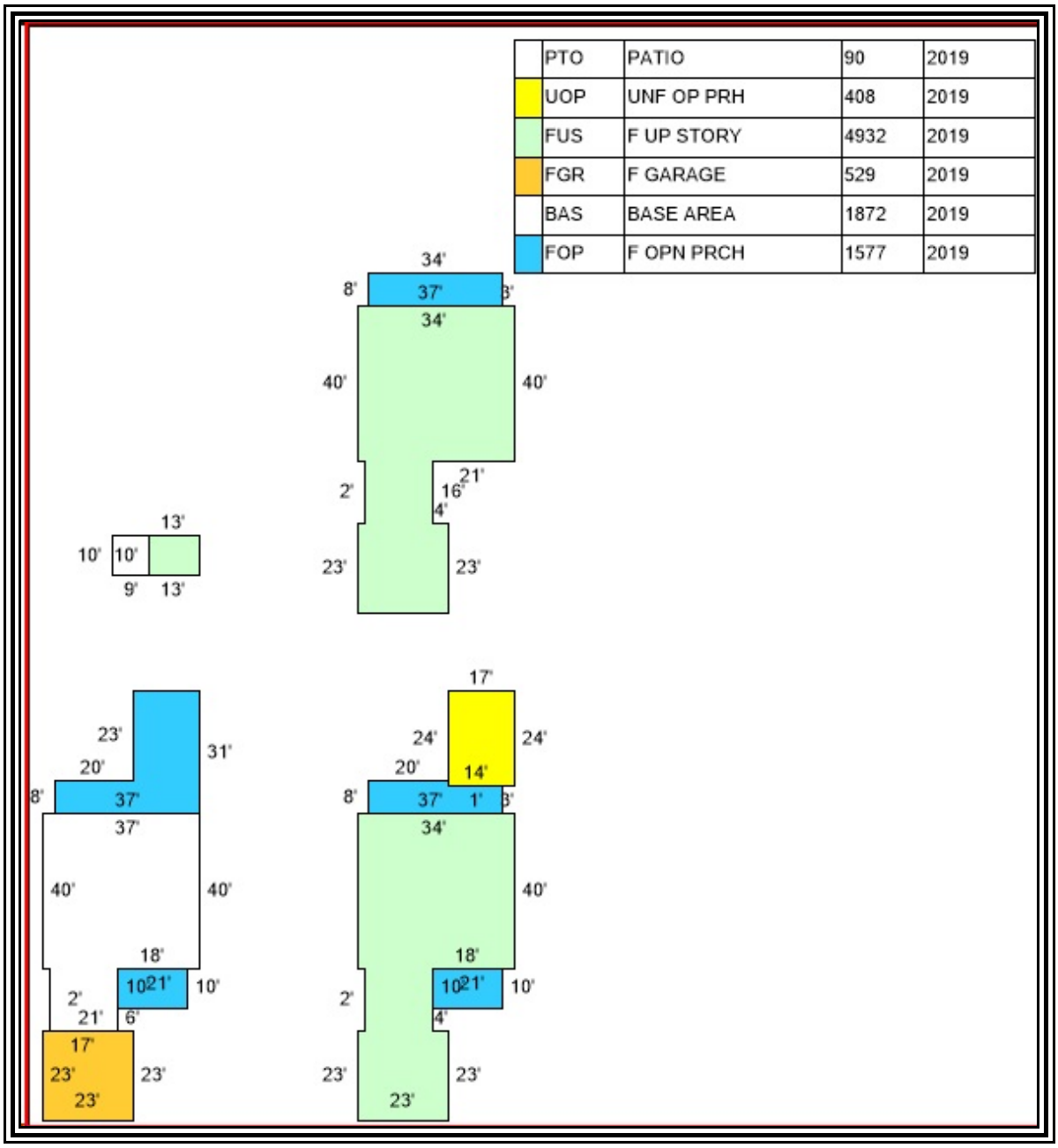
Construction Component	
Foundation	4" Reinforced concrete slab
Exterior walls	Wood frame with hardi board and brick
Roof	Metal
Trim	Base and crown molding
Windows	Double pane aluminum
Exterior doors	Insulated metal with glass
Insulation	Unknown. Assumed to be R38 behind sheet rock
HVAC	Forced Air and Central HVAC
Ceiling	10 foot with sheet rock and can lights
Interior Walls	Painted sheet rock
Interior flooring	High quality stone, tile and carpet
Interior doors	Six and four panel wood
Restrooms	Seven and One Half bath rooms
Lighting	Can lights
Kitchens	One typical residential kitchen
Other	Many porches/swimming pool and lanai/elevator.

Condition of Improvements:
The subject improvement is new and in good condition.

Age:
Public records indicate this subject improvement was just completed in 2019.

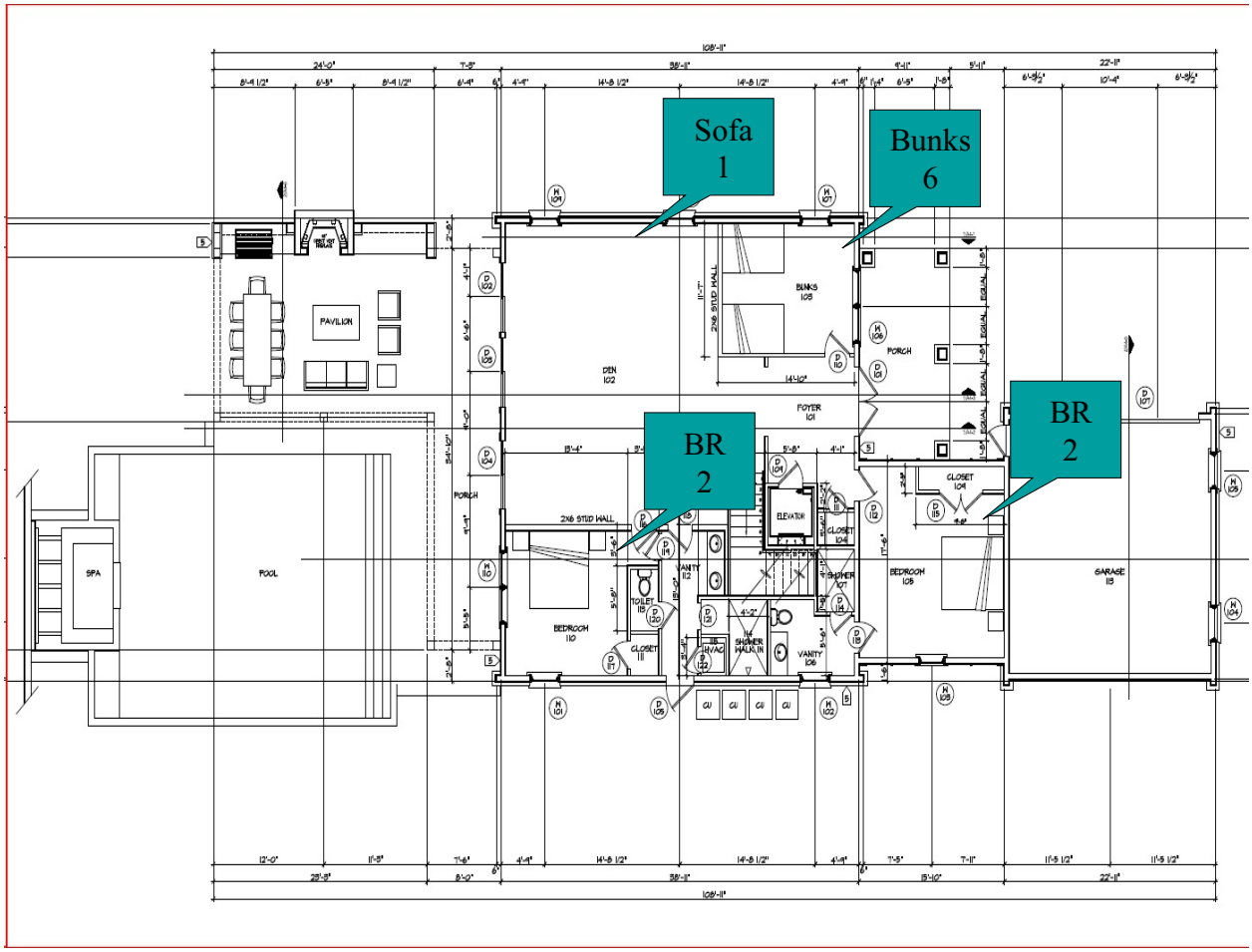
I consider the actual age and the effective age to be a similar one year. I estimate an economic life of 55 years and a physical life of 75 years.

See the following sketch from the Okaloosa County Property Appraiser web site.

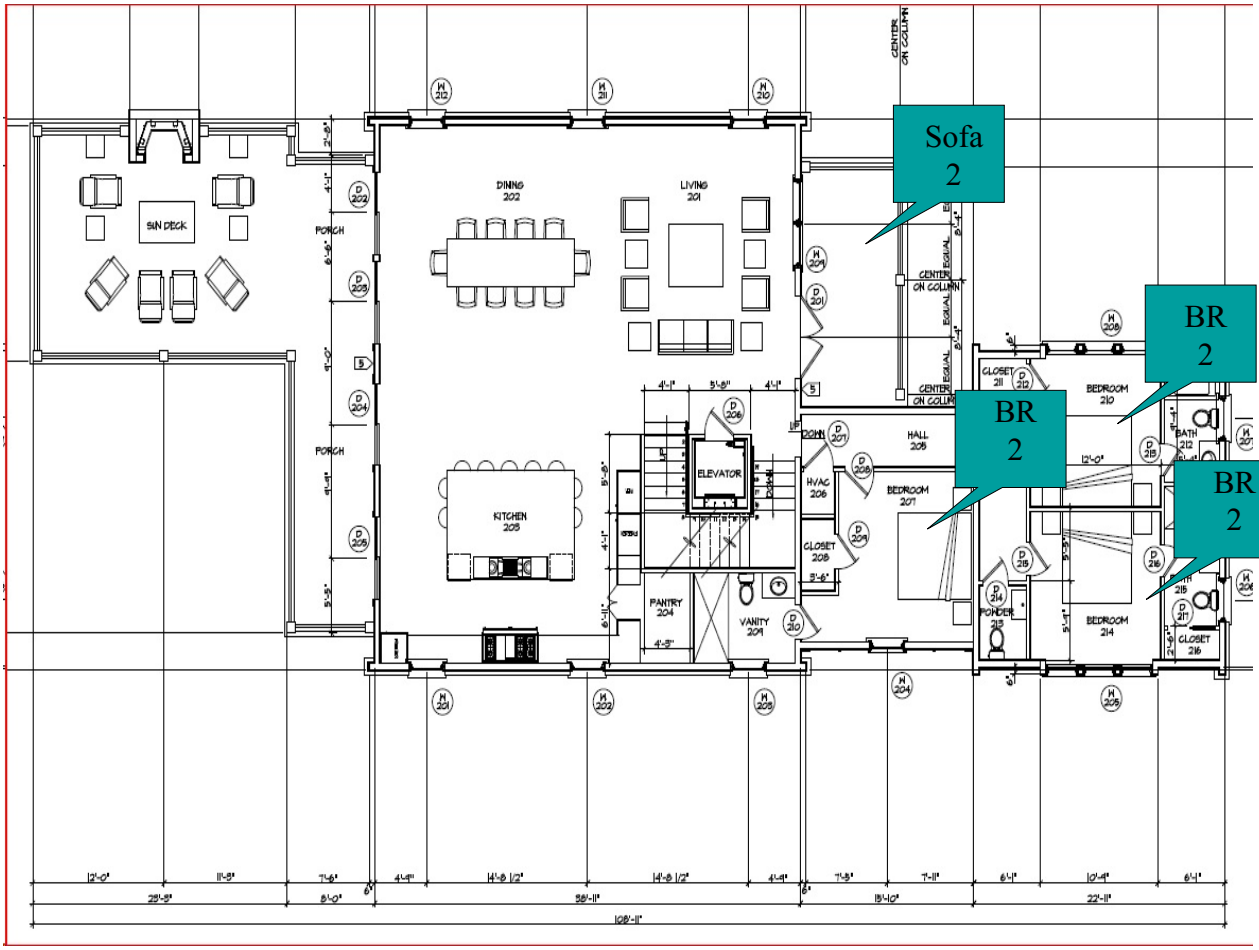


See the following plans provided by the client.

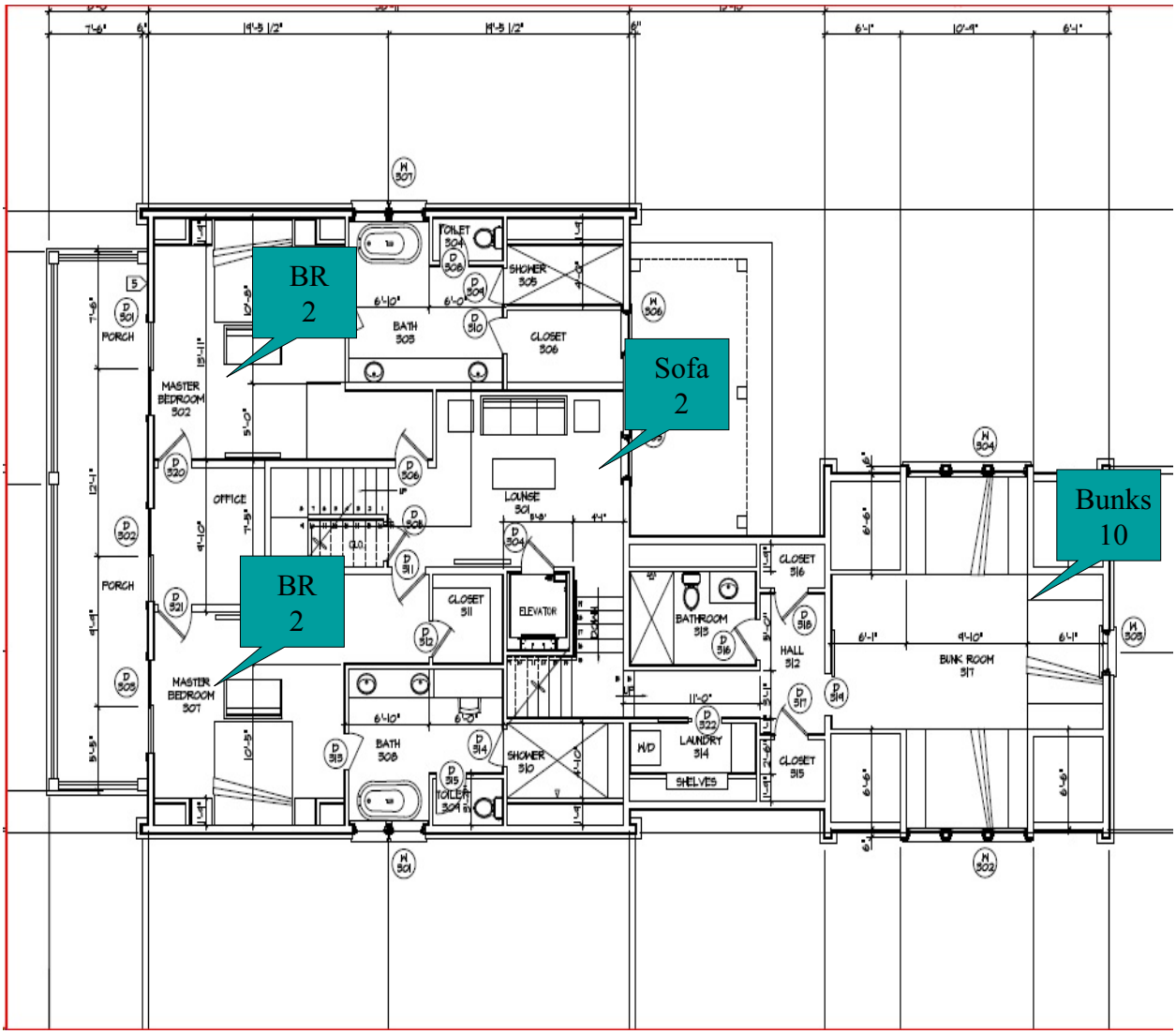
The first level sleeps eleven (11) as indicated below.



This is the second level with the main living areas of the kitchen as well as three bedrooms and a sofa sleeper, sleeping a total of eight (8).



This is the third level which sleeps sixteen (16)



Exterior Photographs:

FRONT OF SUBJECT

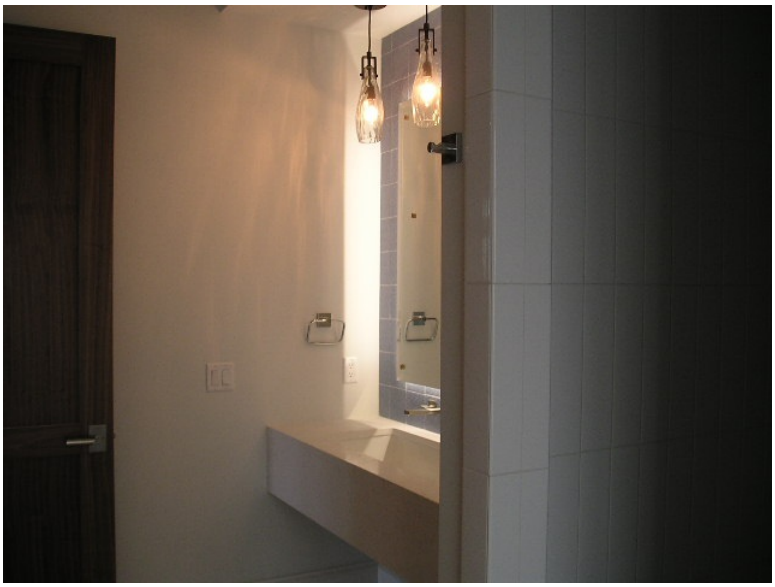
REAR OF SUBJECT

First Level Sleeping eleven (11).

GAME ROOM WITH SOFA SLEEPING ONE (1)

BUNK ROOM SLEEPING SIX (6)

BEDROOM WITH KING SLEEPING TWO (2) BEDROOM #1



FULL BATH SUPPORTING BEDROOM #1 - BATH #1

BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #2

FULL BATH SUPPORTING BEDROOM #2 - BATH #2

Second Floor Area Features Kitchen and Great Room and Sleeps Eight (8):

KITCHEN

GREAT ROOM

BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #3

FULL BATH SUPPORTING BEDROOM #3 - BATH #3

BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #4

FULL BATH SUPPORTING BEDROOM #4 - BATH #4

BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #5

FULL BATH SUPPORTING BEDROOM #5 - BATH #5

HALF BATH FOR COMMON USE - BATH # 5.5

SECOND LEVEL BALCONY

Third Level Sleeping Sixteen (16):

DEN WITH SOFA SLEEPING TWO (2)

LAUNDRY

BUNK ROOM SLEEPING TEN (10) - BEDROOM #6

FULL BATH SUPPORTING BEDROOM #6 - BATH # 6.5

BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #7

FULL BATH SUPPORTING BEDROOM #7 - BATH #7.5

BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #8

FULL BATH SUPPORTING BEDROOM #8 - BATH #8.5

WET BAR BETWEEN TWO BEDROOM ON THIRD LEVEL

THIRD LEVEL COVERED BALCONY

Fourth Level Viewing Deck Area - No Sleeping Capacity

VIEWING DECK

ACCESS TO VIEWING DECK

VIEW TO SW

VIEW TO SE

Exterior Amenity Photographs:

IN GROUND SWIMMING POOL

SPA

LANAI AND SUMMER KITCHEN

ATTACHED TWO CAR GARAGE

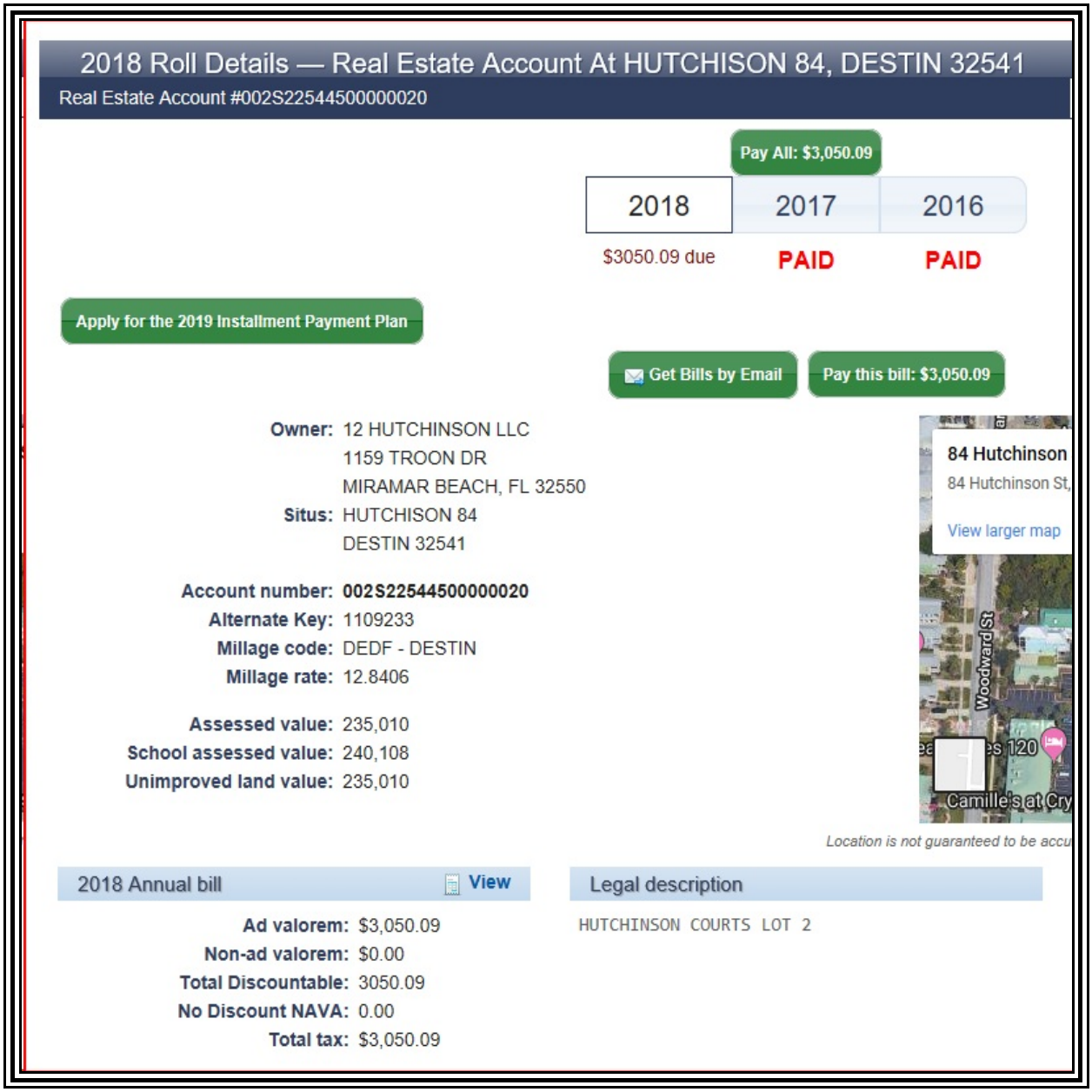
Taxes:
The tax identification number, gross tax amount due, amount paid, and assessed value for the 2018 tax year.

Tax Identification Number	Assessed Value	Gross Tax Amount Due	Amount paid	Amt. Due
00-2S-22-5445-0000-0020	$235,010	$3,050.09	None	$3,050.09

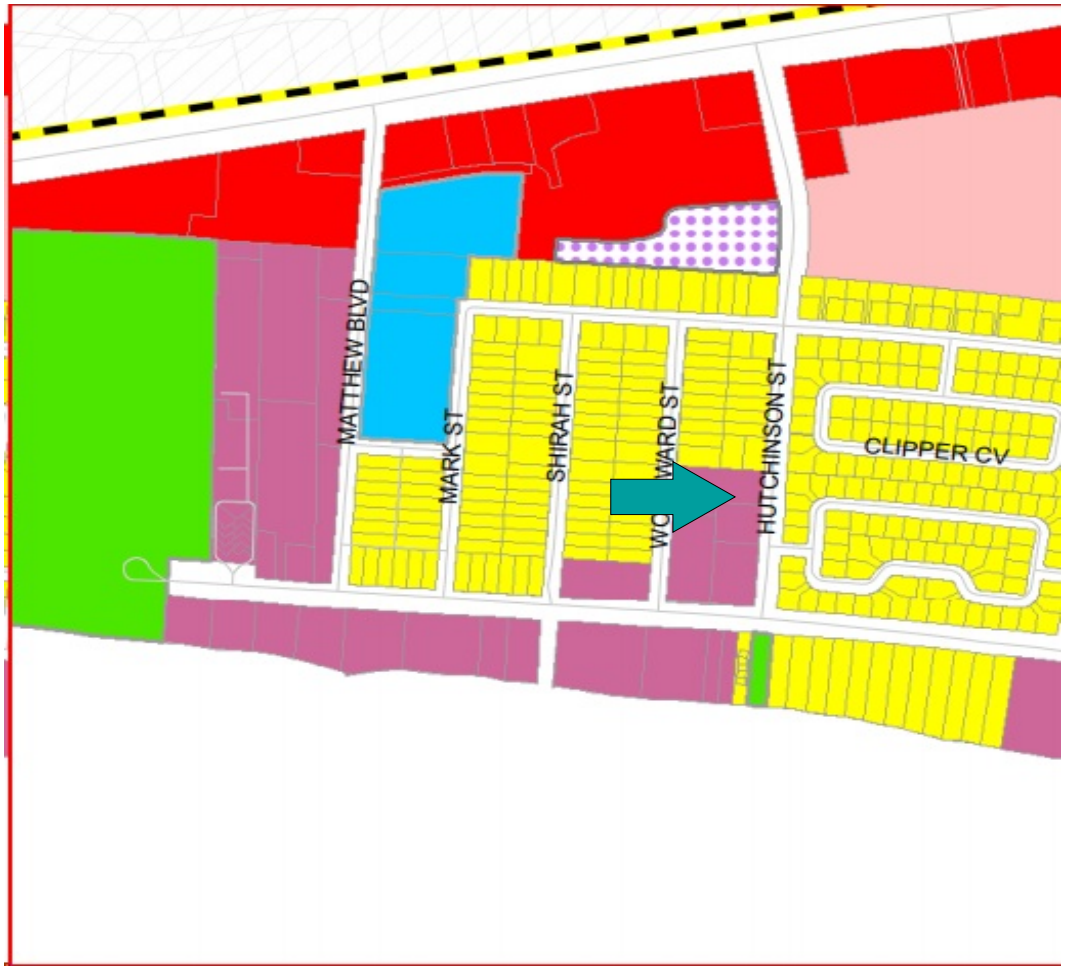
The 2018 taxes remain unpaid and are due on March 31, 2019.

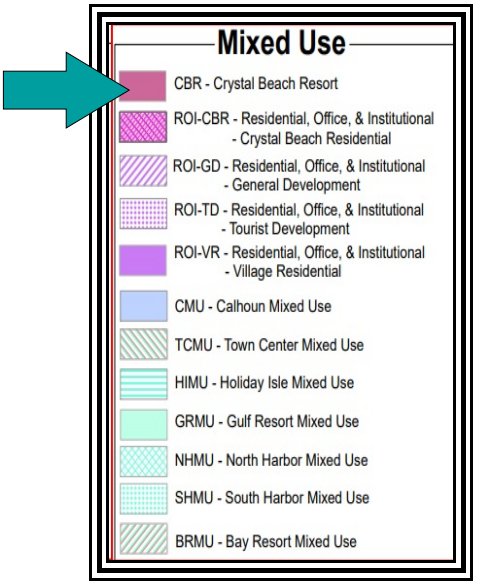
There are no previous year taxes owing.

It is my experience that assessed value has little correlation with current market value and are typically lower than market value with a few exceptions. I also note that 2020 ad valorem taxes will be much higher after the certificate of occupancy is awarded. As the subject will be taxed as improved property.



Zoning:
The following map indicates zoning for the subject parcel. The subject is zoned Crystal Beach Resort by Destin. See following pages for detailed identification of allowable uses.





LAND DEVELOPMENT CODE COMMENTS
The following excerpts were taken from the Destin Land Development Code, currently on line.

This first excerpt states that Crystal Beach Resort is designed for permanent and short term residential use. I note that this description of the Crystal Beach zoning designation is silent regarding the number of allowable guests and does not limit guest numbers.

> Policy 1-2.4.2: Crystal Beach Resort (CBR). The "CBR" designation provides for residential and limited nonresidential uses. Both permanent long-term and short-term residential uses are permitted. Commercial hotels, motels, bed and breakfast establishments, and other commercial transient living accommodations shall be allowed. Nonresidential uses shall include places of worship, community buildings, public facilities, schools, libraries, post offices, childcare centers, clubhouses, museums, visual and performance arts buildings, neighborhood retail commercial goods and services not exceeding 5,500 square feet designed primarily to serve the needs of the Crystal Beach resort area, offices, medical and dental clinics, laundries and dry cleaning drop off centers, banks, fitness centers, dinner clubs and restaurants. The following maximum development standards shall be applied to future development within "CBR" designated areas:

This second excerpt defines long term rental and short term rental. I again note that the definition of short term rental is silent regarding the number of allowable guests.

> Policy 1-2.1.1: Residential Uses Defined. Residential uses shall include several structure types used for housing, including single-family detached dwellings and multiple-family structures including duplex structures units, town homes and other detached single-family structures, apartments, patio homes, atrium homes, and similar multiple-family structures. The specific FLUM designations shall identify where single-family and multiple-family structures may be located. Following are the definitions for long-term residential and short-term residential.
>
> 1. **Long-Term Residential.** Long-term residential uses shall be defined as any residential accommodation that is available for occupancy for 181 days or more. Long-term residential uses shall include lock-out units, as defined in the Glossary.
> 2. **Short-Term Residential.** Short-term residential uses shall be defined as any residential accommodation that is available for occupancy for 180 days or less. Short-Term Residential uses shall include lock-out units, as defined in the Glossary.

This third excerpt defines the grandfather clause. This clause states clearly that the grandfather status may be released only by the vested entity

> Policy 1-2.1.5: Grandfather Clause. Existing land uses that were lawfully conforming uses prior to the effective date of the Comprehensive Plan, shall continue as lawful uses and shall be regulated through administrative remedies for vested rights issues that shall be included in the LDC. Building heights, density and/or intensity which (a) are actual present and which lawfully existed prior to the effective date of the Comprehensive Plan, or (b) were authorized pursuant to a development order, which development order remained unexpired as of the effective date of the Comprehensive Plan, shall continue to be legal building heights, density and/or intensity (as applicable) after adoption of the Comprehensive Plan. All duly approved and recorded lots, subdivision and condominium plats of record, which existed as legal lots, subdivision and condominium plats of record prior to the adoption of this Comprehensive Plan shall continue to be legal lots, subdivision and condominium plats of record after adoption of the Comprehensive Plan. This grandfather status may only be relinquished voluntarily by the vested entity. All subdivisions, condominium plats and all replats shall comply with the Comprehensive Plan objectives and Policies, including maximum density provisions. Similarly, all new development shall comply with the Comprehensive Plan and LDC unless the development is found to have a vested right in a land use, building height, density or intensity that is in conflict with the Comprehensive Plan and LDC. Under such condition the grandfather clause shall be applicable unless voluntarily relinquished by the vested entity. The intent is to sustain demonstrated private property rights while preserving the public interest, welfare, health, and safety. Notwithstanding, any single-family home that is subject to redevelopment shall be allowed to reconstruct, providing adopted building and construction codes as well as this ordinance and the size and dimension criteria of the LDC are met.

CONCLUSION
Based on these excerpts, I conclude that prior to the promulgation of Ordinance 18-29-CC, there were no restrictions to the number of allowable guests.

History:
The subject has been owned by the current owner since 5/23/2016 when they purchased it from the Mary Feiler Trust for $492,000 per ORB/P 3249/1942.

There was a subsequent transfer for $100 on 9/18/2017 per ORB/P 3317/1438. This transfer was an administrative transfer.

I do not consider the previous sale to have any relevance to the value opinions based on income analysis in this report.

The owners then constructed the subject improvement.

Active Listings:
The subject is not listed for sale and has not been listed for sale in the previous three years.

Current Use:
The subject is currently a recently constructed detached single family home planned for seasonal rental, catering to large family groups.

Surrounding Uses:
The surrounding use in the Crystal Beach area is a mix of full time occupants and seasonal renters.

MARKET AREA ANALYSIS - SEASONAL RENTAL MARKET

I am restricting this analysis to the seasonal rental market.

Up until perhaps 2000, the great majority of seasonal rentals were condominium units.

However, the growing demand for larger spaces to accommodate extended families in one place led to the conversion of many larger homes to seasonal rents. It also spurred the construction of homes specifically designed for large rental parties.

Such homes feature typical living areas but emphasize a substantial number of bedrooms and baths. Often bedrooms are equipped with multiple built - in bunks for sleeping children.

Most homes also feature sofa sleepers which can sleep additional children.

Many of these homes, and certainly those recently constructed for this purpose, featured swimming pools and lanai areas as an exterior amenity.

This market has flourished as Destin is nationally recognized asa tourist attraction.

It is common to see Realtors addressing gross rental amounts or gross rental projections in MLS Listings. While the value of homes similar to the subject is estimated generally by a size / value per SF component, the fact that a home generates a substantial amount of income makes it a more attractive and safe purchase than a home which is not rented for seasonal income.

Another factor worthy of discussion is that many owners now self - manage. Typically in the past, management of rentals was performed by one of several large real estate companies, such as Resort Quest, Dale Peterson, Newman Dailey and Southern Resorts. However, in the past 10 years a substantial number of smaller management companies have surfaced.

Management fees for seasonal rentals range from perhaps 15% to 25% of gross revenue.

Entrepreneurial owners have recognized this expense line and many now self - manage with the aid of Vacation Rental By Owner (VRBO) or some similar search engine.

The seasonal rental market is increasing in the Destin/Miramar Beach market as the thriving national economy allows discretionary vacations.

I would consider the seasonal rental market to continue to flourish over the next several years.

However, with the promulgation of Ordinance 18-29-CC, limiting the subject to 20 guests, I would project a diminution in value.

HIGHEST AND BEST USE 'AS IS'

Legally Permissible
The subject property is zoned (and designated for future land use) as *Crystal Beach Resort (CBR)* by the City of Destin, Florida.

This zoning and land use designation allows for both single-family and mixed use developments, including hotels, and restaurants. The use of the subject for single-family short-term rentals is therefore allowed in this district.

Physically Possible
The subject property appears to be relatively level and well drained. Soil and subsoil conditions nearby appear compatible with both low-rise, multi-story use and traditional commercial development. All utilities required for commercial or 'mixed use' are presently at the site. The size and dimensions of the site are sufficient to allow a wide variety of legally permissible uses. The shape of the site is rectangular and this shape does not limit utility. Transportation of construction materials or labor to the site is estimated to be relatively simple due to the central location of the site within the overall market. Access to the site is above average.

However, the most compelling substantiation that the subject is physically possible is the fact that it already exists.

Therefore, use of the subject property for single family use as a seasonal rental is physically possible.

Financially Feasible
Value opinions derived in the income approach to value indicate the existing improvement contributes value to the underlying land. There is substantial other ongoing seasonal rental use in the market, suggesting that there is broad appeal for seasonal rental properties.

Therefore, continued use of the subject property for a detached single family residence used for seasonal rental income is financially feasible.

Maximally Productive
The alternatives of addition, demolition, expansion, modernization, or conversion to alternate uses have been considered within the legal, physical, and financially feasible parameters. Several alternatives exist.

Alternatives for use of improvements:

Expansion
The existing subject improvement is 6,804 HVAC SF. The subject is typical of most seasonal rental homes. Thus, there is no need for expansion. Any expansion would come at a cost of parking and/or access. Thus, expansion beyond what is existing, does not appear to be appropriate and feasible.

Renovation
Typically, any existing property could benefit from renovation. However, the subject was just developed and is a state of the art facility. Thus, I would not consider imminent renovation to be required or practical.

Downsizing
The existing subject improvements are 6,804 HVAC SF. I see no reason to downsize the subject improvement as it appeared that all of it is usable space. Thus, downsizing beyond what is existing does not appear to be appropriate, physically possible and feasible.

Subdividing
The purpose of the subject is to lease it seasonally to large parties of guests. Subdivision would not be legally approved and does not appear to be financially prudent as the parties of guests would be smaller and grouping smaller parties together in the same pool could prove problematic. I would not consider subdivision to be prudent or feasible.

Demolition
The subject is a newly constructed home, currently in good condition. It features a probable 55 years of remaining economic life and a probable 70-75 years of remaining physical life.

I do not consider demolition and replacement with alternative improvements to be a superior use to the currently planned

use as a rental property. No alternative use would be certain to serve the land better. Thus, the subject is not a candidate for demolition.

Utilizing existing improvements
Continued use 'as is' as a seasonal rental, as planned, is considered the maximally productive use.

Conclusion of Highest and Best Use 'as is'
Analysis of recent trends and current market supply and demand indicate that the maximally productive highest and best use of the subject property is continued use as a detached single family residence used for seasonal rental income.

Conclusion of Highest and Best User 'as is'
Analysis of recent trends and current market supply and demand strongly indicate the most probable user is an entrepreneurial user who primarily self manages and leases the subject for seasonal rental income with a small amount of personal use.

SUMMARY OF ANALYSIS AND VALUATION

Methodology

Site valuation derived from Sales Comparison Analysis involves direct comparisons of the subject property to similar properties selling in the marketplace to derive a comparative value indication for the subject property 'as if vacant,' as of the effective date of value. This approach is also called the 'direct sales comparison approach', or the 'market approach', and tends to be the most reliable approach for developing an opinion of the value of vacant land or sites available for development. Other methods of developing the value of land are available. Allocation, extraction, land residual, ground rent capitalization, and discounted cash flow analysis are all recognized as reasonable methods.

The cost approach is a reliable methodology for new, or nearly new, buildings. I estimate the replacement cost or reproduction cost, in this case replacement construction cost, of the existing or existing improvements and site improvements (including direct and indirect costs as well as an appropriate developer profit), deducting accrued depreciation from physical, functional, and external sources from the total replacement or reproduction cost new. The depreciated replacement or reproduction cost of the improvements is added to the value of the site resulting in a value indication of the fee simple interest in the property.

The sales comparison approach is based on the 'Principle of Substitution' which indicates an informed purchaser would pay no more for a property than the cost of acquiring an equally desirable substitute property with the same or similar utility. This approach is applicable when an active market provides sufficient quantities of reliable data which can be verified from authoritative sources. The Sales Comparison Approach is reliable in an active market or if an opinion of value is related to properties which there are comparable sales available. This approach to value is also relevant when sales data can be verified with the principals to the transaction. Heavy emphasis is usually placed on this approach to value in an active market.

The income approach is recognized as a reliable approach for developing an opinion of the value of 'income producing' property to an investor. The income approach consists of methods, techniques, and mathematical procedures an appraiser uses to analyze a property's capacity to generate income and convert income into an indication of present value either by capitalizing the current income at a market capitalization rate or discounting the future cash flows into a present value estimate using an appropriate yield (discount) rate. The appraisal process emulates the market, and the most probable purchaser would be an investor. Two (2) techniques associated with the income approach are direct capitalization and discounted cash flow analysis.

Methodology employed and explanation of the exclusion of any of the three (3) approaches to value

I am not performing cost analysis. In addition, the problem to be solved is to derive the diminution in value based on the guest restrictions included in Destin Ordinance 18-29-CC. The number of guests would have no impact on the cost to construct.

I am not performing sales comparison analysis. The impact of Destin Ordinance 18-29-CC may not be evident in the market for several years in the selling prices of homes. The ordinance allows a five year grandfather period. Homes sold in this grandfather period may not indicate a decline in selling prices and it would not be reliable to estimate diminution in value based on comparable sales until a larger array of data was available for use in sales comparison analysis.

I am performing income analysis. I will identify contract rents for the subject (in this case, projected rents) and then identify market rents which support the subject contract rent. I will then identify operating expenses and subtract operating expense from gross rent to arrive at a net operating income (NOI). I will then apply a market based capitalization rent to the NOI to arrive at a value for the subject, prior to the promulgation of Destin Ordinance 18-29-CC.

I will then identify the rental incomes for homes which are allowed only 20 guests. I will then subtract expenses for the rents of 20 guest homes and arrive at their NOI. I will then derive a value by capitalizing this NOI.

Finally I will subtract the value for a 20 guest house from the value of a 35 guest house and this figure will be the diminution in value.

COST ANALYSIS
NOT PERFORMED

SALES COMPARISON ANALYSIS NOT PERFORMED

INCOME ANALYSIS
'AS IS'

DESCRIPTION OF INCOME ANALYSIS METHODOLOGY

The income approach to value is based on the principle of anticipation, in that the value of the subject property correlates to the present worth of the future right to receive benefits in the form of income to be received by the owner. The income approach considers the property from an investment interest with the assumption that the amount of income, coupled with the regularity and quality of the income stream, are the basis for valuing the property based on income analysis.

The income approach is applied by identifying the net income by first identifying gross income and then deducting from the gross income the expenses of operating a property to arrive at a net income, generally identified a Net Operating Income (NOI).

The estimated NOI is then converted to a value opinion by utilizing either a Discounted Cash Flow Analysis, or a Direct Capitalization Analysis, or both.

Discounted cash Flow Analysis:
The Discounted Cash Flow Analysis (DCF) is an analysis where a discount rate is applied to a series (typically several years) of income streams with a reversion after typically 7 to 10 years. The appraiser must specify the quantity, variable nature of the income, timing of payments (monthly/quarterly/annually) to a present value at a specified yield rate. The DCF analysis is most applicable when the net income is projected to be variable and when the property is on a sufficient size and investment value to influence market participants to evaluate purchase decisions based on DCF.

I note that I did not perform DCF analysis as it is my opinion that market participants would not use DCF analysis to base decisions to either purchase or sell properties such as the subject.

Direct Capitalization:
The conversion of a net income to a current value is called capitalization. Capitalization is a method which is used to convert the estimate of a single year's net income actual figures and/or expectancy of income into a value opinion by dividing the income by a appropriate rate of capitalization, as estimated by the appraiser. This technique employs capitalization rates derived from the market, using both capitalization rates from recent sales of similar properties, generally augmented by national indices, or other mathematical progressions. This process provides a one year snap shot of the property value. Future yields and values are not directly identified. The direct capitalization analysis is most appropriate for small to medium sized income producing properties, in stable markets with a forecast of generally stable income.

The procedural steps involved in capitalization are as follows:

Develop the probable gross income by identifying historical performance, income projections and market incomes from comparable properties which support the historical or projected subject income.

Estimate vacancy and collection losses to arrive at Effective Gross Income (EGI).

Estimate and subtract operating expenses to arrive at NOI.

Develop a capitalization rate which is supported by the market.

Divide the NOI by the capitalization rate to derive a value opinion.

I am employing the direct capitalization analysis to derive values in this analysis.

I note for the reader that steps #1 and #2 are generally combined in the analysis of seasonal resort properties. Owners and management companies tend to provide actual income which has already accounted for vacancy and collection loss.

INCOME ANALYSIS - ESTIMATE OF CAPITALIZATION RATE

The capitalization rate is a rate which is applied to the Net Operating Income (NOI) to derive a value for a property. As the chart below indicates, you can derive a capitalization rate by dividing the NOI by the purchase price.

The following excerpt will provide some explanation of capitalization rates.

Capitalization rates are used in a formula. As seen below, dividing the net operating income by the purchase price indicates the capitalization rate.

Another variation of the formula is to divide the net operating income by the capitalization rate and this process will indicate the value of the property.

What Is a Cap Rate?

A cap rate is simply a formula. It's the ratio of a rental property's net operating income to its purchase price (including any upfront repairs):

Cap Rate =

Net Operating Income (NOI) ÷ Purchase Price

The formula can be used on the level of an individual property by looking at its net operating income compared to its value. But it can also be used on the level of an entire market by taking *average* cap rates for a large group of properties.

Importantly, the cap rate formula does NOT include any mortgage expenses. As you can see in the formula for net operating income below, the expenses do not include a mortgage or interest payment.

Gross Rental Income
- Vacancy/Credit Loss Reserve
- Property Taxes
- Property Insurance
- Maintenance/Repairs
- Common Utilities (if any)
- Other expenses (ex: license)
= Net Operating Income

MARKET DATA BASED ON TYPICAL INDICES

Capitalization rates range widely in the market. The following table derived from Realty rates.com indicate a wide variety of capitalization rates base on property types. This table contains very recent data from the fourth quarter 2018.

As can be seen, properties such as restaurants and lodging (motels and hotels) have high capitalization rates. Apartments (residential) have the lowest capitalization rates.

Realty rates does not include a separate category of single family detached homes.

RealtyRates.com INVESTOR SURVEY - 1st Quarter 2019*
CURRENT & HISTORICAL CAP RATE INDICES

	Method-Weighted* Property Category Indices																						Weighted^ Composite Indices	
	Apts		Golf		Healthcare Senior Housing		Industrial		Lodging		MH/RV Park		Office		Retail		Restaurant		Self Storage		Special Purpose			
Year	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg
2018	8.42	26	12.02	30	9.01	14	9.19	23	10.53	25	9.56	30	9.04	10	9.38	20	11.57	15	9.86	29	11.64	40	9.64	22
4th Qtr	8.46	8	12.08	11	9.07	11	9.23	7	10.53	1	9.62	13	9.08	13	9.44	10	11.62	11	9.92	13	11.71	11	9.68	9
3rd Qtr	8.37	-4	11.97	-5	8.96	-2	9.16	-5	10.52	-7	9.50	-5	8.95	-6	9.33	-3	11.51	-4	9.79	-7	11.60	-3	9.59	-5
2nd Qtr	8.41	3	12.02	5	8.98	3	9.21	5	10.59	6	9.55	5	9.00	0	9.36	4	11.56	4	9.86	6	11.63	5	9.64	4
1st Qtr	8.38	23	11.97	28	8.96	13	9.16	22	10.52	31	9.50	28	9.00	5	9.32	17	11.52	26	9.81	25	11.58	34	9.60	21
2017	8.16	4	11.73	-2	8.87	-6	8.96	-12	10.28	5	9.26	11	8.94	-22	9.19	-8	11.42	-15	9.57	-9	11.25	4	9.42	-6
2016	8.13	-2	11.75	6	8.92	12	9.08	15	10.22	0	9.15	15	9.16	16	9.27	12	11.57	-10	9.67	14	11.21	10	9.48	9
2015	8.15	-9	11.69	-14	8.80	-9	8.93	-10	10.22	-20	8.99	-18	9.00	-6	9.15	-11	11.66	-13	9.52	-22	11.11	-12	9.40	-12
2014	8.24	-15	11.83	-9	8.89	-1	9.03	-4	10.43	-17	9.17	-5	9.06	-22	9.26	15	11.79	-6	9.75	-20	11.24	14	9.52	-7
2013	8.39	14	11.92	-14	8.90	5	9.07	-2	10.60	3	9.22	14	9.28	-19	9.11	-4	11.86	9	9.95	-24	11.10	1	9.58	-2
2012	8.25	-35	12.07	6	8.85	-36	9.09	-40	10.57	-24	9.08	-39	9.47	3	9.15	-13	11.77	6	10.19	-49	11.09	-4	9.60	-21
2011	8.60	-29	12.00	-22	9.21	-40	9.49	-11	10.81	-24	9.48	-8	9.44	-10	9.28	-26	11.70	-14	10.69	-3	11.12	-17	9.81	-19
2010	8.89	4	12.22	5	9.62	15	9.60	12	11.05	7	9.55	22	9.54	16	9.54	25	11.84	12	10.72	21	11.30	0	10.00	13
2009	8.85	8	12.17	16	9.47	10	9.48	10	10.98	-7	9.33	1	9.38	29	9.29	20	11.72	15	10.50	37	11.30	8	9.87	14
2008	8.77	-4	12.01	29	9.37	-16	9.38	-14	11.05	56	9.32	-5	9.09	-16	9.09	-11	11.57	-28	10.13	20	11.22	-7	9.74	-1
2007	8.81	-45	11.72	-21	9.53	-65	9.52	-25	10.49	-28	9.37	-26	9.25	-47	9.20	-12	11.85	61	9.93	-38	11.29	-24	9.75	-28
2006	9.26	12	11.93	47	10.18	15	9.77	35	10.77	27	9.63	41	9.72	26	9.32	30	11.24	18	10.31	27	11.53	9	10.03	26
2005	9.14	14	11.46	80	10.03	-16	9.42	-30	10.50	-21	9.22	19	9.46	6	9.02	16	11.06	5	10.04	13	11.44	-30	9.77	2
2004	9.00	-19	10.66	28	10.19	-37	9.72	19	10.71	-98	9.03	-48	9.40	-4	8.86	-19	11.01	-15	9.91	-13	11.74	-30	9.75	-19
2003	9.19	-2	10.38	-32	10.56	64	9.53	33	11.69	56	9.51	-11	9.44	1	9.05	-18	11.16	8	10.04	-53	12.04	105	9.94	12
2002	9.21	-40	10.70	18	9.92	-39	9.20	-61	11.13	26	9.62	-60	9.43	-35	9.23	-62	11.08	-3	10.57	-12	10.99	-177	9.82	-41
2001	9.61	64	10.52	133	10.31	90	9.81	16	10.87	98	10.22	-68	9.78	-35	9.85	-53	11.11	47	10.69	13	12.76	32	10.23	21
2000	8.97		9.19		9.41		9.65		9.89		10.90		10.13		10.38		10.64		10.56		12.44		10.01	

* Weighted by methodology: Band-of-Investment, DCR Technique, Sales Survey

^ Further weighted by property category

The following chart provides some additional data regarding capitalization rates for apartments in some major metropolitan centers.

These rates are lower than the overall national rate for apartments identified on the previous page. I attribute this to the fact that the cities below are major metropolitan areas with a high density of population which keeps occupancy high and inspires investor confidence. In this regard, the Destin seasonal rental market is similar in its high density and national appeal.

Cap Rates For Stabilized, Class A Multifamily Apartments By City – 2017 (2nd Half)	
San Diego	4.25%
Chicago	4.75%
Atlanta	5.00%
Philadelphia	5.25%
St. Louis	5.75%
Cleveland	6.25%
Pittsburgh	6.50%
Detroit	7.25%

Single family homes are seldom valued via income capitalization. Most homes are owner occupied and the issue of rent and valuation through rent is generally not applicable. However, I identified the following excerpt rom the internet which indicates a range of capitalization rates from 4% to 10% for single family homes. The reader will note in the excerpt immediately above that high demand areas feature lower capitalization rates and lower demand areas feature higher capitalization rates. I would again observe that Destin is a high demand area in the seasonal rental market. Thus, I would consider it probable that capitalization rates for singe family homes in Destin were toward the low side of the 4% to 10% range.

Cap Rate for Single Family Home

Professionals purchasing commercial properties, for example, may buy at a 4% cap rate in high demand areas, or a 10% (or even higher) cap rate in low-demand areas. Generally, 4% to 10% per year is a reasonable range to earn for your investment property. Continuing with our example from above, $17,000/ **5%** = $340,000.

The following are two excerpts from the internet indicating that Panama City Beach, Florida boasts a very low capitalization rate of 4.9% and that the Destin, Florida market features a 4.75% capitalization rate for Airbnb rentals.

9. PANAMA CITY BEACH, FL

- *Short-Term Rental Cap Rate: 4.9%*

White sandy beaches, clear water, fishing piers, protected nature reserves, hiking trails... what more do you need to be convinced that Panama City Beach is one of the best places around the US to invest in a vacation rental.

Property prices are affordable with a median level of $334,700, while short-term rental income stands around $3,260. The average cap rate for vacation rentals is 4.9%.

2. Destin

- *Median Property Price*: $695,000
- *Airbnb Rental Income*: $2,720
- *Traditional Rental Income*: $1,610
- *Airbnb CoC Return*: 2.3%
- *Traditional CoC Return*: 0.5%
- *Airbnb Cap Rate*: 4.7%
- *Traditional Cap Rate*: 2.8%
- *Airbnb Occupancy Rate*: 58.4%

The second among the best places to buy a vacation home in Florida is Destin, with rental income from Airbnb just a few dollars below St. Augustine. However, this location is significantly more expensive. But it has a very important advantage for all those loving nature and sports – it is very famous for the fishing opportunities that it offers.

MARKET DATA BASED ON LOCAL SALES OF DETACHED HOMES USED FOR SEASONAL RENTAL

In addition to the national data provided above, I am also providing some data from actual sales in the local market.

I have some professional acquaintances who specialize in the management of large homes used for seasonal rentals. I have asked them to provide me some actual data from recent sales to help derive a local data base of capitalization rates.

On 7/13/2018, Frangista Beach E16 LLC (Nick Athens - a professional acquaintance well known to me) sold 3491 Scenic Highway 98 to Rich Rentals for $3,000,000. This house is 6,008 HVAC SF and features nine (9) bedrooms and 9.5 baths. It is very similar to the subject and is a very good comparable indicator of capitalization rates. Mr. Athens stated that the net operating income was $172,340. Dividing $172,340 by $3,000,000 indicates a capitalization rate of 5.74%.

On 9/4/2015, Nick and Tina Athens sold 1850 - 1852 Scenic Gulf Drive in Miramar Beach to Forty-Four Holdings for $2,205,000. This was two side by side homes in Frangista Beach which were an aggregate 3,460 HVAC SF and which features Five (5) bedrooms and 7 baths. Mr. Athens stated that the net operating rent was $133,200. Dividing $133,200 by $2,025,000 indicates a capitalization rate of 6.58%. I do not consider it a coincidence that the home with the fewest bedrooms featured the highest capitalization rate.

On 2/10/2016, Destiny Real Estate Ventures LLC sold 3463 Scenic Highway 98 to Charles Barone for $3,615,000. This house is 6,465 HVAC SF and features eight (8) bedrooms and 6.5 baths. It is very similar to the subject and is a very good comparable indicator of capitalization rates. Mr. Giles stated that the net operating income was $222,125. Dividing $202,125 by $3,615,000 indicates a capitalization rate of 6.15%.

On 1/11/2019, Kevin Hense sold 2984 Scenic Highway 98 to Russell and Susan Hancock for $3,000,000. This house is 3,997 HVAC SF and features six (6) bedrooms and 5.5 baths. It is very similar to the subject and is a very good comparable indicator of capitalization rates. Mr. Hense stated that the net operating income was $176,000. Dividing $176,000 by $3,000,000 indicates a capitalization rate of 5.87%.

RECAPITULATION OF LOCAL MARKET CAPITALIZATION RATES

The following table summarizes the capitalization rates identified in the narrative above.

Property Address	Capitalization Rate
3491 Scenic Highway 98, Destin	5.74%
1850 Scenic Gulf Drive, Mirimar Beach	6.58%
3463 Scenic Highway 98, Destin	6.15%
2984 Scenic Highway 98, Destin	5.87%
Average	6.0850%
Rounded	6.10%

I consider a rounded capitalization rate of 6.1% to be a market supported rate which is both credible and reliable.

This local rate is bracketed by the national rates from pages 58-60 above.

ESTIMATE OF VALUE PRIOR TO ORDINANCE 18-29-CC

Based on the current zoning and the Destin Land Development Code, and prior to the adoption of Ordinance 18-29-CC, there was no limit to the number of guests allowed in the subject improvement. The subject can accommodate up to thirty five (35) guests based on the data provided by the owner and my identification of sleeping capacity previously identified.

CURRENT CONTRACT RENT
I note that seasonal rentals are typically described with annual rental amounts as opposed to more consistent monthly rental rates.

Such rental amounts are generally described using gross income data, and/or projections of gross income data.

Appraisers need to then examine expenses to arrive at a net operating rent to capitalize. Expenses to gross revenue are ad valorem taxes, flood and hazard insurance, HOA dues, maintenance and repairs, utilities, lawn maintenance, pest control, professional fees and reserves. I note that interest/mortgage payments and depreciation are not expenses when capitalizing property for value.

In the case of the subject, it was just constructed and there is no historical rent available.

The owner is probably the most knowledgeable owner of large seasonal rental homes as this has been his niche occupation for the last approximate twenty (20) years. I consider his projection of income to be substantially credible.

I am accepting the projected income of $400,000 for an annual period.

ESTIMATE OF EXPENSES
Mr. Giles provided me an estimate of expense of $115,000. I assume this estimate includes ad valorem taxes at the improved rate and I would think that the ad valorem taxes will exceed $20,000 annually. It also includes a management fee.

Subtracting $115,000 from $400,000 results in a net operating income of $285,000.

These figures also indicate an operating expense ratio of 28.75%.

MARKET SUPPORT FOR SUBJECT GROSS AND NET INCOME

RATIO OF GROSS TO NET INCOME

I have attempted to derive gross and net income figures for comparable properties in the market. However, my research indicates that many owners and property managers are unwilling to divulge private financial information, especially the net income.

Thus, I will provide some market examples of properties where clients or close associates did divulge data.

The first example is a detached home located at 112 Sandprint Circle in the Dunes of Destin. The owners, Edward and Tari Furey, provided me with detailed data regarding income and expenses. They indicted annual revenue of $325,000 and annual expense of $100,000. This suggests an expense ratio of $100,000 / $325,000, or 31%, rounded.

I again spoke to Nick Athens who still owns a detached house at 4664 Destiny Way which grossed $275,000 in 2018. The expenses for this property were an approximate $89,000. This suggests an expense ratio of $89,000 / $275,000, or 32% rounded.

As a third indicator, I spoke to Kevin Hense, who sold a detached house at 2984 Scenic Highway 98 for $3,000,000 on 1/11/2019. Mr. Hense indicated that the 2018 gross rent was $263,000 and that the expenses were $87,000. This suggests an expense ratio of $87,000 / $263,000, or 33%, rounded.

This well researched market data influences me to select an expense ratio of 32% for this analysis. I fully recognize that Mr. Giles' estimate was only 28.75%. However, both his projection of annual income and annual expense are made without any historical perspective relative to this particular subject property. I am choosing to be conservative in the analysis and will use an operating expense ratio of 32%.

GROSS RENT OF HOMES SLEEPING 30 + GUESTS

To provide market support for Mr. Giles' projection of $400,000 gross rent and $285,000 net rent, I am providing some market examples of other homes which lease as 30+ guest capacity. This information was provided by the existing client, Ben Giles, a professional well known to me.

Existing rentals - similar properties	#sleeps	Gross Revenue 2018
42 Miami St Miramar Beach	34	$463,852.00
3487 Scenic Hwy 98 Destin	32	$305,393.00
3463 Scenic Hwy 98 Destin	32	$380,000.00
3461 Scenic Hwy 98 Destin	36	$364,723.00
107 Hollywood St Miramar Beach	38	$289,647.00

These five indicators of gross rent for homes which can accommodate 30 guests average $360,723. The subject sleeps 35 guests while the average of the five rental comparables is 34.4 guests. Thus, one would expect the subject to gross an amount consistent with the average of the range. However, the subject is a new house and the market likes 'new'. I am selecting an income slightly above the average at $375,000 annually.

I recognize that Mr. Giles estimated a rounded $400,000. However, I am again choosing to be conservative and will weigh the larger amount of historical market data available to me.

The next step is applying the previously calculated expense ratio to the gross rent to arrive at a net operating rent average for the five comparable rentals. Applying a 32% expense ratio to $375,000 results in a net rent of $255,000, a figure which is lower than the Mr. Giles' estimate of $285,000 of net rent.

Capitalizing $255,000 with a 6.1% capitalization rate results in a value of $4,180,327, rounded to $4,180,000.

It is my professional opinion that the subject value, prior to the promulgation of Destin Ordinance 19-23-CC is $4,180,000, based on income analysis.

ESTIMATE OF VALUE AFTER THE PROMULGATION OF ORDINANCE 18-29-CC

Destin Ordinance 18-29-CC reduces the subject sleeping capacity to 20 guests as the limit is two guests per bedroom, plus four (4) additional guests. There are eight (8) bedrooms. Thus, 2 x 8 = 16 + 4 = 20.

It is my opinion that the limit of 20 guests will have a negative impact on value.

To estimate the difference, I need to research the market for homes which are limited to 20 guests.

I have previously mentioned other homes which can accommodate only 20 guests.

I again spoke to Nick Athens who owns a detached house at 4664 Destiny Way which grossed $275,000 in 2018. This house sleeps 20 guests

I also spoke to Kevin Hense, who sold a detached house at 2984 Scenic Highway 98 for $3,000,000 on 1/11/2019. Mr. Hense indicated that the 2018 gross rent was $263,000 and the home slept 24 guests.

In addition to these more detailed descriptions, I was also provided some additional raw data via email from Ben Giles regarding other homes that slept 20+/-. This information includes the address, number of allowable guests and annual income of comparable rentals.

3893 Sandprint Dr Destin	20	$118,796.00
113 Los Angeles St Miramar Beach	19	$137,307.00
1737 Scenic Hwy 98 Miramar Beach	20	$144,814.00
96 Sarasota St Miramar Beach	22	$143,813.00
100 Sandprint Cir Destin	20	$105,000.00

Thus, I have seven (7) market comparable homes which sleep from 19 to 24 guests.

The average of the seven homes is $169,675. The subject is still a new house and will probably rent for more as a new house whether the guest size is 35 or 20. Thus, I would consider the subject to command more rent than the average of the range and I am selecting a rounded $200,000 of gross rent as compensation for the fact the subject new and more attractive to the market.

Applying the same 32% expense adjustment to convert gross rent to net operating rent results in a net operating rent of $136,000, rounded.

Applying a capitalization rate of 6.1% to the net operating rent of $136,000 results in a value after Ordinance 18-29-CC is applied of $2,229,000, rounded to $2,230,000.

ESTIMATE OF THE DIMINUTION OF VALUE

My research and analysis indicates that the value of the subject based on the right to sleep 35 guests is a rounded $4,180,000.

My research and analysis indicates the value of the subject based on the limit to sleep only 20 guests is a rounded $2,230,000.

It is my opinion the promulgation of Destin Ordinance results in an approximate $1,950,000 diminution of value.

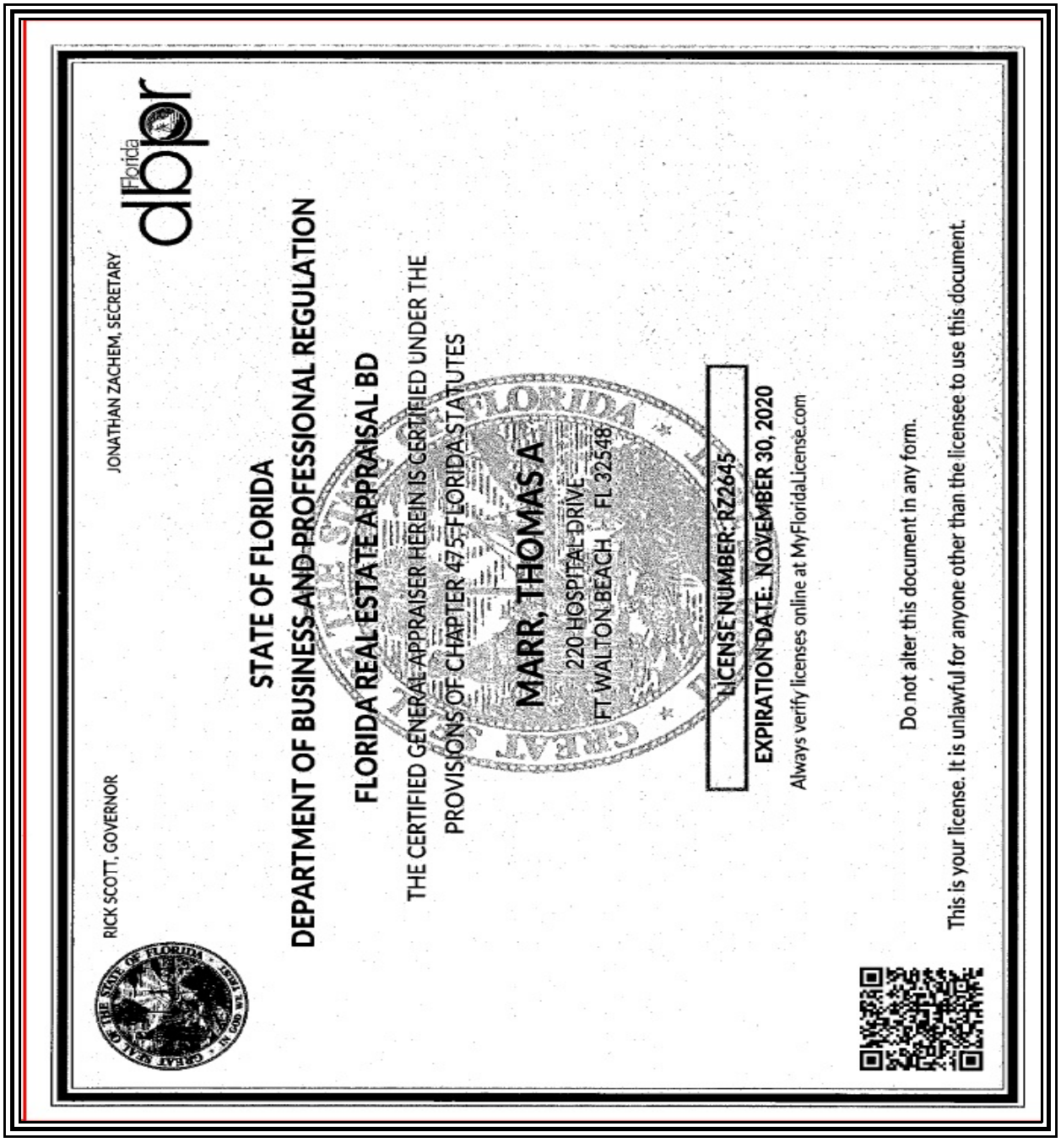
DIMINUTION OF VALUE

$1,950,000

A D D E N D A

Appraiser License

APPRAISER LICENSE



THIS INSTRUMENT PREPARED BY
AND AFTER RECORDING RETURN TO:

Kimberly Romano Kopp, Esq.
Romano Kopp Law, P.A.
P.O. Box 445
Destin, Florida 32541

For Recording Purposes Only

SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is entered into this _____day of _____ 2019, ("Effective Date") by and between, 12 Hutchison, LLC. ("Owner") and the City of Destin ("City"), collectively referred to as the "Parties."

RECITALS

WHEREAS, on January 22, 2019, the City enacted Ordinance 18-29-CC, the Short-Term Rental Occupancy Ordinance ("Ordinance"), which limits the occupancy of short-term rental homes to two (2) people per bedroom plus an additional four (4) persons; and

WHEREAS, Owner owns the real property and improvements located at 84 Hutchison Street, Destin, FL 32541, as more particularly described in the attached Exhibit "A" (the "Property"); and

WHEREAS, on May 10, 2019, Owner filed a claim with the City, pursuant to the provisions of §70.001, Florida Statutes, the Bert J. Harris, Jr., Private Property Rights Protection Act (the "Harris Act"), alleging that the Property had been inordinately burdened by the adoption of the Ordinance, (the "Claim"); and

WHEREAS, the Harris Act provides for the City to have the ability to enter into a settlement agreement which would have the effect of a modification or variance to the application of a regulation or ordinance as it would otherwise apply to the subject real property, provided the relief granted protects the public interest served by the regulations at issue and is the appropriate relief necessary to prevent the governmental regulatory effort from inordinately burdening the real property; and

WHEREAS, the City has determined that the modifications to the effect of the Ordinance effected by this Agreement protect the public interest served by the Ordinance and are the appropriate relief necessary to prevent the regulatory effect of the Ordinance from inordinately burdening the Property; and

WHEREAS, the Parties now desire to settle and finally resolve all disputes between and among them concerning the Claim.

NOW, THEREFORE, the Parties hereby agree as follows:

1. **Recitals.** The above recitals are true and correct and are incorporated herein by reference.

2. **Occupancy Allowable Under Ordinance.** Owner is hereby granted a variance from the provisions of the Ordinance so that the Owner shall have the right to apply under the Ordinance for a maximum occupancy of thirty-three (33) overnight guests at the eight (8) bedroom vacation rental property noted above and the City shall grant such occupancy. The right shall continue in perpetuity, regardless of any future changes in ownership, provided that this right shall expire permanently if the Property were to be voluntarily remodeled or voluntarily rebuilt in such a manner as to change the number of bedrooms that existed at the date of the Claim. The Property remains subject to all other requirements of the City's regulations, including but not limited to regulations for short-term rentals, parking, trash, and noise. No greater than eight (8) vehicles may be parked on the Property. No vehicle may encroach upon the City's right-of way.

3. **Development in Accordance with Code.** Notwithstanding any provisions contained herein, the Owner shall at any time have the right and option to remodel, develop, or use the Property in accordance with the applicable ordinances of the City of Destin in effect at the time of application therefor, and this variance shall not be construed as making the Property in any way non-conforming.

4. **Entire Agreement.** The Parties acknowledge that this Agreement constitutes the entire agreement between them regarding the settlement of their dispute and any prior statements, whether oral or written, are merged herein. This Agreement may not be modified or amended without a written instrument signed by the party against whom enforcement is sought.

5. **Duration of Agreement.** This Agreement shall be perpetual and deemed to run with the land, and shall be binding upon and the benefits shall inure to the parties hereto and their respective heirs, devisees, personal representatives, successors and assigns.

6. **Authority.** The signatories to this Agreement are expressly authorized to resolve their dispute as set forth herein and by their signatures here represent and affirm their authority to execute this Agreement.

7. **Governing Law.** The law of the State of Florida shall apply to this Agreement. Any dispute regarding this Agreement shall be litigated exclusively in the courts of Okaloosa County, Florida. The parties expressly consent to such agreed jurisdiction and venue, and waive any objections thereto.

8. **Notices.** Any notice required or permitted to be given hereunder shall be in writing and shall be (i) delivered by hand, (ii) delivered by reputable national or local courier (such as United Parcel Service or Federal Express), (iii) mailed by United States registered or certified mail, return receipt requested and postage prepaid, or (iv) sent by facsimile transmission provided a confirmation of such facsimile transmission is sent the same day by one of the methods of delivery in (i), (ii), or (iii) above. Any notice shall be addressed to each party at its address as set forth below. Any such notice shall be considered given on the date of such hand delivery, deposit with such courier for same day or next business day delivery, upon receipt of return receipt of certified mail, or receipt of facsimile transmissions, as the case may be, and the time period (if any is provided herein) in which to respond to such notice shall commence on the date of receipt. Rejection or other refusal to accept or inability to deliver because of changed address of which no notice was given shall be deemed to be receipt of the notice. By giving to the other party at least ten (10) days' notice thereof, any party shall have the right from time to time to change the addresses thereof and to specify up to two (2) additional addresses within the United States of America to which copies of notices to it shall be sent. Notice may be given on behalf of any party by such party's counsel. In the event the subject property owner changes, notices shall be addressed to the current owner as indicated in the records of the Okaloosa County Property Appraiser. Otherwise, notices shall be sent as follows:

Each notice shall be addressed as follows:

To City: City of Destin, Florida
Attn:
4200 Indian Bayou Trail
Destin, Florida 32541

With a copy to:
City Land Use Attorney
Romano Kopp Law, PA
PO Box 445
Destin, Florida 32541

To 12 Hutchinson: 12 Hutchinson, LLC
1159 Troon Drive
Miramar Beach, Florida 32550

With a copy to: Matthews & Jones, LLP
Attn: C. Stephen Tatum
4475 Legendary Drive
Destin, Florida 32541

Attorney's Fees. In the event of any action, whether pre-suit, mediation, litigation or appellate proceeding to enforce the terms and conditions of this Agreement, each party to the action shall pay its own attorney's fees and costs incurred therein.

(d) Venue over any action to enforce the terms and conditions of this Agreement, including mediation, shall lie solely in Okaloosa County, Florida.

OWNER: 12 Hutchison, LLC

_____
Signature of Witness #1

_____
Ben Giles

_____
Print or type name

_____
Signature of Witness # 2

_____
Print or type name

STATE OF_____
COUNTY OF_____

The foregoing instrument was acknowledged before me this _____ day of _____ 2019, by _____ _____ and _____, who are personal known to me or who have produced _____ as identification and who did not (did) take an oath.

_____
Signature of Notary

(NOTARY SEAL)

_____
Print or type name

CITY OF DESTIN

By:_____
Gary Jarvis, Mayor

Date:_____

ATTEST:

_____
Rey Bailey, City Clerk

Date:_____

STATE OF_____
COUNTY OF_____

The foregoing instrument was acknowledged before me this _____ day of _____ 2019, by _____ _____ and _____, who are personal known to me or who have produced _____ as identification and who did not (did) take an oath.

_____
Signature of Notary

(NOTARY SEAL)

_____
Print or Type Name

Approved as to form and legality for use and reliance
by the City of Destin, Florida, only.

_____
Kimberly Romano Kopp, Esq.
City Land Use Attorney

Exhibit "A"

Legal Description of Property

Lot 2 of the Hutchison Courts plat, recorded in Okaloosa County Plat Book 28, Page 11, of the Public Records of Okaloosa County, Florida

ITEM # 2019-1897

CITY OF DESTIN

AGENDA ITEM

COUNCIL MEETING DATE: December 9, 2019
TYPE OF AGENDA ITEM: Action Item

TO: City Council

THRU: Lance Johnson, City Manager

FROM: Kimberly Kopp, Land Use Attorney
Louis Zunguze, Community Development Director

DATE: December 5, 2019

SUBJECT: 16) 83 Woodward Street

I. BACKGROUND:

On January 22, 2019, the City enacted Ordinance 18-29-CC, the Short-Term Rental Occupancy Ordinance ("Ordinance"), which limits the occupancy of short-term rental homes to two (2) people per bedroom plus an additional four (4) persons.

The subject property owner owns the real property and improvements located at 83 Woodward Street, Destin, FL 32541, as more particularly described in Exhibit "A" (the"Property") to the proposed settlement agreement.

Owner filed a claim with the City, pursuant to the provisions of §70.001, Florida Statutes, the Bert J. Harris Jr., Private Property Rights Protection Act (the "Harris Act"), alleging that the Property had been inordinately burdened by the adoption of the Ordinance, (the "Claim).

The Harris Act provides for the City to have the ability to enter into a settlement agreement which would have the effect of a modification or variance to the application of a regulation or ordinance as it would otherwise apply to the subject real property, provided the relief granted protects the public interest served by the regulations at issue and is the appropriate relief necessary to prevent the governmental regulatory effort from inordinately burdening the real property.

The City Council should settle the claim if the City Council determines that the modifications within the settlement agreement protect the public interest served by the Ordinance and are the appropriate relief necessary to prevent the regulatory effect of the Ordinance from inordinately burdening the Property.

II. DISCUSSION: The property owner has requested a maximum occupancy of

thirty-eight (38) occupants. City staff is recommending an occupancy of thirty-five (35) occupants based on the square footage of the property. The building official utilized a one-occupant per 200 square feet methodology for recommending the above-stated occupancy.

Additionally, staff is recommending at least six (6) trash cans on the property. This recommendation is based on industry standard (Waste Management) that, on average, one trash can is required for every six occupants in order to ensure adequate garbage disposal. Therefore, if the maximum number of occupants exceeds any multiple of six (6, 12, 18, 24, 30, 36, etc.), then an extra trash can will be needed to accommodate the additional occupants. For example, if thirteen (13) is the maximum occupation, then three (3) trash cans are required. This is because, on average, two (2) trash cans will only accommodate twelve (12) occupants. The third trash can will be needed to accommodate the thirteenth occupant.

Further, the property owner must agree to annual life safety inspections, as provided in the proposed settlement agreement.

Finally, staff is recommending that no greater than ten (10) vehicles be parked on this property.

As stated in the agreement, the property owner remains bound by all other provisions of City codes.

A. Link to Strategic Goals / Objectives:

B. Effect on Budget (EOB):

C. Level of Service (LOS):

III. CONCLUSION:

IV. RECOMMENDED MOTION: 1. I move to approve the settlement agreement prepared by the City Land Use Attorney and Staff.

or

2. I move to approve the settlement agreement prepared by the City Land Use Attorney and Staff with the following modifications:_____.

or

3. I move to direct the City Land Use Attorney to negotiate in good faith with the property owner and to bring back an alternate settlement proposal to the City Council for consideration.

or

4. I move to deny settlement of the subject claim at this time.

Attachments:

1. Bert Harris Case - 83 Woodward Street
2. 83 Woodward Street

DANA C. MATTHEWS
MICHAEL A. JONES
KENNETH M. BORICK
Of Counsel
Also admitted in Georgia and South Carolina
DANA C. "D.C." MATTHEWS II
SAMUEL B. TAYLOR
DANIEL C. O'ROURKE
Florida Supreme Court Certified
Civil and Family Mediator

MATTHEWS & JONES
ATTORNEYS AT LAW
INSIGHT | INTEGRITY | INNOVATION

CHRISTA P. DIVINEY
Board Certified Criminal Trial Lawyer
Also admitted in Alabama
LAURA PENTEL-KLANG
JESSICA L. STEWART
SALVADOR "A.J." GOMEZ
C. STEPHEN TATUM

Reply to Destin

STATUM@DESTINLAW.COM

October 11, 2019

VIA HAND DELIVERY

Mayor Gary Jarvis
City of Destin
4200 Indian Bayou Trail
Destin, FL 32541
gjarvis@cityofdestin.com

Dear Mayor Jarvis:

Our firm represents Woodward Partners, LLC, the owner of the home located at 83 Woodward Street; Destin, Florida, also identified as Lot 2 of the Hutchison Courts Phase II plat, recorded in Okaloosa County Plat Book 28, at Page 77.

Due to the enactment of City of Destin Ordinance 18-29-CC, which limits the occupancy of short term rental homes to two (2) people per bedroom plus an additional four (4) persons, Woodward Partners' reasonable investment-backed expectations for use of the home as a short-term vacation rental property have been inordinately burdened, as defined in the "Bert J. Harris, Jr., Private Property Rights Protections Act", Chapter 70, Florida Statutes ("Harris Act"). Woodward Partners hereby submits this letter along with the enclosed Panhandle Appraisal Group property appraisal dated January 22, 2019, as a claim under the Harris Act against the City of Destin for One Million Nine Hundred Thousand Dollars ($1,900,000.00), which represents the diminution in value of Woodward Partners' property.

Pursuant to the provisions of the Harris Act, Woodward Partners hereby demands payment in the amount of One Million Nine Hundred Thousand Dollars ($1,90,000.00) plus attorneys fees and costs.

If no resolution is reached during the statutorily prescribed waiting period, Woodward Partners intends to file suit pursuant to this claim and pursue any other legal remedies for the actions that gave rise to this claim. Woodward Partners explicitly reserves

the right to bring any and all legal challenges, appeals and objections with respect to Ordinance 18-29-CC.

Sincerely,

C. Stephen Tatum
Matthews & Jones, LLP
Attorney for Woodward Partners, LLC

Enclosure

cc: Lance Johnson, City Manager (via email)
Rey Bailey, City Clerk (via email)
Kimberley Romano-Kopp, Esq. (via email)
Client

Appraisal Report

Detached Single Family Residential Home

7,315± HVAC SF Proposed Structure

83 Woodward Street
Destin, FL 32541

DIMINUTION IN VALUE ANALYSIS
83 Woodward Street
DESTIN, FL 32541

FOR
WOODWARD PARTNERS LLC
AND
DESIGNATED ATTORNEYS

RETROSPECTIVE TO JANUARY 22, 2019

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APPRAISAL REPORT

SUBJECT PROPERTY

7,315 ± HVAC SF Proposed Detached Residential Improvement

Ten Bedrooms and Ten and One Half Bathrooms

83 Woodward Street
Destin, FL 32541

EFFECTIVE DATE OF APPRAISAL

Retrospective to January 22, 2019

REPORT DATE

July 12, 2019

VIEWING DATE OF THE SUBJECT LOT

May 18, 2019

CLIENT/INTENDED USER

Woodward Partners LLC
Attn: Ben Giles
83 Woodward Street
Destin, FL 32541

File № 190481

PREPARED BY:

Thomas A. Marr

State-certified General Real Estate Appraiser № RZ 2645 (FL)
tom@panappraisal.com

Panhandle Appraisal Group
220 Hospital Drive
Fort Walton Beach, Florida 32548
Telephone: (850) 243-0958
Facsimile: (850) 226-8462

PANHANDLE APPRAISAL GROUP

REAL ESTATE VALUATION AND RESEARCH
Specializing in Residential and Commercial Valuation Support
Fort Walton Beach, Florida

Thomas A. Marr
State-certified General Real Estate Appraiser № RZ2645 (FL)

220 Hospital Drive
Fort Walton Beach, Florida 32548

Telephone: (850) 243-0958
Facsimile: (850) 226-8462

July 12, 2019

Woodward Partners LLC
Attn: Ben Giles
83 Woodward Street
Destin, FL 32541

Re: Diminution in value appraisal of an approximate 7,315 HVAC SF detached residential improvement, 'as proposed improved', identified as 83 Woodward Street in Destin, FL 32541. **Panhandle Appraisal Group File № 190481.**

Dear Mr. Giles:

I have completed the requisite personal viewing, research, and analysis necessary to determine if a diminution in value has occurred for the subject parcel.

The subject property is a proposed four level (including the viewing deck) detached single family residential structure with an approximate 7,315 HVAC SF, ten bedrooms and ten and one half bathrooms. The projected sleeping capacity of the subject is thirty eight (38) guests.

The purpose of the appraisal analysis was to develop an opinion of the market value of the proposed subject property prior to the enactment of the city of Destin Ordinance No. 18-29-CC, which was promulgated on January 22, 2019 and then derive a value after the January 22, 2019 ordinance which limited the subject to twenty four (24) guests.

The authorized user is the client at the address above. The understood intended use of the appraisal report will be for reference in determining if the promulgation of Ordinance No. 18-29-CC resulted in a diminution of value. No other use of this report by any other entity or person is authorized.

Subject to the above and the assumptions, limiting conditions, and certification set forth herein, it is my professional opinion the retrospective market value of the fee simple interest in the subject property, 'as proposed', as of January 21, 2019, prior to the promulgation of Ordinance No. 18-29-CC, was:

FOUR MILLION FOUR HUNDRED THOUSAND DOLLARS
$4,400,000

Subject to the above and the assumptions, limiting conditions, and certification set forth herein, it is my professional opinion the current market value of the fee simple interest in the subject property, 'as is', after the promulgation of Ordinance No. 18-29-CC is:

TWO MILLION FIVE HUNDRED THOUSAND DOLLARS
$2,500,000

The diminution of value is a rounded $1,900,000.

Exposure Time
The exposure time linked to the final value opinion is a range to nine (9) to twelve (12) months based on market sales of similar properties and current market activity.

Analysis of recent trends and current market supply and demand strongly indicate the highest and best use of the subject property is completion of construction with use as a seasonal rental home.

I hereby certify I possess no interest, present or contemplated, in the appraised property. The undersigned appraiser is competent or has taken the necessary steps to become competent for the property type being appraised. This appraisal has been prepared utilizing all of the requirements set forth as standards for real estate appraisals established for federally related transactions by the Comptroller of the Currency, the Federal Reserve Board, the Federal Deposit Insurance Corporation, and the State of Florida. The appraisal is in conformity with the standards for real estate appraisals as established by the Appraisal Foundation and its Appraisal Standards Board. The appraisal also conforms to *the 2018/2019 edition of the Uniform Standards of Professional Appraisal Practice (USPAP)* and your instructions. The fee for this appraisal was not based on value, nor was the assignment undertaken based on a predetermined value, a trend in value, or a minimum or maximum value.

Respectfully submitted,

Thomas A. Marr
State-Certified General Real Estate Appraiser № RZ 2645 (Florida)

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APPRAISAL REPORT

This is an Appraisal Report which is intended to comply with the reporting requirements in accordance with the 2018/2019 edition of the Uniform Standards of Professional Appraisal Practice (USPAP) for an Appraisal Report. As such, it represents summary discussions of the data, reasoning, and analyses used in the appraisal process to develop the appraisers' opinion of value. Supporting documentation concerning the data, reasoning, and analyses may be retained in the appraiser's files. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated below. The appraisers are not responsible for unauthorized use of this report.

CLIENT:	Woodward Partners LLC Attn: Ben Giles 83 Woodward Street Destin, FL 32541
APPRAISERS:	**Thomas A. Marr** State-certified General Real Estate Appraiser № RZ 2645 (Florida) Panhandle Appraisal Group 220 Hospital Drive Fort Walton Beach, Florida 32548
SUBJECT PROPERTY:	Legal Description Lot 2, Hutchison Courts, Phase II Tax ID №: 00-2S-22-5446-0000-0020.
PURPOSE OF THE APPRAISAL:	The purpose of this appraisal was to develop an estimate of the diminution in value from prior to the promulgation of City of Destin Ordinance No. 18-29-CC and after the promulgation of the ordinance on January 22, 2019.
INTENDED USE OF REPORT:	The understood intended use of the appraisal report will be for client use in legal proceedings.
INTENDED USER:	The intended user is the client stated above, the client's attorneys, courts of law, and regulatory authorities. This report is not intended or authorized for any other user or audience.
PROPERTY RIGHTS APPRAISED:	Fee Simple, one hundred percent (100%) ownership interest in the subject property.
EFFECTIVE DATE OF VALUE:	**Retrospective to January 22, 2019.**
DATE OF REPORT:	July 12, 2019
DATE OF INSPECTION:	Thomas A. Marr viewed the subject property on May 18, 2019.
SCOPE OF WORK:	I note you have not requested an appraisal report format. Based on the Scope of Work requirements included in the 2018/2019 version of USPAP, which indicates the appraiser is responsible to coordinate the scope of work with the client, I am informing you I will perform an appraisal report. **It is my opinion this process of work meets all applicable 2018/2019 USPAP standards.**
DEFINITIONS:	The definitions, commencing on the page following, are provided to assist the reader in understanding this appraisal report.

Market Value[1]

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

- Purchaser and seller are typically motivated;
- Both parties are well informed or well advised and each acting in what they consider their best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

The four (4) time differential which may be considered in the appraisal of existing developments are defined as follows:

(1) **'As Is'** means an estimate of the market value of a property in the condition observed upon inspection and as it physically and legally exists without hypothetical conditions, assumptions, or qualifications as of the date of appraisal.

(2) **'Value Upon Completion'** means the market value of a property with all existing construction, conversion, or rehabilitation hypothetically completed, or under other specified hypothetical conditions as of the date of appraisal. With regard to properties wherein anticipated market conditions indicate stabilized occupancy is not likely as of the date of completion, this estimate of value shall reflect the market value of the property as if complete and prepared for occupancy by tenants.

(3) **'Prospective Future Value Upon Completion'** means the prospective future value of a property on the date construction is completed, based upon market conditions forecast to exist as of completion date.

(4) **'Prospective Future Value Upon Achievement of Stabilized Occupancy'** means the prospective future value of a property at a point in time when all improvements have been physically constructed and the property has been leased to its optimum level of long term occupancy.

---

[1] Title XI, Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), [Pub. L. No. 101-73, 103 Stat. 183 (1989)], 12 U.S.C. 3310, 3331-3351, and section 5(b) of the Bank Holding Company Act, 12 U.S.C. 1844(b); Part 225, Subpart G: Appraisals; Paragraph 225.62 (f).
Uniform Standards of Professional Appraisal Practice, 2003 Edition, Page 3
Federal Reserve System, 12 CFR Parts 208 and 225, Sec. 225.62
Office of the Comptroller of the Currency, 12 CFR Part 34, Sec. 34.42 (g)
FDIC, 12 CFR Part 323, Sec. 323.2 (g) (2000)
Office of Thrift Supervision, 12 CFR Part 564, Sec. 564.2
NCUA, 12 CFR Part 722, Sec. 722.2

Fee Simple Estate[2]
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.

Leased Fee Interest[3]
An ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the lessee are specified by contract terms contained within the lease.

Leasehold Interest[4]
The interest held by the lessee (the tenant or renter) through a lease transferring the rights of use and occupancy for a stated term under certain conditions.

Condominium[5]
A multi-unit structure or property in which persons hold fee simple title to individual units and an undivided interest in common areas.

Highest and Best Use[6]
The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and which results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability.

...of land or a site as though vacant:

Among all reasonable, alternative uses, the use yielding the highest present land value, after payments are made for labor, capital, and coordination. The use of property based on the assumption the parcel of land is vacant or can be made vacant by demolishing any improvements.

...of property as improved:

The use which should be made of a property as it exists. An existing improvement should be renovated or retained as is so long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing building and constructing a new one.

Marketing Time[7]
The time it takes an interest in real property to sell on the market subsequent to the date of an appraisal.

---

2 The Dictionary of Real Estate Appraisal, Appraisal Institute, Fourth Edition, 2002, Page 113.

3 Ibid., Page 161.

4 Ibid., Page 162.

5 Ibid., Page 59.

6 Ibid., Page 135.

8 Ibid., Page 175

Marketing Time[7]
The time it takes an interest in real property to sell on the market subsequent to the date of an appraisal.

Exposure Time[8]
A retrospective estimate based on an analysis of past events assuming a competitive and open market.

Advocacy[9]
Representing the cause or interest of another, even if cause or interest does not necessarily coincide with one's own beliefs, opinions, conclusions, or recommendations.

Appraisal[10]
(Noun) The act or process of developing an opinion of value; an opinion of value. (Adjective) of, or pertaining to appraising and related functions such as appraisal practice or appraisal services.

Appraisal Practice[11]
Valuation services performed by an individual acting as an appraiser, including, but not limited to appraisal, appraisal review, or appraisal consulting.

Appraisal Review[12]
The act or process of developing and communicating an opinion about the quality of another appraiser's work was performed as part of an appraisal, appraisal review, or appraisal consulting assignment.

Appraiser[13]
One who is expected to perform valuation services competently, and in a manner, is independent, impartial, and objective.

Appraiser's Peers[14]
Other appraisers who possess expertise and competency in a similar type of assignment.

Assignment[15]
A valuation service provided as a consequence if an agreement between an appraiser and a client.

Assignment Results[16]
An appraiser's opinions and conclusions developed specific to an assignment.

Assumption[17]
An occurrence which is taken to be true.

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8 Ibid., Page 175

9 Ibid., Page 105

9 2018/2019 edition, *Uniform Standards of Professional Appraisal Practice (USPAP)*, Page 1

10 Ibid, Page 1

11 Ibid, Page 1

12 Ibid, Page 1

13 Ibid, Page 1

14 Ibid, Page 2

15 Ibid, Page 2

16 Ibid, Page 2

17 Ibid, Page 2

Bias[18]
A preference or inclination which precludes an appraiser's impartiality, independence, or objectivity in an assignment.

Business Enterprise[19]
An entity pursuing an economic entity.

Business Equity[20]
The interests, benefits, and rights inherent in the ownership of a business enterprise or a part thereof in any form (including, but not necessarily limited to, capital stock, partnership interests, cooperatives, sole proprietorships, options, and warrants).

Client[21]
The party or parties who engage an appraiser (by employment or contract) in a specific assignment.

Confidential Information[22]
Information is either:

- identified by the Client as confidential when providing it to an appraiser and is not available from any other source; or,

- classified as confidential or private by applicable law or regulation.

Cost[23]
The amount required to create, produce, or obtain a property.

'Credible'[24]
Worthy of belief.

Extraordinary Assumption[25]
An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions.

Feasibility Analysis[26]
A study of the cost-benefit relationship of an economic endeavor.

Hypothetical Condition[27]
An assertion which is contrary to what exists but is supposed for the purpose of analysis.

Intangible Property[28]

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18 Ibid, Page 2

19 2018/2019 edition, USPAP, Page 2

20 Ibid, Page 2

21 Ibid, Page 2

22 Ibid, Page 2

23 Ibid, Page 2

24 Ibid, Page 3

25 Ibid, Page 3

26 Ibid, Page 3

27 Ibid, Page 3

28 Ibid, Page 3

(Intangible Assets) Nonphysical assets, including, but not limited to, franchises, trademarks, patents, copyrights, goodwill, equities, securities, and contracts as distinguished from physical assets such as facilities and equipment.

Intended Use[29]
The use or uses of an appraiser's reported appraisal, appraisal review, or appraisal consulting assignment opinions and conclusions, as identified by the appraiser based on communication with the Client at the time of the assignment.

Intended User[30]
The Client and any other party as identified, by name or type, as users of the appraisal, appraisal review, or appraisal consulting report by the appraiser on the basis of communication with the Client at the time of the assignment.

Jurisdictional Exception[31]
...an assignment condition which voids the force of a part or parts of *USPAP*, when compliance with part or parts of *USPAP* is contrary to law or public policy applicable to the assignment.

IDENTIFY THE PROBLEM TO BE SOLVED
The client has requested that I derive two values for the subject. The first value is a value as of January 22, 2019 when the proposed subject improvement could accommodate 38 guests. The second value is after the city of Destin promulgated Ordinance 18-29-CC which limits the subject to 24 guests. The problem to be solved is to derive two values and then identify the diminution of value after the promulgation of the ordinance.

EXTENT OF THE PROCESS OF COLLECTING, CONFIRMING, AND REPORTING DATA:

Preparation of this appraisal included the following scope of work:

- The subject site was inspected by the appraiser, the property was photographed. File data for similar properties was reviewed.
- The public records were reviewed. As the subject is not yet constructed, only plans were available. The appraiser reviewed the plans.
- The appraiser examined the economic, social, governmental, and environmental forces affecting value in the subject neighborhood and the entire market area as a whole.
- The appraiser identified recent and projected actual rents for the subject, based on occupancy of up to 38 guests. The appraiser then identified the annual rentals of other comparable properties which accommodated up to 38 guests. These comparable rentals provided market support for the subject actual and projected gross rental income.
- The appraiser identified market rental comparables for properties limited to 24 guests.
- The appraiser then reduced gross rent to net operating rent and capitalized the net operating rent to identify value for the subject as a 38 guest rental and a 24 guest rental. The difference between these two values is the diminution in value.

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[29] Ibid, Page 3

[30] Ibid, Page 3

[31] 2018 edition, *USPAP*, Page 3

IDENTIFICATION OF THE TYPE OF APPRAISAL AND APPRAISAL REPORT FORMAT:
I have provided an **Appraisal Report**, as defined by the *2018/2019 edition of the Uniform Standards of Professional Appraisal Practice*, containing a summary of all relevant conclusions, data, and analyses used in the report.

TERMS OF THE FINAL VALUE OPINION:
The final opinion of the current market values of the subject property, 'as is' is expressed in terms of cash or financing terms equivalent to cash.

POLICY STATEMENT OF THE APPRAISAL INSTITUTE:
It is improper to base a conclusion or opinion of value upon the premise the racial, ethnic, or religious homogeneity of the inhabitants of an area or of a property is necessary for maximum value.

Racial, religious, and ethnic factors are deemed unreliable predictors of value trends or price variance.

It is improper to base a conclusion or opinion of value, or a conclusion with respect to neighborhood trends, upon stereotyped, biased presumptions relating to the effective age or remaining life of the property being appraised or the life expectancy of the neighborhood in which it is located.

The undersigned appraiser is not a member of the Appraisal Institute.

GENERAL ASSUMPTIONS:

1. No responsibility is assumed for the legal description provided or for matters relevant to legal or title considerations. Title to the property is assumed to be marketable unless otherwise stated. The legal description used in this report is assumed to be correct.

2. The subject property is appraised free and clear of any or all liens, leases, or encumbrances unless otherwise stated. All mortgages, liens, encumbrances, leases, and servitudes have been disregarded unless so specified within the report.

3. No survey of the property has been made by the appraisers and no responsibility is assumed in connection with such matters. Sketches, plot plans, or illustrative material presented in this report are included only to assist the reader in visualizing the property.

4. Information and data furnished by others is usually assumed to be true, correct and reliable. When such information and data appears to be dubious and when it is critical to the appraisal, a reasonable effort has been made to verify all such information; however, no responsibility for its accuracy is assumed by the appraiser.

5. Responsible ownership and competent property management are assumed unless otherwise stated in this report.

6. It is assumed there are no hidden or unapparent conditions of the property, subsoil or structures which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.

7. It is assumed 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.

8. It is assumed the subject property is in compliance with all applicable zoning and land use regulations, unless a nonconformity has been stated, defined and considered in the appraisal report.

9. It is assumed all required licenses, consents or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use which the value estimate contained in this report is based.

10. It is assumed the utilization of the land and improvements is within the boundaries or property lines of the property described and there is no encroachment or trespass unless noted within the report.

EXTRAORDINARY ASSUMPTIONS:
I am using data provided to me by the client and other vacation home owners.

I am making the extraordinary assumption that the data provided is accurate, credible and reliable.

If, for any reason, the data provided is not accurate, credible and reliable, the values derived in the analysis is subject to review.

The subject is just now staring to be constructed. I am making the extraordinary assumption that the completion of construction will be done in a timely and workmanlike manner. If the subject improvement is not completed in both a timely and workmanlike manner, the values derived in the analysis are subject to review.

GENERAL LIMITING CONDITIONS:

1. This is an Appraisal Report which is intended to comply with the reporting requirements set forth in accordance with the *2018/2019 edition of the Uniform Standards of Professional Appraisal Practice* for an Appraisal Report. As such, it includes summarized discussions of the data, reasoning, and analyses used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses may be retained in the appraiser's files. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraiser is not responsible for unauthorized use of this report.

2. Appraisers are not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraisers suggesting the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert in the field of environmental assessment. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The appraiser's value estimate is predicated on the assumption there exists no such material on or in the property causing a loss in value unless otherwise stated in this report. No responsibility is assumed for any environmental conditions, or for any expertise or engineering knowledge required to discover them. The appraisers' descriptions and resulting comments are the result of the routine observations made during the appraisal process.

3. The subject property is appraised without a specific compliance survey having been conducted to determine if the property is or is not in conformance with the requirements of *The Americans with Disabilities Act*. The presence of architectural and communications barriers which are structural in nature which would otherwise restrict access by disabled individuals may adversely affect the property's value, marketability, or utility.

4. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event, only with proper written qualification and only in its entirety.

5. Neither all nor any part of the contents of this report shall be conveyed to any person or entity, other than the appraiser's or firm's client, through advertising, solicitation materials, public relations, news, sales, or other media without the written consent and approval of the authors, particularly as to valuation conclusions, the identity of the appraiser or firm with which the appraiser is connected, or any reference to affiliation with any professional appraisal organization. Further, the appraiser or firm assumes no obligation, liability, or accountability to any third party. If this report is placed in the hands of anyone but the client, client shall make party aware of all the assumptions and limiting conditions of the assignment.

6. The appraiser affixing his signatures to this appraisal report will not be required to give testimony or appear in court because of having made this appraisal, with reference to the property in question, unless arrangements have been previously made thereof.

7. No environmental impact studies were either requested or made in conjunction with this appraisal, and the appraiser hereby reserves the right to alter, amend, revise, or rescind any of the value opinions based upon any subsequent environmental impact studies, research, or investigation.

8. The appraiser has not been supplied with a report of the subsoil conditions indicating the exact capacity of the subsoil. I do not have the benefit of subsoil test results of the properties and detection of possible soil defects would be beyond my realm of expertise. However, there appear to be no hidden or apparent conditions of the subject sites or subsoil structures which would render them more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.

9. Acceptance of and/or use of this appraisal report constitutes acceptance of the foregoing General Assumptions, Special Assumptions, General Limiting Conditions, and Special Limiting Conditions.

EXTRAORDINARY LIMITING CONDITIONS AND HYPOTHETICAL CONDITIONS:
This report is based on a hypothetical condition that the subject was completed as of the date of viewing, May 18, 2019.

CERTIFICATION:

I certify, to the best of my knowledge and belief:

1. The statements of fact contained in this report are true and correct.

2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions and conclusions.

3. I possess no present or prospective interest in the property which is the subject of this report and no personal interest with respect to the parties involved.

4. I possess no bias with respect to the property which is the subject of this report or to the parties involved with this assignment.

5. The engagement in this assignment was not contingent upon developing or reporting predetermined results.

6. The compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value favoring the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

7. The analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *2018/2019 edition of the Uniform Standards of Professional Appraisal Practice*.

8. Thomas A. Marr has made a personal viewing of the property which is the subject of this report. No one else has rendered significant real estate appraisal knowledge and input to the compilation of this report.

9. I have not performed any services, to include appraisal services, regarding the subject in the previous three years.

10. The opinion of market value 'as proposed improved' of the one hundred percent (100%) fee simple ownership interest in the subject property, as of the date of last my personal viewing, of May 18, 2019 'as is' is prior to the promulgation of Destin Ordinance 19-23-CC is FOUR MILLION FOUR HUNDRED EIGHTY THOUSAND DOLLARS ($4,400,000) and the value after the promulgation of Destin Ordinance 19-23-CC is TWO MILLION FIVE HUNDRED THOUSAND DOLLARS ($2,500,000). The diminution of value is estimated as ONE MILLION NINE HUNDRED THOUSAND DOLLARS ($1,900,000).

Thomas A. Marr
State-certified General Real Estate Appraiser № RZ 2645 (Florida)

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DESCRIPTION OF THE SUBJECT PROPERTY
Ownership:

The current owner is Woodward Partners LLC**.** The following deed is an administrative transfer, effective 2/20/2019.

See page 13 for the deed which was the existing deed as of the effective date of the report.

FILE #3262917 RCD: 3/6/2019 4:21 PM, BK: 3387 PG: 4763, RECORDING: $10.50 RECORDING ARTICLE V: $8.00
D Doc Stmp: $2,482.90 DEPUTY CLERK ASECRIST
JD PEACOCK II CLERK OF COURTS, OKALOOSA COUNTY, FLORIDA

***Docs stamps are based on $354,700.00 which represents the outstanding principal balance of the existing mortgage.**

Corporate Warranty Deed

This Indenture, made , February 20, 2019 A.D.
Between
14 Hutchinson LLC, a Florida Limited Liability Company, whose post office address is: 1159 Troon Drive, Miramar Beach, Florida 32550 , a limited liability company existing under the laws of the State of Florida, Grantor and
Woodward Partners LLC, a Florida Limited Liability Company, whose post office address is: 1159 Troon Drive, Miramar Beach, Florida 32550, Grantee,

Witnesseth, that the said Grantor, for and in consideration of the sum of Ten and No/100 Dollars ($10.00), to it in hand paid by the said Grantee, the receipt whereof is hereby acknowledged, has granted, bargained and sold to the said Grantee forever, the following described land, situate, lying and being in the County of Okaloosa, State of Florida, to wit:

Lot 2, Hutchinson Courts, Phase II, according to the Plat thereof, as recorded in Plat Book 28, 77, of the Public Records of Okaloosa County, Florida.

Subject to taxes for the current year, covenants, restrictions and easements of record, if any.

Parcel Identification Number: **00-2S-22-5446-0000-0020**

And the said Grantor does hereby fully warrant the title to said land, and will defend the same against the lawful claims of all persons whomsoever.

SIGNATURES ON FOLLOWING PAGE

In Witness Whereof, the said Grantor has caused this instrument to be executed in its name by its duly authorized officer and caused its corporate seal to be affixed the day and year first above written.

Signed, sealed and delivered in our presence:

14 Hutchinson LLC, a Florida LimitedLiability Company

Witness Printed Name Dolores M. Citrello

By: Joseph Bellinghieri
Its: Manager

Witness Printed Name Douglas M. Joyce

STATE OF New Jersey

COUNTY OF Gloucester

The foregoing instrument was acknowledged before me this 20th day of February, 2019, by Joseph Bellinghieri, as Manager of 14 Hutchinson LLC, a Florida Limited Liability Company, on behalf of the company. He is personally known to me or has produced a valid government issued photo ID as identification.

Notary Public
Notary Printed Name: Brianne Reap
My Commission Expires:: 7/31/2023

{NOTARY SEAL}

BRIANNE T REAP
Commission # 50087309
Notary Public, State of New Jersey
My Commission Expires
July 31, 2023

Prepared by:
Aqua Title Services
36150 Emerald Coast Parkway, Suite 101
Destin, Florida 32541
File Number: 19-0099

Florida Corporate Deed/Letter

The following deed is the deed in force as of the effective date of the report.

FILE #3135275 RCD: 5/16/2017 3:56 PM, BK: 3299 PG: 3621, RECORDING: $10.50 RECORDING ARTICLE V: $8.00
D Doc Stmp: $3,500.00 DEPUTY CLERK JLALLEN
JD PEACOCK II CLERK OF COURTS, OKALOOSA COUNTY, FLORIDA

Corporate Warranty Deed

This Indenture, made , May 12, 2017 A.D.
Between
Gerding Enterprises Investments, LLC, a Missouri Limited Liability Company, whose post office address is: 8404 Amy Lane, Dittmer, Missouri 63023, a limited liability company existing under the laws of the State of Missouri, Grantor and **14 Hutchinson LLC, a Florida limited liability company,** whose post office address is: 1159 Troon Drive, Miramar Beach, Florida 32550, Grantee,

Witnesseth, that the said Grantor, for and in consideration of the sum of Ten and No/100 Dollars ($10.00), to it in hand paid by the said Grantee, the receipt whereof is hereby acknowledged, has granted, bargained and sold to the said Grantee forever, the following described land, situate, lying and being in the County of Okaloosa, State of Florida, to wit:

Lot 15, Block 10, of Crystal Beach Subdivision, according to the Plat thereof, as recorded in Plat Book 1, at Page 17, of the Public Records of Okaloosa County, Florida.

Subject to taxes for the current year, covenants, restrictions and easements of record, if any.

Parcel Identification Number: **00-2S-22-0580-0010-015A**

And the said Grantor does hereby fully warrant the title to said land, and will defend the same against the lawful claims of all persons whomsoever.

SIGNATURES ON FOLLOWING PAGE

In Witness Whereof, the said Grantor has caused this instrument to be executed in its name by its duly authorized officer and caused its corporate seal to be affixed the day and year first above written.

Gerding Enterprises Investments, LLC, a Missouri Limited Liability Company
By: Gerding Enterprises, Inc, a Missouri Corporation
Its: Managing Member

Signed and Sealed in Our Presence:

Melinda ORourke

Witness Print Name: MELINDA ORourke

Amanda Dedehe

Witness Print Name: Amanda Dedehe

By: Charles H. Gerding Jr
By: Charles H. Gerding, Jr.
Its: President

(Corporate Seal)

State of Missouri

County of Jefferson

The foregoing instrument was acknowledged before me this 10th day of May, 2017, by Charles H. Gerding, Jr. as President of Gerding Enterprises, Inc., the Managing Member of Gerding Enterprises Investments, LLC, a Missouri Limited Liability Company, A limited liability company existing under the laws of the State of Missouri, on behalf of the corporation. He is personally known to me or has produced driver's license as identification.

Brenda J Schubel (Seal)
Notary Public
Notary Printed Name: BRENDA J SCHUBEL

My Commission Expires:: 5-3-18

BRENDA J. SCHUBEL
Notary Public - Notary Seal
STATE OF MISSOURI
Jefferson County
My Commission Expires: May 3, 2018
Commission # 14435568

Prepared by:
Aqua Title Services
36150 Emerald Coast Parkway, Suite 101
Destin, Florida 32541

File Number: 17-0212

SITE:

Location:
The subject is located on the east side of Woodward Street, 400 feet north of the Woodward Street and Scenic Highway 98 intersection.

The subject lot was once part of the mature Crystal Beach subdivision in Destin and has been re-designated as Lot 2 of the Hutchison Courts SD, Phase II.

The surrounding area is the Crystal Beach Subdivision which is a mix of mature homes as well as many recently constructed 'beach' homes used for seasonal rental

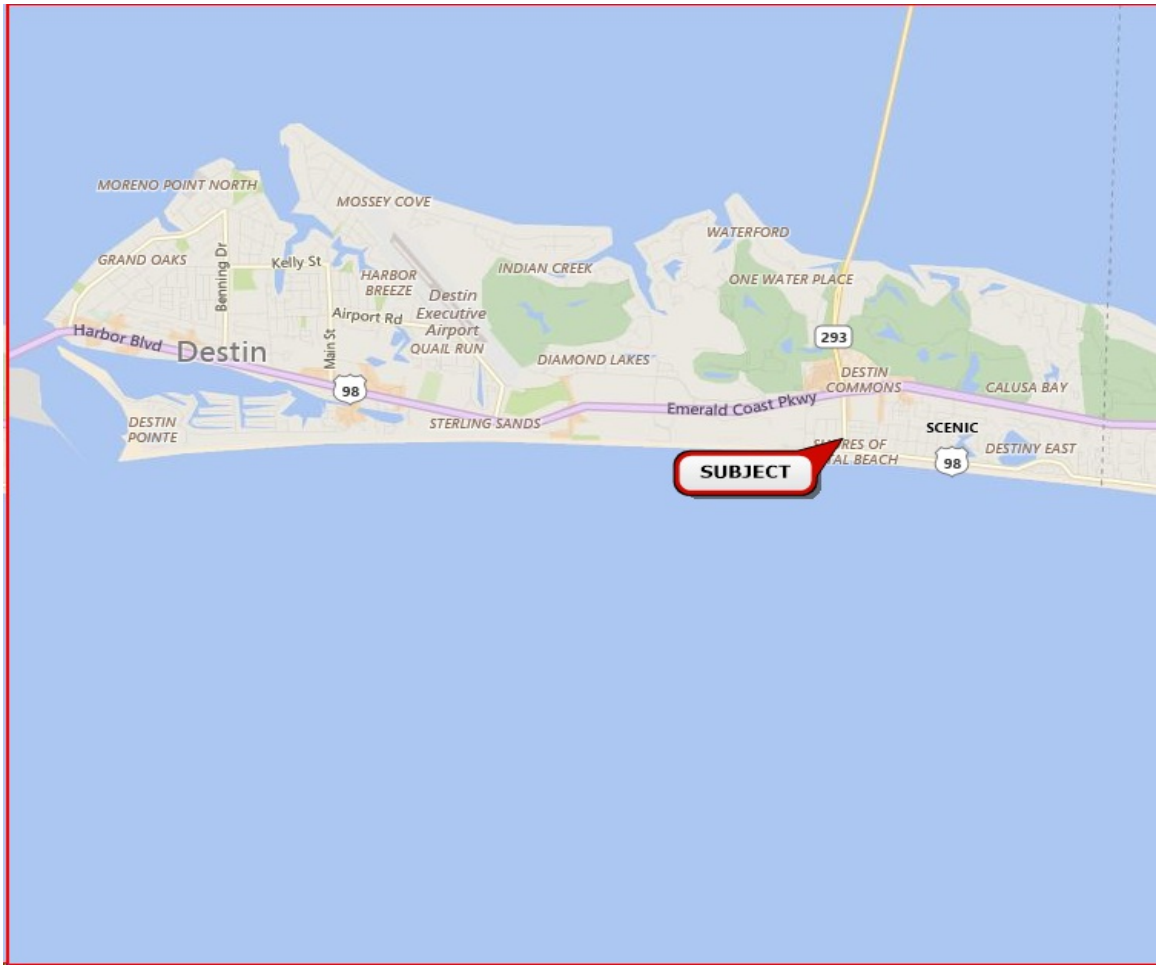
To the east and west, north of Scenic Highway 98 are primarily single family detached homes.

To the north, along the Emerald Coast Parkway (U. S. Highway 98) uses are almost exclusively commercial, and further north of the Emerald Coast Parkway are mature, residential subdivisions.

On the south side of Scenic Highway 98 are almost exclusively multi-family condominium projects mixed with a few detached single family residential homes.

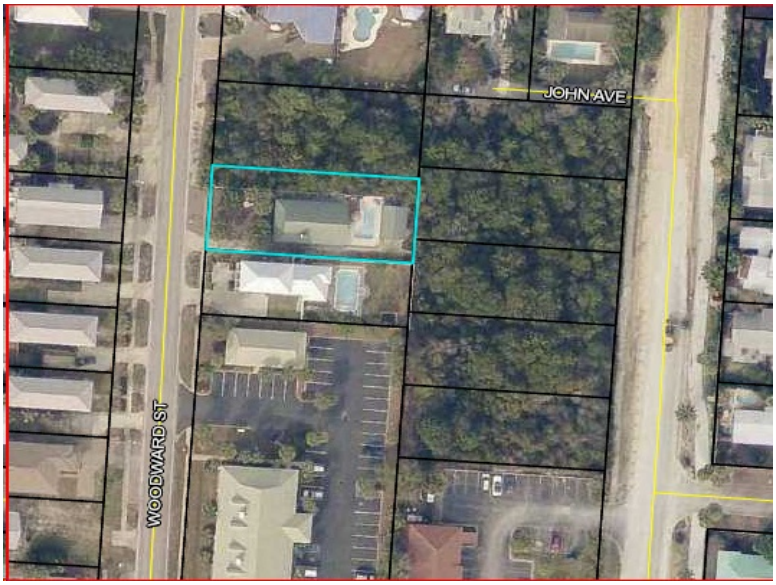
The Henderson Beach Resort was just completed to the west of the subject.

See the following map for the subject location in the broad Destin market.



The following map indicates the Crystal Beach area which is the local market area surrounding the subject.

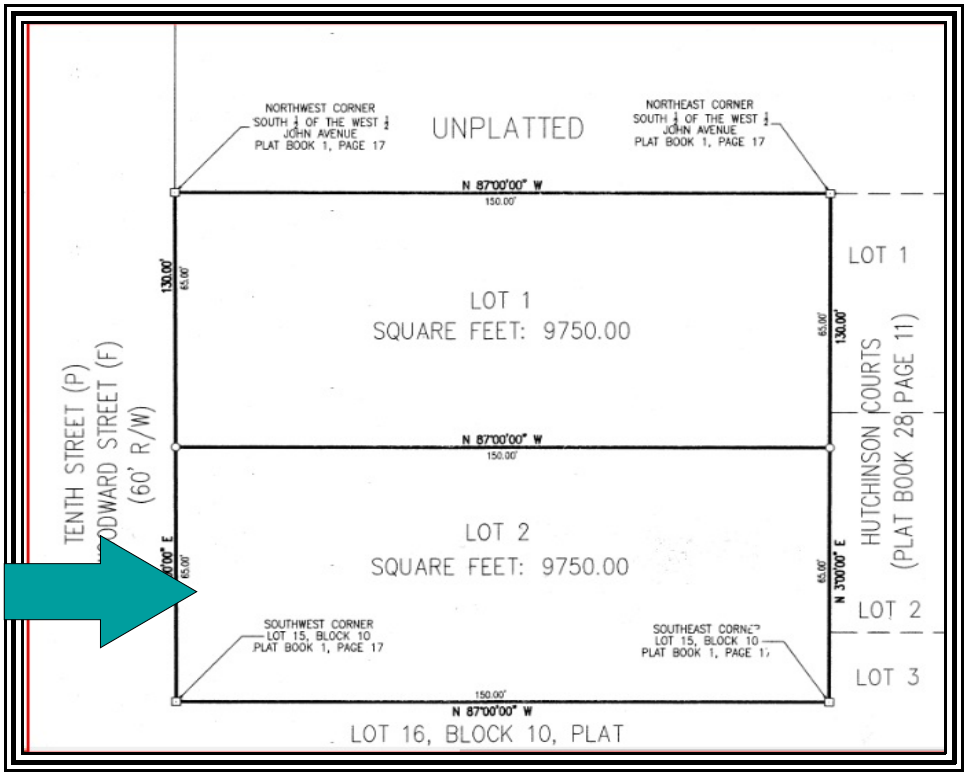
The following aerial photograph indicates the immediate vicinity of the subject.



Land Size:

The subject is a single residential lot.

See the following excerpt from the recorded plat map.



Based on these dimensions, the subject lot is a rectangle with east and west dimensions of 65 feet and north and south dimensions of 150 feet.

This results in a land size of 9,750 SF.

I would consider the subject land size as typical and parking to be adequate as there are eight (8) approved parking spaces indicated on the plans provided by the client.

Site Topography:

Per the Okaloosa County GIS site and my viewing, the subject is at the road grade of Woodward Street.

The subject is also generally level over the entire surface of the lot, with some minor downward slope from west to east.

The subject lot contour is typical for most market parcels.

I am providing the following contour map extracted from the Okaloosa County Property Appraiser web site.

Utilities:

Utility	*Provider*	*Utility*	*Provider*
Electricity	Gulf Power	Stormwater Drainage	Destin
Water and Sewer	Okaloosa County	Fire Department	Destin
Natural Gas	Okaloosa Gas	Police Department	Contract with the Okaloosa County Sheriff
Telephone	Verizon	Refuse Removal	By contract
Cable Television	Cox Cable		

The utilities for the subject site are considered as typical in the market.

Easements/Encroachments:
I was not furnished a copy of a recent survey of the subject property. A review of the site plan, various maps and my personal viewing did not indicate any easements or encroachments.

I assume there are utility easements of record.

It is my opinion that there are no easements or encroachments which would affect value or transferability.

Ingress/Egress:
The subject property is reached directly from Woodward Street, which fronts on the subject west side.

Woodward Street is a paved, two lane public roadway.

Woodward Street connects to Scenic Highway 98 on the south and then runs north where it dead ends with a “T” intersection with Luke Avenue.

Ingress/egress is viewed as similar to most access typically found in the market.

Parking is viewed as superior to most parking found in the market as the subject was recently approved, meeting all current development codes for new construction.

Flood Risk:

FEMA Map Panel	*Map Area*	*Dated*	*Flood Zone*
12091C 0493H	Okaloosa County	December 6, 2002	"X"

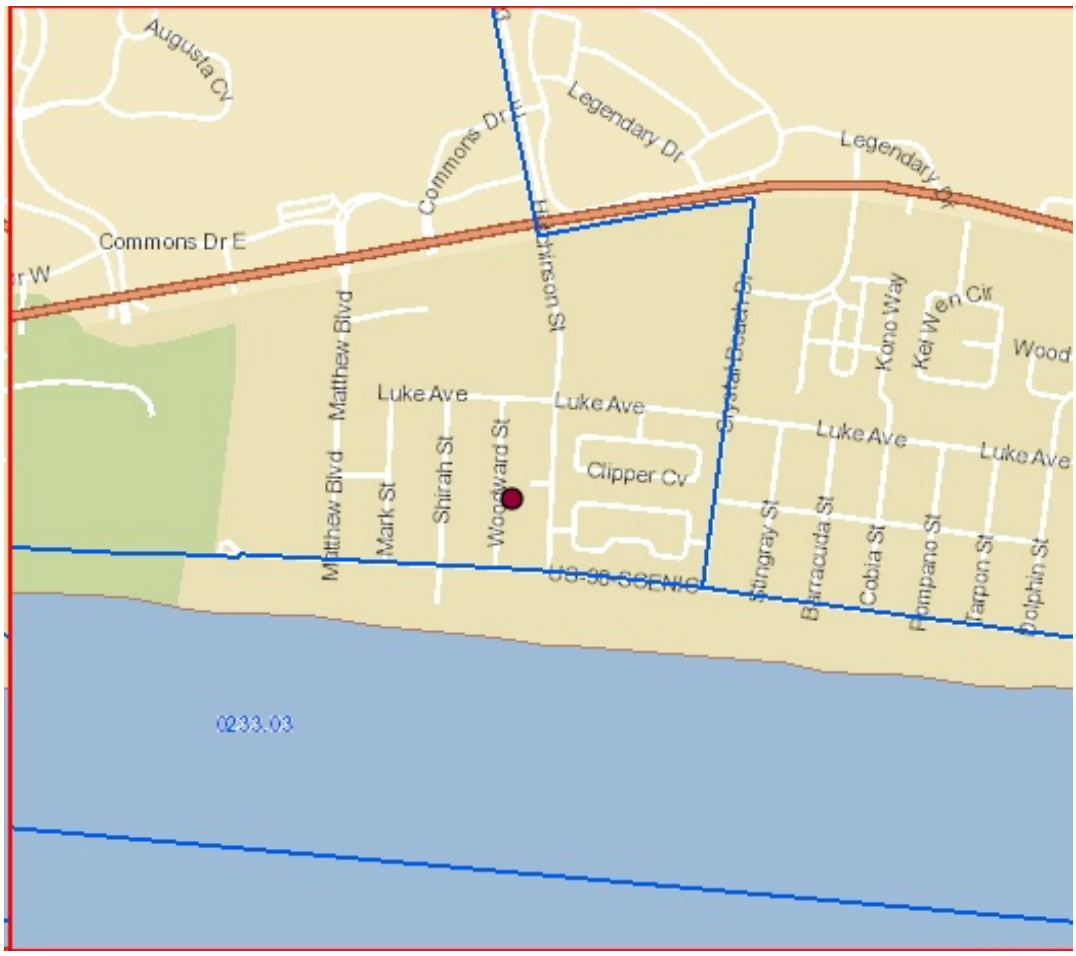
* The client is advised appraisers are not surveyors, and accordingly, any final determination as to flood zone status should only be made by a licensed, adequately insured, Florida surveyor utilizing the latest FEMA flood panels. However, it appears the entire subject area is considered as Flood Zone 'X', an area of minimal flood risk. The subject is located at the red circle in the following flood map.

Wetlands:

The subject features no wetlands.

The wetland map is consistent with the flood panel on the previous page.

Census Data:
The subject is located in census tract 0233.04.



IMPROVEMENTS 'AS PROPOSED'

Size:
The proposed subject improvement is a single family detached improvement with three living levels and a fourth level which is a viewing deck accessed by stairs.

The subject also features an attached two car garage on the first level. The subject features substantial exterior balconies and porches, as well as an in ground swimming pool, pool deck/lanai, landscaping, and six (6) open paver parking spaces. The two (2) garage spaces and the six (6) open spaces result in a total of eight (8) parking spaces.

The first living level is two bedrooms with a king beds sleeping two (2), a second bedroom with a king bed sleeping two (2) and two bunk rooms, each sleeping eight (8) for a total of 16 in the bulk rooms and twenty (20) on the first level.

The second level is the kitchen and other living areas to include three (3) bedrooms with king beds sleeping two (2) each for a total of six (6) guests on the second level.

The third level is three bedrooms with king bed sleeping two (2) each for a total of six (6), and a bedroom with six (6) bunks for a total of twelve (12) on the third level.

The three level totals of 20, 6 and 12 result in a total of 38 guests.

Per the plans, the subject is 9,840 total SF with an approximate 7,315 HVAC SF of living area.

Construction Quality:
The quality of construction for the subject improvement is *Class C* good. Details of construction are summarized below:

Construction Component	
Foundation	4" Reinforced concrete slab
Exterior walls	Wood frame with hardi board and brick
Roof	Metal
Trim	Base and crown molding
Windows	Double pane aluminum
Exterior doors	Insulated metal with glass
Insulation	Unknown. Assumed to be R38 behind sheet rock
HVAC	Forced Air and Central HVAC
Ceiling	10 foot with sheet rock and can lights
Interior Walls	Painted sheet rock
Interior flooring	High quality stone, tile and carpet
Interior doors	Six and four panel wood
Restrooms	Seven and One Half bath rooms
Lighting	Can lights
Kitchens	One typical residential kitchen
Other	Many porches/swimming pool and lanai/elevator.

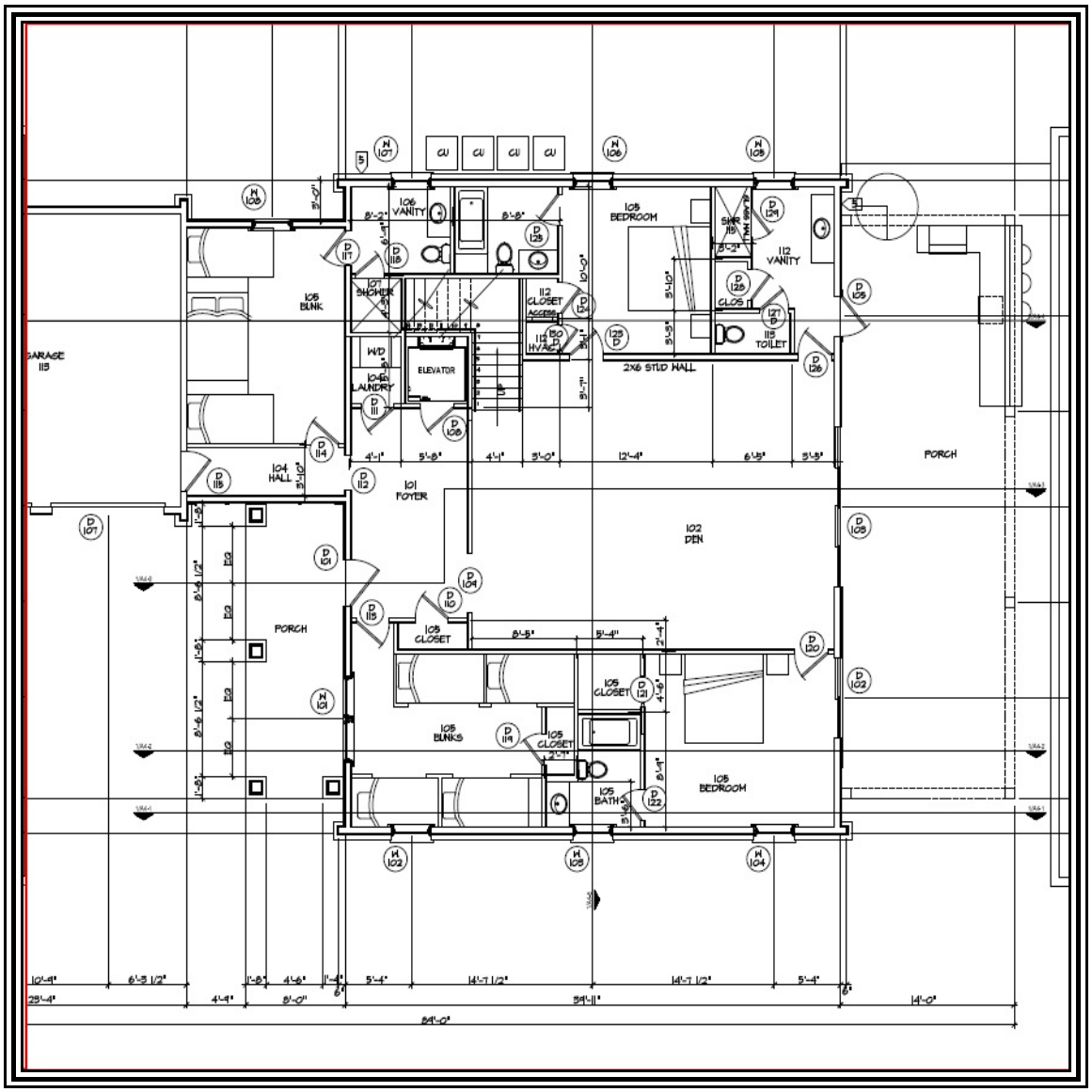
Condition of Improvements:
The subject improvement will be new and in good condition.

Age:
Public records and my viewing indicate this subject improvement will be completed in late 2019 or early 2020.

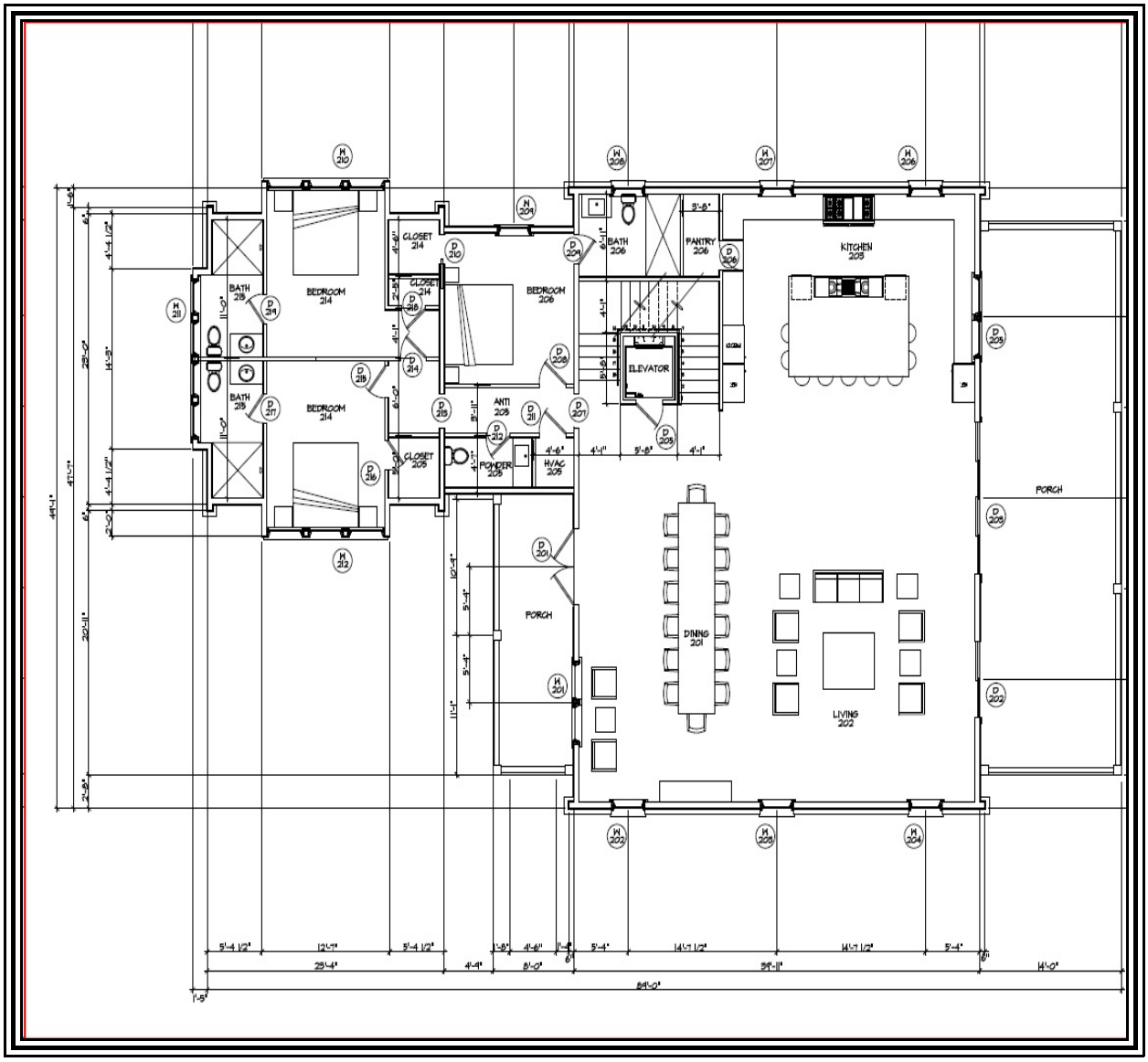
I consider the actual age and the effective age to be a similar one year. I estimate an economic life of 55 years and a physical life of 75 years.

See the following plans provided by the client.

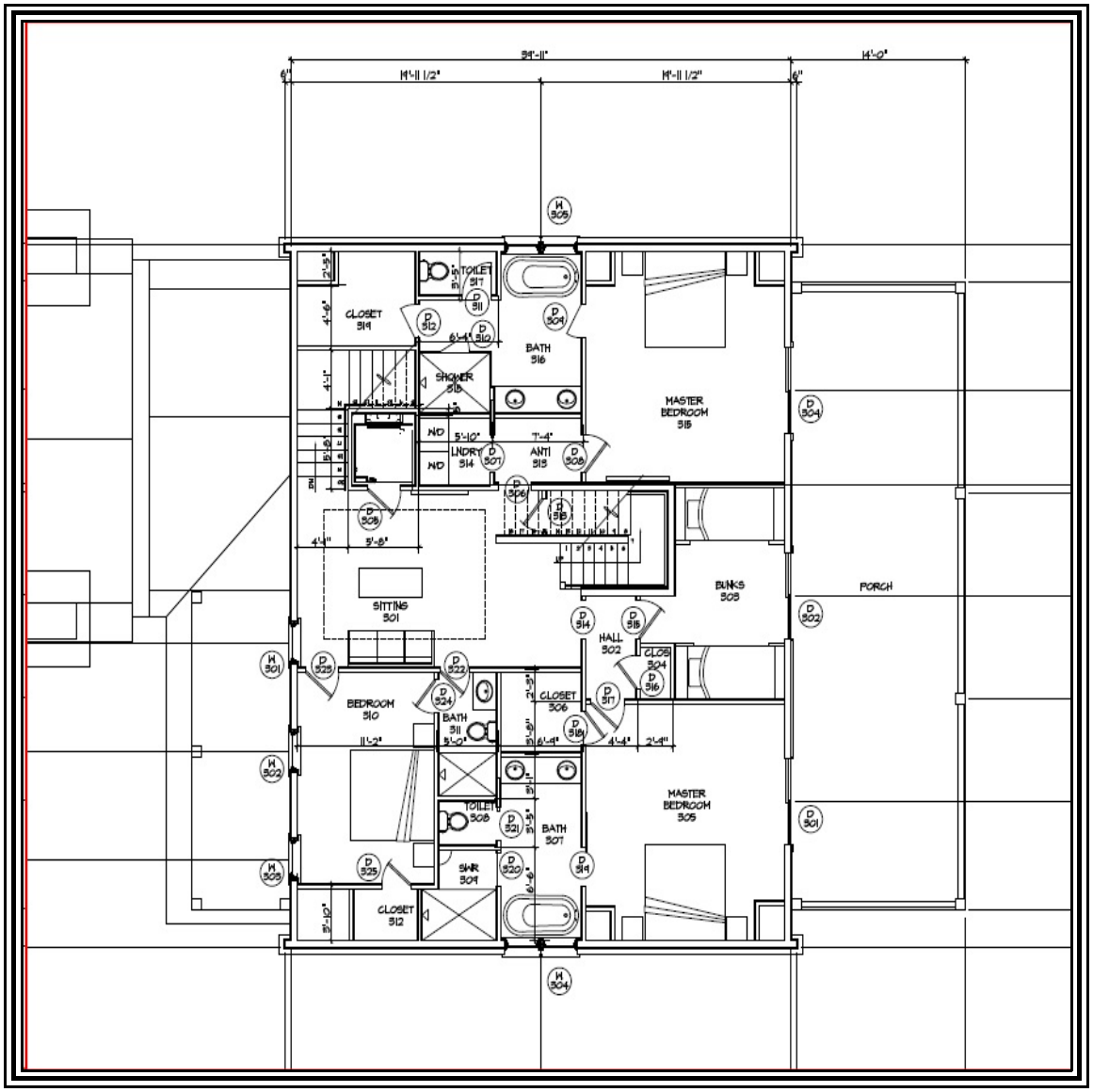
The first level sleeps twenty.



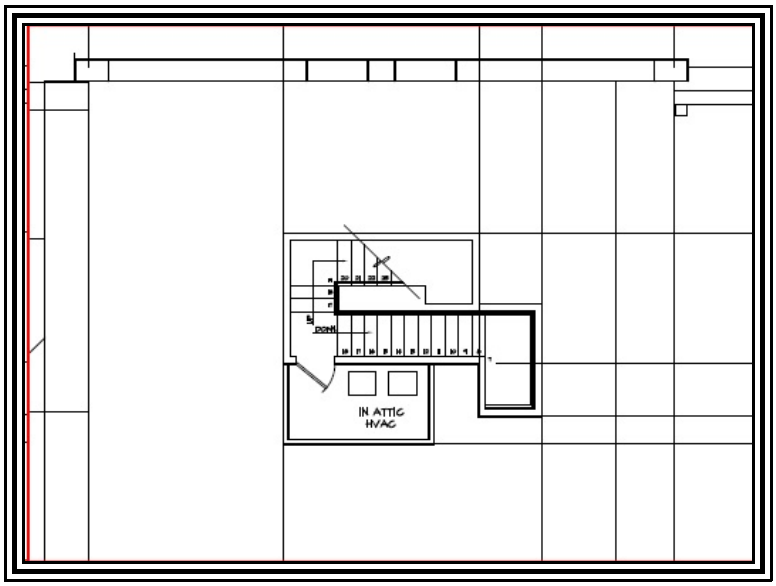
This is the second level with the main living areas of the kitchen as well as three bedrooms, sleeping a total of six (6).

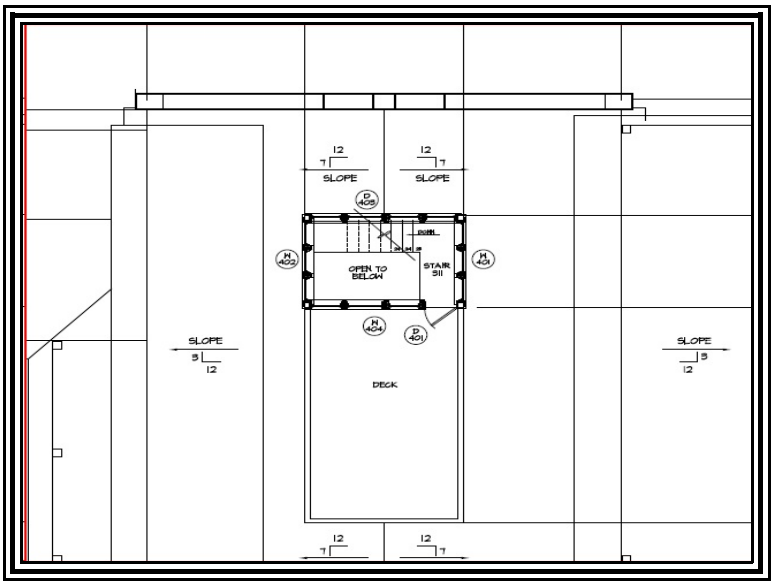


This is the third level which sleeps twelve (12)



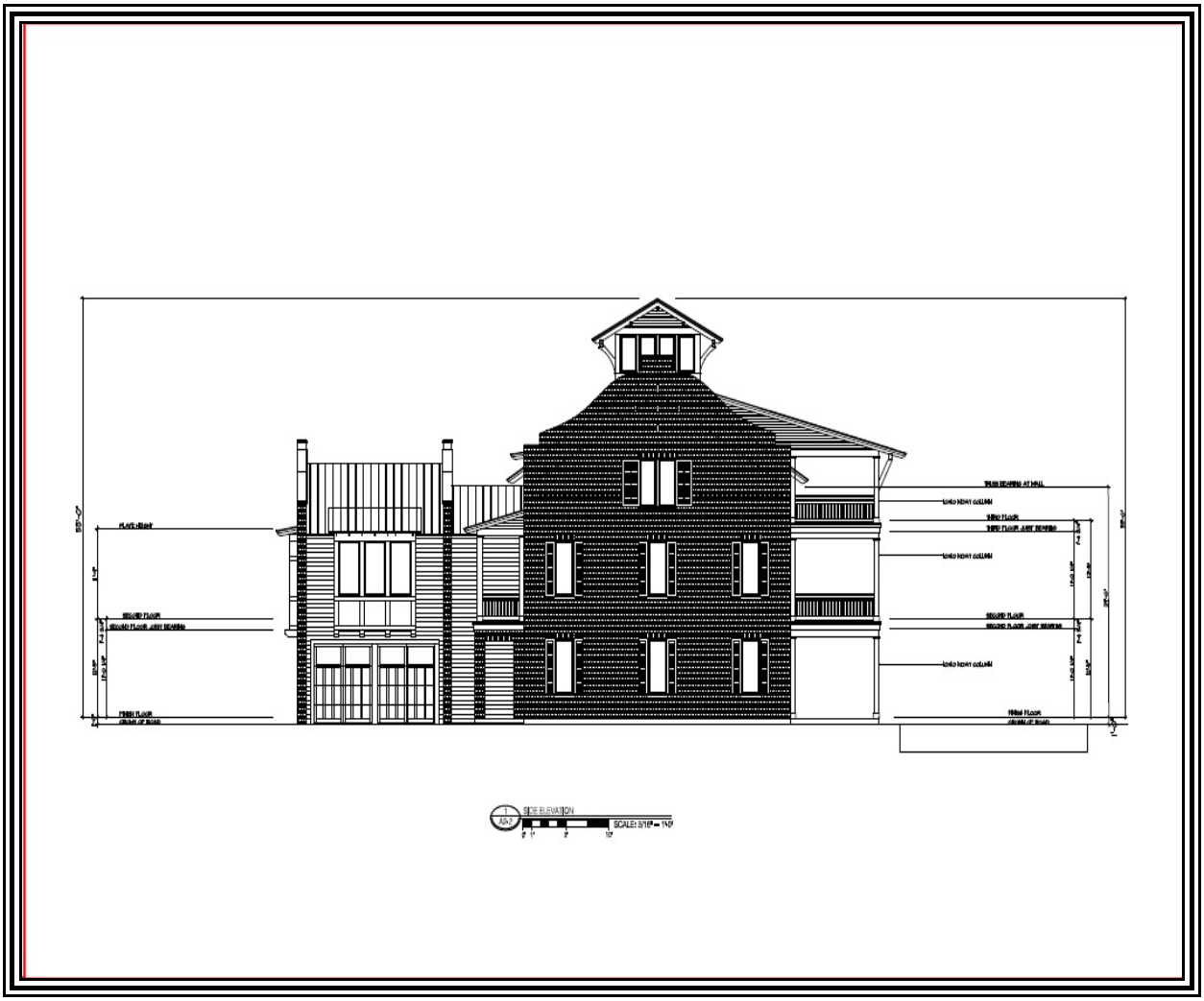
Stairwell and Viewing Deck: No Sleeping Capacity



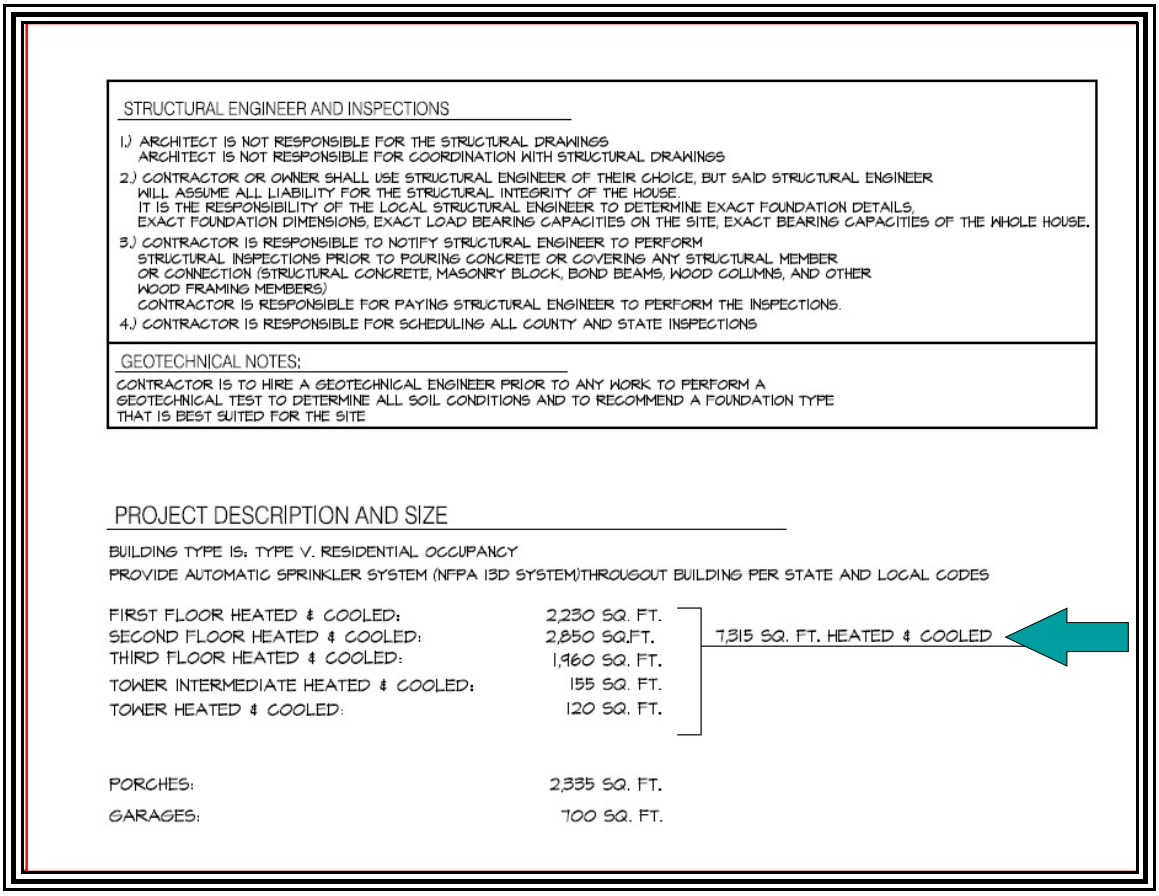


Elevations:

Elevations:



Sizes From Plans**:**



STRUCTURAL ENGINEER AND INSPECTIONS

1.) ARCHITECT IS NOT RESPONSIBLE FOR THE STRUCTURAL DRAWINGS
ARCHITECT IS NOT RESPONSIBLE FOR COORDINATION WITH STRUCTURAL DRAWINGS

2.) CONTRACTOR OR OWNER SHALL USE STRUCTURAL ENGINEER OF THEIR CHOICE, BUT SAID STRUCTURAL ENGINEER WILL ASSUME ALL LIABILITY FOR THE STRUCTURAL INTEGRITY OF THE HOUSE.
IT IS THE RESPONSIBILITY OF THE LOCAL STRUCTURAL ENGINEER TO DETERMINE EXACT FOUNDATION DETAILS, EXACT FOUNDATION DIMENSIONS, EXACT LOAD BEARING CAPACITIES ON THE SITE, EXACT BEARING CAPACITIES OF THE WHOLE HOUSE.

3.) CONTRACTOR IS RESPONSIBLE TO NOTIFY STRUCTURAL ENGINEER TO PERFORM STRUCTURAL INSPECTIONS PRIOR TO POURING CONCRETE OR COVERING ANY STRUCTURAL MEMBER OR CONNECTION (STRUCTURAL CONCRETE, MASONRY BLOCK, BOND BEAMS, WOOD COLUMNS, AND OTHER WOOD FRAMING MEMBERS)
CONTRACTOR IS RESPONSIBLE FOR PAYING STRUCTURAL ENGINEER TO PERFORM THE INSPECTIONS.

4.) CONTRACTOR IS RESPONSIBLE FOR SCHEDULING ALL COUNTY AND STATE INSPECTIONS

GEOTECHNICAL NOTES:

CONTRACTOR IS TO HIRE A GEOTECHNICAL ENGINEER PRIOR TO ANY WORK TO PERFORM A GEOTECHNICAL TEST TO DETERMINE ALL SOIL CONDITIONS AND TO RECOMMEND A FOUNDATION TYPE THAT IS BEST SUITED FOR THE SITE

PROJECT DESCRIPTION AND SIZE

BUILDING TYPE IS: TYPE V. RESIDENTIAL OCCUPANCY

PROVIDE AUTOMATIC SPRINKLER SYSTEM (NFPA 13D SYSTEM)THROUGOUT BUILDING PER STATE AND LOCAL CODES

FIRST FLOOR HEATED & COOLED:	2,230 SQ. FT.	7,315 SQ. FT. HEATED & COOLED
SECOND FLOOR HEATED & COOLED:	2,850 SQ.FT.	
THIRD FLOOR HEATED & COOLED:	1,960 SQ. FT.	
TOWER INTERMEDIATE HEATED & COOLED:	155 SQ. FT.	
TOWER HEATED & COOLED:	120 SQ. FT.	
PORCHES:	2,335 SQ. FT.	
GARAGES:	700 SQ. FT.	

Exterior Photograph:

FRONT OF SUBJECT

Taxes:
The tax identification number, gross tax amount due, amount paid, and assessed value for the 2018 tax year.

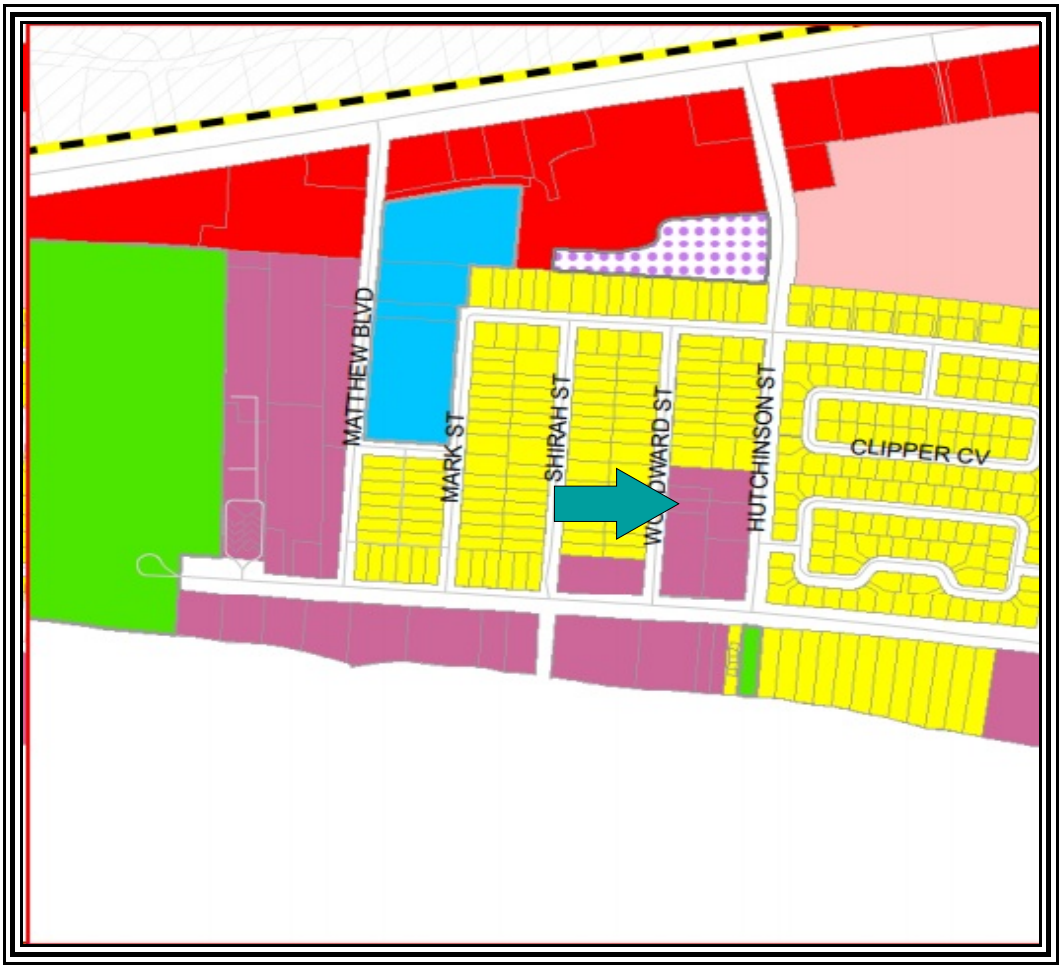
Tax Identification Number	Assessed Value	Gross Tax Amount Due	Amount paid	Amt. Due
00-2S-22-5446-0000-0020	$379,709	$4,875.68	$4,875.68	None

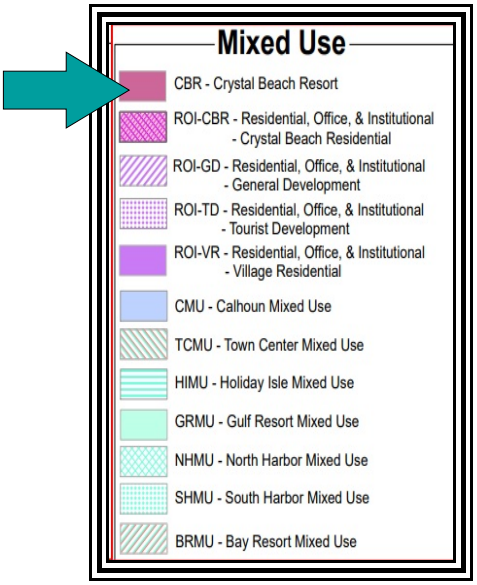
The 2018 taxes are paid.

There are no previous year taxes owing.

It is my experience that assessed value has little correlation with current market value and are typically lower than market value with a few exceptions. I also note that 2020 or 2021 ad valorem taxes will be much higher after the certificate of occupancy is awarded, as the subject will be taxed as newly constructed improved property.

Zoning:
The following map indicates zoning for the subject parcel. The subject is zoned Crystal Beach Resort by Destin. See following pages for detailed identification of allowable uses.





LAND DEVELOPMENT CODE COMMENTS
The following excerpts were taken from the Destin Land Development Code, currently on line.

This first excerpt states that Crystal Beach Resort is designed for permanent and short term residential use. I note that this description of the Crystal Beach zoning designation is silent regarding the number of allowable guests and does not limit guest numbers.

> Policy 1-2.4.2: Crystal Beach Resort (CBR). The "CBR" designation provides for residential and limited nonresidential uses. Both permanent long-term and short-term residential uses are permitted. Commercial hotels, motels, bed and breakfast establishments, and other commercial transient living accommodations shall be allowed. Nonresidential uses shall include places of worship, community buildings, public facilities, schools, libraries, post offices, childcare centers, clubhouses, museums, visual and performance arts buildings, neighborhood retail commercial goods and services not exceeding 5,500 square feet designed primarily to serve the needs of the Crystal Beach resort area, offices, medical and dental clinics, laundries and dry cleaning drop off centers, banks, fitness centers, dinner clubs and restaurants. The following maximum development standards shall be applied to future development within "CBR" designated areas:

This second excerpt defines long term rental and short term rental. I again note that the definition of short term rental is silent regarding the number of allowable guests.

> Policy 1-2.1.1: Residential Uses Defined. Residential uses shall include several structure types used for housing, including single-family detached dwellings and multiple-family structures including duplex structures units, town homes and other detached single-family structures, apartments, patio homes, atrium homes, and similar multiple-family structures. The specific FLUM designations shall identify where single-family and multiple-family structures may be located. Following are the definitions for long-term residential and short-term residential.
>
> 1. **Long-Term Residential.** Long-term residential uses shall be defined as any residential accommodation that is available for occupancy for 181 days or more. Long-term residential uses shall include lock-out units, as defined in the Glossary.
> 2. **Short-Term Residential.** Short-term residential uses shall be defined as any residential accommodation that is available for occupancy for 180 days or less. Short-Term Residential uses shall include lock-out units, as defined in the Glossary.

This third excerpt defines the grandfather clause. This clause states clearly that the grandfather status may be released only by the vested entity

> Policy 1-2.1.5: Grandfather Clause. Existing land uses that were lawfully conforming uses prior to the effective date of the Comprehensive Plan, shall continue as lawful uses and shall be regulated through administrative remedies for vested rights issues that shall be included in the LDC. Building heights, density and/or intensity which (a) are actual present and which lawfully existed prior to the effective date of the Comprehensive Plan, or (b) were authorized pursuant to a development order, which development order remained unexpired as of the effective date of the Comprehensive Plan, shall continue to be legal building heights, density and/or intensity (as applicable) after adoption of the Comprehensive Plan. All duly approved and recorded lots, subdivision and condominium plats of record, which existed as legal lots, subdivision and condominium plats of record prior to the adoption of this Comprehensive Plan shall continue to be legal lots, subdivision and condominium plats of record after adoption of the Comprehensive Plan. This grandfather status may only be relinquished voluntarily by the vested entity. All subdivisions, condominium plats and all replats shall comply with the Comprehensive Plan objectives and Policies, including maximum density provisions. Similarly, all new development shall comply with the Comprehensive Plan and LDC unless the development is found to have a vested right in a land use, building height, density or intensity that is in conflict with the Comprehensive Plan and LDC. Under such condition the grandfather clause shall be applicable unless voluntarily relinquished by the vested entity. The intent is to sustain demonstrated private property rights while preserving the public interest, welfare, health, and safety. Notwithstanding, any single-family home that is subject to redevelopment shall be allowed to reconstruct, providing adopted building and construction codes as well as this ordinance and the size and dimension criteria of the LDC are met.

CONCLUSION
Based on these excerpts, I conclude that prior to the promulgation of Ordinance 18-29-CC, there were no restrictions to the number of allowable guests.

History:
The subject has been owned by the current owners since 5/12/2017 when they purchased it from Gerding Enterprises Investments LLC for $500,000 per ORB/P 3299/3621. At the time of transfer, the subject lot was a lot in the Crystal Beach SD with an existing detached improvement.

After this purchase, the owners incorporated the subject lot into the Hutchison Court Phase II Subdivision.

The owners then sold the subject on 2/20/2019 to Woodward Partners per ORB/P 3387/4763. This sale is an unqualified sale.

The owners are now in the process of constructing the subject improvement.

Active Listings:
The subject is not listed for sale and has not been listed for sale in the previous three years.

Current Use:
The subject is currently a vacant residential lot with the ongoing construction of a detached home to be used for seasonal rental purposes.

Surrounding Uses:
The surrounding use in the Crystal Beach area is a mix of full time occupants and seasonal renters.

MARKET AREA ANALYSIS - SEASONAL RENTAL MARKET

I am restricting this analysis to the seasonal rental market.

Up until perhaps 2000, the great majority of seasonal rentals were condominium units.

However, the growing demand for larger spaces to accommodate extended families in one place led to the conversion of many larger homes to seasonal rents. It also spurred the construction of homes specifically designed for large rental parties.

Such homes feature typical living areas but emphasize a substantial number of bedrooms and baths. Often bedrooms are equipped with multiple built - in bunks for sleeping children.

Most homes also feature sofa sleepers which can sleep additional children.

Many of these homes, and certainly those recently constructed for this purpose, featured swimming pools and lanai areas as an exterior amenity.

This market has flourished as Destin is nationally recognized asa tourist attraction.

It is common to see Realtors addressing gross rental amounts or gross rental projections in MLS Listings. While the value of homes similar to the subject is estimated generally by a size / value per SF component, the fact that a home generates a substantial amount of income makes it a more attractive and safe purchase than a home which is not rented for seasonal income.

Another factor worthy of discussion is that many owners now self - manage. Typically in the past, management of rentals was performed by one of several large real estate companies, such as Resort Quest, Dale Peterson, Newman Dailey and Southern Resorts. However, in the past 10 years a substantial number of smaller management companies have surfaced.

Management fees for seasonal rentals range from perhaps 15% to 25% of gross revenue.

Entrepreneurial owners have recognized this expense line and many now self - manage with the aid of Vacation Rental By Owner (VRBO) or some similar search engine.

The seasonal rental market is increasing in the Destin/Miramar Beach market as the thriving national economy allows discretionary vacations.

I would consider the seasonal rental market to continue to flourish over the next several years.

However, with the promulgation of Ordinance 18-29-CC, limiting the subject to 24 guests, I would project a diminution in value.

HIGHEST AND BEST USE 'AS IS'

Legally Permissible
The subject property is zoned (and designated for future land use) as *Crystal Beach Resort (CBR)* by the City of Destin, Florida.

This zoning and land use designation allows for both single-family and mixed use developments, including hotels, and restaurants. The use of the subject for single-family short-term rentals is therefore allowed in this district.

Physically Possible
The subject property appears to be relatively level and well drained. Soil and subsoil conditions nearby appear compatible with both low-rise, multi-story use and traditional commercial development. All utilities required for commercial or 'mixed use' are presently at the site. The size and dimensions of the site are sufficient to allow a wide variety of legally permissible uses. The shape of the site is rectangular and this shape does not limit utility. Transportation of construction materials or labor to the site is estimated to be relatively simple due to the central location of the site within the overall market. Access to the site is above average.

However, the most compelling substantiation that the subject is physically possible is the fact that it already exists.

Therefore, use of the subject property for single family use as a seasonal rental is physically possible.

Financially Feasible
Value opinions derived in the income approach to value indicate the existing improvement contributes value to the underlying land. There is substantial other ongoing seasonal rental use in the market, suggesting that there is broad appeal for seasonal rental properties.

Therefore, continued use of the subject property for a detached single family residence used for seasonal rental income is financially feasible.

Maximally Productive
The alternatives of addition, demolition, expansion, modernization, or conversion to alternate uses have been considered within the legal, physical, and financially feasible parameters. Several alternatives exist.

Alternatives for use of improvements:

Expansion
The existing subject improvement is 7,315 HVAC SF. The subject is typical of most seasonal rental homes. Thus, there is no need for expansion. Any expansion would come at a cost of parking and/or access. Thus, expansion beyond what is existing, does not appear to be appropriate and feasible.

Renovation
Typically, any existing property could benefit from renovation. However, the subject is just being constructed and is a state of the art facility. Thus, I would not consider imminent renovation to be required or practical.

Downsizing
The existing subject improvements are 7,315 HVAC SF. I see no reason to downsize the subject improvement as it appeared that all of it is usable space. Thus, downsizing beyond what is existing does not appear to be appropriate, physically possible and feasible.

Subdividing
The purpose of the subject is to lease it seasonally to large parties of guests. Subdivision would not be legally approved and does not appear to be financially prudent as the parties of guests would be smaller and grouping smaller parties together in the same pool could prove problematic. I would not consider subdivision to be prudent or feasible.

Demolition
The subject is a newly constructed home, currently in good condition. It features a probable 55 years of remaining economic life and a probable 70-75 years of remaining physical life.

I do not consider demolition and replacement with alternative improvements to be a superior use to the currently planned

use as a rental property. No alternative use would be certain to serve the land better. Thus, the subject is not a candidate for demolition.

Utilizing existing improvements
Continued use 'as is' as a seasonal rental, as planned, is considered the maximally productive use.

Conclusion of Highest and Best Use 'as is'
Analysis of recent trends and current market supply and demand indicate that the maximally productive highest and best use of the subject property is continued use as a detached single family residence used for seasonal rental income.

Conclusion of Highest and Best User 'as is'
Analysis of recent trends and current market supply and demand strongly indicate the most probable user is an entrepreneurial user who primarily self manages and leases the subject for seasonal rental income with a small amount of personal use.

SUMMARY OF ANALYSIS AND VALUATION

Methodology

Site valuation derived from Sales Comparison Analysis involves direct comparisons of the subject property to similar properties selling in the marketplace to derive a comparative value indication for the subject property 'as if vacant,' as of the effective date of value. This approach is also called the 'direct sales comparison approach', or the 'market approach', and tends to be the most reliable approach for developing an opinion of the value of vacant land or sites available for development. Other methods of developing the value of land are available. Allocation, extraction, land residual, ground rent capitalization, and discounted cash flow analysis are all recognized as reasonable methods.

The cost approach is a reliable methodology for new, or nearly new, buildings. I estimate the replacement cost or reproduction cost, in this case replacement construction cost, of the existing or existing improvements and site improvements (including direct and indirect costs as well as an appropriate developer profit), deducting accrued depreciation from physical, functional, and external sources from the total replacement or reproduction cost new. The depreciated replacement or reproduction cost of the improvements is added to the value of the site resulting in a value indication of the fee simple interest in the property.

The sales comparison approach is based on the 'Principle of Substitution' which indicates an informed purchaser would pay no more for a property than the cost of acquiring an equally desirable substitute property with the same or similar utility. This approach is applicable when an active market provides sufficient quantities of reliable data which can be verified from authoritative sources. The Sales Comparison Approach is reliable in an active market or if an opinion of value is related to properties which there are comparable sales available. This approach to value is also relevant when sales data can be verified with the principals to the transaction. Heavy emphasis is usually placed on this approach to value in an active market.

The income approach is recognized as a reliable approach for developing an opinion of the value of 'income producing' property to an investor. The income approach consists of methods, techniques, and mathematical procedures an appraiser uses to analyze a property's capacity to generate income and convert income into an indication of present value either by capitalizing the current income at a market capitalization rate or discounting the future cash flows into a present value estimate using an appropriate yield (discount) rate. The appraisal process emulates the market, and the most probable purchaser would be an investor. Two (2) techniques associated with the income approach are direct capitalization and discounted cash flow analysis.

Methodology employed and explanation of the exclusion of any of the three (3) approaches to value

I am not performing cost analysis. In addition, the problem to be solved is to derive the diminution in value based on the guest restrictions included in Destin Ordinance 18-29-CC. The number of guests would have no impact on the cost to construct.

I am not performing sales comparison analysis. The impact of Destin Ordinance 18-29-CC may not be evident in the market for several years in the selling prices of homes. The ordinance allows a five year grandfather period. Homes sold in this grandfather period may not indicate a decline in selling prices and it would not be reliable to estimate diminution in value based on comparable sales until a larger array of data was available for use in sales comparison analysis.

I am performing income analysis. I will identify contract rents for the subject (in this case, projected rents) and then identify market rents which support the subject contract rent. I will then identify operating expenses and subtract operating expense from gross rent to arrive at a net operating income (NOI). I will then apply a market based capitalization rent to the NOI to arrive at a value for the subject, prior to the promulgation of Destin Ordinance 18-29-CC.

I will then identify the rental incomes for homes which are allowed only 24 guests. I will then subtract expenses for the rents of 24 guest homes and arrive at their NOI. I will then derive a value by capitalizing this NOI.

Finally I will subtract the value for a 24 guest house from the value of a 38 guest house and this figure will be the diminution in value.

COST ANALYSIS
NOT PERFORMED

SALES COMPARISON ANALYSIS NOT PERFORMED

INCOME ANALYSIS
'AS IS'

DESCRIPTION OF INCOME ANALYSIS METHODOLOGY

The income approach to value is based on the principle of anticipation, in that the value of the subject property correlates to the present worth of the future right to receive benefits in the form of income to be received by the owner. The income approach considers the property from an investment interest with the assumption that the amount of income, coupled with the regularity and quality of the income stream, are the basis for valuing the property based on income analysis.

The income approach is applied by identifying the net income by first identifying gross income and then deducting from the gross income the expenses of operating a property to arrive at a net income, generally identified a Net Operating Income (NOI).

The estimated NOI is then converted to a value opinion by utilizing either a Discounted Cash Flow Analysis, or a Direct Capitalization Analysis, or both.

Discounted cash Flow Analysis:
The Discounted Cash Flow Analysis (DCF) is an analysis where a discount rate is applied to a series (typically several years) of income streams with a reversion after typically 7 to 10 years. The appraiser must specify the quantity, variable nature of the income, timing of payments (monthly/quarterly/annually) to a present value at a specified yield rate. The DCF analysis is most applicable when the net income is projected to be variable and when the property is on a sufficient size and investment value to influence market participants to evaluate purchase decisions based on DCF.

I note that I did not perform DCF analysis as it is my opinion that market participants would not use DCF analysis to base decisions to either purchase or sell properties such as the subject.

Direct Capitalization:
The conversion of a net income to a current value is called capitalization. Capitalization is a method which is used to convert the estimate of a single year's net income actual figures and/or expectancy of income into a value opinion by dividing the income by a appropriate rate of capitalization, as estimated by the appraiser. This technique employs capitalization rates derived from the market, using both capitalization rates from recent sales of similar properties, generally augmented by national indices, or other mathematical progressions. This process provides a one year snap shot of the property value. Future yields and values are not directly identified. The direct capitalization analysis is most appropriate for small to medium sized income producing properties, in stable markets with a forecast of generally stable income.

The procedural steps involved in capitalization are as follows:

Develop the probable gross income by identifying historical performance, income projections and market incomes from comparable properties which support the historical or projected subject income.

Estimate vacancy and collection losses to arrive at Effective Gross Income (EGI).

Estimate and subtract operating expenses to arrive at NOI.

Develop a capitalization rate which is supported by the market.

Divide the NOI by the capitalization rate to derive a value opinion.

I am employing the direct capitalization analysis to derive values in this analysis.

I note for the reader that steps #1 and #2 are generally combined in the analysis of seasonal resort properties. Owners and management companies tend to provide actual income which has already accounted for vacancy and collection loss.

INCOME ANALYSIS - ESTIMATE OF CAPITALIZATION RATE

The capitalization rate is a rate which is applied to the Net Operating Income (NOI) to derive a value for a property. As the chart below indicates, you can derive a capitalization rate by dividing the NOI by the purchase price.

The following excerpt will provide some explanation of capitalization rates.

Capitalization rates are used in a formula. As seen below, dividing the net operating income by the purchase price indicates the capitalization rate.

Another variation of the formula is to divide the net operating income by the capitalization rate and this process will indicate the value of the property.

What Is a Cap Rate?

A cap rate is simply a formula. It's the ratio of a rental property's net operating income to its purchase price (including any upfront repairs):

Cap Rate =

Net Operating Income (NOI) ÷ Purchase Price

The formula can be used on the level of an individual property by looking at its net operating income compared to its value. But it can also be used on the level of an entire market by taking *average* cap rates for a large group of properties.

Importantly, the cap rate formula does NOT include any mortgage expenses. As you can see in the formula for net operating income below, the expenses do not include a mortgage or interest payment.

Gross Rental Income
- Vacancy/Credit Loss Reserve
- Property Taxes
- Property Insurance
- Maintenance/Repairs
- Common Utilities (if any)
- Other expenses (ex: license)
= Net Operating Income

MARKET DATA BASED ON TYPICAL INDICES

Capitalization rates range widely in the market. The following table derived from Realty rates.com indicate a wide variety of capitalization rates base on property types. This table contains very recent data from the second quarter 2019.

As can be seen, properties such as restaurants and lodging (motels and hotels) have high capitalization rates. Apartments (residential) have the lowest capitalization rates.

Realty rates does not include a separate category of single family detached homes.

RealtyRates.com INVESTOR SURVEY - 2nd Quarter 2019*
CURRENT & HISTORICAL CAP RATE INDICES

Method-Weighted* Property Category Indices

	Apts		Golf		Healthcare Senior Housing		Industrial		Lodging		MH/RV Park		Office		Retail		Restaurant		Self Storage		Special Purpose		Weighted* Composite Indices	
Year	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg
2019	8.18	-24	11.79	-23	8.78	-23	8.94	-25	10.18	-35	9.32	-24	8.78	-26	9.15	-23	11.36	-21	9.61	-26	11.44	-21	9.39	-25
1st Qtr	8.18	-28	11.79	-29	8.78	-29	8.94	-29	10.18	-35	9.32	-30	8.78	-30	9.15	-29	11.36	-26	9.61	-31	11.44	-27	9.39	-29
2018	8.42	26	12.02	30	9.01	14	9.19	23	10.53	25	9.56	30	9.04	10	9.38	20	11.57	15	9.86	29	11.64	40	9.64	22
4th Qtr	8.46	8	12.08	11	9.07	11	9.23	7	10.53	1	9.62	13	9.08	13	9.44	10	11.62	11	9.92	13	11.71	11	9.68	9
2017	8.16	4	11.73	-2	8.87	-6	8.96	-12	10.28	5	9.26	11	8.94	-22	9.19	-8	11.42	-15	9.57	-9	11.25	4	9.42	-6
2016	8.13	-2	11.75	6	8.92	12	9.08	15	10.22	0	9.15	15	9.16	16	9.27	12	11.57	-10	9.67	14	11.21	10	9.48	9
2015	8.15	-9	11.69	-14	8.80	-9	8.93	-10	10.22	-20	8.99	-18	9.00	-6	9.15	-11	11.66	-13	9.52	-22	11.11	-12	9.40	-12
2014	8.24	-15	11.83	-9	8.89	-1	9.03	-4	10.43	-17	9.17	-5	9.06	-22	9.26	15	11.79	-6	9.75	-20	11.24	14	9.52	-7
2013	8.39	14	11.92	-14	8.90	5	9.07	-2	10.60	3	9.22	14	9.28	-19	9.11	-4	11.86	9	9.95	-24	11.10	1	9.58	-2
2012	8.25	-35	12.07	6	8.85	-36	9.09	-40	10.57	-24	9.08	-39	9.47	3	9.15	-13	11.77	6	10.19	-49	11.09	-4	9.60	-21
2011	8.60	-29	12.00	-22	9.21	-40	9.49	-11	10.81	-24	9.48	-8	9.44	-10	9.28	-26	11.70	-14	10.69	-3	11.12	-17	9.81	-19
2010	8.89	4	12.22	5	9.62	15	9.60	12	11.05	7	9.55	22	9.54	16	9.54	25	11.84	12	10.72	21	11.30	0	10.00	13
2009	8.85	8	12.17	16	9.47	10	9.48	10	10.98	-7	9.33	1	9.38	29	9.29	20	11.72	15	10.50	37	11.30	8	9.87	14
2008	8.77	-4	12.01	29	9.37	-16	9.38	-14	11.05	56	9.32	-5	9.09	-16	9.09	-11	11.57	-28	10.13	20	11.22	-7	9.74	-1
2007	8.81	-45	11.72	-21	9.53	-65	9.52	-25	10.49	-28	9.37	-26	9.25	-47	9.20	-12	11.85	61	9.93	-38	11.29	-24	9.75	-28
2006	9.26	12	11.93	47	10.18	15	9.77	35	10.77	27	9.63	41	9.72	26	9.32	30	11.24	18	10.31	27	11.53	9	10.03	26
2005	9.14	14	11.46	80	10.03	-16	9.42	-30	10.50	-21	9.22	19	9.46	6	9.02	16	11.06	5	10.04	13	11.44	-30	9.77	2
2004	9.00	-19	10.66	28	10.19	-37	9.72	19	10.71	-98	9.03	-48	9.40	-4	8.86	-19	11.01	-15	9.91	-13	11.74	-30	9.75	-19
2003	9.19	-2	10.38	-32	10.56	64	9.53	33	11.69	56	9.51	-11	9.44	1	9.05	-18	11.16	8	10.04	-53	12.04	105	9.94	12
2002	9.21	-40	10.70	18	9.92	-39	9.20	-61	11.13	26	9.62	-60	9.43	-35	9.23	-62	11.08	-3	10.57	-12	10.99	-177	9.82	-41
2001	9.61	64	10.52	133	10.31	90	9.81	16	10.87	98	10.22	-68	9.78	-35	9.85	-53	11.11	47	10.69	13	12.76	32	10.23	21
2000	8.97		9.19		9.41		9.65		9.89		10.90		10.13		10.38		10.64		10.56		12.44		10.01	

* Weighted by methodology: Band-of-Investment, DCR Technique, Sales Survey

^ Further weighted by property category

*1st Quarter 2019 Data

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The following chart provides some additional data regarding capitalization rates for apartments in some major metropolitan centers.

These rates are lower than the overall national rate for apartments identified on the previous page. I attribute this to the fact that the cities below are major metropolitan areas with a high density of population which keeps occupancy high and inspires investor confidence. In this regard, the Destin seasonal rental market is similar in its high density and national appeal.

Cap Rates For Stabilized, Class A Multifamily Apartments By City – 2017 (2nd Half)	
San Diego	4.25%
Chicago	4.75%
Atlanta	5.00%
Philadelphia	5.25%
St. Louis	5.75%
Cleveland	6.25%
Pittsburgh	6.50%
Detroit	7.25%

Single family homes are seldom valued via income capitalization. Most homes are owner occupied and the issue of rent and valuation through rent is generally not applicable. However, I identified the following excerpt rom the internet which indicates a range of capitalization rates from 4% to 10% for single family homes. The reader will note in the excerpt immediately above that high demand areas feature lower capitalization rates and lower demand areas feature higher capitalization rates. I would again observe that Destin is a high demand area in the seasonal rental market. Thus, I would consider it probable that capitalization rates for singe family homes in Destin were toward the low side of the 4% to 10% range.

Cap Rate for Single Family Home

Professionals purchasing commercial properties, for example, may buy at a 4% cap rate in high demand areas, or a 10% (or even higher) cap rate in low-demand areas. Generally, 4% to 10% per year is a reasonable range to earn for your investment property. Continuing with our example from above, $17,000/ **5%** = $340,000.

The following are two excerpts from the internet indicating that Panama City Beach, Florida boasts a very low capitalization rate of 4.9% and that the Destin, Florida market features a 4.75% capitalization rate for Airbnb rentals.

9. PANAMA CITY BEACH, FL

- *Short-Term Rental Cap Rate: 4.9%*

White sandy beaches, clear water, fishing piers, protected nature reserves, hiking trails... what more do you need to be convinced that Panama City Beach is one of the best places around the US to invest in a vacation rental.

Property prices are affordable with a median level of $334,700, while short-term rental income stands around $3,260. The average cap rate for vacation rentals is 4.9%.

2. Destin

- *Median Property Price:* $695,000
- *Airbnb Rental Income:* $2,720
- *Traditional Rental Income:* $1,610
- *Airbnb CoC Return:* 2.3%
- *Traditional CoC Return:* 0.5%
- *Airbnb Cap Rate:* 4.7%
- *Traditional Cap Rate:* 2.8%
- *Airbnb Occupancy Rate:* 58.4%

The second among the best places to buy a vacation home in Florida is Destin, with rental income from Airbnb just a few dollars below St. Augustine. However, this location is significantly more expensive. But it has a very important advantage for all those loving nature and sports – it is very famous for the fishing opportunities that it offers.

MARKET DATA BASED ON LOCAL SALES OF DETACHED HOMES USED FOR SEASONAL RENTAL

In addition to the national data provided above, I am also providing some data from actual sales in the local market.

I have some professional acquaintances who specialize in the management of large homes used for seasonal rentals. I have asked them to provide me some actual data from recent sales to help derive a local data base of capitalization rates.

On 7/13/2018, Frangista Beach E16 LLC (Nick Athens - a professional acquaintance well known to me) sold 3491 Scenic Highway 98 to Rich Rentals for $3,000,000. This house is 6,008 HVAC SF and features nine (9) bedrooms and 9.5 baths. It is very similar to the subject and is a very good comparable indicator of capitalization rates. Mr. Athens stated that the net operating income was $172,340. Dividing $172,340 by $3,000,000 indicates a capitalization rate of 5.74%.

On 9/4/2015, Nick and Tina Athens sold 1850 - 1852 Scenic Gulf Drive in Miramar Beach to Forty-Four Holdings for $2,205,000. This was two side by side homes in Frangista Beach which were an aggregate 3,460 HVAC SF and which features Five (5) bedrooms and 7 baths. Mr. Athens stated that the net operating rent was $133,200. Dividing $133,200 by $2,025,000 indicates a capitalization rate of 6.58%. I do not consider it a coincidence that the home with the fewest bedrooms featured the highest capitalization rate.

On 2/10/2016, Destiny Real Estate Ventures LLC sold 3463 Scenic Highway 98 to Charles Barone for $3,615,000. This house is 6,465 HVAC SF and features eight (8) bedrooms and 6.5 baths. It is very similar to the subject and is a very good comparable indicator of capitalization rates. Mr. Giles stated that the net operating income was $222,125. Dividing $202,125 by $3,615,000 indicates a capitalization rate of 6.15%.

On 1/11/2019, Kevin Hense sold 2984 Scenic Highway 98 to Russell and Susan Hancock for $3,000,000. This house is 3,997 HVAC SF and features six (6) bedrooms and 5.5 baths. It is very similar to the subject and is a very good comparable indicator of capitalization rates. Mr. Hense stated that the net operating income was $176,000. Dividing $176,000 by $3,000,000 indicates a capitalization rate of 5.87%.

RECAPITULATION OF LOCAL MARKET CAPITALIZATION RATES

The following table summarizes the capitalization rates identified in the narrative above.

Property Address	Capitalization Rate
3491 Scenic Highway 98, Destin	5.74%
1850 Scenic Gulf Drive, Mirimar Beach	6.58%
3463 Scenic Highway 98, Destin	6.15%
2984 Scenic Highway 98, Destin	5.87%
Average	6.0850%
Rounded	6.10%

I consider a rounded capitalization rate of 6.1% to be a market supported rate which is both credible and reliable.

This local rate is bracketed by the national rates from pages 45-47 above.

ESTIMATE OF VALUE PRIOR TO ORDINANCE 18-29-CC

Based on the current zoning and the Destin Land Development Code, and prior to the adoption of Ordinance 18-29-CC, there was no limit to the number of guests allowed in the subject improvement. The subject can accommodate up to thirty eight (38) guests based on the data provided by the owner and my identification of sleeping capacity previously identified.

CURRENT CONTRACT RENT
I note that seasonal rentals are typically described with annual rental amounts as opposed to more consistent monthly rental rates.

Such rental amounts are generally described using gross income data, and/or projections of gross income data.

Appraisers need to then examine expenses to arrive at a net operating rent to capitalize. Expenses to gross revenue are ad valorem taxes, flood and hazard insurance, HOA dues, maintenance and repairs, utilities, lawn maintenance, pest control, professional fees and reserves. I note that interest/mortgage payments and depreciation are not expenses when capitalizing property for value.

In the case of the subject, it is under construction and there is no historical rent available.

The owner is probably the most knowledgeable owner of large seasonal rental homes as this has been his niche occupation for the last approximate twenty (20) years. I consider his projection of income to be substantially credible.

I am accepting the projected income of $400,000 for an annual period.

ESTIMATE OF EXPENSES
Mr. Giles provided me an estimate of expense of $115,000. I assume this estimate includes ad valorem taxes at the improved rate and I would think that the ad valorem taxes will exceed $20,000 annually. It also includes a management fee.

Subtracting $115,000 from $400,000 results in a net operating income of $285,000.

These figures also indicate an operating expense ratio of 28.75%.

MARKET SUPPORT FOR SUBJECT GROSS AND NET INCOME

RATIO OF GROSS TO NET INCOME

I have attempted to derive gross and net income figures for comparable properties in the market. However, my research indicates that many owners and property managers are unwilling to divulge private financial information, especially the net income.

Thus, I will provide some market examples of properties where clients or close associates did divulge data.

The first example is a detached home located at 112 Sandprint Circle in the Dunes of Destin. The owners, Edward and Tari Furey, provided me with detailed data regarding income and expenses. They indicted annual revenue of $325,000 and annual expense of $100,000. This suggests an expense ratio of $100,000 / $325,000, or 31%, rounded.

I again spoke to Nick Athens who still owns a detached house at 4664 Destiny Way which grossed $275,000 in 2018. The expenses for this property were an approximate $89,000. This suggests an expense ratio of $89,000 / $275,000, or 32% rounded.

As a third indicator, I spoke to Kevin Hense, who sold a detached house at 2984 Scenic Highway 98 for $3,000,000 on 1/11/2019. Mr. Hense indicated that the 2018 gross rent was $263,000 and that the expenses were $87,000. This suggests an expense ratio of $87,000 / $263,000, or 33%, rounded.

This well researched market data influences me to select an expense ratio of 32% for this analysis. I fully recognize that Mr. Giles' estimate was only 28.75%. However, both his projection of annual income and annual expense are made without any historical perspective relative to this particular subject property. I am choosing to be conservative in the analysis and will use an operating expense ratio of 32%.

GROSS RENT OF HOMES SLEEPING 30 + GUESTS

To provide market support for Mr. Giles' projection of $400,000 gross rent and $285,000 net rent, I am providing some market examples of other homes which lease as 30+ guest capacity. This information was provided by the existing client, Ben Giles, a professional well known to me.

Existing rentals - similar propertie	#sleeps	Gross Revenue 2018
42 Miami St Miramar Beach	34	$463,852.00
3487 Scenic Hwy 98 Destin	32	$305,393.00
3463 Scenic Hwy 98 Destin	32	$380,000.00
3461 Scenic Hwy 98 Destin	36	$364,723.00
107 Hollywood St Miramar Beach	38	$289,647.00

These five indicators of gross rent for homes which can accommodate 30 guests, or more, average $360,723. The subject sleeps 38 guests while the average of the five rental comparables is 34.4 guests. Thus, one would expect the subject to gross an amount consistent with the average of the range. However, the subject is a new house and the market likes 'new'. I am selecting an income slightly above the average at $395,000 annually.

I recognize that Mr. Giles estimated a rounded $400,000. However, I am again choosing to be conservative and will weigh the larger amount of historical market data available to me.

The next step is applying the previously calculated expense ratio to the gross rent to arrive at a net operating rent average for the five comparable rentals. Applying a 32% expense ratio to $395,000 results in a net rent of $268,600, a figure which is lower than the Mr. Giles' estimate of $285,000 of net rent.

Capitalizing $268,600 with a 6.1% capitalization rate results in a value of $4,403,278, rounded to $4,400,000.

It is my professional opinion that the subject value, prior to the promulgation of Destin Ordinance 19-23-CC is $4,400,000, based on income analysis.

ESTIMATE OF VALUE AFTER THE PROMULGATION OF ORDINANCE 18-29-CC

Destin Ordinance 18-29-CC reduces the subject sleeping capacity to 24 guests as the limit is two guests per bedroom, plus four (4) additional guests. There are eight (8) bedrooms. Thus, 2 x 10 = 20 + 4 = 24.

It is my opinion that the limit of 24 guests will have a negative impact on value.

To estimate the difference, I need to research the market for homes which are limited to 24 guests.

I have previously mentioned other homes which can accommodate only 20 - 24 guests.

I again spoke to Nick Athens who owns a detached house at 4664 Destiny Way which grossed $275,000 in 2018. This house sleeps 20 guests

I also spoke to Kevin Hense, who sold a detached house at 2984 Scenic Highway 98 for $3,000,000 on 1/11/2019. Mr. Hense indicated that the 2018 gross rent was $263,000 and the home slept 24 guests.

In addition to these more detailed descriptions, I was also provided some additional raw data via email from Ben Giles regarding other homes that slept 20+/-. This information includes the address, number of allowable guests and annual income of comparable rentals.

3893 Sandprint Dr Destin	20	$118,796.00
113 Los Angeles St Miramar Beach	19	$137,307.00
1737 Scenic Hwy 98 Miramar Beach	20	$144,814.00
96 Sarasota St Miramar Beach	22	$143,813.00
100 Sandprint Cir Destin	20	$105,000.00

Thus, I have seven (7) market comparable homes which sleep from 19 to 24 guests.

The average of the seven homes is $169,675. The subject is still a new house and will probably rent for more as a new house whether the guest size is 38 or 24. Thus, I would consider the subject to command more rent than the average of the range and I am selecting a rounded $225,000 of gross rent as compensation for the fact the subject new and more attractive to the market.

Applying the same 32% expense adjustment to convert gross rent to net operating rent results in a net operating rent of $153,000, rounded.

Applying a capitalization rate of 6.1% to the net operating rent of $153,000 results in a value after Ordinance 18-29-CC is applied of $2,508,196, rounded to $2,500,000.

ESTIMATE OF THE DIMINUTION OF VALUE

My research and analysis indicates that the value of the subject based on the right to sleep 38 guests is a rounded $4,400,000.

My research and analysis indicates the value of the subject based on the limit to sleep only 24 guests is a rounded $2,500,000.

It is my opinion the promulgation of Destin Ordinance results in an approximate $1,900,000 diminution of value.

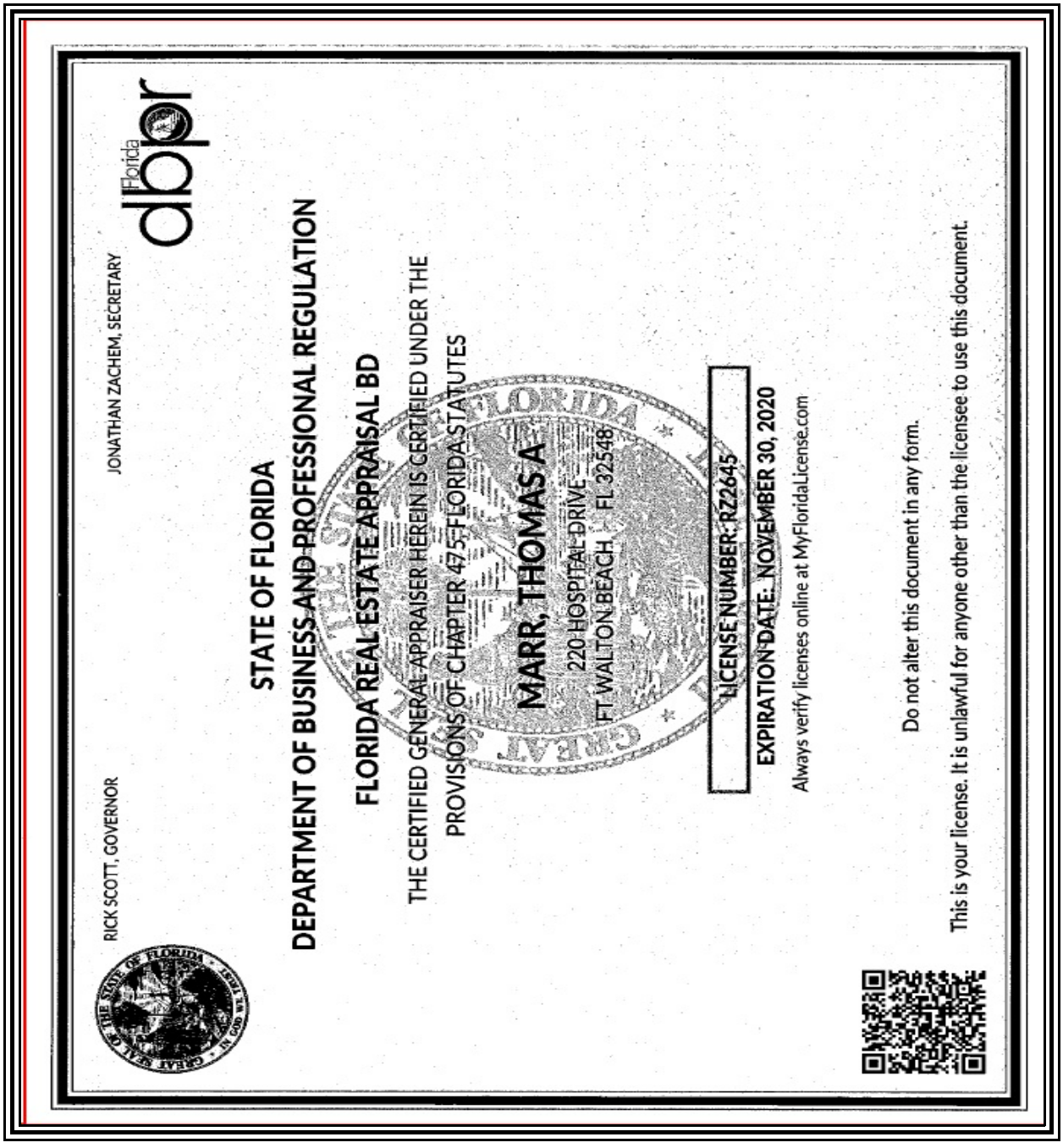
DIMINUTION OF VALUE

$1,900,000

A D D E N D A

Appraiser License

APPRAISER LICENSE



THIS INSTRUMENT PREPARED BY
AND AFTER RECORDING RETURN TO:

Kimberly Romano Kopp, Esq.
Romano Kopp Law, P.A.
P.O. Box 445
Destin, Florida 32541

For Recording Purposes Only

SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is entered into this _____day of _____ 2019, ("Effective Date") by and between, Woodward Partners LLC. ("Owner") and the City of Destin ("City"), collectively referred to as the "Parties."

RECITALS

WHEREAS, on January 22, 2019, the City enacted Ordinance 18-29-CC, the Short-Term Rental Occupancy Ordinance ("Ordinance"), which limits the occupancy of short-term rental homes to two (2) people per bedroom plus an additional four (4) persons; and

WHEREAS, Owner owns the real property and improvements located at 83 Woodward Street, Destin, FL 32541, as more particularly described in the attached Exhibit "A" (the "Property"); and

WHEREAS, on May 10, 2019, Owner filed a claim with the City, pursuant to the provisions of §70.001, Florida Statutes, the Bert J. Harris, Jr., Private Property Rights Protection Act (the "Harris Act"), alleging that the Property had been inordinately burdened by the adoption of the Ordinance, (the "Claim"); and

WHEREAS, the Harris Act provides for the City to have the ability to enter into a settlement agreement which would have the effect of a modification or variance to the application of a regulation or ordinance as it would otherwise apply to the subject real property, provided the relief granted protects the public interest served by the regulations at issue and is the appropriate relief necessary to prevent the governmental regulatory effort from inordinately burdening the real property; and

WHEREAS, the City has determined that the modifications to the effect of the Ordinance effected by this Agreement protect the public interest served by the Ordinance and are the appropriate relief necessary to prevent the regulatory effect of the Ordinance from inordinately burdening the Property; and

WHEREAS, the Parties now desire to settle and finally resolve all disputes between and among them concerning the Claim.

NOW, THEREFORE, the Parties hereby agree as follows:

1. **Recitals.** The above recitals are true and correct and are incorporated herein by reference.

2. **Occupancy Allowable Under Ordinance.**

(a) Owner is hereby granted a variance from the provisions of the Ordinance so that the Owner shall have the right to apply under the Ordinance for a maximum occupancy of thirty-five (35) overnight guests at the ten (10) bedroom vacation rental property noted above and the City shall grant such occupancy. The right shall continue in perpetuity, regardless of any future changes in ownership, provided that this right shall expire permanently if the Property were to be voluntarily remodeled or voluntarily rebuilt in such a manner as to change the number of bedrooms that existed at the date of the Claim. The Property remains subject to all other requirements of the City's regulations, including but not limited to regulations for short-term rentals, parking, trash, and noise.

(b) No greater than ten (10) vehicles may be parked on the Property. No vehicle may encroach upon the City's right-of way.

(c) Owner shall ensure that at least six (6) outdoor trash receptacles are provided by the applicable trash hauler and available for use by occupants at all times.

(d) Owner agrees that the City shall be permitted to access the property on an annual basis for the purpose of life-safety inspections to ensure code compliance with minimum egress and emergency egress requirements pursuant to the Florida Building Code (Residential) and to ensure the property has adequate and working smoke detectors. Owner shall submit to the City a separate application and fee for such inspection, on a form provided by the City, at the time Owner submits its annual short-term rental registration application to the City

3. **Development in Accordance with Code.** Notwithstanding any provisions contained herein, the Owner shall at any time have the right and option to remodel, develop, or use the Property in accordance with the applicable ordinances of the City of Destin in effect at the time of application therefor, and this variance shall not be construed as making the Property in any way non-conforming.

4. **Entire Agreement.** The Parties acknowledge that this Agreement constitutes the entire agreement between them regarding the settlement of their dispute and any prior statements, whether oral or written, are merged herein. This Agreement may not be modified or amended without a written instrument signed by the party against whom enforcement is sought.

5. **Duration of Agreement.** This Agreement shall be perpetual and deemed to run with the land, and shall be binding upon and the benefits shall inure to the parties hereto and their respective heirs, devisees, personal representatives, successors and assigns.

6. **Authority.** The signatories to this Agreement are expressly authorized to resolve their dispute as set forth herein and by their signatures here represent and affirm their authority to execute this Agreement.

7. **Governing Law.** The law of the State of Florida shall apply to this Agreement. Any dispute regarding this Agreement shall be litigated exclusively in the courts of Okaloosa County, Florida. The parties expressly consent to such agreed jurisdiction and venue, and waive any objections thereto.

8. **Notices.** Any notice required or permitted to be given hereunder shall be in writing and shall be (i) delivered by hand, (ii) delivered by reputable national or local courier (such as United Parcel Service or Federal Express), (iii) mailed by United States registered or certified mail, return receipt requested and postage prepaid, or (iv) sent by facsimile transmission provided a confirmation of such facsimile transmission is sent the same day by one of the methods of delivery in (i), (ii), or (iii) above. Any notice shall be addressed to each party at its address as set forth below. Any such notice shall be considered given on the date of such hand delivery, deposit with such courier for same day or next business day delivery, upon receipt of return receipt of certified mail, or receipt of facsimile transmissions, as the case may be, and the time period (if any is provided herein) in which to respond to such notice shall commence on the date of receipt. Rejection or other refusal to accept or inability to deliver because of changed address of which no notice was given shall be deemed to be receipt of the notice. By giving to the other party at least ten (10) days' notice thereof, any party shall have the right from time to time to change the addresses thereof and to specify up to two (2) additional addresses within the United States of America to which copies of notices to it shall be sent. Notice may be given on behalf of any party by such party's counsel. In the event the subject property owner changes, notices shall be addressed to the current owner as indicated in the records of the Okaloosa County Property Appraiser. Otherwise, notices shall be sent as follows:

Each notice shall be addressed as follows:

To City: City of Destin, Florida
Attn:
4200 Indian Bayou Trail
Destin, Florida 32541

With a copy to:
City Land Use Attorney
Romano Kopp Law, PA
PO Box 445
Destin, Florida 32541

To Woodward Partners LLC: Woodward Partners LLC
1159 Troon Drive
Miramar Beach, Florida 32550

With a copy to: Matthews & Jones, LLP

Attn: C. Stephen Tatum
4475 Legendary Drive
Destin, Florida 32541

9. **Attorney's Fees**. In the event of any action, whether pre-suit, mediation, litigation or appellate proceeding to enforce the terms and conditions of this Agreement, each party to the action shall pay its own attorney's fees and costs incurred therein.

10. **Venue**. Venue over any action to enforce the terms and conditions of this Agreement, including mediation, shall lie solely in Okaloosa County, Florida.

OWNER: Woodward Partners LLC

_____ _____
Signature of Witness #1 Joseph Bellinghieri

_____ _____
Print or type name

_____
Signature of Witness # 2

_____
Print or type name

STATE OF_____
COUNTY OF_____

The foregoing instrument was acknowledged before me this _____ day of _____ 2019, by _____ _____ and _____, who are personal known to me or who have produced _____ as identification and who did not (did) take an oath.

_____
Signature of Notary

(NOTARY SEAL)

_____
Print or type name

CITY OF DESTIN

By:_____
Gary Jarvis, Mayor

Date:_____

ATTEST:

_____
Rey Bailey, City Clerk

Date:_____

STATE OF_____
COUNTY OF_____

The foregoing instrument was acknowledged before me this _____ day of _____ 2019, by _____ _____ and _____, who are personal known to me or who have produced _____ as identification and who did not (did) take an oath.

_____
Signature of Notary

(NOTARY SEAL)

_____
Print or Type Name

Approved as to form and legality for use and reliance
by the City of Destin, Florida, only.

_____
Kimberly Romano Kopp, Esq.
City Land Use Attorney

Exhibit "A"

Legal Description of Property

Lot 2, Hutchinson Courts, Phase II, according to the Plat thereof, as recorded in Plat Book 28, 77, of the Public Records of Okaloosa County, Florida.

ITEM # 2019-1898

CITY OF DESTIN

AGENDA ITEM

COUNCIL MEETING DATE: December 9, 2019
TYPE OF AGENDA ITEM: Action Item

TO: City Council

THRU: Lance Johnson, City Manager

FROM: Kimberly Kopp, Land Use Attorney
Louis Zunguze, Community Development Director

DATE: December 5, 2019

SUBJECT: 17) 82 Hutchison Street

I. BACKGROUND:

On January 22, 2019, the City enacted Ordinance 18-29-CC, the Short-Term Rental Occupancy Ordinance ("Ordinance"), which limits the occupancy of short-term rental homes to two (2) people per bedroom plus an additional four (4) persons.

The subject property owner owns the real property and improvements located at 82 Hutchinson Street, Destin, FL 32541, as more particularly described in Exhibit "A" (the"Property") to the proposed settlement agreement.

Owner filed a claim with the City, pursuant to the provisions of §70.001, Florida Statutes, the Bert J. Harris Jr., Private Property Rights Protection Act (the "Harris Act"), alleging that the Property had been inordinately burdened by the adoption of the Ordinance, (the "Claim).

The Harris Act provides for the City to have the ability to enter into a settlement agreement which would have the effect of a modification or variance to the application of a regulation or ordinance as it would otherwise apply to the subject real property, provided the relief granted protects the public interest served by the regulations at issue and is the appropriate relief necessary to prevent the governmental regulatory effort from inordinately burdening the real property.

The City Council should settle the claim if the City Council determines that the modifications within the settlement agreement protect the public interest served by the Ordinance and are the appropriate relief necessary to prevent the regulatory effect of the Ordinance from inordinately burdening the Property.

II. DISCUSSION: The property owner has requested a maximum occupancy of thirty-five (35) occupants. City staff is recommending an occupancy of thirty-three (33) occupants based on the square footage of the property. The building official utilized a one-occupant per 200 square feet methodology for recommending the above-stated occupancy. This is consistent with prior settlement agreements for two of the adjacent similarly situated properties on Hutchinson Street recently built by the Owner.

As stated in the agreement, the property owner remains bound by all other provisions of City codes.

Finally, staff is recommending that no greater than eight (8) vehicles be parked on this property

- **A. Link to Strategic Goals / Objectives:**
- **B. Effect on Budget (EOB):**
- **C. Level of Service (LOS):**

III. CONCLUSION:

IV. RECOMMENDED MOTION: 1. I move to approve the settlement agreement prepared by the City Land Use Attorney and Staff.

or

2. I move to approve the settlement agreement prepared by the City Land Use Attorney and Staff with the following modifications:_____.

or

3. I move to direct the City Land Use Attorney to negotiate in good faith with the property owner and to bring back an alternate settlement proposal to the City Council for consideration.

or

4. I move to deny settlement of the subject claim at this time.

Attachments:

1. Bert Harris Case - 82 Hutchison
2. 82 Hutchinson (1)

DANA C. MATTHEWS

MICHAEL A. JONES

KENNETH M. BORICK
Of Counsel
Also admitted in Georgia and South Carolina

DANA C. "D.C." MATTHEWS II

SAMUEL B. TAYLOR

MATTHEWS & JONES
ATTORNEYS AT LAW

INSIGHT | INTEGRITY | INNOVATION

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Florida Supreme Court Certified
Civil and Family Mediator

CHRISTA P. DIVINEY
Board Certified Criminal Trial Lawyer
Also admitted in Alabama

LAURA PENTEL-KLANG

JESSICA L. STEWART

SALVADOR "A.J." GOMEZ

Reply to Destin

statum@destinlaw.com

July 29, 2019

VIA HAND DELIVERY

Mayor Gary Jarvis
City of Destin
4200 Indian Bayou Trail
Destin, FL 32541
gjarvis@cityofdestin.com

Dear Mayor Jarvis:

Our firm represents 11 Hutchison, LLC, the owner of the newly constructed home located at 82 Hutchison Street; Destin, Florida, also identified as Lot 3 of the Hutchison Courts plat, recorded in Okaloosa County Plat Book 28, at Page 11.

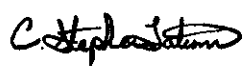
Due to the recent enactment of City of Destin Ordinance 18-29-CC, which limits the occupancy of short term rental homes to two (2) people per bedroom plus an additional four (4) persons, 11 Hutchison's reasonable investment-backed expectations for use of the home as a short-term vacation rental property have been inordinately burdened, as defined in the "Bert J. Harris, Jr., Private Property Rights Protections Act", Chapter 70, Florida Statutes ("Harris Act"). 11 Hutchison hereby submits this letter along with the enclosed Panhandle Appraisal Group property appraisal dated January 22, 2019, as a claim under the Harris Act against the City of Destin for One Million Nine Hundred Fifty Thousand Dollars ($1,950,000.00), which represents the diminution in value of 11 Hutchison's property.

Pursuant to the provisions of the Harris Act, 11 Hutchison hereby demands payment in the amount of One Million Nine Hundred Fifty Thousand Dollars ($1,950,000.00) plus attorneys fees and costs.

If no resolution is reached during the statutorily prescribed waiting period, 10 Hutchison intends to file suit pursuant to this claim and pursue any other legal remedies for the actions that gave rise to this claim. 11 Hutchison explicitly reserves the right to

bring any and all legal challenges, appeals and objections with respect to Ordinance 18-29-CC.

Sincerely,



C. Stephen Tatum
Matthews & Jones, LLP
Attorney for 11 Hutchison, LLC

Enclosure

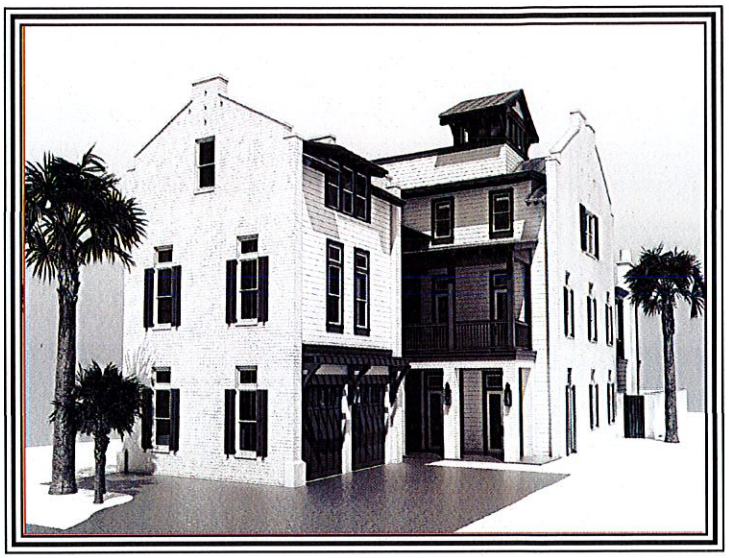
cc: Lance Johnson, City Manager (via email)
Rey Bailey, City Clerk (via email)
Kimberley Romano-Kopp, Esq. (via email)
Client

Appraisal Report

Detached Single Family Residential Home

6,864± HVAC SF Existing Structure

82 Hutchison Street
Destin, FL 32541



DIMINUTION IN VALUE ANALYSIS
82 Hutchison Street
DESTIN, FL 32541

FOR
11 HUTCHISON LLC
AND
DESIGNATED ATTORNEYS

RETROSPECTIVE TO JANUARY 22, 2019

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APPRAISAL REPORT

SUBJECT PROPERTY

6,864 ± HVAC SF Existing Detached Residential Improvement

Eight Bedrooms and Eight and One Half Bathrooms

82 Hutchison Street
Destin, FL 32541

EFFECTIVE DATE OF APPRAISAL

Retrospective to January 22, 2019

REPORT DATE

May 20, 2019

VIEWING DATE

May 18, 2019

CLIENT/INTENDED USER

11 Hutchison LLC
Attn: Ben Giles
82 Hutchison Street
Destin, FL 32541

File № 190480

PREPARED BY:

Thomas A. Marr

State-certified General Real Estate Appraiser № RZ 2645 (FL)
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Panhandle Appraisal Group
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PANHANDLE APPRAISAL GROUP

REAL ESTATE VALUATION AND RESEARCH
Specializing in Residential and Commercial Valuation Support
Fort Walton Beach, Florida

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May 20, 2019

11 Hutchison LLC
Attn: Ben Giles
82 Hutchison Street
Destin, FL 32541

Re: Diminution in value appraisal of an approximate 6,864 HVAC SF detached residential improvement, 'as is' , identified as 82 Hutchison Street in Destin, FL 32541. **Panhandle Appraisal Group File № 190190.**

Dear Mr. Giles:

I have completed the requisite personal viewing, research, and analysis necessary to determine if a diminution in value has occurred for the subject parcel.

The subject property is a four level (including the viewing deck) detached single family residential structure with an approximate 6,864 HVAC SF , eight bedrooms and seven and one half bathrooms. The current sleeping capacity of the subject is thirty five (35) guests.

The purpose of the appraisal analysis was to develop an opinion of the market value of the subject property prior to the enactment of the city of Destin Ordinance No. 18-29-CC, which was promulgated on January 22, 2019 and then derive a value after the January 22, 2019 ordinance which limited the subject to twenty (20) guests.

The authorized user is the client at the address above. The understood intended use of the appraisal report will be for reference in determining if the promulgation of Ordinance No. 18-29-CC resulted in a diminution of value. No other use of this report by any other entity or person is authorized.

Subject to the above and the assumptions, limiting conditions, and certification set forth herein, it is my professional opinion the retrospective market value of the fee simple interest in the subject property, 'as is', as of January 21, 2019, prior to the promulgation of Ordinance No. 18-29-CC, was:

FOUR MILLION ONE HUNDRED EIGHTY THOUSAND DOLLARS
$4,180,000

Subject to the above and the assumptions, limiting conditions, and certification set forth herein, it is my professional opinion the current market value of the fee simple interest in the subject property, 'as is', after the promulgation of Ordinance No. 18-29-CC is:

TWO MILLION TWO HUNDRED THIRTY THOUSAND DOLLARS
$2,230,000

The diminution of value is a rounded $1,950,000.

Exposure Time
The exposure time linked to the final value opinion is a range to nine (9) to twelve (12) months based on market sales of similar properties and current market activity.

Analysis of recent trends and current market supply and demand strongly indicate the highest and best use of the subject property, is continued use as a seasonal rental home.

I hereby certify I possess no interest, present or contemplated, in the appraised property. The undersigned appraiser is competent or has taken the necessary steps to become competent for the property type being appraised. This appraisal has been prepared utilizing all of the requirements set forth as standards for real estate appraisals established for federally related transactions by the Comptroller of the Currency, the Federal Reserve Board, the Federal Deposit Insurance Corporation, and the State of Florida. The appraisal is in conformity with the standards for real estate appraisals as established by the Appraisal Foundation and its Appraisal Standards Board. The appraisal also conforms to *the 2018/2019 edition of the Uniform Standards of Professional Appraisal Practice (USPAP)* and your instructions. The fee for this appraisal was not based on value, nor was the assignment undertaken based on a predetermined value, a trend in value, or a minimum or maximum value.

Respectfully submitted,

Thomas A. Marr

Thomas A. Marr
State-Certified General Real Estate Appraiser № RZ 2645 (Florida)

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APPRAISAL REPORT

This is an Appraisal Report which is intended to comply with the reporting requirements in accordance with the 2018/2019 edition of the Uniform Standards of Professional Appraisal Practice (USPAP) for an Appraisal Report. As such, it represents summary discussions of the data, reasoning, and analyses used in the appraisal process to develop the appraisers' opinion of value. Supporting documentation concerning the data, reasoning, and analyses may be retained in the appraiser's files. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated below. The appraisers are not responsible for unauthorized use of this report.

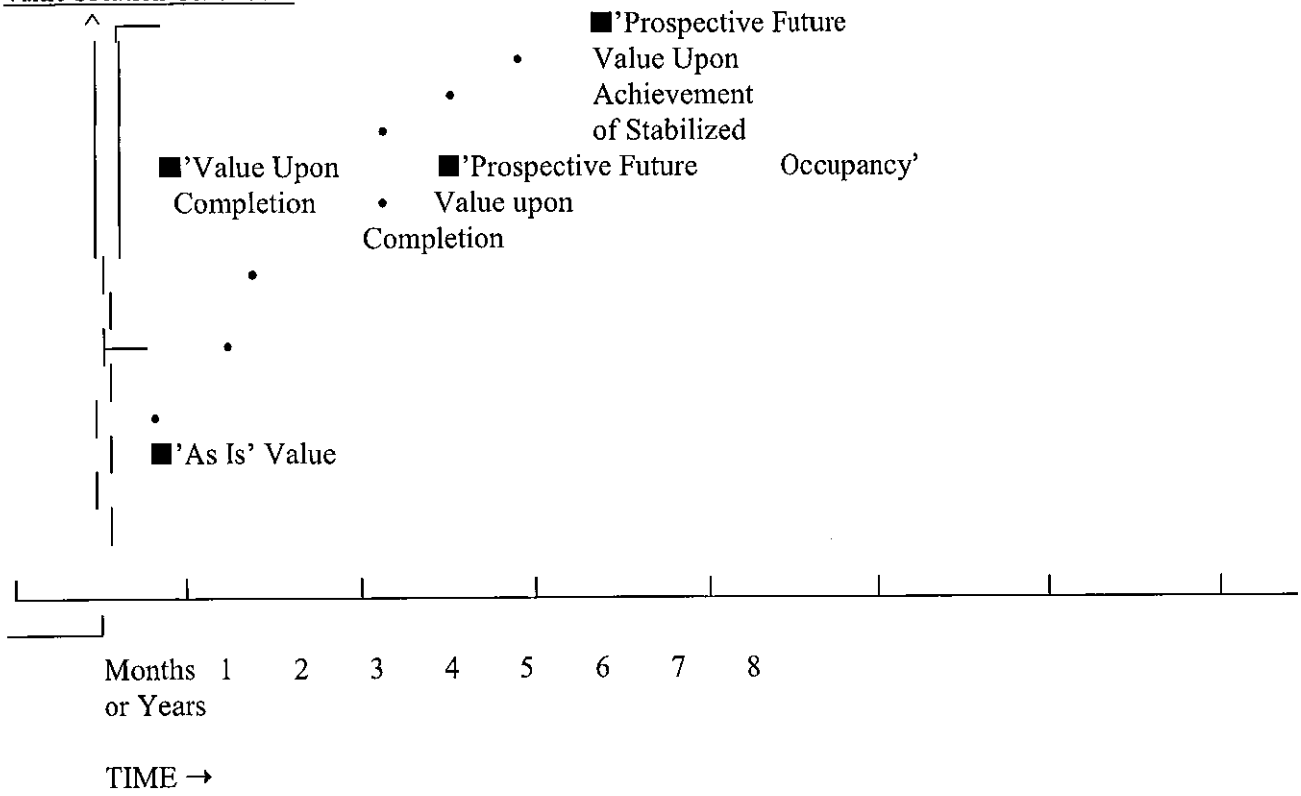
CLIENT:	11 Hutchison LLC Attn: Ben Giles 82 Hutchison Street Destin, FL 32541
APPRAISERS:	**Thomas A. Marr** State-certified General Real Estate Appraiser № RZ 2645 (Florida) Panhandle Appraisal Group 220 Hospital Drive Fort Walton Beach, Florida 32548
SUBJECT PROPERTY:	Legal Description Lot 3, Hutchison Courts Tax ID №: 00-2S-22-5445-0000-0030.
PURPOSE OF THE APPRAISAL:	The purpose of this appraisal was to develop an estimate of the diminution in value from prior to the promulgation of City of Destin Ordinance No. 18-29-CC and after the promulgation of the ordinance on January 22, 2019.
INTENDED USE OF REPORT:	The understood intended use of the appraisal report will be for client use in legal proceedings.
INTENDED USER:	The intended user is the client stated above, the client's attorneys, courts of law, and regulatory authorities. This report is not intended or authorized for any other user or audience.
PROPERTY RIGHTS APPRAISED:	Fee Simple, one hundred percent (100%) ownership interest in the subject property.
EFFECTIVE DATE OF VALUE:	**Retrospective to January 22, 2019.**
DATE OF REPORT:	May 20, 2019
DATE OF INSPECTION:	Thomas A. Marr viewed the subject property on May 18, 2019.
SCOPE OF WORK:	I note you have not requested an appraisal report format. Based on the Scope of Work requirements included in the 2018/2019 version of USPAP, which indicates the appraiser is responsible to coordinate the scope of work with the client, I am informing you I will perform an appraisal report. **It is my opinion this process of work meets all applicable 2018/2019 USPAP standards.**
DEFINITIONS:	The definitions, commencing on the page following, are provided to assist the reader in understanding this appraisal report.

Market Value[1]

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

- Purchaser and seller are typically motivated;
- Both parties are well informed or well advised and each acting in what they consider their best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Value Creation Continuum



The preceding exhibit graphically displays the creation of value in a real estate development project over time, assuming a zero inflation environment for clarity of presentation.

The four (4) time differential values on the graph which may be considered in the appraisal of existing developments are defined as follows:

(1) **'As Is'** means an estimate of the market value of a property in the condition observed upon inspection and as it

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[1] Title XI, Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), [Pub. L. No. 101-73, 103 Stat. 183 (1989)], 12 U.S.C. 3310, 3331-3351, and section 5(b) of the Bank Holding Company Act, 12 U.S.C. 1844(b); Part 225, Subpart G: Appraisals; Paragraph 225.62 (f).
Uniform Standards of Professional Appraisal Practice, 2003 Edition, Page 3
Federal Reserve System, 12 CFR Parts 208 and 225, Sec. 225.62
Office of the Comptroller of the Currency, 12 CFR Part 34, Sec. 34.42 (g)
FDIC, 12 CFR Part 323, Sec. 323.2 (g) (2000)
Office of Thrift Supervision, 12 CFR Part 564, Sec. 564.2
NCUA, 12 CFR Part 722, Sec. 722.2

physically and legally exists without hypothetical conditions, assumptions, or qualifications as of the date of appraisal.

(2) **'Value Upon Completion'** means the market value of a property with all existing construction, conversion, or rehabilitation hypothetically completed, or under other specified hypothetical conditions as of the date of appraisal. With regard to properties wherein anticipated market conditions indicate stabilized occupancy is not likely as of the date of completion, this estimate of value shall reflect the market value of the property as if complete and prepared for occupancy by tenants.

(3) **'Prospective Future Value Upon Completion'** means the prospective future value of a property on the date construction is completed, based upon market conditions forecast to exist as of completion date.

(4) **'Prospective Future Value Upon Achievement of Stabilized Occupancy'** means the prospective future value of a property at a point in time when all improvements have been physically constructed and the property has been leased to its optimum level of long term occupancy.

Fee Simple Estate[2]
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.

Leased Fee Interest[3]
An ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the lessee are specified by contract terms contained within the lease.

Leasehold Interest[4]
The interest held by the lessee (the tenant or renter) through a lease transferring the rights of use and occupancy for a stated term under certain conditions.

Condominium[5]
A multi-unit structure or property in which persons hold fee simple title to individual units and an undivided interest in common areas.

Highest and Best Use[6]
The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and which results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability.

...of land or a site as though vacant:

Among all reasonable, alternative uses, the use yielding the highest present land value, after payments are made for labor, capital, and coordination. The use of property based on the assumption the parcel of land is vacant or can be made vacant by demolishing any improvements.

...of property as improved:

The use which should be made of a property as it exists. An existing improvement should be renovated or retained as is so long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing building and constructing a new one.

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2 The Dictionary of Real Estate Appraisal, Appraisal Institute, Fourth Edition, 2002, Page 113.

3 Ibid., Page 161.

4 Ibid., Page 162.

5 Ibid., Page 59.

6 Ibid., Page 135.

Marketing Time[7]
The time it takes an interest in real property to sell on the market subsequent to the date of an appraisal.

Exposure Time[8]
A retrospective estimate based on an analysis of past events assuming a competitive and open market.

Advocacy[9]
Representing the cause or interest of another, even if cause or interest does not necessarily coincide with one's own beliefs, opinions, conclusions, or recommendations.

Appraisal[10]
(Noun) The act or process of developing an opinion of value; an opinion of value. (Adjective) of, or pertaining to appraising and related functions such as appraisal practice or appraisal services.

Appraisal Practice[11]
Valuation services performed by an individual acting as an appraiser, including, but not limited to appraisal, appraisal review, or appraisal consulting.

Appraisal Review[12]
The act or process of developing and communicating an opinion about the quality of another appraiser's work was performed as part of an appraisal, appraisal review, or appraisal consulting assignment.

Appraiser[13]
One who is expected to perform valuation services competently, and in a manner, is independent, impartial, and objective.

Appraiser's Peers[14]
Other appraisers who possess expertise and competency in a similar type of assignment.

Assignment[15]
A valuation service provided as a consequence if an agreement between an appraiser and a client.

Assignment Results[16]
An appraiser's opinions and conclusions developed specific to an assignment.

Assumption[17]
An occurrence which is taken to be true.

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8 Ibid., Page 175

9 Ibid., Page 105

9 2018/2019 edition, *Uniform Standards of Professional Appraisal Practice (USPAP)*, Page 1

10 Ibid, Page 1

11 Ibid, Page 1

12 Ibid, Page 1

13 Ibid, Page 1

14 Ibid, Page 2

15 Ibid, Page 2

16 Ibid, Page 2

17 Ibid, Page 2

Bias[18]
A preference or inclination which precludes an appraiser's impartiality, independence, or objectivity in an assignment.

Business Enterprise[19]
An entity pursuing an economic entity.

Business Equity[20]
The interests, benefits, and rights inherent in the ownership of a business enterprise or a part thereof in any form (including, but not necessarily limited to, capital stock, partnership interests, cooperatives, sole proprietorships, options, and warrants).

Client[21]
The party or parties who engage an appraiser (by employment or contract) in a specific assignment.

Confidential Information[22]
Information is either:

- identified by the Client as confidential when providing it to an appraiser and is not available from any other source; or,

- classified as confidential or private by applicable law or regulation.

Cost[23]
The amount required to create, produce, or obtain a property.

'Credible'[24]
Worthy of belief.

Extraordinary Assumption[25]
An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions.

Feasibility Analysis[26]
A study of the cost-benefit relationship of an economic endeavor.

Hypothetical Condition[27]
An assertion which is contrary to what exists but is supposed for the purpose of analysis.

Intangible Property[28]

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18 Ibid, Page 2

19 2018/2019 edition, USPAP, Page 2

20 Ibid, Page 2

21 Ibid, Page 2

22 Ibid, Page 2

23 Ibid, Page 2

24 Ibid, Page 3

25 Ibid, Page 3

26 Ibid, Page 3

27 Ibid, Page 3

28 Ibid, Page 3

(Intangible Assets) Nonphysical assets, including, but not limited to, franchises, trademarks, patents, copyrights, goodwill, equities, securities, and contracts as distinguished from physical assets such as facilities and equipment.

Intended Use[29]
The use or uses of an appraiser's reported appraisal, appraisal review, or appraisal consulting assignment opinions and conclusions, as identified by the appraiser based on communication with the Client at the time of the assignment.

Intended User[30]
The Client and any other party as identified, by name or type, as users of the appraisal, appraisal review, or appraisal consulting report by the appraiser on the basis of communication with the Client at the time of the assignment.

Jurisdictional Exception[31]
...an assignment condition which voids the force of a part or parts of *USPAP*, when compliance with part or parts of *USPAP* is contrary to law or public policy applicable to the assignment.

IDENTIFY THE PROBLEM TO BE SOLVED
The client has requested that I derive two values for the subject. The first value is a value as of January 22, 2019 when the subject could accommodate 30 guests. The second value is after the city of Destin promulgated Ordinance 18-29-CC which limits the subject to 20 guests. The problem to be solved is to derive two values and then identify the diminution of value after the promulgation of the ordinance.

EXTENT OF THE PROCESS OF COLLECTING, CONFIRMING, AND REPORTING DATA:

Preparation of this appraisal included the following scope of work:

- The subject site, improvements, and parking improvements were inspected by the appraiser, the property was photographed. File data for similar properties was reviewed.
- The public records were reviewed. As the subject is new construction and the plans are available, the appraiser reviewed the plans.
- The appraiser examined the economic, social, governmental, and environmental forces affecting value in the subject neighborhood and the entire market area as a whole.
- The appraiser identified recent and projected actual rents for the subject, based on occupancy of up to 35 guests. The appraiser then identified the annual rentals of other comparable properties which accommodated up to 35 guests. These comparable rentals provided market support for the subject actual and projected gross rental income.
- The appraiser identified market rental comparables for properties limited to 20 guests.
- The appraiser then reduced gross rent to net operating rent and capitalized the net operating rent to identify value for the subject as a 35 guest rental and a 20 guest rental. The difference between these two values is the diminution in value.

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[29] Ibid, Page 3

[30] Ibid, Page 3

[31] 2018 edition, *USPAP*, Page 3

IDENTIFICATION OF THE TYPE OF APPRAISAL AND APPRAISAL REPORT FORMAT:
I have provided an **Appraisal Report**, as defined by the *2018/2019 edition of the Uniform Standards of Professional Appraisal Practice*, containing a summary of all relevant conclusions, data, and analyses used in the report.

TERMS OF THE FINAL VALUE OPINION:
The final opinion of the current market values of the subject property, 'as is' is expressed in terms of cash or financing terms equivalent to cash.

POLICY STATEMENT OF THE APPRAISAL INSTITUTE:
It is improper to base a conclusion or opinion of value upon the premise the racial, ethnic, or religious homogeneity of the inhabitants of an area or of a property is necessary for maximum value.

Racial, religious, and ethnic factors are deemed unreliable predictors of value trends or price variance.

It is improper to base a conclusion or opinion of value, or a conclusion with respect to neighborhood trends, upon stereotyped, biased presumptions relating to the effective age or remaining life of the property being appraised or the life expectancy of the neighborhood in which it is located.

The undersigned appraiser is not a member of the Appraisal Institute.

GENERAL ASSUMPTIONS:

1. No responsibility is assumed for the legal description provided or for matters relevant to legal or title considerations. Title to the property is assumed to be marketable unless otherwise stated. The legal description used in this report is assumed to be correct.

2. The subject property is appraised free and clear of any or all liens, leases, or encumbrances unless otherwise stated. All mortgages, liens, encumbrances, leases, and servitudes have been disregarded unless so specified within the report.

3. No survey of the property has been made by the appraisers and no responsibility is assumed in connection with such matters. Sketches, plot plans, or illustrative material presented in this report are included only to assist the reader in visualizing the property.

4. Information and data furnished by others is usually assumed to be true, correct and reliable. When such information and data appears to be dubious and when it is critical to the appraisal, a reasonable effort has been made to verify all such information; however, no responsibility for its accuracy is assumed by the appraiser.

5. Responsible ownership and competent property management are assumed unless otherwise stated in this report.

6. It is assumed there are no hidden or unapparent conditions of the property, subsoil or structures which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.

7. It is assumed 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.

8. It is assumed the subject property is in compliance with all applicable zoning and land use regulations, unless a nonconformity has been stated, defined and considered in the appraisal report.

9. It is assumed all required licenses, consents or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use which the value estimate contained in this report is based.

10. It is assumed the utilization of the land and improvements is within the boundaries or property lines of the property described and there is no encroachment or trespass unless noted within the report.

EXTRAORDINARY ASSUMPTIONS:

I am using data provided to me by the client and other vacation home owners.

I am making the extraordinary assumption that the data provided is accurate, credible and reliable.

If, for any reason, the data provided is not accurate, credible and reliable, the values derived in the analysis is subject to review.

The subject is not yet completed. I am making the extraordinary assumption that the completion of construction will be done in a timely and workmanlike manner. If the subject improvement is not completed in both a timely and workmanlike manner, the values derived in the analysis are subject to review.

GENERAL LIMITING CONDITIONS:

1. This is an Appraisal Report which is intended to comply with the reporting requirements set forth in accordance with the *2018/2019 edition of the Uniform Standards of Professional Appraisal Practice* for an Appraisal Report. As such, it includes summarized discussions of the data, reasoning, and analyses used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses may be retained in the appraiser's files. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraiser is not responsible for unauthorized use of this report.

2. Appraisers are not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraisers suggesting the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert in the field of environmental assessment. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The appraiser's value estimate is predicated on the assumption there exists no such material on or in the property causing a loss in value unless otherwise stated in this report. No responsibility is assumed for any environmental conditions, or for any expertise or engineering knowledge required to discover them. The appraisers' descriptions and resulting comments are the result of the routine observations made during the appraisal process.

3. The subject property is appraised without a specific compliance survey having been conducted to determine if the property is or is not in conformance with the requirements of *The Americans with Disabilities Act*. The presence of architectural and communications barriers which are structural in nature which would otherwise restrict access by disabled individuals may adversely affect the property's value, marketability, or utility.

4. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event, only with proper written qualification and only in its entirety.

5. Neither all nor any part of the contents of this report shall be conveyed to any person or entity, other than the appraiser's or firm's client, through advertising, solicitation materials, public relations, news, sales, or other media without the written consent and approval of the authors, particularly as to valuation conclusions, the identity of the appraiser or firm with which the appraiser is connected, or any reference to affiliation with any professional appraisal organization. Further, the appraiser or firm assumes no obligation, liability, or accountability to any third party. If this report is placed in the hands of anyone but the client, client shall make party aware of all the assumptions and limiting conditions of the assignment.

6. The appraiser affixing his signatures to this appraisal report will not be required to give testimony or appear in court because of having made this appraisal, with reference to the property in question, unless arrangements have been previously made thereof.

7. No environmental impact studies were either requested or made in conjunction with this appraisal, and the appraiser hereby reserves the right to alter, amend, revise, or rescind any of the value opinions based upon any subsequent environmental impact studies, research, or investigation.

8. The appraiser has not been supplied with a report of the subsoil conditions indicating the exact capacity of the subsoil. I do not have the benefit of subsoil test results of the properties and detection of possible soil defects would be beyond my realm of expertise. However, there appear to be no hidden or apparent conditions of the subject sites or subsoil structures which would render them more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.

9. Acceptance of and/or use of this appraisal report constitutes acceptance of the foregoing General Assumptions, Special Assumptions, General Limiting Conditions, and Special Limiting Conditions.

EXTRAORDINARY LIMITING CONDITIONS AND HYPOTHETICAL CONDITIONS:

This report is based on a hypothetical condition that the subject was completed as of the date of viewing, May 18, 2019.

CERTIFICATION:

I certify, to the best of my knowledge and belief:

1. The statements of fact contained in this report are true and correct.

2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions and conclusions.

3. I possess no present or prospective interest in the property which is the subject of this report and no personal interest with respect to the parties involved.

4. I possess no bias with respect to the property which is the subject of this report or to the parties involved with this assignment.

5. The engagement in this assignment was not contingent upon developing or reporting predetermined results.

6. The compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value favoring the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

7. The analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *2018/2019 edition of the Uniform Standards of Professional Appraisal Practice.*

8. Thomas A. Marr has made a personal viewing of the property which is the subject of this report. No one else has rendered significant real estate appraisal knowledge and input to the compilation of this report.

9. I have not performed any services, to include appraisal services, regarding the subject in the previous three years.

10. The opinion of market value 'as is' of the one hundred percent (100%) fee simple ownership interest in the subject property, as of the date of last my personal viewing, of May 18, 2019 'as is' is prior to the promulgation of Destin Ordinance 19-23-CC is FOUR MILLION ONE HUNDRED EIGHTY THOUSAND DOLLARS ($4,180,000) and the value after the promulgation of Destin Ordinance 19-23-CC is TWO MILLION TWO HUNDRED THIRTY THOUSAND DOLLARS ($2,230,000. The diminution of value is estimated as ONE MILLION NINE HUNDRED FIFTY THOUSAND DOLLARS ($1,950,000).

Thomas A. Marr
State-certified General Real Estate Appraiser № RZ 2645 (Florida)

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DESCRIPTION OF THE SUBJECT PROPERTY
Ownership:

The current owner is 11 Hutchison LLC. The following deed is an administrative transfer in 2017. The original acquisition deed is available on the two following pages. See additional comments in the history section on page 44.

FILE #3189127 RCD: 2/16/2018 4:41 PM, BK: 3337 PG: 3974, RECORDING: $10.50 RECORDING ARTICLE V: $8.00
D Doc Stmp: $0.70 DEPUTY CLERK PDUNN
JD PEACOCK II CLERK OF COURTS, OKALOOSA COUNTY, FLORIDA

Corporate Warranty Deed

This Indenture, made , January 2, 2018 A.D.
Between
11 Hutchinson LLC, a Florida limited liability company, whose post office address is: 1159 Troon Drive, Miramar Beach, Florida 32550, a Florida limited liability company existing under the laws of the State of Florida, Grantor and **11 Hutchinson LLC, a Florida limited liability company** whose post office address is: 1159 Troon Drive, Miramar Beach, Florida 32550, Grantee,

Witnesseth, that the said Grantor, for and in consideration of the sum of Ten and No/100 Dollars ($10.00), to it in hand paid by the said Grantee, the receipt whereof is hereby acknowledged, has granted, bargained and sold to the said Grantee forever, the following described land, situate, lying and being in the County of Okaloosa, State of Florida, to wit:

A portion of Lot 12 and a portion of Lot 11, Block 10, Crystal Beach, being more particularly described as follows:

The South 18 Feet of Lot 12, Block 10 and the North 38 Feet of Lot 11, Block 10, Crystal Beach, according to the plat thereof as recorded in Plat Book 1, Page 17 of the Public Records of Okaloosa County, Florida.

THE ABOVE DESCRIBED PROPERTY IS NOW PLATTED AND DESCRIBED AS FOLLOWS:

Lot 3 of HUTCHINSON COURTS, according to the Plat thereof as recorded in Plat Book 28, Page(s) 11, of the Public Records of Okaloosa County, Florida.

Subject to taxes for the current year, covenants, restrictions and easements of record, if any.

Parcel Identification Number: **00-2S-22-5445-0000-0030**

The following deed is the deed where the subject was acquired in 2016.

FILE #3067566 RCD: 5/23/2016 5:19 PM, BK: 3249 PG: 1942, RECORDING: $10.50 RECORDING ARTICLE V: $8.00
D Doc Stmp: $3,444.00 DEPUTY CLERK TWILCOX
JD PEACOCK II CLERK OF COURTS, OKALOOSA COUNTY, FLORIDA

Prepared by and return to:
David B. Plent
Attorney at Law
Plent, Perry & Ritchie, P.A.
4477 Legendary Drive, #202
Destin, FL 32541
850-650-0599
File Name: Feller-12
$10.50 $3,444.00 based on $492,000.00

[Space Above This Line For Recording Data]

Warranty Deed

This Warranty Deed made this 20th day of May, 2016 between Mary Rita Feller individually and as Trustee of the Mary Rita Feller Revocable Trust U/A/D 11/3/05 whose address is 48 Avalon Drive, Terre Haute, IN 47802-3419, grantor, and 12 Hutchinson LLC, a Florida limited liability company whose address is 1159 Troon Dr, Miramar Beach, FL 32550, grantee:

(Wherever used herein the terms "grantor" and "grantee" include all the parties to this instrument and the heirs, legal representatives, and assigns of individuals, and the successors and assigns of corporations, trusts and trustees)

Witnesseth, that said grantor, for and in consideration of the sum of TEN AND NO/100 DOLLARS ($10.00) and other good and valuable considerations to said grantor in hand paid by said grantee, the receipt whereof is hereby acknowledged, has granted, bargained, and sold to the said grantee, and grantee's heirs and assigns forever, the following described land, situate, lying and being in Okaloosa County, Florida to-wit:

A PORTION OF LOT 13 AND A PORTION OF LOT 12, BLOCK 10, CRYSTAL BEACH, BRING MORR PARTICULARLY DESCRIBED AS FOLLOWS:

THE SOUTH 24 FEET OF LOT 13, BLOCK 10 AND THE NORTH 33 FEET OF LOT 12, BLOCK 10, CRYSTAL BEACH, ACCORDING TO THE PLAT THEREOF AS RECORDED IN PLAT BOOK 1, PAGE 17 OF THE PUBLIC RECORDS OF OKALOOSA COUNTY, FLORIDA.

Parcel Identification Number: 00-2S-22-0580-0010-0120

Subject to covenants, conditions, restrictions, reservations, limitations, easements and agreements of record, if any; and to all applicable zoning ordinances and/or restrictions and prohibitions by governmental authorities, if any.

Grantor warrants that at the time of this conveyance, the subject property is not the Grantor's homestead within the meaning set forth in the constitution of the state of Florida, nor is it contiguous to or a part of homestead property.

Together with all the tenements, hereditaments and appurtenances thereto belonging or in anywise appertaining.

To Have and to Hold, the same in fee simple forever.

And the grantor hereby covenants with said grantee that the grantor is lawfully seized of said land in fee simple; that the grantor has good right and lawful authority to sell and convey said land; that the grantor hereby fully warrants the title to said

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land and will defend the same against the lawful claims of all persons whomsoever; and that said land is free of all encumbrances, except taxes accruing subsequent to **December 31, 2015.**

In Witness Whereof, grantor has hereunto set grantor's hand and seal the day and year written below.

Signed, sealed and delivered in our presence:

Witness Name: Lisa VanReed

Witness Name: Lindsey Jones

/ Mary Rita Feiler
Mary Rita Feiler, individually and as Trustee

State of Indiana
County of Lake

The foregoing instrument was acknowledged before me this 19th day of May, 2016 by Mary Rita Feiler individually and as Trustee of the Mary Rita Feiler Revocable Trust U/A/D 11/3/06, who [_] is personally known or [X] has produced a driver's license as identification.

[Notary Seal]

LINDSEY DANIELLE JONES
Notary Public - Seal
State of Indiana
My Commission Expires Jan 2, 2021

Notary Public
Printed Name: Lindsey Danielle Jones
My Commission Expires: Jan 2, 2021

SITE:

Location:
The subject is located on the west side of Hutchison Street, 400 feet north of the Hutchison Street and Scenic Highway 98 intersection.

The subject lot was once part of the mature Crystal Beach subdivision in Destin and has been re-designated as Lot 3 of the Hutchison Courts SD

The surrounding area is the Crystal Beach Subdivision which is a mix of mature homes as well as many recently constructed 'beach' homes used for seasonal rental

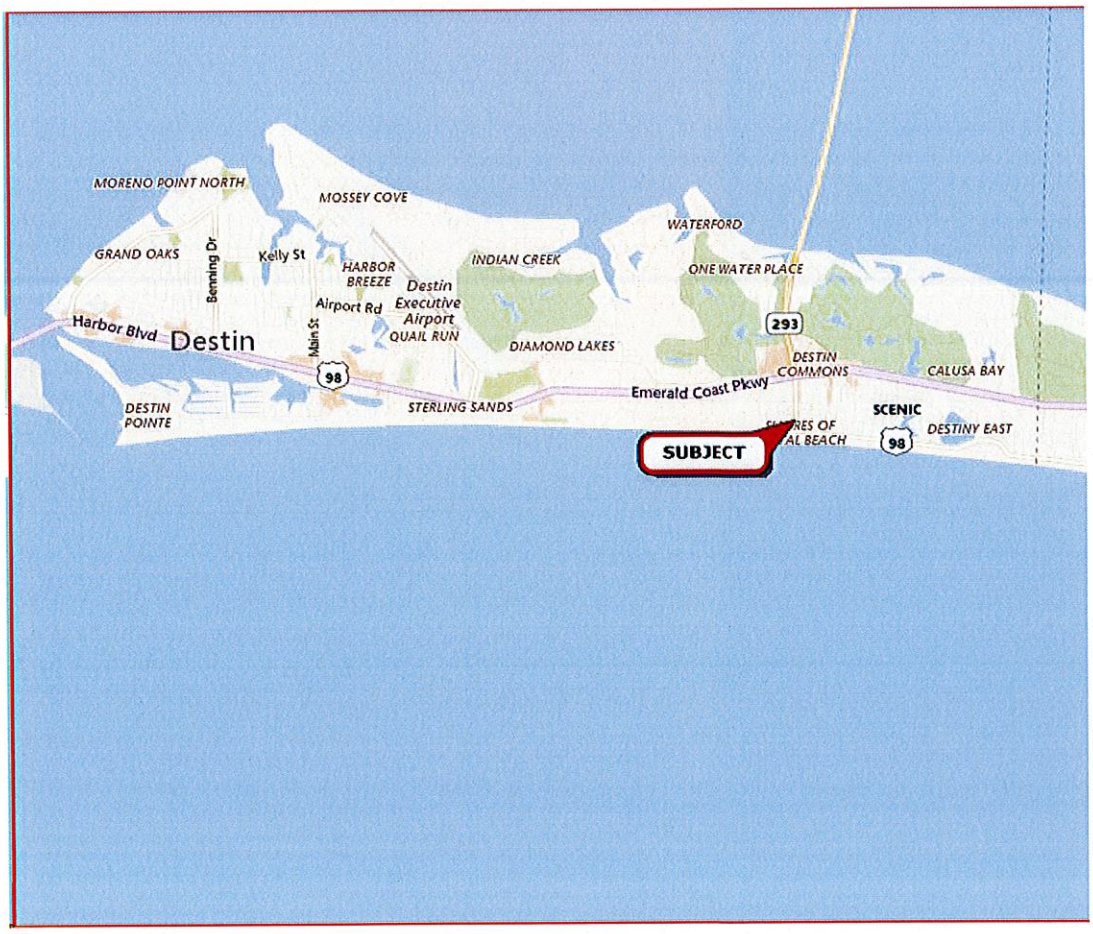
To the east and west, north of Scenic Highway 98 are primarily single family detached homes.

To the north, along the Emerald Coast Parkway (U. S. Highway 98) all uses are almost exclusively commercial, and further north of the Emerald Coast Parkway are mature, residential subdivisions.

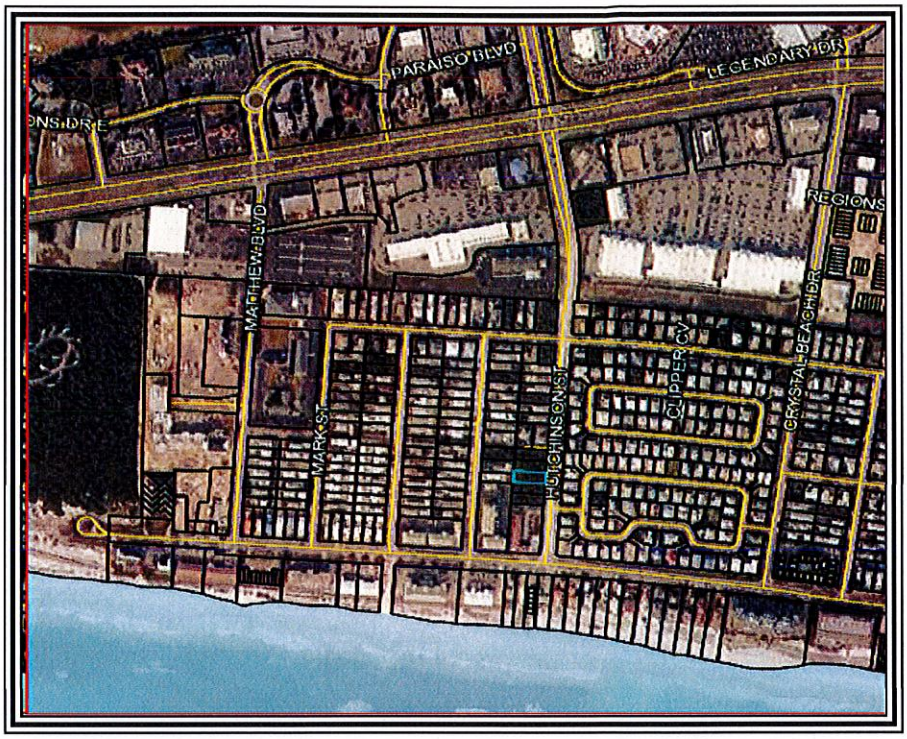
On the south side of Scenic Highway 98 are almost exclusively multi-family condominium projects mixed with a few detached single family residential homes.

The Henderson Beach Resort was just completed to the west of the subject.

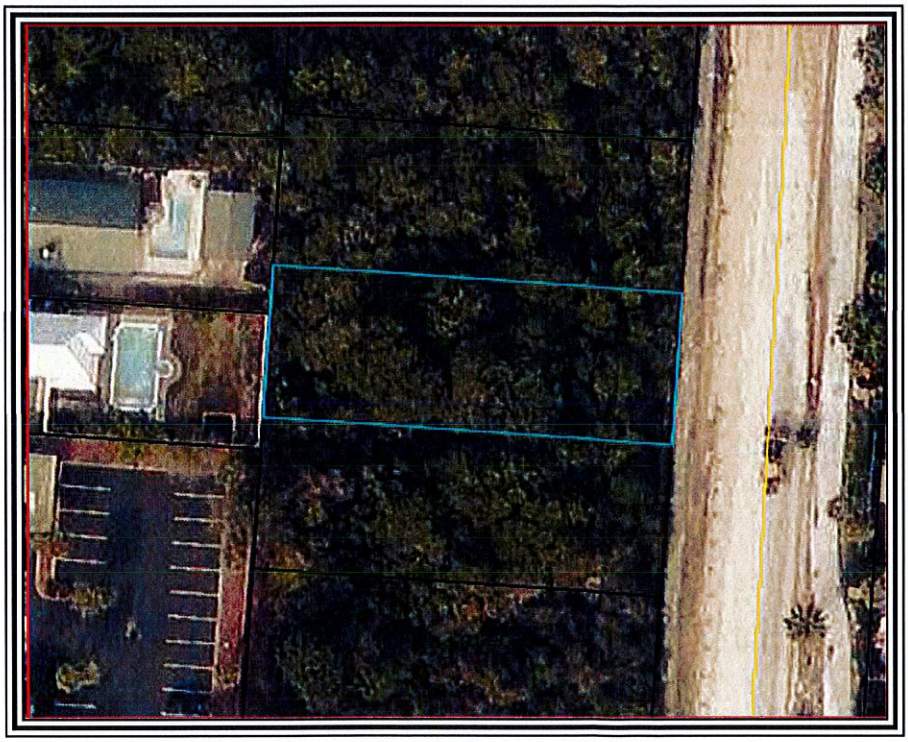
See the following map for the subject location in the broad Destin market.



The following map indicates the Crystal Beach area which is the local market area surrounding the subject.



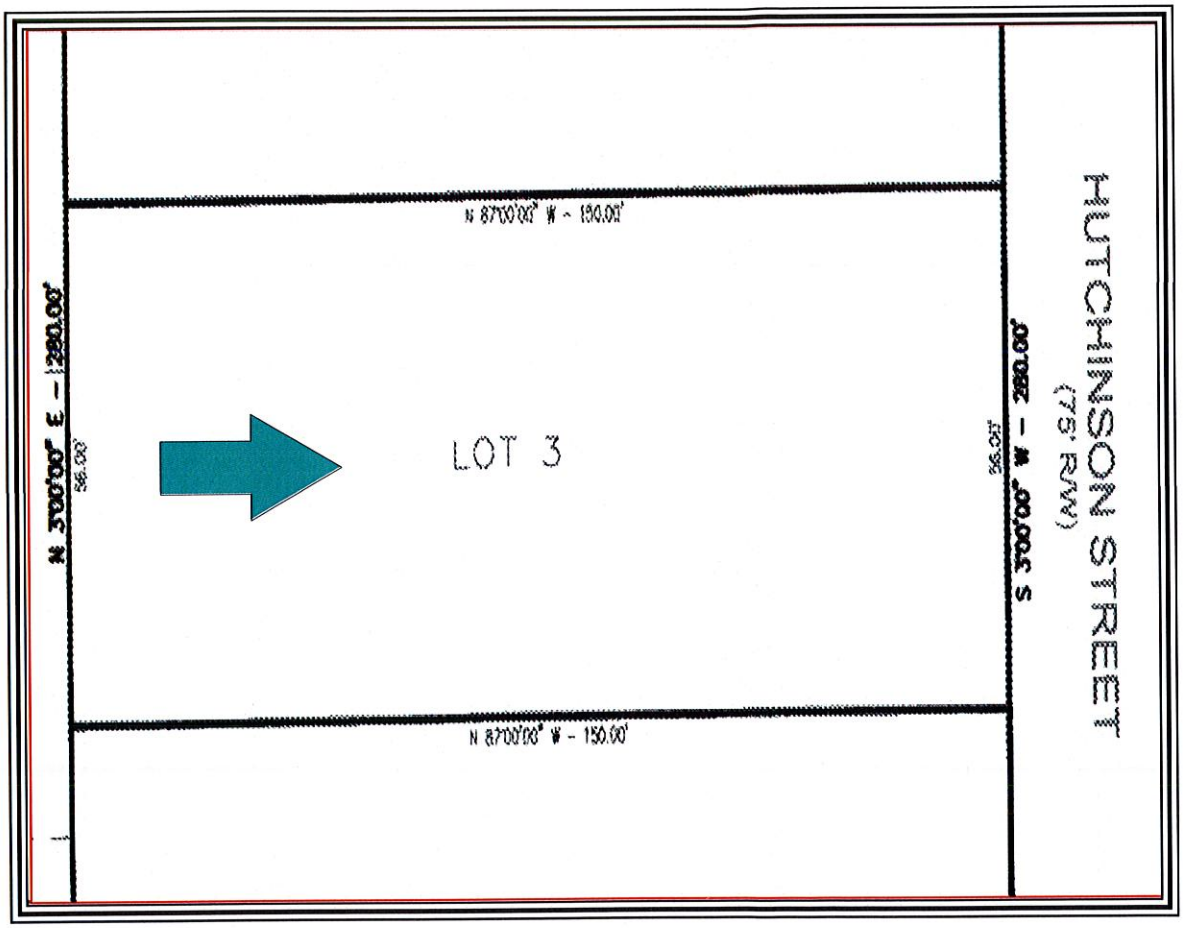
The following aerial photograph indicates the immediate vicinity of the subject.



Land Size:

The subject is a single residential lot.

See the following excerpt from the recorded plat map.



Based on these dimensions, the subject lot is a rectangle with east and west dimensions of 56 feet and north and south dimensions of 150 feet.

This results in a land size of 8,400 SF.

I would consider the subject land size as typical and parking to be adequate as there are eight (8) approved parking spaces.

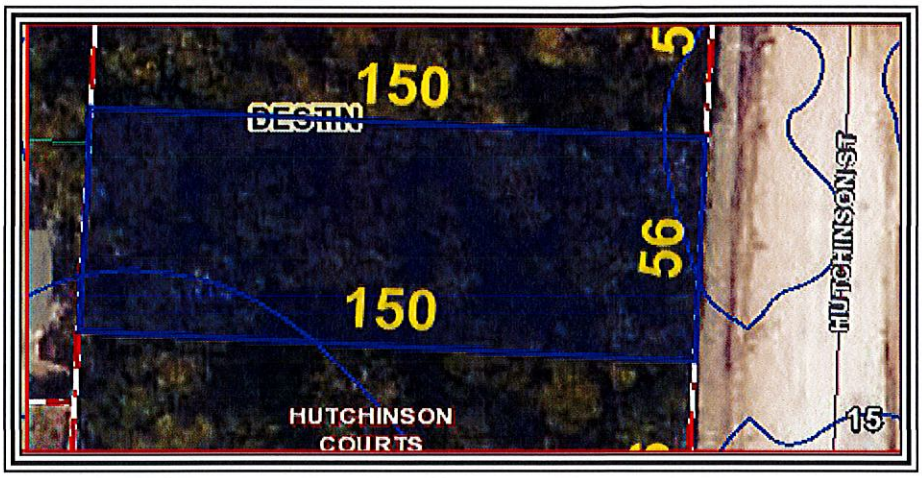
Site Topography:

Per the Okaloosa County GIS site and my viewing, the subject is at the road grade of Hutchison Street.

The subject is also generally level over the entire surface of the lot.

The subject lot contour is typical for most market parcels.

I am providing the following contour map extracted from the Okaloosa County Property Appraiser web site.



Utilities:

Utility	*Provider*	*Utility*	*Provider*
Electricity	Gulf Power	Stormwater Drainage	Destin
Water and Sewer	Okaloosa County	Fire Department	Destin
Natural Gas	Okaloosa Gas	Police Department	Contract with the Okaloosa County Sheriff
Telephone	Verizon	Refuse Removal	By contract
Cable Television	Cox Cable		

The utilities for the subject site are considered as typical in the market.

Easements/Encroachments:
I was not furnished a copy of a recent survey of the subject property. A review of the site plan, various maps and my personal viewing did not indicate any easements or encroachments.

I assume there are utility easements of record.

It is my opinion that there are no easements or encroachments which would affect value or transferability.

Ingress/Egress:
The subject property is reached directly from Hutchison Street, which fronts on the subject east side.

Hutchison Street is a paved, two lane public roadway.

Hutchison Street connects to Scenic Highway 98 on the south and then runs north where it crosses over Emerald Coast Parkway (U. S. Highway 98) and then is re-designated the Danny Wuerfel Highway/Mid Bay Bridge Road.

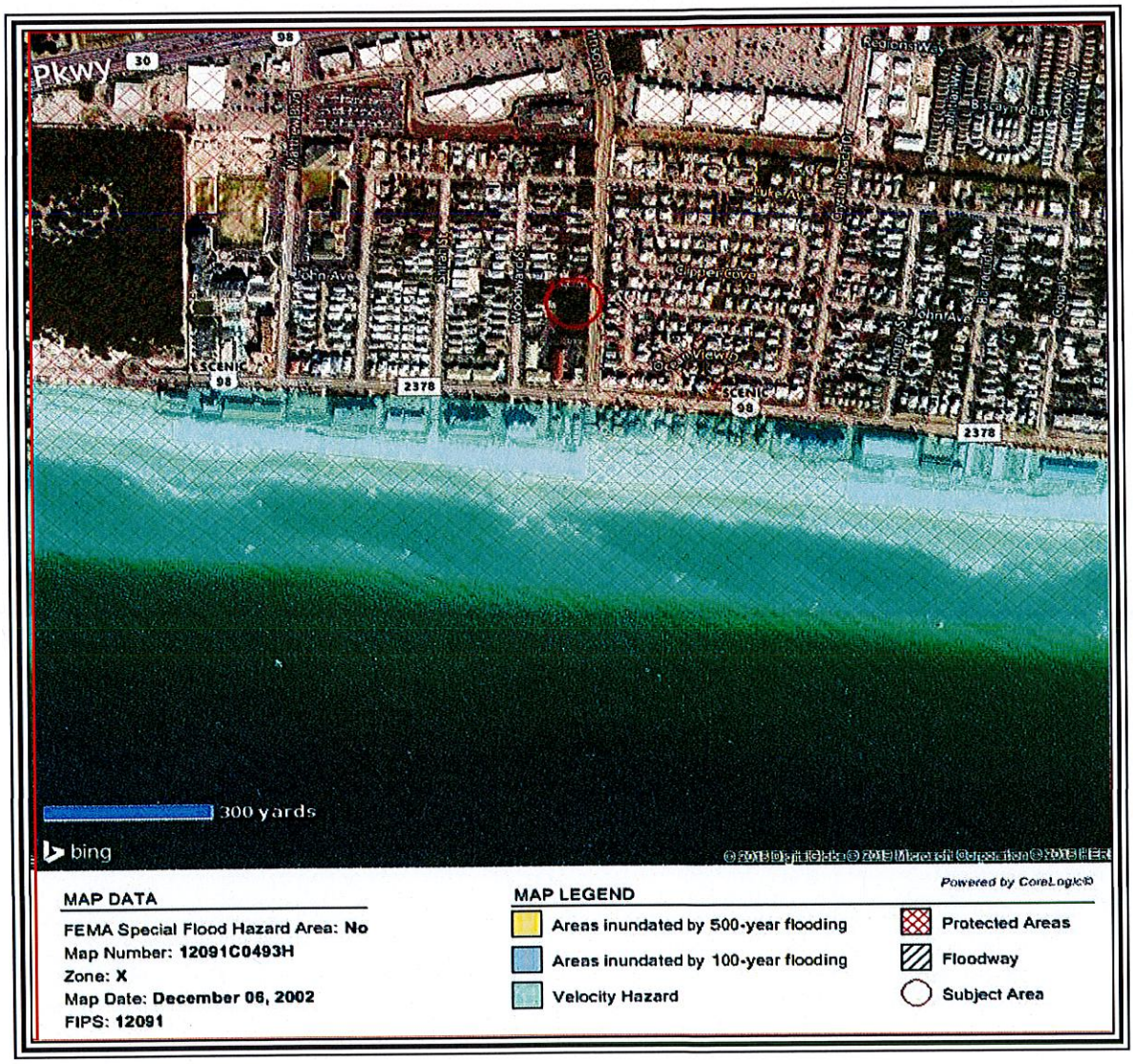
Ingress/egress is viewed as similar to most access typically found in the market.

Parking is viewed as superior to most parking found in the market as the subject was just developed and meets the most current code.

Flood Risk:

FEMA Map Panel	*Map Area*	*Dated*	*Flood Zone*
12091C 0493H	Okaloosa County	December 6, 2002	"X"

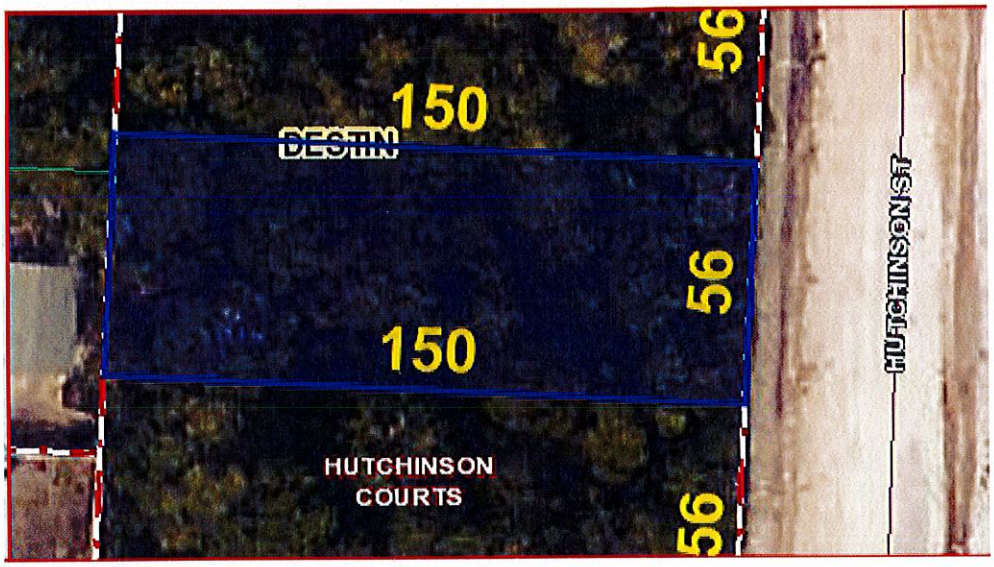
* The client is advised appraisers are not surveyors, and accordingly, any final determination as to flood zone status should only be made by a licensed, adequately insured, Florida surveyor utilizing the latest FEMA flood panels. However, it appears the entire subject area is considered as Flood Zone 'X', an area of minimal flood risk. The subject is located at the red circle in the following flood map.



Wetlands:

The subject features no wetlands.

The wetland map is consistent with the flood panel on the previous page.



Census Data:
The subject is located in census tract 0233.04.

IMPROVEMENTS 'AS IS'

Size:
The semi-completed subject is a single family detached improvement with three living levels and a fourth level which is a viewing deck accessed by stairs.

The subject also features an attached two car garage on the first level. The subject features substantial exterior balconies and porches, as well as an in ground swimming pool, pool deck/lanai, landscaping, and six (6) open paver parking spaces. The two (2) garage spaces and the six (6) open spaces result in a total of eight (8) parking spaces.

The first living level is one bedroom with a king bed sleeping two (2), a second bedroom with a king bed sleeping two (2) a sofa sleeper in the game room sleeping one (1) and a media room sleeping six (6) for a total of 11 guests on the first level.

The second level is the kitchen and other living areas to include three (3) bedrooms with king beds sleeping two (2) each for a total of six (6) guests and a sofa sleeper sleeping two (2) guests for a total of eight (8) guests on the second level.

The third level is two bedrooms with king bed sleeping two (2) each for a total of four (4), a bedroom with ten (10) bunks and a den area sofa sleeper sleeping two (2) for a total of sixteen (16) on the third level.

The three level totals of 11, 8 and 16 result in a total of 35 guests.

Per Okaloosa County public records, the subject is 9,408 total SF with an approximate 6,864 HVAC SF of living area.

Construction Quality:
The quality of construction for the subject improvement is *Class C* good. Details of construction are summarized below:

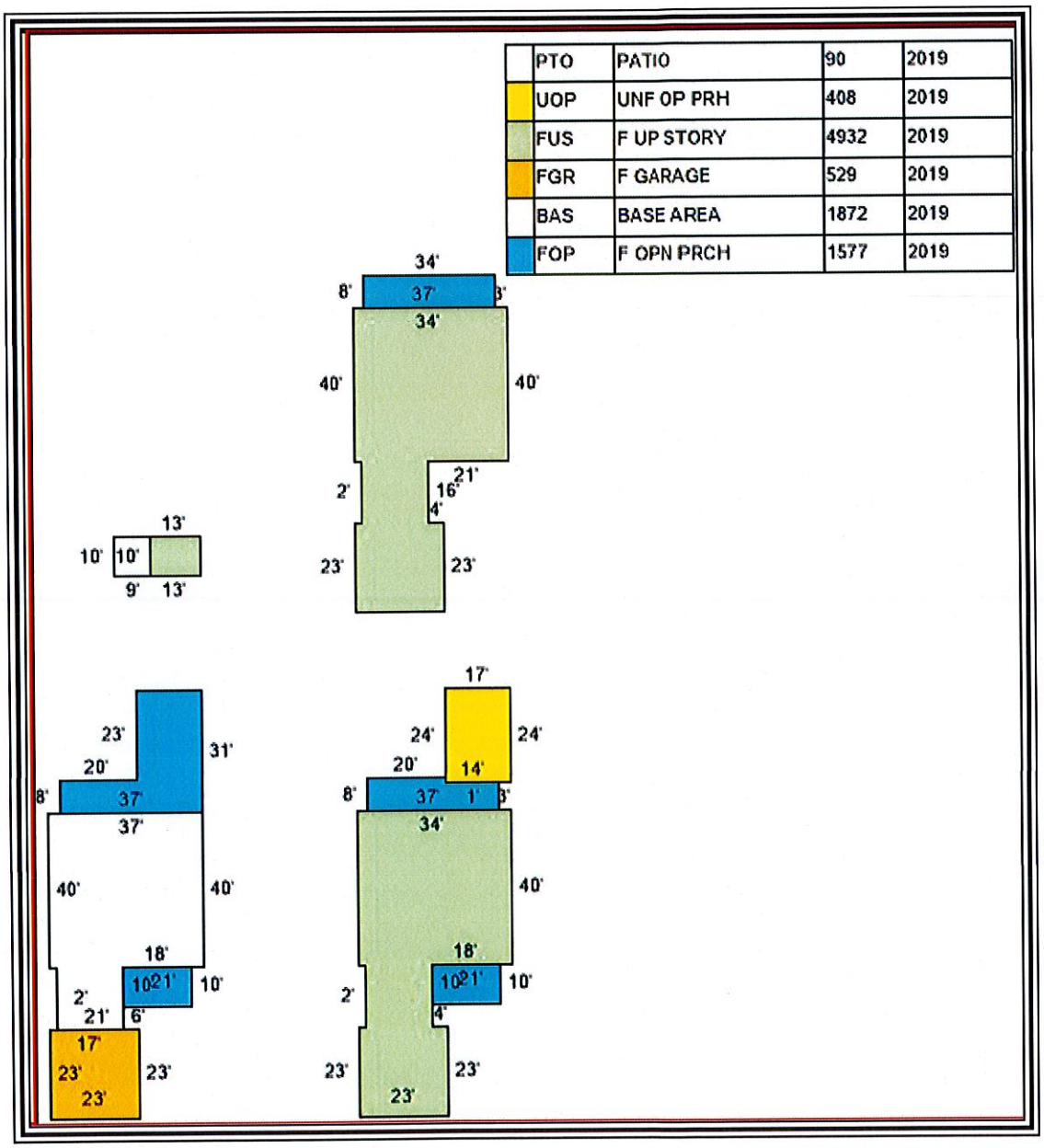
Construction Component	
Foundation	4" Reinforced concrete slab
Exterior walls	Wood frame with hardi board and brick
Roof	Metal
Trim	Base and crown molding
Windows	Double pane aluminum
Exterior doors	Insulated metal with glass
Insulation	Unknown. Assumed to be R38 behind sheet rock
HVAC	Forced Air and Central HVAC
Ceiling	10 foot with sheet rock and can lights
Interior Walls	Painted sheet rock
Interior flooring	High quality stone, tile and carpet
Interior doors	Six and four panel wood
Restrooms	Seven and One Half bath rooms
Lighting	Can lights
Kitchens	One typical residential kitchen
Other	Many porches/swimming pool and lanai/elevator.

Condition of Improvements:
The subject improvement is new and in good condition.

Age:
Public records and my viewing indicate this subject improvement will be completed in 2019.

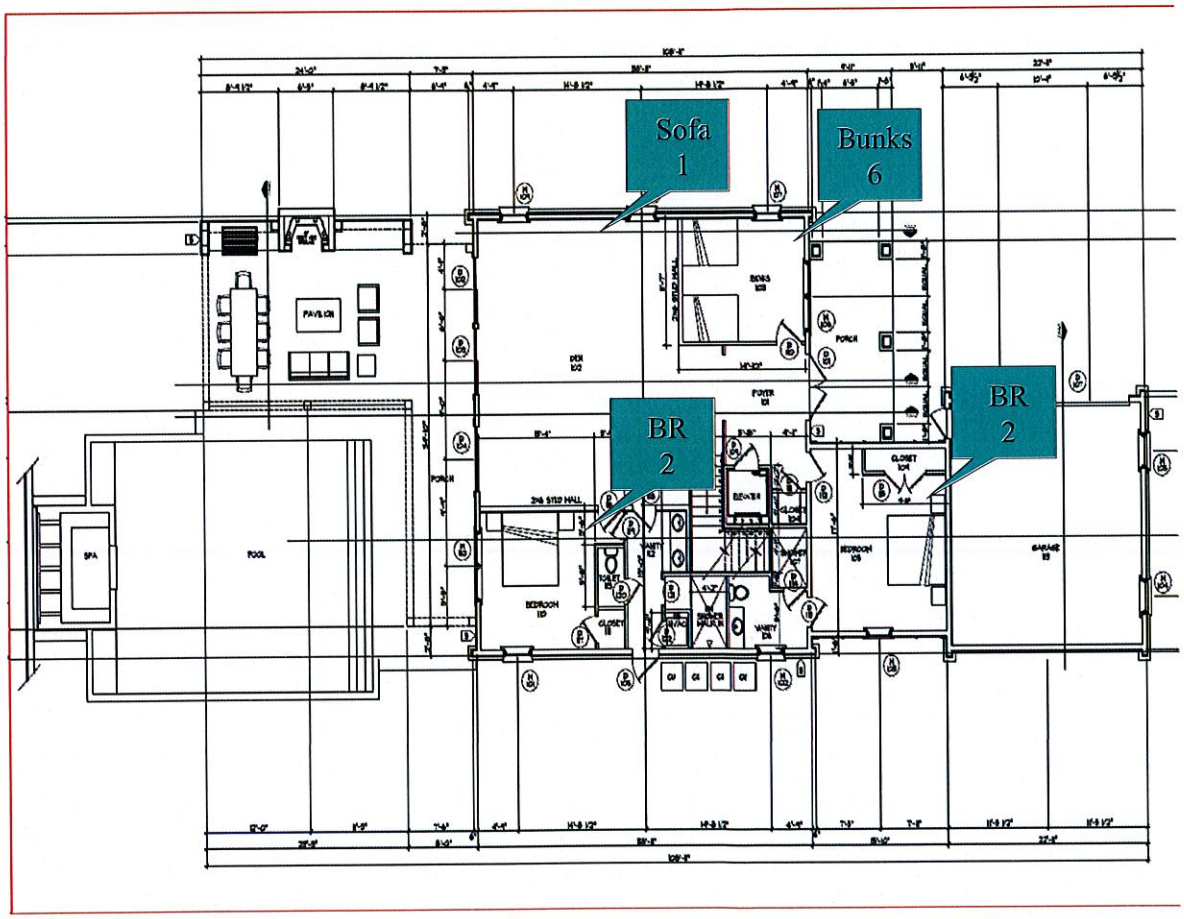
I consider the actual age and the effective age to be a similar one year. I estimate an economic life of 55 years and a physical life of 75 years.

See the following sketch from the Okaloosa County Property Appraiser web site.

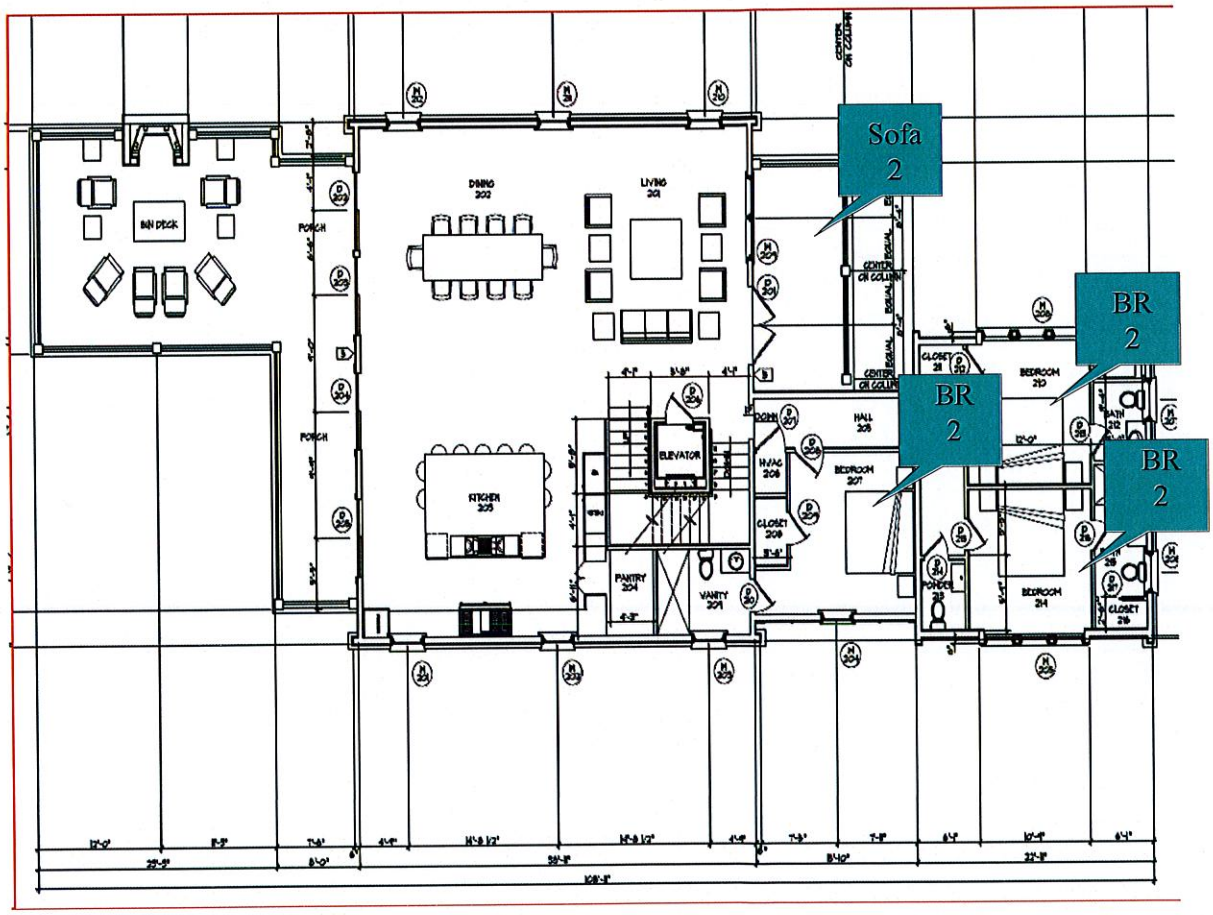


See the following plans provided by the client.

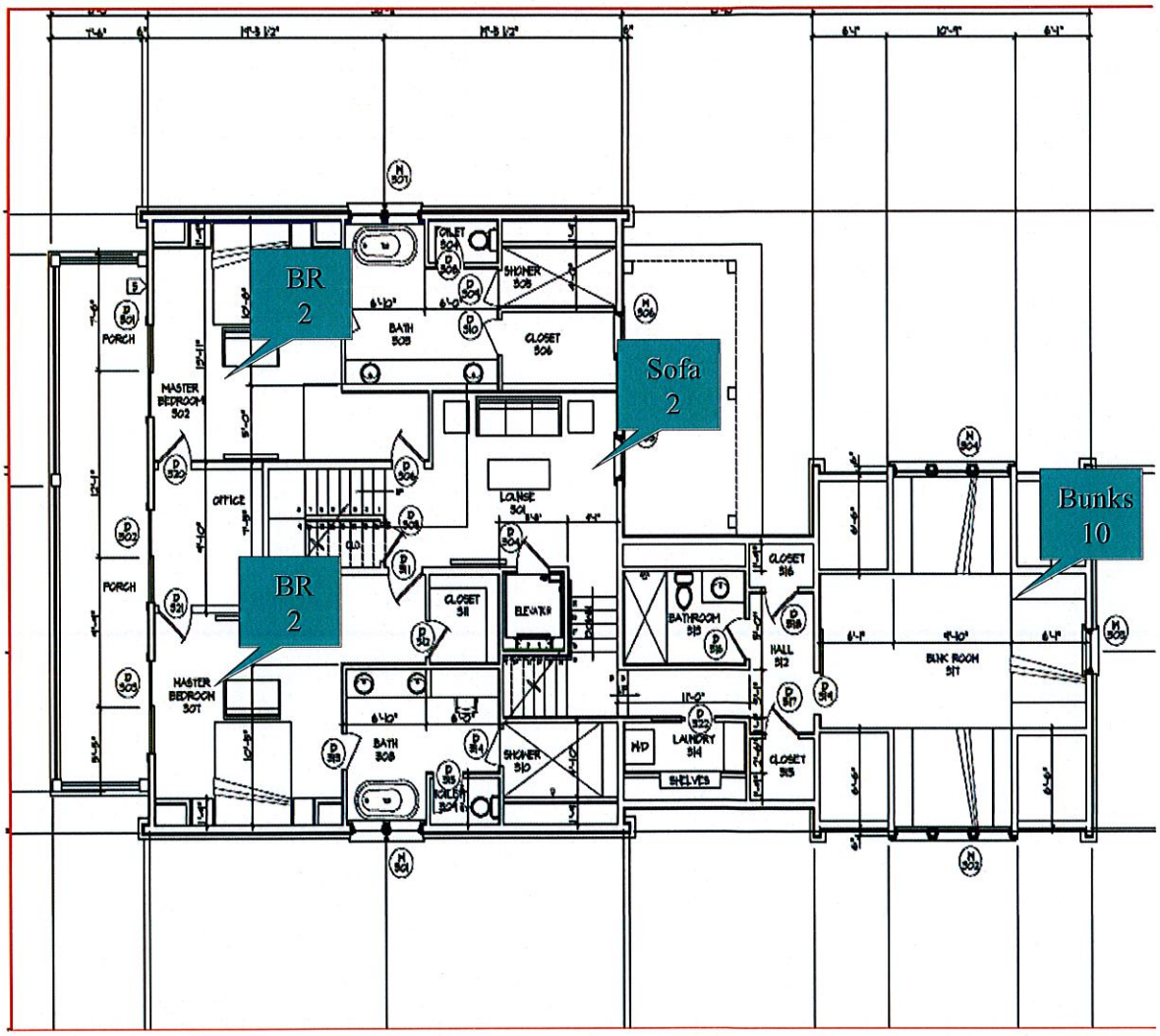
The first level sleeps eleven (11) as indicated below.



This is the second level with the main living areas of the kitchen as well as three bedrooms and a sofa sleeper, sleeping a total of eight (8).



This is the third level which sleeps sixteen (16)



Exterior Photographs:

FRONT OF SUBJECT

REAR OF SUBJECT

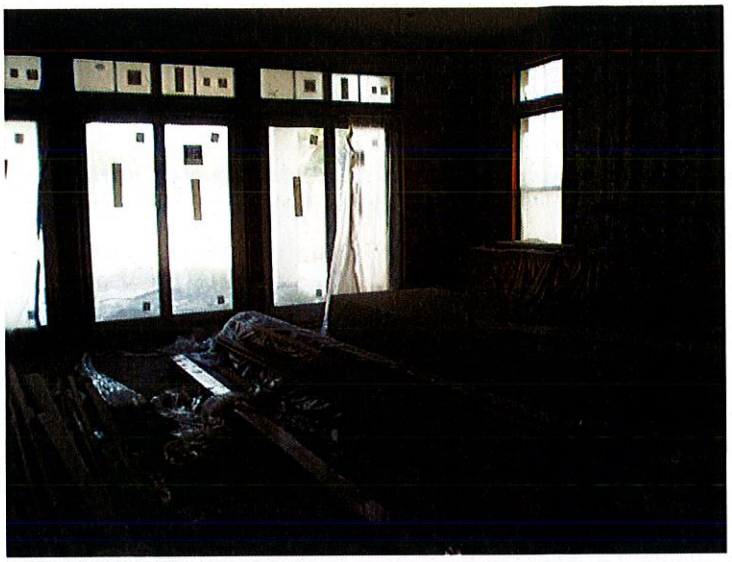
PARKING SPACES

PARKING SPACE

GARAGE

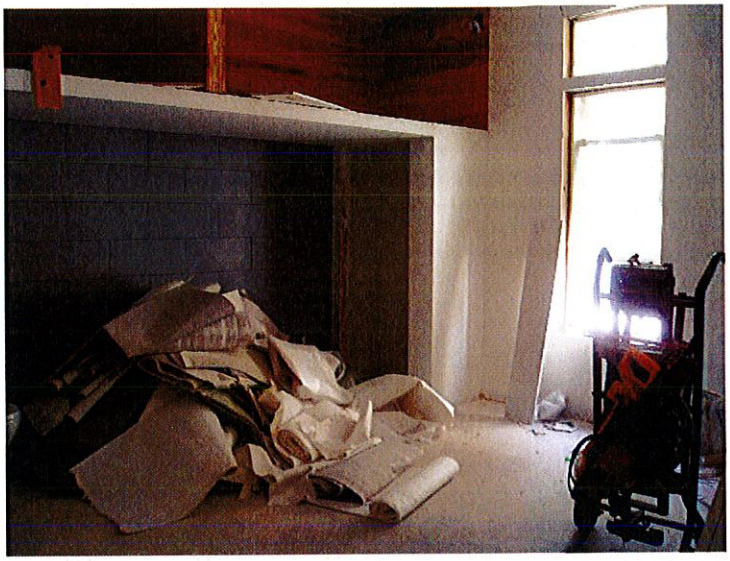
POOL AREA

First Level Sleeping eleven (11).



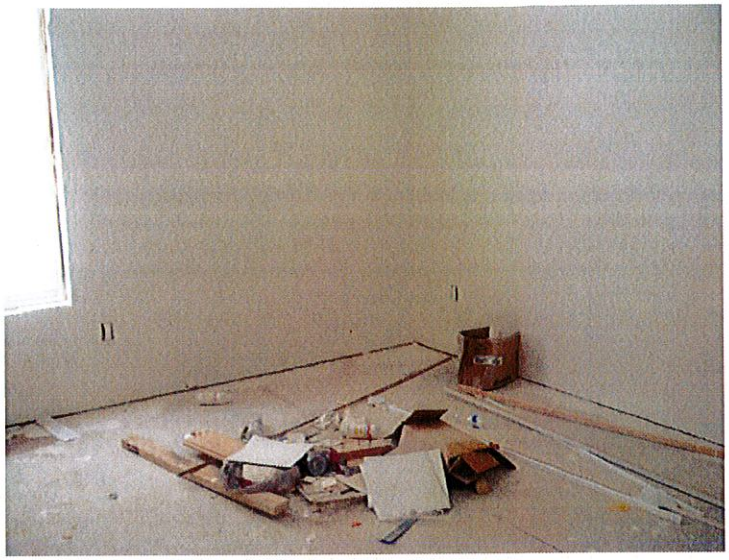
GAME ROOM WITH SOFA SLEEPING ONE (1)

BUNK ROOM SLEEPING SIX (6)

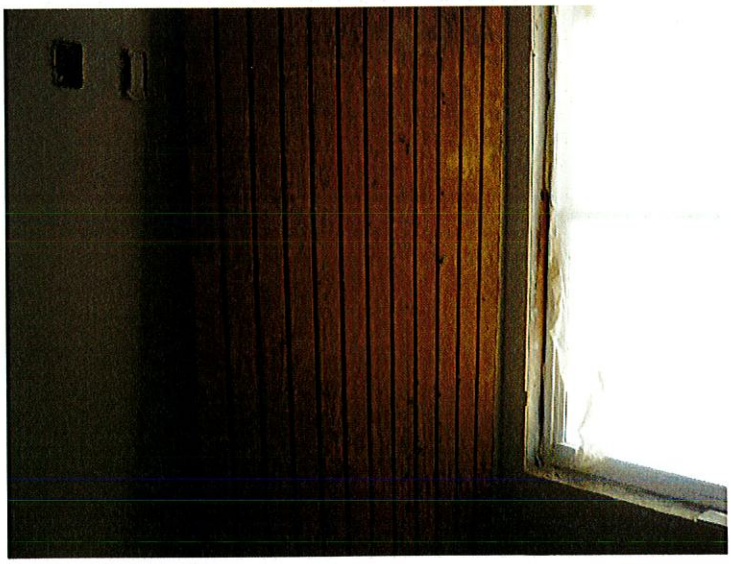


BEDROOM WITH KING SLEEPING TWO (2) BEDROOM #1

FULL BATH SUPPORTING BEDROOM #1 - BATH #1

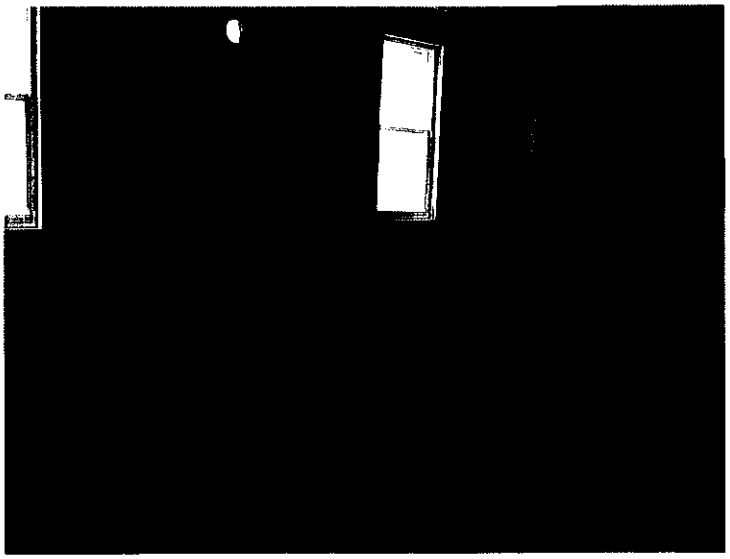


BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #2



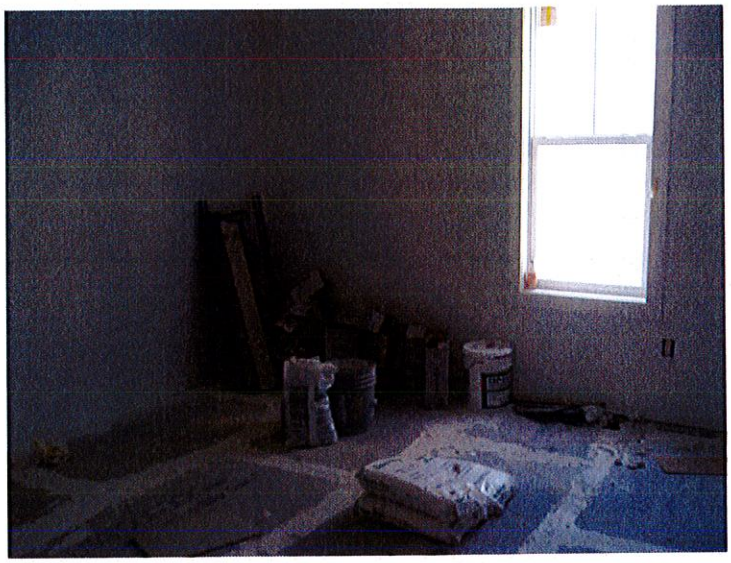
FULL BATH SUPPORTING BEDROOM #2 - BATH #2

Second Floor Area Features Kitchen and Great Room and Sleeps Eight (8):



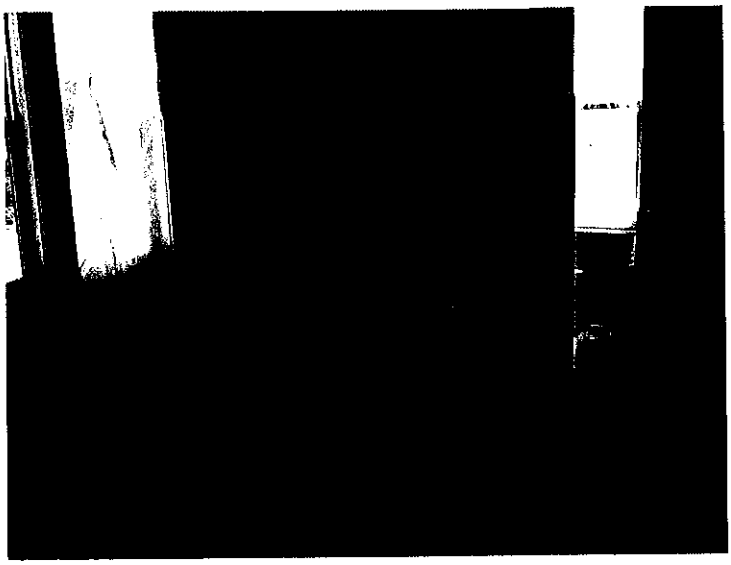
KITCHEN

GREAT ROOM WITH SOFA SLEEPING TWO



BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #3

FULL BATH SUPPORTING BEDROOM #3 - BATH #3



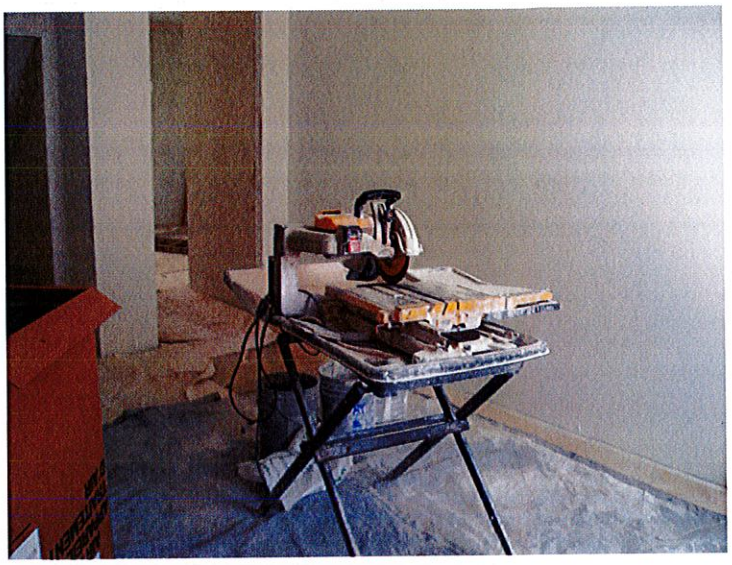
BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #4

FULL BATH SUPPORTING BEDROOM #4 - BATH #4

BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #5

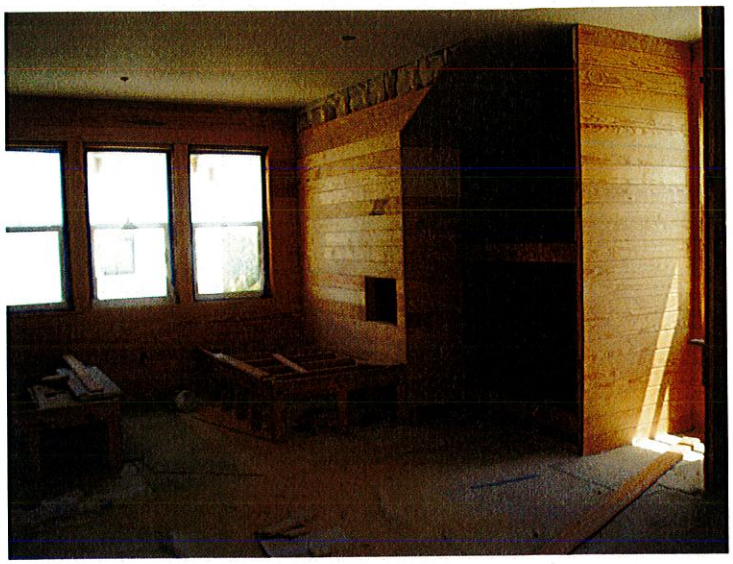
FULL BATH SUPPORTING BEDROOM #5 - BATH #5

Third Level Sleeping Sixteen (16):

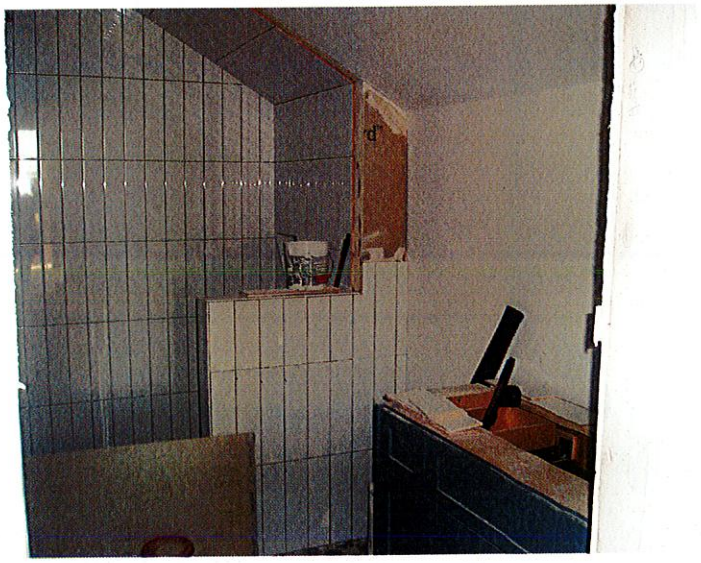


DEN WITH SOFA SLEEPING TWO (2)

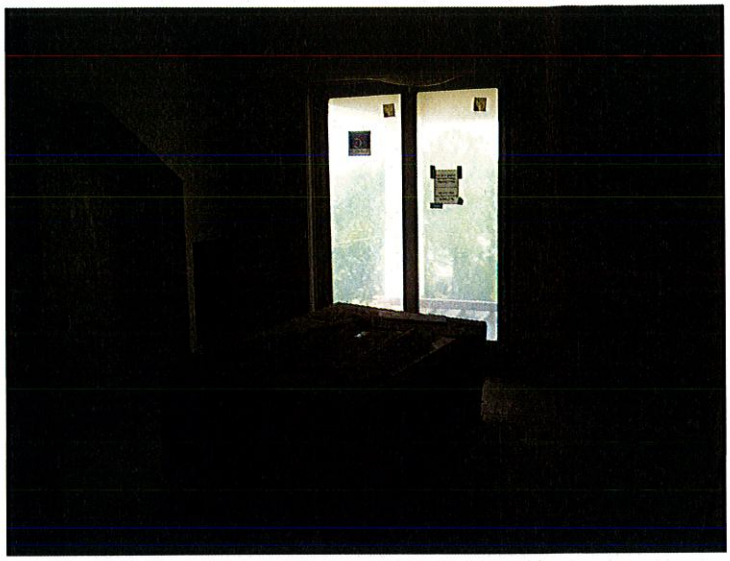
LAUNDRY



BUNK ROOM SLEEPING TEN (10) - BEDROOM #6

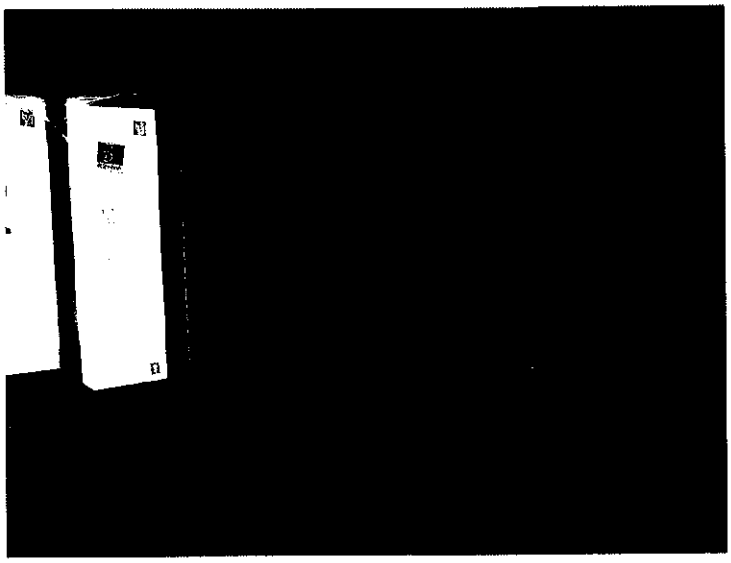


FULL BATH SUPPORTING BEDROOM #6 - BATH # 6.5

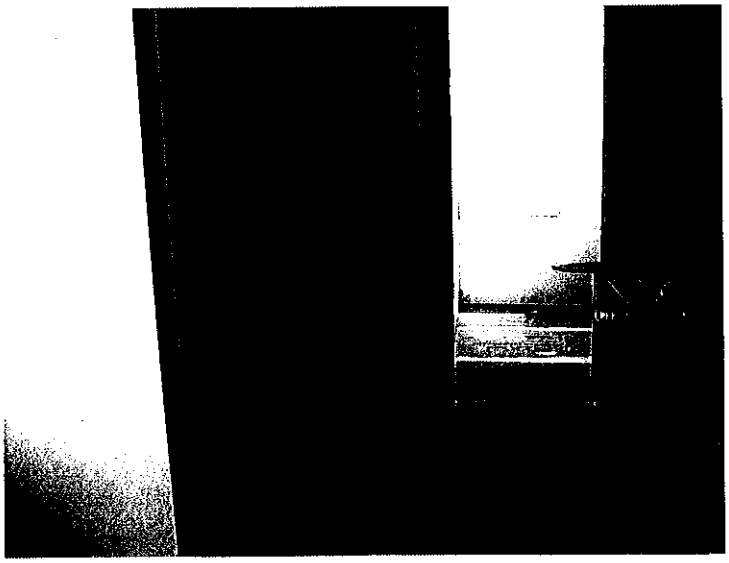


BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #7

FULL BATH SUPPORTING BEDROOM #7 - BATH #7.5



BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #8



FULL BATH SUPPORTING BEDROOM #8 - BATH #8.5

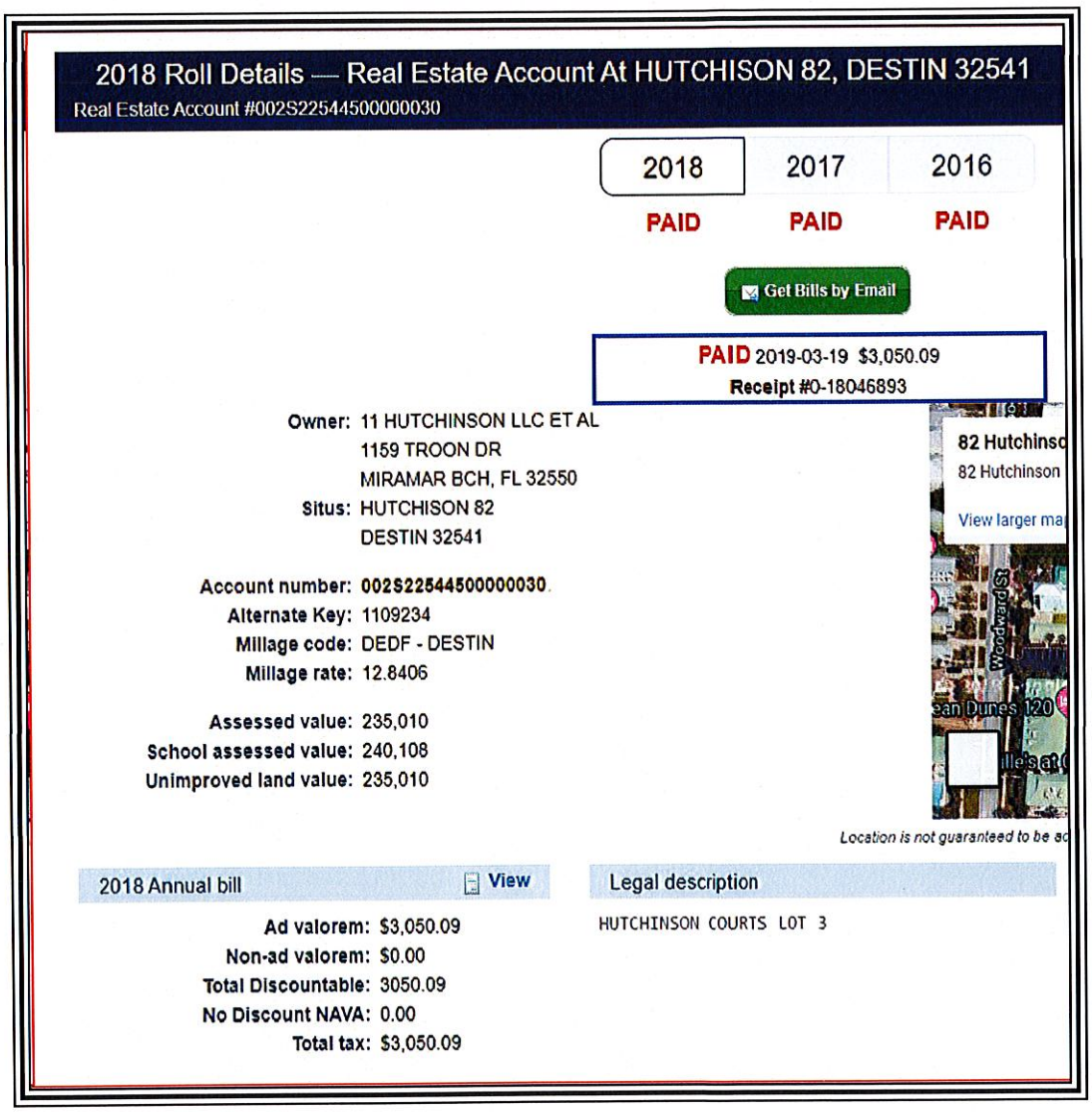
Taxes:
The tax identification number, gross tax amount due, amount paid, and assessed value for the 2018 tax year.

Tax Identification Number	Assessed Value	Gross Tax Amount Due	Amount paid	Amt. Due
00-2S-22-5445-0000-0030	$235,010	$3,050.09	$3,050.09	None

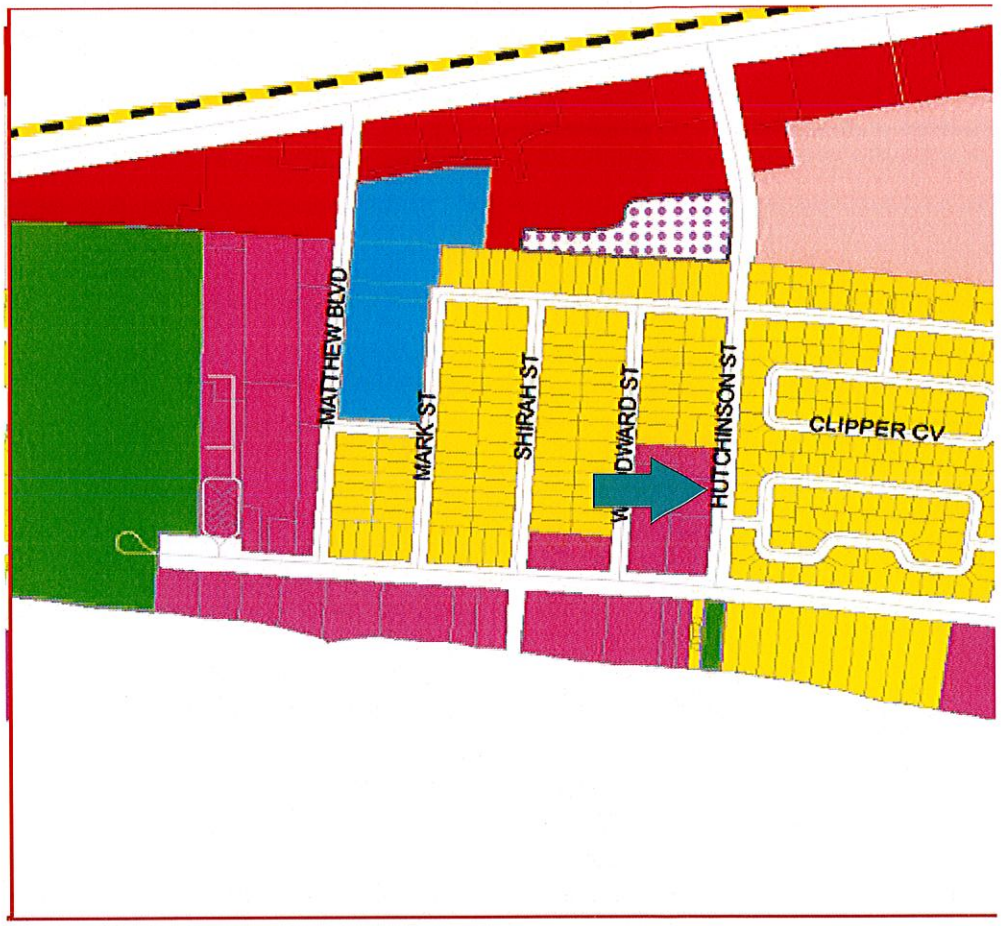
The 2018 taxes are paid.

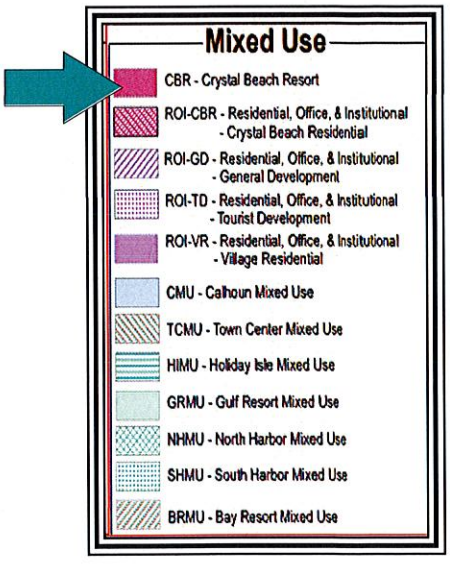
There are no previous year taxes owing.

It is my experience that assessed value has little correlation with current market value and are typically lower than market value with a few exceptions. I also note that 2020 ad valorem taxes will be much higher after the certificate of occupancy is awarded. As the subject will be taxed as improved property.



Zoning:
The following map indicates zoning for the subject parcel. The subject is zoned Crystal Beach Resort by Destin. See following pages for detailed identification of allowable uses.





LAND DEVELOPMENT CODE COMMENTS

The following excerpts were taken from the Destin Land Development Code, currently on line.

This first excerpt states that Crystal Beach Resort is designed for permanent and short term residential use. I note that this description of the Crystal Beach zoning designation is silent regarding the number of allowable guests and does not limit guest numbers.

> **Policy 1-2.4.2: Crystal Beach Resort (CBR).** The "CBR" designation provides for residential and limited nonresidential uses. Both permanent long-term and short-term residential uses are permitted. Commercial hotels, motels, bed and breakfast establishments, and other commercial transient living accommodations shall be allowed. Nonresidential uses shall include places of worship, community buildings, public facilities, schools, libraries, post offices, childcare centers, clubhouses, museums, visual and performance arts buildings, neighborhood retail commercial goods and services not exceeding 5,500 square feet designed primarily to serve the needs of the Crystal Beach resort area, offices, medical and dental clinics, laundries and dry cleaning drop off centers, banks, fitness centers, dinner clubs and restaurants. The following maximum development standards shall be applied to future development within "CBR" designated areas:

This second excerpt defines long term rental and short term rental. I again note that the definition of short term rental is silent regarding the number of allowable guests.

> **Policy 1-2.1.1: Residential Uses Defined.** Residential uses shall include several structure types used for housing, including single-family detached dwellings and multiple-family structures including duplex structures units, town homes and other detached single-family structures, apartments, patio homes, atrium homes, and similar multiple-family structures. The specific FLUM designations shall identify where single-family and multiple-family structures may be located. Following are the definitions for long-term residential and short-term residential.
>
> 1. **Long-Term Residential.** Long-term residential uses shall be defined as any residential accommodation that is available for occupancy for 181 days or more. Long-term residential uses shall include lock-out units, as defined in the Glossary.
> 2. **Short-Term Residential.** Short-term residential uses shall be defined as any residential accommodation that is available for occupancy for 180 days or less. Short-Term Residential uses shall include lock-out units, as defined in the Glossary.

This third excerpt defines the grandfather clause. This clause states clearly that the grandfather status may be released only by the vested entity

> **Policy 1-2.1.5: Grandfather Clause.** Existing land uses that were lawfully conforming uses prior to the effective date of the Comprehensive Plan, shall continue as lawful uses and shall be regulated through administrative remedies for vested rights issues that shall be included in the LDC. Building heights, density and/or intensity which (a) are actual present and which lawfully existed prior to the effective date of the Comprehensive Plan, or (b) were authorized pursuant to a development order, which development order remained unexpired as of the effective date of the Comprehensive Plan, shall continue to be legal building heights, density and/or intensity (as applicable) after adoption of the Comprehensive Plan. All duly approved and recorded lots, subdivision and condominium plats of record, which existed as legal lots, subdivision and condominium plats of record prior to the adoption of this Comprehensive Plan shall continue to be legal lots, subdivision and condominium plats of record after adoption of the Compreh[illegible]. This grandfather status may only be relinquished voluntarily by the vested entity. All [illegible]sions, condominium plats and all replats shall comply with the Comp[illegible]hensive Plan objectives and Policies, including maximum density provisions. Similarly, all new develo[illegible]ment shall comply with the Comprehensive Plan and LDC unless the development is found to have a vested right in a land use, building height, density or intensity that is in conflict with the Comprehensive Plan and LDC. Under such condition the grandfather clause shall be applicable unless voluntarily relinquished by the vested entity. The intent is to sustain demonstrated private property rights while preserving the public interest, welfare, health, and safety. Notwithstanding, any single-family home that is subject to redevelopment shall be allowed to reconstruct, providing adopted building and construction codes as well as this ordinance and the size and dimension criteria of the LDC are met.

CONCLUSION

Based on these excerpts, I conclude that prior to the promulgation of Ordinance 18-29-CC, there were no restrictions to the number of allowable guests.

History:
The subject has been owned by the current owner since 5/23/2016 when they purchased it from the Mary Feiler Trust for $492,000 per ORB/P 3249/1942.

There was a subsequent transfer for $100 on 9/18/2017 per ORB/P 3317/1438. This transfer was an administrative transfer.

I do not consider the previous sale to have any relevance to the value opinions based on income analysis in this report.

The owners then constructed the subject improvement.

Active Listings:
The subject is not listed for sale and has not been listed for sale in the previous three years.

Current Use:
The subject is currently a recently constructed detached single family home planned for seasonal rental, catering to large family groups.

Surrounding Uses:
The surrounding use in the Crystal Beach area is a mix of full time occupants and seasonal renters.

MARKET AREA ANALYSIS - SEASONAL RENTAL MARKET

I am restricting this analysis to the seasonal rental market.

Up until perhaps 2000, the great majority of seasonal rentals were condominium units.

However, the growing demand for larger spaces to accommodate extended families in one place led to the conversion of many larger homes to seasonal rents. It also spurred the construction of homes specifically designed for large rental parties.

Such homes feature typical living areas but emphasize a substantial number of bedrooms and baths. Often bedrooms are equipped with multiple built - in bunks for sleeping children.

Most homes also feature sofa sleepers which can sleep additional children.

Many of these homes, and certainly those recently constructed for this purpose, featured swimming pools and lanai areas as an exterior amenity.

This market has flourished as Destin is nationally recognized asa tourist attraction.

It is common to see Realtors addressing gross rental amounts or gross rental projections in MLS Listings. While the value of homes similar to the subject is estimated generally by a size / value per SF component, the fact that a home generates a substantial amount of income makes it a more attractive and safe purchase than a home which is not rented for seasonal income.

Another factor worthy of discussion is that many owners now self - manage. Typically in the past, management of rentals was performed by one of several large real estate companies, such as Resort Quest, Dale Peterson, Newman Dailey and Southern Resorts. However, in the past 10 years a substantial number of smaller management companies have surfaced.

Management fees for seasonal rentals range from perhaps 15% to 25% of gross revenue.

Entrepreneurial owners have recognized this expense line and many now self - manage with the aid of Vacation Rental By Owner (VRBO) or some similar search engine.

The seasonal rental market is increasing in the Destin/Miramar Beach market as the thriving national economy allows discretionary vacations.

I would consider the seasonal rental market to continue to flourish over the next several years.

However, with the promulgation of Ordinance 18-29-CC, limiting the subject to 20 guests, I would project a diminution in value.

HIGHEST AND BEST USE 'AS IS'

Legally Permissible
The subject property is zoned (and designated for future land use) as *Crystal Beach Resort (CBR)* by the City of Destin, Florida.

This zoning and land use designation allows for both single-family and mixed use developments, including hotels, and restaurants. The use of the subject for single-family short-term rentals is therefore allowed in this district.

Physically Possible
The subject property appears to be relatively level and well drained. Soil and subsoil conditions nearby appear compatible with both low-rise, multi-story use and traditional commercial development. All utilities required for commercial or 'mixed use' are presently at the site. The size and dimensions of the site are sufficient to allow a wide variety of legally permissible uses. The shape of the site is rectangular and this shape does not limit utility. Transportation of construction materials or labor to the site is estimated to be relatively simple due to the central location of the site within the overall market. Access to the site is above average.

However, the most compelling substantiation that the subject is physically possible is the fact that it already exists.

Therefore, use of the subject property for single family use as a seasonal rental is physically possible.

Financially Feasible
Value opinions derived in the income approach to value indicate the existing improvement contributes value to the underlying land. There is substantial other ongoing seasonal rental use in the market, suggesting that there is broad appeal for seasonal rental properties.

Therefore, continued use of the subject property for a detached single family residence used for seasonal rental income is financially feasible.

Maximally Productive
The alternatives of addition, demolition, expansion, modernization, or conversion to alternate uses have been considered within the legal, physical, and financially feasible parameters. Several alternatives exist.

Alternatives for use of improvements:

Expansion
The existing subject improvement is 6,864 HVAC SF. The subject is typical of most seasonal rental homes. Thus, there is no need for expansion. Any expansion would come at a cost of parking and/or access. Thus, expansion beyond what is existing, does not appear to be appropriate and feasible.

Renovation
Typically, any existing property could benefit from renovation. However, the subject was just developed and is a state of the art facility. Thus, I would not consider imminent renovation to be required or practical.

Downsizing
The existing subject improvements are 6,864 HVAC SF. I see no reason to downsize the subject improvement as it appeared that all of it is usable space. Thus, downsizing beyond what is existing does not appear to be appropriate, physically possible and feasible.

Subdividing
The purpose of the subject is to lease it seasonally to large parties of guests. Subdivision would not be legally approved and does not appear to be financially prudent as the parties of guests would be smaller and grouping smaller parties together in the same pool could prove problematic. I would not consider subdivision to be prudent or feasible.

Demolition
The subject is a newly constructed home, currently in good condition. It features a probable 55 years of remaining economic life and a probable 70-75 years of remaining physical life.

I do not consider demolition and replacement with alternative improvements to be a superior use to the currently planned

use as a rental property. No alternative use would be certain to serve the land better. Thus, the subject is not a candidate for demolition.

Utilizing existing improvements
Continued use 'as is' as a seasonal rental, as planned, is considered the maximally productive use.

Conclusion of Highest and Best Use 'as is'
Analysis of recent trends and current market supply and demand indicate that the maximally productive highest and best use of the subject property is continued use as a detached single family residence used for seasonal rental income.

Conclusion of Highest and Best User 'as is'
Analysis of recent trends and current market supply and demand strongly indicate the most probable user is an entrepreneurial user who primarily self manages and leases the subject for seasonal rental income with a small amount of personal use.

SUMMARY OF ANALYSIS AND VALUATION

Methodology

Site valuation derived from Sales Comparison Analysis involves direct comparisons of the subject property to similar properties selling in the marketplace to derive a comparative value indication for the subject property 'as if vacant,' as of the effective date of value. This approach is also called the 'direct sales comparison approach', or the 'market approach', and tends to be the most reliable approach for developing an opinion of the value of vacant land or sites available for development. Other methods of developing the value of land are available. Allocation, extraction, land residual, ground rent capitalization, and discounted cash flow analysis are all recognized as reasonable methods.

The cost approach is a reliable methodology for new, or nearly new, buildings. I estimate the replacement cost or reproduction cost, in this case replacement construction cost, of the existing or existing improvements and site improvements (including direct and indirect costs as well as an appropriate developer profit), deducting accrued depreciation from physical, functional, and external sources from the total replacement or reproduction cost new. The depreciated replacement or reproduction cost of the improvements is added to the value of the site resulting in a value indication of the fee simple interest in the property.

The sales comparison approach is based on the 'Principle of Substitution' which indicates an informed purchaser would pay no more for a property than the cost of acquiring an equally desirable substitute property with the same or similar utility. This approach is applicable when an active market provides sufficient quantities of reliable data which can be verified from authoritative sources. The Sales Comparison Approach is reliable in an active market or if an opinion of value is related to properties which there are comparable sales available. This approach to value is also relevant when sales data can be verified with the principals to the transaction. Heavy emphasis is usually placed on this approach to value in an active market.

The income approach is recognized as a reliable approach for developing an opinion of the value of 'income producing' property to an investor. The income approach consists of methods, techniques, and mathematical procedures an appraiser uses to analyze a property's capacity to generate income and convert income into an indication of present value either by capitalizing the current income at a market capitalization rate or discounting the future cash flows into a present value estimate using an appropriate yield (discount) rate. The appraisal process emulates the market, and the most probable purchaser would be an investor. Two (2) techniques associated with the income approach are direct capitalization and discounted cash flow analysis.

Methodology employed and explanation of the exclusion of any of the three (3) approaches to value

I am not performing cost analysis. In addition, the problem to be solved is to derive the diminution in value based on the guest restrictions included in Destin Ordinance 18-29-CC. The number of guests would have no impact on the cost to construct.

I am not performing sales comparison analysis. The impact of Destin Ordinance 18-29-CC may not be evident in the market for several years in the selling prices of homes. The ordinance allows a five year grandfather period. Homes sold in this grandfather period may not indicate a decline in selling prices and it would not be reliable to estimate diminution in value based on comparable sales until a larger array of data was available for use in sales comparison analysis.

I am performing income analysis. I will identify contract rents for the subject (in this case, projected rents) and then identify market rents which support the subject contract rent. I will then identify operating expenses and subtract operating expense from gross rent to arrive at a net operating income (NOI). I will then apply a market based capitalization rent to the NOI to arrive at a value for the subject, prior to the promulgation of Destin Ordinance 18-29-CC.

I will then identify the rental incomes for homes which are allowed only 20 guests. I will then subtract expenses for the rents of 20 guest homes and arrive at their NOI. I will then derive a value by capitalizing this NOI.

Finally I will subtract the value for a 20 guest house from the value of a 35 guest house and this figure will be the diminution in value.

COST ANALYSIS
NOT PERFORMED

SALES COMPARISON ANALYSIS NOT PERFORMED

INCOME ANALYSIS
'AS IS'

DESCRIPTION OF INCOME ANALYSIS METHODOLOGY

The income approach to value is based on the principle of anticipation, in that the value of the subject property correlates to the present worth of the future right to receive benefits in the form of income to be received by the owner. The income approach considers the property from an investment interest with the assumption that the amount of income, coupled with the regularity and quality of the income stream, are the basis for valuing the property based on income analysis.

The income approach is applied by identifying the net income by first identifying gross income and then deducting from the gross income the expenses of operating a property to arrive at a net income, generally identified a Net Operating Income (NOI).

The estimated NOI is then converted to a value opinion by utilizing either a Discounted Cash Flow Analysis, or a Direct Capitalization Analysis, or both.

Discounted cash Flow Analysis:
The Discounted Cash Flow Analysis (DCF) is an analysis where a discount rate is applied to a series (typically several years) of income streams with a reversion after typically 7 to 10 years. The appraiser must specify the quantity, variable nature of the income, timing of payments (monthly/quarterly/annually) to a present value at a specified yield rate. The DCF analysis is most applicable when the net income is projected to be variable and when the property is on a sufficient size and investment value to influence market participants to evaluate purchase decisions based on DCF.

I note that I did not perform DCF analysis as it is my opinion that market participants would not use DCF analysis to base decisions to either purchase or sell properties such as the subject.

Direct Capitalization:
The conversion of a net income to a current value is called capitalization. Capitalization is a method which is used to convert the estimate of a single year's net income actual figures and/or expectancy of income into a value opinion by dividing the income by a appropriate rate of capitalization, as estimated by the appraiser. This technique employs capitalization rates derived from the market, using both capitalization rates from recent sales of similar properties, generally augmented by national indices, or other mathematical progressions. This process provides a one year snap shot of the property value. Future yields and values are not directly identified. The direct capitalization analysis is most appropriate for small to medium sized income producing properties, in stable markets with a forecast of generally stable income.

The procedural steps involved in capitalization are as follows:

Develop the probable gross income by identifying historical performance, income projections and market incomes from comparable properties which support the historical or projected subject income.

Estimate vacancy and collection losses to arrive at Effective Gross Income (EGI).

Estimate and subtract operating expenses to arrive at NOI.

Develop a capitalization rate which is supported by the market.

Divide the NOI by the capitalization rate to derive a value opinion.

I am employing the direct capitalization analysis to derive values in this analysis.

I note for the reader that steps #1 and #2 are generally combined in the analysis of seasonal resort properties. Owners and management companies tend to provide actual income which has already accounted for vacancy and collection loss.

INCOME ANALYSIS - ESTIMATE OF CAPITALIZATION RATE

The capitalization rate is a rate which is applied to the Net Operating Income (NOI) to derive a value for a property. As the chart below indicates, you can derive a capitalization rate by dividing the NOI by the purchase price.

The following excerpt will provide some explanation of capitalization rates.

Capitalization rates are used in a formula. As seen below, dividing the net operating income by the purchase price indicates the capitalization rate.

Another variation of the formula is to divide the net operating income by the capitalization rate and this process will indicate the value of the property.

What Is a Cap Rate?

A cap rate is simply a formula. It's the ratio of a rental property's net operating income to its purchase price (including any upfront repairs):

Cap Rate =

Net Operating Income (NOI) ÷ Purchase Price

The formula can be used on the level of an individual property by looking at its net operating income compared to its value. But it can also be used on the level of an entire market by taking *average* cap rates for a large group of properties.

Importantly, the cap rate formula does NOT include any mortgage expenses. As you can see in the formula for net operating income below, the expenses do not include a mortgage or interest payment.

MARKET DATA BASED ON TYPICAL INDICES

Capitalization rates range widely in the market. The following table derived from Realty rates.com indicate a wide variety of capitalization rates base on property types. This table contains very recent data from the fourth quarter 2018.

As can be seen, properties such as restaurants and lodging (motels and hotels) have high capitalization rates. Apartments (residential) have the lowest capitalization rates.

Realty rates does not include a separate category of single family detached homes.

RealtyRates.com INVESTOR SURVEY - 1st Quarter 2019*

CURRENT & HISTORICAL CAP RATE INDICES

	Method-Weighted* Property Category Indices																				Weighted* Composite Indices	
	Apts		Golf		Healthcare Senior Housing		Industrial		Lodging		MH/RV Park		Office		Retail		Restaurant		Self Storage		Special Purpose			
Year	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg
2018	8.42	26	12.02	30	9.01	14	9.19	23	10.53	25	9.56	30	9.04	10	9.38	20	11.57	15	9.86	29	11.64	40	9.64	22
4th Qtr	8.46	8	12.08	11	9.07	11	9.23	7	10.53	1	9.62	13	9.08	13	9.44	10	11.62	11	9.92	13	11.71	11	9.68	9
3rd Qtr	8.37	-4	11.97	-5	8.96	-2	9.16	-5	10.52	-7	9.50	-5	8.95	-6	9.33	-3	11.51	-4	9.79	-7	11.60	-3	9.59	-5
2nd Qtr	8.41	3	12.02	5	8.98	3	9.21	5	10.59	6	9.55	5	9.00	0	9.36	4	11.56	4	9.86	6	11.63	5	9.64	4
1st Qtr	8.38	23	11.97	28	8.96	13	9.16	22	10.52	31	9.50	28	9.00	5	9.32	17	11.52	26	9.81	25	11.58	34	9.60	21
2017	8.16	4	11.73	-2	8.87	-6	8.96	-12	10.28	5	9.26	11	8.94	-22	9.19	-8	11.42	-15	9.57	-9	11.25	4	9.42	-6
2016	8.13	-2	11.75	6	8.92	12	9.08	15	10.22	0	9.15	15	9.16	16	9.27	12	11.57	-10	9.67	14	11.21	10	9.48	9
2015	8.15	-9	11.69	-14	8.80	-9	8.93	-10	10.22	-20	8.99	-18	9.00	-6	9.15	-11	11.66	-13	9.52	-22	11.11	-12	9.40	-12
2014	8.24	-15	11.83	-9	8.89	-1	9.03	-4	10.43	-17	9.17	-5	9.06	-22	9.26	15	11.79	-6	9.75	-20	11.24	14	9.52	-7
2013	8.39	14	11.92	-14	8.90	5	9.07	-2	10.60	3	9.22	14	9.28	-19	9.11	-4	11.86	9	9.95	-24	11.10	1	9.58	-2
2012	8.25	-35	12.07	6	8.85	-36	9.09	-40	10.57	-24	9.08	-39	9.47	3	9.15	-13	11.77	6	10.19	-49	11.09	-4	9.60	-21
2011	8.60	-29	12.00	-22	9.21	-40	9.49	-11	10.81	-24	9.48	-8	9.44	-10	9.28	-26	11.70	-14	10.69	-3	11.12	-17	9.81	-19
2010	8.89	4	12.22	5	9.62	15	9.60	12	11.05	7	9.55	22	9.54	16	9.54	25	11.84	12	10.72	21	11.30	0	10.00	13
2009	8.85	8	12.17	16	9.47	10	9.48	10	10.98	-7	9.33	1	9.38	29	9.29	20	11.72	15	10.50	37	11.30	8	9.87	14
2008	8.77	-4	12.01	29	9.37	-16	9.38	-14	11.05	56	9.32	-5	9.09	-16	9.09	-11	11.57	-28	10.13	20	11.22	-7	9.74	-1
2007	8.81	-45	11.72	-21	9.53	-65	9.52	-25	10.49	-28	9.37	-26	9.25	-47	9.20	-12	11.85	61	9.93	-38	11.29	-24	9.75	-28
2006	9.26	12	11.93	47	10.18	15	9.77	35	10.77	27	9.63	41	9.72	26	9.32	30	11.24	18	10.31	27	11.53	9	10.03	26
2005	9.14	14	11.46	80	10.03	-16	9.42	-30	10.50	-21	9.22	19	9.46	6	9.02	16	11.06	5	10.04	13	11.44	-30	9.77	2
2004	9.00	-19	10.66	28	10.19	-37	9.72	19	10.71	-98	9.03	-48	9.40	-4	8.86	-19	11.01	-15	9.91	-13	11.74	-30	9.75	-19
2003	9.19	-2	10.38	-32	10.56	64	9.53	33	11.69	56	9.51	-11	9.44	1	9.05	-18	11.16	8	10.04	-53	12.04	105	9.94	12
2002	9.21	-40	10.70	18	9.92	-39	9.20	-61	11.13	26	9.62	-60	9.43	-35	9.23	-62	11.08	-3	10.57	-12	10.99	-177	9.82	-41
2001	9.61	64	10.52	133	10.31	90	9.81	16	10.87	98	10.22	-68	9.78	-35	9.85	-53	11.11	47	10.69	13	12.76	32	10.23	21
2000	8.97		9.19		9.41		9.65		9.89		10.90		10.13		10.38		10.64		10.56		12.44		10.01	

* Weighted by methodology: Band-of-Investment, DCR Technique, Sales Survey

* Further weighted by property category

The following chart provides some additional data regarding capitalization rates for apartments in some major metropolitan centers.

These rates are lower than the overall national rate for apartments identified on the previous page. I attribute this to the fact that the cities below are major metropolitan areas with a high density of population which keeps occupancy high and inspires investor confidence. In this regard, the Destin seasonal rental market is similar in its high density and national appeal.

Cap Rates For Stabilized, Class A Multifamily Apartments By City – 2017 (2nd Half)	
San Diego	4.25%
Chicago	4.75%
Atlanta	5.00%
Philadelphia	5.25%
St. Louis	5.75%
Cleveland	6.25%
Pittsburgh	6.50%
Detroit	7.25%

Single family homes are seldom valued via income capitalization. Most homes are owner occupied and the issue of rent and valuation through rent is generally not applicable. However, I identified the following excerpt rom the internet which indicates a range of capitalization rates from 4% to 10% for single family homes. The reader will note in the excerpt immediately above that high demand areas feature lower capitalization rates and lower demand areas feature higher capitalization rates. I would again observe that Destin is a high demand area in the seasonal rental market. Thus, I would consider it probable that capitalization rates for singe family homes in Destin were toward the low side of the 4% to 10% range.

Cap Rate for Single Family Home

Professionals purchasing commercial properties, for example, may buy at a 4% cap rate in high demand areas, or a 10% (or even higher) cap rate in low-demand areas. Generally, 4% to 10% per year is a reasonable range to earn for your investment property. Continuing with our example from above, $17,000/ 5% = $340,000.

The following are two excerpts from the internet indicating that Panama City Beach, Florida boasts a very low capitalization rate of 4.9% and that the Destin, Florida market features a 4.75% capitalization rate for Airbnb rentals.

9. PANAMA CITY BEACH, FL

- *Short-Term Rental Cap Rate: 4.9%*

White sandy beaches, clear water, fishing piers, protected nature reserves, hiking trails... what more do you need to be convinced that Panama City Beach is one of the best places around the US to invest in a vacation rental.

Property prices are affordable with a median level of $334,700, while short-term rental income stands around $3,260. The average cap rate for vacation rentals is 4.9%.

2. Destin

- *Median Property Price:* $695,000
- *Airbnb Rental Income:* $2,720
- *Traditional Rental Income:* $1,610
- *Airbnb CoC Return:* 2.3%
- *Traditional CoC Return:* 0.5%
- *Airbnb Cap Rate:* 4.7%
- *Traditional Cap Rate:* 2.8%
- *Airbnb Occupancy Rate:* 58.4%

The second among the best places to buy a vacation home in Florida is Destin, with rental income from Airbnb just a few dollars below St. Augustine. However, this location is significantly more expensive. But it has a very important advantage for all those loving nature and sports – it is very famous for the fishing opportunities that it offers.

MARKET DATA BASED ON LOCAL SALES OF DETACHED HOMES USED FOR SEASONAL RENTAL

In addition to the national data provided above, I am also providing some data from actual sales in the local market.

I have some professional acquaintances who specialize in the management of large homes used for seasonal rentals. I have asked them to provide me some actual data from recent sales to help derive a local data base of capitalization rates.

On 7/13/2018, Frangista Beach E16 LLC (Nick Athens - a professional acquaintance well known to me) sold 3491 Scenic Highway 98 to Rich Rentals for $3,000,000. This house is 6,008 HVAC SF and features nine (9) bedrooms and 9.5 baths. It is very similar to the subject and is a very good comparable indicator of capitalization rates. Mr. Athens stated that the net operating income was $172,340. Dividing $172,340 by $3,000,000 indicates a capitalization rate of 5.74%.

On 9/4/2015, Nick and Tina Athens sold 1850 - 1852 Scenic Gulf Drive in Miramar Beach to Forty-Four Holdings for $2,205,000. This was two side by side homes in Frangista Beach which were an aggregate 3,460 HVAC SF and which features Five (5) bedrooms and 7 baths. Mr. Athens stated that the net operating rent was $133,200. Dividing $133,200 by $2,025,000 indicates a capitalization rate of 6.58%. I do not consider it a coincidence that the home with the fewest bedrooms featured the highest capitalization rate.

On 2/10/2016, Destiny Real Estate Ventures LLC sold 3463 Scenic Highway 98 to Charles Barone for $3,615,000. This house is 6,465 HVAC SF and features eight (8) bedrooms and 6.5 baths. It is very similar to the subject and is a very good comparable indicator of capitalization rates. Mr. Giles stated that the net operating income was $222,125. Dividing $202,125 by $3,615,000 indicates a capitalization rate of 6.15%.

On 1/11/2019, Kevin Hense sold 2984 Scenic Highway 98 to Russell and Susan Hancock for $3,000,000. This house is 3,997 HVAC SF and features six (6) bedrooms and 5.5 baths. It is very similar to the subject and is a very good comparable indicator of capitalization rates. Mr. Hense stated that the net operating income was $176,000. Dividing $176,000 by $3,000,000 indicates a capitalization rate of 5.87%.

RECAPITULATION OF LOCAL MARKET CAPITALIZATION RATES

The following table summarizes the capitalization rates identified in the narrative above.

Property Address	Capitalization Rate
3491 Scenic Highway 98, Destin	5.74%
1850 Scenic Gulf Drive, Mirimar Beach	6.58%
3463 Scenic Highway 98, Destin	6.15%
2984 Scenic Highway 98, Destin	5.87%
Average	6.0850%
Rounded	6.10%

I consider a rounded capitalization rate of 6.1% to be a market supported rate which is both credible and reliable.

This local rate is bracketed by the national rates from pages 58-60 above.

ESTIMATE OF VALUE PRIOR TO ORDINANCE 18-29-CC

Based on the current zoning and the Destin Land Development Code, and prior to the adoption of Ordinance 18-29-CC, there was no limit to the number of guests allowed in the subject improvement. The subject can accommodate up to thirty five (35) guests based on the data provided by the owner and my identification of sleeping capacity previously identified.

CURRENT CONTRACT RENT
I note that seasonal rentals are typically described with annual rental amounts as opposed to more consistent monthly rental rates.

Such rental amounts are generally described using gross income data, and/or projections of gross income data.

Appraisers need to then examine expenses to arrive at a net operating rent to capitalize. Expenses to gross revenue are ad valorem taxes, flood and hazard insurance, HOA dues, maintenance and repairs, utilities, lawn maintenance, pest control, professional fees and reserves. I note that interest/mortgage payments and depreciation are not expenses when capitalizing property for value.

In the case of the subject, it was just constructed and there is no historical rent available.

The owner is probably the most knowledgeable owner of large seasonal rental homes as this has been his niche occupation for the last approximate twenty (20) years. I consider his projection of income to be substantially credible.

I am accepting the projected income of $400,000 for an annual period.

ESTIMATE OF EXPENSES
Mr. Giles provided me an estimate of expense of $115,000. I assume this estimate includes ad valorem taxes at the improved rate and I would think that the ad valorem taxes will exceed $20,000 annually. It also includes a management fee.

Subtracting $115,000 from $400,000 results in a net operating income of $285,000.

These figures also indicate an operating expense ratio of 28.75%.

MARKET SUPPORT FOR SUBJECT GROSS AND NET INCOME

RATIO OF GROSS TO NET INCOME

I have attempted to derive gross and net income figures for comparable properties in the market. However, my research indicates that many owners and property managers are unwilling to divulge private financial information, especially the net income.

Thus, I will provide some market examples of properties where clients or close associates did divulge data.

The first example is a detached home located at 112 Sandprint Circle in the Dunes of Destin. The owners, Edward and Tari Furey, provided me with detailed data regarding income and expenses. They indicted annual revenue of $325,000 and annual expense of $100,000. This suggests an expense ratio of $100,000 / $325,000, or 31%, rounded.

I again spoke to Nick Athens who still owns a detached house at 4664 Destiny Way which grossed $275,000 in 2018. The expenses for this property were an approximate $89,000. This suggests an expense ratio of $89,000 / $275,000, or 32% rounded.

As a third indicator, I spoke to Kevin Hense, who sold a detached house at 2984 Scenic Highway 98 for $3,000,000 on 1/11/2019. Mr. Hense indicated that the 2018 gross rent was $263,000 and that the expenses were $87,000. This suggests an expense ratio of $87,000 / $263,000, or 33%, rounded.

This well researched market data influences me to select an expense ratio of 32% for this analysis. I fully recognize that Mr. Giles' estimate was only 28.75%. However, both his projection of annual income and annual expense are made without any historical perspective relative to this particular subject property. I am choosing to be conservative in the analysis and will use an operating expense ratio of 32%.

GROSS RENT OF HOMES SLEEPING 30 + GUESTS

To provide market support for Mr. Giles' projection of $400,000 gross rent and $285,000 net rent, I am providing some market examples of other homes which lease as 30+ guest capacity. This information was provided by the existing client, Ben Giles, a professional well known to me.

Existing rentals - similar properties	#sleeps	Gross Revenue 2018
42 Miami St Miramar Beach	34	$463,852.00
3487 Scenic Hwy 98 Destin	32	$305,393.00
3463 Scenic Hwy 98 Destin	32	$380,000.00
3461 Scenic Hwy 98 Destin	36	$364,723.00
107 Hollywood St Miramar Beach	38	$289,647.00

These five indicators of gross rent for homes which can accommodate 30 guests average $360,723. The subject sleeps 35 guests while the average of the five rental comparables is 34.4 guests. Thus, one would expect the subject to gross an amount consistent with the average of the range. However, the subject is a new house and the market likes 'new'. I am selecting an income slightly above the average at $375,000 annually.

I recognize that Mr. Giles estimated a rounded $400,000. However, I am again choosing to be conservative and will weigh the larger amount of historical market data available to me.

The next step is applying the previously calculated expense ratio to the gross rent to arrive at a net operating rent average for the five comparable rentals. Applying a 32% expense ratio to $375,000 results in a net rent of $255,000, a figure which is lower than the Mr. Giles' estimate of $285,000 of net rent.

Capitalizing $255,000 with a 6.1% capitalization rate results in a value of $4,180,327, rounded to $4,180,000.

It is my professional opinion that the subject value, prior to the promulgation of Destin Ordinance 19-23-CC is $4,180,000, based on income analysis.

ESTIMATE OF VALUE AFTER THE PROMULGATION OF ORDINANCE 18-29-CC

Destin Ordinance 18-29-CC reduces the subject sleeping capacity to 20 guests as the limit is two guests per bedroom, plus four (4) additional guests. There are eight (8) bedrooms. Thus, 2 x 8 = 16 + 4 = 20.

It is my opinion that the limit of 20 guests will have a negative impact on value.

To estimate the difference, I need to research the market for homes which are limited to 20 guests.

I have previously mentioned other homes which can accommodate only 20 guests.

I again spoke to Nick Athens who owns a detached house at 4664 Destiny Way which grossed $275,000 in 2018. This house sleeps 20 guests

I also spoke to Kevin Hense, who sold a detached house at 2984 Scenic Highway 98 for $3,000,000 on 1/11/2019. Mr. Hense indicated that the 2018 gross rent was $263,000 and the home slept 24 guests.

In addition to these more detailed descriptions, I was also provided some additional raw data via email from Ben Giles regarding other homes that slept 20+/-. This information includes the address, number of allowable guests and annual income of comparable rentals.

3893 Sandprint Dr Destin	20	$118,796.00
113 Los Angeles St Miramar Beach	19	$137,307.00
1737 Scenic Hwy 98 Miramar Beach	20	$144,814.00
96 Sarasota St Miramar Beach	22	$143,813.00
100 Sandprint Cir Destin	20	$105,000.00

Thus, I have seven (7) market comparable homes which sleep from 19 to 24 guests.

The average of the seven homes is $169,675. The subject is still a new house and will probably rent for more as a new house whether the guest size is 35 or 20. Thus, I would consider the subject to command more rent than the average of the range and I am selecting a rounded $200,000 of gross rent as compensation for the fact the subject new and more attractive to the market.

Applying the same 32% expense adjustment to convert gross rent to net operating rent results in a net operating rent of $136,000, rounded.

Applying a capitalization rate of 6.1% to the net operating rent of $136,000 results in a value after Ordinance 18-29-CC is applied of $2,229,000, rounded to $2,230,000.

ESTIMATE OF THE DIMINUTION OF VALUE

My research and analysis indicates that the value of the subject based on the right to sleep 35 guests is a rounded $4,180,000.

My research and analysis indicates the value of the subject based on the limit to sleep only 20 guests is a rounded $2,230,000.

It is my opinion the promulgation of Destin Ordinance results in an approximate $1,950,000 diminution of value.

DIMINUTION OF VALUE

$1,950,000

ADDENDA

Appraiser License

APPRAISER LICENSE

THIS INSTRUMENT PREPARED BY
AND AFTER RECORDING RETURN TO:

Kimberly Romano Kopp, Esq.
Romano Kopp Law, P.A.
P.O. Box 445
Destin, Florida 32541

For Recording Purposes Only

SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is entered into this _____day of _____ 2019, ("Effective Date") by and between, 11 Hutchinson, LLC. ("Owner") and the City of Destin ("City"), collectively referred to as the "Parties."

RECITALS

WHEREAS, on January 22, 2019, the City enacted Ordinance 18-29-CC, the Short-Term Rental Occupancy Ordinance ("Ordinance"), which limits the occupancy of short-term rental homes to two (2) people per bedroom plus an additional four (4) persons; and

WHEREAS, Owner owns the real property and improvements located at 82 Hutchinson Street, Destin, FL 32541, as more particularly described in the attached Exhibit "A" (the "Property"); and

WHEREAS, on May 10, 2019, Owner filed a claim with the City, pursuant to the provisions of §70.001, Florida Statutes, the Bert J. Harris, Jr., Private Property Rights Protection Act (the "Harris Act"), alleging that the Property had been inordinately burdened by the adoption of the Ordinance, (the "Claim"); and

WHEREAS, the Harris Act provides for the City to have the ability to enter into a settlement agreement which would have the effect of a modification or variance to the application of a regulation or ordinance as it would otherwise apply to the subject real property, provided the relief granted protects the public interest served by the regulations at issue and is the appropriate relief necessary to prevent the governmental regulatory effort from inordinately burdening the real property; and

WHEREAS, the City has determined that the modifications to the effect of the Ordinance effected by this Agreement protect the public interest served by the Ordinance and are the appropriate relief necessary to prevent the regulatory effect of the Ordinance from inordinately burdening the Property; and

WHEREAS, the Parties now desire to settle and finally resolve all disputes between and among them concerning the Claim.

NOW, THEREFORE, the Parties hereby agree as follows:

1. **Recitals.** The above recitals are true and correct and are incorporated herein by reference.

2. **Occupancy Allowable Under Ordinance.** Owner is hereby granted a variance from the provisions of the Ordinance so that the Owner shall have the right to apply under the Ordinance for a maximum occupancy of thirty-three (33) overnight guests at the eight (8) bedroom vacation rental property noted above and the City shall grant such occupancy. The right shall continue in perpetuity, regardless of any future changes in ownership, provided that this right shall expire permanently if the Property were to be voluntarily remodeled or voluntarily rebuilt in such a manner as to change the number of bedrooms that existed at the date of the Claim. The Property remains subject to all other requirements of the City's regulations, including but not limited to regulations for short-term rentals, parking, trash, and noise. No greater than eight (8) vehicles may be parked on the Property. No vehicle may encroach upon the City's right-of way.

3. **Development in Accordance with Code.** Notwithstanding any provisions contained herein, the Owner shall at any time have the right and option to remodel, develop, or use the Property in accordance with the applicable ordinances of the City of Destin in effect at the time of application therefor, and this variance shall not be construed as making the Property in any way non-conforming.

4. **Entire Agreement.** The Parties acknowledge that this Agreement constitutes the entire agreement between them regarding the settlement of their dispute and any prior statements, whether oral or written, are merged herein. This Agreement may not be modified or amended without a written instrument signed by the party against whom enforcement is sought.

5. **Duration of Agreement.** This Agreement shall be perpetual and deemed to run with the land, and shall be binding upon and the benefits shall inure to the parties hereto and their respective heirs, devisees, personal representatives, successors and assigns.

6. **Authority.** The signatories to this Agreement are expressly authorized to resolve their dispute as set forth herein and by their signatures here represent and affirm their authority to execute this Agreement.

7. **Governing Law.** The law of the State of Florida shall apply to this Agreement. Any dispute regarding this Agreement shall be litigated exclusively in the courts of Okaloosa County, Florida. The parties expressly consent to such agreed jurisdiction and venue, and waive any objections thereto.

8. **Notices.** Any notice required or permitted to be given hereunder shall be in writing and shall be (i) delivered by hand, (ii) delivered by reputable national or local courier (such as United Parcel Service or Federal Express), (iii) mailed by United States registered or certified mail, return receipt requested and postage prepaid, or (iv) sent by facsimile transmission provided a confirmation of such facsimile transmission is sent the same day by one of the methods of delivery in (i), (ii), or (iii) above. Any notice shall be addressed to each party at its address as set forth below. Any such notice shall be considered given on the date of such hand delivery, deposit with such courier for same day or next business day delivery, upon receipt of return receipt of certified mail, or receipt of facsimile transmissions, as the case may be, and the time period (if any is provided herein) in which to respond to such notice shall commence on the date of receipt. Rejection or other refusal to accept or inability to deliver because of changed address of which no notice was given shall be deemed to be receipt of the notice. By giving to the other party at least ten (10) days' notice thereof, any party shall have the right from time to time to change the addresses thereof and to specify up to two (2) additional addresses within the United States of America to which copies of notices to it shall be sent. Notice may be given on behalf of any party by such party's counsel. In the event the subject property owner changes, notices shall be addressed to the current owner as indicated in the records of the Okaloosa County Property Appraiser. Otherwise, notices shall be sent as follows:

Each notice shall be addressed as follows:

To City: City of Destin, Florida
Attn:
4200 Indian Bayou Trail
Destin, Florida 32541

With a copy to:
City Land Use Attorney
Romano Kopp Law, PA
PO Box 445
Destin, Florida 32541

To 11 Hutchinson: 11 Hutchinson, LLC
1159 Troon Drive
Miramar Beach, Florida 32550

With a copy to: Matthews & Jones, LLP
Attn: C. Stephen Tatum
4475 Legendary Drive
Destin, Florida 32541

9. **Attorney's Fees**. In the event of any action, whether pre-suit, mediation, litigation or appellate proceeding to enforce the terms and conditions of this Agreement, each party to the action shall pay its own attorney's fees and costs incurred therein.

10. **Venue**. Venue over any action to enforce the terms and conditions of this Agreement, including mediation, shall lie solely in Okaloosa County, Florida.

OWNER: 11 Hutchinson, LLC

_____
Signature of Witness #1

_____
Joseph Bellinghieri

_____
Print or type name

_____

_____
Signature of Witness # 2

_____
Print or type name

STATE OF_____
COUNTY OF_____

The foregoing instrument was acknowledged before me this _____ day of _____ 2019, by _____ _____ and _____, who are personal known to me or who have produced _____ as identification and who did not (did) take an oath.

_____
Signature of Notary

(NOTARY SEAL)

_____
Print or type name

CITY OF DESTIN

By:_____
Gary Jarvis, Mayor

Date:_____

ATTEST:

_____
Rey Bailey, City Clerk

Date:_____

STATE OF_____
COUNTY OF_____

The foregoing instrument was acknowledged before me this _____ day of _____ 2019, by _____ _____ and _____, who are personal known to me or who have produced _____ as identification and who did not (did) take an oath.

_____
Signature of Notary

(NOTARY SEAL)

_____
Print or Type Name

Approved as to form and legality for use and reliance
by the City of Destin, Florida, only.

_____
Kimberly Romano Kopp, Esq.
City Land Use Attorney

Exhibit "A"

Legal Description of Property

Lot 3 of Hutchison Courts, according to the Plat thereof as recorded in Plat Book 28, Page(s) 11, of the Public Records of Okaloosa County, Florida.

ITEM # 2019-1899

CITY OF DESTIN

AGENDA ITEM

COUNCIL MEETING DATE: December 9, 2019
TYPE OF AGENDA ITEM: Action Item

TO: City Council

THRU: Lance Johnson, City Manager

FROM: Kimberly Kopp, Land Use Attorney
Louis Zunguze, Community Development Director

DATE: December 5, 2019

SUBJECT: 18) 80 Hutchison Street

I. BACKGROUND:

On January 22, 2019, the City enacted Ordinance 18-29-CC, the Short-Term Rental Occupancy Ordinance ("Ordinance"), which limits the occupancy of short-term rental homes to two (2) people per bedroom plus an additional four (4) persons.

The subject property owner owns the real property and improvements located at 80 Hutchinson Street, Destin, FL 32541, as more particularly described in Exhibit "A" (the"Property") to the proposed settlement agreement.

Owner filed a claim with the City, pursuant to the provisions of §70.001, Florida Statutes, the Bert J. Harris Jr., Private Property Rights Protection Act (the "Harris Act"), alleging that the Property had been inordinately burdened by the adoption of the Ordinance, (the "Claim).

The Harris Act provides for the City to have the ability to enter into a settlement agreement which would have the effect of a modification or variance to the application of a regulation or ordinance as it would otherwise apply to the subject real property, provided the relief granted protects the public interest served by the regulations at issue and is the appropriate relief necessary to prevent the governmental regulatory effort from inordinately burdening the real property.

The City Council should settle the claim if the City Council determines that the modifications within the settlement agreement protect the public interest served by the Ordinance and are the appropriate relief necessary to prevent the regulatory effect of the Ordinance from inordinately burdening the Property.

II. DISCUSSION: The property owner has requested a maximum occupancy of thirty-five (35) occupants. City staff is recommending an occupancy of thirty-three (33) occupants based on the square footage of the property. The building official utilized a one-occupant per 200 square feet methodology for recommending the above-stated occupancy. This is consistent with the previously approved settlement agreements for the Owner's similarly situated, recently built properties on Hutchinson Street.

As stated in the agreement, the property owner remains bound by all other provisions of City codes.

Finally, staff is recommending that no greater than eight (8) vehicles be parked on this property

- **A. Link to Strategic Goals / Objectives:**
- **B. Effect on Budget (EOB):**
- **C. Level of Service (LOS):**

III. CONCLUSION:

IV. RECOMMENDED MOTION: 1. I move to approve the settlement agreement prepared by the City Land Use Attorney and Staff.

or

2. I move to approve the settlement agreement prepared by the City Land Use Attorney and Staff with the following modifications:_____.

or

3. I move to direct the City Land Use Attorney to negotiate in good faith with the property owner and to bring back an alternate settlement proposal to the City Council for consideration.

or

4. I move to deny settlement of the subject claim at this time.

Attachments:

1. Bert Harris Case - 80 Hutchison
2. 80 Hutchinson (1)

DANA C. MATTHEWS

MICHAEL A. JONES

KENNETH M. BORICK
Of Counsel
Also admitted in Georgia and South Carolina

DANA C. "D.C." MATTHEWS II

SAMUEL B. TAYLOR

MATTHEWS & JONES
ATTORNEYS AT LAW

INSIGHT | INTEGRITY | INNOVATION

DANIEL C. O'ROURKE
Florida Supreme Court Certified
Civil and Family Mediator

CHRISTA P. DIVINEY
Board Certified Criminal Trial Lawyer
Also admitted in Alabama

LAURA PENTEL-KLANG

JESSICA L. STEWART

SALVADOR "A.J." GOMEZ

Reply to Destin

statum@destinlaw.com

July 29, 2019

VIA HAND DELIVERY

Mayor Gary Jarvis
City of Destin
4200 Indian Bayou Trail
Destin, FL 32541
gjarvis@cityofdestin.com

Dear Mayor Jarvis:

Our firm represents 10 Hutchison, LLC, the owner of the newly constructed home located at 80 Hutchison Street; Destin, Florida, also identified as Lot 4 of the Hutchison Courts plat, recorded in Okaloosa County Plat Book 28, at Page 11.

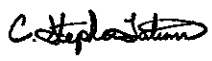
Due to the recent enactment of City of Destin Ordinance 18-29-CC, which limits the occupancy of short term rental homes to two (2) people per bedroom plus an additional four (4) persons, 10 Hutchison's reasonable investment-backed expectations for use of the home as a short-term vacation rental property have been inordinately burdened, as defined in the "Bert J. Harris, Jr., Private Property Rights Protections Act", Chapter 70, Florida Statutes ("Harris Act"). 10 Hutchison hereby submits this letter along with the enclosed Panhandle Appraisal Group property appraisal dated January 22, 2019, as a claim under the Harris Act against the City of Destin for One Million Nine Hundred Fifty Thousand Dollars ($1,950,000.00), which represents the diminution in value of 10 Hutchison's property.

Pursuant to the provisions of the Harris Act, 10 Hutchison hereby demands payment in the amount of One Million Nine Hundred Fifty Thousand Dollars ($1,950,000.00) plus attorneys fees and costs.

If no resolution is reached during the statutorily prescribed waiting period, 10 Hutchison intends to file suit pursuant to this claim and pursue any other legal remedies for the actions that gave rise to this claim. 10 Hutchison explicitly reserves the right to

bring any and all legal challenges, appeals and objections with respect to Ordinance 18-29-CC.

Sincerely,



C. Stephen Tatum
Matthews & Jones, LLP
Attorney for 10 Hutchison, LLC

Enclosure

cc: Lance Johnson, City Manager (via email)
Rey Bailey, City Clerk (via email)
Kimberley Romano-Kopp, Esq. (via email)
Client

Appraisal Report

Detached Single Family Residential Home

6,864± HVAC SF Existing Structure

80 Hutchison Street
Destin, FL 32541

DIMINUTION IN VALUE ANALYSIS
80 Hutchison Street
DESTIN, FL 32541

FOR
10 HUTCHISON LLC
AND
DESIGNATED ATTORNEYS

RETROSPECTIVE TO JANUARY 22, 2019

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APPRAISAL REPORT

SUBJECT PROPERTY

6,864 ± HVAC SF Existing Detached Residential Improvement

Eight Bedrooms and Eight and One Half Bathrooms

80 Hutchison Street
Destin, FL 32541

EFFECTIVE DATE OF APPRAISAL

Retrospective to January 22, 2019

REPORT DATE

May 21, 2019

VIEWING DATE

May 18, 2019

CLIENT/INTENDED USER

10 Hutchison LLC
Attn: Ben Giles
80Hutchison Street
Destin, FL 32541

File № 190479

PREPARED BY:

Thomas A. Marr

State-certified General Real Estate Appraiser № RZ 2645 (FL)
tom@panappraisal.com

Panhandle Appraisal Group
220 Hospital Drive
Fort Walton Beach, Florida 32548
Telephone: (850) 243-0958
Facsimile: (850) 226-8462

PANHANDLE APPRAISAL GROUP

REAL ESTATE VALUATION AND RESEARCH
Specializing in Residential and Commercial Valuation Support
Fort Walton Beach, Florida

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Fort Walton Beach, Florida 32548

Telephone: (850) 243-0958
Facsimile: (850) 226-8462

May 21, 2019

10 Hutchison LLC
Attn: Ben Giles
80Hutchison Street
Destin, FL 32541

Re: Diminution in value appraisal of an approximate 6,864 HVAC SF detached residential improvement, 'as is' , identified as 80Hutchison Street in Destin, FL 32541. **Panhandle Appraisal Group File № 190479.**

Dear Mr. Giles:

I have completed the requisite personal viewing, research, and analysis necessary to determine if a diminution in value has occurred for the subject parcel.

The subject property is a four level (including the viewing deck) detached single family residential structure with an approximate 6,864 HVAC SF , eight bedrooms and seven and one half bathrooms. The current sleeping capacity of the subject is thirty five (35) guests.

The purpose of the appraisal analysis was to develop an opinion of the market value of the subject property prior to the enactment of the city of Destin Ordinance No. 18-29-CC, which was promulgated on January 22, 2019 and then derive a value after the January 22, 2019 ordinance which limited the subject to twenty (20) guests.

The authorized user is the client at the address above. The understood intended use of the appraisal report will be for reference in determining if the promulgation of Ordinance No. 18-29-CC resulted in a diminution of value. No other use of this report by any other entity or person is authorized.

Subject to the above and the assumptions, limiting conditions, and certification set forth herein, it is my professional opinion the retrospective market value of the fee simple interest in the subject property, 'as is', as of January 21, 2019, prior to the promulgation of Ordinance No. 18-29-CC, was:

FOUR MILLION ONE HUNDRED EIGHTY THOUSAND DOLLARS
$4,180,000

Subject to the above and the assumptions, limiting conditions, and certification set forth herein, it is my professional opinion the current market value of the fee simple interest in the subject property, 'as is', after the promulgation of Ordinance No. 18-29-CC is:

TWO MILLION TWO HUNDRED THIRTY THOUSAND DOLLARS
$2,230,000

The diminution of value is a rounded $1,950,000.

Exposure Time
The exposure time linked to the final value opinion is a range to nine (9) to twelve (12) months based on market sales of similar properties and current market activity.

Analysis of recent trends and current market supply and demand strongly indicate the highest and best use of the subject property, is continued use as a seasonal rental home.

I hereby certify I possess no interest, present or contemplated, in the appraised property. The undersigned appraiser is competent or has taken the necessary steps to become competent for the property type being appraised. This appraisal has been prepared utilizing all of the requirements set forth as standards for real estate appraisals established for federally related transactions by the Comptroller of the Currency, the Federal Reserve Board, the Federal Deposit Insurance Corporation, and the State of Florida. The appraisal is in conformity with the standards for real estate appraisals as established by the Appraisal Foundation and its Appraisal Standards Board. The appraisal also conforms to *the 2018/2019 edition of the Uniform Standards of Professional Appraisal Practice (USPAP)* and your instructions. The fee for this appraisal was not based on value, nor was the assignment undertaken based on a predetermined value, a trend in value, or a minimum or maximum value.

Respectfully submitted,

Thomas A. Marr

Thomas A. Marr
State-Certified General Real Estate Appraiser № RZ 2645 (Florida)

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APPRAISAL REPORT

This is an Appraisal Report which is intended to comply with the reporting requirements in accordance with the 2018/2019 edition of the Uniform Standards of Professional Appraisal Practice (USPAP) for an Appraisal Report. As such, it represents summary discussions of the data, reasoning, and analyses used in the appraisal process to develop the appraisers' opinion of value. Supporting documentation concerning the data, reasoning, and analyses may be retained in the appraiser's files. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated below. The appraisers are not responsible for unauthorized use of this report.

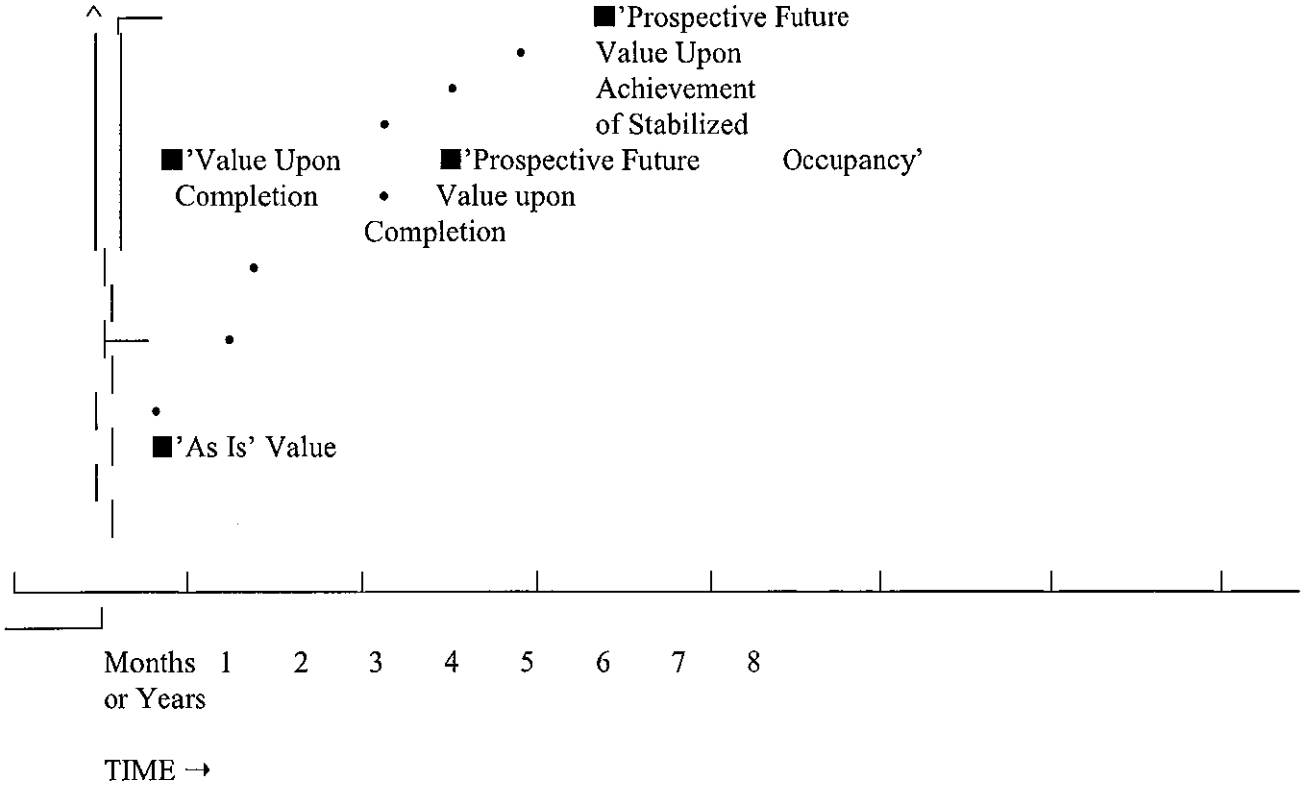
CLIENT:	10 Hutchison LLC Attn: Ben Giles 80Hutchison Street Destin, FL 32541
APPRAISERS:	**Thomas A. Marr** State-certified General Real Estate Appraiser № RZ 2645 (Florida) Panhandle Appraisal Group 220 Hospital Drive Fort Walton Beach, Florida 32548
SUBJECT PROPERTY:	Legal Description Lot 4, Hutchison Courts Tax ID №: 00-2S-22-5445-0000-0040.
PURPOSE OF THE APPRAISAL:	The purpose of this appraisal was to develop an estimate of the diminution in value from prior to the promulgation of City of Destin Ordinance No. 18-29-CC and after the promulgation of the ordinance on January 22, 2019.
INTENDED USE OF REPORT:	The understood intended use of the appraisal report will be for client use in legal proceedings.
INTENDED USER:	The intended user is the client stated above, the client's attorneys, courts of law, and regulatory authorities. This report is not intended or authorized for any other user or audience.
PROPERTY RIGHTS APPRAISED:	Fee Simple, one hundred percent (100%) ownership interest in the subject property.
EFFECTIVE DATE OF VALUE:	**Retrospective to January 22, 2019.**
DATE OF REPORT:	May 21, 2019
DATE OF INSPECTION:	Thomas A. Marr viewed the subject property on May 18, 2019.
SCOPE OF WORK:	I note you have not requested an appraisal report format. Based on the Scope of Work requirements included in the 2018/2019 version of USPAP, which indicates the appraiser is responsible to coordinate the scope of work with the client, I am informing you I will perform an appraisal report. **It is my opinion this process of work meets all applicable 2018/2019 USPAP standards.**
DEFINITIONS:	The definitions, commencing on the page following, are provided to assist the reader in understanding this appraisal report.

Market Value[1]

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

- Purchaser and seller are typically motivated;
- Both parties are well informed or well advised and each acting in what they consider their best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Value Creation Continuum



The preceding exhibit graphically displays the creation of value in a real estate development project over time, assuming a zero inflation environment for clarity of presentation.

The four (4) time differential values on the graph which may be considered in the appraisal of existing developments are defined as follows:

(1) **'As Is'** means an estimate of the market value of a property in the condition observed upon inspection and as it

---

[1] Title XI, Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), [Pub. L. No. 101-73, 103 Stat. 183 (1989)], 12 U.S.C. 3310, 3331-3351, and section 5(b) of the Bank Holding Company Act, 12 U.S.C. 1844(b); Part 225, Subpart G: Appraisals; Paragraph 225.62 (f).
Uniform Standards of Professional Appraisal Practice, 2003 Edition, Page 3
Federal Reserve System, 12 CFR Parts 208 and 225, Sec. 225.62
Office of the Comptroller of the Currency, 12 CFR Part 34, Sec. 34.42 (g)
FDIC, 12 CFR Part 323, Sec. 323.2 (g) (2000)
Office of Thrift Supervision, 12 CFR Part 564, Sec. 564.2
NCUA, 12 CFR Part 722, Sec. 722.2

physically and legally exists without hypothetical conditions, assumptions, or qualifications as of the date of appraisal.

(2) **'Value Upon Completion'** means the market value of a property with all existing construction, conversion, or rehabilitation hypothetically completed, or under other specified hypothetical conditions as of the date of appraisal. With regard to properties wherein anticipated market conditions indicate stabilized occupancy is not likely as of the date of completion, this estimate of value shall reflect the market value of the property as if complete and prepared for occupancy by tenants.

(3) **'Prospective Future Value Upon Completion'** means the prospective future value of a property on the date construction is completed, based upon market conditions forecast to exist as of completion date.

(4) **'Prospective Future Value Upon Achievement of Stabilized Occupancy'** means the prospective future value of a property at a point in time when all improvements have been physically constructed and the property has been leased to its optimum level of long term occupancy.

Fee Simple Estate[2]
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.

Leased Fee Interest[3]
An ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the lessee are specified by contract terms contained within the lease.

Leasehold Interest[4]
The interest held by the lessee (the tenant or renter) through a lease transferring the rights of use and occupancy for a stated term under certain conditions.

Condominium[5]
A multi-unit structure or property in which persons hold fee simple title to individual units and an undivided interest in common areas.

Highest and Best Use[6]
The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and which results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability.

...of land or a site as though vacant:

Among all reasonable, alternative uses, the use yielding the highest present land value, after payments are made for labor, capital, and coordination. The use of property based on the assumption the parcel of land is vacant or can be made vacant by demolishing any improvements.

...of property as improved:

The use which should be made of a property as it exists. An existing improvement should be renovated or retained as is so long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing building and constructing a new one.

---

2 The Dictionary of Real Estate Appraisal, Appraisal Institute, Fourth Edition, 2002, Page 113.

3 Ibid., Page 161.

4 Ibid., Page 162.

5 Ibid., Page 59.

6 Ibid., Page 135.

Marketing Time[7]
The time it takes an interest in real property to sell on the market subsequent to the date of an appraisal.

Exposure Time[8]
A retrospective estimate based on an analysis of past events assuming a competitive and open market.

Advocacy[9]
Representing the cause or interest of another, even if cause or interest does not necessarily coincide with one's own beliefs, opinions, conclusions, or recommendations.

Appraisal[10]
(Noun) The act or process of developing an opinion of value; an opinion of value. (Adjective) of, or pertaining to appraising and related functions such as appraisal practice or appraisal services.

Appraisal Practice[11]
Valuation services performed by an individual acting as an appraiser, including, but not limited to appraisal, appraisal review, or appraisal consulting.

Appraisal Review[12]
The act or process of developing and communicating an opinion about the quality of another appraiser's work was performed as part of an appraisal, appraisal review, or appraisal consulting assignment.

Appraiser[13]
One who is expected to perform valuation services competently, and in a manner, is independent, impartial, and objective.

Appraiser's Peers[14]
Other appraisers who possess expertise and competency in a similar type of assignment.

Assignment[15]
A valuation service provided as a consequence if an agreement between an appraiser and a client.

Assignment Results[16]
An appraiser's opinions and conclusions developed specific to an assignment.

Assumption[17]
An occurrence which is taken to be true.

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8 Ibid., Page 175

9 Ibid., Page 105

9 2018/2019 edition, *Uniform Standards of Professional Appraisal Practice (USPAP)*, Page 1

10 Ibid, Page 1

11 Ibid, Page 1

12 Ibid, Page 1

13 Ibid, Page 1

14 Ibid, Page 2

15 Ibid, Page 2

16 Ibid, Page 2

17 Ibid, Page 2

Bias[18]
A preference or inclination which precludes an appraiser's impartiality, independence, or objectivity in an assignment.

Business Enterprise[19]
An entity pursuing an economic entity.

Business Equity[20]
The interests, benefits, and rights inherent in the ownership of a business enterprise or a part thereof in any form (including, but not necessarily limited to, capital stock, partnership interests, cooperatives, sole proprietorships, options, and warrants).

Client[21]
The party or parties who engage an appraiser (by employment or contract) in a specific assignment.

Confidential Information[22]
Information is either:

- identified by the Client as confidential when providing it to an appraiser and is not available from any other source; or,

- classified as confidential or private by applicable law or regulation.

Cost[23]
The amount required to create, produce, or obtain a property.

'Credible'[24]
Worthy of belief.

Extraordinary Assumption[25]
An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions.

Feasibility Analysis[26]
A study of the cost-benefit relationship of an economic endeavor.

Hypothetical Condition[27]
An assertion which is contrary to what exists but is supposed for the purpose of analysis.

Intangible Property[28]

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18 Ibid, Page 2

19 2018/2019 edition, USPAP, Page 2

20 Ibid, Page 2

21 Ibid, Page 2

22 Ibid, Page 2

23 Ibid, Page 2

24 Ibid, Page 3

25 Ibid, Page 3

26 Ibid, Page 3

27 Ibid, Page 3

28 Ibid, Page 3

(Intangible Assets) Nonphysical assets, including, but not limited to, franchises, trademarks, patents, copyrights, goodwill, equities, securities, and contracts as distinguished from physical assets such as facilities and equipment.

Intended Use[29]
The use or uses of an appraiser's reported appraisal, appraisal review, or appraisal consulting assignment opinions and conclusions, as identified by the appraiser based on communication with the Client at the time of the assignment.

Intended User[30]
The Client and any other party as identified, by name or type, as users of the appraisal, appraisal review, or appraisal consulting report by the appraiser on the basis of communication with the Client at the time of the assignment.

Jurisdictional Exception[31]
...an assignment condition which voids the force of a part or parts of *USPAP*, when compliance with part or parts of *USPAP* is contrary to law or public policy applicable to the assignment.

IDENTIFY THE PROBLEM TO BE SOLVED
The client has requested that I derive two values for the subject. The first value is a value as of January 22, 2019 when the subject could accommodate 30 guests. The second value is after the city of Destin promulgated Ordinance 18-29-CC which limits the subject to 20 guests. The problem to be solved is to derive two values and then identify the diminution of value after the promulgation of the ordinance.

EXTENT OF THE PROCESS OF COLLECTING, CONFIRMING, AND REPORTING DATA:

Preparation of this appraisal included the following scope of work:

- The subject site, improvements, and parking improvements were inspected by the appraiser, the property was photographed. File data for similar properties was reviewed.
- The public records were reviewed. As the subject is new construction and the plans are available, the appraiser reviewed the plans.
- The appraiser examined the economic, social, governmental, and environmental forces affecting value in the subject neighborhood and the entire market area as a whole.
- The appraiser identified recent and projected actual rents for the subject, based on occupancy of up to 35 guests. The appraiser then identified the annual rentals of other comparable properties which accommodated up to 35 guests. These comparable rentals provided market support for the subject actual and projected gross rental income.
- The appraiser identified market rental comparables for properties limited to 20 guests.
- The appraiser then reduced gross rent to net operating rent and capitalized the net operating rent to identify value for the subject as a 35 guest rental and a 20 guest rental. The difference between these two values is the diminution in value.

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29 Ibid, Page 3

30 Ibid, Page 3

31 2018 edition, *USPAP*, Page 3

IDENTIFICATION OF THE TYPE OF APPRAISAL AND APPRAISAL REPORT FORMAT:
I have provided an **Appraisal Report**, as defined by the *2018/2019 edition of the Uniform Standards of Professional Appraisal Practice*, containing a summary of all relevant conclusions, data, and analyses used in the report.

TERMS OF THE FINAL VALUE OPINION:
The final opinion of the current market values of the subject property, 'as is' is expressed in terms of cash or financing terms equivalent to cash.

POLICY STATEMENT OF THE APPRAISAL INSTITUTE:
It is improper to base a conclusion or opinion of value upon the premise the racial, ethnic, or religious homogeneity of the inhabitants of an area or of a property is necessary for maximum value.

Racial, religious, and ethnic factors are deemed unreliable predictors of value trends or price variance.

It is improper to base a conclusion or opinion of value, or a conclusion with respect to neighborhood trends, upon stereotyped, biased presumptions relating to the effective age or remaining life of the property being appraised or the life expectancy of the neighborhood in which it is located.

The undersigned appraiser is not a member of the Appraisal Institute.

GENERAL ASSUMPTIONS:

1. No responsibility is assumed for the legal description provided or for matters relevant to legal or title considerations. Title to the property is assumed to be marketable unless otherwise stated. The legal description used in this report is assumed to be correct.

2. The subject property is appraised free and clear of any or all liens, leases, or encumbrances unless otherwise stated. All mortgages, liens, encumbrances, leases, and servitudes have been disregarded unless so specified within the report.

3. No survey of the property has been made by the appraisers and no responsibility is assumed in connection with such matters. Sketches, plot plans, or illustrative material presented in this report are included only to assist the reader in visualizing the property.

4. Information and data furnished by others is usually assumed to be true, correct and reliable. When such information and data appears to be dubious and when it is critical to the appraisal, a reasonable effort has been made to verify all such information; however, no responsibility for its accuracy is assumed by the appraiser.

5. Responsible ownership and competent property management are assumed unless otherwise stated in this report.

6. It is assumed there are no hidden or unapparent conditions of the property, subsoil or structures which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.

7. It is assumed 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.

8. It is assumed the subject property is in compliance with all applicable zoning and land use regulations, unless a nonconformity has been stated, defined and considered in the appraisal report.

9. It is assumed all required licenses, consents or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use which the value estimate contained in this report is based.

10. It is assumed the utilization of the land and improvements is within the boundaries or property lines of the property described and there is no encroachment or trespass unless noted within the report.

EXTRAORDINARY ASSUMPTIONS:

I am using data provided to me by the client and other vacation home owners.

I am making the extraordinary assumption that the data provided is accurate, credible and reliable.

If, for any reason, the data provided is not accurate, credible and reliable, the values derived in the analysis is subject to review.

The subject is not yet completed. I am making the extraordinary assumption that the completion of construction will be done in a timely and workmanlike manner. If the subject improvement is not completed in both a timely and workmanlike manner, the values derived in the analysis are subject to review.

GENERAL LIMITING CONDITIONS:

1. This is an Appraisal Report which is intended to comply with the reporting requirements set forth in accordance with the *2018/2019 edition of the Uniform Standards of Professional Appraisal Practice* for an Appraisal Report. As such, it includes summarized discussions of the data, reasoning, and analyses used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses may be retained in the appraiser's files. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraiser is not responsible for unauthorized use of this report.

2. Appraisers are not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraisers suggesting the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert in the field of environmental assessment. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The appraiser's value estimate is predicated on the assumption there exists no such material on or in the property causing a loss in value unless otherwise stated in this report. No responsibility is assumed for any environmental conditions, or for any expertise or engineering knowledge required to discover them. The appraisers' descriptions and resulting comments are the result of the routine observations made during the appraisal process.

3. The subject property is appraised without a specific compliance survey having been conducted to determine if the property is or is not in conformance with the requirements of *The Americans with Disabilities Act.* The presence of architectural and communications barriers which are structural in nature which would otherwise restrict access by disabled individuals may adversely affect the property's value, marketability, or utility.

4. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event, only with proper written qualification and only in its entirety.

5. Neither all nor any part of the contents of this report shall be conveyed to any person or entity, other than the appraiser's or firm's client, through advertising, solicitation materials, public relations, news, sales, or other media without the written consent and approval of the authors, particularly as to valuation conclusions, the identity of the appraiser or firm with which the appraiser is connected, or any reference to affiliation with any professional appraisal organization. Further, the appraiser or firm assumes no obligation, liability, or accountability to any third party. If this report is placed in the hands of anyone but the client, client shall make party aware of all the assumptions and limiting conditions of the assignment.

6. The appraiser affixing his signatures to this appraisal report will not be required to give testimony or appear in court because of having made this appraisal, with reference to the property in question, unless arrangements have been previously made thereof.

7. No environmental impact studies were either requested or made in conjunction with this appraisal, and the appraiser hereby reserves the right to alter, amend, revise, or rescind any of the value opinions based upon any subsequent environmental impact studies, research, or investigation.

8. The appraiser has not been supplied with a report of the subsoil conditions indicating the exact capacity of the subsoil. I do not have the benefit of subsoil test results of the properties and detection of possible soil defects would be beyond my realm of expertise. However, there appear to be no hidden or apparent conditions of the subject sites or subsoil structures which would render them more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.

9. Acceptance of and/or use of this appraisal report constitutes acceptance of the foregoing General Assumptions, Special Assumptions, General Limiting Conditions, and Special Limiting Conditions.

EXTRAORDINARY LIMITING CONDITIONS AND HYPOTHETICAL CONDITIONS:
This value is based on a hypothetical condition that the subject was completed on May 18, 2019.

CERTIFICATION:

I certify, to the best of my knowledge and belief:

1. The statements of fact contained in this report are true and correct.

2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions and conclusions.

3. I possess no present or prospective interest in the property which is the subject of this report and no personal interest with respect to the parties involved.

4. I possess no bias with respect to the property which is the subject of this report or to the parties involved with this assignment.

5. The engagement in this assignment was not contingent upon developing or reporting predetermined results.

6. The compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value favoring the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

7. The analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *2018/2019 edition of the Uniform Standards of Professional Appraisal Practice.*

8. Thomas A. Marr has made a personal viewing of the property which is the subject of this report. No one else has rendered significant real estate appraisal knowledge and input to the compilation of this report.

9. I have not performed any services, to include appraisal services, regarding the subject in the previous three years.

10. The opinion of market value 'as is' of the one hundred percent (100%) fee simple ownership interest in the subject property, as of the date of last my personal viewing, of February 22, 2019 'as is' is prior to the promulgation of Destin Ordinance 19-23-CC is FOUR MILLION ONE HUNDRED EIGHTY THOUSAND DOLLARS ($4,180,000) and the value after the promulgation of Destin Ordinance 19-23-CC is TWO MILLION TWO HUNDRED THIRTY THOUSAND DOLLARS ($2,230,000. The diminution of value is estimated as ONE MILLION NINE HUNDRED FIFTY THOUSAND DOLLARS ($1,950,000).

Thomas A Marr

Thomas A. Marr
State-certified General Real Estate Appraiser № RZ 2645 (Florida)

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DESCRIPTION OF THE SUBJECT PROPERTY
Ownership:

The current owner is 10 Hutchison LLC. The following deed is an administrative transfer in 2017. The original acquisition deed is available on the two following pages. See additional comments in the history section on page 44.

FILE #3189127 RCD: 2/16/2018 4:41 PM, BK: 3337 PG: 3974, RECORDING: $10.50 RECORDING ARTICLE V: $8.00
D Doc Stmp: $0.70 DEPUTY CLERK PDUNN
JD PEACOCK II CLERK OF COURTS, OKALOOSA COUNTY, FLORIDA

Corporate Warranty Deed

This Indenture, made , January 2, 2018 A.D.
Between
11 Hutchinson LLC, a Florida limited liability company, whose post office address is: 1159 Troon Drive, Miramar Beach, Florida 32550, a Florida limited liability company existing under the laws of the State of Florida, Grantor and **11 Hutchinson LLC, a Florida limited liability company** whose post office address is: 1159 Troon Drive, Miramar Beach, Florida 32550, Grantee,

Witnesseth, that the said Grantor, for and in consideration of the sum of Ten and No/100 Dollars ($10.00), to it in hand paid by the said Grantee, the receipt whereof is hereby acknowledged, has granted, bargained and sold to the said Grantee forever, the following described land, situate, lying and being in the County of Okaloosa, State of Florida, to wit:

A portion of Lot 12 and a portion of Lot 11, Block 10, Crystal Beach, being more particularly described as follows:

The South 18 Feet of Lot 12, Block 10 and the North 38 Feet of Lot 11, Block 10, Crystal Beach, according to the plat thereof as recorded in Plat Book 1, Page 17 of the Public Records of Okaloosa County, Florida.

THE ABOVE DESCRIBED PROPERTY IS NOW PLATTED AND DESCRIBED AS FOLLOWS:

Lot 3 of HUTCHINSON COURTS, according to the Plat thereof as recorded in Plat Book 28, Page(s) 11, of the Public Records of Okaloosa County, Florida.

Subject to taxes for the current year, covenants, restrictions and easements of record, if any.

Parcel Identification Number: **00-2S-22-5445-0000-0030**

The following deed is the deed where the subject was acquired in 2016.

FILE #3067566 RCD: 5/23/2016 5:19 PM, BK: 3249 PG: 1942, RECORDING: $10.50 RECORDING ARTICLE V: $8.00
D Doc Stmp: $3,444.00 DEPUTY CLERK TWH.CON
JD PEACOCK II CLERK OF COURTS, OKALOOSA COUNTY, FLORIDA

Prepared by and return to:
David B. Pleat
Attorney at Law
Pleat, Perry & Ritchie, P.A.
4477 Legendary Drive, #202
Destin, FL 32541
850-650-0599
File Name: Feller-12
$18.50 $3,444.00 based on $492,000.00

[Space Above This Line For Recording Data]

Warranty Deed

This Warranty Deed made this 20th day of May, 2016 between Mary Rita Feller individually and as Trustee of the Mary Rita Feller Revocable Trust U/A/D 11/3/05 whose address is 48 Avalon Drive, Terre Haute, IN 47802-3419, grantor, and 12 Hutchinson LLC, a Florida limited liability company whose address is 1159 Troon Dr, Miramar Beach, FL 32550, grantee:

(Wherever used herein the terms "grantor" and "grantee" include all the parties to this instrument and the heirs, legal representatives, and assigns of individuals, and the successors and assigns of corporations, trusts and trustees)

Witnesseth, that said grantor, for and in consideration of the sum of TEN AND NO/100 DOLLARS ($10.00) and other good and valuable considerations to said grantor in hand paid by said grantee, the receipt whereof is hereby acknowledged, has granted, bargained, and sold to the said grantee, and grantee's heirs and assigns forever, the following described land, situate, lying and being in Okaloosa County, Florida to-wit:

A PORTION OF LOT 13 AND A PORTION OF LOT 12, BLOCK 10, CRYSTAL BEACH, BRING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

THE SOUTH 24 FEET OF LOT 13, BLOCK 10 AND THE NORTH 32 FEET OF LOT 12, BLOCK 10, CRYSTAL BEACH, ACCORDING TO THE PLAT THEREOF AS RECORDED IN PLAT BOOK 1, PAGE 17 OF THE PUBLIC RECORDS OF OKALOOSA COUNTY, FLORIDA.

Parcel Identification Number: 00-2S-22-0580-0010-0120

Subject to covenants, conditions, restrictions, reservations, limitations, easements and agreements of record, if any; and to all applicable zoning ordinances and/or restrictions and prohibitions by governmental authorities, if any.

Grantor warrants that at the time of this conveyance, the subject property is not the Grantor's homestead within the meaning set forth in the constitution of the state of Florida, nor is it contiguous to or a part of homestead property.

Together with all the tenements, hereditaments and appurtenances thereto belonging or in anywise appertaining.

To Have and to Hold, the same in fee simple forever.

And the grantor hereby covenants with said grantee that the grantor is lawfully seized of said land in fee simple; that the grantor has good right and lawful authority to sell and convey said land; that the grantor hereby fully warrants the title to said

DoubleTime®

BK: 3249 PG: 1943

land and will defend the same against the lawful claims of all persons whomsoever; and that said land is free of all encumbrances, except taxes accruing subsequent to **December 31, 2015.**

In Witness Whereof, grantor has hereunto set grantor's hand and seal the day and year written below.

Signed, sealed and delivered in our presence:

Witness Name: LISA VANREED

Witness Name: Lindsey Jones

Mary Rita Feiler

Mary Rita Feiler, individually and as Trustee

State of Indiana
County of Lake

The foregoing instrument was acknowledged before me this 19th day of May, 2016 by Mary Rita Feiler individually and as Trustee of the Mary Rita Feiler Revocable Trust U/A/D 11/3/06, who [_] is personally known or [X] has produced a driver's license as identification.

[Notary Seal]

LINDSEY DANIELLE JONES
Notary Public - Seal
State of Indiana
My Commission Expires Jan 2, 2021

Notary Public

Printed Name: Lindsey Danielle Jones

My Commission Expires: 1/2/2021

SITE:

Location:
The subject is located on the west side of Hutchison Street, 400 feet north of the Hutchison Street and Scenic Highway 98 intersection.

The subject lot was once part of the mature Crystal Beach subdivision in Destin and has been re-designated as Lot 4 of the Hutchison Courts SD

The surrounding area is the Crystal Beach Subdivision which is a mix of mature homes as well as many recently constructed 'beach' homes used for seasonal rental

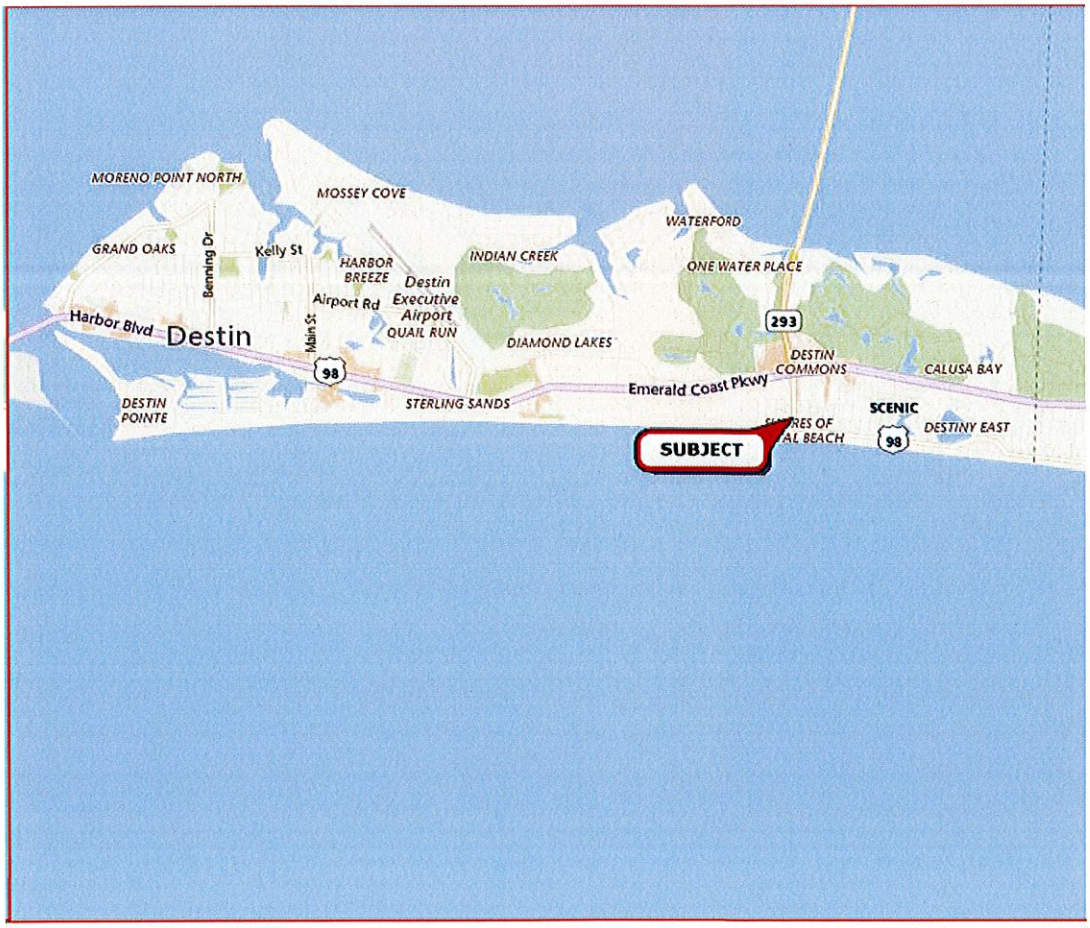
To the east and west, north of Scenic Highway 98 are primarily single family detached homes.

To the north, along the Emerald Coast Parkway (U. S. Highway 98) all uses are almost exclusively commercial, and further north of the Emerald Coast Parkway are mature, residential subdivisions.

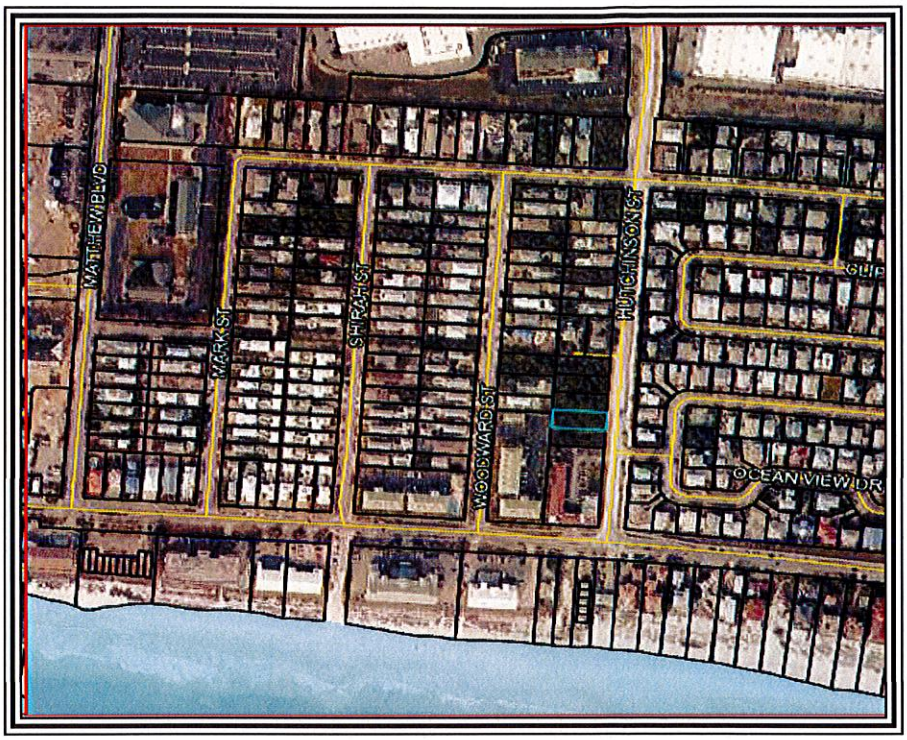
On the south side of Scenic Highway 98 are almost exclusively multi-family condominium projects mixed with a few detached single family residential homes.

The Henderson Beach Resort was just completed to the west of the subject.

See the following map for the subject location in the broad Destin market.



The following map indicates the Crystal Beach area which is the local market area surrounding the subject.

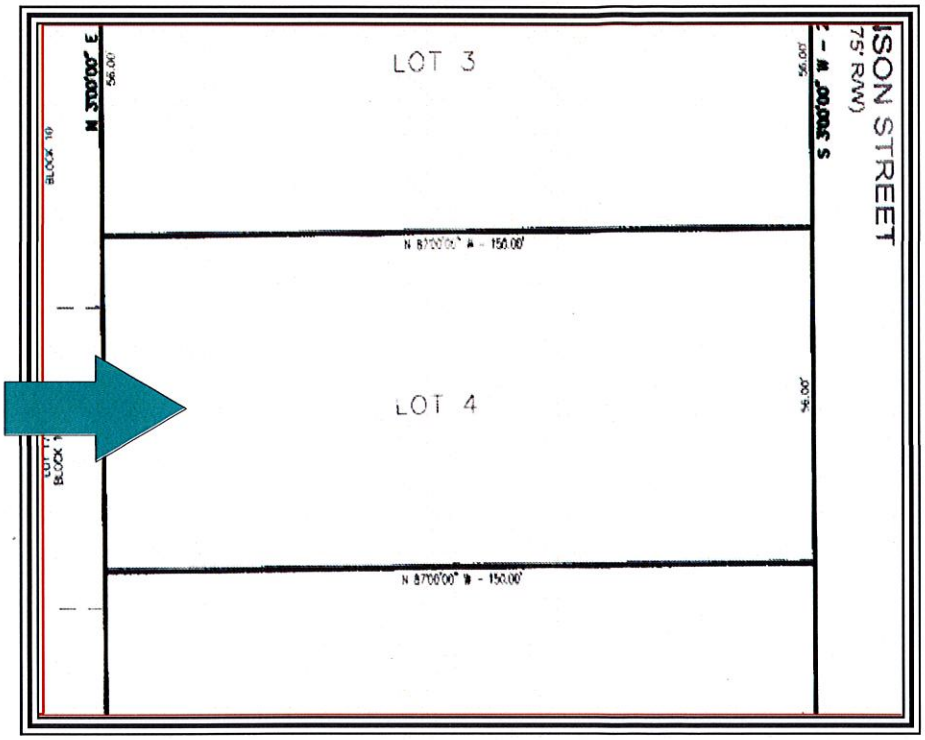


The following aerial photograph indicates the immediate vicinity of the subject.

Land Size:

The subject is a single residential lot.

See the following excerpt from the recorded plat map.



Based on these dimensions, the subject lot is a rectangle with east and west dimensions of 56 feet and north and south dimensions of 150 feet.

This results in a land size of 8,400 SF.

I would consider the subject land size as typical and parking to be adequate as there are eight (8) approved parking spaces.

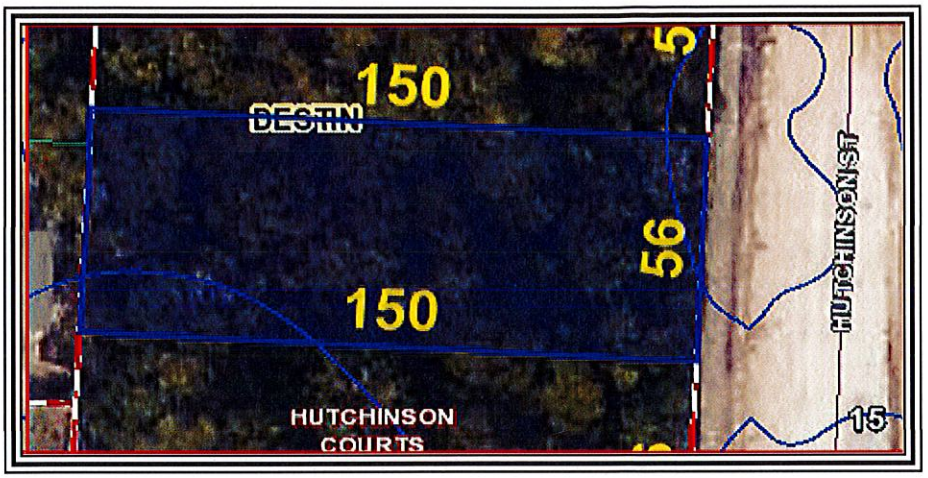
Site Topography:

Per the Okaloosa County GIS site and my viewing, the subject is at the road grade of Hutchison Street.

The subject is also generally level over the entire surface of the lot.

The subject lot contour is typical for most market parcels.

I am providing the following contour map extracted from the Okaloosa County Property Appraiser web site.



Utilities:

Utility	*Provider*	*Utility*	*Provider*
Electricity	Gulf Power	Stormwater Drainage	Destin
Water and Sewer	Okaloosa County	Fire Department	Destin
Natural Gas	Okaloosa Gas	Police Department	Contract with the Okaloosa County Sheriff
Telephone	Verizon	Refuse Removal	By contract
Cable Television	Cox Cable		

The utilities for the subject site are considered as typical in the market.

Easements/Encroachments:
I was not furnished a copy of a recent survey of the subject property. A review of the site plan, various maps and my personal viewing did not indicate any easements or encroachments.

I assume there are utility easements of record.

It is my opinion that there are no easements or encroachments which would affect value or transferability.

Ingress/Egress:
The subject property is reached directly from Hutchison Street, which fronts on the subject east side.

Hutchison Street is a paved, two lane public roadway.

Hutchison Street connects to Scenic Highway 98 on the south and then runs north where it crosses over Emerald Coast Parkway (U. S. Highway 98) and then is re-designated the Danny Wuerfel Highway/Mid Bay Bridge Road.

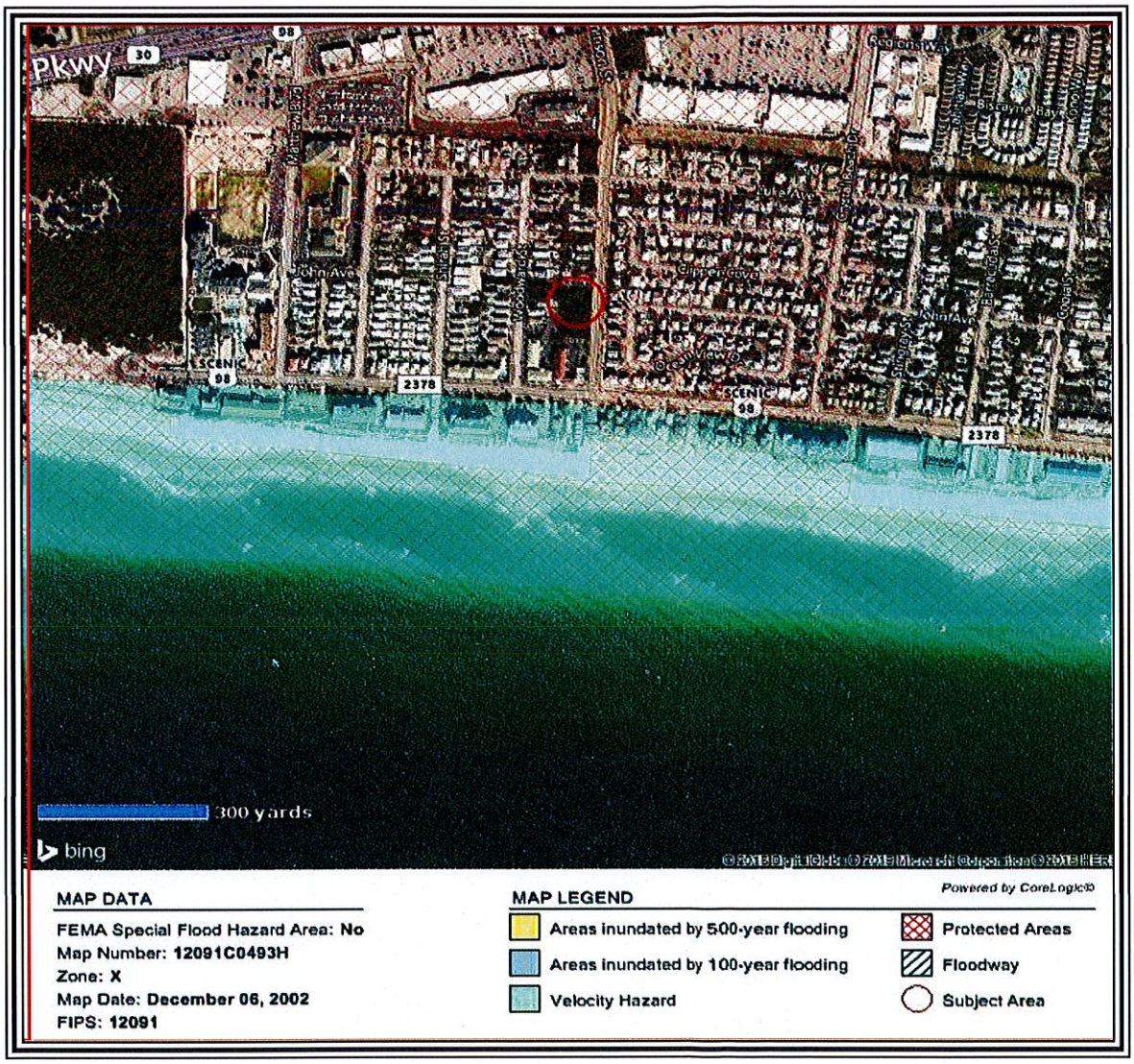
Ingress/egress is viewed as similar to most access typically found in the market.

Parking is viewed as superior to most parking found in the market as the subject was just developed and meets the most current code.

Flood Risk:

FEMA Map Panel	*Map Area*	*Dated*	*Flood Zone*
12091C 0493H	Okaloosa County	December 6, 2002	"X"

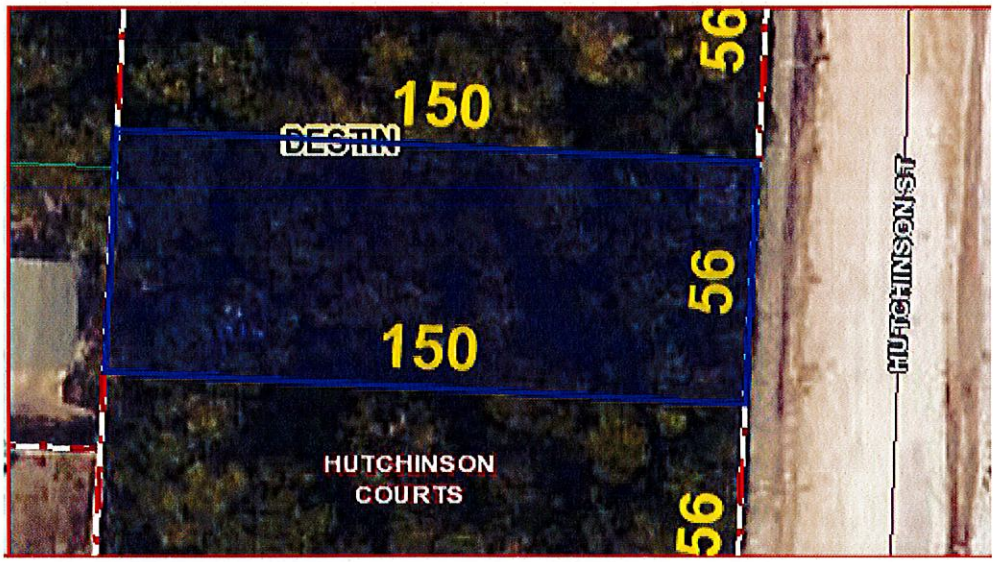
* The client is advised appraisers are not surveyors, and accordingly, any final determination as to flood zone status should only be made by a licensed, adequately insured, Florida surveyor utilizing the latest FEMA flood panels. However, it appears the entire subject area is considered as Flood Zone 'X', an area of minimal flood risk. The subject is located at the red circle in the following flood map.



Wetlands:

The subject features no wetlands.

The wetland map is consistent with the flood panel on the previous page.



Census Data:
The subject is located in census tract 0233.04.

IMPROVEMENTS 'AS IS'

Size:
The semi-completed subject is a single family detached improvement with three living levels and a fourth level which is a viewing deck accessed by stairs.

The subject also features an attached two car garage on the first level. The subject features substantial exterior balconies and porches, as well as an in ground swimming pool, pool deck/lanai, landscaping, and six (6) open paver parking spaces. The two (2) garage spaces and the six (6) open spaces result in a total of eight (8) parking spaces.

The first living level is one bedroom with a king bed sleeping two (2), a second bedroom with a king bed sleeping two (2) a sofa sleeper in the game room sleeping one (1) and a media room sleeping six (6) for a total of 11 guests on the first level.

The second level is the kitchen and other living areas to include three (3) bedrooms with king beds sleeping two (2) each for a total of six (6) guests and a sofa sleeper sleeping two (2) guests for a total of eight (8) guests on the second level.

The third level is two bedrooms with king bed sleeping two (2) each for a total of four (4), a bedroom with ten (10) bunks and a den area sofa sleeper sleeping two (2) for a total of sixteen (16) on the third level.

The three level totals of 11, 8 and 16 result in a total of 35 guests.

Per Okaloosa County public records, the subject is 9,408 total SF with an approximate 6,864 HVAC SF of living area.

Construction Quality:
The quality of construction for the subject improvement is *Class C* good. Details of construction are summarized below:

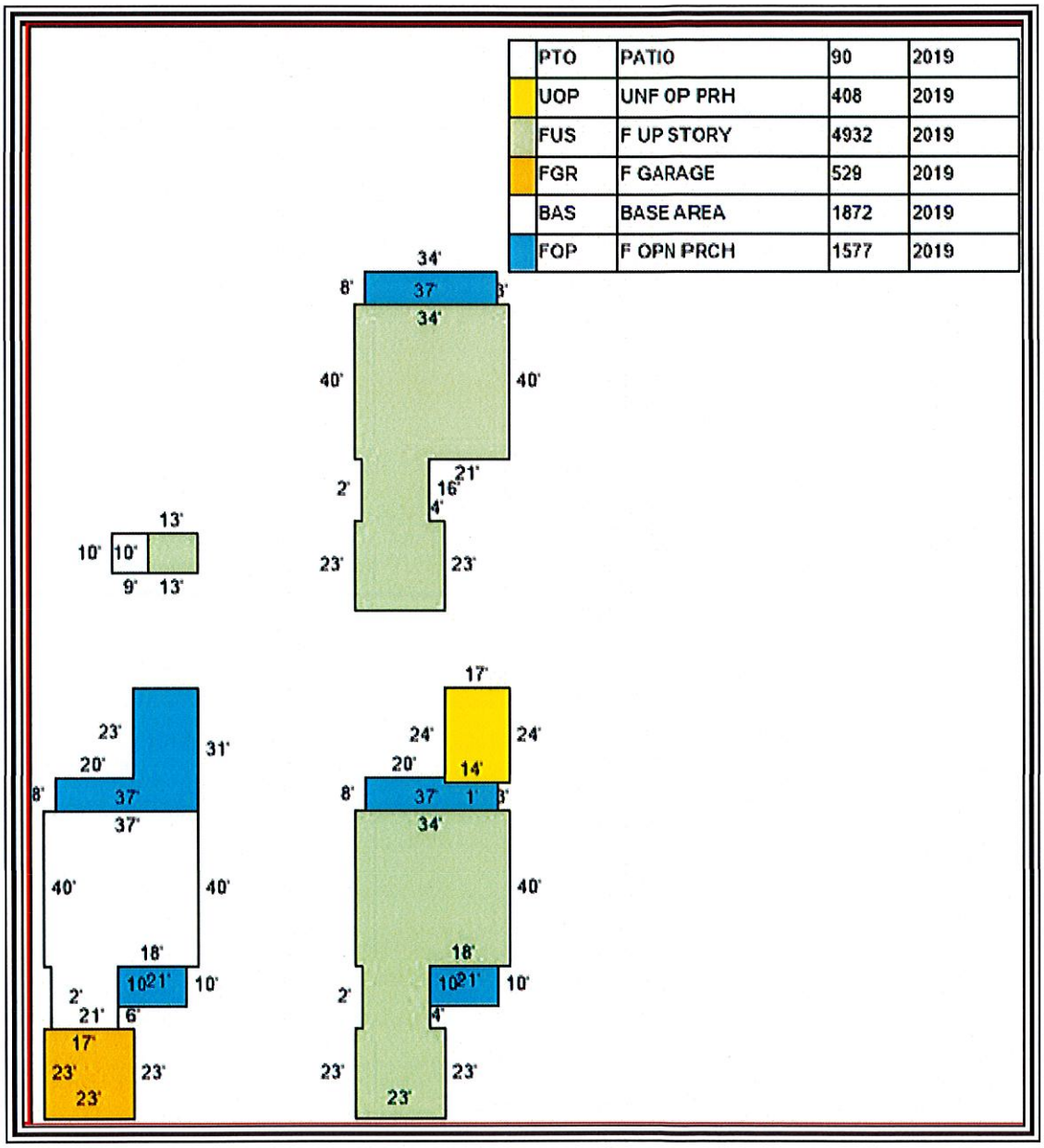
Construction Component	
Foundation	4" Reinforced concrete slab
Exterior walls	Wood frame with hardi board and brick
Roof	Metal
Trim	Base and crown molding
Windows	Double pane aluminum
Exterior doors	Insulated metal with glass
Insulation	Unknown. Assumed to be R38 behind sheet rock
HVAC	Forced Air and Central HVAC
Ceiling	10 foot with sheet rock and can lights
Interior Walls	Painted sheet rock
Interior flooring	High quality stone, tile and carpet
Interior doors	Six and four panel wood
Restrooms	Seven and One Half bath rooms
Lighting	Can lights
Kitchens	One typical residential kitchen
Other	Many porches/swimming pool and lanai/elevator.

Condition of Improvements:
The subject improvement is new and in good condition.

Age:
Public records and my viewing indicate this subject improvement will be completed in 2019.

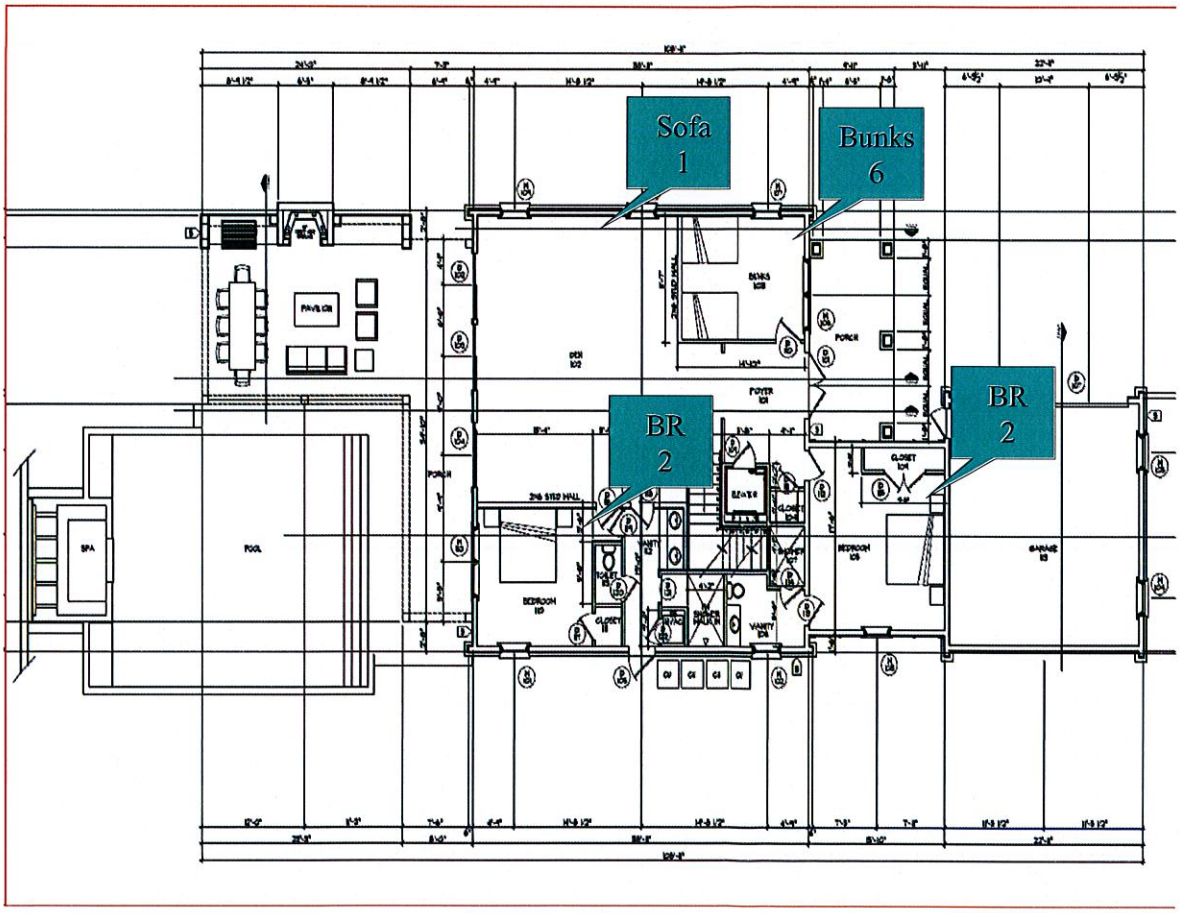
I consider the actual age and the effective age to be a similar one year. I estimate an economic life of 55 years and a physical life of 75 years.

See the following sketch from the Okaloosa County Property Appraiser web site.

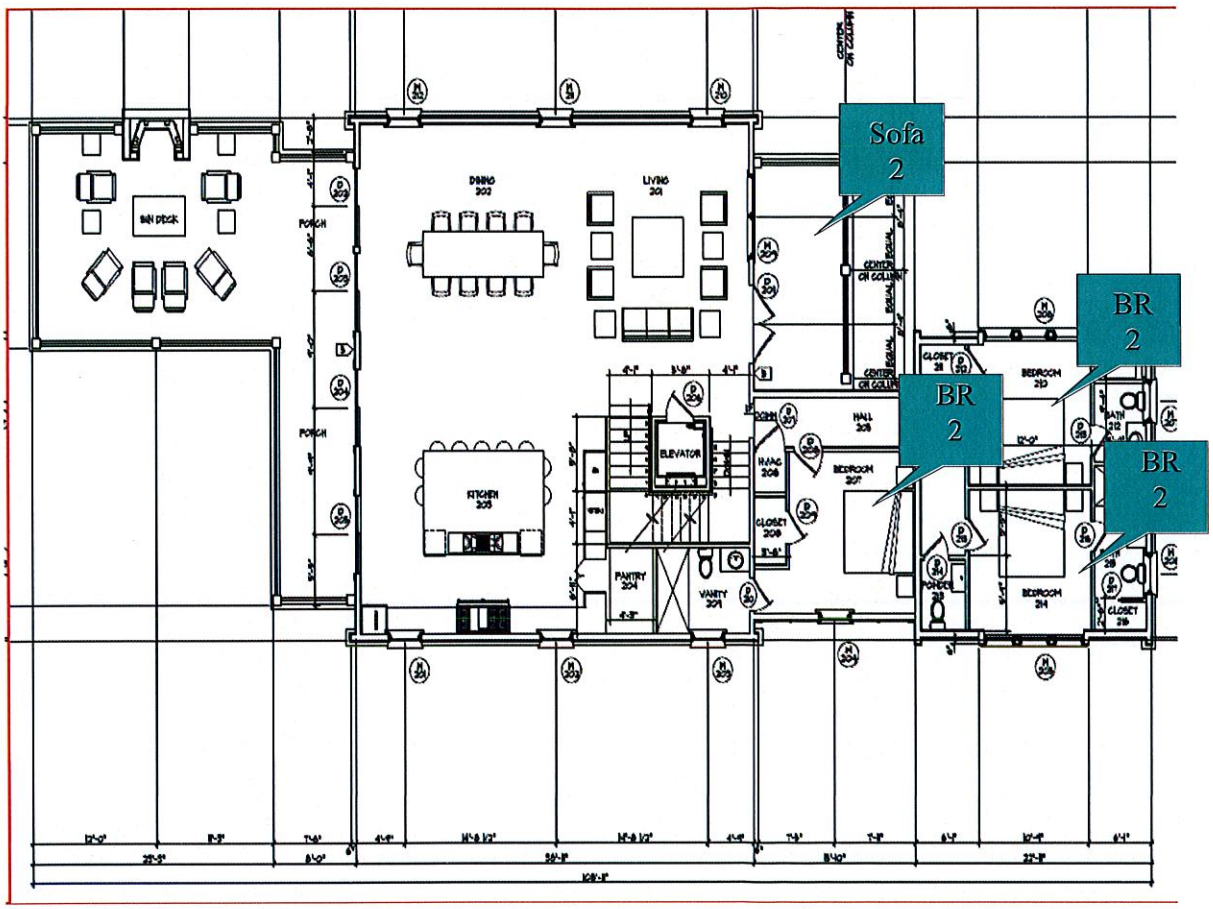


See the following plans provided by the client.

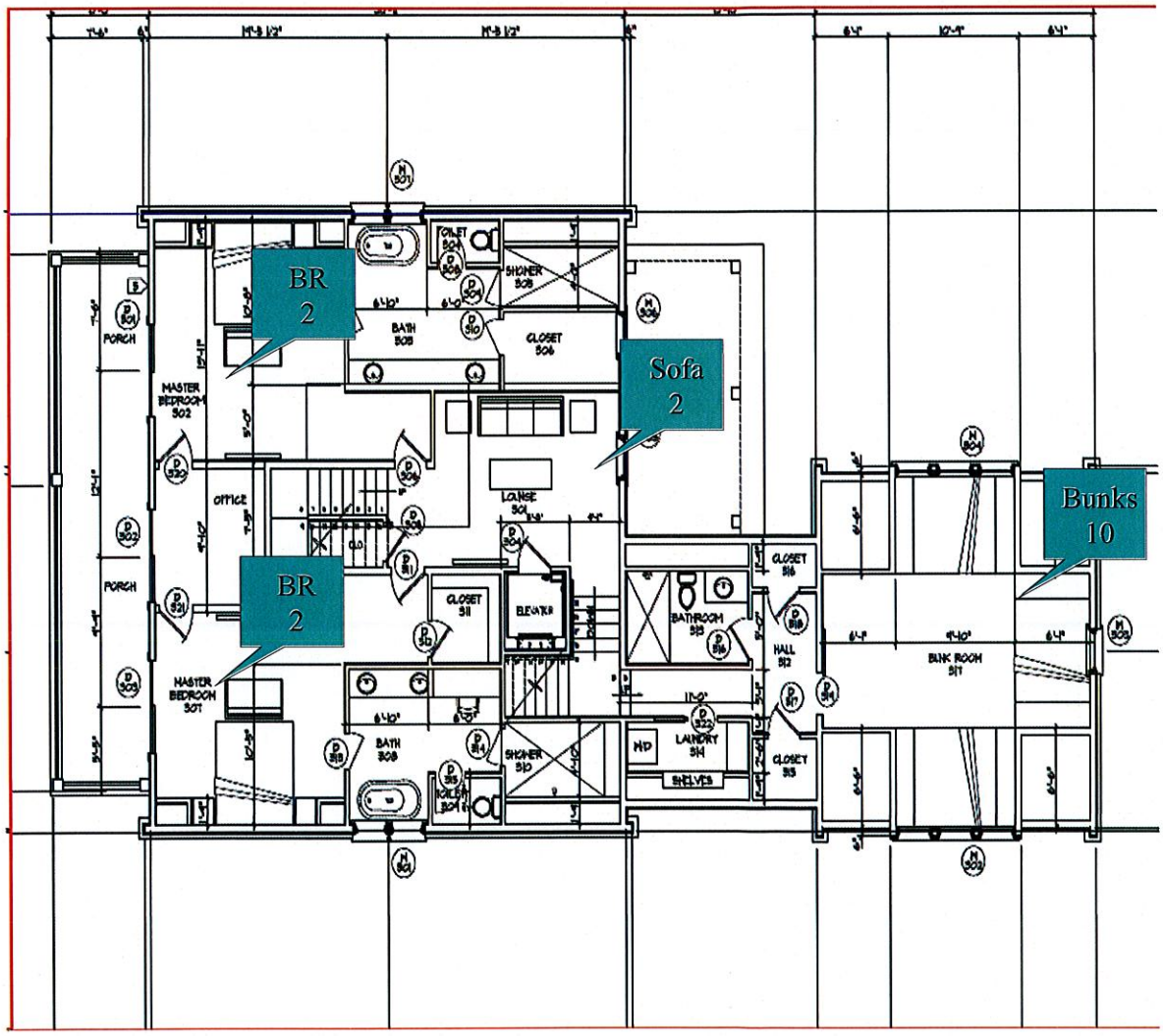
The first level sleeps eleven (11) as indicated below.



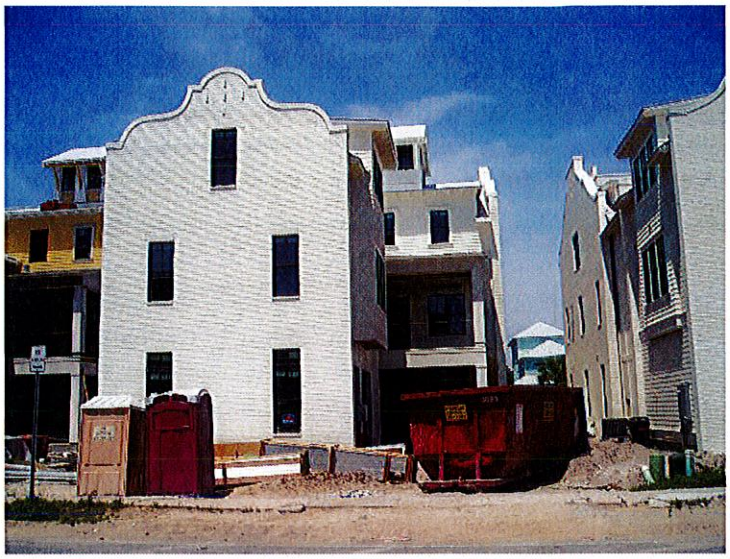
This is the second level with the main living areas of the kitchen as well as three bedrooms and a sofa sleeper, sleeping a total of eight (8).



This is the third level which sleeps sixteen (16)



Exterior Photographs:

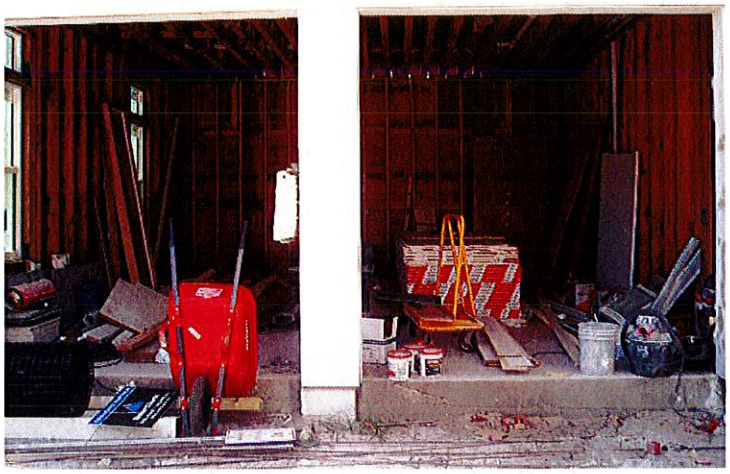


FRONT OF SUBJECT

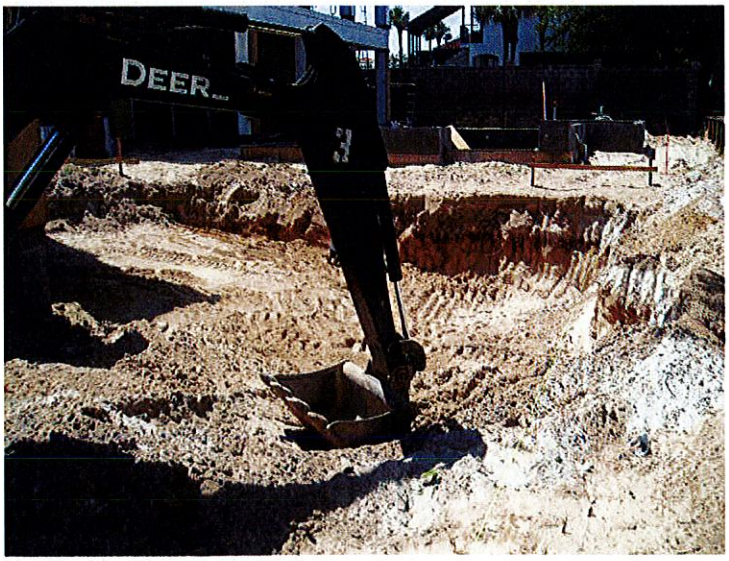
REAR OF SUBJECT

PARKING SPACES

PARKING SPACE



GARAGE



POOL AREA

First Level Sleeping eleven (11).

GAME ROOM WITH SOFA SLEEPING ONE (1)

BUNK ROOM SLEEPING SIX (6)

BEDROOM WITH KING SLEEPING TWO (2) BEDROOM #1

FULL BATH SUPPORTING BEDROOM #1 - BATH #1

BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #2

FULL BATH SUPPORTING BEDROOM #2 - BATH #2

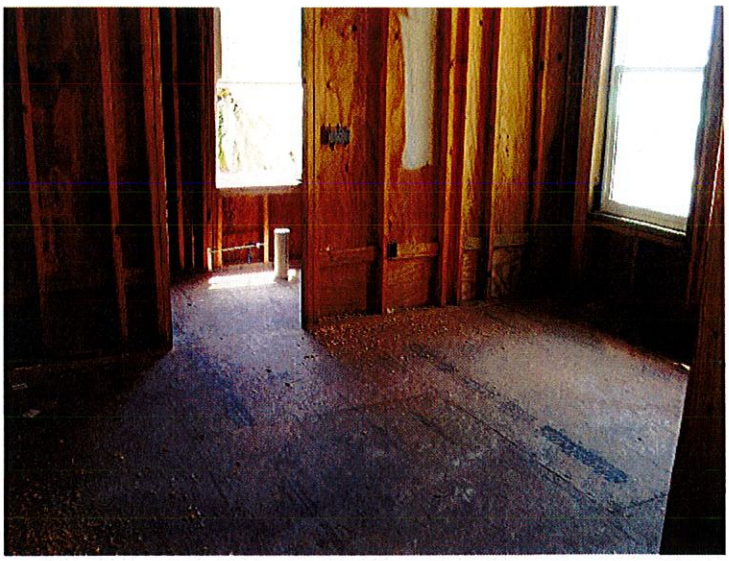
Second Floor Area Features Kitchen and Great Room and Sleeps Eight (8):

KITCHEN

GREAT ROOM WITH SOFA SLEEPING TWO

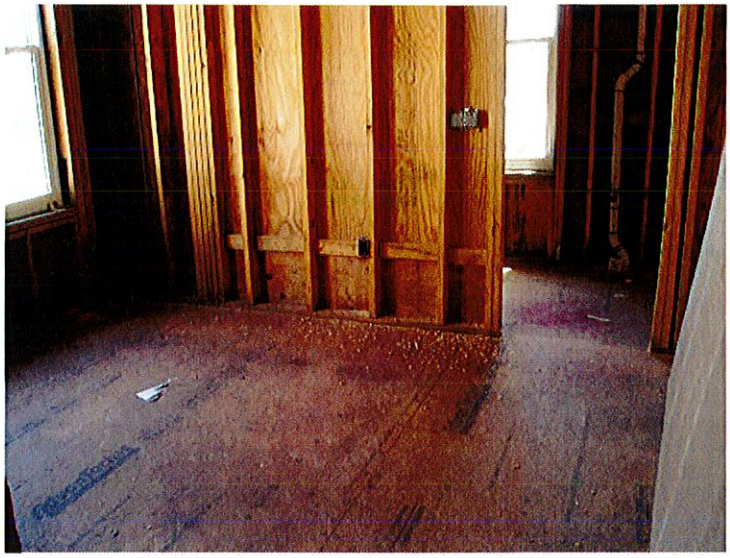
BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #3

FULL BATH SUPPORTING BEDROOM #3 - BATH #3

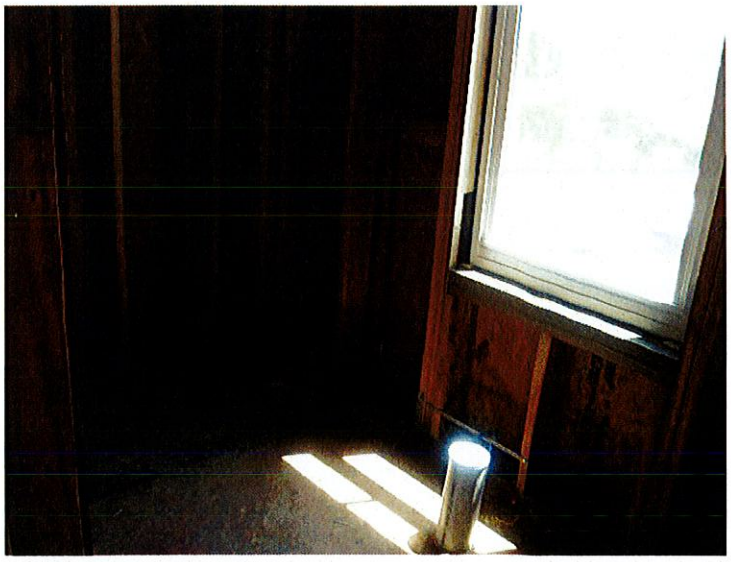


BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #4

FULL BATH SUPPORTING BEDROOM #4 - BATH #4

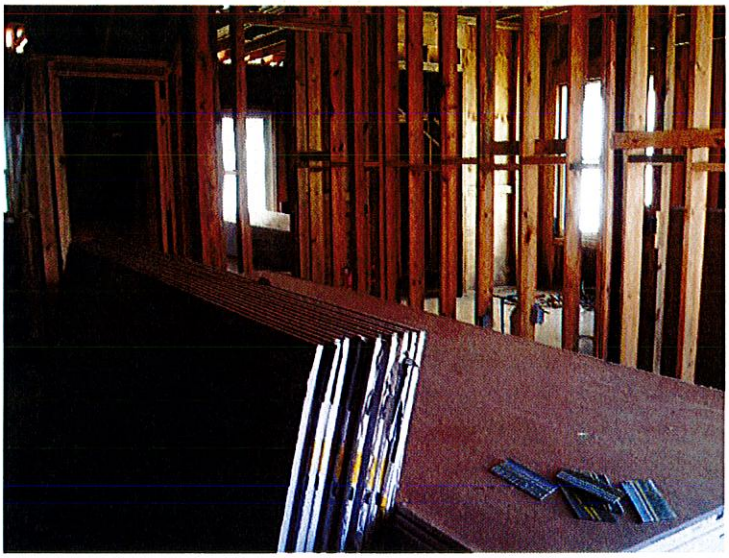


BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #5



FULL BATH SUPPORTING BEDROOM #5 - BATH #5

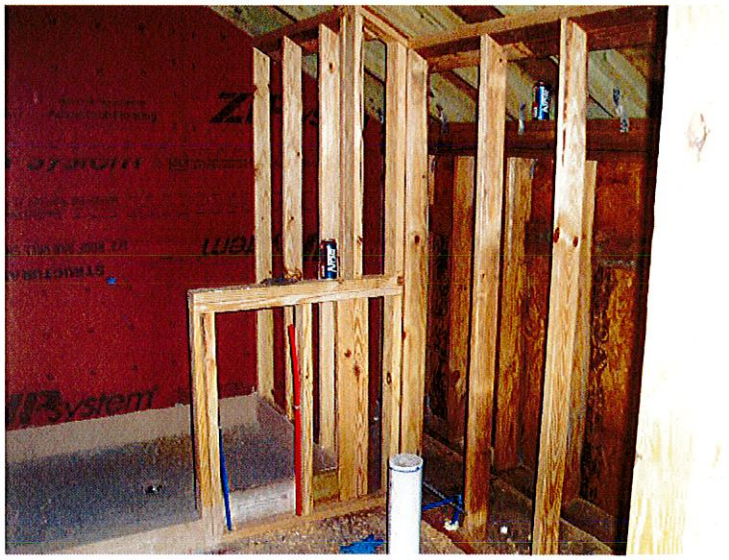
Third Level Sleeping Sixteen (16):



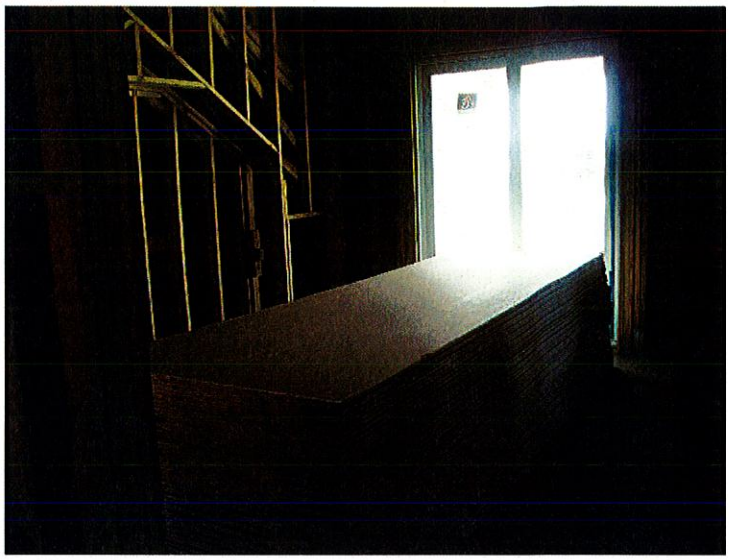
DEN WITH SOFA SLEEPING TWO (2)

LAUNDRY

BUNK ROOM SLEEPING TEN (10) - BEDROOM #6



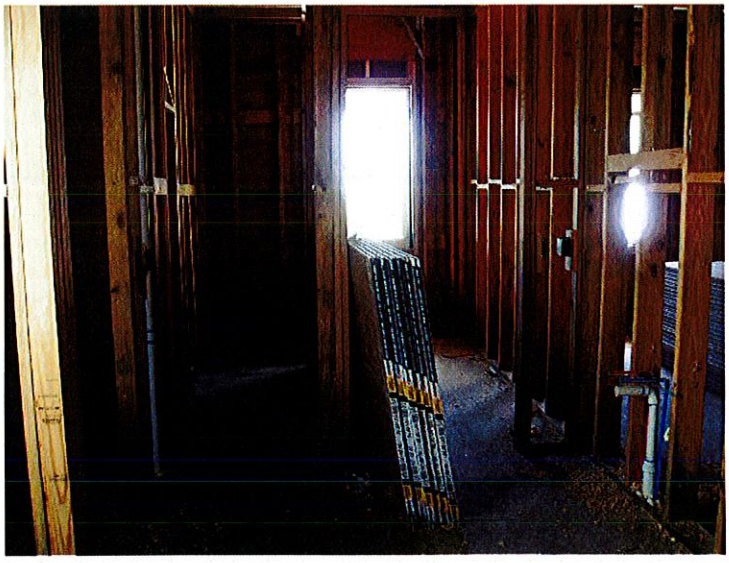
FULL BATH SUPPORTING BEDROOM #6 - BATH # 6.5



BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #7

FULL BATH SUPPORTING BEDROOM #7 - BATH #7.5

BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #8



FULL BATH SUPPORTING BEDROOM #8 - BATH #8.5

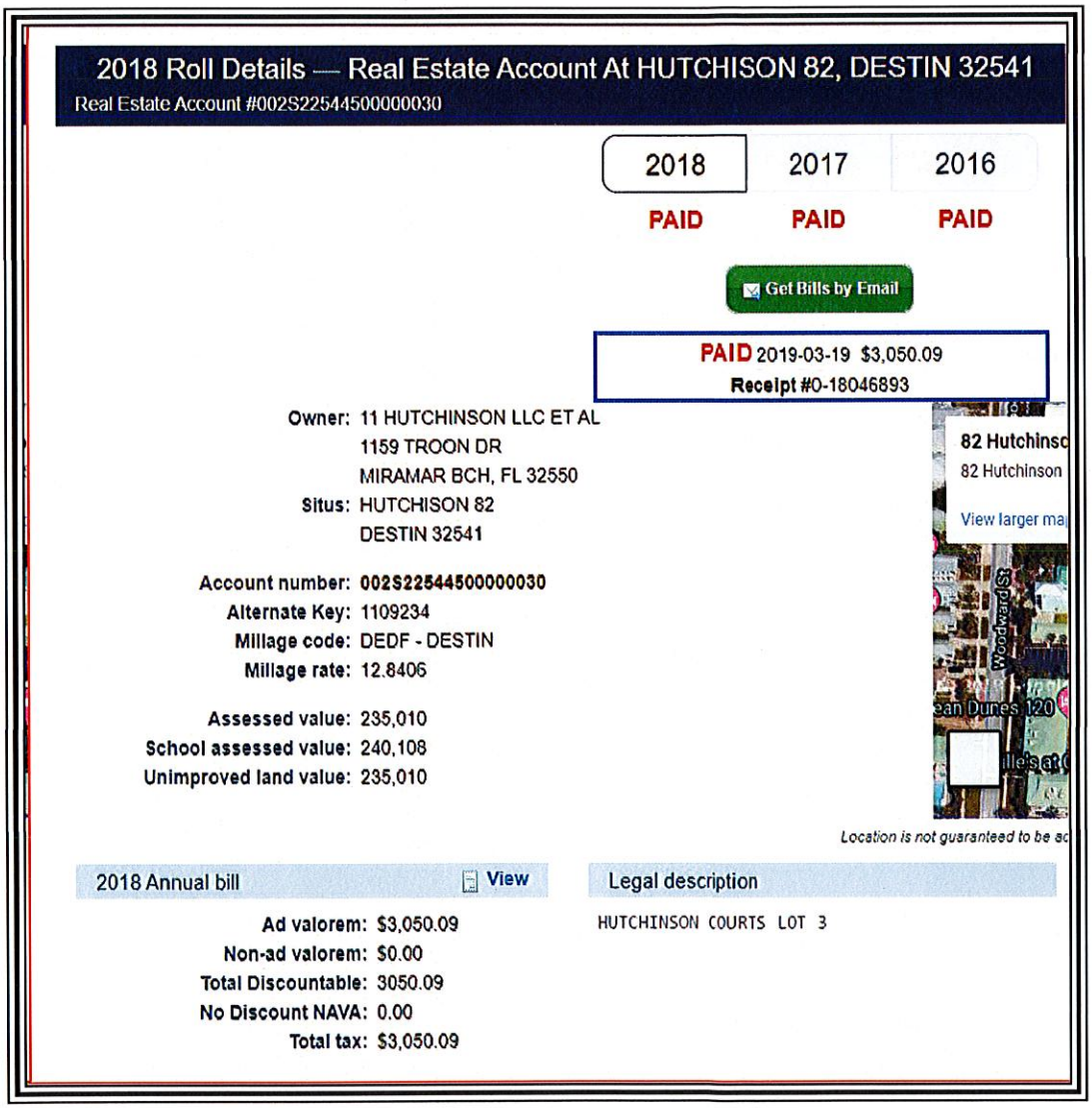
Taxes:
The tax identification number, gross tax amount due, amount paid, and assessed value for the 2018 tax year.

Tax Identification Number	Assessed Value	Gross Tax Amount Due	Amount paid	Amt. Due
00-2S-22-5445-0000-0030	$235,010	$3,050.09	$3,050.09	None

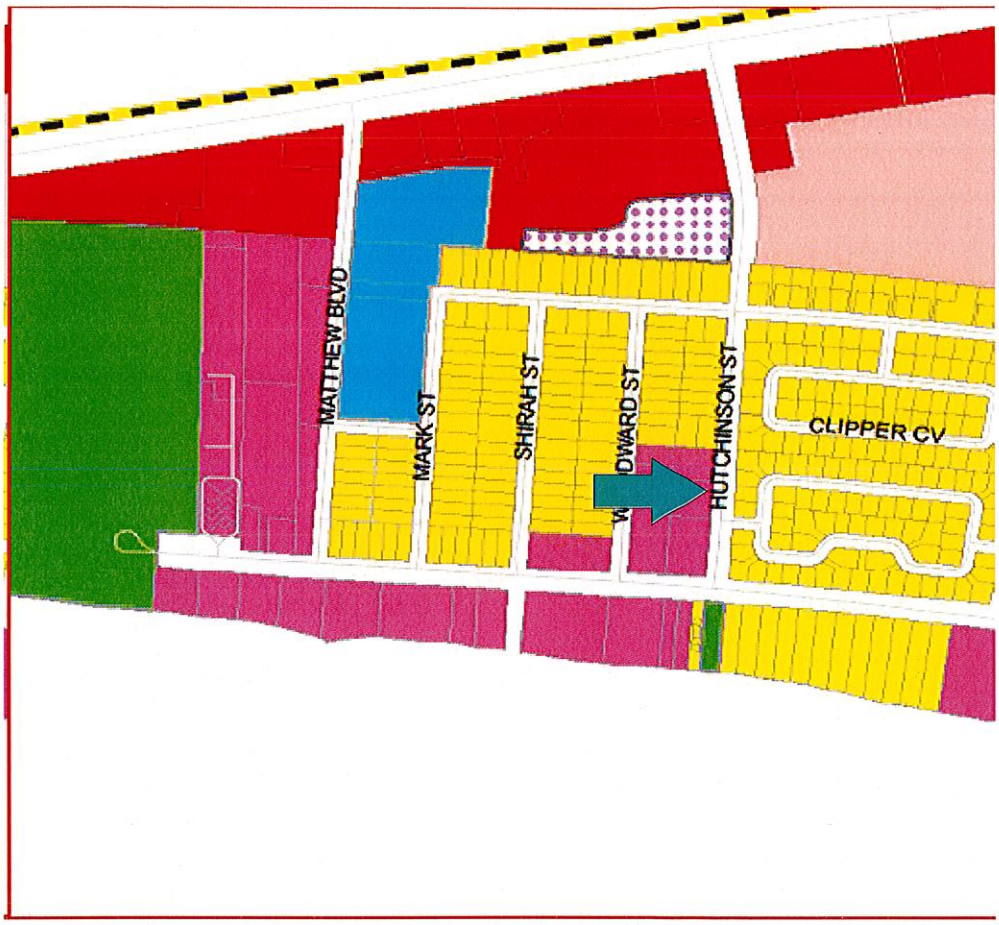
The 2018 taxes are paid.

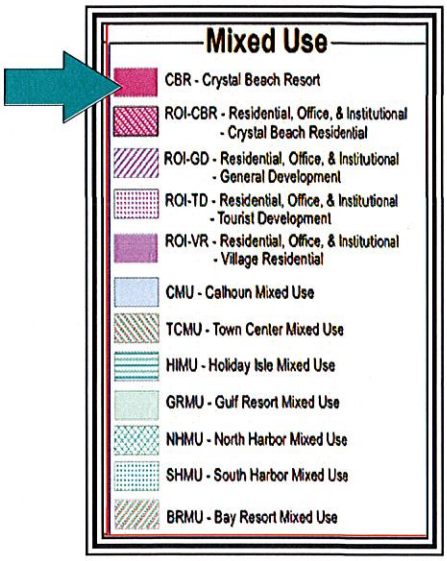
There are no previous year taxes owing.

It is my experience that assessed value has little correlation with current market value and are typically lower than market value with a few exceptions. I also note that 2020 ad valorem taxes will be much higher after the certificate of occupancy is awarded. As the subject will be taxed as improved property.



Zoning:
The following map indicates zoning for the subject parcel. The subject is zoned Crystal Beach Resort by Destin. See following pages for detailed identification of allowable uses.





LAND DEVELOPMENT CODE COMMENTS

The following excerpts were taken from the Destin Land Development Code, currently on line.

This first excerpt states that Crystal Beach Resort is designed for permanent and short term residential use. I note that this description of the Crystal Beach zoning designation is silent regarding the number of allowable guests and does not limit guest numbers.

> **Policy 1-2.4.2: Crystal Beach Resort (CBR).** The "CBR" designation provides for residential and limited nonresidential uses. Both permanent long-term and short-term residential uses are permitted. Commercial hotels, motels, bed and breakfast establishments, and other commercial transient living accommodations shall be allowed. Nonresidential uses shall include places of worship, community buildings, public facilities, schools, libraries, post offices, childcare centers, clubhouses, museums, visual and performance arts buildings, neighborhood retail commercial goods and services not exceeding 5,500 square feet designed primarily to serve the needs of the Crystal Beach resort area, offices, medical and dental clinics, laundries and dry cleaning drop off centers, banks, fitness centers, dinner clubs and restaurants. The following maximum development standards shall be applied to future development within "CBR" designated areas:

This second excerpt defines long term rental and short term rental. I again note that the definition of short term rental is silent regarding the number of allowable guests.

> **Policy 1-2.1.1: Residential Uses Defined.** Residential uses shall include several structure types used for housing, including single-family detached dwellings and multiple-family structures including duplex structures units, town homes and other detached single-family structures, apartments, patio homes, atrium homes, and similar multiple-family structures. The specific FLUM designations shall identify where single-family and multiple-family structures may be located. Following are the definitions for long-term residential and short-term residential.
>
> 1. **Long-Term Residential.** Long-term residential uses shall be defined as any residential accommodation that is available for occupancy for 181 days or more. Long-term residential uses shall include lock-out units, as defined in the Glossary.
> 2. **Short-Term Residential.** Short-term residential uses shall be defined as any residential accommodation that is available for occupancy for 180 days or less. Short-Term Residential uses shall include lock-out units, as defined in the Glossary.

This third excerpt defines the grandfather clause. This clause states clearly that the grandfather status may be released only by the vested entity

> **Policy 1-2.1.5: Grandfather Clause.** Existing land uses that were lawfully conforming uses prior to the effective date of the Comprehensive Plan, shall continue as lawful uses and shall be regulated through administrative remedies for vested rights issues that shall be included in the LDC. Building heights, density and/or intensity which (a) are actual present and which lawfully existed prior to the effective date of the Comprehensive Plan, or (b) were authorized pursuant to a development order, which development order remained unexpired as of the effective date of the Comprehensive Plan, shall continue to be legal building heights, density and/or intensity (as applicable) after adoption of the Comprehensive Plan. All duly approved and recorded lots, subdivision and condominium plats of record, which existed as legal lots, subdivision and condominium plats of record prior to the adoption of this Comprehensive Plan shall continue to be legal lots, subdivision and condominium plats of record after adoption of the Compreh[illegible]. This grandfather status may only be relinquished voluntarily by the vested entity. A[illegible]sions, condominium plats and all replats shall comply with the Comprehensive Plan objectives and policies, including maximum density provisions. Similarly, all new development shall comply with the Comprehensive Plan and LDC unless the development is found to have a vested right in a land use, building height, density or intensity that is in conflict with the Comprehensive Plan and LDC. Under such condition the grandfather clause shall be applicable unless voluntarily relinquished by the vested entity. The intent is to sustain demonstrated private property rights while preserving the public interest, welfare, health, and safety. Notwithstanding, any single-family home that is subject to redevelopment shall be allowed to reconstruct, providing adopted building and construction codes as well as this ordinance and the size and dimension criteria of the LDC are met.

CONCLUSION

Based on these excerpts, I conclude that prior to the promulgation of Ordinance 18-29-CC, there were no restrictions to the number of allowable guests.

History:
The subject has been owned by the current owner since 5/23/2016 when they purchased it from the Mary Feiler Trust for $492,000 per ORB/P 3249/1942.

There was a subsequent transfer for $100 on 9/18/2017 per ORB/P 3317/1438. This transfer was an administrative transfer.

I do not consider the previous sale to have any relevance to the value opinions based on income analysis in this report.

The owners then constructed the subject improvement.

Active Listings:
The subject is not listed for sale and has not been listed for sale in the previous three years.

Current Use:
The subject is currently a recently constructed detached single family home planned for seasonal rental, catering to large family groups.

Surrounding Uses:
The surrounding use in the Crystal Beach area is a mix of full time occupants and seasonal renters.

MARKET AREA ANALYSIS - SEASONAL RENTAL MARKET

I am restricting this analysis to the seasonal rental market.

Up until perhaps 2000, the great majority of seasonal rentals were condominium units.

However, the growing demand for larger spaces to accommodate extended families in one place led to the conversion of many larger homes to seasonal rents. It also spurred the construction of homes specifically designed for large rental parties.

Such homes feature typical living areas but emphasize a substantial number of bedrooms and baths. Often bedrooms are equipped with multiple built - in bunks for sleeping children.

Most homes also feature sofa sleepers which can sleep additional children.

Many of these homes, and certainly those recently constructed for this purpose, featured swimming pools and lanai areas as an exterior amenity.

This market has flourished as Destin is nationally recognized asa tourist attraction.

It is common to see Realtors addressing gross rental amounts or gross rental projections in MLS Listings. While the value of homes similar to the subject is estimated generally by a size / value per SF component, the fact that a home generates a substantial amount of income makes it a more attractive and safe purchase than a home which is not rented for seasonal income.

Another factor worthy of discussion is that many owners now self - manage. Typically in the past, management of rentals was performed by one of several large real estate companies, such as Resort Quest, Dale Peterson, Newman Dailey and Southern Resorts. However, in the past 10 years a substantial number of smaller management companies have surfaced.

Management fees for seasonal rentals range from perhaps 15% to 25% of gross revenue.

Entrepreneurial owners have recognized this expense line and many now self - manage with the aid of Vacation Rental By Owner (VRBO) or some similar search engine.

The seasonal rental market is increasing in the Destin/Miramar Beach market as the thriving national economy allows discretionary vacations.

I would consider the seasonal rental market to continue to flourish over the next several years.

However, with the promulgation of Ordinance 18-29-CC, limiting the subject to 20 guests, I would project a diminution in value.

HIGHEST AND BEST USE 'AS IS'

Legally Permissible
The subject property is zoned (and designated for future land use) as *Crystal Beach Resort (CBR)* by the City of Destin, Florida.

This zoning and land use designation allows for both single-family and mixed use developments, including hotels, and restaurants. The use of the subject for single-family short-term rentals is therefore allowed in this district.

Physically Possible
The subject property appears to be relatively level and well drained. Soil and subsoil conditions nearby appear compatible with both low-rise, multi-story use and traditional commercial development. All utilities required for commercial or 'mixed use' are presently at the site. The size and dimensions of the site are sufficient to allow a wide variety of legally permissible uses. The shape of the site is rectangular and this shape does not limit utility. Transportation of construction materials or labor to the site is estimated to be relatively simple due to the central location of the site within the overall market. Access to the site is above average.

However, the most compelling substantiation that the subject is physically possible is the fact that it already exists.

Therefore, use of the subject property for single family use as a seasonal rental is physically possible.

Financially Feasible
Value opinions derived in the income approach to value indicate the existing improvement contributes value to the underlying land. There is substantial other ongoing seasonal rental use in the market, suggesting that there is broad appeal for seasonal rental properties.

Therefore, continued use of the subject property for a detached single family residence used for seasonal rental income is financially feasible.

Maximally Productive
The alternatives of addition, demolition, expansion, modernization, or conversion to alternate uses have been considered within the legal, physical, and financially feasible parameters. Several alternatives exist.

Alternatives for use of improvements:

Expansion
The existing subject improvement is 6,864 HVAC SF. The subject is typical of most seasonal rental homes. Thus, there is no need for expansion. Any expansion would come at a cost of parking and/or access. Thus, expansion beyond what is existing, does not appear to be appropriate and feasible.

Renovation
Typically, any existing property could benefit from renovation. However, the subject was just developed and is a state of the art facility. Thus, I would not consider imminent renovation to be required or practical.

Downsizing
The existing subject improvements are 6,864 HVAC SF. I see no reason to downsize the subject improvement as it appeared that all of it is usable space. Thus, downsizing beyond what is existing does not appear to be appropriate, physically possible and feasible.

Subdividing
The purpose of the subject is to lease it seasonally to large parties of guests. Subdivision would not be legally approved and does not appear to be financially prudent as the parties of guests would be smaller and grouping smaller parties together in the same pool could prove problematic. I would not consider subdivision to be prudent or feasible.

Demolition
The subject is a newly constructed home, currently in good condition. It features a probable 55 years of remaining economic life and a probable 70-75 years of remaining physical life.

I do not consider demolition and replacement with alternative improvements to be a superior use to the currently planned

use as a rental property. No alternative use would be certain to serve the land better. Thus, the subject is not a candidate for demolition.

Utilizing existing improvements
Continued use 'as is' as a seasonal rental, as planned, is considered the maximally productive use.

Conclusion of Highest and Best Use 'as is'
Analysis of recent trends and current market supply and demand indicate that the maximally productive highest and best use of the subject property is continued use as a detached single family residence used for seasonal rental income.

Conclusion of Highest and Best User 'as is'
Analysis of recent trends and current market supply and demand strongly indicate the most probable user is an entrepreneurial user who primarily self manages and leases the subject for seasonal rental income with a small amount of personal use.

SUMMARY OF ANALYSIS AND VALUATION

Methodology

Site valuation derived from Sales Comparison Analysis involves direct comparisons of the subject property to similar properties selling in the marketplace to derive a comparative value indication for the subject property 'as if vacant,' as of the effective date of value. This approach is also called the 'direct sales comparison approach', or the 'market approach', and tends to be the most reliable approach for developing an opinion of the value of vacant land or sites available for development. Other methods of developing the value of land are available. Allocation, extraction, land residual, ground rent capitalization, and discounted cash flow analysis are all recognized as reasonable methods.

The cost approach is a reliable methodology for new, or nearly new, buildings. I estimate the replacement cost or reproduction cost, in this case replacement construction cost, of the existing or existing improvements and site improvements (including direct and indirect costs as well as an appropriate developer profit), deducting accrued depreciation from physical, functional, and external sources from the total replacement or reproduction cost new. The depreciated replacement or reproduction cost of the improvements is added to the value of the site resulting in a value indication of the fee simple interest in the property.

The sales comparison approach is based on the 'Principle of Substitution' which indicates an informed purchaser would pay no more for a property than the cost of acquiring an equally desirable substitute property with the same or similar utility. This approach is applicable when an active market provides sufficient quantities of reliable data which can be verified from authoritative sources. The Sales Comparison Approach is reliable in an active market or if an opinion of value is related to properties which there are comparable sales available. This approach to value is also relevant when sales data can be verified with the principals to the transaction. Heavy emphasis is usually placed on this approach to value in an active market.

The income approach is recognized as a reliable approach for developing an opinion of the value of 'income producing' property to an investor. The income approach consists of methods, techniques, and mathematical procedures an appraiser uses to analyze a property's capacity to generate income and convert income into an indication of present value either by capitalizing the current income at a market capitalization rate or discounting the future cash flows into a present value estimate using an appropriate yield (discount) rate. The appraisal process emulates the market, and the most probable purchaser would be an investor. Two (2) techniques associated with the income approach are direct capitalization and discounted cash flow analysis.

Methodology employed and explanation of the exclusion of any of the three (3) approaches to value

I am not performing cost analysis. In addition, the problem to be solved is to derive the diminution in value based on the guest restrictions included in Destin Ordinance 18-29-CC. The number of guests would have no impact on the cost to construct.

I am not performing sales comparison analysis. The impact of Destin Ordinance 18-29-CC may not be evident in the market for several years in the selling prices of homes. The ordinance allows a five year grandfather period. Homes sold in this grandfather period may not indicate a decline in selling prices and it would not be reliable to estimate diminution in value based on comparable sales until a larger array of data was available for use in sales comparison analysis.

I am performing income analysis. I will identify contract rents for the subject (in this case, projected rents) and then identify market rents which support the subject contract rent. I will then identify operating expenses and subtract operating expense from gross rent to arrive at a net operating income (NOI). I will then apply a market based capitalization rent to the NOI to arrive at a value for the subject, prior to the promulgation of Destin Ordinance 18-29-CC.

I will then identify the rental incomes for homes which are allowed only 20 guests. I will then subtract expenses for the rents of 20 guest homes and arrive at their NOI. I will then derive a value by capitalizing this NOI.

Finally I will subtract the value for a 20 guest house from the value of a 35 guest house and this figure will be the diminution in value.

COST ANALYSIS
NOT PERFORMED

SALES COMPARISON ANALYSIS NOT PERFORMED

INCOME ANALYSIS
'AS IS'

DESCRIPTION OF INCOME ANALYSIS METHODOLOGY

The income approach to value is based on the principle of anticipation, in that the value of the subject property correlates to the present worth of the future right to receive benefits in the form of income to be received by the owner. The income approach considers the property from an investment interest with the assumption that the amount of income, coupled with the regularity and quality of the income stream, are the basis for valuing the property based on income analysis.

The income approach is applied by identifying the net income by first identifying gross income and then deducting from the gross income the expenses of operating a property to arrive at a net income, generally identified a Net Operating Income (NOI).

The estimated NOI is then converted to a value opinion by utilizing either a Discounted Cash Flow Analysis, or a Direct Capitalization Analysis, or both.

Discounted cash Flow Analysis:
The Discounted Cash Flow Analysis (DCF) is an analysis where a discount rate is applied to a series (typically several years) of income streams with a reversion after typically 7 to 10 years. The appraiser must specify the quantity, variable nature of the income, timing of payments (monthly/quarterly/annually) to a present value at a specified yield rate. The DCF analysis is most applicable when the net income is projected to be variable and when the property is on a sufficient size and investment value to influence market participants to evaluate purchase decisions based on DCF.

I note that I did not perform DCF analysis as it is my opinion that market participants would not use DCF analysis to base decisions to either purchase or sell properties such as the subject.

Direct Capitalization:
The conversion of a net income to a current value is called capitalization. Capitalization is a method which is used to convert the estimate of a single year's net income actual figures and/or expectancy of income into a value opinion by dividing the income by a appropriate rate of capitalization, as estimated by the appraiser. This technique employs capitalization rates derived from the market, using both capitalization rates from recent sales of similar properties, generally augmented by national indices, or other mathematical progressions. This process provides a one year snap shot of the property value. Future yields and values are not directly identified. The direct capitalization analysis is most appropriate for small to medium sized income producing properties, in stable markets with a forecast of generally stable income.

The procedural steps involved in capitalization are as follows:

Develop the probable gross income by identifying historical performance, income projections and market incomes from comparable properties which support the historical or projected subject income.

Estimate vacancy and collection losses to arrive at Effective Gross Income (EGI).

Estimate and subtract operating expenses to arrive at NOI.

Develop a capitalization rate which is supported by the market.

Divide the NOI by the capitalization rate to derive a value opinion.

I am employing the direct capitalization analysis to derive values in this analysis.

I note for the reader that steps #1 and #2 are generally combined in the analysis of seasonal resort properties. Owners and management companies tend to provide actual income which has already accounted for vacancy and collection loss.

INCOME ANALYSIS - ESTIMATE OF CAPITALIZATION RATE

The capitalization rate is a rate which is applied to the Net Operating Income (NOI) to derive a value for a property. As the chart below indicates, you can derive a capitalization rate by dividing the NOI by the purchase price.

The following excerpt will provide some explanation of capitalization rates.

Capitalization rates are used in a formula. As seen below, dividing the net operating income by the purchase price indicates the capitalization rate.

Another variation of the formula is to divide the net operating income by the capitalization rate and this process will indicate the value of the property.

What Is a Cap Rate?

A cap rate is simply a formula. It's the ratio of a rental property's net operating income to its purchase price (including any upfront repairs):

Cap Rate =

Net Operating Income (NOI) ÷ Purchase Price

The formula can be used on the level of an individual property by looking at its net operating income compared to its value. But it can also be used on the level of an entire market by taking *average* cap rates for a large group of properties.

Importantly, the cap rate formula does NOT include any mortgage expenses. As you can see in the formula for net operating income below, the expenses do not include a mortgage or interest payment.

Gross Rental Income
- Vacancy/Credit Loss Reserve
- Property Taxes
- Property Insurance
- Maintenance/Repairs
- Common Utilities (if any)
- Other expenses (ex: license)
= Net Operating Income

MARKET DATA BASED ON TYPICAL INDICES

Capitalization rates range widely in the market. The following table derived from Realty rates.com indicate a wide variety of capitalization rates base on property types. This table contains very recent data from the fourth quarter 2018.

As can be seen, properties such as restaurants and lodging (motels and hotels) have high capitalization rates. Apartments (residential) have the lowest capitalization rates.

Realty rates does not include a separate category of single family detached homes.

RealtyRates.com INVESTOR SURVEY - 1st Quarter 2018*
CURRENT & HISTORICAL CAP RATE INDICES

	Method-Weighted* Property Category Indices																						Weighted* Composite Indices	
	Apts		Golf		Healthcare Senior Housing		Industrial		Lodging		MH/RV Park		Office		Retail		Restaurant		Self Storage		Special Purpose			
Year	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg
2018	8.42	26	12.02	30	9.01	14	9.19	23	10.53	25	9.56	30	9.04	10	9.38	20	11.57	15	9.86	29	11.64	40	9.64	22
4th Qtr	8.46	8	12.08	11	9.07	11	9.23	7	10.53	1	9.62	13	9.08	13	9.44	10	11.62	11	9.92	13	11.71	11	9.68	9
3rd Qtr	8.37	-4	11.97	-5	8.96	-2	9.16	-5	10.52	-7	9.50	-5	8.95	-6	9.33	-3	11.51	-4	9.79	-7	11.60	-3	9.59	-5
2nd Qtr	8.41	3	12.02	5	8.98	3	9.21	5	10.59	6	9.55	5	9.00	0	9.36	4	11.56	4	9.86	6	11.63	5	9.64	4
1st Qtr	8.38	23	11.97	28	8.96	13	9.16	22	10.52	31	9.50	28	9.00	5	9.32	17	11.52	26	9.81	25	11.58	34	9.60	21
2017	8.16	4	11.73	-2	8.87	-6	8.96	-12	10.28	5	9.26	11	8.94	-22	9.19	-8	11.42	-15	9.57	-9	11.25	4	9.42	-6
2016	8.13	-2	11.75	6	8.92	12	9.08	15	10.22	0	9.15	15	9.16	16	9.27	12	11.57	-10	9.67	14	11.21	10	9.48	9
2015	8.15	-9	11.69	-14	8.80	-9	8.93	-10	10.22	-20	8.99	-18	9.00	-6	9.15	-11	11.66	-13	9.52	-22	11.11	-12	9.40	-12
2014	8.24	-15	11.83	-9	8.89	-1	9.03	-4	10.43	-17	9.17	-5	9.06	-22	9.26	15	11.79	-6	9.75	-20	11.24	14	9.52	-7
2013	8.39	14	11.92	-14	8.90	5	9.07	-2	10.60	3	9.22	14	9.28	-19	9.11	-4	11.86	9	9.95	-24	11.10	1	9.58	-2
2012	8.25	-35	12.07	6	8.85	-36	9.09	-40	10.57	-24	9.08	-39	9.47	3	9.15	-13	11.77	6	10.19	-49	11.09	-4	9.60	-21
2011	8.60	-29	12.00	-22	9.21	-40	9.49	-11	10.81	-24	9.48	-8	9.44	-10	9.28	-26	11.70	-14	10.69	-3	11.12	-17	9.81	-19
2010	8.89	4	12.22	5	9.62	15	9.60	12	11.05	7	9.55	22	9.54	16	9.54	25	11.84	12	10.72	21	11.30	0	10.00	13
2009	8.85	8	12.17	16	9.47	10	9.48	10	10.98	-7	9.33	1	9.38	29	9.29	20	11.72	15	10.50	37	11.30	8	9.87	14
2008	8.77	-4	12.01	29	9.37	-16	9.38	-14	11.05	56	9.32	-5	9.09	-16	9.09	-11	11.57	-28	10.13	20	11.22	-7	9.74	-1
2007	8.81	-45	11.72	-21	9.53	-65	9.52	-25	10.49	-28	9.37	-26	9.25	-47	9.20	-12	11.85	61	9.93	-38	11.29	-24	9.75	-28
2006	9.26	12	11.93	47	10.18	15	9.77	35	10.77	27	9.63	41	9.72	26	9.32	30	11.24	18	10.31	27	11.53	9	10.03	26
2005	9.14	14	11.46	80	10.03	-16	9.42	-30	10.50	-21	9.22	19	9.46	6	9.02	16	11.06	5	10.04	13	11.44	-30	9.77	2
2004	9.00	-19	10.66	28	10.19	-37	9.72	19	10.71	-98	9.03	-48	9.40	-4	8.86	-19	11.01	-15	9.91	-13	11.74	-30	9.75	-19
2003	9.19	-2	10.38	-32	10.56	64	9.53	33	11.69	56	9.51	-11	9.44	1	9.05	-18	11.16	8	10.04	-53	12.04	105	9.94	12
2002	9.21	-40	10.70	18	9.92	-39	9.20	-61	11.13	26	9.62	-60	9.43	-35	9.23	-62	11.08	-3	10.57	-12	10.99	-177	9.82	-41
2001	9.61	64	10.52	133	10.31	90	9.81	16	10.87	98	10.22	-68	9.78	-35	9.85	-53	11.11	47	10.69	13	12.76	32	10.23	21
2000	8.97		9.19		9.41		9.65		9.89		10.90		10.13		10.38		10.64		10.56		12.44		10.01	

* Weighted by methodology: Band-of-Investment, DCR Technique, Sales Survey

^ Further weighted by property category

The following chart provides some additional data regarding capitalization rates for apartments in some major metropolitan centers.

These rates are lower than the overall national rate for apartments identified on the previous page. I attribute this to the fact that the cities below are major metropolitan areas with a high density of population which keeps occupancy high and inspires investor confidence. In this regard, the Destin seasonal rental market is similar in its high density and national appeal.

Cap Rates For Stabilized, Class A Multifamily Apartments By City – 2017 (2nd Half)	
San Diego	4.25%
Chicago	4.75%
Atlanta	5.00%
Philadelphia	5.25%
St. Louis	5.75%
Cleveland	6.25%
Pittsburgh	6.50%
Detroit	7.25%

Single family homes are seldom valued via income capitalization. Most homes are owner occupied and the issue of rent and valuation through rent is generally not applicable. However, I identified the following excerpt rom the internet which indicates a range of capitalization rates from 4% to 10% for single family homes. The reader will note in the excerpt immediately above that high demand areas feature lower capitalization rates and lower demand areas feature higher capitalization rates. I would again observe that Destin is a high demand area in the seasonal rental market. Thus, I would consider it probable that capitalization rates for singe family homes in Destin were toward the low side of the 4% to 10% range.

Cap Rate for Single Family Home

Professionals purchasing commercial properties, for example, may buy at a 4% cap rate in high demand areas, or a 10% (or even higher) cap rate in low-demand areas. Generally, 4% to 10% per year is a reasonable range to earn for your investment property. Continuing with our example from above, $17,000/ 5% = $340,000.

The following are two excerpts from the internet indicating that Panama City Beach, Florida boasts a very low capitalization rate of 4.9% and that the Destin, Florida market features a 4.75% capitalization rate for Airbnb rentals.

9. PANAMA CITY BEACH, FL

- *Short-Term Rental Cap Rate: 4.9%*

White sandy beaches, clear water, fishing piers, protected nature reserves, hiking trails... what more do you need to be convinced that Panama City Beach is one of the best places around the US to invest in a vacation rental.

Property prices are affordable with a median level of $334,700, while short-term rental income stands around $3,260. The average cap rate for vacation rentals is 4.9%.

2. Destin

- *Median Property Price:* $695,000
- *Airbnb Rental Income:* $2,720
- *Traditional Rental Income:* $1,610
- *Airbnb CoC Return:* 2.3%
- *Traditional CoC Return:* 0.5%
- *Airbnb Cap Rate:* 4.7%
- *Traditional Cap Rate:* 2.8%
- *Airbnb Occupancy Rate:* 58.4%

The second among the best places to buy a vacation home in Florida is Destin, with rental income from Airbnb just a few dollars below St. Augustine. However, this location is significantly more expensive. But it has a very important advantage for all those loving nature and sports – it is very famous for the fishing opportunities that it offers.

MARKET DATA BASED ON LOCAL SALES OF DETACHED HOMES USED FOR SEASONAL RENTAL

In addition to the national data provided above, I am also providing some data from actual sales in the local market.

I have some professional acquaintances who specialize in the management of large homes used for seasonal rentals. I have asked them to provide me some actual data from recent sales to help derive a local data base of capitalization rates.

On 7/13/2018, Frangista Beach E16 LLC (Nick Athens - a professional acquaintance well known to me) sold 3491 Scenic Highway 98 to Rich Rentals for $3,000,000. This house is 6,008 HVAC SF and features nine (9) bedrooms and 9.5 baths. It is very similar to the subject and is a very good comparable indicator of capitalization rates. Mr. Athens stated that the net operating income was $172,340. Dividing $172,340 by $3,000,000 indicates a capitalization rate of 5.74%.

On 9/4/2015, Nick and Tina Athens sold 1850 - 1852 Scenic Gulf Drive in Miramar Beach to Forty-Four Holdings for $2,205,000. This was two side by side homes in Frangista Beach which were an aggregate 3,460 HVAC SF and which features Five (5) bedrooms and 7 baths. Mr. Athens stated that the net operating rent was $133,200. Dividing $133,200 by $2,025,000 indicates a capitalization rate of 6.58%. I do not consider it a coincidence that the home with the fewest bedrooms featured the highest capitalization rate.

On 2/10/2016, Destiny Real Estate Ventures LLC sold 3463 Scenic Highway 98 to Charles Barone for $3,615,000. This house is 6,465 HVAC SF and features eight (8) bedrooms and 6.5 baths. It is very similar to the subject and is a very good comparable indicator of capitalization rates. Mr. Giles stated that the net operating income was $222,125. Dividing $202,125 by $3,615,000 indicates a capitalization rate of 6.15%.

On 1/11/2019, Kevin Hense sold 2984 Scenic Highway 98 to Russell and Susan Hancock for $3,000,000. This house is 3,997 HVAC SF and features six (6) bedrooms and 5.5 baths. It is very similar to the subject and is a very good comparable indicator of capitalization rates. Mr. Hense stated that the net operating income was $176,000. Dividing $176,000 by $3,000,000 indicates a capitalization rate of 5.87%.

RECAPITULATION OF LOCAL MARKET CAPITALIZATION RATES

The following table summarizes the capitalization rates identified in the narrative above.

Property Address	Capitalization Rate
3491 Scenic Highway 98, Destin	5.74%
1850 Scenic Gulf Drive, Mirimar Beach	6.58%
3463 Scenic Highway 98, Destin	6.15%
2984 Scenic Highway 98, Destin	5.87%
Average	6.0850%
Rounded	6.10%

I consider a rounded capitalization rate of 6.1% to be a market supported rate which is both credible and reliable.

This local rate is bracketed by the national rates from pages 58-60 above.

ESTIMATE OF VALUE PRIOR TO ORDINANCE 18-29-CC

Based on the current zoning and the Destin Land Development Code, and prior to the adoption of Ordinance 18-29-CC, there was no limit to the number of guests allowed in the subject improvement. The subject can accommodate up to thirty five (35) guests based on the data provided by the owner and my identification of sleeping capacity previously identified.

CURRENT CONTRACT RENT
I note that seasonal rentals are typically described with annual rental amounts as opposed to more consistent monthly rental rates.

Such rental amounts are generally described using gross income data, and/or projections of gross income data.

Appraisers need to then examine expenses to arrive at a net operating rent to capitalize. Expenses to gross revenue are ad valorem taxes, flood and hazard insurance, HOA dues, maintenance and repairs, utilities, lawn maintenance, pest control, professional fees and reserves. I note that interest/mortgage payments and depreciation are not expenses when capitalizing property for value.

In the case of the subject, it was just constructed and there is no historical rent available.

The owner is probably the most knowledgeable owner of large seasonal rental homes as this has been his niche occupation for the last approximate twenty (20) years. I consider his projection of income to be substantially credible.

I am accepting the projected income of $400,000 for an annual period.

ESTIMATE OF EXPENSES
Mr. Giles provided me an estimate of expense of $115,000. I assume this estimate includes ad valorem taxes at the improved rate and I would think that the ad valorem taxes will exceed $20,000 annually. It also includes a management fee.

Subtracting $115,000 from $400,000 results in a net operating income of $285,000.

These figures also indicate an operating expense ratio of 28.75%.

MARKET SUPPORT FOR SUBJECT GROSS AND NET INCOME

RATIO OF GROSS TO NET INCOME

I have attempted to derive gross and net income figures for comparable properties in the market. However, my research indicates that many owners and property managers are unwilling to divulge private financial information, especially the net income.

Thus, I will provide some market examples of properties where clients or close associates did divulge data.

The first example is a detached home located at 112 Sandprint Circle in the Dunes of Destin. The owners, Edward and Tari Furey, provided me with detailed data regarding income and expenses. They indicted annual revenue of $325,000 and annual expense of $100,000. This suggests an expense ratio of $100,000 / $325,000, or 31%, rounded.

I again spoke to Nick Athens who still owns a detached house at 4664 Destiny Way which grossed $275,000 in 2018. The expenses for this property were an approximate $89,000. This suggests an expense ratio of $89,000 / $275,000, or 32% rounded.

As a third indicator, I spoke to Kevin Hense, who sold a detached house at 2984 Scenic Highway 98 for $3,000,000 on 1/11/2019. Mr. Hense indicated that the 2018 gross rent was $263,000 and that the expenses were $87,000. This suggests an expense ratio of $87,000 / $263,000, or 33%, rounded.

This well researched market data influences me to select an expense ratio of 32% for this analysis. I fully recognize that Mr. Giles' estimate was only 28.75%. However, both his projection of annual income and annual expense are made without any historical perspective relative to this particular subject property. I am choosing to be conservative in the analysis and will use an operating expense ratio of 32%.

GROSS RENT OF HOMES SLEEPING 30 + GUESTS

To provide market support for Mr. Giles' projection of $400,000 gross rent and $285,000 net rent, I am providing some market examples of other homes which lease as 30+ guest capacity. This information was provided by the existing client, Ben Giles, a professional well known to me.

Existing rentals - similar properties	#sleeps	Gross Revenue 2018
42 Miami St Miramar Beach	34	$463,852.00
3487 Scenic Hwy 98 Destin	32	$305,393.00
3463 Scenic Hwy 98 Destin	32	$380,000.00
3461 Scenic Hwy 98 Destin	36	$364,723.00
107 Hollywood St Miramar Beach	38	$289,647.00

These five indicators of gross rent for homes which can accommodate 30 guests average $360,723. The subject sleeps 35 guests while the average of the five rental comparables is 34.4 guests. Thus, one would expect the subject to gross an amount consistent with the average of the range. However, the subject is a new house and the market likes 'new'. I am selecting an income slightly above the average at $375,000 annually.

I recognize that Mr. Giles estimated a rounded $400,000. However, I am again choosing to be conservative and will weigh the larger amount of historical market data available to me.

The next step is applying the previously calculated expense ratio to the gross rent to arrive at a net operating rent average for the five comparable rentals. Applying a 32% expense ratio to $375,000 results in a net rent of $255,000, a figure which is lower than the Mr. Giles' estimate of $285,000 of net rent.

Capitalizing $255,000 with a 6.1% capitalization rate results in a value of $4,180,327, rounded to $4,180,000.

It is my professional opinion that the subject value, prior to the promulgation of Destin Ordinance 19-23-CC is $4,180,000, based on income analysis.

ESTIMATE OF VALUE AFTER THE PROMULGATION OF ORDINANCE 18-29-CC

Destin Ordinance 18-29-CC reduces the subject sleeping capacity to 20 guests as the limit is two guests per bedroom, plus four (4) additional guests. There are eight (8) bedrooms. Thus, 2 x 8 = 16 + 4 = 20.

It is my opinion that the limit of 20 guests will have a negative impact on value.

To estimate the difference, I need to research the market for homes which are limited to 20 guests.

I have previously mentioned other homes which can accommodate only 20 guests.

I again spoke to Nick Athens who owns a detached house at 4664 Destiny Way which grossed $275,000 in 2018. This house sleeps 20 guests

I also spoke to Kevin Hense, who sold a detached house at 2984 Scenic Highway 98 for $3,000,000 on 1/11/2019. Mr. Hense indicated that the 2018 gross rent was $263,000 and the home slept 24 guests.

In addition to these more detailed descriptions, I was also provided some additional raw data via email from Ben Giles regarding other homes that slept 20+/-. This information includes the address, number of allowable guests and annual income of comparable rentals.

3893 Sandprint Dr Destin	20	$118,796.00
113 Los Angeles St Miramar Beach	19	$137,307.00
1737 Scenic Hwy 98 Miramar Beach	20	$144,814.00
96 Sarasota St Miramar Beach	22	$143,813.00
100 Sandprint Cir Destin	20	$105,000.00

Thus, I have seven (7) market comparable homes which sleep from 19 to 24 guests.

The average of the seven homes is $169,675. The subject is still a new house and will probably rent for more as a new house whether the guest size is 35 or 20. Thus, I would consider the subject to command more rent than the average of the range and I am selecting a rounded $200,000 of gross rent as compensation for the fact the subject new and more attractive to the market.

Applying the same 32% expense adjustment to convert gross rent to net operating rent results in a net operating rent of $136,000, rounded.

Applying a capitalization rate of 6.1% to the net operating rent of $136,000 results in a value after Ordinance 18-29-CC is applied of $2,229,000, rounded to $2,230,000.

ESTIMATE OF THE DIMINUTION OF VALUE

My research and analysis indicates that the value of the subject based on the right to sleep 35 guests is a rounded $4,180,000.

My research and analysis indicates the value of the subject based on the limit to sleep only 20 guests is a rounded $2,230,000.

It is my opinion the promulgation of Destin Ordinance results in an approximate $1,950,000 diminution of value.

DIMINUTION OF VALUE

$1,950,000

ADDENDA

Appraiser License

APPRAISER LICENSE

THIS INSTRUMENT PREPARED BY
AND AFTER RECORDING RETURN TO:

Kimberly Romano Kopp, Esq.
Romano Kopp Law, P.A.
P.O. Box 445
Destin, Florida 32541

For Recording Purposes Only

SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is entered into this _____day of _____ 2019, ("Effective Date") by and between, 10 Hutchison, LLC. ("Owner") and the City of Destin ("City"), collectively referred to as the "Parties."

RECITALS

WHEREAS, on January 22, 2019, the City enacted Ordinance 18-29-CC, the Short-Term Rental Occupancy Ordinance ("Ordinance"), which limits the occupancy of short-term rental homes to two (2) people per bedroom plus an additional four (4) persons; and

WHEREAS, Owner owns the real property and improvements located at 80 Hutchison Street, Destin, FL 32541, as more particularly described in the attached Exhibit "A" (the "Property"); and

WHEREAS, on May 10, 2019, Owner filed a claim with the City, pursuant to the provisions of §70.001, Florida Statutes, the Bert J. Harris, Jr., Private Property Rights Protection Act (the "Harris Act"), alleging that the Property had been inordinately burdened by the adoption of the Ordinance, (the "Claim"); and

WHEREAS, the Harris Act provides for the City to have the ability to enter into a settlement agreement which would have the effect of a modification or variance to the application of a regulation or ordinance as it would otherwise apply to the subject real property, provided the relief granted protects the public interest served by the regulations at issue and is the appropriate relief necessary to prevent the governmental regulatory effort from inordinately burdening the real property; and

WHEREAS, the City has determined that the modifications to the effect of the Ordinance effected by this Agreement protect the public interest served by the Ordinance and are the appropriate relief necessary to prevent the regulatory effect of the Ordinance from inordinately burdening the Property; and

WHEREAS, the Parties now desire to settle and finally resolve all disputes between and among them concerning the Claim.

NOW, THEREFORE, the Parties hereby agree as follows:

1. **Recitals.** The above recitals are true and correct and are incorporated herein by reference.

2. **Occupancy Allowable Under Ordinance.** Owner is hereby granted a variance from the provisions of the Ordinance so that the Owner shall have the right to apply under the Ordinance for a maximum occupancy of thirty-three (33) overnight guests at the eight (8) bedroom vacation rental property noted above and the City shall grant such occupancy. The right shall continue in perpetuity, regardless of any future changes in ownership, provided that this right shall expire permanently if the Property were to be voluntarily remodeled or voluntarily rebuilt in such a manner as to change the number of bedrooms that existed at the date of the Claim. The Property remains subject to all other requirements of the City's regulations, including but not limited to regulations for short-term rentals, parking, trash, and noise. No greater than eight (8) vehicles may be parked on the Property. No vehicle may encroach upon the City's right-of way.

3. **Development in Accordance with Code.** Notwithstanding any provisions contained herein, the Owner shall at any time have the right and option to remodel, develop, or use the Property in accordance with the applicable ordinances of the City of Destin in effect at the time of application therefor, and this variance shall not be construed as making the Property in any way non-conforming.

4. **Entire Agreement.** The Parties acknowledge that this Agreement constitutes the entire agreement between them regarding the settlement of their dispute and any prior statements, whether oral or written, are merged herein. This Agreement may not be modified or amended without a written instrument signed by the party against whom enforcement is sought.

5. **Duration of Agreement.** This Agreement shall be perpetual and deemed to run with the land, and shall be binding upon and the benefits shall inure to the parties hereto and their respective heirs, devisees, personal representatives, successors and assigns.

6. **Authority.** The signatories to this Agreement are expressly authorized to resolve their dispute as set forth herein and by their signatures here represent and affirm their authority to execute this Agreement.

7. **Governing Law.** The law of the State of Florida shall apply to this Agreement. Any dispute regarding this Agreement shall be litigated exclusively in the courts of Okaloosa County, Florida. The parties expressly consent to such agreed jurisdiction and venue, and waive any objections thereto.

8. **Notices.** Any notice required or permitted to be given hereunder shall be in writing and shall be (i) delivered by hand, (ii) delivered by reputable national or local courier (such as United Parcel Service or Federal Express), (iii) mailed by United States registered or certified mail, return receipt requested and postage prepaid, or (iv) sent by facsimile transmission provided a confirmation of such facsimile transmission is sent the same day by one of the methods of delivery in (i), (ii), or (iii) above. Any notice shall be addressed to each party at its address as set forth below. Any such notice shall be considered given on the date of such hand delivery, deposit with such courier for same day or next business day delivery, upon receipt of return receipt of certified mail, or receipt of facsimile transmissions, as the case may be, and the time period (if any is provided herein) in which to respond to such notice shall commence on the date of receipt. Rejection or other refusal to accept or inability to deliver because of changed address of which no notice was given shall be deemed to be receipt of the notice. By giving to the other party at least ten (10) days' notice thereof, any party shall have the right from time to time to change the addresses thereof and to specify up to two (2) additional addresses within the United States of America to which copies of notices to it shall be sent. Notice may be given on behalf of any party by such party's counsel. In the event the subject property owner changes, notices shall be addressed to the current owner as indicated in the records of the Okaloosa County Property Appraiser. Otherwise, notices shall be sent as follows:

Each notice shall be addressed as follows:

To City: City of Destin, Florida
Attn:
4200 Indian Bayou Trail
Destin, Florida 32541

With a copy to:
City Land Use Attorney
Romano Kopp Law, PA
PO Box 445
Destin, Florida 32541

To 10 Hutchinson: 10 Hutchinson, LLC
1159 Troon Drive
Miramar Beach, Florida 32550

With a copy to: Matthews & Jones, LLP
Attn: C. Stephen Tatum
4475 Legendary Drive
Destin, Florida 32541

9. **Attorney's Fees**. In the event of any action, whether pre-suit, mediation, litigation or appellate proceeding to enforce the terms and conditions of this Agreement, each party to the action shall pay its own attorney's fees and costs incurred therein.

10. **Venue**. Venue over any action to enforce the terms and conditions of this Agreement, including mediation, shall lie solely in Okaloosa County, Florida.

OWNER: 10 Hutchison, LLC

_____
Signature of Witness #1

_____
Joseph Bellinghieri

_____
Print or type name

_____

_____
Signature of Witness # 2

_____
Print or type name

STATE OF_____
COUNTY OF_____

The foregoing instrument was acknowledged before me this _____ day of _____ 2019, by _____ _____ and _____, who are personal known to me or who have produced _____ as identification and who did not (did) take an oath.

_____
Signature of Notary

(NOTARY SEAL)

_____
Print or type name

CITY OF DESTIN

By:_____
Gary Jarvis, Mayor

Date:_____

ATTEST:

_____
Rey Bailey, City Clerk

Date:_____

STATE OF_____
COUNTY OF_____

The foregoing instrument was acknowledged before me this _____ day of _____ 2019, by _____ _____ and _____, who are personal known to me or who have produced _____ as identification and who did not (did) take an oath.

_____
Signature of Notary

(NOTARY SEAL)

_____
Print or Type Name

Approved as to form and legality for use and reliance
by the City of Destin, Florida, only.

_____
Kimberly Romano Kopp, Esq.
City Land Use Attorney

Exhibit "A"

Legal Description of Property

Lot 4 of the Hutchison Courts plat, recorded in Okaloosa County Plat Book 28, Page 11, of the Public Records of Okaloosa County, Florida

ITEM # 2019-1900

CITY OF DESTIN

AGENDA ITEM

COUNCIL MEETING DATE: December 9, 2019
TYPE OF AGENDA ITEM: Action Item

TO: City Council

THRU: Lance Johnson, City Manager

FROM: Kimberly Kopp, Land Use Attorney
Louis Zunguze, Community Development Director

DATE: December 5, 2019

SUBJECT: 19) 78 Hutchison Street

I. BACKGROUND:

On January 22, 2019, the City enacted Ordinance 18-29-CC, the Short-Term Rental Occupancy Ordinance ("Ordinance"), which limits the occupancy of short-term rental homes to two (2) people per bedroom plus an additional four (4) persons.

The subject property owner owns the real property and improvements located at 78 Hutchinson Street, Destin, FL 32541, as more particularly described in Exhibit "A" (the"Property") to the proposed settlement agreement.

Owner filed a claim with the City, pursuant to the provisions of §70.001, Florida Statutes, the Bert J. Harris Jr., Private Property Rights Protection Act (the "Harris Act"), alleging that the Property had been inordinately burdened by the adoption of the Ordinance, (the "Claim).

The Harris Act provides for the City to have the ability to enter into a settlement agreement which would have the effect of a modification or variance to the application of a regulation or ordinance as it would otherwise apply to the subject real property, provided the relief granted protects the public interest served by the regulations at issue and is the appropriate relief necessary to prevent the governmental regulatory effort from inordinately burdening the real property.

The City Council should settle the claim if the City Council determines that the modifications within the settlement agreement protect the public interest served by the Ordinance and are the appropriate relief necessary to prevent the regulatory effect of the Ordinance from inordinately burdening the Property.

II. DISCUSSION: The property owner has requested a maximum occupancy of thirty-five (35) occupants. City staff is recommending an occupancy of thirty-three (33) occupants based on the square footage of the property. The building official utilized a one-occupant per 200 square feet methodology for recommending the above-stated occupancy. This is consistent with the two previously approved settlement agreements with the Owner's similarly situated, recently built structures on Hutchinson Street.

As stated in the agreement, the property owner remains bound by all other provisions of City codes.

Finally, staff is recommending that no greater than eight (8) vehicles be parked on this property

- **A. Link to Strategic Goals / Objectives:**
- **B. Effect on Budget (EOB):**
- **C. Level of Service (LOS):**

III. CONCLUSION:

IV. RECOMMENDED MOTION: 1. I move to approve the settlement agreement prepared by the City Land Use Attorney and Staff.

or

2. I move to approve the settlement agreement prepared by the City Land Use Attorney and Staff with the following modifications:_____.

or

3. I move to direct the City Land Use Attorney to negotiate in good faith with the property owner and to bring back an alternate settlement proposal to the City Council for consideration.

or

4. I move to deny settlement of the subject claim at this time.

Attachments:

1. Bert Harris Case - 78 Hutchison
2. 78 Hutchinson (1)

DANA C. MATTHEWS

MICHAEL A. JONES

KENNETH M. BORICK
Of Counsel
Also admitted in Georgia and South Carolina

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Civil and Family Mediator

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Board Certified Criminal Trial Lawyer
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LAURA PENTEL-KLANG

JESSICA L. STEWART

SALVADOR "A.J." GOMEZ

Reply to Destin

statum@destinlaw.com

July 29, 2019

VIA HAND DELIVERY

Mayor Gary Jarvis
City of Destin
4200 Indian Bayou Trail
Destin, FL 32541
gjarvis@cityofdestin.com

Dear Mayor Jarvis:

Our firm represents 9 Hutchison, LLC, the owner of the newly constructed home located at 78 Hutchison Street; Destin, Florida, also identified as Lot 5 of the Hutchison Courts plat, recorded in Okaloosa County Plat Book 28, at Page 11.

Due to the recent enactment of City of Destin Ordinance 18-29-CC, which limits the occupancy of short term rental homes to two (2) people per bedroom plus an additional four (4) persons, 9 Hutchison's reasonable investment-backed expectations for use of the home as a short-term vacation rental property have been inordinately burdened, as defined in the "Bert J. Harris, Jr., Private Property Rights Protections Act", Chapter 70, Florida Statutes ("Harris Act"). 9 Hutchison hereby submits this letter along with the enclosed Panhandle Appraisal Group property appraisal dated January 22, 2019, as a claim under the Harris Act against the City of Destin for One Million Nine Hundred Fifty Thousand Dollars ($1,950,000.00), which represents the diminution in value of 9 Hutchison's property.

Pursuant to the provisions of the Harris Act, 9 Hutchison hereby demands payment in the amount of One Million Nine Hundred Fifty Thousand Dollars ($1,950,000.00) plus attorneys fees and costs.

If no resolution is reached during the statutorily prescribed waiting period, 9 Hutchison intends to file suit pursuant to this claim and pursue any other legal remedies

for the actions that gave rise to this claim. 9 Hutchison explicitly reserves the right to bring any and all legal challenges, appeals and objections with respect to Ordinance 18-29-CC.

Sincerely,

C. Stephen Tatum
Matthews & Jones, LLP
Attorney for 9 Hutchison, LLC

Enclosure

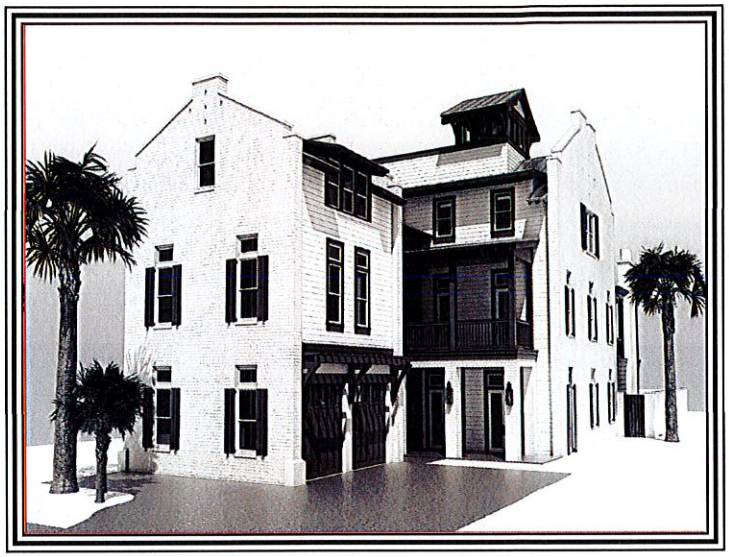
cc: Lance Johnson, City Manager (via email)
Rey Bailey, City Clerk (via email)
Kimberley Romano-Kopp, Esq. (via email)
Client

Appraisal Report

Detached Single Family Residential Home

6,864± HVAC SF Existing Structure

78 Hutchison Street
Destin, FL 32541



DIMINUTION IN VALUE ANALYSIS
78 Hutchison Street
DESTIN, FL 32541

FOR
9 HUTCHISON LLC
AND
DESIGNATED ATTORNEYS

RETROSPECTIVE TO JANUARY 22, 2019

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APPRAISAL REPORT

SUBJECT PROPERTY

6,864 ± HVAC SF Existing Detached Residential Improvement

Eight Bedrooms and Eight and One Half Bathrooms

78 Hutchison Street
Destin, FL 32541

EFFECTIVE DATE OF APPRAISAL

Retrospective to January 22, 2019

REPORT DATE

May 22, 2019

VIEWING DATE

May 18, 2019

CLIENT/INTENDED USER

9 Hutchison LLC
Attn: Ben Giles
80Hutchison Street
Destin, FL 32541

File № 190478

PREPARED BY:

Thomas A. Marr

State-certified General Real Estate Appraiser № RZ 2645 (FL)
tom@panappraisal.com

Panhandle Appraisal Group
220 Hospital Drive
Fort Walton Beach, Florida 32548
Telephone: (850) 243-0958
Facsimile: (850) 226-8462

PANHANDLE APPRAISAL GROUP

REAL ESTATE VALUATION AND RESEARCH
Specializing in Residential and Commercial Valuation Support
Fort Walton Beach, Florida

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Fort Walton Beach, Florida 32548

Telephone: (850) 243-0958
Facsimile: (850) 226-8462

May 22, 2019

9 Hutchison LLC
Attn: Ben Giles
80Hutchison Street
Destin, FL 32541

Re: Diminution in value appraisal of an approximate 6,864 HVAC SF detached residential improvement, 'as is' , identified as 78 Hutchison Street in Destin, FL 32541. **Panhandle Appraisal Group File № 190478.**

Dear Mr. Giles:

I have completed the requisite personal viewing, research, and analysis necessary to determine if a diminution in value has occurred for the subject parcel.

The subject property is a four level (including the viewing deck) detached single family residential structure with an approximate 6,864 HVAC SF , eight bedrooms and seven and one half bathrooms. The current sleeping capacity of the subject is thirty five (35) guests.

The purpose of the appraisal analysis was to develop an opinion of the market value of the subject property prior to the enactment of the city of Destin Ordinance No. 18-29-CC, which was promulgated on January 22, 2019 and then derive a value after the January 22, 2019 ordinance which limited the subject to twenty (20) guests.

The authorized user is the client at the address above. The understood intended use of the appraisal report will be for reference in determining if the promulgation of Ordinance No. 18-29-CC resulted in a diminution of value. No other use of this report by any other entity or person is authorized.

Subject to the above and the assumptions, limiting conditions, and certification set forth herein, it is my professional opinion the retrospective market value of the fee simple interest in the subject property, 'as is', as of January 21, 2019, prior to the promulgation of Ordinance No. 18-29-CC, was:

FOUR MILLION ONE HUNDRED EIGHTY THOUSAND DOLLARS
$4,180,000

Subject to the above and the assumptions, limiting conditions, and certification set forth herein, it is my professional opinion the current market value of the fee simple interest in the subject property, 'as is', after the promulgation of Ordinance No. 18-29-CC is:

TWO MILLION TWO HUNDRED THIRTY THOUSAND DOLLARS
$2,230,000

The diminution of value is a rounded $1,950,000.

Exposure Time
The exposure time linked to the final value opinion is a range to nine (9) to twelve (12) months based on market sales of similar properties and current market activity.

Analysis of recent trends and current market supply and demand strongly indicate the highest and best use of the subject property, is continued use as a seasonal rental home.

I hereby certify I possess no interest, present or contemplated, in the appraised property. The undersigned appraiser is competent or has taken the necessary steps to become competent for the property type being appraised. This appraisal has been prepared utilizing all of the requirements set forth as standards for real estate appraisals established for federally related transactions by the Comptroller of the Currency, the Federal Reserve Board, the Federal Deposit Insurance Corporation, and the State of Florida. The appraisal is in conformity with the standards for real estate appraisals as established by the Appraisal Foundation and its Appraisal Standards Board. The appraisal also conforms to *the 2018/2019 edition of the Uniform Standards of Professional Appraisal Practice (USPAP)* and your instructions. The fee for this appraisal was not based on value, nor was the assignment undertaken based on a predetermined value, a trend in value, or a minimum or maximum value.

Respectfully submitted,

Thomas A. Marr

Thomas A. Marr
State-Certified General Real Estate Appraiser № RZ 2645 (Florida)

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APPRAISAL REPORT

This is an Appraisal Report which is intended to comply with the reporting requirements in accordance with the 2018/2019 edition of the Uniform Standards of Professional Appraisal Practice (USPAP) for an Appraisal Report. As such, it represents summary discussions of the data, reasoning, and analyses used in the appraisal process to develop the appraisers' opinion of value. Supporting documentation concerning the data, reasoning, and analyses may be retained in the appraiser's files. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated below. The appraisers are not responsible for unauthorized use of this report.

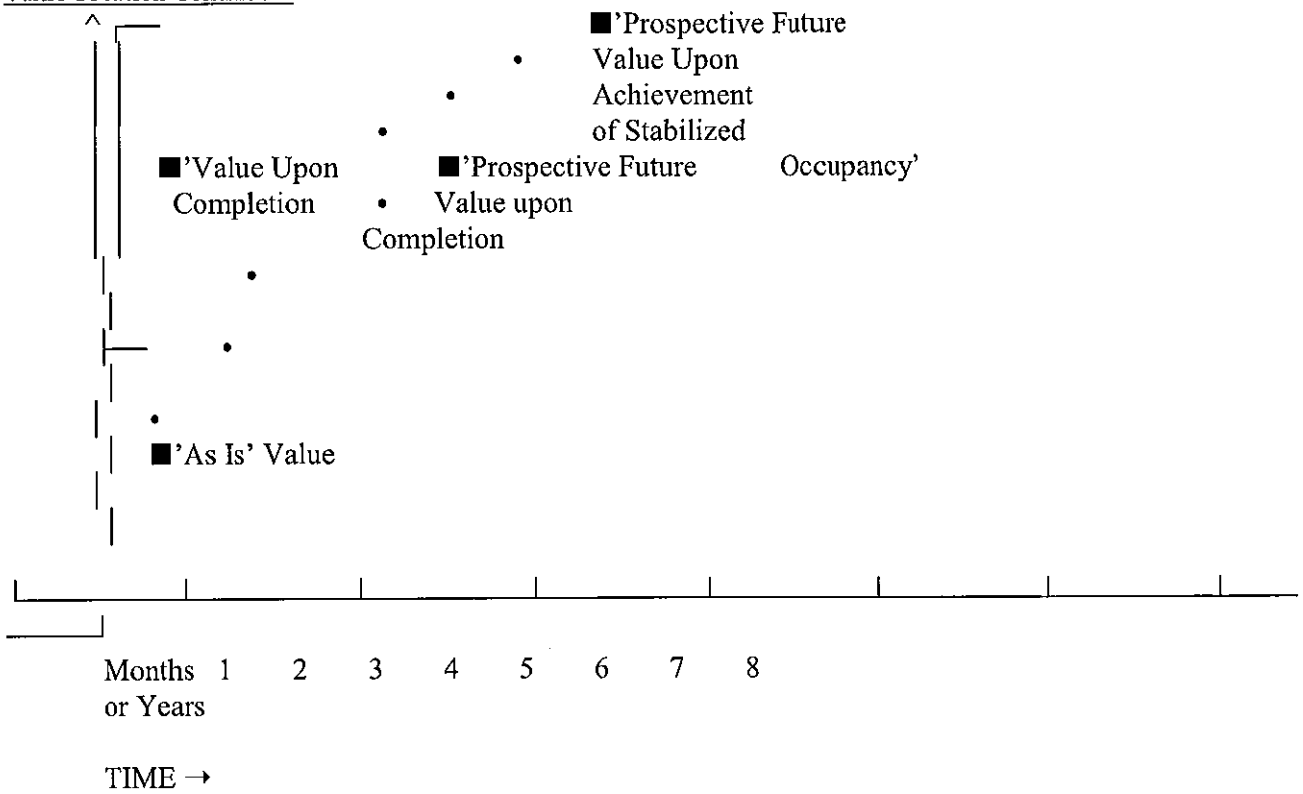
CLIENT:	9 Hutchison LLC Attn: Ben Giles 78 Hutchison Street Destin, FL 32541
APPRAISERS:	**Thomas A. Marr** State-certified General Real Estate Appraiser № RZ 2645 (Florida) Panhandle Appraisal Group 220 Hospital Drive Fort Walton Beach, Florida 32548
SUBJECT PROPERTY:	Legal Description Lot 5, Hutchison Courts Tax ID №: 00-2S-22-5445-0000-0050.
PURPOSE OF THE APPRAISAL:	The purpose of this appraisal was to develop an estimate of the diminution in value from prior to the promulgation of City of Destin Ordinance No. 18-29-CC and after the promulgation of the ordinance on January 22, 2019.
INTENDED USE OF REPORT:	The understood intended use of the appraisal report will be for client use in legal proceedings.
INTENDED USER:	The intended user is the client stated above, the client's attorneys, courts of law, and regulatory authorities. This report is not intended or authorized for any other user or audience.
PROPERTY RIGHTS APPRAISED:	Fee Simple, one hundred percent (100%) ownership interest in the subject property.
EFFECTIVE DATE OF VALUE:	**Retrospective to January 22, 2019.**
DATE OF REPORT:	May 22, 2019
DATE OF INSPECTION:	Thomas A. Marr viewed the subject property on May 18, 2019.
SCOPE OF WORK:	I note you have not requested an appraisal report format. Based on the Scope of Work requirements included in the 2018/2019 version of USPAP, which indicates the appraiser is responsible to coordinate the scope of work with the client, I am informing you I will perform an appraisal report. **It is my opinion this process of work meets all applicable 2018/2019 USPAP standards.**
DEFINITIONS:	The definitions, commencing on the page following, are provided to assist the reader in understanding this appraisal report.

Market Value[1]

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

- Purchaser and seller are typically motivated;
- Both parties are well informed or well advised and each acting in what they consider their best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Value Creation Continuum



The preceding exhibit graphically displays the creation of value in a real estate development project over time, assuming a zero inflation environment for clarity of presentation.

The four (4) time differential values on the graph which may be considered in the appraisal of existing developments are defined as follows:

(1) **'As Is'** means an estimate of the market value of a property in the condition observed upon inspection and as it

---

[1] Title XI, Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), [Pub. L. No. 101-73, 103 Stat. 183 (1989)], 12 U.S.C. 3310, 3331-3351, and section 5(b) of the Bank Holding Company Act, 12 U.S.C. 1844(b); Part 225, Subpart G: Appraisals; Paragraph 225.62 (f).
Uniform Standards of Professional Appraisal Practice, 2003 Edition, Page 3
Federal Reserve System, 12 CFR Parts 208 and 225, Sec. 225.62
Office of the Comptroller of the Currency, 12 CFR Part 34, Sec. 34.42 (g)
FDIC, 12 CFR Part 323, Sec. 323.2 (g) (2000)
Office of Thrift Supervision, 12 CFR Part 564, Sec. 564.2
NCUA, 12 CFR Part 722, Sec. 722.2

physically and legally exists without hypothetical conditions, assumptions, or qualifications as of the date of appraisal.

(2) **'Value Upon Completion'** means the market value of a property with all existing construction, conversion, or rehabilitation hypothetically completed, or under other specified hypothetical conditions as of the date of appraisal. With regard to properties wherein anticipated market conditions indicate stabilized occupancy is not likely as of the date of completion, this estimate of value shall reflect the market value of the property as if complete and prepared for occupancy by tenants.

(3) **'Prospective Future Value Upon Completion'** means the prospective future value of a property on the date construction is completed, based upon market conditions forecast to exist as of completion date.

(4) **'Prospective Future Value Upon Achievement of Stabilized Occupancy'** means the prospective future value of a property at a point in time when all improvements have been physically constructed and the property has been leased to its optimum level of long term occupancy.

Fee Simple Estate[2]
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.

Leased Fee Interest[3]
An ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the lessee are specified by contract terms contained within the lease.

Leasehold Interest[4]
The interest held by the lessee (the tenant or renter) through a lease transferring the rights of use and occupancy for a stated term under certain conditions.

Condominium[5]
A multi-unit structure or property in which persons hold fee simple title to individual units and an undivided interest in common areas.

Highest and Best Use[6]
The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and which results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability.

...of land or a site as though vacant:

Among all reasonable, alternative uses, the use yielding the highest present land value, after payments are made for labor, capital, and coordination. The use of property based on the assumption the parcel of land is vacant or can be made vacant by demolishing any improvements.

...of property as improved:

The use which should be made of a property as it exists. An existing improvement should be renovated or retained as is so long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing building and constructing a new one.

---

2 The Dictionary of Real Estate Appraisal, Appraisal Institute, Fourth Edition, 2002, Page 113.

3 Ibid., Page 161.

4 Ibid., Page 162.

5 Ibid., Page 59.

6 Ibid., Page 135.

Marketing Time[7]
The time it takes an interest in real property to sell on the market subsequent to the date of an appraisal.

Exposure Time[8]
A retrospective estimate based on an analysis of past events assuming a competitive and open market.

Advocacy[9]
Representing the cause or interest of another, even if cause or interest does not necessarily coincide with one's own beliefs, opinions, conclusions, or recommendations.

Appraisal[10]
(Noun) The act or process of developing an opinion of value; an opinion of value. (Adjective) of, or pertaining to appraising and related functions such as appraisal practice or appraisal services.

Appraisal Practice[11]
Valuation services performed by an individual acting as an appraiser, including, but not limited to appraisal, appraisal review, or appraisal consulting.

Appraisal Review[12]
The act or process of developing and communicating an opinion about the quality of another appraiser's work was performed as part of an appraisal, appraisal review, or appraisal consulting assignment.

Appraiser[13]
One who is expected to perform valuation services competently, and in a manner, is independent, impartial, and objective.

Appraiser's Peers[14]
Other appraisers who possess expertise and competency in a similar type of assignment.

Assignment[15]
A valuation service provided as a consequence if an agreement between an appraiser and a client.

Assignment Results[16]
An appraiser's opinions and conclusions developed specific to an assignment.

Assumption[17]
An occurrence which is taken to be true.

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8 Ibid., Page 175

9 Ibid., Page 105

9 2018/2019 edition, *Uniform Standards of Professional Appraisal Practice (USPAP)*, Page 1

10 Ibid, Page 1

11 Ibid, Page 1

12 Ibid, Page 1

13 Ibid, Page 1

14 Ibid, Page 2

15 Ibid, Page 2

16 Ibid, Page 2

17 Ibid, Page 2

Bias[18]
A preference or inclination which precludes an appraiser's impartiality, independence, or objectivity in an assignment.

Business Enterprise[19]
An entity pursuing an economic entity.

Business Equity[20]
The interests, benefits, and rights inherent in the ownership of a business enterprise or a part thereof in any form (including, but not necessarily limited to, capital stock, partnership interests, cooperatives, sole proprietorships, options, and warrants).

Client[21]
The party or parties who engage an appraiser (by employment or contract) in a specific assignment.

Confidential Information[22]
Information is either:

- identified by the Client as confidential when providing it to an appraiser and is not available from any other source; or,

- classified as confidential or private by applicable law or regulation.

Cost[23]
The amount required to create, produce, or obtain a property.

'Credible'[24]
Worthy of belief.

Extraordinary Assumption[25]
An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions.

Feasibility Analysis[26]
A study of the cost-benefit relationship of an economic endeavor.

Hypothetical Condition[27]
An assertion which is contrary to what exists but is supposed for the purpose of analysis.

Intangible Property[28]

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18 Ibid, Page 2

19 2018/2019 edition, USPAP, Page 2

20 Ibid, Page 2

21 Ibid, Page 2

22 Ibid, Page 2

23 Ibid, Page 2

24 Ibid, Page 3

25 Ibid, Page 3

26 Ibid, Page 3

27 Ibid, Page 3

28 Ibid, Page 3

(Intangible Assets) Nonphysical assets, including, but not limited to, franchises, trademarks, patents, copyrights, goodwill, equities, securities, and contracts as distinguished from physical assets such as facilities and equipment.

Intended Use[29]
The use or uses of an appraiser's reported appraisal, appraisal review, or appraisal consulting assignment opinions and conclusions, as identified by the appraiser based on communication with the Client at the time of the assignment.

Intended User[30]
The Client and any other party as identified, by name or type, as users of the appraisal, appraisal review, or appraisal consulting report by the appraiser on the basis of communication with the Client at the time of the assignment.

Jurisdictional Exception[31]
...an assignment condition which voids the force of a part or parts of *USPAP*, when compliance with part or parts of *USPAP* is contrary to law or public policy applicable to the assignment.

IDENTIFY THE PROBLEM TO BE SOLVED
The client has requested that I derive two values for the subject. The first value is a value as of January 22, 2019 when the subject could accommodate 30 guests. The second value is after the city of Destin promulgated Ordinance 18-29-CC which limits the subject to 20 guests. The problem to be solved is to derive two values and then identify the diminution of value after the promulgation of the ordinance.

EXTENT OF THE PROCESS OF COLLECTING, CONFIRMING, AND REPORTING DATA:

Preparation of this appraisal included the following scope of work:

- The subject site, improvements, and parking improvements were inspected by the appraiser, the property was photographed. File data for similar properties was reviewed.
- The public records were reviewed. As the subject is new construction and the plans are available, the appraiser reviewed the plans.
- The appraiser examined the economic, social, governmental, and environmental forces affecting value in the subject neighborhood and the entire market area as a whole.
- The appraiser identified recent and projected actual rents for the subject, based on occupancy of up to 35 guests. The appraiser then identified the annual rentals of other comparable properties which accommodated up to 35 guests. These comparable rentals provided market support for the subject actual and projected gross rental income.
- The appraiser identified market rental comparables for properties limited to 20 guests.
- The appraiser then reduced gross rent to net operating rent and capitalized the net operating rent to identify value for the subject as a 35 guest rental and a 20 guest rental. The difference between these two values is the diminution in value.

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29 Ibid, Page 3

30 Ibid, Page 3

31 2018 edition, *USPAP*, Page 3

IDENTIFICATION OF THE TYPE OF APPRAISAL AND APPRAISAL REPORT FORMAT:
I have provided an **Appraisal Report**, as defined by the *2018/2019 edition of the Uniform Standards of Professional Appraisal Practice,* containing a summary of all relevant conclusions, data, and analyses used in the report.

TERMS OF THE FINAL VALUE OPINION:
The final opinion of the current market values of the subject property, 'as is' is expressed in terms of cash or financing terms equivalent to cash.

POLICY STATEMENT OF THE APPRAISAL INSTITUTE:
It is improper to base a conclusion or opinion of value upon the premise the racial, ethnic, or religious homogeneity of the inhabitants of an area or of a property is necessary for maximum value.

Racial, religious, and ethnic factors are deemed unreliable predictors of value trends or price variance.

It is improper to base a conclusion or opinion of value, or a conclusion with respect to neighborhood trends, upon stereotyped, biased presumptions relating to the effective age or remaining life of the property being appraised or the life expectancy of the neighborhood in which it is located.

The undersigned appraiser is not a member of the Appraisal Institute.

GENERAL ASSUMPTIONS:

1. No responsibility is assumed for the legal description provided or for matters relevant to legal or title considerations. Title to the property is assumed to be marketable unless otherwise stated. The legal description used in this report is assumed to be correct.

2. The subject property is appraised free and clear of any or all liens, leases, or encumbrances unless otherwise stated. All mortgages, liens, encumbrances, leases, and servitudes have been disregarded unless so specified within the report.

3. No survey of the property has been made by the appraisers and no responsibility is assumed in connection with such matters. Sketches, plot plans, or illustrative material presented in this report are included only to assist the reader in visualizing the property.

4. Information and data furnished by others is usually assumed to be true, correct and reliable. When such information and data appears to be dubious and when it is critical to the appraisal, a reasonable effort has been made to verify all such information; however, no responsibility for its accuracy is assumed by the appraiser.

5. Responsible ownership and competent property management are assumed unless otherwise stated in this report.

6. It is assumed there are no hidden or unapparent conditions of the property, subsoil or structures which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.

7. It is assumed 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.

8. It is assumed the subject property is in compliance with all applicable zoning and land use regulations, unless a nonconformity has been stated, defined and considered in the appraisal report.

9. It is assumed all required licenses, consents or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use which the value estimate contained in this report is based.

10. It is assumed the utilization of the land and improvements is within the boundaries or property lines of the property described and there is no encroachment or trespass unless noted within the report.

EXTRAORDINARY ASSUMPTIONS:

I am using data provided to me by the client and other vacation home owners.

I am making the extraordinary assumption that the data provided is accurate, credible and reliable.

If, for any reason, the data provided is not accurate, credible and reliable, the values derived in the analysis is subject to review.

The subject is not yet completed. I am making the extraordinary assumption that the completion of construction will be done in a timely and workmanlike manner. If the subject improvement is not completed in both a timely and workmanlike manner, the values derived in the analysis are subject to review.

GENERAL LIMITING CONDITIONS:

1. This is an Appraisal Report which is intended to comply with the reporting requirements set forth in accordance with the *2018/2019 edition of the Uniform Standards of Professional Appraisal Practice* for an Appraisal Report. As such, it includes summarized discussions of the data, reasoning, and analyses used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses may be retained in the appraiser's files. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraiser is not responsible for unauthorized use of this report.

2. Appraisers are not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraisers suggesting the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert in the field of environmental assessment. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The appraiser's value estimate is predicated on the assumption there exists no such material on or in the property causing a loss in value unless otherwise stated in this report. No responsibility is assumed for any environmental conditions, or for any expertise or engineering knowledge required to discover them. The appraisers' descriptions and resulting comments are the result of the routine observations made during the appraisal process.

3. The subject property is appraised without a specific compliance survey having been conducted to determine if the property is or is not in conformance with the requirements of *The Americans with Disabilities Act.* The presence of architectural and communications barriers which are structural in nature which would otherwise restrict access by disabled individuals may adversely affect the property's value, marketability, or utility.

4. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event, only with proper written qualification and only in its entirety.

5. Neither all nor any part of the contents of this report shall be conveyed to any person or entity, other than the appraiser's or firm's client, through advertising, solicitation materials, public relations, news, sales, or other media without the written consent and approval of the authors, particularly as to valuation conclusions, the identity of the appraiser or firm with which the appraiser is connected, or any reference to affiliation with any professional appraisal organization. Further, the appraiser or firm assumes no obligation, liability, or accountability to any third party. If this report is placed in the hands of anyone but the client, client shall make party aware of all the assumptions and limiting conditions of the assignment.

6. The appraiser affixing his signatures to this appraisal report will not be required to give testimony or appear in court because of having made this appraisal, with reference to the property in question, unless arrangements have been previously made thereof.

7. No environmental impact studies were either requested or made in conjunction with this appraisal, and the appraiser hereby reserves the right to alter, amend, revise, or rescind any of the value opinions based upon any subsequent environmental impact studies, research, or investigation.

8. The appraiser has not been supplied with a report of the subsoil conditions indicating the exact capacity of the subsoil. I do not have the benefit of subsoil test results of the properties and detection of possible soil defects would be beyond my realm of expertise. However, there appear to be no hidden or apparent conditions of the subject sites or subsoil structures which would render them more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.

9. Acceptance of and/or use of this appraisal report constitutes acceptance of the foregoing General Assumptions, Special Assumptions, General Limiting Conditions, and Special Limiting Conditions.

EXTRAORDINARY LIMITING CONDITIONS AND HYPOTHETICAL CONDITIONS:

This value is based on a hypothetical condition that the subject was completed on May 18, 2019.

CERTIFICATION:

I certify, to the best of my knowledge and belief:

1. The statements of fact contained in this report are true and correct.

2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions and conclusions.

3. I possess no present or prospective interest in the property which is the subject of this report and no personal interest with respect to the parties involved.

4. I possess no bias with respect to the property which is the subject of this report or to the parties involved with this assignment.

5. The engagement in this assignment was not contingent upon developing or reporting predetermined results.

6. The compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value favoring the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

7. The analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *2018/2019 edition of the Uniform Standards of Professional Appraisal Practice*.

8. Thomas A. Marr has made a personal viewing of the property which is the subject of this report. No one else has rendered significant real estate appraisal knowledge and input to the compilation of this report.

9. I have not performed any services, to include appraisal services, regarding the subject in the previous three years.

10. The opinion of market value 'as is' of the one hundred percent (100%) fee simple ownership interest in the subject property, as of the date of last my personal viewing, of May 18, 2019 'as is' is prior to the promulgation of Destin Ordinance 19-23-CC is FOUR MILLION ONE HUNDRED EIGHTY THOUSAND DOLLARS ($4,180,000) and the value after the promulgation of Destin Ordinance 19-23-CC is TWO MILLION TWO HUNDRED THIRTY THOUSAND DOLLARS ($2,230,000. The diminution of value is estimated as ONE MILLION NINE HUNDRED FIFTY THOUSAND DOLLARS ($1,950,000).

Thomas A. Marr
State-certified General Real Estate Appraiser № RZ 2645 (Florida)

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DESCRIPTION OF THE SUBJECT PROPERTY
Ownership:

The current owner is 9 Hutchison LLC. The following deed is an administrative transfer in 2017. The original acquisition deed is available on the two following pages. See additional comments in the history section on page 44.

FILE #3231793 RCD: 9/12/2018 2:42 PM, BK: 3367 PG: 997, RECORDING: $10.50 RECORDING ARTICLE V: $8.00
D Doc Stmp: $0.70 DEPUTY CLERK ASECRIST
JD PEACOCK II CLERK OF COURTS, OKALOOSA COUNTY, FLORIDA

Corporate Warranty Deed

This Indenture, made , September 7, 2018 A.D.
Between
9 Hutchinson, LLC, a Florida limited liability company, whose post office address is: 1159 Troon Drive, Miramar Beach, Florida 32550 , a limited liability company existing under the laws of the State of Florida, Grantor and **9 Hutchinson, LLC, a Florida limited liability company** whose post office address is: 1159 Troon Drive, Miramar Beach, Florida 32550, Grantee,

Witnesseth, that the said Grantor, for and in consideration of the sum of Ten and No/100 Dollars ($10.00), to it in hand paid by the said Grantee, the receipt whereof is hereby acknowledged, has granted, bargained and sold to the said Grantee forever, the following described land, situate, lying and being in the County of Okaloosa, State of Florida, to wit:

A PORTION OF LOT 10 AND A PORTION OF LOT 9, BLOCK 10, CRYSTAL BEACH, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

THE SOUTH 6 FEET OF LOT 10, BLOCK 10 AND ALL OF LOT 9, BLOCK 10, CRYSTAL BEACH, ACCORDING TO THE PLAT THEREOF AS RECORDED IN PLAT BOOK 1, PAGE 17 OF THE PUBLIC RECORDS OF OKALOOSA COUNTY, FLORIDA.

THE ABOVE DESCRIBED PROPERTY IS NOW PLATTED ADN DESCRIBED AS FOLLOWS:

LOT 5, HUTCHINSON COURTS, ACCORDING TO THE PLAT THEREOF AS RECORDED IN PLAT BOOK 28, PAGE 11, OF THE PUBLIC RECORDS OF OKALOOSA COUNTY, FLORIDA.

Subject to taxes for the current year, covenants, restrictions and easements of record, if any.

Parcel Identification Number: **00-2S-22-5445-0000-0050**

And the said Grantor does hereby fully warrant the title to said land, and will defend the same against the lawful claims of all persons whomsoever.

The following deed is the deed where the subject was acquired in 2016.

FILE #3067566 RCD: 5/23/2016 5:19 PM, BK: 3249 PG: 1942, RECORDING: $10.50 RECORDING ARTICLE V: $8.00
D Doc Stmp: $3,444.00 DEPUTY CLERK TWILCOX
JD PEACOCK II CLERK OF COURTS, OKALOOSA COUNTY, FLORIDA

Prepared by and return to:
David B. Plent
Attorney at Law
Plent, Perry & Ritchie, P.A.
4477 Legendary Drive, #202
Destin, FL 32541
850-650-0599
File Name: Feller-12
$18.50 $3,444.00 based on $492,000.00

[Space Above This Line For Recording Data]

Warranty Deed

This Warranty Deed made this 20th day of May, 2016 between Mary Rita Feller individually and as Trustee of the Mary Rita Feller Revocable Trust U/A/D 11/3/05 whose address is 48 Avalon Drive, Terre Haute, IN 47802-3419, grantor, and 12 Hutchinson LLC, a Florida limited liability company whose address is 1159 Troon Dr, Miramar Beach, FL 32550, grantee:

(Whenever used herein the terms "grantor" and "grantee" include all the parties to this instrument and the heirs, legal representatives, and assigns of individuals, and the successors and assigns of corporations, trusts and trustees)

Witnesseth, that said grantor, for and in consideration of the sum of TEN AND NO/100 DOLLARS ($10.00) and other good and valuable considerations to said grantor in hand paid by said grantee, the receipt whereof is hereby acknowledged, has granted, bargained, and sold to the said grantee, and grantee's heirs and assigns forever, the following described land, situate, lying and being in Okaloosa County, Florida to-wit:

A PORTION OF LOT 13 AND A PORTION OF LOT 12, BLOCK 10, CRYSTAL BEACH, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

THE SOUTH 24 FEET OF LOT 13, BLOCK 10 AND THE NORTH 32 FEET OF LOT 12, BLOCK 10, CRYSTAL BEACH, ACCORDING TO THE PLAT THEREOF AS RECORDED IN PLAT BOOK 1, PAGE 17 OF THE PUBLIC RECORDS OF OKALOOSA COUNTY, FLORIDA.

Parcel Identification Number: 00-2S-22-0580-0010-0120

Subject to covenants, conditions, restrictions, reservations, limitations, easements and agreements of record, if any; and to all applicable zoning ordinances and/or restrictions and prohibitions by governmental authorities, if any.

Grantor warrants that at the time of this conveyance, the subject property is not the Grantor's homestead within the meaning set forth in the constitution of the state of Florida, nor is it contiguous to or a part of homestead property.

Together with all the tenements, hereditaments and appurtenances thereto belonging or in anywise appertaining.

To Have and to Hold, the same in fee simple forever.

And the grantor hereby covenants with said grantee that the grantor is lawfully seized of said land in fee simple; that the grantor has good right and lawful authority to sell and convey said land; that the grantor hereby fully warrants the title to said

DoubleTime®

BK: 3249 PG: 1943

land and will defend the same against the lawful claims of all persons whomsoever; and that said land is free of all encumbrances, except taxes accruing subsequent to **December 31, 2015.**

In Witness Whereof, grantor has hereunto set grantor's hand and seal the day and year written below.

Signed, sealed and delivered in our presence:

Witness Name: Lisa VanReet

Witness Name: Lindsay Jones

Mary Rita Feiler, individually and as Trustee

State of Indiana
County of Lake

The foregoing instrument was acknowledged before me this 19th day of May, 2016 by Mary Rita Feiler individually and as Trustee of the Mary Rita Feiler Revocable Trust U/A/D 11/3/06, who [_] is personally known or [X] has produced a driver's license as identification.

[Notary Seal]

Notary Public

Printed Name: Lindsay Danielle Jones

My Commission Expires: Jan 2, 2021

LINDSEY DANIELLE JONES
Notary Public - Seal
State of Indiana
My Commission Expires Jan 2, 2021

SITE:

Location:
The subject is located on the west side of Hutchison Street, 400 feet north of the Hutchison Street and Scenic Highway 98 intersection.

The subject lot was once part of the mature Crystal Beach subdivision in Destin and has been re-designated as Lot 5 of the Hutchison Courts SD

The surrounding area is the Crystal Beach Subdivision which is a mix of mature homes as well as many recently constructed 'beach' homes used for seasonal rental

To the east and west, north of Scenic Highway 98 are primarily single family detached homes.

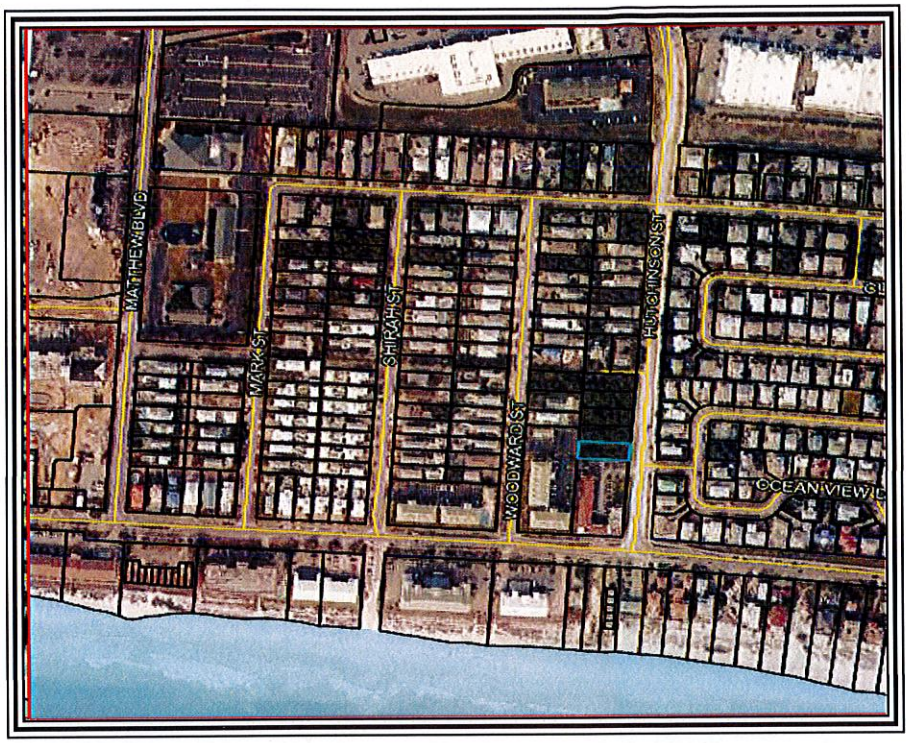
To the north, along the Emerald Coast Parkway (U. S. Highway 98) all uses are almost exclusively commercial, and further north of the Emerald Coast Parkway are mature, residential subdivisions.

On the south side of Scenic Highway 98 are almost exclusively multi-family condominium projects mixed with a few detached single family residential homes.

The Henderson Beach Resort was just completed to the west of the subject.

See the following map for the subject location in the broad Destin market.

The following map indicates the Crystal Beach area which is the local market area surrounding the subject.

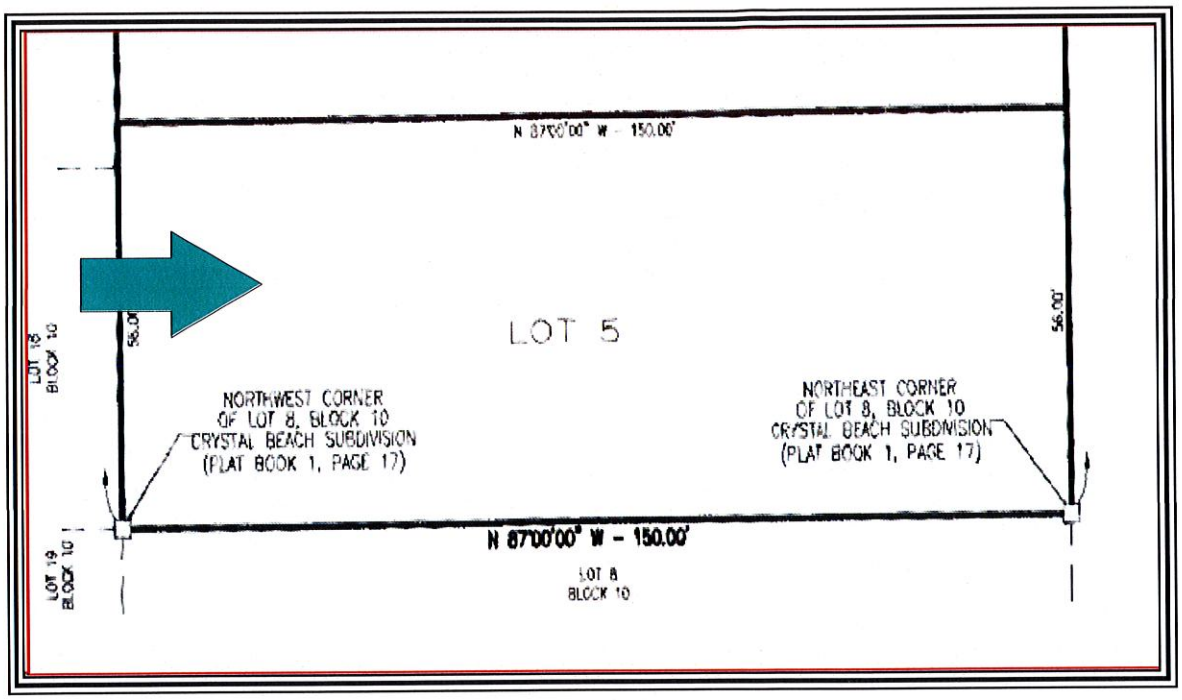


The following aerial photograph indicates the immediate vicinity of the subject.

Land Size:

The subject is a single residential lot.

See the following excerpt from the recorded plat map.



Based on these dimensions, the subject lot is a rectangle with east and west dimensions of 56 feet and north and south dimensions of 150 feet.

This results in a land size of 8,400 SF.

I would consider the subject land size as typical and parking to be adequate as there are eight (8) approved parking spaces.

Site Topography:

Per the Okaloosa County GIS site and my viewing, the subject is at the road grade of Hutchison Street.

The subject is also generally level over the entire surface of the lot.

The subject lot contour is typical for most market parcels.

I am providing the following contour map extracted from the Okaloosa County Property Appraiser web site.

Utilities:

Utility	*Provider*	*Utility*	*Provider*
Electricity	Gulf Power	Stormwater Drainage	Destin
Water and Sewer	Okaloosa County	Fire Department	Destin
Natural Gas	Okaloosa Gas	Police Department	Contract with the Okaloosa County Sheriff
Telephone	Verizon	Refuse Removal	By contract
Cable Television	Cox Cable		

The utilities for the subject site are considered as typical in the market.

Easements/Encroachments:
I was not furnished a copy of a recent survey of the subject property. A review of the site plan, various maps and my personal viewing did not indicate any easements or encroachments.

I assume there are utility easements of record.

It is my opinion that there are no easements or encroachments which would affect value or transferability.

Ingress/Egress:
The subject property is reached directly from Hutchison Street, which fronts on the subject east side.

Hutchison Street is a paved, two lane public roadway.

Hutchison Street connects to Scenic Highway 98 on the south and then runs north where it crosses over Emerald Coast Parkway (U. S. Highway 98) and then is re-designated the Danny Wuerfel Highway/Mid Bay Bridge Road.

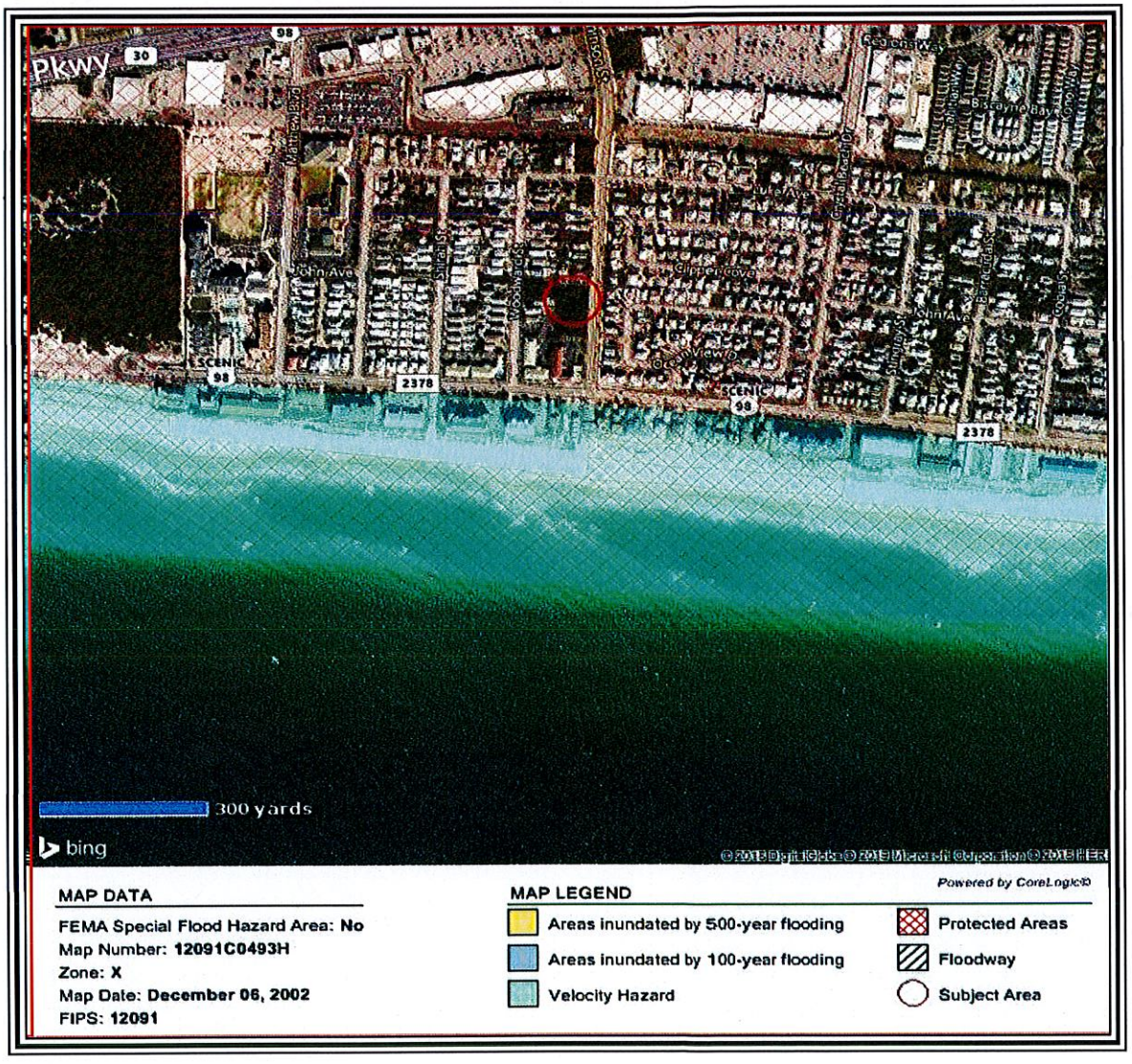
Ingress/egress is viewed as similar to most access typically found in the market.

Parking is viewed as superior to most parking found in the market as the subject was just developed and meets the most current code.

Flood Risk:

FEMA Map Panel	*Map Area*	*Dated*	*Flood Zone*
12091C 0493H	Okaloosa County	December 6, 2002	"X"

* The client is advised appraisers are not surveyors, and accordingly, any final determination as to flood zone status should only be made by a licensed, adequately insured, Florida surveyor utilizing the latest FEMA flood panels. However, it appears the entire subject area is considered as Flood Zone 'X', an area of minimal flood risk. The subject is located at the red circle in the following flood map.



Wetlands:

The subject features no wetlands.

The wetland map is consistent with the flood panel on the previous page.

Census Data:
The subject is located in census tract 0233.04.

IMPROVEMENTS 'AS IS'

Size:
The semi-completed subject is a single family detached improvement with three living levels and a fourth level which is a viewing deck accessed by stairs.

The subject also features an attached two car garage on the first level. The subject features substantial exterior balconies and porches, as well as an in ground swimming pool, pool deck/lanai, landscaping, and six (6) open paver parking spaces. The two (2) garage spaces and the six (6) open spaces result in a total of eight (8) parking spaces.

The first living level is one bedroom with a king bed sleeping two (2), a second bedroom with a king bed sleeping two (2) a sofa sleeper in the game room sleeping one (1) and a media room sleeping six (6) for a total of 11 guests on the first level.

The second level is the kitchen and other living areas to include three (3) bedrooms with king beds sleeping two (2) each for a total of six (6) guests and a sofa sleeper sleeping two (2) guests for a total of eight (8) guests on the second level.

The third level is two bedrooms with king bed sleeping two (2) each for a total of four (4), a bedroom with ten (10) bunks and a den area sofa sleeper sleeping two (2) for a total of sixteen (16) on the third level.

The three level totals of 11, 8 and 16 result in a total of 35 guests.

Per Okaloosa County public records, the subject is 9,408 total SF with an approximate 6,864 HVAC SF of living area.

Construction Quality:
The quality of construction for the subject improvement is *Class C* good. Details of construction are summarized below:

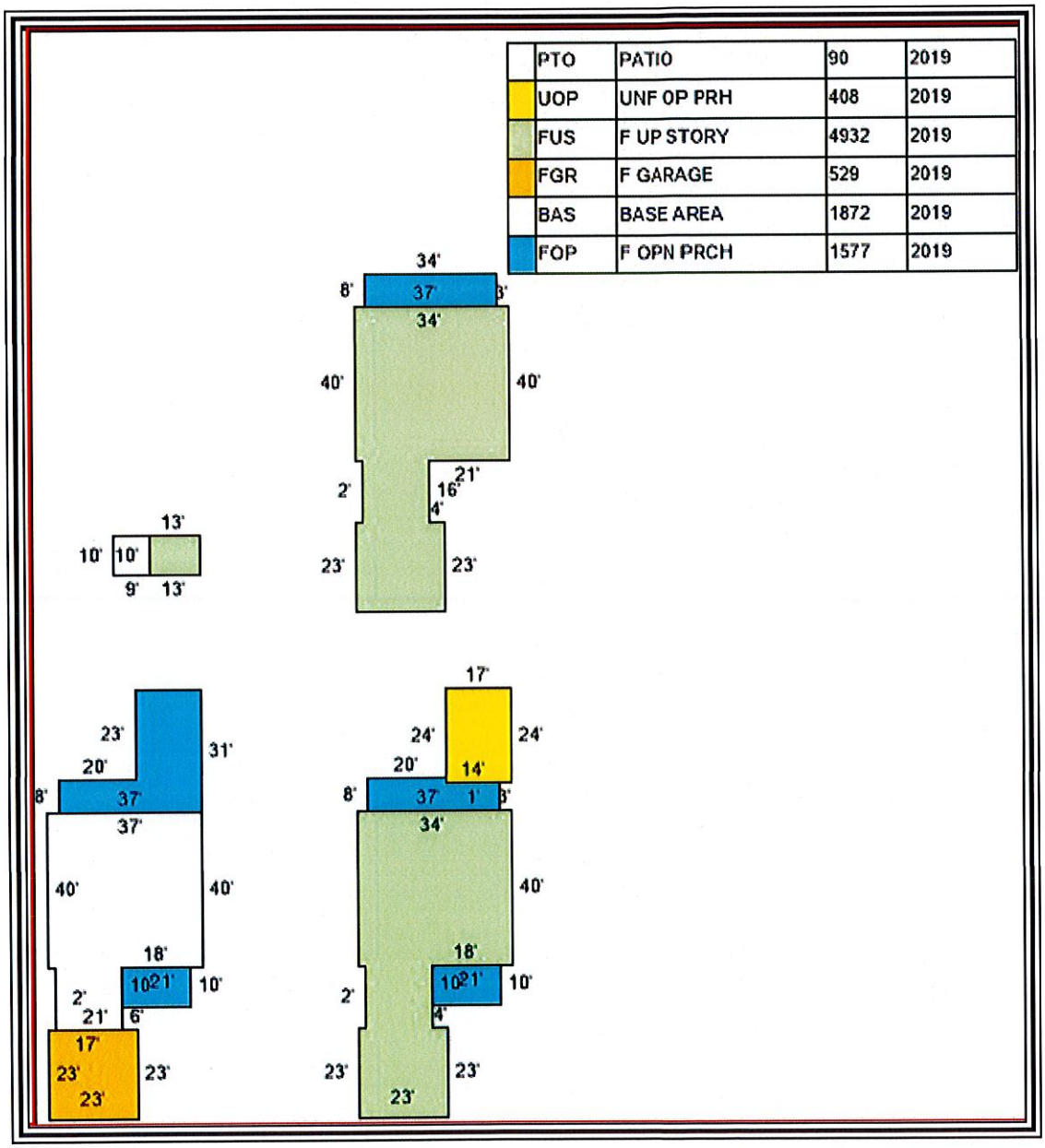
Construction Component	
Foundation	4" Reinforced concrete slab
Exterior walls	Wood frame with hardi board and brick
Roof	Metal
Trim	Base and crown molding
Windows	Double pane aluminum
Exterior doors	Insulated metal with glass
Insulation	Unknown. Assumed to be R38 behind sheet rock
HVAC	Forced Air and Central HVAC
Ceiling	10 foot with sheet rock and can lights
Interior Walls	Painted sheet rock
Interior flooring	High quality stone, tile and carpet
Interior doors	Six and four panel wood
Restrooms	Seven and One Half bath rooms
Lighting	Can lights
Kitchens	One typical residential kitchen
Other	Many porches/swimming pool and lanai/elevator.

Condition of Improvements:
The subject improvement is new and in good condition.

Age:
Public records and my viewing indicate this subject improvement will be completed in 2019.

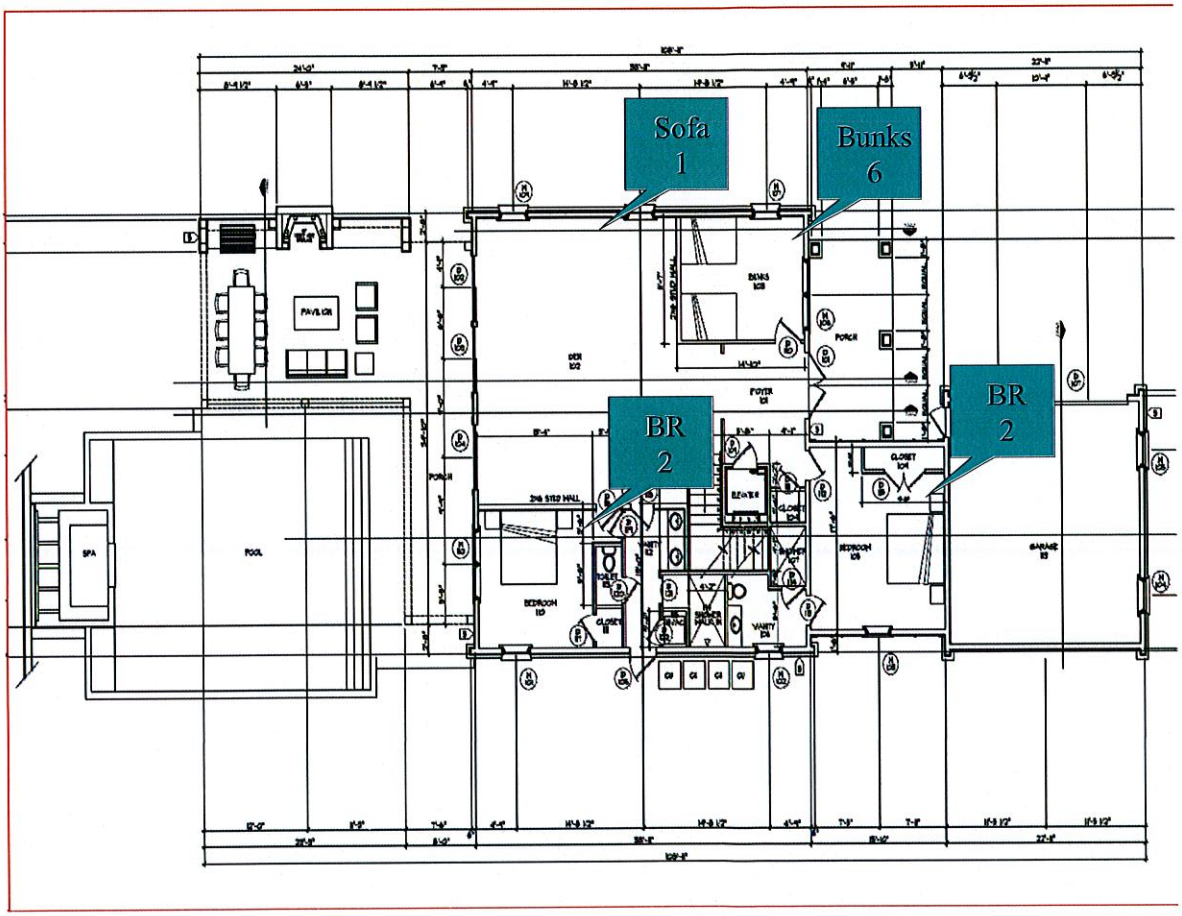
I consider the actual age and the effective age to be a similar one year. I estimate an economic life of 55 years and a physical life of 75 years.

See the following sketch from the Okaloosa County Property Appraiser web site.

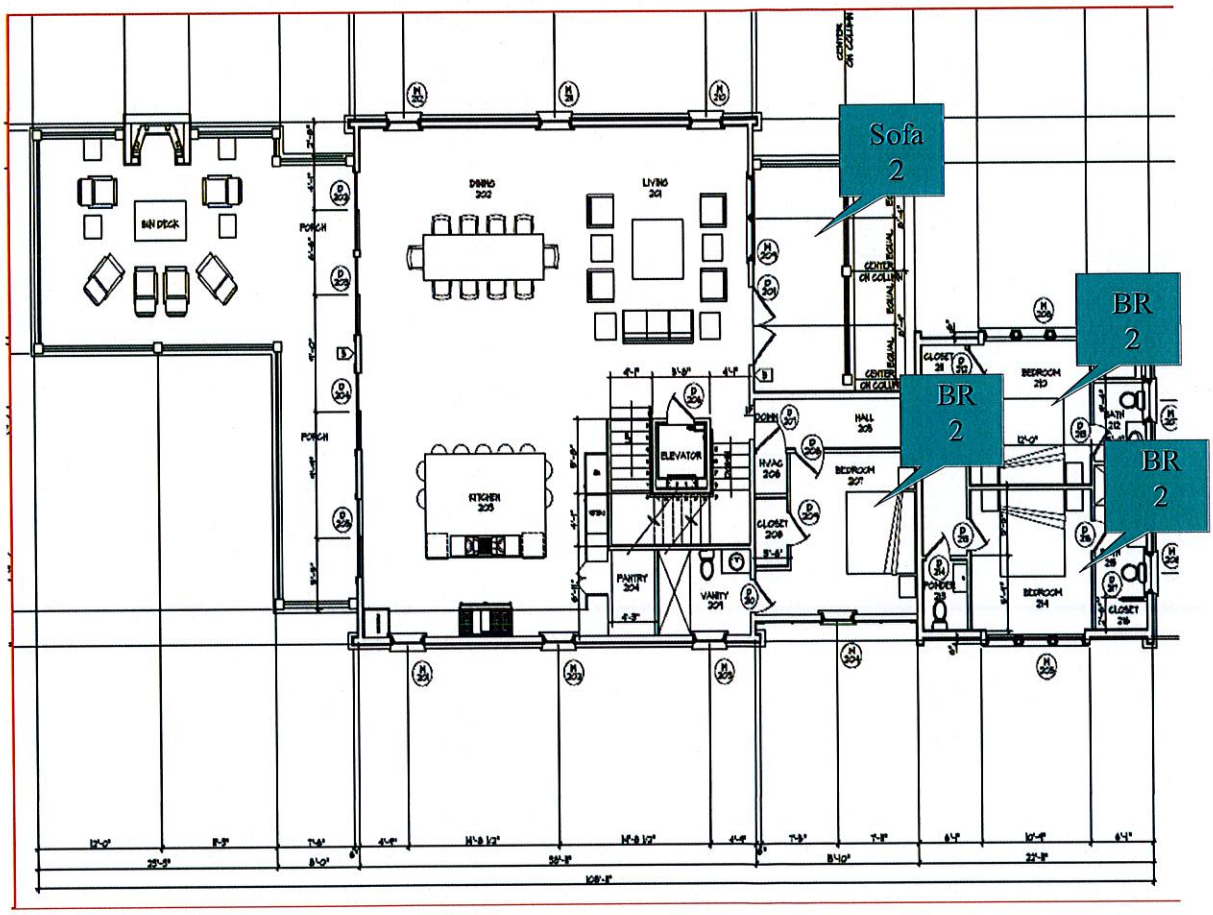


See the following plans provided by the client.

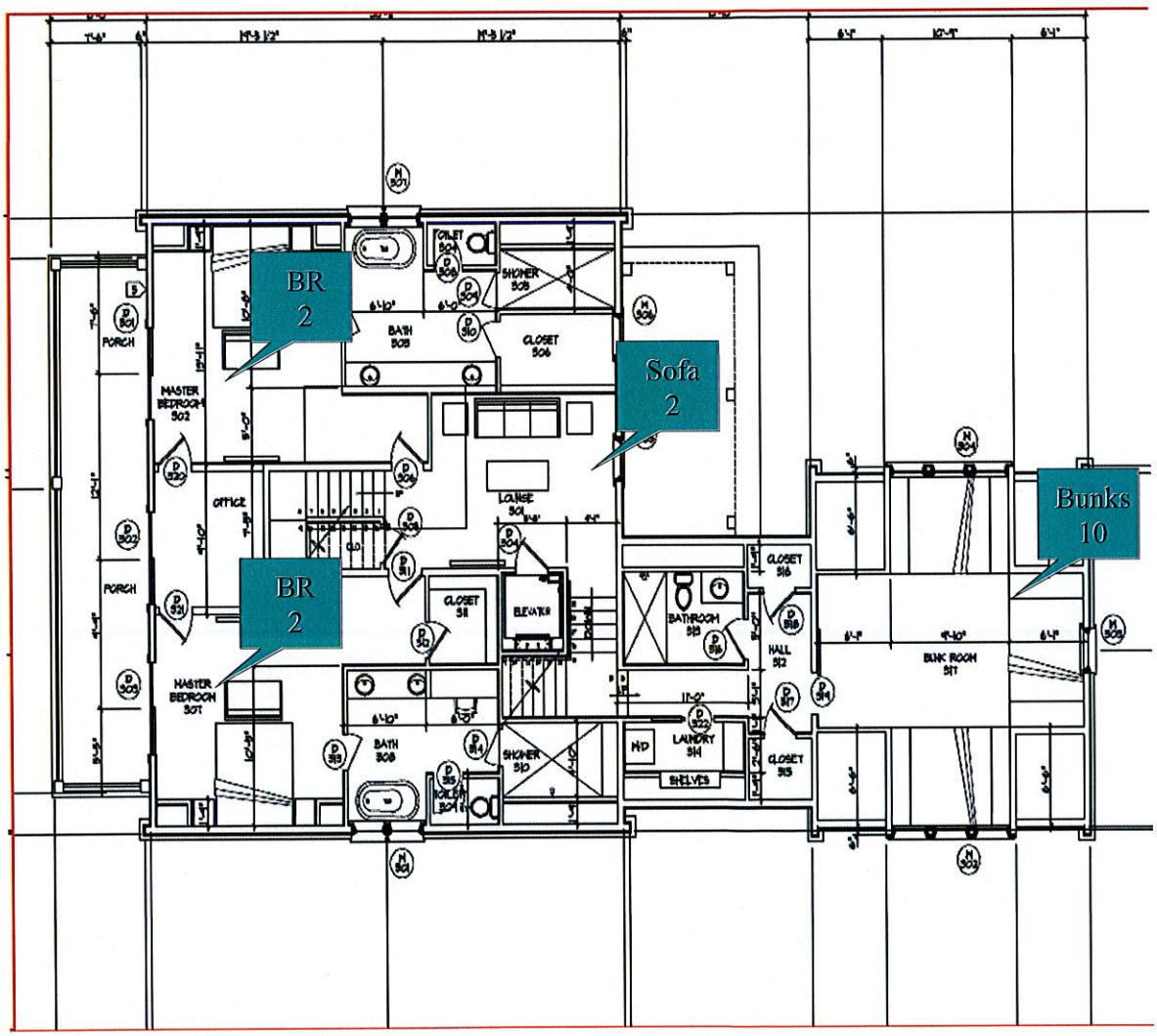
The first level sleeps eleven (11) as indicated below.



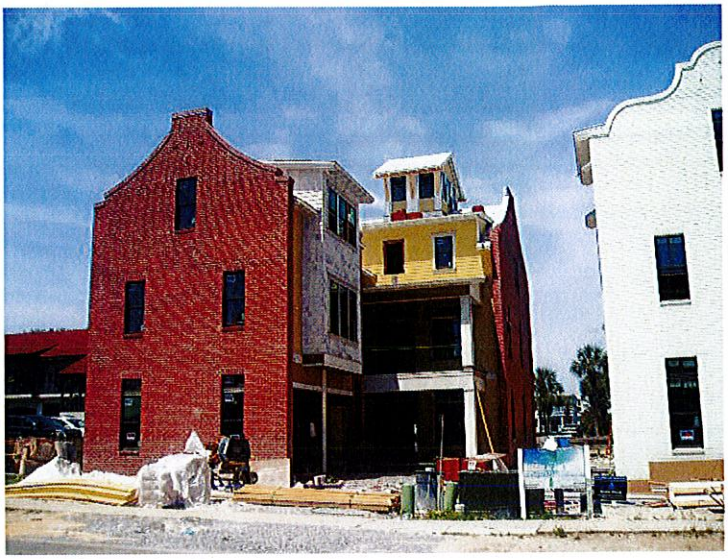
This is the second level with the main living areas of the kitchen as well as three bedrooms and a sofa sleeper, sleeping a total of eight (8).



This is the third level which sleeps sixteen (16)



Exterior Photographs:



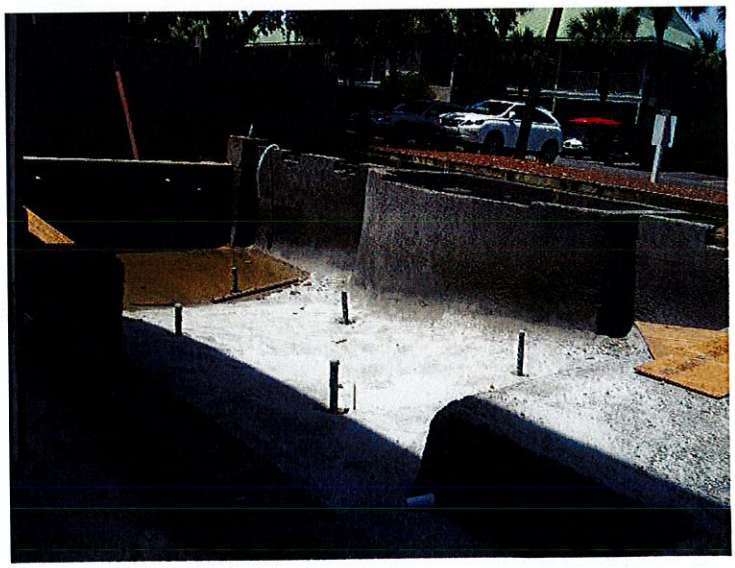
FRONT OF SUBJECT

REAR OF SUBJECT

PARKING SPACES

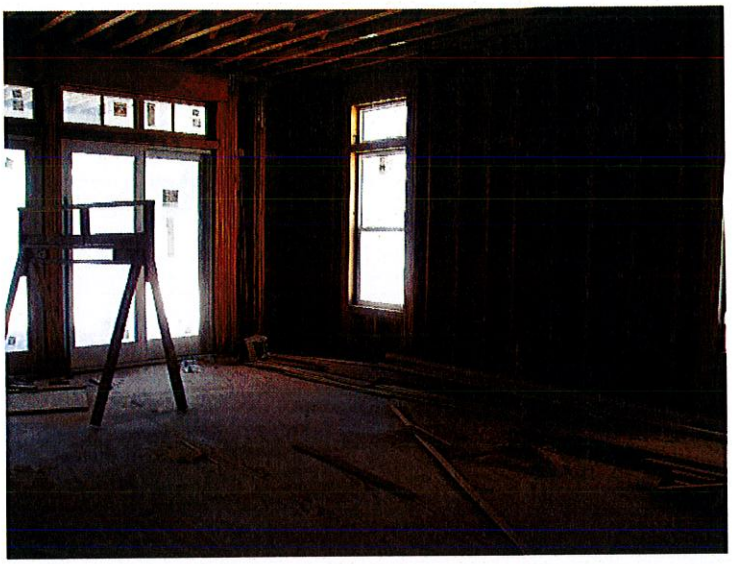
PARKING SPACE

GARAGE



POOL AREA

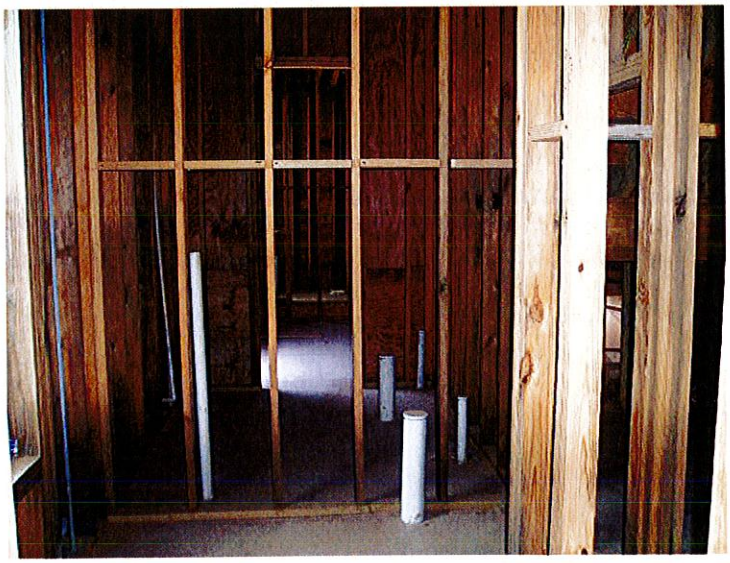
First Level Sleeping eleven (11).



GAME ROOM WITH SOFA SLEEPING ONE (1)

BUNK ROOM SLEEPING SIX (6)

BEDROOM WITH KING SLEEPING TWO (2) BEDROOM #1

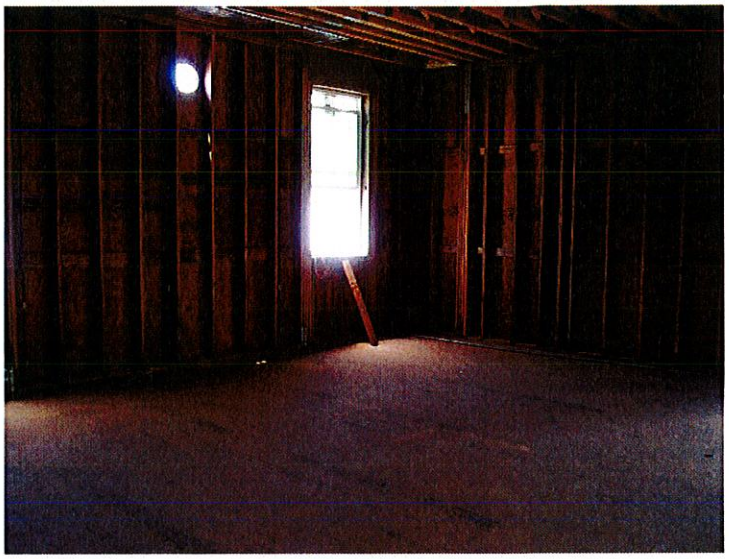


FULL BATH SUPPORTING BEDROOM #1 - BATH #1

BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #2

FULL BATH SUPPORTING BEDROOM #2 - BATH #2

Second Floor Area Features Kitchen and Great Room and Sleeps Eight (8):



KITCHEN

GREAT ROOM WITH SOFA SLEEPING TWO

BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #3

FULL BATH SUPPORTING BEDROOM #3 - BATH #3

BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #4

FULL BATH SUPPORTING BEDROOM #4 - BATH #4

BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #5

FULL BATH SUPPORTING BEDROOM #5 - BATH #5

Third Level Sleeping Sixteen (16):

DEN WITH SOFA SLEEPING TWO (2)

LAUNDRY

BUNK ROOM SLEEPING TEN (10) - BEDROOM #6

FULL BATH SUPPORTING BEDROOM #6 - BATH # 6.5

BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #7

FULL BATH SUPPORTING BEDROOM #7 - BATH #7.5

BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #8

FULL BATH SUPPORTING BEDROOM #8 - BATH #8.5

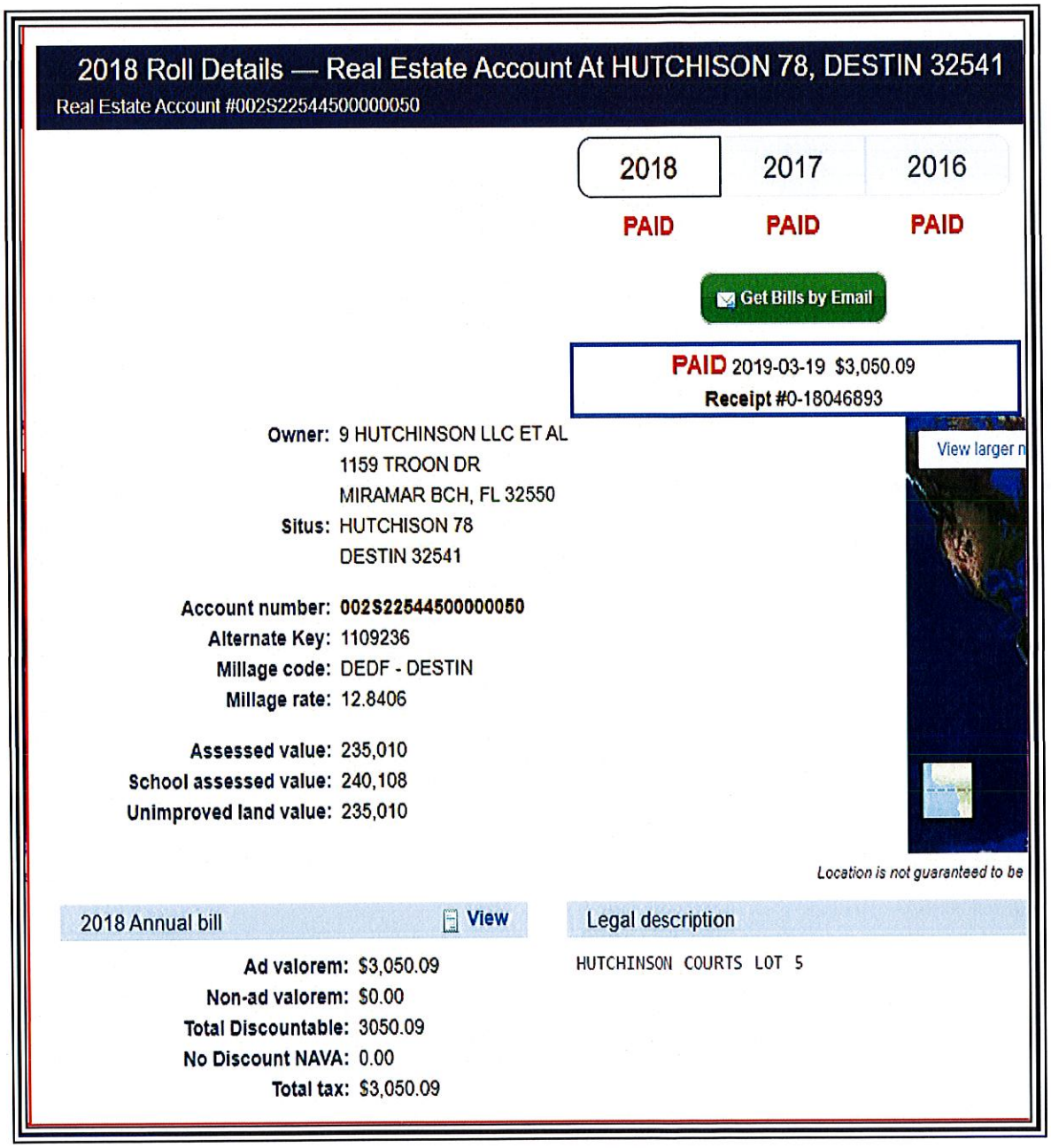
Taxes:
The tax identification number, gross tax amount due, amount paid, and assessed value for the 2018 tax year.

Tax Identification Number	Assessed Value	Gross Tax Amount Due	Amount paid	Amt. Due
00-2S-22-5445-0000-0050	$235,010	$3,050.09	$3,050.09	None

The 2018 taxes are paid.

There are no previous year taxes owing.

It is my experience that assessed value has little correlation with current market value and are typically lower than market value with a few exceptions. I also note that 2020 ad valorem taxes will be much higher after the certificate of occupancy is awarded. As the subject will be taxed as improved property.



2018 Roll Details — Real Estate Account At HUTCHISON 78, DESTIN 32541

Real Estate Account #002S22544500000050

2018 | 2017 | 2016

PAID PAID PAID

Get Bills by Email

PAID 2019-03-19 $3,050.09
Receipt #0-18046893

Owner: 9 HUTCHINSON LLC ET AL
1159 TROON DR
MIRAMAR BCH, FL 32550
Situs: HUTCHISON 78
DESTIN 32541

Account number: 002S22544500000050
Alternate Key: 1109236
Millage code: DEDF - DESTIN
Millage rate: 12.8406

Assessed value: 235,010
School assessed value: 240,108
Unimproved land value: 235,010

View larger n

Location is not guaranteed to be

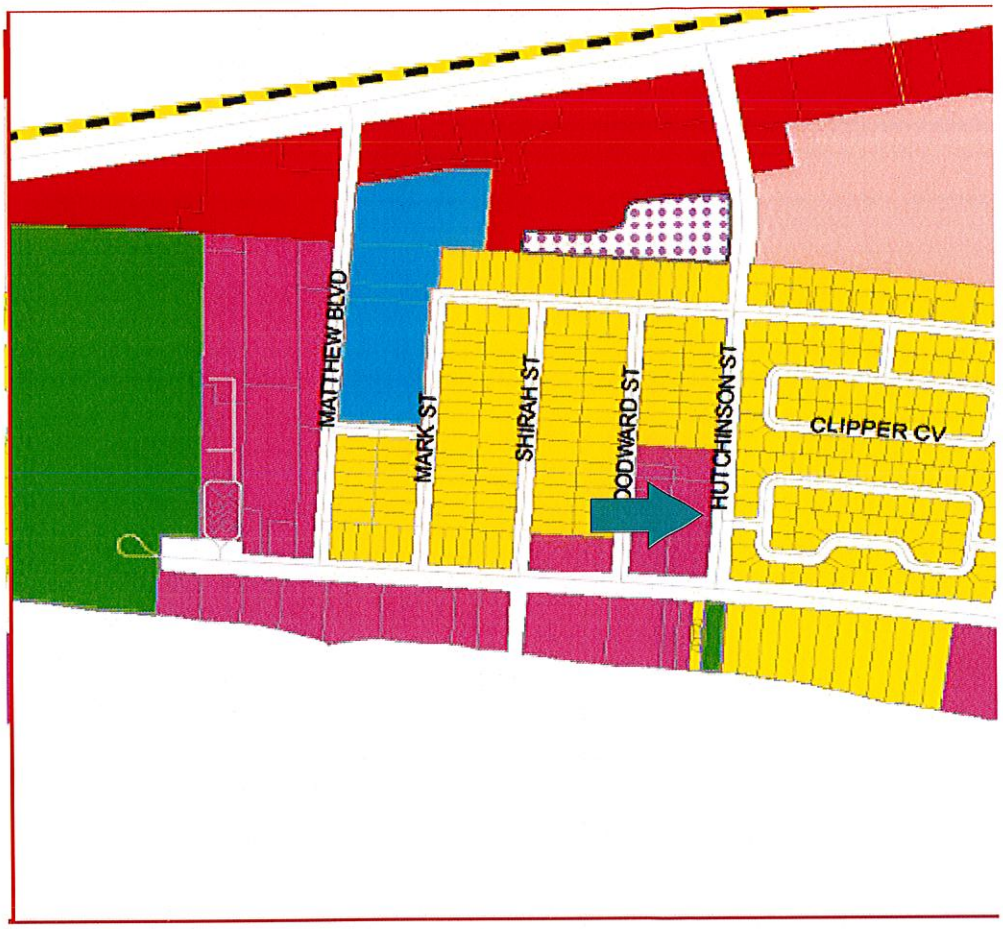
2018 Annual bill View

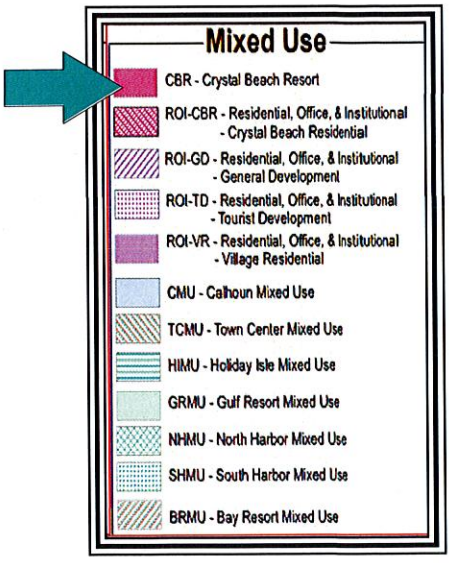
Ad valorem: $3,050.09
Non-ad valorem: $0.00
Total Discountable: 3050.09
No Discount NAVA: 0.00
Total tax: $3,050.09

Legal description

HUTCHINSON COURTS LOT 5

Zoning:
The following map indicates zoning for the subject parcel. The subject is zoned Crystal Beach Resort by Destin. See following pages for detailed identification of allowable uses.





LAND DEVELOPMENT CODE COMMENTS

The following excerpts were taken from the Destin Land Development Code, currently on line.

This first excerpt states that Crystal Beach Resort is designed for permanent and short term residential use. I note that this description of the Crystal Beach zoning designation is silent regarding the number of allowable guests and does not limit guest numbers.

> **Policy 1-2.4.2: Crystal Beach Resort (CBR).** The "CBR" designation provides for residential and limited nonresidential uses. Both permanent long-term and short-term residential uses are permitted. Commercial hotels, motels, bed and breakfast establishments, and other commercial transient living accommodations shall be allowed. Nonresidential uses shall include places of worship, community buildings, public facilities, schools, libraries, post offices, childcare centers, clubhouses, museums, visual and performance arts buildings, neighborhood retail commercial goods and services not exceeding 5,500 square feet designed primarily to serve the needs of the Crystal Beach resort area, offices, medical and dental clinics, laundries and dry cleaning drop off centers, banks, fitness centers, dinner clubs and restaurants. The following maximum development standards shall be applied to future development within "CBR" designated areas:

This second excerpt defines long term rental and short term rental. I again note that the definition of short term rental is silent regarding the number of allowable guests.

> **Policy 1-2.1.1: Residential Uses Defined.** Residential uses shall include several structure types used for housing, including single-family detached dwellings and multiple-family structures including duplex structures units, town homes and other detached single-family structures, apartments, patio homes, atrium homes, and similar multiple-family structures. The specific FLUM designations shall identify where single-family and multiple-family structures may be located. Following are the definitions for long-term residential and short-term residential.
>
> 1. **Long-Term Residential.** Long-term residential uses shall be defined as any residential accommodation that is available for occupancy for 181 days or more. Long-term residential uses shall include lock-out units, as defined in the Glossary.
> 2. **Short-Term Residential.** Short-term residential uses shall be defined as any residential accommodation that is available for occupancy for 180 days or less. Short-Term Residential uses shall include lock-out units, as defined in the Glossary.

This third excerpt defines the grandfather clause. This clause states clearly that the grandfather status may be released only by the vested entity

> **Policy 1-2.1.5: Grandfather Clause.** Existing land uses that were lawfully conforming uses prior to the effective date of the Comprehensive Plan, shall continue as lawful uses and shall be regulated through administrative remedies for vested rights issues that shall be included in the LDC. Building heights, density and/or intensity which (a) are actual present and which lawfully existed prior to the effective date of the Comprehensive Plan, or (b) were authorized pursuant to a development order, which development order remained unexpired as of the effective date of the Comprehensive Plan, shall continue to be legal building heights, density and/or intensity (as applicable) after adoption of the Comprehensive Plan. All duly approved and recorded lots, subdivision and condominium plats of record, which existed as legal lots, subdivision and condominium plats of record prior to the adoption of this Comprehensive Plan shall continue to be legal lots, subdivision and condominium plats of record after adoption of the Compreh[illegible]. This grandfather status may only be relinquished voluntarily by the vested entity. A[illegible]sions, condominium plats and all replats shall comply with the Comp[illegible]hensive Plan objectives and Policies, including maximum density provisions. Similarly, all new develo[illegible]ment shall comply with the Comprehensive Plan and LDC unless the development is found to have a vested right in a land use, building height, density or intensity that is in conflict with the Comprehensive Plan and LDC. Under such condition the grandfather clause shall be applicable unless voluntarily relinquished by the vested entity. The intent is to sustain demonstrated private property rights while preserving the public interest, welfare, health, and safety. Notwithstanding, any single-family home that is subject to redevelopment shall be allowed to reconstruct, providing adopted building and construction codes as well as this ordinance and the size and dimension criteria of the LDC are met.

CONCLUSION

Based on these excerpts, I conclude that prior to the promulgation of Ordinance 18-29-CC, there were no restrictions to the number of allowable guests.

History:
The subject has been owned by the current owner since 5/23/2016 when they purchased it from the Mary Feiler Trust for $492,000 per ORB/P 3249/1942.

There was a subsequent transfer for $100 on 9/18/2017 per ORB/P 3317/1438. This transfer was an administrative transfer.

I do not consider the previous sale to have any relevance to the value opinions based on income analysis in this report.

The owners then constructed the subject improvement.

Active Listings:
The subject is not listed for sale and has not been listed for sale in the previous three years.

Current Use:
The subject is currently a recently constructed detached single family home planned for seasonal rental, catering to large family groups.

Surrounding Uses:
The surrounding use in the Crystal Beach area is a mix of full time occupants and seasonal renters.

MARKET AREA ANALYSIS - SEASONAL RENTAL MARKET

I am restricting this analysis to the seasonal rental market.

Up until perhaps 2000, the great majority of seasonal rentals were condominium units.

However, the growing demand for larger spaces to accommodate extended families in one place led to the conversion of many larger homes to seasonal rents. It also spurred the construction of homes specifically designed for large rental parties.

Such homes feature typical living areas but emphasize a substantial number of bedrooms and baths. Often bedrooms are equipped with multiple built - in bunks for sleeping children.

Most homes also feature sofa sleepers which can sleep additional children.

Many of these homes, and certainly those recently constructed for this purpose, featured swimming pools and lanai areas as an exterior amenity.

This market has flourished as Destin is nationally recognized asa tourist attraction.

It is common to see Realtors addressing gross rental amounts or gross rental projections in MLS Listings. While the value of homes similar to the subject is estimated generally by a size / value per SF component, the fact that a home generates a substantial amount of income makes it a more attractive and safe purchase than a home which is not rented for seasonal income.

Another factor worthy of discussion is that many owners now self - manage. Typically in the past, management of rentals was performed by one of several large real estate companies, such as Resort Quest, Dale Peterson, Newman Dailey and Southern Resorts. However, in the past 10 years a substantial number of smaller management companies have surfaced.

Management fees for seasonal rentals range from perhaps 15% to 25% of gross revenue.

Entrepreneurial owners have recognized this expense line and many now self - manage with the aid of Vacation Rental By Owner (VRBO) or some similar search engine.

The seasonal rental market is increasing in the Destin/Miramar Beach market as the thriving national economy allows discretionary vacations.

I would consider the seasonal rental market to continue to flourish over the next several years.

However, with the promulgation of Ordinance 18-29-CC, limiting the subject to 20 guests, I would project a diminution in value.

HIGHEST AND BEST USE 'AS IS'

Legally Permissible
The subject property is zoned (and designated for future land use) as *Crystal Beach Resort (CBR)* by the City of Destin, Florida.

This zoning and land use designation allows for both single-family and mixed use developments, including hotels, and restaurants. The use of the subject for single-family short-term rentals is therefore allowed in this district.

Physically Possible
The subject property appears to be relatively level and well drained. Soil and subsoil conditions nearby appear compatible with both low-rise, multi-story use and traditional commercial development. All utilities required for commercial or 'mixed use' are presently at the site. The size and dimensions of the site are sufficient to allow a wide variety of legally permissible uses. The shape of the site is rectangular and this shape does not limit utility. Transportation of construction materials or labor to the site is estimated to be relatively simple due to the central location of the site within the overall market. Access to the site is above average.

However, the most compelling substantiation that the subject is physically possible is the fact that it already exists.

Therefore, use of the subject property for single family use as a seasonal rental is physically possible.

Financially Feasible
Value opinions derived in the income approach to value indicate the existing improvement contributes value to the underlying land. There is substantial other ongoing seasonal rental use in the market, suggesting that there is broad appeal for seasonal rental properties.

Therefore, continued use of the subject property for a detached single family residence used for seasonal rental income is financially feasible.

Maximally Productive
The alternatives of addition, demolition, expansion, modernization, or conversion to alternate uses have been considered within the legal, physical, and financially feasible parameters. Several alternatives exist.

Alternatives for use of improvements:

Expansion
The existing subject improvement is 6,864 HVAC SF. The subject is typical of most seasonal rental homes. Thus, there is no need for expansion. Any expansion would come at a cost of parking and/or access. Thus, expansion beyond what is existing, does not appear to be appropriate and feasible.

Renovation
Typically, any existing property could benefit from renovation. However, the subject was just developed and is a state of the art facility. Thus, I would not consider imminent renovation to be required or practical.

Downsizing
The existing subject improvements are 6,864 HVAC SF. I see no reason to downsize the subject improvement as it appeared that all of it is usable space. Thus, downsizing beyond what is existing does not appear to be appropriate, physically possible and feasible.

Subdividing
The purpose of the subject is to lease it seasonally to large parties of guests. Subdivision would not be legally approved and does not appear to be financially prudent as the parties of guests would be smaller and grouping smaller parties together in the same pool could prove problematic. I would not consider subdivision to be prudent or feasible.

Demolition
The subject is a newly constructed home, currently in good condition. It features a probable 55 years of remaining economic life and a probable 70-75 years of remaining physical life.

I do not consider demolition and replacement with alternative improvements to be a superior use to the currently planned

use as a rental property. No alternative use would be certain to serve the land better. Thus, the subject is not a candidate for demolition.

Utilizing existing improvements
Continued use 'as is' as a seasonal rental, as planned, is considered the maximally productive use.

Conclusion of Highest and Best Use 'as is'
Analysis of recent trends and current market supply and demand indicate that the maximally productive highest and best use of the subject property is continued use as a detached single family residence used for seasonal rental income.

Conclusion of Highest and Best User 'as is'
Analysis of recent trends and current market supply and demand strongly indicate the most probable user is an entrepreneurial user who primarily self manages and leases the subject for seasonal rental income with a small amount of personal use.

SUMMARY OF ANALYSIS AND VALUATION

Methodology

Site valuation derived from Sales Comparison Analysis involves direct comparisons of the subject property to similar properties selling in the marketplace to derive a comparative value indication for the subject property 'as if vacant,' as of the effective date of value. This approach is also called the 'direct sales comparison approach', or the 'market approach', and tends to be the most reliable approach for developing an opinion of the value of vacant land or sites available for development. Other methods of developing the value of land are available. Allocation, extraction, land residual, ground rent capitalization, and discounted cash flow analysis are all recognized as reasonable methods.

The cost approach is a reliable methodology for new, or nearly new, buildings. I estimate the replacement cost or reproduction cost, in this case replacement construction cost, of the existing or existing improvements and site improvements (including direct and indirect costs as well as an appropriate developer profit), deducting accrued depreciation from physical, functional, and external sources from the total replacement or reproduction cost new. The depreciated replacement or reproduction cost of the improvements is added to the value of the site resulting in a value indication of the fee simple interest in the property.

The sales comparison approach is based on the 'Principle of Substitution' which indicates an informed purchaser would pay no more for a property than the cost of acquiring an equally desirable substitute property with the same or similar utility. This approach is applicable when an active market provides sufficient quantities of reliable data which can be verified from authoritative sources. The Sales Comparison Approach is reliable in an active market or if an opinion of value is related to properties which there are comparable sales available. This approach to value is also relevant when sales data can be verified with the principals to the transaction. Heavy emphasis is usually placed on this approach to value in an active market.

The income approach is recognized as a reliable approach for developing an opinion of the value of 'income producing' property to an investor. The income approach consists of methods, techniques, and mathematical procedures an appraiser uses to analyze a property's capacity to generate income and convert income into an indication of present value either by capitalizing the current income at a market capitalization rate or discounting the future cash flows into a present value estimate using an appropriate yield (discount) rate. The appraisal process emulates the market, and the most probable purchaser would be an investor. Two (2) techniques associated with the income approach are direct capitalization and discounted cash flow analysis.

Methodology employed and explanation of the exclusion of any of the three (3) approaches to value

I am not performing cost analysis. In addition, the problem to be solved is to derive the diminution in value based on the guest restrictions included in Destin Ordinance 18-29-CC. The number of guests would have no impact on the cost to construct.

I am not performing sales comparison analysis. The impact of Destin Ordinance 18-29-CC may not be evident in the market for several years in the selling prices of homes. The ordinance allows a five year grandfather period. Homes sold in this grandfather period may not indicate a decline in selling prices and it would not be reliable to estimate diminution in value based on comparable sales until a larger array of data was available for use in sales comparison analysis.

I am performing income analysis. I will identify contract rents for the subject (in this case, projected rents) and then identify market rents which support the subject contract rent. I will then identify operating expenses and subtract operating expense from gross rent to arrive at a net operating income (NOI). I will then apply a market based capitalization rent to the NOI to arrive at a value for the subject, prior to the promulgation of Destin Ordinance 18-29-CC.

I will then identify the rental incomes for homes which are allowed only 20 guests. I will then subtract expenses for the rents of 20 guest homes and arrive at their NOI. I will then derive a value by capitalizing this NOI.

Finally I will subtract the value for a 20 guest house from the value of a 35 guest house and this figure will be the diminution in value.

COST ANALYSIS
NOT PERFORMED

SALES COMPARISON ANALYSIS NOT PERFORMED

INCOME ANALYSIS
'AS IS'

DESCRIPTION OF INCOME ANALYSIS METHODOLOGY

The income approach to value is based on the principle of anticipation, in that the value of the subject property correlates to the present worth of the future right to receive benefits in the form of income to be received by the owner. The income approach considers the property from an investment interest with the assumption that the amount of income, coupled with the regularity and quality of the income stream, are the basis for valuing the property based on income analysis.

The income approach is applied by identifying the net income by first identifying gross income and then deducting from the gross income the expenses of operating a property to arrive at a net income, generally identified a Net Operating Income (NOI).

The estimated NOI is then converted to a value opinion by utilizing either a Discounted Cash Flow Analysis, or a Direct Capitalization Analysis, or both.

Discounted cash Flow Analysis:
The Discounted Cash Flow Analysis (DCF) is an analysis where a discount rate is applied to a series (typically several years) of income streams with a reversion after typically 7 to 10 years. The appraiser must specify the quantity, variable nature of the income, timing of payments (monthly/quarterly/annually) to a present value at a specified yield rate. The DCF analysis is most applicable when the net income is projected to be variable and when the property is on a sufficient size and investment value to influence market participants to evaluate purchase decisions based on DCF.

I note that I did not perform DCF analysis as it is my opinion that market participants would not use DCF analysis to base decisions to either purchase or sell properties such as the subject.

Direct Capitalization:
The conversion of a net income to a current value is called capitalization. Capitalization is a method which is used to convert the estimate of a single year's net income actual figures and/or expectancy of income into a value opinion by dividing the income by a appropriate rate of capitalization, as estimated by the appraiser. This technique employs capitalization rates derived from the market, using both capitalization rates from recent sales of similar properties, generally augmented by national indices, or other mathematical progressions. This process provides a one year snap shot of the property value. Future yields and values are not directly identified. The direct capitalization analysis is most appropriate for small to medium sized income producing properties, in stable markets with a forecast of generally stable income.

The procedural steps involved in capitalization are as follows:

Develop the probable gross income by identifying historical performance, income projections and market incomes from comparable properties which support the historical or projected subject income.

Estimate vacancy and collection losses to arrive at Effective Gross Income (EGI).

Estimate and subtract operating expenses to arrive at NOI.

Develop a capitalization rate which is supported by the market.

Divide the NOI by the capitalization rate to derive a value opinion.

I am employing the direct capitalization analysis to derive values in this analysis.

I note for the reader that steps #1 and #2 are generally combined in the analysis of seasonal resort properties. Owners and management companies tend to provide actual income which has already accounted for vacancy and collection loss.

INCOME ANALYSIS - ESTIMATE OF CAPITALIZATION RATE

The capitalization rate is a rate which is applied to the Net Operating Income (NOI) to derive a value for a property. As the chart below indicates, you can derive a capitalization rate by dividing the NOI by the purchase price.

The following excerpt will provide some explanation of capitalization rates.

Capitalization rates are used in a formula. As seen below, dividing the net operating income by the purchase price indicates the capitalization rate.

Another variation of the formula is to divide the net operating income by the capitalization rate and this process will indicate the value of the property.

What Is a Cap Rate?

A cap rate is simply a formula. It's the ratio of a rental property's net operating income to its purchase price (including any upfront repairs):

Cap Rate =

Net Operating Income (NOI) ÷ Purchase Price

The formula can be used on the level of an individual property by looking at its net operating income compared to its value. But it can also be used on the level of an entire market by taking *average* cap rates for a large group of properties.

Importantly, the cap rate formula does NOT include any mortgage expenses. As you can see in the formula for net operating income below, the expenses do not include a mortgage or interest payment.

Gross Rental Income
- Vacancy/Credit Loss Reserve
- Property Taxes
- Property Insurance
- Maintenance/Repairs
- Common Utilities (if any)
- Other expenses (ex: license)
= Net Operating Income

MARKET DATA BASED ON TYPICAL INDICES

Capitalization rates range widely in the market. The following table derived from Realty rates.com indicate a wide variety of capitalization rates base on property types. This table contains very recent data from the fourth quarter 2018.

As can be seen, properties such as restaurants and lodging (motels and hotels) have high capitalization rates. Apartments (residential) have the lowest capitalization rates.

Realty rates does not include a separate category of single family detached homes.

RealtyRates.com INVESTOR SURVEY - 1st Quarter 2019*

CURRENT & HISTORICAL CAP RATE INDICES

	Method-Weighted* Property Category Indices																						Weighted* Composite Indices	
	Apts		Golf		Healthcare Senior Housing		Industrial		Lodging		MH/RV Park		Office		Retail		Restaurant		Self Storage		Special Purpose			
Year	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg
2018	8.42	26	12.02	30	9.01	14	9.19	23	10.53	25	9.56	30	9.04	10	9.38	20	11.57	15	9.86	29	11.64	40	9.64	22
4th Qtr	8.46	8	12.08	11	9.07	11	9.23	7	10.53	1	9.62	13	9.08	13	9.44	10	11.62	11	9.92	13	11.71	11	9.68	9
3rd Qtr	8.37	-4	11.97	-5	8.96	-2	9.16	-5	10.52	-7	9.50	-5	8.95	-6	9.33	-3	11.51	-4	9.79	-7	11.60	-3	9.59	-5
2nd Qtr	8.41	3	12.02	5	8.98	3	9.21	5	10.59	6	9.55	5	9.00	0	9.36	4	11.56	4	9.86	6	11.63	5	9.64	4
1st Qtr	8.38	23	11.97	28	8.96	13	9.16	22	10.52	31	9.50	28	9.00	5	9.32	17	11.52	26	9.81	25	11.58	34	9.60	21
2017	8.16	4	11.73	-2	8.87	-6	8.96	-12	10.28	5	9.26	11	8.94	-22	9.19	-8	11.42	-15	9.57	-9	11.25	4	9.42	-6
2016	8.13	-2	11.75	6	8.92	12	9.08	15	10.22	0	9.15	15	9.16	16	9.27	12	11.57	-10	9.67	14	11.21	10	9.48	9
2015	8.15	-9	11.69	-14	8.80	-9	8.93	-10	10.22	-20	8.99	-18	9.00	-6	9.15	-11	11.66	-13	9.52	-22	11.11	-12	9.40	-12
2014	8.24	-15	11.83	-9	8.89	-1	9.03	-4	10.43	-17	9.17	-5	9.06	-22	9.26	15	11.79	-6	9.75	-20	11.24	14	9.52	-7
2013	8.39	14	11.92	-14	8.90	5	9.07	-2	10.60	3	9.22	14	9.28	-19	9.11	-4	11.86	9	9.95	-24	11.10	1	9.58	-2
2012	8.25	-35	12.07	6	8.85	-36	9.09	-40	10.57	-24	9.08	-39	9.47	3	9.15	-13	11.77	6	10.19	-49	11.09	-4	9.60	-21
2011	8.60	-29	12.00	-22	9.21	-40	9.49	-11	10.81	-24	9.48	-8	9.44	-10	9.28	-26	11.70	-14	10.69	-3	11.12	-17	9.81	-19
2010	8.89	4	12.22	5	9.62	15	9.60	12	11.05	7	9.55	22	9.54	16	9.54	25	11.84	12	10.72	21	11.30	0	10.00	13
2009	8.85	8	12.17	16	9.47	10	9.48	10	10.98	-7	9.33	1	9.38	29	9.29	20	11.72	15	10.50	37	11.30	8	9.87	14
2008	8.77	-4	12.01	29	9.37	-16	9.38	-14	11.05	56	9.32	-5	9.09	-16	9.09	-11	11.57	-28	10.13	20	11.22	-7	9.74	-1
2007	8.81	-45	11.72	-21	9.53	-65	9.52	-25	10.49	-28	9.37	-26	9.25	-47	9.20	-12	11.85	61	9.93	-38	11.29	-24	9.75	-28
2006	9.26	12	11.93	47	10.18	15	9.77	35	10.77	27	9.63	41	9.72	26	9.32	30	11.24	18	10.31	27	11.53	9	10.03	26
2005	9.14	14	11.46	80	10.03	-16	9.42	-30	10.50	-21	9.22	19	9.46	6	9.02	16	11.06	5	10.04	13	11.44	-30	9.77	2
2004	9.00	-19	10.66	28	10.19	-37	9.72	19	10.71	-98	9.03	-48	9.40	-4	8.86	-19	11.01	-15	9.91	-13	11.74	-30	9.75	-19
2003	9.19	-2	10.38	-32	10.56	64	9.53	33	11.69	56	9.51	-11	9.44	1	9.05	-18	11.16	8	10.04	-53	12.04	105	9.94	12
2002	9.21	-40	10.70	18	9.92	-39	9.20	-61	11.13	26	9.62	-60	9.43	-35	9.23	-62	11.08	-3	10.57	-12	10.99	-177	9.82	-41
2001	9.61	64	10.52	133	10.31	90	9.81	16	10.87	98	10.22	-68	9.78	-35	9.85	-53	11.11	47	10.69	13	12.76	32	10.23	21
2000	8.97		9.19		9.41		9.65		9.89		10.90		10.13		10.38		10.64		10.56		12.44		10.01	

* Weighted by methodology: Band-of-Investment, DCR Technique, Sales Survey

^ Further weighted by property category

The following chart provides some additional data regarding capitalization rates for apartments in some major metropolitan centers.

These rates are lower than the overall national rate for apartments identified on the previous page. I attribute this to the fact that the cities below are major metropolitan areas with a high density of population which keeps occupancy high and inspires investor confidence. In this regard, the Destin seasonal rental market is similar in its high density and national appeal.

Cap Rates For Stabilized, Class A Multifamily Apartments By City – 2017 (2nd Half)	
San Diego	4.25%
Chicago	4.75%
Atlanta	5.00%
Philadelphia	5.25%
St. Louis	5.75%
Cleveland	6.25%
Pittsburgh	6.50%
Detroit	7.25%

Single family homes are seldom valued via income capitalization. Most homes are owner occupied and the issue of rent and valuation through rent is generally not applicable. However, I identified the following excerpt rom the internet which indicates a range of capitalization rates from 4% to 10% for single family homes. The reader will note in the excerpt immediately above that high demand areas feature lower capitalization rates and lower demand areas feature higher capitalization rates. I would again observe that Destin is a high demand area in the seasonal rental market. Thus, I would consider it probable that capitalization rates for singe family homes in Destin were toward the low side of the 4% to 10% range.

Cap Rate for Single Family Home

Professionals purchasing commercial properties, for example, may buy at a 4% cap rate in high demand areas, or a 10% (or even higher) cap rate in low-demand areas. Generally, 4% to 10% per year is a reasonable range to earn for your investment property. Continuing with our example from above, $17,000/ 5% = $340,000.

The following are two excerpts from the internet indicating that Panama City Beach, Florida boasts a very low capitalization rate of 4.9% and that the Destin, Florida market features a 4.75% capitalization rate for Airbnb rentals.

9. PANAMA CITY BEACH, FL

- *Short-Term Rental Cap Rate: 4.9%*

White sandy beaches, clear water, fishing piers, protected nature reserves, hiking trails... what more do you need to be convinced that Panama City Beach is one of the best places around the US to invest in a vacation rental.

Property prices are affordable with a median level of $334,700, while short-term rental income stands around $3,260. The average cap rate for vacation rentals is 4.9%.

2. Destin

- *Median Property Price:* $695,000
- *Airbnb Rental Income:* $2,720
- *Traditional Rental Income:* $1,610
- *Airbnb CoC Return:* 2.3%
- *Traditional CoC Return:* 0.5%
- *Airbnb Cap Rate:* 4.7%
- *Traditional Cap Rate:* 2.8%
- *Airbnb Occupancy Rate:* 58.4%

The second among the best places to buy a vacation home in Florida is Destin, with rental income from Airbnb just a few dollars below St. Augustine. However, this location is significantly more expensive. But it has a very important advantage for all those loving nature and sports – it is very famous for the fishing opportunities that it offers.

MARKET DATA BASED ON LOCAL SALES OF DETACHED HOMES USED FOR SEASONAL RENTAL

In addition to the national data provided above, I am also providing some data from actual sales in the local market.

I have some professional acquaintances who specialize in the management of large homes used for seasonal rentals. I have asked them to provide me some actual data from recent sales to help derive a local data base of capitalization rates.

On 7/13/2018, Frangista Beach E16 LLC (Nick Athens - a professional acquaintance well known to me) sold 3491 Scenic Highway 98 to Rich Rentals for $3,000,000. This house is 6,008 HVAC SF and features nine (9) bedrooms and 9.5 baths. It is very similar to the subject and is a very good comparable indicator of capitalization rates. Mr. Athens stated that the net operating income was $172,340. Dividing $172,340 by $3,000,000 indicates a capitalization rate of 5.74%.

On 9/4/2015, Nick and Tina Athens sold 1850 - 1852 Scenic Gulf Drive in Miramar Beach to Forty-Four Holdings for $2,205,000. This was two side by side homes in Frangista Beach which were an aggregate 3,460 HVAC SF and which features Five (5) bedrooms and 7 baths. Mr. Athens stated that the net operating rent was $133,200. Dividing $133,200 by $2,025,000 indicates a capitalization rate of 6.58%. I do not consider it a coincidence that the home with the fewest bedrooms featured the highest capitalization rate.

On 2/10/2016, Destiny Real Estate Ventures LLC sold 3463 Scenic Highway 98 to Charles Barone for $3,615,000. This house is 6,465 HVAC SF and features eight (8) bedrooms and 6.5 baths. It is very similar to the subject and is a very good comparable indicator of capitalization rates. Mr. Giles stated that the net operating income was $222,125. Dividing $202,125 by $3,615,000 indicates a capitalization rate of 6.15%.

On 1/11/2019, Kevin Hense sold 2984 Scenic Highway 98 to Russell and Susan Hancock for $3,000,000. This house is 3,997 HVAC SF and features six (6) bedrooms and 5.5 baths. It is very similar to the subject and is a very good comparable indicator of capitalization rates. Mr. Hense stated that the net operating income was $176,000. Dividing $176,000 by $3,000,000 indicates a capitalization rate of 5.87%.

RECAPITULATION OF LOCAL MARKET CAPITALIZATION RATES

The following table summarizes the capitalization rates identified in the narrative above.

Property Address	Capitalization Rate
3491 Scenic Highway 98, Destin	5.74%
1850 Scenic Gulf Drive, Mirimar Beach	6.58%
3463 Scenic Highway 98, Destin	6.15%
2984 Scenic Highway 98, Destin	5.87%
Average	6.0850%
Rounded	6.10%

I consider a rounded capitalization rate of 6.1% to be a market supported rate which is both credible and reliable.

This local rate is bracketed by the national rates from pages 58-60 above.

ESTIMATE OF VALUE PRIOR TO ORDINANCE 18-29-CC

Based on the current zoning and the Destin Land Development Code, and prior to the adoption of Ordinance 18-29-CC, there was no limit to the number of guests allowed in the subject improvement. The subject can accommodate up to thirty five (35) guests based on the data provided by the owner and my identification of sleeping capacity previously identified.

CURRENT CONTRACT RENT
I note that seasonal rentals are typically described with annual rental amounts as opposed to more consistent monthly rental rates.

Such rental amounts are generally described using gross income data, and/or projections of gross income data.

Appraisers need to then examine expenses to arrive at a net operating rent to capitalize. Expenses to gross revenue are ad valorem taxes, flood and hazard insurance, HOA dues, maintenance and repairs, utilities, lawn maintenance, pest control, professional fees and reserves. I note that interest/mortgage payments and depreciation are not expenses when capitalizing property for value.

In the case of the subject, it was just constructed and there is no historical rent available.

The owner is probably the most knowledgeable owner of large seasonal rental homes as this has been his niche occupation for the last approximate twenty (20) years. I consider his projection of income to be substantially credible.

I am accepting the projected income of $400,000 for an annual period.

ESTIMATE OF EXPENSES
Mr. Giles provided me an estimate of expense of $115,000. I assume this estimate includes ad valorem taxes at the improved rate and I would think that the ad valorem taxes will exceed $20,000 annually. It also includes a management fee.

Subtracting $115,000 from $400,000 results in a net operating income of $285,000.

These figures also indicate an operating expense ratio of 28.75%.

MARKET SUPPORT FOR SUBJECT GROSS AND NET INCOME

RATIO OF GROSS TO NET INCOME

I have attempted to derive gross and net income figures for comparable properties in the market. However, my research indicates that many owners and property managers are unwilling to divulge private financial information, especially the net income.

Thus, I will provide some market examples of properties where clients or close associates did divulge data.

The first example is a detached home located at 112 Sandprint Circle in the Dunes of Destin. The owners, Edward and Tari Furey, provided me with detailed data regarding income and expenses. They indicted annual revenue of $325,000 and annual expense of $100,000. This suggests an expense ratio of $100,000 / $325,000, or 31%, rounded.

I again spoke to Nick Athens who still owns a detached house at 4664 Destiny Way which grossed $275,000 in 2018. The expenses for this property were an approximate $89,000. This suggests an expense ratio of $89,000 / $275,000, or 32% rounded.

As a third indicator, I spoke to Kevin Hense, who sold a detached house at 2984 Scenic Highway 98 for $3,000,000 on 1/11/2019. Mr. Hense indicated that the 2018 gross rent was $263,000 and that the expenses were $87,000. This suggests an expense ratio of $87,000 / $263,000, or 33%, rounded.

This well researched market data influences me to select an expense ratio of 32% for this analysis. I fully recognize that Mr. Giles' estimate was only 28.75%. However, both his projection of annual income and annual expense are made without any historical perspective relative to this particular subject property. I am choosing to be conservative in the analysis and will use an operating expense ratio of 32%.

GROSS RENT OF HOMES SLEEPING 30 + GUESTS

To provide market support for Mr. Giles' projection of $400,000 gross rent and $285,000 net rent, I am providing some market examples of other homes which lease as 30+ guest capacity. This information was provided by the existing client, Ben Giles, a professional well known to me.

Existing rentals - similar propertie	#sleeps	Gross Revenue 2018
42 Miami St Miramar Beach	34	$463,852.00
3487 Scenic Hwy 98 Destin	32	$305,393.00
3463 Scenic Hwy 98 Destin	32	$380,000.00
3461 Scenic Hwy 98 Destin	36	$364,723.00
107 Hollywood St Miramar Beach	38	$289,647.00

These five indicators of gross rent for homes which can accommodate 30 guests average $360,723. The subject sleeps 35 guests while the average of the five rental comparables is 34.4 guests. Thus, one would expect the subject to gross an amount consistent with the average of the range. However, the subject is a new house and the market likes 'new'. I am selecting an income slightly above the average at $375,000 annually.

I recognize that Mr. Giles estimated a rounded $400,000. However, I am again choosing to be conservative and will weigh the larger amount of historical market data available to me.

The next step is applying the previously calculated expense ratio to the gross rent to arrive at a net operating rent average for the five comparable rentals. Applying a 32% expense ratio to $375,000 results in a net rent of $255,000, a figure which is lower than the Mr. Giles' estimate of $285,000 of net rent.

Capitalizing $255,000 with a 6.1% capitalization rate results in a value of $4,180,327, rounded to $4,180,000.

It is my professional opinion that the subject value, prior to the promulgation of Destin Ordinance 19-23-CC is $4,180,000, based on income analysis.

ESTIMATE OF VALUE AFTER THE PROMULGATION OF ORDINANCE 18-29-CC

Destin Ordinance 18-29-CC reduces the subject sleeping capacity to 20 guests as the limit is two guests per bedroom, plus four (4) additional guests. There are eight (8) bedrooms. Thus, 2 x 8 = 16 + 4 = 20.

It is my opinion that the limit of 20 guests will have a negative impact on value.

To estimate the difference, I need to research the market for homes which are limited to 20 guests.

I have previously mentioned other homes which can accommodate only 20 guests.

I again spoke to Nick Athens who owns a detached house at 4664 Destiny Way which grossed $275,000 in 2018. This house sleeps 20 guests

I also spoke to Kevin Hense, who sold a detached house at 2984 Scenic Highway 98 for $3,000,000 on 1/11/2019. Mr. Hense indicated that the 2018 gross rent was $263,000 and the home slept 24 guests.

In addition to these more detailed descriptions, I was also provided some additional raw data via email from Ben Giles regarding other homes that slept 20+/-. This information includes the address, number of allowable guests and annual income of comparable rentals.

3893 Sandprint Dr Destin	20	$118,796.00
113 Los Angeles St Miramar Beach	19	$137,307.00
1737 Scenic Hwy 98 Miramar Beach	20	$144,814.00
96 Sarasota St Miramar Beach	22	$143,813.00
100 Sandprint Cir Destin	20	$105,000.00

Thus, I have seven (7) market comparable homes which sleep from 19 to 24 guests.

The average of the seven homes is $169,675. The subject is still a new house and will probably rent for more as a new house whether the guest size is 35 or 20. Thus, I would consider the subject to command more rent than the average of the range and I am selecting a rounded $200,000 of gross rent as compensation for the fact the subject new and more attractive to the market.

Applying the same 32% expense adjustment to convert gross rent to net operating rent results in a net operating rent of $136,000, rounded.

Applying a capitalization rate of 6.1% to the net operating rent of $136,000 results in a value after Ordinance 18-29-CC is applied of $2,229,000, rounded to $2,230,000.

ESTIMATE OF THE DIMINUTION OF VALUE

My research and analysis indicates that the value of the subject based on the right to sleep 35 guests is a rounded $4,180,000.

My research and analysis indicates the value of the subject based on the limit to sleep only 20 guests is a rounded $2,230,000.

It is my opinion the promulgation of Destin Ordinance results in an approximate $1,950,000 diminution of value.

DIMINUTION OF VALUE

$1,950,000

ADDENDA

Appraiser License

APPRAISER LICENSE

THIS INSTRUMENT PREPARED BY
AND AFTER RECORDING RETURN TO:

Kimberly Romano Kopp, Esq.
Romano Kopp Law, P.A.
P.O. Box 445
Destin, Florida 32541

For Recording Purposes Only

SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is entered into this _____day of _____ 2019, ("Effective Date") by and between, 9 Hutchinson, LLC. ("Owner") and the City of Destin ("City"), collectively referred to as the "Parties."

RECITALS

WHEREAS, on January 22, 2019, the City enacted Ordinance 18-29-CC, the Short-Term Rental Occupancy Ordinance ("Ordinance"), which limits the occupancy of short-term rental homes to two (2) people per bedroom plus an additional four (4) persons; and

WHEREAS, Owner owns the real property and improvements located at 78 Hutchison Street, Destin, FL 32541, as more particularly described in the attached Exhibit "A" (the "Property"); and

WHEREAS, on May 10, 2019, Owner filed a claim with the City, pursuant to the provisions of §70.001, Florida Statutes, the Bert J. Harris, Jr., Private Property Rights Protection Act (the "Harris Act"), alleging that the Property had been inordinately burdened by the adoption of the Ordinance, (the "Claim"); and

WHEREAS, the Harris Act provides for the City to have the ability to enter into a settlement agreement which would have the effect of a modification or variance to the application of a regulation or ordinance as it would otherwise apply to the subject real property, provided the relief granted protects the public interest served by the regulations at issue and is the appropriate relief necessary to prevent the governmental regulatory effort from inordinately burdening the real property; and

WHEREAS, the City has determined that the modifications to the effect of the Ordinance effected by this Agreement protect the public interest served by the Ordinance and are the appropriate relief necessary to prevent the regulatory effect of the Ordinance from inordinately burdening the Property; and

WHEREAS, the Parties now desire to settle and finally resolve all disputes between and among them concerning the Claim.

NOW, THEREFORE, the Parties hereby agree as follows:

1. **Recitals.** The above recitals are true and correct and are incorporated herein by reference.

2. **Occupancy Allowable Under Ordinance.** Owner is hereby granted a variance from the provisions of the Ordinance so that the Owner shall have the right to apply under the Ordinance for a maximum occupancy of thirty-three (33) overnight guests at the eight (8) bedroom vacation rental property noted above and the City shall grant such occupancy. The right shall continue in perpetuity, regardless of any future changes in ownership, provided that this right shall expire permanently if the Property were to be voluntarily remodeled or voluntarily rebuilt in such a manner as to change the number of bedrooms that existed at the date of the Claim. The Property remains subject to all other requirements of the City's regulations, including but not limited to regulations for short-term rentals, parking, trash, and noise. No greater than eight (8) vehicles may be parked on the Property. No vehicle may encroach upon the City's right-of way.

3. **Development in Accordance with Code.** Notwithstanding any provisions contained herein, the Owner shall at any time have the right and option to remodel, develop, or use the Property in accordance with the applicable ordinances of the City of Destin in effect at the time of application therefor, and this variance shall not be construed as making the Property in any way non-conforming.

4. **Entire Agreement.** The Parties acknowledge that this Agreement constitutes the entire agreement between them regarding the settlement of their dispute and any prior statements, whether oral or written, are merged herein. This Agreement may not be modified or amended without a written instrument signed by the party against whom enforcement is sought.

5. **Duration of Agreement.** This Agreement shall be perpetual and deemed to run with the land, and shall be binding upon and the benefits shall inure to the parties hereto and their respective heirs, devisees, personal representatives, successors and assigns.

6. **Authority.** The signatories to this Agreement are expressly authorized to resolve their dispute as set forth herein and by their signatures here represent and affirm their authority to execute this Agreement.

7. **Governing Law.** The law of the State of Florida shall apply to this Agreement. Any dispute regarding this Agreement shall be litigated exclusively in the courts of Okaloosa County, Florida. The parties expressly consent to such agreed jurisdiction and venue, and waive any objections thereto.

8. **Notices.** Any notice required or permitted to be given hereunder shall be in writing and shall be (i) delivered by hand, (ii) delivered by reputable national or local courier (such as United Parcel Service or Federal Express), (iii) mailed by United States registered or certified mail, return receipt requested and postage prepaid, or (iv) sent by facsimile transmission provided a confirmation of such facsimile transmission is sent the same day by one of the methods of delivery in (i), (ii), or (iii) above. Any notice shall be addressed to each party at its address as set forth below. Any such notice shall be considered given on the date of such hand delivery, deposit with such courier for same day or next business day delivery, upon receipt of return receipt of certified mail, or receipt of facsimile transmissions, as the case may be, and the time period (if any is provided herein) in which to respond to such notice shall commence on the date of receipt. Rejection or other refusal to accept or inability to deliver because of changed address of which no notice was given shall be deemed to be receipt of the notice. By giving to the other party at least ten (10) days' notice thereof, any party shall have the right from time to time to change the addresses thereof and to specify up to two (2) additional addresses within the United States of America to which copies of notices to it shall be sent. Notice may be given on behalf of any party by such party's counsel. In the event the subject property owner changes, notices shall be addressed to the current owner as indicated in the records of the Okaloosa County Property Appraiser. Otherwise, notices shall be sent as follows:

Each notice shall be addressed as follows:

To City: City of Destin, Florida
Attn:
4200 Indian Bayou Trail
Destin, Florida 32541

With a copy to:
City Land Use Attorney
Romano Kopp Law, PA
PO Box 445
Destin, Florida 32541

To 9 Hutchinson: 9 Hutchinson, LLC
1159 Troon Drive
Miramar Beach, Florida 32550

With a copy to: Matthews & Jones, LLP
Attn: C. Stephen Tatum
4475 Legendary Drive
Destin, Florida 32541

9. **Attorney's Fees**. In the event of any action, whether pre-suit, mediation, litigation or appellate proceeding to enforce the terms and conditions of this Agreement, each party to the action shall pay its own attorney's fees and costs incurred therein.

10. **Venue**. Venue over any action to enforce the terms and conditions of this Agreement, including mediation, shall lie solely in Okaloosa County, Florida.

OWNER: 9 Hutchison, LLC

_____
Signature of Witness #1

_____
Joseph Bellinghieri

_____
Print or type name

_____

_____
Signature of Witness # 2

_____
Print or type name

STATE OF_____
COUNTY OF_____

The foregoing instrument was acknowledged before me this _____ day of _____ 2019, by _____ _____ and _____, who are personal known to me or who have produced _____ as identification and who did not (did) take an oath.

_____
Signature of Notary

(NOTARY SEAL)

_____
Print or type name

CITY OF DESTIN

By:_____
Gary Jarvis, Mayor

Date:_____

ATTEST:

_____
Rey Bailey, City Clerk

Date:_____

STATE OF_____
COUNTY OF_____

The foregoing instrument was acknowledged before me this _____ day of _____ 2019, by _____ _____ and _____, who are personal known to me or who have produced _____ as identification and who did not (did) take an oath.

_____
Signature of Notary

(NOTARY SEAL)

_____
Print or Type Name

Approved as to form and legality for use and reliance
by the City of Destin, Florida, only.

_____
Kimberly Romano Kopp, Esq.
City Land Use Attorney

Exhibit "A"

Legal Description of Property

Lot 5 of the Hutchison Courts plat, recorded in Okaloosa County Plat Book 28, Page 11, of the Public Records of Okaloosa County, Florida

ITEM # 2019-1901

CITY OF DESTIN

AGENDA ITEM

COUNCIL MEETING DATE: December 9, 2019
TYPE OF AGENDA ITEM: Action Item

TO: City Council

THRU: Lance Johnson, City Manager

FROM: Kimberly Kopp, Land Use Attorney
Louis Zunguze, Community Development Director

DATE: December 5, 2019

SUBJECT: 20) 75 Shirah Street

I. BACKGROUND:

On January 22, 2019, the City enacted Ordinance 18-29-CC, the Short-Term Rental Occupancy Ordinance ("Ordinance"), which limits the occupancy of short-term rental homes to two (2) people per bedroom plus an additional four (4) persons.

The subject property owner owns the real property and improvements located at 75 Shirah Street, Destin, FL 32541, as more particularly described in Exhibit "A" (the"Property") to the proposed settlement agreement.

Owner filed a claim with the City, pursuant to the provisions of §70.001, Florida Statutes, the Bert J. Harris Jr., Private Property Rights Protection Act (the "Harris Act"), alleging that the Property had been inordinately burdened by the adoption of the Ordinance, (the "Claim).

The Harris Act provides for the City to have the ability to enter into a settlement agreement which would have the effect of a modification or variance to the application of a regulation or ordinance as it would otherwise apply to the subject real property, provided the relief granted protects the public interest served by the regulations at issue and is the appropriate relief necessary to prevent the governmental regulatory effort from inordinately burdening the real property.

The City Council should settle the claim if the City Council determines that the modifications within the settlement agreement protect the public interest served by the Ordinance and are the appropriate relief necessary to prevent the regulatory effect of the Ordinance from inordinately burdening the Property.

II. DISCUSSION: The property owner has requested a maximum occupancy of sixteen (16) occupants. City staff is recommending an occupancy of twelve (12) occupants based on the square footage of the property. The building official utilized a one-occupant per 200 square feet methodology for recommending the above-stated occupancy.

Additionally, staff is recommending at least two (2) trash cans on the property. This recommendation is based on industry standard (Waste Management) that, on average, one trash can is required for every six occupants in order to ensure adequate garbage disposal. Therefore, if the maximum number of occupants exceeds any multiple of six (6, 12, 18, 24, 30, 36, etc.), then an extra trash can will be needed to accommodate the additional occupants. For example, if thirteen (13) is the maximum occupation, then three (3) trash cans are required. This is because, on average, two (2) trash cans will only accommodate twelve (12) occupants. The third trash can will be needed to accommodate the thirteenth occupant.

Further, the property owner must agree to annual life safety inspections, as provided in the proposed settlement agreement.

Finally, staff is recommending that no greater than two (2) vehicles be parked on this property

As stated in the agreement, the property owner remains bound by all other provisions of City codes.

A. **Link to Strategic Goals / Objectives:**
B. **Effect on Budget (EOB):**
C. **Level of Service (LOS):**

III. CONCLUSION:

IV. RECOMMENDED MOTION: 1. I move to approve the settlement agreement prepared by the City Land Use Attorney and Staff.

or

2. I move to approve the settlement agreement prepared by the City Land Use Attorney and Staff with the following modifications:_____.

or

3. I move to direct the City Land Use Attorney to negotiate in good faith with the

property owner and to bring back an alternate settlement proposal to the City Council for consideration.

or

4. I move to deny settlement of the subject claim at this time.

Attachments:

1. Bert Harris Case - 75 Shirah Street
2. 75 Shirah Street

DANA C. MATTHEWS

MICHAEL A. JONES

KENNETH M. BORICK
Of Counsel
Also admitted in Georgia and South Carolina

DANA C. "D.C." MATTHEWS II

SAMUEL B. TAYLOR

DANIEL C. O'ROURKE
Florida Supreme Court Certified
Civil and Family Mediator

MATTHEWS & JONES
ATTORNEYS AT LAW

INSIGHT | INTEGRITY | INNOVATION

CHRISTA P. DIVINEY
Board Certified Criminal Trial Lawyer
Also admitted in Alabama

LAURA PENTEL-KLANG

JESSICA L. STEWART

SALVADOR "A.J." GOMEZ

C. STEPHEN TATUM

Reply to Destin

STATUM@DESTINLAW.COM

October 9, 2019

VIA HAND DELIVERY

Mayor Gary Jarvis
City of Destin
4200 Indian Bayou Trail
Destin, FL 32541
gjarvis@cityofdestin.com

Dear Mayor Jarvis:

Our firm represents Shirah Breeze,, LLC, the owner of the home located 75 Shirah Street; Destin, Florida, also identified as Lot 20, Block 11, Crystal Beach, recorded in Okaloosa County Plat Book 1, at Page 17.

Due to the enactment of City of Destin Ordinance 18-29-CC, which limits the occupancy of short term rental homes to two (2) people per bedroom plus an additional four (4) persons, Shirah Breeze's reasonable investment-backed expectations for use of the home as a short-term vacation rental property have been inordinately burdened, as defined in the "Bert J. Harris, Jr., Private Property Rights Protections Act", Chapter 70, Florida Statutes ("Harris Act"). Shirah Breeze hereby submits this letter along with the enclosed EquiValue Appraisal, LLC property appraisal dated September 19, 2019, as a claim under the Harris Act against the City of Destin for One Hundred Five Thousand Dollars ($105,000), which represents the diminution in value of Shirah Breeze's property.

Pursuant to the provisions of the Harris Act, Shirah Breeze hereby demands payment in the amount of One Hundred Five Thousand Dollars ($105,000) plus attorneys fees and costs.

If no resolution is reached during the statutorily prescribed waiting period, Shirah Breeze intends to file suit pursuant to this claim and pursue any other legal remedies for

the actions that gave rise to this claim. Shirah Breeze explicitly reserves the right to bring any and all legal challenges, appeals and objections with respect to Ordinance 18-29-CC.

Sincerely,

C. Stephen Tatum
Matthews & Jones, LLP
Attorney for Shirah Breeze, LLC

Enclosure

cc: Lance Johnson, City Manager (via email)
Rey Bailey, City Clerk (via email)
Kimberley Romano-Kopp, Esq. (via email)
Client

APPRAISAL REPORT

PROPERTY: AN APPROXIMATE +/-2,496 SQUARE FOOT HEATED AND COOLED RESORT RESIDENTIAL RENTAL PROPERTY, ALONG WITH ASSOCIATED SITE IMPROVEMENTS INCLUDING A HEATED POOL (WITH CABANA), AND POOL DECK, ALL OF WHICH IS SITED ON AN APPROXIMATE 0.17-ACRE SITE

75 SHIRAH STREET, DESTIN, OKALOOSA COUNTY, FL

EQUIVALUE APPRAISAL

EQUIVALUE APPRAISAL, LLC
PROFESSIONAL APPRAISAL AND VALUATION SERVICES
PO BOX 5326
DESTIN, FLORIDA 32540
PHONE (850) 424-6119

Jason P. Shirey, MAI, CCIM, CPM
State-Certified General Real Estate Appraiser, RZ3186 (FL)
Direct Phone (850) 543-5953 (Mobile)

EquiValue Appraisal File No.: 190307B

APPRAISAL REPORT

Of Resort Residential Property
+/-0.17-Acres of Residential-Zoned Land
Improved with a resort residential structure,
Containing approximately +/-2,496 SF of Heated and Cooled Livable Area,
Along with Associated Site Improvements Including a Heated Pool (with Cabana) and Pool Deck

Location
75 Shirah Street,
Destin, Okaloosa County, FL
32541

Property Owner
Shirah Breeze, LLC

Effective Date
January 22, 2019 (Retrospective)

Report Date
September 23, 2019

Client / Intended User
Shirah Breeze, LLC
P.O. Box 9734
College Station, TX 77842

Prepared by:
Jason P. Shirey, MAI, CCIM, Cert Gen RZ3186

EQUIVALUE APPRAISAL

Phone 850 424 6119 Fax 888 774 4503
EquiValue Appraisal, LLC File #: 190307B

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September 23, 2019

Shirah Breeze, LLC
P.O. Box 9734
College Station, TX 77842

Re: Diminution in Value Appraisal of an approximate +/-2,496 HVAC Square Foot Resort Residential Rental Property, 'As Is', whose postal address is 75 Shirah Street, Destin, Okaloosa County, FL 32541. EquiValue Appraisal File No. 190307B.

Dear Client:

At your request and authorization, we have prepared an appraisal for the above-referenced resort residential rental property. A copy of the pertinent engagement document has been included in the addenda to this report if applicable.

This letter of transmittal is *not* an appraisal report, but merely serves to transmit the attached appraisal report and convey the final conclusion of value. The accompanying research, analyses and conclusions, and appraisal report following this letter of transmittal has been compiled in accordance with USPAP Standards Rule 2-2(a) for a written appraisal report.

The purpose of this appraisal is to determine if there is a Dimunition in Value as result of recently-adopted City of Destin Ordinance No. 18-29-CC, and if so, to derive an opinion of the Dimunition in Value to the subject property associated with the implementation of said Ordinance.

This Ordinance was implemented January 22, 2019, and the incorporation of this ordinance limits the occupancy of the subject property to 14 guests. Prior to the implementation of this Ordinance, the designed occupancy of the subject property was 16 guests. Therefore, as a result of the ordinance, the maximum occupancy of the subject has been reduced by 2 guests, or approximately -12.50%.

We are therefore opining on the difference in market value of the subject before and after the adoption of City of Destin Ordinance No. 18-29-CC, which was promulgated on January 22, 2019.

The values reported are predicated upon market conditions prevailing as of the effective date of the appraisal. In the context of the scope of work, the appraisal is considered to render a credible opinion of value, specific to the client, intended use and intended user.

The intended use of this appraisal is for internal decision making purposes by the stated Client and their advisors. This appraisal is intended for the use of the client and client's advisors.

We have completed the requisite inspections, research, and analyses necessary to appraise the 100% fee simple interest in the subject property, 'As Is' as of January 22, 2019, both prior to adoption of Ordinance No. 18-29-CC and after, in order to evaluate the potential Dimunition in value.

Please reference the Scope section of this report for information regarding the scope of research and analysis for this appraisal, including property identification, inspection, highest and best use analysis and valuation methodology.

I certify that I have no present or contemplated future interest in the property beyond this opinion of value. The reported value(s) in this appraisal have not been based on a requested minimum valuation, a specific valuation, and have been prepared in compliance with the Uniform Standards of Professional Appraisal Practice.

Your attention is directed to the Limiting Conditions and Assumptions section following the reconciliation and appraisal certification in this report. Acceptance of this report constitutes an agreement with these conditions and assumptions.

This appraisal is subject to the following Hypothetical Condition(s):

- None.

This appraisal is subject to the following Extraordinary Assumption(s):

- None.

Our opinion of value was formed based on our experience in the field of real property valuation, as well as the research and analysis set forth in this appraisal.

I am of the opinion that as a result of the implemented City of Destin Ordinance 18-29-CC that the market value of the subject property is negatively impacted.

The implemented Ordinance reduces the maximum occupancy of the subject property, and therefore the subject's associated income generation potential.

The subject property is a resort-residential property specifically utilized for income generation purposes. Therefore, a reduction in scheduled income due the subject correlates to a reduction in associated value.

The Dimunition in Value to the subject is represented by the difference between the 'Before' and the 'After' value conclusions.

In this case, this is represented by the difference between the opined value prior to implementation of the Ordinance (ie. the 'Before Ordinance' value of $695,000) and the value after implementation of the Ordinance (ie. the 'After Ordinance' value of $590,000).

Per this calculation, with supporting documentation as to the rationale of these values provided within this report, the opinion of Dimunition in Value to the subject as a result of City of Destin Ordinance 18-29-CC is opined to be $105,000.

Therefore,

Dimunition in Market Value
As A Result of Implementation of City of Destin Ordinance 18-29-CC:

One Hundred Five Thousand Dollars
($105,000)

The estimated market exposure period necessary for the subject to have achieved these values is estimated to be 9-12 months.

It was a pleasure assisting you with this matter. If you have any questions concerning the following analysis, or if we can be of further assistance, please do not hesitate to call.

Respectfully submitted,
EquiValue Appraisal, LLC

Jason P. Shirey, MAI, CCIM, CPM
Cert Gen RZ3186

INTRODUCTION

QUALIFICATIONS OF THE APPRAISER

Qualifications of

Jason P. Shirey, MAI, CCIM, MS-RECM

State-Certified General Real Estate Appraiser No. RZ 3186 (FL)
State-Certified General Contractor No. CGC 062478 (FL)
Licensed Real Estate Broker No. BK 3168469 (FL)

MAI : Designated Member of the Appraisal Institute
Appraisal Insitute, Chicago, Illinois.

CCIM : Designated Certified Commercial Investment Member
CCIM Institute, Chicago, Illinois.

M.S. RECM : Master of Science, Real Estate and Construction Management
University of Denver - Denver, Colorado.

B.S. BCN : Bachelor of Science, Building Construction Management
University of Florida – Gainesville, Florida.

Business Affiliations and Work Experience, Past / Present

EquiValue Appraisal and Consulting Services
Principal and Founder; Real Estate Appraiser, Real Estate Broker, Certified General Contractor

Marsh Appraisal Corporation - Real Estate Appraisal and Valuation Services, Fort Walton Beach, Florida
Registered Trainee Appraiser / State Certified Real Estate Appraiser

Plantation Coast Properties, LLC – Fort Walton Beach, Florida
Principal; Real Estate Investments and Property Management

Alcon Associates, Inc. – Commercial General Contractors / Construction Managers; Pensacola, Florida
Florida Division Manager

National Construction Enterprises, LLC – General Contractor / Construction Managers; Savannah, Georgia
Vice President of Operations, Savannah-Hilton Head Division

Acoustics and Specialties, Inc. – General Contractors; Memphis, Tennessee
Senior Estimator / Project Manager of Healthcare Construction

Brasfield and Gorrie General Contractor Inc. – General Contractors and Construction Managers; Orlando, Florida
Construction Estimator / Project Manager

United States Air Force Reserve
Reserve Pilot, Boeing C-17 Globemaster III

EQUIVALUE APPRAISAL

Jason P. Shirey, MAI, CCIM, MS-RECM (Continued)

Professional / Continuing Education

Litigation Appraising - Specialized Topics and Applications
Appraisal Institute

Uniform Standards of Professinal Appraisal Practice
7 Hour Update, *Appraisal Institute*

Advanced Income Capitalization
Appraisal Institute

Advanced Sales Comparison Approach
and Principles In Highest and Best Use
Appraisal Institute

User Decision Analysis for Commercial Real Estate
CCIM Institute Course CI-103

Advanced Cost Approach
Appraisal Institue

Real Estate Taxation, Planning and Consequences
University of Denver, Burns School of Real Estate

Advanced Real Estate Feasibility Analysis
Urban Land Institute / University of Denver

Real Estate Securities and Syndications
University of Denver, Burns School of Real Estate

Legal Issues In Real Estate and Construction Management
University of Denver, Burns School of Real Estate

Income Property Investment
Urban Land Institute / University of Denver

Argus Financial Analysis
University of Denver, Burns School of Real Estate

Residential Real Estate Appraiser Course ABII
Ed Klopfer Schools of Real Estate

Real Estate Salesperson Pre-Licensing Course
Ed Klopfer Schools of Real Estate

Income Property Management
Institute of Real Estate Management / University of Denver

Certified Commercial Investment Member Core Concepts
CCIM Insitute Comprehensive Exam

Appraising from Blueprints and Specifications
Appraisal Institute

Florida Building Code Update
Florida Workplace Safety and OSHA Update
Universal Inspection Service

Uniform Standards of Professional Appraisal Practice
15 Hour Update, *Appraisal Institute*

Business Practices and Ethics for Appraisers
Appraisal Institute Course #420

Basic Income Capitalization
Appraisal Institute

Advanced Valuation and Report Writing
Appraisal Institute Course #540

Real Estate Investment Finance
University of Denver, Burns School of Real Estate

Computer Applications for Real Estate Analysis
University of Denver, Burns School of Real Estate

Risk Management and Insurance for Investment Real Estate
University of Denver, Burns School of Real Estate

Indoor Air Quality and Mold Contamination Remediation
National Association of Mold Professionals, 2004

Real Estate Trainee Appraiser Course ABI
Ed klopfer Schools of Real Estate

Uniform Standards of Professional Appraisal Practice
15 Hour Update, *Appraisal Institute*

EQUIVALUE APPRAISAL

Jason P. Shirey, MAI, CCIM, MS-RECM (Continued)

Appraiser Experience - Property Types

Affordable Housing
Agricultural Land
Aircraft Hangars
Antenna Towers
Apartments
Automobile Dealerships
Hotels and Motels
Bank Buildings
Bowling Alleys
Broadcast Facilities
Campgrounds / Recreational Vehicle Parks
Car Washes
Churches
Coastal Land
Condominium Units:
  Assemblages, Complexes, Conversions
Condominium Projects:
  Pre-development, Insurable Replacement Cost
Convenience Stores
Day Care Centers
Development Appraisals
Distribution Facilities
Golf Clubs and Country Clubs
Health Clubs
High-End Residential
Hobby Farms
Home Sites (Lots)
Home Sites (Land - Large Tracts)
Hotel - Resorts
Industrial Land
Indstrial Improvements
Light Industrial Properties
Manufacturing Facilities
Marinas / Docks / Boat Storage Facilities
Medical Offices
Mixed Use Developments
Mobile Home Parks
Multifamily Land
Multifamily Developments
Nurseries
Office Buildings
Office Condominiums
Office-Warehouse Facilities
Outdoor Signs
Parking Facilities
Replacement Cost Appraisals
Retail Stores (Anchor Tenant / Owner Occupied)
Retail Strip Centers (Multiple Tenant)
Restaurants (All types)
Self-Storage Facilities
Subdivisions (Commercial)
Subdivisions (Residential)
Single Family Residences
Sustainable Development (Green Buildings)
Urban Land (Vacant and Interim Use)
Warehouses
Yacht Clubs

Previous Client List (Partial)

Access Bank and Mortgage
Alternative Funding Corporation
BanCorp South
Bank of America
Bank of Bonifay
Bank of Pensacola
BankTrust
Beach Community Bank
CB Richard Ellis
CCB Community Bank
Colonial Bank
Community Bank
Compass Bank
Cotton and Gates
Crystal Beach Development
DestinFirst Bank
First Capital Bank
First City Bank
First Gulf Bank
First National Bank and Trust
Florida Coastal Mortgage
Guaranty Federal Bank
GulfSouth Private Bank
Jay Odom
Kevin Helmich, P.A.
Legendary, Inc.
LNK Development
M & F Bank
People's First Community Bank
Premier Community Bank
Regions Bank
Renasant Bank
Sunbird Condominium Owner's Association
Suntrust Bank
The Plaza Owner's Association
Tranquil Harbor Owner's Association
Trustmark National Bank
Vanguard Bank
Villas on the Gulf Condominium Onwer's Association
Vision Bank
Wachovia Bank
Whitney Bank

Assignment Purposes

Acquisition
Disposition
Assessment Appeal
Development Feasibility
Estate Planning
Financing (Institutional and Private)
Investment Analysis
Portfolio Analysis
Marital Dissolution
Relocation
Mediation, Arbitration, Dispute Resolution

EQUIVALUE APPRAISAL

Jason P. Shirey, MAI, CCIM, MS-RECM (Continued)

Assignment Types

Appraisal Review
Buyer Brokerage
Complex Valuation
Construction Progress / Draw Request Inspection
Demographic Analysis
Detrimental Conditions Valuation and Consulting
Eminent Domain Valuation and Consulting
Estate Valuation
Feasibility Studies
Fee Appraisals Including Full and Fractional Interests
Foreclosure / REO Appraisal - Assessment
Highest and Best Use Analysis
Insurance
Litigation Support
Market Studies
Portfolio Valuation and Analysis
Relocation Appraisal
Rent Analysis / Studies
Retrospective Valuation
Site Location Services
Valuation and Consultation for Financial Reporting

Primary Market Area

Okaloosa County
- Destin
- Fort Walton Beach
- Crestview
- Mary Esther
- Niceville
- Bluewater Bay

Walton County
- Miramar Beach
- Panama City Beach
- Rosemary Beach
- Santa Rosa Beach
- Blue Mountain Beach
- Freeport
- Defuniak Springs
- Inlet Beach
- Seacrest Beach

Santa Rosa County
- Navarre
- Navarre Beach
- Gulf Breeze

Bay County
- Panama City
- Panama City Beach
- Springfield

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Subject Photograph(s)

Additional photographs can be referenced in the Property Description Section of the Appraisal Report.

Summary of Salient Facts and Conclusions

GENERAL	
EquiValue Appraisal File No:	190307B
Subject:	An approximate 2,496 HVAC SF / 3,264 Gross SF Resort Residential Rental Property located along the east side of Shirah Street, approximately 425 feet north of the Beaches of the Gulf of Mexico, with postal address of 75 Shirah Street, in Destin, Okaloosa County, Florida. The subject site is comprised of +/-0.17 acres of Crystal Beach Neighborhood-zoned land (a residentially-oriented zoning designation) which is improved with a two story resort rental residential structure, along with associated site improvements which include a heated pool (with Cabana) and pool deck. According to information provided by the Okaloosa County Property Appraisers Office, the main improvement was constructed in 1981, provided for actual age of 38 years. The subject improvement appears to have been periodically renovated and, based on observations made by the appraiser during the inspection, is considered to be of good quality of construction and in good condition, exhibiting an effective year built of approximately 1986, providing for an actual age of approximately 33 years. We note that the subject has undergone periodic renovations and we estimate that the effective age is lower than the actual age as a result of these renovations.

The configuration of the existing structure was specifically designed and outfitted to accommodate and adequately park 16 overnight (sleeping) guests and features the following characteristics,

- 5 Bedrooms
- 4 Bathrooms
- 2 Living Rooms (1st & 2nd Floors), a Dining Room, Laundry Room. and 2 Kitchens (1st & 2nd Floors)
- Heated Swimming Pool and Pool Deck
- Outdoor Living Areas

The use of the subject property in 'As Is' condition is as a beach proximate, resort residential rental property and this is the use represented in the valuation of the subject property, as of the effective date of this appraisal.

In the 'Before' condition, occupancy of the subject was specifically designed for 16 guests with sleeping accommodations as follows:

1st Floor Bedroom #1 (Sleeps 2)
1 King Bed

1st Floor Bedroom #2 (Sleeps 2)
1 King Bed

1st Floor Bedroom (Bunk Room) #3 (Sleeps 8)
2 Queen over Queen Bunk Beds

2nd Floor Bedroom #4 (Sleeps 2):
1 King Bed

2nd Floor Bedroom #5 (Sleeps 2):
1 King Bed

In the 'After' condition and taking into account the City of Destin Ordinance 18-29-CC which was implemented January 22, 2019, the occupancy of the subject (in aggregate) is limited to 14 Guests as calculated by having a total of 5 bedrooms (as recognized by the Okaloosa County Property Appraisers Office) at 2 guests per bedroom, plus 4 additional guests.

Owner:	Shirah Breeze, LLC P.O. Box 9734 College Station, TX 77842
Legal Description:	Crystal Beach Lot 20 BLK 11
Tax Identification:	00-2S-22-0580-0011-0200
Date of Report:	September 23, 2019
Date of Value:	January 22, 2019
Property Rights Appraised:	Fee Simple
Intended Use:	The intended use of this appraisal is for internal decision making purposes by the client, and for Bert Harris Act computation of damages.
Intended User(s):	The intended user of this report is the property owner, the property owner advisors, courts and local government and regulatory agencies.
Appraisal Purpose:	Market Value Opinion 'As Is' in the ‘Before Ordinance’ and ‘After Ordinance’ conditions, and subsequent evaluation of Dimunition in Value.
2018 Assessed Value:	**$478,752** Despite the intention of the property appraiser to value property at market value on a yearly basis, it is the appraiser’s opinion that assessed value has no direct correlation to fair market value in the subject market area. It is noted that as the subject was just recently extensively renovated.
2018 Taxes:	**$6,147.46 (Paid)** According to the Okaloosa County Tax Collector, taxes for 2018 have been paid in full and no prior year delinquent taxes remain owing.

Sale History:	The most recent transaction related to the subject property can be found on a Warranty Deed recorded in the Okaloosa County public records at OR Book 3294 Page 4659. According to this deed, the subject property was transferred to Shirah Breeze, LLC (grantee) from Jennifer & Michael Donnelly (grantor) on 4/6/2017 for a total consideration of $585,000. This transaction was given some consideration in our valuation of the subject property. We note, that information provided by the property owner indicated that the motivation for the purchase of the property was for income generation purposes with a specific design for 16 occupants. There have been no other transfers of the subject property in the preceding 3 years
Current Contracts/Listing:	We were unable to locate any active listing for sale of the subject property in the prior 12 months. We are unaware of any intention by the current owner to market the subject for sale. It is our understanding that the property owner plans to retain the subject property for short-term rental purposes and income generation potential.

PROPERTY	
Land Area:	Total: +/-0.17-Acre Usable: +/-0.17-Acre Excess: 0.00 Acres
Zoning/ Future Land Use:	CBN – Crystal Beach Neighborhood by the City of Destin

Highest and Best Use 'As Is':	Utilizing the subject as a resort-residential rental property at maximum occupancy is estimated to be the highest and best use of the subject 'As Is'. It is noted that occupancy limitations imposed on the subject by virtue of City of Destin Ordinance 18-29-CC, which limits occupancy of the subject property to a lesser number than that for which the subject was specifically renovated and outfitted, is anticipated to have a negative impact on the market value / return on investment of the subject property to the owner.

VALUE CONCLUSIONS

Land Value:	Not Utilized
Cost Approach:	Not Utilized
Improved Sales Comparison Approach:	Not Utilized
Income Approach:	$695,000 – Before Ordinance 18-29-CC $590,000 – After Ordinance 18-29-CC $105,000 – Diminution in Value as a Result of Ordinance 18-29-CC

Appraisal Scope of Work

In accordance with the 2018-2019 Uniform Standards of Professional Appraisal Practice, it is the appraiser's responsibility to develop and report a scope of work that results in credible results that are appropriate for the appraisal problem and intended user(s).

This process should meet the expectations of parties who are regularly intended users for similar assignments and be consistent with what an appraiser's peers actions would be in performing the same or a similar assignment.

Therefore, the appraiser must identify and consider:

- the client and intended users;
- the intended use of the report;
- the type and definition of value;
- the effective date of value;
- assignment conditions;
- typical client expectations; and
- typical appraisal work by peers for similar assignments**.**

This appraisal is prepared for the Client, Shirah Breeze, LLC.

The intended use of this appraisal is for internal decision making purposes by the client, the client's advisors, and for Bert Harris Act computation of damages.

The intended user of this report is the property owner, the property owner's advisors, courts and local government and regulatory agencies.

SCOPE OF WORK	
Report Type:	This is a written Appraisal Report, which is intended to comply with the reporting requirements established by Standards Rule 2-2(a) of the *2018-2019* edition of the U*SPAP* for a written Appraisal Report. It presents summary discussions of the data, reasoning, and analyses utilized in the appraisal process to develop the appraiser's opinion of value. Supporting documentation not provided with the report concerning the data, reasoning, and analyses is retained in the appraiser's file. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated in the report. The appraiser is not responsible for the unauthorized use of this report.

Property Identification:	The subject was identified by the legal description and the assessor's parcel number, and appraiser inspection.
Inspection:	An inspection of the site and improvements was made, and photographs were taken.
Market Area and Analysis of Market Conditions:	A complete analysis of market conditions was made. The appraisers physically inspected the micro and/or macro market environments which influence the subject property.
Highest and Best Use Analysis:	A complete analysis of highest and best use for the subject property in 'As Is' condition was made.

Valuation Analyses

Land Valuation and Cost Approach:	An opinion of value for the subject property in 'as if vacant' condition and subsequent application of the cost approach has not been provided. The purpose of this appraisal is to evaluate the impact to the value of the subject by virtue of the implementation of City of Destin Ordinance 18-29-CC which limits occupancy of the subject and corresponding associated income generation potential. Thus, the cost to acquire land and construct a replacement property is meaningless to the purpose of the assignment and was not applied.
Sales Comparison Approach:	The improved sales comparison approach was not utilized in this appraisal assignment. The purpose of this appraisal is to evaluate the impact to the value to the subject by virtue of the implementation of City of Destin Ordinance 18-29-CC which limits occupancy of the subject and associated income generation potential. As this ordinance was just recently implemented, an adequate number of improved sales which sold after the Ordinance implementation date were not available from which to derive an opinion of market value from this approach. As sales which occurred prior to this Ordinance will reflect market transactions without this restriction, they are not considered valid indicators of value for the subject in the restricted condition. Therefore this approach could not be applied due to lack of sufficient comparable data.

Income Approach:	The income approach was applied for the subject in both the 'Before Ordinance' and 'After Ordinance' scenarios.
Hypothetical Conditions:	None.
Extraordinary Assumptions:	None.
Exposure Time (Market Value):	Exposure Time may be defined as: the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective opinion based on an analysis of past events assuming a competitive and open market. The estimate of exposure time is presented in consideration of the exposure periods for comparable sales utilized in this appraisal, marketing time information available from nationally published sources including the CB Richard Ellis National Market Survey and the opinions of market participants. ***It is estimated that the exposure time necessary for the subject to have achieved the opinion of value is 9-12 months.***

Definition of Value, Property Rights Appraised, and Intended Use

Purpose of the Appraisal:

The purpose of an appraisal is the stated reason and scope of the appraisal assignment. It is established by the client, and points to the information that the client needs to answer specific questions pertaining to real property. The purpose of the appraisal establishes the foundation for the final value conclusion, which does not change to accommodate the use of the appraisal.[1]

The purpose of this appraisal is to derive an opinion of the Dimunition in Value to the subject property associated with the implementation of City of Destin Ordinance No. 18-29-CC.

This Ordinance was implemented January 22, 2019, and the incorporation of this ordinance limits the occupancy of the subject property to 14 guests. Prior to the implementation of this Ordinance, the designed occupancy of the subject property was 16 guests. Therefore, as a result of the ordinance, the maximum occupancy of the subject has been reduced by 2 guests, or approximately -12.50%.

We are therefore opining on the difference in market value of the subject before and after the adoption of City of Destin Ordinance No. 18-29-CC, which was promulgated on January 22, 2019.

Intended Use of the Appraisal and Intended User:

The intended use of an appraisal is the manner in which a client will employ the information contained in the appraisal report. The intended use or function of an appraisal is determined by the client's needs. Because an appraisal may provide a basis for a decision concerning real property, the intended use of the appraisal depends on the decision that the client wishes to make.[2]

The intended use of this appraisal is for internal decision making purposes by the client, and for Bert Harris Act computation of damages. The intended user of this report is the client / property owner, advisors, courts and local government and regulatory agencies.

Property Rights Appraised

Real property is said to have value as a result of the "bundle of rights" that are inherent to property ownership. Regardless of the type of ownership, the owner of real property is said to have an interest in that property. The following definitions are for the three most commonly-valuated interests as defined by the Dictionary of Real Estate Appraisal, Fourth Edition.

---

[1] The Appraisal of Real Estate, Twelfth Edition
[2] The Appraisal of Real Estate, Twelfth Edition

Fee Simple Interest:
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.

Leased Fee Interest:
An ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the lessee are specified by contract terms contained within the lease.

Leasehold Interest:
The interest held by the lessee (the tenant or renter) through a lease transferring the rights of use and occupancy for a stated term under certain conditions. See also negative leasehold; positive leasehold.

The subject property is being appraised 'fee simple', taking into account market conditions at the effective date of the report. Given the valuation of the subject in 'As Is' condition and the nature of the subject being a resort-rental property which is occupied on a short term or seasonal basis, fee simple basis is considered to be the appropriate valuation standard.

Date of Value Opinion
Value opinions are presented as of a specific date, taking into account market conditions at that time. The effective date of an appraisal is the date at which the analyses, opinions, and advice in an appraisal, review, or consulting service apply. (USPAP, 2018-2019 edition.)

The date of the value opinion can be current, in the past (retrospective), or forecast into the future (prospective).

The following presents definitions regarding the date of the opinion of value, as provided by the text The Appraisal of Real Estate, Twelfth Edition:

Date of Value Opinion:
The date for which an opinion of value is valid.

Current Value:
In accounting, synonymous with market value.

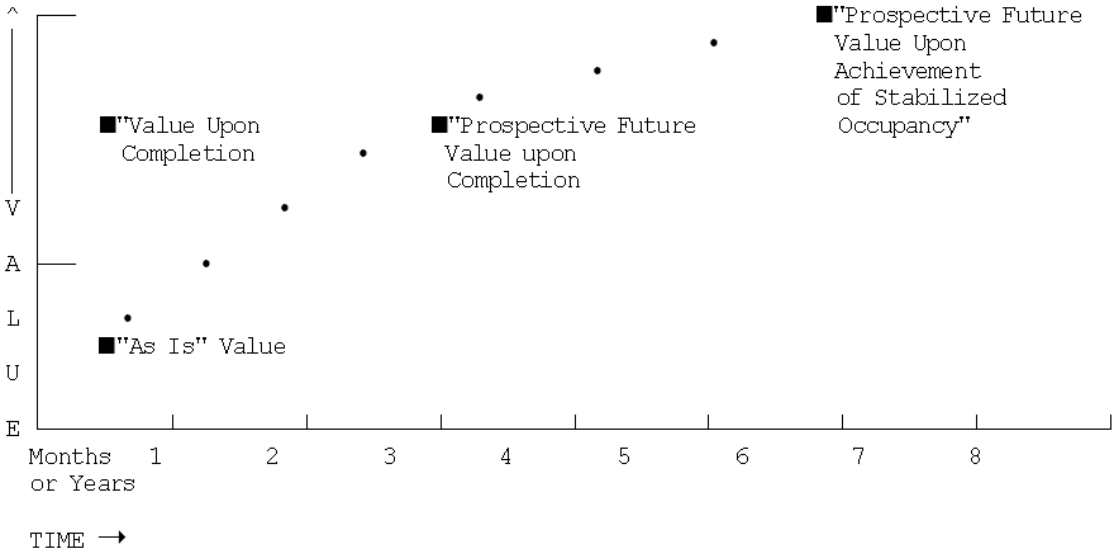
Retrospective Value Opinion:
An opinion of value that is likely to have applied as of a specified historic date. A retrospective value opinion is most frequently sought in connection with appraisals for estate tax, condemnation, inheritance tax, and similar purposes.

Prospective Value Opinion:
A forecast of the value expected at a specified future date. A prospective value opinion is most frequently sought in connection with real estate projects that are proposed, under construction, or under conversion to a new use, or those that have not achieved sellout or a stabilized level of long-term occupancy at the time the appraisal report is written.

In a prospective appraisal, the appraiser analyzes market trends to provide support for forecasted income and expense or sell-out opinions, absorption periods, capitalization rates, and discount rates as of the effective date of the appraisal. This appraisal report was prepared taking into account market conditions present as of the date of the report. The appraiser(s) can not be held responsible for unforeseen events that alter market conditions prior to the effective date of the appraisal.

The following graph presents a graphical depiction of the above-described date of value opinions and their associated position within a potential overall development time scenario.

Value Creation Continuum[1]



The preceding exhibit graphically displays the creation of value in a real estate development project over time, assuming a zero inflation environment for clarity of presentation.

1 Code of Federal Regulations, Title 12, as amended by the Federal Home Loan Bank Board.

Basis of the Subject Value Opinion

The four time differential values on the preceding graph which may be considered in the appraisal of proposed developments are defined as follows:

(1) **"As Is"** means an estimate of the market value of a property in the condition observed upon inspection and as it physically and legally exists without hypothetical conditions, assumptions, or qualifications as of the date of appraisal.

(2) **"Value as Complete" or "Value Upon Completion"** means the market value of a property with all proposed construction, conversion, or rehabilitation hypothetically completed, or under other specified hypothetical conditions as of the date of appraisal. With regard to properties wherein anticipated market conditions indicate that stabilized occupancy is not likely as of the date of completion, this estimate of value shall reflect the market value of the property as if complete and prepared for occupancy by tenants.

(3) **"Prospective Future Value Upon Completion"** means the prospective future value of a property on the date that construction is completed, based upon market conditions forecast to exist as of that completion date.

(4) **"Prospective Future Value Upon Achievement of Stabilized Occupancy"** means the prospective future value of a property at a point in time when all improvements have been physically constructed and the property has been leased to its optimum level of long term occupancy.

The purpose of this appraisal is to derive an opinion of the Dimunition in Value to the subject property associated with the implementation of City of Destin Ordinance No. 18-29-CC.

The following are the pertinent dates to the valuation, viewing, and appraisal reporting of the subject property:

Effective Date of Value Opinion:	**January 22, 2019**
Date of Viewing:	**August 2, 2019**
Date of Appraisal Report:	**September 23, 2019**
Date of Photographs:	**August 2, 2019**

Definition of Value

The definition of "Market Value", as defined by the Office of the Comptroller of Currency (OCC) under 12 CFR, Part 34, Subpart C-Appraisals, 34.42 Definitions, the Board of Governors of the Federal Reserve System (FRS) and the Federal Deposit Insurance Corporation in compliance with Title XI of FIRREA, as well as by the Uniform Standards of Appraisal Practice as promulgated by the Appraisal Foundation, is as follows.

> Market value means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby,
>
> 1. Buyer and seller are typically motivated;
>
> 2. Both parties are well informed or well advised, and acting in what they consider their own best interest;
>
> 3. A reasonable time is allowed for exposure in the open market;
>
> 4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
>
> 5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Policy Statement of the Appraisal Institute

It is improper to base a conclusion or opinion of value upon the premise the racial, ethnic, or religious homogeneity of the inhabitants of an area or of a property is necessary for maximum value.

Racial, religious, and ethnic factors are deemed unreliable predictors of value trends or price variance.

It is improper to base a conclusion or opinion of value, or a conclusion with respect to neighborhood trends, upon stereotyped, biased presumptions relating to the effective age or remaining life of the property being appraised or the life expectancy of the neighborhood in which it is located.

FACTUAL DESCRIPTIONS

Property Description

Summary of Site Characteristics and Improvements

SITE	
Information Sources:	Deed, assessment records, inspection, owner
Total Site Size:	+/-0.17-Acre
Usable Site Size:	+/-0.17-Acre
Excess Land:	0.00 acres
Corner Lot:	The site is not a corner lot.
Visibility:	The subject site benefits from visibility from Shirah Street, which parallels the western boundary. The subject site is considered to have good visibility for the subject market area.
Shape:	Rectangular. See aerial photograph / property appraiser map for a visual depiction of the site shape and parcel.
Road Frontage/Access:	The subject features direct access from Shirah Street, a two lane secondary residential roadway.
Waterfront Proximity:	The subject is located approximately 425 feet north of the Beaches of the Gulf of Mexico and is well-positioned as a resort rental property which would take capitalize on proximity to beaches.
Drainage:	Drainage appears adequate for the subject property. Drainage on the subject site meets current standards for storm water retention. The subject property is considered typical with regard to other similar properties in the subject market area.
Potential For Environmental Contamination:	The appraisers have not observed, nor are qualified to detect, the existence of potentially hazardous material or underground storage tanks which may be present on or near the subject site. The appraisers recommend that an environmental survey be attained to assure the environmental stability of the subject property. This appraisal assumes no subsoil contamination of the subject site.

Utilities:

*Electricity***:** Electricity is provided by Gulf Power, Inc. Standard service capacity exists at the subject property with adequate capacity to service the subject existing improvements.

Sewer: Public sewer is provided and is on site.

Water: Public water is provided and is on site.

Natural Gas: Natural Gas service is provided and is on site.

Adequacy: Utility service is considered adequate for the subject improvements and at least standard for the subject market area.

Site Improvements: Site improvements present on the subject at the time of inspection included utilities, landscaping, a heated swimming pool (with Cabana) and concrete pool deck area.

Landscaping: The subject features good quality landscaping with various plantings and grassy areas with irrigation.

Site Utility: Good

Flood Zone: The subject is located in an area mapped by the Federal Emergency Management Agency (FEMA). The subject property appears to be located in Flood Zone 'X' as noted by the following FEMA Map Number:
FEMA Map Number: 12091C0493H 12/06/2002

Easements: We were not provided with a survey for the subject property. Our review of the appropriate maps and public records for the subject property indicated that standard utility easements exist. Our viewing did not indicate that any of these easements would adversely affect the value opinion of the subject contained herein. This appraisal assumes no easements, encroachments, or private deed restrictions which would adversely affect the value of the subject property.

Encroachments: We were not provided with a survey for the subject property. Our review of the appropriate maps and public records for the subject property did not reveal any encroachments on the subject site. Our viewing did not indicate any encroachments that would adversely affect the value opinion of the subject contained herein. This appraisal assumes no easements, encroachments, or private deed restrictions which would adversely affect the value of the subject property.

IMPROVEMENTS – AS IS	
Summary:	Good Quality Resort Rental Residence
Architectural Style:	Modern Multi-Story Residential 'Resort Style' Single Family Home
Building Class (Marshall Valuation)	Class D, Wood Frame
Construction:	Wood Frame with Vinyl/Stucco Exterior
Quality:	Average/Good Quality Resort Residential Dwelling
Actual / Effective Age:	Actual Year Built 1981 / Actual Age 38 Years Effective Year Built 1999 / Effective Age 20Years The subject improvement appears to have been periodically renovated and, based on observations made by the appraiser during the inspection, is considered to be of good quality of construction and in good condition, exhibiting an effective year built of approximately 1999, providing for an effective age of approximately 20 years.
Condition:	Good
Remaining Useful Life:	22 Years
Areas & Ratios:	Bedrooms: 5 Baths: 4 Gross Building Area: 3,264 Square Feet HVAC Building Area: 2,496 Square Feet In addition the subject improvement benefits from a +/-384 SF covered front porch as well as a +/-384 SF balcony (uncovered). Per the Okaloosa County Property Appraiser the subject features 5 bedrooms and 4 bathrooms. Per instituted City of Destin Ordinance, the maximum number of guests will be calculated at the rate of 2 guests per bedroom based on the Property Appraiser's residential profile of the property, plus 4 additional guests. Therefore, the subject in the 'after ordinance' condition will be limited to 14 total guests. See Excerpt below.

Sec. 13-117. – Maximum occupancy based on site capacity/Grandfathering.

(a) The maximum overnight occupancy of a short-term rental shall b the short-term rental registration form, and shall be limited to occupancy of the following two options:

i. Two (2) persons for each bedroom, plus four (4) additiona The number of bedrooms shall be based upon the Appraiser's residential profile of the property, and other d of record, as needed. In no case shall the maximum total o for any dwelling unit exceed the occupancy limits permitt Florida Fire Prevention Code or Florida Building Code.

or

ii. A total of twenty-four (24) persons per short-term rental event that there is more than one building or dwelling on or lot, the maximum occupancy shall be capped at twenty- occupants per lot or structure, whichever is less.

FOUNDATION, FRAME & EXTERIOR	
Foundation:	Concrete Slab
Frame:	Wood Frame
Exterior:	Vinyl/Stucco Siding
Roof/Cover:	Metal Roof, Sloped

INTERIOR	
Notes Regarding Interior Finish:	Interior finishes to the subject are of good quality and include, but are not limited to, average/good quality cabinetry, solid surface countertops, average/good quality appliances, and average/good quality bathroom and kitchen fixtures. Average/Good quality flooring and appurtenances. The subject features a finish consistent with most similarly-sized resort residences in the existing Destin / Crystal Beach market.
Interior Finish:	Good Quality.
Ceilings & Ceiling Height:	Finished Ceilings throughout, generally 10-0" height.
Floor Cover:	Tile. Good level of floor finish.
Doors:	Good Quality and condition solid core doors. Glass windows and doors are good quality insulated double pane impact resistant.

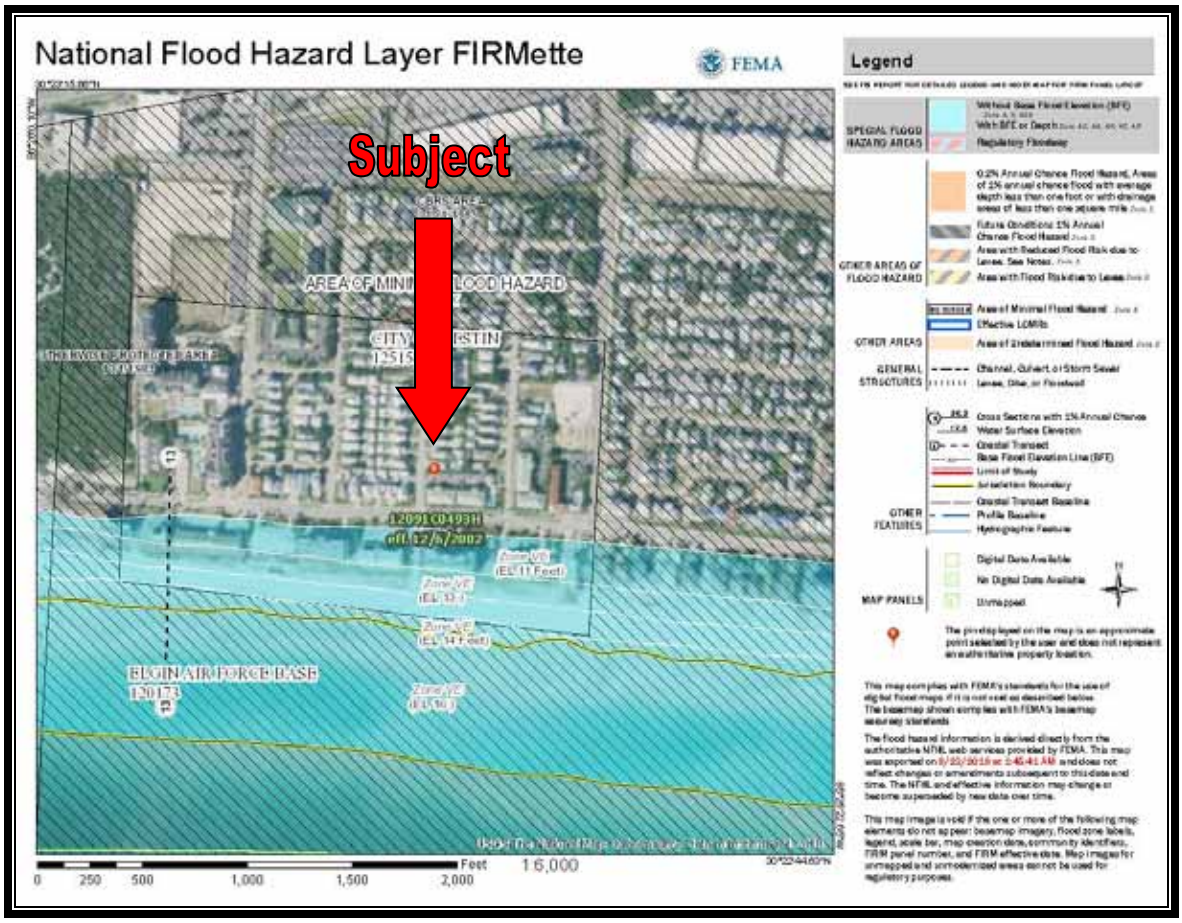
Additional Amenities:	The subject property has a average/good level of finish with good design and outdoor living areas including an outdoor heated swimming pool (with Cabana) with concrete pool deck.

MECHANICAL SYSTEMS

Heating / Cooling:	Multiple Individual HVAC systems.
Hot Water:	Adequate for property.
Electrical:	Adequate for property.
Plumbing:	Adequate for property.
	The subject was specifically designed as a resort rental property with planned occupancy / sleeping accommodations for 16 persons.

Regional/Area Maps

Flood Map


National Flood Hazard Layer FIRMette
FEMA
Subject
AREA OF MINIMAL FLOOD HAZARD
ELGIN AIR FORCE BASE
120173
Legend
SPECIAL FLOOD HAZARD AREAS
OTHER AREAS OF FLOOD HAZARD
OTHER AREAS
GENERAL STRUCTURES
OTHER FEATURES
MAP PANELS
Feet
0
250
500
1,000
1,500
2,000
16,000

Flood Zone Descriptions

“A 100-year flood is a flood that has a 1-percent chance of being equaled or exceeded in any given year. A base flood may also be referred to as a 100-year storm and the area inundated during the base flood is sometimes called the 100-year flood plain.

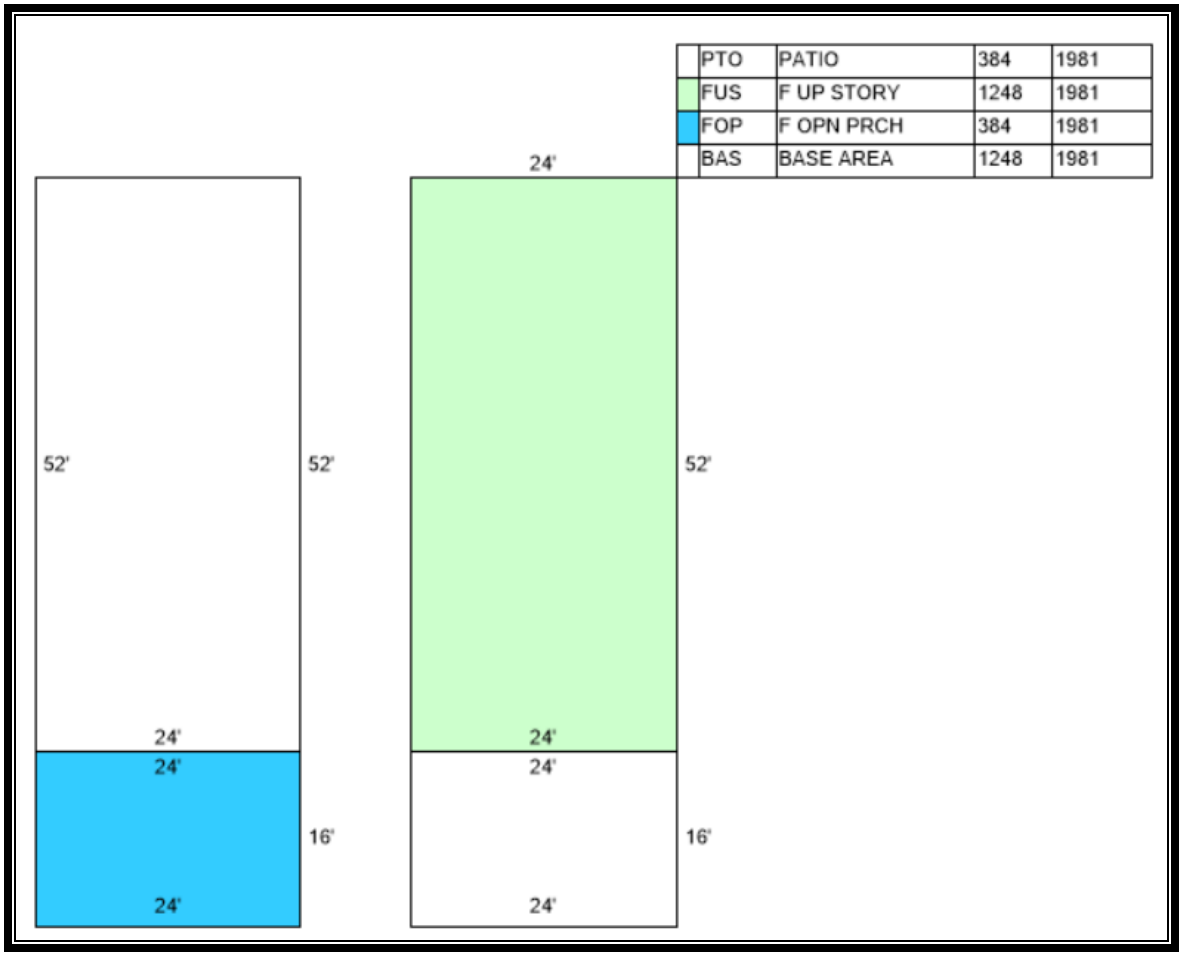
The term "100-year flood" is misleading. It is not the flood that will occur once every 100 years. Rather, it is the flood elevation that has a 1- percent chance of being equaled or exceeded each year. Thus, the 100-year flood could occur more than once in a relatively short period of time. The 100-year flood, which is the standard used by most Federal and state agencies, is used by the National Flood Insurance Program (NFIP) as the standard for floodplain management and to determine the need for flood insurance. A structure located within a special flood hazard area shown on an NFIP map has a 26 percent chance of suffering flood damage during the term of a 30-year mortgage.

Zone AE and A1-A30
Zones AE and A1-A30 are the flood insurance rate zones that correspond to the 100-year floodplains that are determined in the Flood Insurance Study by detailed methods. In most instances, Base Flood Elevations derived from the detailed hydraulic analyses are shown at selected intervals within this zone. Mandatory flood insurance purchase requirements apply.

Zone VE
Zone VE is the flood insurance rate zone that corresponds to the 100-year coastal floodplains that have additional hazards associated with storm waves. BFEs derived from the detailed hydraulic analyses are shown at selected intervals within this zone. Mandatory flood insurance purchase requirements apply.

Zones B, C, and X are the flood insurance rate zones that correspond to areas outside the 100-year floodplains, areas of 100-year sheet flow flooding where average depths are less than 1 foot, areas of 100-year stream flooding where the contributing drainage area is less than 1 square mile, or areas protected from the 100-year flood by levees. No BFEs or depths are shown within this zone.”

Building Floor Plan



Aerial Photograph

Subject property outlined in blue above

Subject Photographs

Subject West (Front) Elevation

Subject North (Side) Elevation

Subject South (Side) Elevation

Subject East (Rear) Elevation and Pool Area

Subject Parking Area (along west elevation)

Heated Pool with Concrete Deck

Heated Pool (with Cabana) with Concrete Deck

Cabana Area

Interior View

Interior View

Interior View

Interior View

Interior View

Interior View

Interior View

Interior View

Interior View

Interior View

Interior View

Interior View

Interior View

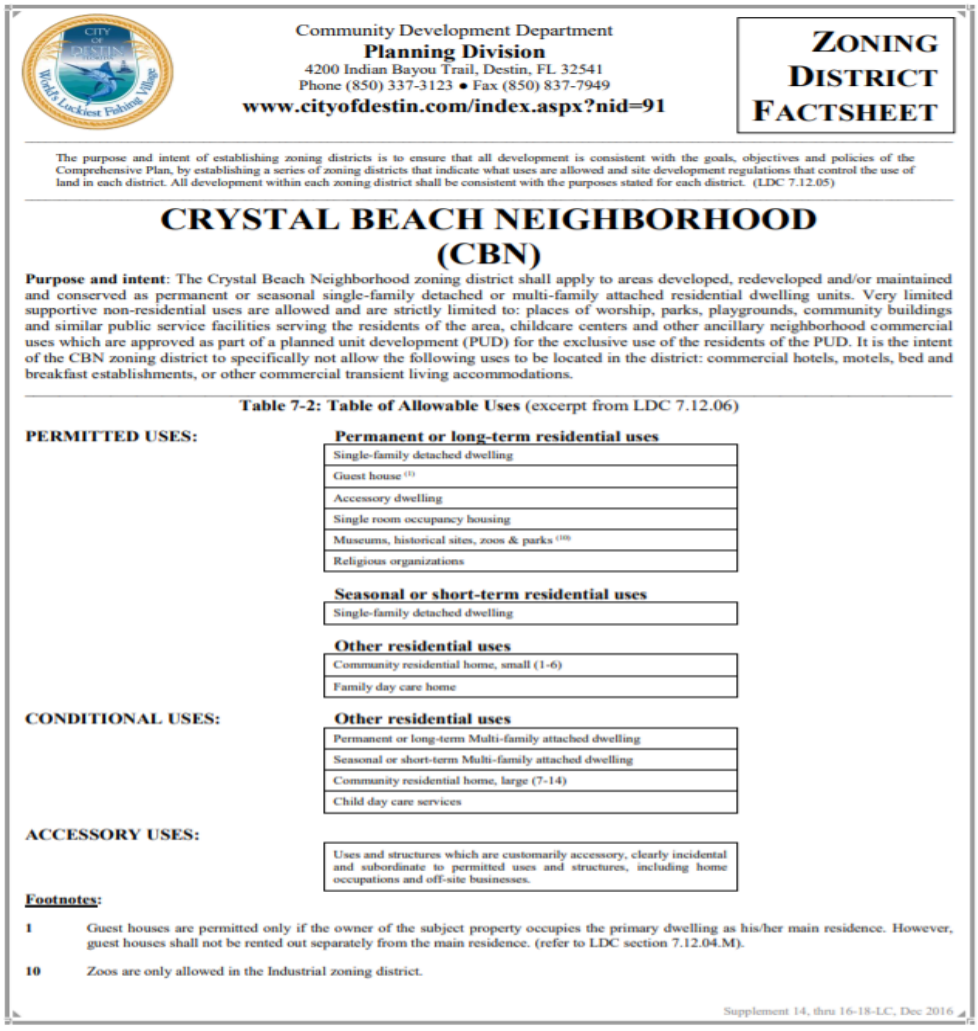
Interior View

Zoning

The subject property is located within the Crystal Beach Neighborhood land use designation, as governed by the City of Destin.

Use of the subject for various residential, short term seasonal rental, guest house and other varied uses are legally permissible by the zoning in place.

Therefore, use of the subject as a seasonal rental property is considered legal, conforming. It is noted that the zoning category description within the land development code does not provide for any outlined maximum occupancies for the subject property or other similar properties. We therefore ascertain that prior to implementation of City of Destin Ordinance 18-29-CC occupancy of the subject for the planned number of sleeping guests of 16 was legally permissible.



Community Development Department
Planning Division
4200 Indian Bayou Trail, Destin, FL 32541
Phone (850) 337-3123 • Fax (850) 837-7949
www.cityofdestin.com/index.aspx?nid=91

ZONING DISTRICT FACTSHEET

The purpose and intent of establishing zoning districts is to ensure that all development is consistent with the goals, objectives and policies of the Comprehensive Plan, by establishing a series of zoning districts that indicate what uses are allowed and site development regulations that control the use of land in each district. All development within each zoning district shall be consistent with the purposes stated for each district. (LDC 7.12.05)

CRYSTAL BEACH NEIGHBORHOOD (CBN)

Purpose and intent: The Crystal Beach Neighborhood zoning district shall apply to areas developed, redeveloped and/or maintained and conserved as permanent or seasonal single-family detached or multi-family attached residential dwelling units. Very limited supportive non-residential uses are allowed and are strictly limited to: places of worship, parks, playgrounds, community buildings and similar public service facilities serving the residents of the area, childcare centers and other ancillary neighborhood commercial uses which are approved as part of a planned unit development (PUD) for the exclusive use of the residents of the PUD. It is the intent of the CBN zoning district to specifically not allow the following uses to be located in the district: commercial hotels, motels, bed and breakfast establishments, or other commercial transient living accommodations.

Table 7-2: Table of Allowable Uses (excerpt from LDC 7.12.06)

PERMITTED USES:

Permanent or long-term residential uses

Single-family detached dwelling
Guest house [1]
Accessory dwelling
Single room occupancy housing
Museums, historical sites, zoos & parks [10]
Religious organizations

Seasonal or short-term residential uses

Single-family detached dwelling

Other residential uses

Community residential home, small (1-6)
Family day care home

CONDITIONAL USES:

Other residential uses

Permanent or long-term Multi-family attached dwelling
Seasonal or short-term Multi-family attached dwelling
Community residential home, large (7-14)
Child day care services

ACCESSORY USES:

Uses and structures which are customarily accessory, clearly incidental and subordinate to permitted uses and structures, including home occupations and off-site businesses.

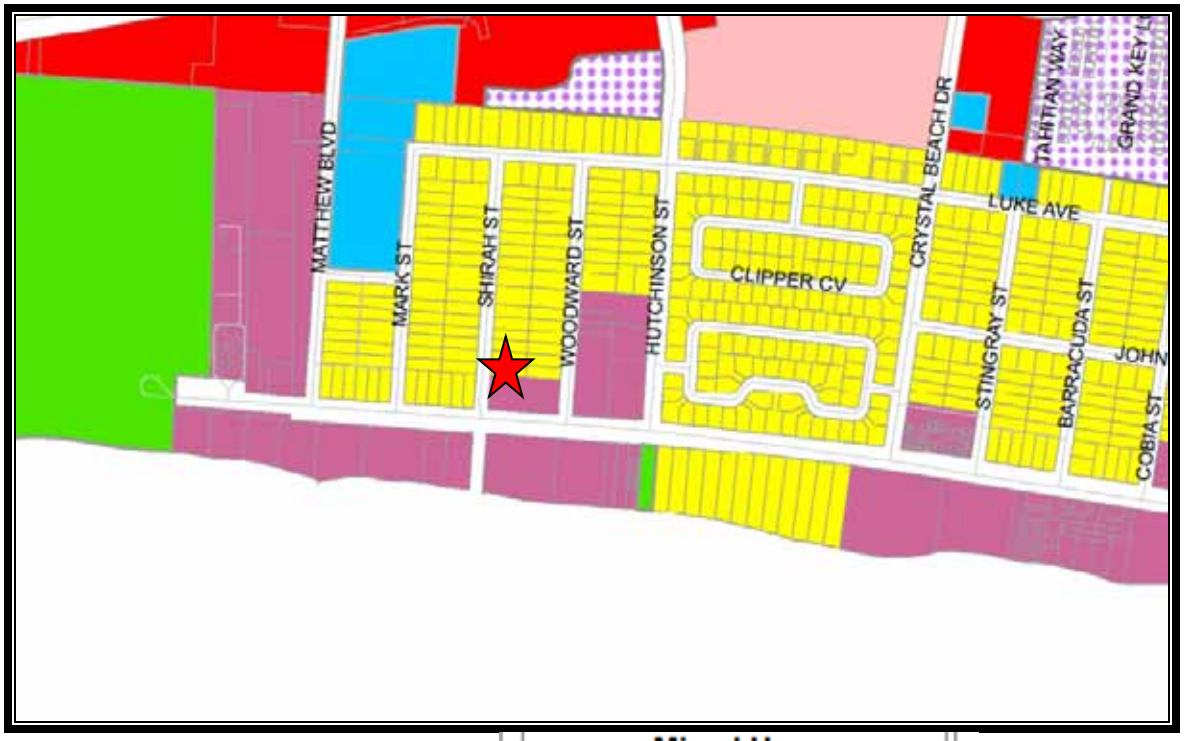
Footnotes:

1 Guest houses are permitted only if the owner of the subject property occupies the primary dwelling as his/her main residence. However, guest houses shall not be rented out separately from the main residence. (refer to LDC section 7.12.04.M).

10 Zoos are only allowed in the Industrial zoning district.

Supplement 14, thru 16-18-LC, Dec 2016

Zoning Map


MATTHEW BLVD
MARK ST
SHIRAH ST
WOODWARD ST
HUTCHINSON ST
CLIPPER CV
CRYSTAL BEACH DR
LUKE AVE
STINGRAY ST
BARRACUDA ST
COBIA ST
GRAND KEY
Residential
BE - Bay Estates
LDR-V - Low Density Residential - Village
LDR-HI - Low Density Residential - Holiday Isle
LDR-H - Low Density Residential - Harbor
MDR-V - Medium Density Residential - Village
MDR-HI - Med. Density Resid. - Holiday Isle
HDR - High Density Residential
CBN - Crystal Beach Neighborhood
Mixed Use
CBR - Crystal Beach Resort
ROI-CBR - Residential, Office, & Institutional - Crystal Beach Residential
ROI-GD - Residential, Office, & Institutional - General Development
ROI-TD - Residential, Office, & Institutional - Tourist Development
ROI-VR - Residential, Office, & Institutional - Village Residential
CMU - Calhoun Mixed Use
TCMU - Town Center Mixed Use
HIMU - Holiday Isle Mixed Use
GRMU - Gulf Resort Mixed Use
NHMU - North Harbor Mixed Use
SHMU - South Harbor Mixed Use
BRMU - Bay Resort Mixed Use

Assessment and Taxes

Tax Structure, Overview

Florida Law requires that the just value of all property be determined each year. The Supreme Court of Florida has declared "just value" to be legally synonymous to "full cash value" and "fair market value." The fair market value of real property is the amount for which it could sell on the open market, and assumes the present use is the highest and best use. The property appraiser analyzes these market transactions annually to determine fair market value as of January 1 of each year.

The property appraiser is responsible for identifying, locating, and fairly valuing all property, both real and personal, within the county for tax purposes. The "market" value of real property is based on the current real estate market, and is determined by market participants. The property appraiser has the legal responsibility to study the transactions of market participants and appraise real property accordingly.

At least once every three years, the county property appraiser or a staff appraiser will visit and inspect each property. Additionally, individual property values may be adjusted between visits in light of sales activity or other factors affecting real estate values in the subject neighborhood. Sales of similar properties are typically used as strong indicators of value in the real estate market.

Each August, the Property Appraiser sends a "Notice of Proposed Taxes," to all property owners to notify them of the taxable value of their property. Taxable value is the assessed value less any exemptions. The TRIM notice also gives information on proposed millage rates and taxes as estimated by community taxing authorities, and when and where these taxing authorities will hold public meetings to discuss tentative budgets to set your millage tax rates.

The property appraiser only assesses all property in the county and is neither a taxing authority nor a tax collector. Three separate government entities, each having unique and distinct roles, determine the tax bill of any property in their jurisdiction.

The following is a summary of the process:

> First the property appraiser annually appraises all property in their respective county at the market value as of January 1 each year.
>
> Second, each taxing authority within the county sets their own millage rate based on the amount of tax dollars necessary to fund their annual budget.
>
> Finally, the tax collector takes the amount of taxes due in order to bill and collect all taxes levied within the county.

Tax Collector Card

BEN ANDERSON
Okaloosa County Tax Collector

MAIL PAYMENTS TO: P.O. BOX 1390, NICEVILLE, FL 32588

2018 Paid Real Estate
Notice of Ad Valorem Tax and Non-Ad Valorem Assessments

ACCOUNT NUMBER	ESCROW CD	MILLAGE CODE	ALTERNATE KEY	PROPERTY ADDRESS
00252205800011020 0		DEDF	1003013	75 SHIRAH, DESTIN, 32541

SHIRAH BREEZE LLC
PO BOX 9734
COLLEGE STATION, TX 77842-0000

75 SHIRAH

CRYSTAL BEACH
LOT 20 BLK 11

AD VALOREM TAXES

TAXING AUTHORITY	MILLAGE RATE	ASSESSED VALUE	EXEMPTION AMOUNT	TAXABLE VALUE	TAXES LEVIED
OKALOOSA COUNTY BD OF CO COMMS					
EMERGENCY MEDICAL SERVICES	0.0741	478,752	0	478,752	35.48
GENERAL	3.7214	478,752	0	478,752	1,781.62
COUNTY PUBLIC HEALTH UNIT	0.0353	478,752	0	478,752	16.90
SCHOOL LOCAL	2.2480	478,752	0	478,752	1,076.24
SCHOOL STATE	4.1130	478,752	0	478,752	1,969.11
NORTHWEST WATER DISTRICT	0.0338	478,752	0	478,752	16.18
CITY OF DESTIN	1.6150	478,752	0	478,752	773.18
DESTIN FIRE DISTRICT	1.0000	478,752	0	478,752	478.75

EXEMPTIONS APPLIED:

TOTAL MILLAGE	12.8406	AD VALOREM TAXES	$6,147.46

WANT TO RECEIVE YOUR BILL ELECTRONICALLY NEXT YEAR? VISIT www.OkaloosaTax.com AND SIGN UP FOR E-BILLS!

NON-AD VALOREM ASSESSMENTS

LEVYING AUTHORITY	RATE	AMOUNT

PAY ON LINE WITH CREDIT/DEBIT CARD AT www.OkaloosaTax.com - BANK CARD USER FEE WILL APPLY

NON-AD VALOREM ASSESSMENTS	$0.00

COMBINED TAXES AND ASSESSMENTS	$6,147.46

PAYING ONLINE VIA
E-CHECK IS FREE
Visit www.OkaloosaTax.com

PAY YOUR BILL

"PAY ONLINE, NOT IN LINE"

RETAIN THIS PORTION FOR YOUR RECORDS
WALK-IN CUSTOMERS PLEASE BRING FOR RECEIPT
AFTER MARCH 31ST, TAXES MUST BE PAID WITH CASH, CASHIER'S CHECK OR MONEY ORDER.

If Postmarked By	Jan 31, 2019
Please Pay	$0.00

BEN ANDERSON
Okaloosa County Tax Collector

MAIL PAYMENTS TO: P.O. BOX 1390, NICEVILLE, FL 32588

2018 Paid Real Estate
Notice of Ad Valorem Tax and Non-Ad Valorem Assessments

ACCOUNT NUMBER	ESCROW CD	MILLAGE CODE	ALTERNATE KEY	PROPERTY ADDRESS
00252205800011020 0		DEDF	1003013	75 SHIRAH, DESTIN, 32541

PRIOR TO MARCH 31ST TAXES CAN BE PAID USING CASH, CHECK, CREDIT/DEBIT CARDS OR E-CHECK

If Postmarked By	Jan 31, 2019
Please Pay	$0.00

SHIRAH BREEZE LLC
PO BOX 9734
COLLEGE STATION, TX 77842-0000

75 SHIRAH

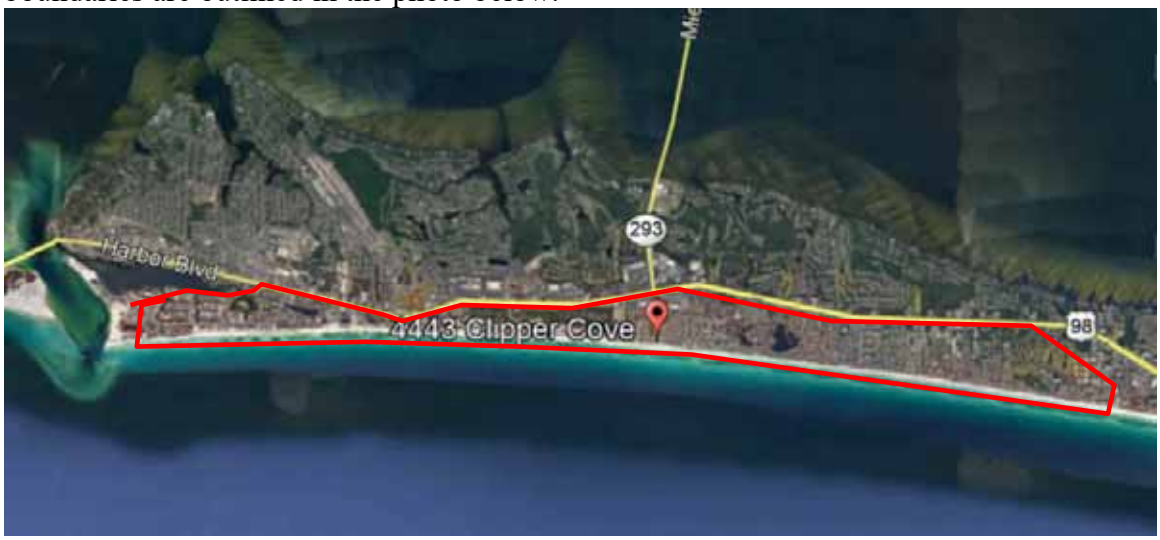
CRYSTAL BEACH
LOT 20 BLK 11

Paid	SHIRAH BREEZE LLC	01/10/2019	Receipt #	350-1900175	Check	$6,024.51

ANALYSIS OF DATA AND OPINIONS OF THE APPRAISERS

Market Area Summary / Neighborhood Information

The subject property is located in the Destin-Miramar Beach market area, which is bounded by the Destin Harbor / East Pass to the West, US Highway 98 and the waters of the Destin Harbor to the North, the Gulf of Mexico to the South and the intersection of US Highway 98 / Scenic Gulf Drive to the East. The approximate neighborhood boundaries are outlined in the photo below.



This is a resort area driven primarily by proximity to area beaches and resort activities. The predominant property type in the area is of second home and seasonal vacation properties with far fewer full-time residents than seasonal occupants.

Many second home and resort area property owners rent their properties on a seasonal basis to either offset costs of ownership or in the pursuit of income generation potential, and the seasonal income attributed to a property is often a significant factor contemplated by purchasers in the market when evaluating a purchase decision.

We have witnessed a trend for increased rental demand of larger resort residences which can accommodate larger groups for family reunions, large family vacations, etc.

This has led to the construction of larger and larger seasonal resort rental homes to serve this need. These larger properties often witness more robust demand and income generation potential than smaller properties with less sleeping capacity where vacationing groups would otherwise be required to split between several locations.

In summary, the subject is sited directly in an area that is geared toward seasonal rental operations, be it solely for the purpose of income generation potential or as an offset to the costs of personal use. The ability to rent a property seasonally remains a significant motivator for market participants and weighs heavily in their buy-sell decision making process. A restriction that negatively impacts the ability to seasonally rent a resort property is estimated to have a significant negative impact on the value of this asset class.

Highest and Best Use

The definition of "highest and best use" is presented unabridged in the definitions section of this report. However, in brief, highest and best use refers to the reasonably probable and legal use of vacant land or an improved property, which is legally permissible, physically possible, appropriately supported, financially feasible, and that results in the highest value, i.e. maximally productive.[3]

Objective analysis and interpretation of market data leads to an informed opinion of that use. However, the estimate of highest and best use should not be interpreted as a provable fact. A typical highest and best analysis evaluation process and pertinent questions which aid in the elimination of possible alternatives are presented below.

1. **Permissible Use.** What uses are permitted by zoning and other legal restrictions? What are the land use controls that will govern the site? Uses that are *legally permissible* are those allowed under current or likely zoning and those that could meet building codes. In addition, local communities may have restrictions on public utility loads, traffic creation, access restrictions, and so on, all of which must be considered when selecting legally permissible uses

2. **Physically Possible Use.** To what use is the site physically adaptable? What is an appropriate improvement given architectural / engineer study? Unless prohibited by soil or subsoil problems or land size constraints, it is *physically possible* to place most potential improvements on the site. Usually this test, if performed first or second, will not significantly reduce the number of potential uses.

3. **Feasible Use.** Which possible and permissible use will produce any net return to the owner of the site? Should the land be developed, and if so, what kind of improvement should be built? If an improvement should be constructed, what is the type and characteristics of an ideal improvement? Uses that are considered economically or financially feasible are those that potentially would logically produce net operating income and net resale price levels high enough to adequately support construction of the potential improvement and provide the investor with a reasonable profit. Implicit to this analysis is that riskier projects require higher profit levels to induce potential developers to undertake the burden of coordination of land, labor and capital.

4. **Maximally Productive Use.** The final test is to determine of the financially feasible options, which of these would result in the highest land value or values as

[3] The Appraisal of Real Estate, Twelfth Edition

> improved. Among the feasible uses which use will produce the highest net return, (i.e., the highest present worth)? If there are existing improvements on the property should they be maintained in their current state or should they be altered to more closely resemble the ideal improvement?

Although these criteria are generally evaluated sequentially, the resulting conclusion of highest and best use should be identical regardless of the order of application of the above tests.

Implied within this definition is that the estimation of the highest and best use for a particular property results from the appraisers' judgment and analytical skill with respect to the market for that particular property.

However, the highest and best use of a specific parcel of land is not just a matter of subjective opinion; rather, highest and best use is indicated by supply and demand forces within the market where the property is located, availability of capital, supply of alternative investments, need for additional products or services within a community, and other factors.

Highest and Best Use 'As Is'

The highest and best use 'As Is' recognizes among all reasonable, alternative uses, the use that yields the highest present land value after payments are made for labor, capital, and entrepreneurial coordination.[4]

We have evaluated the most probable uses for the subject property, 'As Is', given the current market for resort residential rental property and recent development activity in the subject market area.

Legally Permissible

The subject property is located within the Crystal Beach Neighborhood land use designation, as governed by the City of Destin. Use of the subject for various residential, short term seasonal rental, guest house and other varied uses are legally permissible by the zoning in place.

Therefore, use of the subject as a seasonal rental property is considered legal, conforming. It is noted that the zoning category description within the land development code does not provide for any outlined maximum occupancies for the subject property or other similar properties. We therefore ascertain that prior to implementation of City of Destin Ordinance 18-29-CC occupancy of the subject for the planned number of sleeping guests of 16 was legally permissible. After implementation of City Ordinance 18-29-CC, the subject will be limited to a total of 14 sleeping guests.

Therefore, use of the subject as a resort residential property is legally permissible. Use of the subject prior to Ordinance implementation for occupancy by up to 16 guests was permitted, however after implementation of the Ordinance occupancy is limited to 14 guests.

Physically Possible

The subject property is generally level, well-drained, and at or level with the existing road grade of Shirah Street and features sufficient parking and site improvements to operate in the designed capacity for 16 occupants.

The subject represents a well-constructed resort residential property with multiple bedrooms, bathrooms, a heated in ground pool, kitchen, and living areas, etc. The subject has been specifically configured for occupancy as a resort rental property, and features all necessary components for operation as intended, with a designed occupancy of 16 overnight guests.

Therefore, use of the subject as a resort residential rental property for 16 sleeping guests is physically possible.

[4] The Appraisal Of Real Estate, Twelfth Edition

Financially Feasible
Demand for resort residential properties in the subject market area has improved in the previous 24-48 month period, with a number of increased transactions. Most market participants would describe the market for similar properties as robust.

As described in the market analysis section of this report, the predominant property type in the market area is of second home and seasonal vacation properties with limited full-time residents.

Many property owners rent their properties on a seasonal basis to offset costs of ownership or for income generation potential, and the income a property can generate is often a significant factor contemplated by purchasers in the market. This can be done with or without the assistance of a professional property manager.

We have witnessed a trend for increased rental demand of resort residences which can accommodate larger groups for family reunions, large family vacations, etc. This has led to the construction and renovation of seasonal resort rental homes to serve this need.

Reference the subject, the property was specifically configured to house up to 16 sleeping guests. Similar properties in the market (and the subject property) achieve sufficient income to provide an adequate return on investment to be definitively financially feasible, however this financial feasibility is directly linked to occupancy.

The recently-implemented City of Destin Ordinance 18-29-CC serves to reduce occupancy of the subject to no more than 14 persons, a net reduction in occupancy of -12.50%.

This no doubt will impact the income generation potential of the property and associated net income, as now the improvement which was configured for 16 guests will be limited to 14; But, the predominant costs of ownership remain the same.

This ordinance inevitably lowers net income to the property owner- a situation that has no result other than to reduce the value of the asset in its respective marketplace where income generation potential is valued by prospective purchasers.

Therefore, use of the subject as a resort rental property is considered to be financially feasible. However, it is noted that the reduction in permissible occupancy by Ordinance 18-29-CC is estimated to impact the financial performance and associated market value of the subject property negatively.

Maximally Productive Given the legally permissible, physically possible, and financially feasible uses of the subject property we are of the opinion that the maximally productive use of the subject property 'As Is' is for continued resort rental use at the occupancy for which is was specifically renovated/configured (ie. 16 guests).

This use will certainly bring the highest net return to the land. While operation in a reduced occupancy capacity (as dictated by City of Destin Ordinance 18-29-CC) is still possible, the impact to the income generation potential is significant, as the occupancy has now been reduced by -12.50% based on number of persons.

This ordinance inevitably reduces gross and net income to the property owner, resulting in a reduced financial benefit of ownership and negative impact to market value.

Therefore, use of the subject as a seasonal rental property is considered legal, conforming. It is noted that the zoning category description within the land development code does not provide for any outlined maximum occupancies for the subject property or other similar properties. We therefore ascertain that prior to implementation of City of Destin Ordinance 18-29-CC occupancy of the subject for the planned number of sleeping guests of 16 was legally permissible.

Valuation Methodology - Overview

The appraisal analysis is based on analytical techniques that may encompass anticipation of costs to be incurred, and benefits to be derived in the future; however, the subject is appraised as described in this report, including only those assumptions also described in this report.

This appraisal analysis has been conducted, and the appraisal report was prepared in conformance with the requirements of Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA).

The valuation process is a systematic procedure an appraiser follows to provide answers to a client's questions about real property value.[1] Three basic approaches may be used to arrive at an estimate of market value. They are:

1. The Cost Approach
2. The Income Approach
3. The Sales Comparison Approach

Land Valuation Methodology

Land Valuation is generally a component of the Cost Approach in appraisal of an improved property. In most appraisal analyses, separate land valuation is conducted utilizing the Sales Comparison Approach.

Cost Approach Methodology

The cost approach is a reliable methodology for new, nearly new or special-use buildings. In the cost approach, value is estimated as the current cost of reproducing or replacing the existing or proposed improvements and site improvements (including direct and indirect costs as well as an appropriate entrepreneurial incentive or profit), and then deducting the loss in value from depreciation due to physical, functional, and external sources.[5]

The depreciated replacement or reproduction cost of the improvements is then added to the value of the site resulting in a value indication of the fee simple interest in the property.

The Cost Approach is summarized as follows:

Cost New
- Depreciation
+ Entrepreneurial Incentive
+ Land Value
= Value

[5] The Appraisal of Real Estate, Twelfth Edition

Sales Comparison Approach Methodology

The sales comparison approach is premised on the "Principle of Substitution" which indicates an informed purchaser would pay no more for a property than the cost of acquiring an equally desirable substitute property possessing the same or similar utility.

This approach is applicable when an active market provides sufficient quantities of reliable data which can be verified from authoritative sources. The Sales Comparison Approach is most reliable in an active market or if an opinion of value is related to properties for which there are comparable sales available- and heavy emphasis is generally placed on this sales comparison approach when these market conditions are present.

The Sales Comparison Approach compares sales of similar properties with the subject property. Each comparable sale is adjusted for its inferior or superior characteristics. The values derived from the adjusted comparable sales form a range of value for the subject. By process of correlation and analysis, a final indicated value is derived.

Income Approach Methodology

The Income Approach converts the anticipated flow of future benefits (income) to a present value estimate through a capitalization and/or a discounting process.

The income approach is recognized as a reliable approach for estimating the value of "income producing" property to an investor. The income approach consists of methods, techniques, and mathematical procedures that an appraiser utilizes to analyze a property's capacity to generate income and convert income into an indication of present value either by capitalizing the current income at a market capitalization rate, or discounting the future cash flows into a present value estimate using an appropriate yield (discount) rate. The appraisal process emulates the actions of the market, and the income approach is most applicable when the probable buyer would be an investor or prospective owner occupant. Two techniques associated with the income approach are direct capitalization and discounted cash flow analysis.

Final Reconciliation Process

In the appraisal process for improved property, typically more than one approach to value is applied, resulting in two or more value indications that must be evaluated for relevancy, applicability and reliability, and a final point value or range of value is chosen.

Resolving the differences among various value indications is called reconciliation.[6]

The appraisal process concludes with the Final Reconciliation of the values derived from the approaches applied to arrive at a single estimate or range of market value opinions. Different properties require different means of analysis and lend themselves to one

[6] The Appraisal of Real Estate, Twelfth Edition

approach over the others. As such, in the reconciliation appropriate weight is given to the most applicable and/or reliable indications of value to arrive at a conclusion.

Reconciliation is not a mathematical process. Rather, at this point in the valuation process the appraiser must reevaluate all pertinent data in the analysis for appropriateness, accuracy, and quality of evidence.

The appraiser then weighs the relative significance, applicability, and defensibility of each value indication and relies most heavily on the approach that is most appropriate to the nature of the appraisal problem.

Valuation Methodology Utilized in this Assignment

Valuation Analyses

Purpose of Assignment:	The purpose of this appraisal is to derive an opinion of the Dimunition in Value to the subject property associated with the implementation of City of Destin Ordinance No. 18-29-CC. This Ordinance was implemented January 22, 2019, and the incorporation of this ordinance limits the occupancy of the subject property to 14 guests. Prior to the implementation of this Ordinance, the designed occupancy of the subject property was 16 guests. Therefore, as a result of the ordinance, the maximum occupancy of the subject has been reduced by 2 guests, or approximately -12.50%. We are therefore opining on the difference in market value of the subject before and after the adoption of City of Destin Ordinance No. 18-29-CC, which was promulgated on January 22, 2019.
Land Valuation:	An opinion of value for the subject property in 'as if vacant' condition and subsequent application of the cost approach has not been provided. The purpose of this appraisal is to evaluate the impact to the value of the subject by virtue of the implementation of City of Destin Ordinance 18-29-CC which limits occupancy of the subject and corresponding associated income generation potential. Thus, the cost to acquire land and construct a replacement property is meaningless to the purpose of the assignment and was not applied.

Sales Comparison Approach:	The improved sales comparison approach was not utilized in this appraisal assignment. The purpose of this appraisal is to evaluate the impact to the value to the subject by virtue of the implementation of City of Destin Ordinance 18-29-CC which limits occupancy of the subject and associated income generation potential. As this ordinance was just recently implemented, an adequate number of improved sales which sold after the Ordinance implementation date were not available from which to derive an opinion of market value from this approach. As sales which occurred prior to this Ordinance will reflect market transactions without this restriction, they are not considered valid indicators of value for the subject in the restricted condition. Therefore this approach could not be applied due to lack of sufficient comparable data.
Income Approach:	The income approach was applied for the subject in both the 'Before Ordinance' and 'After Ordinance' scenarios.

Income Approach

The Income Approach to value is based on the principle of anticipation, i.e. the value of property correlates to the present worth of the future rights to benefits to be received by the owner. Income approach analysis considers the property from an investor's point of view, the basic premise being that the amount and quality of the income stream are the basis for value of the property.

The income approach is applied by projecting a net income stream through analysis of the subject historical data, comparable property's income and expense information, and historical income expense information for similar properties in the subject market area.

The estimated net income is then converted to a value indication utilizing either the process of direct capitalization analysis, discounted cash flow (DCF) analysis (yield capitalization), or a combination of these methods.

Discounted Cash Flow Analysis (Yield Analysis)
Discounted Cash Flow (DCF) analysis is the procedure in which a discount rate is applied to a series of projected income streams and a reversion. The analyst specifies the quantity, variability, timing, and duration of the income streams as well as the quantity and timing of the reversion and discounts each to its present value at a specified yield rate. DCF analysis can be applied with any yield capitalization technique and may be performed on either a lease-by-lease or aggregate basis.[7]

Applicability: DCF (Yield) analysis is generally used when the net income of the property is forecast to be variable, when the property is of a sufficient size and investment value to cause market participants to evaluate purchase decisions based on DCF, or when specifically requested by the client in an assignment.

Given the nature of the subject property, a discounted cash flow analysis was not employed in this appraisal analysis, as market participants typically do not utilize DCF methodology when evaluating purchase decisions for properties such as the subject.

Direct Capitalization
Conversion of a net income to a present value dollar estimate is called capitalization. Direct capitalization is a method used to convert an estimate of a single year's income expectancy into an indication of value in one direct step, either by dividing the income estimate by an appropriate rate or by multiplying the income estimate by an appropriate factor. This technique employs capitalization rates and multipliers extracted from sales. Only the first year's income is considered. Yield and value change are implied, but not identified.

[7] The Dictionary of Real Estate Appraisal, Fourth Edition

Applicability: Direct Capitalization analysis is generally appropriate for small to medium sized income-producing properties, in stable markets, single tenant or multi-user-oriented properties, or those with a forecast stable income stream.

Direct Capitalization is utilized in this appraisal given the subject market environment, the character of the subject property in the local market, and the tendency for market participants to use direct capitalization analysis when evaluating investment thresholds and financial benefits for similar property.

The steps involved in capitalizing the subject's net operating income are as follows:

- Develop the subject's Potential Gross Income (PGI) through analysis of the subject's actual historic income and an analysis of competitive current market income rates.

- Estimate and deduct vacancy and collection losses to develop the Effective Gross Income (EGI).

- Develop and subtract operating expenses to derive the Net Operating Income (NOI).

- Develop the appropriate capitalization rate (R_o).

- Divide the net operating income by the capitalization rate for an estimate of value through the income approach.

The reliability of a value found by this approach depends on an appraiser's ability to forecast and support income forecasts and to apply the appropriate income capitalization technique to arrive at the value estimate. When estimating market value, the income forecast must be considered by the appraiser to be typical and the income capitalization techniques must reflect the way investors usually estimate value.

Valuation of a Fee Simple Interest by the Income Approach
When estimating the value of the fee simple interest by the income approach, the annual operating income is forecast assuming market levels. The term "market levels" means that the income and expenses are set at levels considered suitable for the subject property after comparing it to similar properties under current market conditions. Rental rates are projected based on expected market rents and vacancy, and collection loss is based on what is typical in the market for properties renting at the market rate.

Estimate of Potential Gross Income (PGI)

Potential Gross Income is the total income attributable to real property at full occupancy before vacancy and operating expenses are deducted. Potential Gross Income includes the sum of potential rental income, other income, and expense recoveries. The income and expense history of the subject property is described below.

Property Income / Use History:
The property owner provided us with historical rental income and expense data the subject property.

The historical income generated by the subject property as provided by the property owner for the 2018 rental year was $82,685, or $5,167.81 per sleeping guest based on a published occupancy of 16 guests.

We again mention that the subject property is a resort residential property that was specifically configured for income generation potential based on a sleeping occupancy load of 16 persons. This is the basis of the 'Before Ordinance' valuation scenario.

As a result of the implementation of City of Destin Ordinance 18-29-CC, the subject is now limited to a maximum sleeping occupancy of 14 persons, or a reduction of approximately -12.50%. This is the basis of the 'After Ordinance' valuation scenario.

We now seek to formulate an opinion of probable annual gross income due the subject in the 'Before Ordinance' configuration with a sleeping occupancy of 16 guests and in the 'After Ordinance' configuration with a sleeping occupancy of 14 guests.

Market Rent Based on Occupancy
The appraiser has researched the local market area in order to derive potential subject market rents based on the respective occupancy levels in the 'before' and 'after' configurations.

We will present a table of comparable gross rental income for comparable resort residential properties for both the 'before' and 'after' occupancy categories. The following table outlines comparable rentals of residential resort rental homes in the subject market area with a sleeping capacity of 12-20 guests (before ordinance), then for 12-18 guests (after ordinance).

COMPARABLE RENTAL SCHEDULE, SLEEPING OCCUPANCY APPROXIMATELY 16 PERSONS 'Before Ordinance' Dataset					
Address	**Sleeping Capacity**	**HVAC SF**	**Year Built**	**Annual Gross Income**	**Gross Income Per Sleeping Occupant**
84 Woodward Street, Destin	12	1,764	2007	$80,560	$6,713
212 Kono Way	12	2,130	2015	$74,815	$6,235
3167 Scenic Highway 98	12	1,854	1990	$95,000	$7,917
3551 Scenic Highway 98 #11	12	1,920	1997	$58,000	$4,833
4835 Ocean Boulevard	14	3,546	2000	$126,000	$9,000
80 Woodward Street	16	2,378	2003	$85,000	$5,313
83 Sunfish Street	16	2,450	1994	$96,000	$6,000
4443 Clipper Cove	16	2,244	1993	$102,429	$6,402
91 Barracuda Street	18	3,320	2007	$139,577	$7,754
4735 Ocean Boulevard	18	4,263	2003	$157,980	$8,777
104 Sandprint Circle	18	2,789	1999	$90,000	$5,000
113 Los Angeles Street	19	3,122	2005	$137,308	$7,227
71 Stingray Street	20	3,014	1994	$106,000	$5,300
3893 Sandprint Cir	20	3,107	2018	$118,796	$5,940
100 Sandprint Circle	20	4,227	1999	$105,000	$5,250
84 Pompano Stret	20	3,310	2012	$160,000	$8,000
3147 Scenic Highway 98	20	4,204	2008	$132,000	$6,600
SUBJECT FORECAST REVENUE	*16*	*2,496*	*1991 (Eff)*	*$82,685*	*$5,168*
Comparable Statistics*					
Minimum	12	1,764	1990	$58,000	$4,833
Maximum	20	4,263	2018	$160,000	$9,000
Average	17	2,920	2003	$109,674	$6,604
Median	18	3,014	2003	$105,000	$6,402

The array of comparable rentals above exhibited a range of income per guest per year of between $4,833 and $9,000 per occupant. In consideration of the data above, we consider that an appropriate conclusion of gross annual rent per sleeping occupant is supported at $6,000 per sleeping space which is above the historical performance of the subject, however within the range of comparable rental data presented, noting that property owners will often lower rents after acquisition of a property in order to build a client base, then raise these rents in future years.

CONCLUSION OF POTENTIAL GROSS ANNUAL RENT, SUBJECT SLEEPING OCCUPANCY OF 16 PERSONS 'Before Ordinance'				
Address	**Sleeping Capacity**	**HVAC SF**	**Concluded Annual Gross Income Calculated Per Sleeping Occupant**	**Calculated Conclusion of Annual Gross Income**
Subject Property	*16*	*2,496*	*$6,000*	*$96,000*

COMPARABLE RENTAL SCHEDULE, SLEEPING OCCUPANCY OF APPROXIMATELY 14 PERSONS 'After Ordinance' Dataset					
Address	**Sleeping Capacity**	**HVAC SF**	**Year Built**	**Annual Gross Income**	**Gross Income Per Sleeping Occupant**
84 Woodward Street, Destin	12	1,764	2007	$80,560	$6,713
212 Kono Way	12	2,130	2015	$74,815	$6,235
3167 Scenic Highway 98	12	1,854	1990	$95,000	$7,917
3551 Scenic Highway 98 #11	12	1,920	1997	$58,000	$4,833
4835 Ocean Boulevard	14	3,546	2000	$126,000	$9,000
80 Woodward Street	16	2,378	2003	$85,000	$5,313
83 Sunfish Street	16	2,450	1994	$96,000	$6,000
4443 Clipper Cove	16	2,244	1993	$102,429	$6,402
91 Barracuda Street	18	3,320	2007	$139,577	$7,754
4735 Ocean Boulevard	18	4,263	2003	$157,980	$8,777
104 Sandprint Circle	18	2,789	1999	$90,000	$5,000
Minimum	12	1,764	1990	$58,000	$4,833
Maximum	18	4,263	2015	$157,980	$9,000
Average	15	2,605	2001	$100,487	$6,722
Median	16	2,378	2000	$95,000	$6,402

The array of comparable rentals above exhibited a range of income per guest per year of between $5,706 and $8,777 per occupant. In consideration of the data above, we consider that an appropriate conclusion of gross annual rent per sleeping occupant is supported at the lower/middle of the range, in consideration of the age of the improvement, condition, quality of construction, location, and size of the structure per number of occupants. We therefore estimate an annual rent of $6,200 per sleeping space is supported.

CONCLUSION OF POTENTIAL GROSS ANNUAL RENT, SUBJECT SLEEPING OCCUPANCY OF 14 PERSONS 'After Ordinance'				
Address	**Sleeping Capacity**	**HVAC SF**	**Concluded Annual Gross Income Calculated Per Sleeping Occupant**	**Calculated Conclusion of Annual Gross Income**
Subject Property	*14*	*2,496*	*$6,200*	*$86,800*

In the preceding section of the report we derived an opinion of probable gross annual rent due the subejct in both the 'Before Ordinance' ($96,000) and 'After Ordinance' ($86,800) conditions. The result was a decrease in annual income as a result of the reduced sleeping capaicty of -9.58% commensurate with the decrease in ocupancy from 16 to 14 persons or -12.50%.

We now seek to evaluate the expenses pertinent to the subject in order to forecast Net Operating Income in both the Before and After scenarios.

Estimation of Operating Expenses

Vacancy and Collection Loss
As we forecast income based on comparable rentals with reported gross income figures, there is no need to deduct a vacancy and collection loss allocation, as the figures utilized already take into account a vacant and credit loss deduction.

Taxes
The property taxes for the subject property as of 2018 are reported to be a rounded figure of $6,147 annually. This cost is stable regardless of the occupancy of the subject in the 'before' and 'after' conditions.

Insurance
The insurance costs for the subject are reported to be a rounded $5,001 annually, which is consistent with other similar properties in the market area. This cost is stable regardless of the occupancy of the subject in the 'before' and 'after' conditions.

Utilities (Power, Water/Sewer/Garbage, Cable and Internet)
The owner pays all utilities, including power, water/sewer/garbage, cable and internet, for the subject property. The annual 2018 Utilities expenses were reported to be a rounded $9,985, and we will utilize this annual cost for the subject in the 'before' condition, and at the rounded rate of $9,486 in the 'after' condition. It is noted that regardless of the occupancy of the subject, the costs of electricity remain relatively constant, and the costs of cable and internet are the same regardless of the number of occupants. Only the expenses of water, gas and to a nominal degree electricity are variable with occupancy.

Repairs/Maintenance
We have included a repairs/maintenance allowance as a percentage of EGI at 9% in the before configuration which equates to $8,640 annually. With regard to the after configuration, noting that routine maintenance is likely not significantly impacted by differences in occupancy between 16 and 14 persons, but the annual income is reduced, we must increase our maintenance in the 'after' configuration as this expense is calculated as a % of EGI. In the 'after' condition we estimate maintenance at the rate of 10% of EGI. While we do recognize that 'wear and tear' is somewhat linked to occupancy, the fact that the entire house area is subject to use by 14 guests just as it is with 16 guests, this cost is somewhat fixed.

Management

We estimate management costs based on the costs of a third party manager who would typically charge between 15% and 25% of collected rents for the management service. We will utilize a rate in the middle of this scale for both value scenarios, or a rate of 22% of EGI, based on information provided by the property owner.

Income and Expense Statement

The table below recaps our projected income stream and breaks down each expense item. Expenses are totaled, and the net operating income is displayed for both the 'before' and 'after' ordinance conditions.

"Before" Condition

Income Capitalization Analysis - 'Before Ordinance Limiting Occupancy'				
Unit	**Income**	**Method**	**Units/SF**	**Annual**
Annual Income 'Before Ordinance' - 16 Guests	$96,000.00	$/Year	1	$96,000
			Potential Gross Income:	$96,000
		Vacancy & Collection Loss	Included	$0
			Effective Gross Income (EGI):	$96,000

Expense	**Amount (% or $)**	**Method**	**Annual**
Taxes	$6,147	$/Year	$6,147
Insurance	$5,001	$/Year	$5,001
Utilities	$9,985	$/Year	$9,985
Repairs/Maintenance	9.0%	% of EGI	$8,640
Management	22%	% of EGI	$21,120
		Total Expenses:		$50,893
		Expense Ratio (Expenses/EGI):		53.01%
		Net Operating Income (NOI):		$45,107

"After" Condition

Income Capitalization Analysis - 'After Ordinance Limiting Occupancy'				
Unit	**Income**	**Method**	**Units/SF**	**Annual**
Annual Income 'After Ordinance' - 14 Guests	$86,800.00	$/Year	1	$86,800
			Potential Gross Income:	$86,800
		Vacancy & Collection Loss	Included	$0
			Effective Gross Income (EGI):	$86,800

Expense	**Amount (% or $)**	**Method**	**Annual**
Taxes	$6,147	$/Year	$6,147
Insurance	$5,001	$/Year	$5,001
Utilities	$9,486	$/Year	$9,486
Repairs/Maintenance	10.0%	% of EGI	$8,680
Management	22%	% of EGI	$19,096
		Total Expenses:		$48,410
		Expense Ratio (Expenses/EGI):		55.77%
		Net Operating Income (NOI):		$38,390

Capitalization Rate Derivation
The capitalization rate is the factor that coverts the stabilized net operating income (NOI) to a present value. It is the ratio of net income to value or sale price.

NOI ÷ Sale Price = Capitalization Rate

For example, if a property sells for $500,000, and has a stabilized NOI of $50,000, the indicated capitalization rate is 10%.

Four methods are generally recognized for estimating an appropriate capitalization rate for use in direct capitalization analysis. These four methods are:

1. Market-Extracted Capitalization Rate Data
2. Band of Investment Method Calculation
3. Debt Coverage Method Calculation
4. Nationally-Published Capitalization Rate Data

Market Extracted Capitalization Rate Data
The market-extraction method of estimating capitalization rates involves finding comparable sales of property similar to the subject, and extracting a market rate from the net operating income and sales price of the comparable property.

We present the following examples of market-extracted capitalization rates for Resort Residential properties, based on similar sales in the local and broader markets.

- 3463 Scenic Highway 98 is a resort rental property that sold in February of 2016 for $3,615,000. Net Operating Income was reported to be $222,125, therefore indicating a capitalization rate of 6.14%.

- 925 Scenic Gulf Drive in Miramar Beach is a resort rental property that sold in November of 2018 for $1,900,000. Net Operating Income based on forecast income and expenses was reported to be $130,000, therefore indicating a capitalization rate of 6.84%.

- 917 Scenic Gulf Drive in Miramar Beach is a resort rental property that sold in August of 2018 for $1,925,000. Net Operating Income based on forecast income and expenses was reported to be $135,000, therefore indicating a capitalization rate of 7.00%.

- 1850 Scenic Gulf Drive in Miramar Beach is a resort rental property that sold in September of 2015 for $2,205,000. Net Operating Income at the time of sale was reported to be $133,200, therefore indicating a capitalization rate of 6.03%.

Based on the above information, and taking into consideration the overall market appeal we consider that a market extracted rate of 6.50% would be applicable for the subject property.

Band of Investment Method Analysis

This technique utilizes lender and real estate investor investment criteria to develop, or synthesize a capitalization rate. As most income producing properties are purchased with debt plus equity capital, the return on investment portion of the overall capitalization rate must satisfy the market returns of both the investor and the lender. The lender must receive a competitive interest rate, and the investor must anticipate receiving a competitive equity yield.

There are four key inputs necessary for this method:

1. The loan-to-value ratio (M)
2. The mortgage interest rate (i)
3. The loan term (n)
4. The equity cap rate or equity dividend rate (R_E)

The mortgage variables are used to build the mortgage constant (R_M), which is the total amount of the payments made in one year, expressed as a percentage of the original loan amount.

Payments x 12 / Original Loan Amount = Mortgage Constant (R_M)

The equity cap rate is the annual return to the investor, expressed as a percent of the original amount invested. The annual return to the investor is also known as the equity dividend rate; it is the profit remaining after debt service and all other expenses.

After Debt Service Profit / Equity Investment = Equity Cap Rate (R_E)

Note that the equity cap rate is not the same (usually, that is) as the equity yield rate. The equity yield rate reflects the total return to the investor over the life of the investment. Factors such as appreciation and mortgage pay down affect and usually increase this return to a point higher than the equity dividend rate. In markets where substantial appreciation is expected, investors will often accept a low or even negative equity dividend rate, anticipating a compensating payoff when the property is eventually sold. In markets where little appreciation is expected, much more weight is given to the annual equity dividend.

Formula:

R_M x M = rate
R_E x (1-M) = rate
= Cap Rate (R_o)

A survey of local lenders indicated that competitive fixed rate loans for properties similar to the subject as investment property are typically available at a rate of between 5.50% and 7.50% on a 30 year amortization schedule with a 50-70% loan to value.

Thus, we will use a rate of 6.00% in our calculations, with a 70% loan to value and a 30 year amortization term for our analysis of the band of investment and debt coverage ratio analyses.

The debt capitalization rate (or mortgage constant) for a typical loan made at 6.00% for 30 years is 0.07194606.

Equity dividend (capitalization) rates in the local market range from 4-9%. We estimate an equity dividend rate of 6.00% in the local market for property such as the subject.

Debt Coverage Ratio Method Analysis

This technique develops a capitalization rate based on typical mortgage terms. There are four variables necessary for this method:

1. The loan-to-value ratio (M)
2. The mortgage interest rate (i)
3. The loan term (n)
4. The debt coverage ratio (DCR)

Items 1 through 3 are discussed above under the Band of Investment section. In this method it is also used to develop the mortgage constant (R_M). The debt coverage ratio is the factor by which income exceeds debt on an annual basis.

Formula:
Debt Coverage Ratio x Loan to Value Ratio x Mortgage Constant = R_o
or: DCR x M x R_M = R_o

We have researched mortgage rates and terms typical for the subject within the market area as noted above. The table below details the Band of Investment and Debt Coverage Ratio Analyses calculations.

Capitalization Rate Calculations					
Capitalization Rate Variables					
Mortgage Interest Rate	6.00%				
Loan Term (Years)	30				
Loan To Value Ratio	70.%				
Debt Coverage Ratio	1.25				
Equity Dividend Rate	6.00%				
Band of Investment Analysis					
Mortgage Constant			Loan Ratio	Contributions	
0.071946063		x	70.%	=	5.04%
Equity Dividend Rate			Equity Ratio		
6.00%		x	30.%	=	1.80%
			Band of Investment Capitalization Rate		**6.84%**
Debt Coverage Ratio Analysis					
Debt Coverage Ratio x Loan to Value Ratio x Mortgage Constant					
1.25 x 0.7 x 0.0719460630183303				=	6.30%
			Debt Coverage Ratio Capitalization Rate		**6.30%**

The Band of Investment capitalization rate analysis indicated an appropriate capitalization rate per the preceding assumptions of 6.84%.

The Debt Coverage Ratio Analysis indicated an appropriate capitalization rate per the preceding assumptions of 6.30%.

National Survey Data

RealtyRates.com Investor Survey
RealtyRates does not track capitalization rates for resort residential property such as the subject, however they do track rates for lodging facilities, a property type that is similar in use to the subject, being a facility for short term rental on a seasonal basis where all services are included in the rental rate. We therefore look to this property category in realty rates for an indication of an applicable capitalization rate for the subject.

The *Realty Rates Investor Survey*, dated 4th Quarter 2018, indicates going-in capitalization rates for Lodging Facilities – All Types ranged from 5.21% to 17.22% with an average of 11.32%. In consideration of the excellent quality and condition of the subject property, as well as the resort location, we would estimate an applicable capitalization rate would be below the national average indicated by the survey data and within the lower quartile of exhibited rates, or a rate of between 5.21% and 8.22%.

RealtyRates.com INVESTOR SURVEY - 4th Quarter 2018* LODGING FACILITIES -ALL TYPES							
Item	**Input**						**OAR**
Minimum							
Spread Over 10-Year Treasury	0.86%	**DCR Technique**		1.00	0.048303	0.80	**3.86**
Debt Coverage Ratio	1.00	**Band of Investment Technique**					
Interest Rate	3.75%	Mortgage		80%	0.048303	0.038642	
Amortization	40	Equity		20%	0.080938	0.016188	
Mortgage Constant	0.048303	OAR					**5.48**
Loan-to-Value Ratio	80%	**Surveyed Rates**					**5.21**
Equity Dividend Rate	8.09%						
Maximum							
Spread Over 10-Year Treasury	11.58%	**DCR Technique**		2.85	0.163616	0.50	**23.32**
Debt Coverage Ratio	2.85	**Band of Investment Technique**					
Interest Rate	14.47%	Mortgage		50%	0.163616	0.081808	
Amortization	15	Equity		50%	0.198946	0.099473	
Mortgage Constant	0.163616	OAR					**18.13**
Loan-to-Value Ratio	50%	**Surveyed Rates**					**17.22**
Equity Dividend Rate	19.89%						
Average							
Spread Over 10-Year Treasury	3.54%	**DCR Technique**		1.53	0.084242	0.67	**8.60**
Debt Coverage Ratio	1.53	**Band of Investment Technique**					
Interest Rate	6.43%	Mortgage		67%	0.084242	0.056324	
Amortization	22	Equity		33%	0.145842	0.048333	
Mortgage Constant	0.084242	OAR					**10.47**
Loan-to-Value Ratio	66.9%	**Surveyed Rates**					**11.32**
Equity Dividend Rate	14.6%						

Capitalization Rate Summary and Conclusion

We consider that a market extracted rate of 6.50% would be applicable for the subject property based on market-extracted capitalization rate indications.

The Band of Investment capitalization rate analysis indicated an appropriate capitalization rate per the preceding assumptions of 6.84%.

The Debt Coverage Ratio Analysis indicated an appropriate capitalization rate per the preceding assumptions of 6.30%.

National Market Indicators as reported by realty rates for a related property type indicate an appropriate capitalization rate of between 5.21% and 8.22% for the subject property.

Capitalization Rate Conclusion:

It is the opinion of the appraiser that a **6.50% capitalization rate** should be employed in this analysis.

On the following page we present the direct capitalization analysis for both the 'Before' and 'After' Ordinance 18-29-CC value scenarios.

Capitalization to Value

"Before" Condition

Income Capitalization Analysis - 'Before Ordinance Limiting Occupancy'				
Unit	**Income**	**Method**	**Units/SF**	**Annual**
Annual Income 'Before Ordinance' - 16 Guests	$96,000.00	$/Year	1	$96,000
			Potential Gross Income:	$96,000
		Vacancy & Collection Loss	Included	$0
			Effective Gross Income (EGI):	$96,000

Expense	Amount (% or $)	Method	Annual
Taxes	$6,147	$/Year	$6,147
Insurance	$5,001	$/Year	$5,001
Utilities	$9,985	$/Year	$9,985
Repairs/Maintenance	9.0%	% of EGI	$8,640
Management	22%	% of EGI	$21,120
		Total Expenses:	$50,893
		Expense Ratio (Expenses/EGI):	53.01%
		Net Operating Income (NOI):	$45,107
		Capitalization Rate:	6.50%
		Value (NOI/Cap Rate):	$693,954
		Rounded:	$695,000

"After" Condition

Income Capitalization Analysis - 'After Ordinance Limiting Occupancy'				
Unit	**Income**	**Method**	**Units/SF**	**Annual**
Annual Income 'After Ordinance' - 14 Guests	$86,800.00	$/Year	1	$86,800
			Potential Gross Income:	$86,800
		Vacancy & Collection Loss	Included	$0
			Effective Gross Income (EGI):	$86,800

Expense	Amount (% or $)	Method	Annual
Taxes	$6,147	$/Year	$6,147
Insurance	$5,001	$/Year	$5,001
Utilities	$9,486	$/Year	$9,486
Repairs/Maintenance	10.0%	% of EGI	$8,680
Management	22%	% of EGI	$19,096
		Total Expenses:	$48,410
		Expense Ratio (Expenses/EGI):	55.77%
		Net Operating Income (NOI):	$38,390
		Capitalization Rate:	6.50%
		Value (NOI/Cap Rate):	$590,615
		Rounded:	$590,000

Conclusion of Dimunition in Value

In the 'before ordinance' configuration direct capitalization of the net operating income to the subject property revealed a value opinion of $695,000 based on an occupancy of 16 sleeping guests.

In the 'after ordinance' configuration direct capitalization of the net operating income to the subject property revealed a value opinion of $590,000 based on an occupancy of 14 sleeping guests.

The Dimunition in Value is represented by the difference between the 'before' and 'after' value conclusions, or in this case the difference between $695,000 and $590,000 or $105,000.

As an augmenting check to this value opinion, we consider a discounted cash flow analysis of the lost income to the subject as a result of the reduced occupancy, for the remaining term of the economic life of the improvement.

As presented in the preceding income analyses, the difference in annual Net Operating Income between the 'before' scenario at $45,107 and the 'after' scenario at $38,390, calculates to $6,717 annually.

This is the annual net income loss as a result of the implemented restriction on occupancy by virtue of City of Destin Ordinance 18-29-CC, and will promulgate for the remainder of the economic life of the structure and the site is redeveloped.

We previously stated in the report that information provided by the Okaloosa County Property Appraisers Office indicates that the subject improvement was constructed in 1981 which provides for an actual age of 38 years. However, the improvement appears to have been periodically renovated and is considered to be of average/good quality of construction and in good condition providing for an effective year built of 1999 and an effective age of approximately 20 Years

The published economic life of improvements similar to the subject is 55 years per Marshall Valuation Service. Subtracting the economic age of the improvement of 20 years from the overall life of 55 years we calculate a remaining economic life for the subject structure is 35 years.

If we consider that City of Destin Ordinance 18-29-CC serves to reduce occupancy to the subject, thereby reducing annual income in the amount of $6,717 annually, presumably for the remaining economic life of the improvement, we can calculate the present value of this financial loss over time as a check to the Dimunition in value calculation via direct capitalization analysis presented preceding.

If we discount the annual loss of $6,717 for a period of 35 years, at a discount rate of 6% annually, the present value of the future loss of income is calculated to be $97,385 which provides additional support for our opinion of Dimunition in Value via direct capitalization analysis of $105,000.

Therefore, our opinion of Dimunition in value for the subject property is opined to be $105,000 consistent with our calculation via direct capitalization analysis:

One Hundred Five Thousand Dollars
$105,000

Certification

The appraiser has no present or prospective interest in the subject property of this appraisal and no personal interest of bias with respect to the parties involved in this appraisal. I have the appropriate education and experience to conduct this appraisal.

The appraiser will not divulge the analytical findings or conclusions to anyone other than the client or designee, except as may be required by the Appraisal Institute or by a court of law with power of subponea.

I certify, to the best of our knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions and conclusions.
- I have no present or prospective interest in the property which is the subject of this report and no personal interest with respect to the parties involved.
- I have no bias with respect to the property which is the subject of this report or to the parties involved with this assignment.
- The engagement in this assignment was not contingent upon developing or reporting predetermined results.
- The compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- I have made a personal inspection of the property that is the subject of this report.

Certification
(Continued)

- The signatory appraiser has not performed any services, as an appraiser or in any other capacity, regarding the subject property within the 3 years prior to acceptance of this appraisal assignment.

This appraisal has been conducted, and the appraisal report prepared in conformance with the requirements of Title XI of the Financial Institutions Reform, Recover, and Enforcement Act of 1989 (FIRREA, 12 U.S.C. 3331 et seq.). This appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.

No person other than the undersigned made a significant professional contribution to the research and analysis in this appraisal unless specifically noted above.

Respectfully Submitted,

EquiValue Appraisal, LLC

Jason P. Shirey, MAI, CCIM
Cert Gen RZ3186

Limiting Conditions and Assumptions

1. Unless otherwise noted in the body of the report, we assumed that title to the property or properties appraised is clear and marketable and that there are no recorded or unrecorded matters or exceptions that would adversely affect marketability or value. We are not aware of any title defects nor were we advised of any unless such is specifically noted in the report. We did not examine a title report and make no representations relative to the condition thereof. Documents dealing with liens, encumbrances, easements, deed restrictions, clouds and other conditions that may affect the quality of title were not reviewed. Insurance against financial loss resulting in claims that may arise out of defects in the subject property's title should be sought from a qualified title company that issues or insures title to real property.

2. We assume that improvements are constructed or will be constructed according to approved architectural plans and specifications and in conformance with recommendations contained in or based upon any soils report(s).

3. Unless otherwise noted in the body of this report, we assumed: that any existing improvements on the property or properties being appraised are structurally sound, seismically safe and code conforming; that all building systems (mechanical/electrical, HVAC, elevator, plumbing, etc.) are, or will be upon completion, in good working order with no major deferred maintenance or repair required; that the roof and exterior are in good condition and free from intrusion by the elements; that the property or properties have been engineered in such a manner that it or they will withstand any known elements such as windstorm, hurricane, tornado, flooding, earthquake, or similar natural occurrences; and, that the improvements, as currently constituted, conform to all applicable local, state, and federal building codes and ordinances. We are not engineers and are not competent to judge matters of an engineering nature. We did not retain independent structural, mechanical, electrical, or civil engineers in connection with this appraisal and, therefore, make no representations relative to the condition of improvements. Unless otherwise noted in the body of this report no problems were brought to our attention by ownership or management. We were not furnished any engineering studies by the owners or by the party requesting this appraisal. If questions in these areas are critical to the decision process of the reader, the advice of competent engineering consultants should be obtained and relied upon. It is specifically assumed that any knowledgeable and prudent purchaser would, as a precondition to closing a sale, obtain a satisfactory engineering report relative to the structural integrity of the property and the integrity of the building systems. Structural problems and/or building system problems may not be visually detectable. If engineering consultants retained should report negative factors of a material nature, or if such are later discovered, relative to the condition of the improvements, such information could have a substantial negative impact on the conclusions reported in this appraisal. Accordingly, if engineering consultants report negative findings, we reserve the right to amend the appraisal conclusions reported herein.

4. All furnishings, equipment and business operations, except as specifically stated and typically considered as part of real property, have been disregarded with only real property being considered in the appraisal. Any existing or proposed improvements, on- or off-site, as well as any alterations or repairs considered, are assumed to be completed

in a workmanlike manner according to standard practices based upon information submitted. This report may be subject to amendment upon re-inspection of the subject property subsequent to repairs, modifications, alterations and completed new construction. Any estimate of Market Value is as of the date indicated; based upon the information, conditions and projected levels of operation.

5. We assume that all factual data furnished by the client, property owner, owner's representative, or persons designated by the client or owner to supply said data are accurate and correct unless otherwise noted in the appraisal report. We have no reason to believe that any of the data furnished contain any material error. Information and data referred to in this paragraph include, without being limited to, numerical street addresses, lot and block numbers, Assessor's Parcel Numbers, land dimensions, square footage area of the land, dimensions of the improvements, gross building areas, net rentable areas, usable areas, unit count, room count, rent schedules, income data, historical operating expenses, budgets, and related data. Any material error in any of the above data could have a substantial impact on the conclusions reported. Thus, we reserve the right to amend our conclusions if errors are revealed. Accordingly, the client-addressee should carefully review all assumptions, data, relevant calculations, and conclusions within 30 days after the date of delivery of this report and should immediately notify us of any questions or errors.

6. The date of value to which any of the conclusions and opinions expressed in this report apply, is set forth in the Letter of Transmittal. Further, that the dollar amount of any value opinion herein rendered is based upon the purchasing power of the American Dollar on that date. This appraisal is based on market conditions existing as of the date of this appraisal. Under the terms of the engagement, we will have no obligation to revise this report to reflect events or conditions which occur subsequent to the date of the appraisal. However, we will be available to discuss the necessity for revision resulting from changes in economics or market factors affecting the subject.

7. We assume no private deed restrictions, limiting the use of the subject property in any way.

8. Unless otherwise noted in the body of the report, we assume that there are no mineral deposits or subsurface rights of value involved in this appraisal, whether they be gas, liquid, or solid. Nor are the rights associated with extraction or exploration of such elements considered unless otherwise stated in this appraisal report. Unless otherwise stated we also assumed that there are no air or development rights of value that may be transferred.

9. We are not aware of any contemplated public initiatives, governmental development controls, or rent controls that would significantly affect the value of the subject.

10. The estimate of Market Value, which may be defined within the body of this report, is subject to change with market fluctuations over time. Market value is highly related to exposure, time promotion effort, terms, motivation, and conclusions surrounding the offering. The value estimate(s) consider the productivity and relative attractiveness of the property, both physically and economically, on the open market.

11. Unless specifically set forth in the body of the report, nothing contained herein shall be construed to represent any direct or indirect recommendation to buy, sell, or hold the

properties at the value stated. Such decisions involve substantial investment strategy questions and must be specifically addressed in consultation form.

12. Unless otherwise noted in the body of this report, we assume that no changes in the present zoning ordinances or regulations governing use, density, or shape are being considered. The property is appraised assuming 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 estimates contained in this report is based, unless otherwise stated.

13. This study may not be duplicated in whole or in part without our written consent, nor may this report or copies hereof be transmitted to third parties without said consent. Exempt from this restriction is duplication for the internal use of the client-addressee and/or transmission to attorneys, accountants, or advisors of the client-addressee. Also exempt from this restriction is transmission of the report to any court, governmental authority, or regulatory agency having jurisdiction over the party/parties for whom this appraisal was prepared, provided that this report and/or its contents shall not be published, in whole or in part, in any public document without our written consent. Finally, this report shall not be advertised to the public or otherwise used to induce a third party to purchase the property or to make a "sale" or "offer for sale" of any "security", as such terms are defined and used in this Securities Act of 1933, as amended. Any third party, not covered by the exemptions herein, who may possess this report, is advised that they should rely on their own independently secured advice for any decision in connection with this property. We shall have no accountability or responsibility to any such third party.

14. Any value estimate provided in the report applies to the entire property, and any pro ration or division of the title into fractional interests will invalidate the value estimate, unless such pro ration or division of interests has been set forth in the report.

15. Any distribution of the total valuation in this report between land and improvement applies only under the existing program of utilization. Component values for land and/or buildings are not intended to be used in conjunction with any other property or appraisal and are invalid if so used.

16. The maps, plats, sketches, graphs, photographs, and exhibits included in this report are for illustration purposes only and are to be used only to assist in visualizing matters discussed within this report. Except as specifically stated, data relative to size or areas of the subject and comparable properties was obtained from sources deemed accurate and reliable. None of the exhibits are to be removed, reproduced, or used apart from this report.

17. No opinion is intended to be expressed on matters that may require legal expertise or specialized investigation or knowledge beyond that which is customarily employed by real estate appraisers. Values and opinions expressed presume that environmental and other governmental restrictions/conditions by applicable agencies have been met, including but not limited to seismic hazards, flight patters, decibel levels/noise envelopes, fire hazards, hillside ordinances, density, allowable uses, building codes, permits, licenses, etc. No survey, engineering study or architectural analysis was provided to us unless otherwise stated within the body of this report. If we were not supplied with a

termite inspection, survey or occupancy permit, no responsibility or representation is assumed or made for any costs associated with obtaining same or for any deficiencies discovered before or after they are obtained. No representation or warranty is made concerning obtaining these items. We assume no responsibility for any costs or consequences arising due to the need, or the lack of need, for flood hazard insurance. An agent for the Federal Flood Insurance Program should be contacted to determine the actual need for Flood Hazard Insurance.

18. Acceptance and/or use of this report constitutes full acceptance of the Assumptions and Limiting Conditions and extraordinary assumptions set forth in this report. It is the responsibility of the Client, or client's designees, to read in full, comprehend and thus become aware of the aforementioned assumptions and limiting conditions. We assume no responsibility for any situation arising out of the Client's failure to become familiar with and understand the same. The Client is advised to retain experts in areas that fall outside the scope of the real estate appraisal/consulting profession if so desired.

19. We assume that the subject property will be under prudent and competent management and ownership; neither inefficient nor super-efficient.

20. We assume 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 reports.

21. No survey of the boundaries of the property was undertaken. All areas and dimensions furnished are presumed correct. It is further assumed that no encroachments to the realty exists.

22. All value opinions expressed herein are as of the date of value. In some cases, facts or opinions are expressed in the present tense. All opinions are expressed as of the date of value, unless specifically noted.

23. The Americans with Disabilities Act (ADA) became effective January 26, 1992. Notwithstanding any discussion of possible readily achievable barrier removal construction items in this report, we did not perform a specific compliance survey and analysis of this property to determine wither it is in conformance with the various detailed requirements of the ADA. It is possible that a compliance survey of the property together with a detailed analysis of the requirements of the ADA could reveal that the property is not in compliance with one or more of the requirements of the ADA. If so, the fact could have a negative effect on the value estimated herein. Since we have no specific information relating to this issue, nor are we qualified to make such an assessment, the effect of any possible non-compliance was not considered in estimating the value of the subject property.

24. The value estimate rendered in this report is predicated on the assumption that there is no hazardous material on or in the property that would cause a loss of value. We were not provided with an Environmental Assessment Report. Further, we are not qualified to determine the existence or extent of environmental hazards. If there are any concerns pertaining to environmental hazards for this property, we recommend that a qualified engineer perform an assessment.

ADDENDA

Parcel Map

Okaloosa County Property Appraiser

Parcel ID	00-2S-22-0580-0011-0200	Physical Address	75 SHIRAH ST DESTIN	Land Value	$306,000	Last 2 Sales			
						Date	Price	Reason	Qual
Acres (GIS)	0.17	Mailing Address	SHIRAH BREEZE LLC PO BOX 9734 COLLEGE STATION, TX 77842-0000	Ag Land Value	$0	4/6/2017	$585000	QUAL/DEED EXAMINATION	Q
Property Class	SINGLE FAM			Building Value	$189,851	6/30/2009	$385000	UNQUAL/DEED TO/FROM FINAN INST	U
Taxing District	10			Misc Value	$22,143				
				Just Value	$517,994				
				Assessed Value	$517,994				
				Exempt Value	$0				
				Taxable Value	$517,994				

Date created: 9/22/2019
Last Data Uploaded: 9/20/2019 5:03:41 AM

Developed by Schneider GEOSPATIAL

Property Appraiser Card

Okaloosa County Property Appraiser

Parcel Summary

Parcel ID	00-2S-22-0580-0011-0200
Location Address	75 SHIRAH ST DESTIN 32541
Brief Tax Description*	CRYSTAL BEACH LOT 20 BLK 11 *The Description above is not to be used on legal documents.
Property Use Code	SINGLE FAM (000100)
Sec/Twp/Rng	00-2S-22
Tax District	Destin (District 10)
Millage Rate	12.8406
Acreage	0.000
Homestead	N
Acreage (GIS)	0.17
Fire District	N/A

View Map

Owner Information

Primary Owner
Shirah Breeze LLC
PO Box 9734
College Station, TX 778420000

Valuation

	2019 Proposed Values	2018 Certified Values
Building Value	$189,851	$215,896
Extra Features Value	$22,143	$22,748
Land Value	$306,000	$240,108
Land Agricultural Value	$0	$0
Agricultural (Market) Value	$0	$0
Just (Market) Value	$517,994	$478,752
Assessed Value	$517,994	$478,752
Exempt Value	$0	$0
Taxable Value	$517,994	$478,752
Maximum Save Our Homes Portability	$0	$0

Just (Market) Value description - This is the value established by the Property Appraiser for ad valorem purposes. This value does not represent anticipated selling price.

Building Information

Building 1

Type	SINGLE FAM
Total Area	3,264
Heated Area	2,496
Exterior Walls	VINYL SID; CB STUCCO
Roof Cover	ENM METAL; .
Interior Walls	DRYWALL; .
Frame Type	.
Floor Cover	CARPET; .
Heat	AIR DUCTED
Air Conditioning	CENTRAL
Bathrooms	4
Bedrooms	5
Stories	2
Actual Year Built	1981
Effective Year Built	1981

Extra Features

Code	Description	Number of Items	Length x Width x Height	Units	Unit Type	Effective Year Built
SWPOOL	SWIMPOOL	1	0 x 0 x 0	1	UT	2002
CABANA	CABANA	1	0 x 0 x 0	1	UT	2008
DRIVWY	DRIVEWAY	1	0 x 0 x 0	1	UT	1981

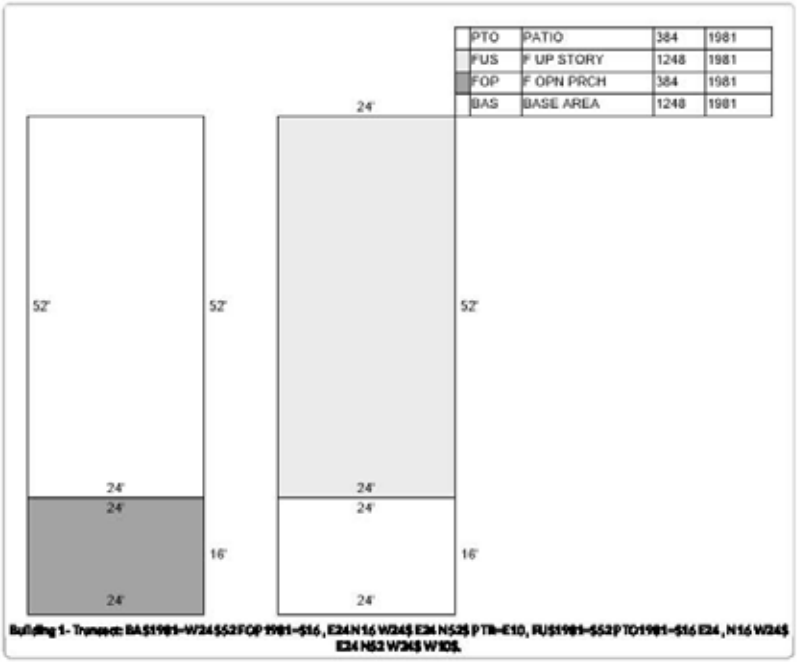
Building Area Types

Type	Description	Sq Footage	Year
BAS	BASE AREA	1,248	1981
FOP	F OPN PRCH	384	1981
FUS	F UP STORY	1,248	1981
PTO	PATIO	384	1981

Sales

Multi Parcel	Sale Date	Sale Price	Instrument	Book	Page	Qualification	Vacant/Improved	Grantor	Grantee
N	04/06/2017	$565,000	WD	3294	4659	Qualified (Q)	Improved	DONNELLY MICHAEL & JENNIFER	SHIRAH BREEZE LLC
N	06/30/2009	$365,000	WD	2896	2687	Unqualified (U)	Improved	METCALF BANK, SUCCESSOR TO AMERICAN STERLING	DONNELLY MICHAEL & JENNIFER
N	09/08/2008	$560,000	CT	2857	4804	Unqualified (U)	Improved	WOODS WELDON	AMERICAN STERLING BANK
N	04/11/2007	$920,000	WD	2776	1647	Qualified (Q)	Improved	MUNN SANDRA J	WOODS WELDON
N	10/31/2006	$742,500	WD	2746	3964	Qualified (Q)	Improved	CARTER W C TRUST & J C TRUST	MUNN SANDRA J
N	02/27/2006	$100	WD	2690	4933	Unqualified (U)	Improved	CARTER W CRAIG & JEANNE C	CARTER W C TRUST & J C TRUST
N	02/04/2002	$304,000	WD	2342	4425	Qualified (Q)	Improved	CROSS CHARLES D	CARTER W CRAIG & JEANNE C
N	06/01/1992	$100	QC	1675	1036	Unqualified (U)	Improved		CROSS CHARLES D
N	06/01/1990	$100	WD	1586	1059	Unqualified (U)	Improved		
N	03/01/1989	$69,000	WD	1500	1242	Qualified (Q)	Improved		
N	03/01/1981	$20,000	WD	1111	1851	Qualified (Q)	Vacant		

Sketches



Building 1 - Typical: BAS1981-W24$52FOP1981-$16 , E24N16 W24$ E24 N52$ PTIo-E10, FUS1981-$52PTO1981-$16 E24 , N16 W24$ E24 N52 W24$ W10$.

Print Sketches

Most Recent Deed

FILE #3128334 RCD: 4/11/2017 12:37 PM, BK: 3294 PG: 4659, RECORDING: $10.50 RECORDING ARTICLE V: $8.00
D Doc Stmp: $4,095.00 DEPUTY CLERK JLALLEN
JD PEACOCK II CLERK OF COURTS, OKALOOSA COUNTY, FLORIDA

Prepared by and return to:
Julie R. Barbeau
McNeese Title, LLC
36468 Emerald Coast Parkway, Suite 1201
Destin, Florida 32541

File Number: 17-0162JB

Warranty Deed

Made this April 6, 2017 A.D. By **Michael Donnelly and Jennifer Donnelly, husband and wife,** whose address is: 26 Rose Hill Road, Montebello, New York 10901, hereinafter called the grantor, to **Shirah Breeze, LLC, a Florida limited liability company**, whose post office address is: PO Box 9734, College Station, Texas 77842, hereinafter called the grantee:

(Whenever used herein the term "grantor" and "grantee" include all the parties to this instrument and the heirs, legal representatives and assigns of individuals, and the successors and assigns of corporations)

Witnesseth, that the grantor, for and in consideration of the sum of Ten Dollars, ($10.00) and other valuable considerations, receipt whereof is hereby acknowledged, hereby grants, bargains, sells, aliens, remises, releases, conveys and confirms unto the grantee, all that certain land situate in Okaloosa County, Florida, viz:

Lot 20, Block 11, CRYSTAL BEACH, according to the Plat thereof as recorded in Plat Book 1, Page 17, of the Public Records of Okaloosa County, Florida.

Being and intended to be the same premises conveyed to the Grantor herein by deed recorded July 9, 2009, in Official Records Book 2896, Page 2687, Public Records of Okaloosa County, Florida.

Parcel ID Number: **00-2S-22-0580-0011-0200**

Said property is not the homestead property of the Grantor as defined by the Constitution of the State of Florida.

Together with all the tenements, hereditaments and appurtenances thereto belonging or in anywise appertaining.

To Have and to Hold, *the same in fee simple forever.*

And the grantor hereby covenants with said grantee that the grantor is lawfully seized of said land in fee simple; that the grantor has good right and lawful authority to sell and convey said land; that the grantor hereby fully warrants the title to said land and will defend the same against the lawful claims of all persons whomsoever; and that said land is free of all encumbrances except for all covenants, conditions, restrictions, reservations, limitations and easements of record, and to all applicable zoning ordinances and/or restrictions and prohibitions imposed by governmental authorities, if any and taxes accruing subsequent to December 31, 2016.

BK: 3294 PG: 4660

Prepared by and return to:
Julie R. Barbeau
McNeese Title, LLC
36468 Emerald Coast Parkway, Suite 1201
Destin, Florida 32541

File Number: 17-0162JB

In Witness Whereof, the said grantor has signed and sealed these presents the day and year first above written.

Signed, sealed and delivered in our presence:

Witness Signature Melinda Mallica
Witness Printed Name Melinda Mallica

Witness Signature Dori Kaplan
Witness Printed Name Dori Kaplan

Michael Donnelly
Address: 26 Rose Hill Road, Montebello, New York 10901

Jennifer Donnelly
Address: 26 Rose Hill Road, Montebello, New York 10901

State of New York
County of Rockland

The foregoing instrument was acknowledged before me this 5th day of April, 2017, by Michael Donnelly and Jennifer Donnelly, husband and wife, who are personally known to me or who produced NYS Drivers Licenses as identification.

Linda Passman
Notary Public

Print Name: Linda Passman

My Commission Expires: 12/9/2018

LINDA PASSMAN
Notary Public, State of New York
No. 01PA5072054
Qualified in Rockland County
Commission Expires Dec. 9, 2018
(Seal)

DEED Individual Warranty Deed - Legal on Face
Closers' Choice

THIS INSTRUMENT PREPARED BY
AND AFTER RECORDING RETURN TO:

Kimberly Romano Kopp, Esq.
Romano Kopp Law, P.A.
P.O. Box 445
Destin, Florida 32541

For Recording Purposes Only

SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is entered into this _____day of _____ 2019, ("Effective Date") by and between, Shirah Breeze, LLC. ("Owner") and the City of Destin ("City"), collectively referred to as the "Parties."

RECITALS

WHEREAS, on January 22, 2019, the City enacted Ordinance 18-29-CC, the Short-Term Rental Occupancy Ordinance ("Ordinance"), which limits the occupancy of short-term rental homes to two (2) people per bedroom plus an additional four (4) persons; and

WHEREAS, Owner owns the real property and improvements located at 75 Shirah Street, Destin, FL 32541, as more particularly described in the attached Exhibit "A" (the "Property"); and

WHEREAS, on May 10, 2019, Owner filed a claim with the City, pursuant to the provisions of §70.001, Florida Statutes, the Bert J. Harris, Jr., Private Property Rights Protection Act (the "Harris Act"), alleging that the Property had been inordinately burdened by the adoption of the Ordinance, (the "Claim"); and

WHEREAS, the Harris Act provides for the City to have the ability to enter into a settlement agreement which would have the effect of a modification or variance to the application of a regulation or ordinance as it would otherwise apply to the subject real property, provided the relief granted protects the public interest served by the regulations at issue and is the appropriate relief necessary to prevent the governmental regulatory effort from inordinately burdening the real property; and

WHEREAS, the City has determined that the modifications to the effect of the Ordinance effected by this Agreement protect the public interest served by the Ordinance and are the appropriate relief necessary to prevent the regulatory effect of the Ordinance from inordinately burdening the Property; and

WHEREAS, the Parties now desire to settle and finally resolve all disputes between and among them concerning the Claim.

NOW, THEREFORE, the Parties hereby agree as follows:

1. **Recitals.** The above recitals are true and correct and are incorporated herein by reference.

2. **Occupancy Allowable Under Ordinance.**

(a) Owner is hereby granted a variance from the provisions of the Ordinance so that the Owner shall have the right to apply under the Ordinance for a maximum occupancy of twelve (12) overnight guests at the five (5) bedroom vacation rental property noted above and the City shall grant such occupancy. The right shall continue in perpetuity, regardless of any future changes in ownership, provided that this right shall expire permanently if the Property were to be voluntarily remodeled or voluntarily rebuilt in such a manner as to change the number of bedrooms that existed at the date of the Claim. The Property remains subject to all other requirements of the City's regulations, including but not limited to regulations for short-term rentals, parking, trash, and noise.

(b) No greater than two (2) vehicles may be parked on the Property. No vehicle may encroach upon the City's right-of way.

(c) Owner shall ensure that at least two (2) outdoor trash receptacles are provided by the applicable trash hauler and available for use by occupants at all times.

(d) Owner agrees that the City shall be permitted to access the property on an annual basis for the purpose of life-safety inspections to ensure code compliance with minimum egress and emergency egress requirements pursuant to the Florida Building Code (Residential) and to ensure the property has adequate and working smoke detectors. Owner shall submit to the City a separate application and fee for such inspection, on a form provided by the City, at the time Owner submits its annual short-term rental registration application to the City

3. **Development in Accordance with Code.** Notwithstanding any provisions contained herein, the Owner shall at any time have the right and option to remodel, develop, or use the Property in accordance with the applicable ordinances of the City of Destin in effect at the time of application therefor, and this variance shall not be construed as making the Property in any way non-conforming.

4. **Entire Agreement.** The Parties acknowledge that this Agreement constitutes the entire agreement between them regarding the settlement of their dispute and any prior statements, whether oral or written, are merged herein. This Agreement may not be modified or amended without a written instrument signed by the party against whom enforcement is sought.

5. **Duration of Agreement.** This Agreement shall be perpetual and deemed to run with the land, and shall be binding upon and the benefits shall inure to the parties hereto and their respective heirs, devisees, personal representatives, successors and assigns.

6. **Authority.** The signatories to this Agreement are expressly authorized to resolve their dispute as set forth herein and by their signatures here represent and affirm their authority to execute this Agreement.

7. **Governing Law.** The law of the State of Florida shall apply to this Agreement. Any dispute regarding this Agreement shall be litigated exclusively in the courts of Okaloosa County, Florida. The parties expressly consent to such agreed jurisdiction and venue, and waive any objections thereto.

8. **Notices.** Any notice required or permitted to be given hereunder shall be in writing and shall be (i) delivered by hand, (ii) delivered by reputable national or local courier (such as United Parcel Service or Federal Express), (iii) mailed by United States registered or certified mail, return receipt requested and postage prepaid, or (iv) sent by facsimile transmission provided a confirmation of such facsimile transmission is sent the same day by one of the methods of delivery in (i), (ii), or (iii) above. Any notice shall be addressed to each party at its address as set forth below. Any such notice shall be considered given on the date of such hand delivery, deposit with such courier for same day or next business day delivery, upon receipt of return receipt of certified mail, or receipt of facsimile transmissions, as the case may be, and the time period (if any is provided herein) in which to respond to such notice shall commence on the date of receipt. Rejection or other refusal to accept or inability to deliver because of changed address of which no notice was given shall be deemed to be receipt of the notice. By giving to the other party at least ten (10) days' notice thereof, any party shall have the right from time to time to change the addresses thereof and to specify up to two (2) additional addresses within the United States of America to which copies of notices to it shall be sent. Notice may be given on behalf of any party by such party's counsel. In the event the subject property owner changes, notices shall be addressed to the current owner as indicated in the records of the Okaloosa County Property Appraiser. Otherwise, notices shall be sent as follows:

Each notice shall be addressed as follows:

To City: City of Destin, Florida
Attn:
4200 Indian Bayou Trail
Destin, Florida 32541

With a copy to:
City Land Use Attorney
Romano Kopp Law, PA
PO Box 445
Destin, Florida 32541

To Shirah Breeze LLC: Scott Medin
P.O. Box 973
College Station, TX 77842

With a copy to: Matthews & Jones, LLP

Attn: C. Stephen Tatum
4475 Legendary Drive
Destin, Florida 32541

9. **Attorney's Fees**. In the event of any action, whether pre-suit, mediation, litigation or appellate proceeding to enforce the terms and conditions of this Agreement, each party to the action shall pay its own attorney's fees and costs incurred therein.

10. **Venue**. Venue over any action to enforce the terms and conditions of this Agreement, including mediation, shall lie solely in Okaloosa County, Florida.

OWNER: Shirah Breeze, LLC

_____
Signature of Witness #1

_____
Scott Medlin

_____
Print or type name

_____

_____
Signature of Witness # 2

_____
Print or type name

STATE OF_____
COUNTY OF_____

The foregoing instrument was acknowledged before me this _____ day of _____ 2019, by _____ _____ and _____, who are personal known to me or who have produced _____ as identification and who did not (did) take an oath.

_____
Signature of Notary

(NOTARY SEAL)

_____
Print or type name

CITY OF DESTIN

By:_____
Gary Jarvis, Mayor

Date:_____

ATTEST:

_____
Rey Bailey, City Clerk

Date:_____

STATE OF_____
COUNTY OF_____

The foregoing instrument was acknowledged before me this _____ day of _____ 2019, by _____ _____ and _____, who are personal known to me or who have produced _____ as identification and who did not (did) take an oath.

_____
Signature of Notary

(NOTARY SEAL)

_____
Print or Type Name

Approved as to form and legality for use and reliance
by the City of Destin, Florida, only.

_____
Kimberly Romano Kopp, Esq.
City Land Use Attorney

Exhibit "A"

Legal Description of Property

Lot 22, Block 11, CRYSTAL BEACH, according to the Plat thereof as recorded in Plat Book 1, Page 17, of the Public Records of Okaloosa County, Florida.

ITEM # 2019-1902

CITY OF DESTIN

AGENDA ITEM

COUNCIL MEETING DATE: December 9, 2019
TYPE OF AGENDA ITEM: Action Item

TO: City Council

THRU: Lance Johnson, City Manager

FROM: Kimberly Kopp, Land Use Attorney
Louis Zunguze, Community Development Director

DATE: December 5, 2019

SUBJECT: 21) 64 Cobia Street

I. BACKGROUND:

On January 22, 2019, the City enacted Ordinance 18-29-CC, the Short-Term Rental Occupancy Ordinance ("Ordinance"), which limits the occupancy of short-term rental homes to two (2) people per bedroom plus an additional four (4) persons.

The subject property owner owns the real property and improvements located at 64 Cobia Street, Destin, FL 32541, as more particularly described in Exhibit "A" (the"Property") to the proposed settlement agreement.

Owner filed a claim with the City, pursuant to the provisions of §70.001, Florida Statutes, the Bert J. Harris Jr., Private Property Rights Protection Act (the "Harris Act"), alleging that the Property had been inordinately burdened by the adoption of the Ordinance, (the "Claim).

The Harris Act provides for the City to have the ability to enter into a settlement agreement which would have the effect of a modification or variance to the application of a regulation or ordinance as it would otherwise apply to the subject real property, provided the relief granted protects the public interest served by the regulations at issue and is the appropriate relief necessary to prevent the governmental regulatory effort from inordinately burdening the real property.

The City Council should settle the claim if the City Council determines that the modifications within the settlement agreement protect the public interest served by the Ordinance and are the appropriate relief necessary to prevent the regulatory effect of the Ordinance from inordinately burdening the Property.

II. DISCUSSION: The property owner has requested a maximum occupancy of twenty-four (24) occupants. City staff is recommending an occupancy of twenty-one (21) occupants based on the square footage of the property. The building official utilized a one-occupant per 200 square feet methodology for recommending the above-stated occupancy.

Additionally, staff is recommending at least four (4) trash cans on the property. This recommendation is based on industry standard (Waste Management) that, on average, one trash can is required for every six occupants in order to ensure adequate garbage disposal. Therefore, if the maximum number of occupants exceeds any multiple of six (6, 12, 18, 24, 30, 36, etc.), then an extra trash can will be needed to accommodate the additional occupants. For example, if thirteen (13) is the maximum occupation, then three (3) trash cans are required. This is because, on average, two (2) trash cans will only accommodate twelve (12) occupants. The third trash can will be needed to accommodate the thirteenth occupant.

Further, the property owner must agree to annual life safety inspections, as provided in the proposed settlement agreement.

Finally, staff is recommending that no greater than five (5) vehicles be parked on this property.

As stated in the agreement, the property owner remains bound by all other provisions of City codes.

A. Link to Strategic Goals / Objectives:

B. Effect on Budget (EOB):

C. Level of Service (LOS):

III. CONCLUSION:

IV. RECOMMENDED MOTION:

Attachments:

1. Bert Harris Case - 64 Cobia Street, Destin
2. 64 Cobia (1) (2)

Appraisal Report

Detached Single Family Residential Home

4,307 ± HVAC SF Existing Structure

64 Cobia Street
Destin, FL 32541

DIMINUTION IN VALUE ANALYSIS
64 COBIA STREET
DESTIN, FL 32541

FOR
STACEY MOLLOHAN AND AMY BECKENHAUER MOLLOHAN
AND
DESIGNATED ATTORNEYS

RETROSPECTIVE TO JULY 1, 2019

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APPRAISAL REPORT

SUBJECT PROPERTY

4,307 ± HVAC SF Existing Detached Residential Improvement

Five Bedrooms and Four and One Half Bathrooms

64 Cobia Street
Destin, FL 32541

EFFECTIVE DATE OF APPRAISAL

Retrospective to July 1, 2019

REPORT DATE

September 18, 2019

VIEWING DATE

August 10, 2019

CLIENT/INTENDED USER

Stacey Mollohan and Amy Beckenhauer Mollohan
64 Cobia Street
Destin, FL 32541

File № 190765

PREPARED BY:

Thomas A. Marr

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PANHANDLE APPRAISAL GROUP

REAL ESTATE VALUATION AND RESEARCH
Specializing in Residential and Commercial Valuation Support
Fort Walton Beach, Florida

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September 18, 2019

Stacey Mollohan
64 Cobia Street
Destin, FL 32541

Re: Diminution in value appraisal of an approximate 4,307 HVAC SF detached residential improvement, 'as is', identified as 64 Cobia Street in Destin, FL 32541. **Panhandle Appraisal Group File № 190765.**

Dear Mr. Mollohan:

I have completed the requisite personal viewing, research, and analysis necessary to determine if a diminution in value has occurred for the subject parcel.

The subject property is a three level, detached single family residential structure with an approximate 4,307 HVAC SF. The subject features five bedrooms and five and one half baths. The current sleeping capacity of the subject is twenty six (28) guests.

The purpose of the appraisal analysis was to develop an opinion of the market value of the subject property prior to first application of the city of Destin Ordinance No. 18-29-CC on July 1, 2019 when the subject was allowed 28 guests and then derive a value after first application of Destin Ordinance No. 18-29-CC on July 1, 2019 which limited the subject to fourteen (14) guests, based on two guests per bedroom, plus four. I note that the designation as a bedroom is based on data in the Okaloosa County Property Appraiser web site.

The authorized user is the client at the address above. The understood intended use of the appraisal report will be for reference in determining if the first application of Ordinance No. 18-29-CC resulted in a diminution of value. No other use of this report by any other entity or person is authorized.

Subject to the above and the assumptions, limiting conditions, and certification set forth herein, it is my professional opinion the retrospective market value of the fee simple interest in the subject property, 'as is', as of July 1, 2019, prior to the first application of Ordinance No. 18-29-CC, was:

TWO MILLION SEVEN HUNDRED TEN THOUSAND DOLLARS
$2,710,000

Subject to the above and the assumptions, limiting conditions, and certification set forth herein, it is my professional opinion the current market value of the fee simple interest in the subject property, 'as is', after the first application of Destin Ordinance No. 18-29-CC on July 1, 2019 is:

ONE MILLION SIX HUNDRED THOUSAND DOLLARS
$1,600,000

The diminution of value is a rounded $1,110,000

Exposure Time
The exposure time linked to the final value opinion is a range to nine (9) to twelve (12) months based on market sales of similar properties and current market activity.

Analysis of recent trends and current market supply and demand strongly indicate the highest and best use of the subject property, is continued use as a seasonal rental home.

I hereby certify I possess no interest, present or contemplated, in the appraised property. The undersigned appraiser is competent or has taken the necessary steps to become competent for the property type being appraised. This appraisal has been prepared utilizing all of the requirements set forth as standards for real estate appraisals established for federally related transactions by the Comptroller of the Currency, the Federal Reserve Board, the Federal Deposit Insurance Corporation, and the State of Florida. The appraisal is in conformity with the standards for real estate appraisals as established by the Appraisal Foundation and its Appraisal Standards Board. The appraisal also conforms to *the 2018/2019 edition of the Uniform Standards of Professional Appraisal Practice (USPAP)* and your instructions. The fee for this appraisal was not based on value, nor was the assignment undertaken based on a predetermined value, a trend in value, or a minimum or maximum value.

Respectfully submitted,

Thomas A. Marr
State-Certified General Real Estate Appraiser № RZ 2845 (Florida)

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APPRAISAL REPORT

This is an Appraisal Report which is intended to comply with the reporting requirements in accordance with the 2018/2019 edition of the Uniform Standards of Professional Appraisal Practice (USPAP) for an Appraisal Report. As such, it represents summary discussions of the data, reasoning, and analyses used in the appraisal process to develop the appraisers' opinion of value. Supporting documentation concerning the data, reasoning, and analyses may be retained in the appraiser's files. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated below. The appraisers are not responsible for unauthorized use of this report.

CLIENT:	Stacey Mollohan and Amy Beckenhauer Mollohan 64 Cobia Street Destin, FL 32541
APPRAISERS:	**Thomas A. Marr** State-certified General Real Estate Appraiser № RZ 2845 (Florida) Panhandle Appraisal Group 220 Hospital Drive Fort Walton Beach, Florida 32548
SUBJECT PROPERTY:	Legal Description Lot 6, Block 6, Crystal Beach SD Tax ID №: 00-2S-22-0580-0006-0060.
PURPOSE OF THE APPRAISAL:	The purpose of this appraisal was to develop an estimate of the diminution in value from prior to the first application of the City of Destin Ordinance No. 18-29-CC and after the first application of City of Destin Ordinance No. 18-29-CC on July 1, 2019.
INTENDED USE OF REPORT:	The understood intended use of the appraisal report will be for client use in legal proceedings.
INTENDED USER:	The intended user is the client stated above, the client's attorneys, courts of law and regulatory authorities. This report is not intended or authorized for any other user or audience.
PROPERTY RIGHTS APPRAISED:	Fee Simple, one hundred percent (100%) ownership interest in the subject property.
EFFECTIVE DATE OF VALUE:	**Retrospective to July 1, 2019.**
DATE OF REPORT:	September 18, 2019.
DATE OF INSPECTION:	Thomas A. Marr viewed the subject property on August 10, 2019.
SCOPE OF WORK:	I note you have not requested an appraisal report format. Based on the Scope of Work requirements included in the 2018/2019 version of USPAP, which indicates the appraiser is responsible to coordinate the scope of work with the client, I am informing you I will perform an appraisal report. **It is my opinion this process of work meets all applicable 2018/2019 USPAP standards.**
DEFINITIONS:	The definitions, commencing on the page following, are provided to assist the reader in understanding this appraisal report.

Market Value[1]

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

- Purchaser and seller are typically motivated;
- Both parties are well informed or well advised and each acting in what they consider their best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

The four (4) time differential values typically considered in the appraisal of existing developments are defined as follows:

(1) **'As Is'** means an estimate of the market value of a property in the condition observed upon inspection and as it physically and legally exists without hypothetical conditions, assumptions, or qualifications as of the date of appraisal.

(2) **'Value Upon Completion'** means the market value of a property with all existing construction, conversion, or rehabilitation hypothetically completed, or under other specified hypothetical conditions as of the date of appraisal. With regard to properties wherein anticipated market conditions indicate stabilized occupancy is not likely as of the date of completion, this estimate of value shall reflect the market value of the property as if complete and prepared for occupancy by tenants.

(3) **'Prospective Future Value Upon Completion'** means the prospective future value of a property on the date construction is completed, based upon market conditions forecast to exist as of completion date.

(4) **'Prospective Future Value Upon Achievement of Stabilized Occupancy'** means the prospective future value of a property at a point in time when all improvements have been physically constructed and the property has been leased to its optimum level of long term occupancy.

Fee Simple Estate[2]

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.

Leased Fee Interest[3]

An ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the lessee are specified by contract terms contained within the lease.

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[1] Title XI, Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), [Pub. L. No. 101-73, 103 Stat. 183 (1989)], 12 U.S.C. 3310, 3331-3351, and section 5(b) of the Bank Holding Company Act, 12 U.S.C. 1844(b); Part 225, Subpart G: Appraisals; Paragraph 225.62 (f).
Uniform Standards of Professional Appraisal Practice, 2003 Edition, Page 3
Federal Reserve System, 12 CFR Parts 208 and 225, Sec. 225.62
Office of the Comptroller of the Currency, 12 CFR Part 34, Sec. 34.42 (g)
FDIC, 12 CFR Part 323, Sec. 323.2 (g) (2000)
Office of Thrift Supervision, 12 CFR Part 564, Sec. 564.2
NCUA, 12 CFR Part 722, Sec. 722.2

[2] The Dictionary of Real Estate Appraisal, Appraisal Institute, Fourth Edition, 2002, Page 113.

[3] Ibid., Page 161.

Leasehold Interest[4]
The interest held by the lessee (the tenant or renter) through a lease transferring the rights of use and occupancy for a stated term under certain conditions.

Condominium[5]
A multi-unit structure or property in which persons hold fee simple title to individual units and an undivided interest in common areas.

Highest and Best Use[6]
The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and which results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability.

...of land or a site as though vacant:

Among all reasonable, alternative uses, the use yielding the highest present land value, after payments are made for labor, capital, and coordination. The use of property based on the assumption the parcel of land is vacant or can be made vacant by demolishing any improvements.

...of property as improved:

The use which should be made of a property as it exists. An existing improvement should be renovated or retained as is so long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing building and constructing a new one.

Marketing Time[7]
The time it takes an interest in real property to sell on the market subsequent to the date of an appraisal.

Exposure Time[8]
A retrospective estimate based on an analysis of past events assuming a competitive and open market.

Advocacy[9]
Representing the cause or interest of another, even if cause or interest does not necessarily coincide with one's own beliefs, opinions, conclusions, or recommendations.

Appraisal[10]
(Noun) The act or process of developing an opinion of value; an opinion of value. (Adjective) of, or pertaining to appraising and related functions such as appraisal practice or appraisal services.

Appraisal Practice[11]
Valuation services performed by an individual acting as an appraiser, including, but not limited to appraisal, appraisal review, or appraisal consulting.

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4 Ibid., Page 162.

5 Ibid., Page 59.

6 Ibid., Page 135.

8 Ibid., Page 175

9 Ibid., Page 105

9 2018/2019 edition, *Uniform Standards of Professional Appraisal Practice (USPAP)*, Page 1

10 Ibid, Page 1

11 Ibid, Page 1

Appraisal Review[12]
The act or process of developing and communicating an opinion about the quality of another appraiser's work was performed as part of an appraisal, appraisal review, or appraisal consulting assignment.

Appraiser[13]
One who is expected to perform valuation services competently, and in a manner, is independent, impartial, and objective.

Appraiser's Peers[14]
Other appraisers who possess expertise and competency in a similar type of assignment.

Assignment[15]
A valuation service provided as a consequence if an agreement between an appraiser and a client.

Assignment Results[16]
An appraiser's opinions and conclusions developed specific to an assignment.

Assumption[17]
An occurrence which is taken to be true.

Bias[18]
A preference or inclination which precludes an appraiser's impartiality, independence, or objectivity in an assignment.

Business Enterprise[19]
An entity pursuing an economic entity.

Business Equity[20]
The interests, benefits, and rights inherent in the ownership of a business enterprise or a part thereof in any form (including, but not necessarily limited to, capital stock, partnership interests, cooperatives, sole proprietorships, options, and warrants).

Client[21]
The party or parties who engage an appraiser (by employment or contract) in a specific assignment.

Confidential Information[22]
Information is either:

- identified by the Client as confidential when providing it to an appraiser and is not available from any other source; or,

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12 Ibid, Page 1

13 Ibid, Page 1

14 Ibid, Page 2

15 Ibid, Page 2

16 Ibid, Page 2

17 Ibid, Page 2

18 Ibid, Page 2

19 2018/2019 edition, USPAP, Page 2

20 Ibid, Page 2

21 Ibid, Page 2

22 Ibid, Page 2

- classified as confidential or private by applicable law or regulation.

Cost[23]
The amount required to create, produce, or obtain a property.

'Credible'[24]
Worthy of belief.

Extraordinary Assumption[25]
An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions.

Feasibility Analysis[26]
A study of the cost-benefit relationship of an economic endeavor.

Hypothetical Condition[27]
An assertion which is contrary to what exists but is supposed for the purpose of analysis.

Intangible Property[28]
(Intangible Assets) Nonphysical assets, including, but not limited to, franchises, trademarks, patents, copyrights, goodwill, equities, securities, and contracts as distinguished from physical assets such as facilities and equipment.

Intended Use[29]
The use or uses of an appraiser's reported appraisal, appraisal review, or appraisal consulting assignment opinions and conclusions, as identified by the appraiser based on communication with the Client at the time of the assignment.

Intended User[30]
The Client and any other party as identified, by name or type, as users of the appraisal, appraisal review, or appraisal consulting report by the appraiser on the basis of communication with the Client at the time of the assignment.

Jurisdictional Exception[31]
...an assignment condition which voids the force of a part or parts of *USPAP*, when compliance with part or parts of *USPAP* is contrary to law or public policy applicable to the assignment.

IDENTIFY THE PROBLEM TO BE SOLVED
The client has requested that I derive two values for the subject. The first value is a value prior to the first application Destin Ordinance 18-29-CC on July 1, 2019 when the subject could accommodate 28 guests. The second value is after the first application of the city of Destin Ordinance 18-29-CC on July 1, 2019, which limits the subject to 14 guests. The problem to be solved is to derive two values and then identify the diminution of value after the first application of the ordinance.

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[23] Ibid, Page 2

[24] Ibid, Page 3

[25] Ibid, Page 3

[26] Ibid, Page 3

[27] Ibid, Page 3

[28] Ibid, Page 3

[29] Ibid, Page 3

[30] Ibid, Page 3

[31] 2018 edition, *USPAP*, Page 3

EXTENT OF THE PROCESS OF COLLECTING, CONFIRMING, AND REPORTING DATA:

Preparation of this appraisal included the following scope of work:

- The subject site, improvements, and parking improvements were inspected by the appraiser, the property was photographed. File data for similar properties was reviewed.
- The public records were reviewed.
- The appraiser examined the economic, social, governmental, and environmental forces affecting value in the subject neighborhood and the entire market area as a whole.
- The appraiser identified recent and projected actual rents for the subject, based on occupancy of up to 28 guests. The appraiser then identified the annual rentals of other comparable properties which accommodated up to or beyond 28 guests. This data was used to verify or support the historical performance and the projected rents for the subject. These comparable rentals provided market support for the subject actual and projected gross rental income.
- The appraiser identified market rental comparables for properties limited to 18 guests.
- The appraiser then reduced gross rent to net operating rent and capitalized the net operating rent to identify value for the subject as a 28 guest rental and an 14 guest rental. The difference between these two values is the diminution in value.

IDENTIFICATION OF THE TYPE OF APPRAISAL AND APPRAISAL REPORT FORMAT:
I have provided an **Appraisal Report**, as defined by the *2018/2019 edition of the Uniform Standards of Professional Appraisal Practice*, containing a summary of all relevant conclusions, data, and analyses used in the report.

TERMS OF THE FINAL VALUE OPINION:
The final opinion of the current market values of the subject property, 'as is' is expressed in terms of cash or financing terms equivalent to cash.

POLICY STATEMENT OF THE APPRAISAL INSTITUTE:
It is improper to base a conclusion or opinion of value upon the premise the racial, ethnic, or religious homogeneity of the inhabitants of an area or of a property is necessary for maximum value.

Racial, religious, and ethnic factors are deemed unreliable predictors of value trends or price variance.

It is improper to base a conclusion or opinion of value, or a conclusion with respect to neighborhood trends, upon stereotyped, biased presumptions relating to the effective age or remaining life of the property being appraised or the life expectancy of the neighborhood in which it is located.

The undersigned appraiser is not a member of the Appraisal Institute.

GENERAL ASSUMPTIONS:

1. No responsibility is assumed for the legal description provided or for matters relevant to legal or title considerations. Title to the property is assumed to be marketable unless otherwise stated. The legal description used in this report is assumed to be correct.

2. The subject property is appraised free and clear of any or all liens, leases, or encumbrances unless otherwise stated. All mortgages, liens, encumbrances, leases, and servitudes have been disregarded unless so specified within the report.

3. No survey of the property has been made by the appraisers and no responsibility is assumed in connection with such matters. Sketches, plot plans, or illustrative material presented in this report are included only to assist the reader in visualizing the property.

4. Information and data furnished by others is usually assumed to be true, correct and reliable. When such information and data appears to be dubious and when it is critical to the appraisal, a reasonable effort has been made to verify all such information; however, no responsibility for its accuracy is assumed by the appraiser.

5. Responsible ownership and competent property management are assumed unless otherwise stated in this report.

6. It is assumed there are no hidden or unapparent conditions of the property, subsoil or structures which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.

7. It is assumed 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.

8. It is assumed the subject property is in compliance with all applicable zoning and land use regulations, unless a nonconformity has been stated, defined and considered in the appraisal report.

9. It is assumed all required licenses, consents or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use which the value estimate contained in this report is based.

10. It is assumed the utilization of the land and improvements is within the boundaries or property lines of the property described and there is no encroachment or trespass unless noted within the report.

EXTRAORDINARY ASSUMPTIONS:
I am using data provided to me by the client and other vacation home owners.

I am making the extraordinary assumption that the data provided is accurate, credible and reliable.

If, for any reason, the data provided is not accurate, credible and reliable, the values derived in the analysis is subject to review.

GENERAL LIMITING CONDITIONS:

1. This is an Appraisal Report which is intended to comply with the reporting requirements set forth in accordance with the *2018/2019 edition of the Uniform Standards of Professional Appraisal Practice* for an Appraisal Report. As such, it includes summarized discussions of the data, reasoning, and analyses used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses may be retained in the appraiser's files. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraiser is not responsible for unauthorized use of this report.

2. Appraisers are not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraisers suggesting the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert in the field of environmental assessment. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The appraiser's value estimate is predicated on the assumption there exists no such material on or in the property causing a loss in value unless otherwise stated in this report. No responsibility is assumed for any environmental conditions, or for any expertise or engineering knowledge required to discover them. The appraisers' descriptions and resulting comments are the result of the routine observations made during the appraisal process.

3. The subject property is appraised without a specific compliance survey having been conducted to determine if the property is or is not in conformance with the requirements of *The Americans with Disabilities Act*. The presence of architectural and communications barriers which are structural in nature which would otherwise restrict access by disabled individuals may adversely affect the property's value, marketability, or utility.

4. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event, only with proper written qualification and only in its entirety.

5. Neither all nor any part of the contents of this report shall be conveyed to any person or entity, other than the appraiser's or firm's client, through advertising, solicitation materials, public relations, news, sales, or other media without the written consent and approval of the authors, particularly as to valuation conclusions, the identity of the appraiser or firm with which the appraiser is connected, or any reference to affiliation with any professional appraisal organization. Further, the appraiser or firm assumes no obligation, liability, or accountability to any third party. If this report is placed in the hands of anyone but the client, client shall make party aware of all the assumptions and limiting conditions of the assignment.

6. The appraiser affixing his signatures to this appraisal report will not be required to give testimony or appear in court because of having made this appraisal, with reference to the property in question, unless arrangements have been previously made thereof.

7. No environmental impact studies were either requested or made in conjunction with this appraisal, and the appraiser hereby reserves the right to alter, amend, revise, or rescind any of the value opinions based upon any subsequent environmental impact studies, research, or investigation.

8. The appraiser has not been supplied with a report of the subsoil conditions indicating the exact capacity of the subsoil. I do not have the benefit of subsoil test results of the properties and detection of possible soil defects would be beyond my realm of expertise. However, there appear to be no hidden or apparent conditions of the subject sites or subsoil structures which would render them more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.

9. Acceptance of and/or use of this appraisal report constitutes acceptance of the foregoing General Assumptions, Special Assumptions, General Limiting Conditions, and Special Limiting Conditions.

EXTRAORDINARY LIMITING CONDITIONS AND HYPOTHETICAL CONDITIONS:

I note that the ordinance in question allows a five (5) year 'grandfather' period during which 24 guests have been permitted. I considered if this 'grandfather' status should receive some analysis in the discussion of diminution of value. After consideration, I concluded that a potential market participant, aware that the grandfather status will be eliminated, would be very wary to enter into a financial arrangement where he may have to liquidate in an unknown market within a time line that may not be available. Such a buyer would simply purchase in Walton County. Thus, I am not considering any impact of the 'grandfather' status.

CERTIFICATION:

I certify, to the best of my knowledge and belief:

1. The statements of fact contained in this report are true and correct.

2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions and conclusions.

3. I possess no present or prospective interest in the property which is the subject of this report and no personal interest with respect to the parties involved.

4. I possess no bias with respect to the property which is the subject of this report or to the parties involved with this assignment.

5. The engagement in this assignment was not contingent upon developing or reporting predetermined results.

6. The compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value favoring the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

7. The analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *2018/2019 edition of the Uniform Standards of Professional Appraisal Practice*.

8. Thomas A. Marr has made a personal viewing of the property which is the subject of this report. No one else has rendered significant real estate appraisal knowledge and input to the compilation of this report.

9. I have not performed any services, to include appraisal services, regarding the subject in the previous three years.

10. The opinion of market value 'as is' of the one hundred percent (100%) fee simple ownership interest in the subject property, prior to the first application of Destin Ordinance 18-29-CC on July 1, 2019 is TWO MILLION SEVEN HUNDRED TEN THOUSAND DOLLARS ($2,710,000) and the value after the first application of Destin Ordinance 18-29-CC on July 1, 2019 is ONE MILLION SIX HUNDRED THOUSAND DOLLARS ($1,600,000). The diminution of value is estimated as ONE MILLION ONE HUNDRED TEN THOUSAND DOLLARS ($1,110,000).

Thomas A. Marr
State-certified General Real Estate Appraiser № RZ 2845 (Florida)

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DESCRIPTION OF THE SUBJECT PROPERTY

Ownership:

The current owner is Stacey A. Mollohan and Amy Beckenhauer Mollohan. The following deed indicates ownership via a transfer from 64 Cobia, LLC.

THIS INSTRUMENT PREPARED BY:
Davage J. Runnels, III
Hall & Runnels
4399 Commons Drive East
Suite 300
Destin, Florida 32541

17-7463

(The space above is provided for recording information)

WARRANTY DEED

THIS WARRANTY DEED made this 16th day of May, 2017, between **64 Cobia, LLC, an Alabama limited liability company**, whose mailing address is 228 Holmes St., Suite 1000, Huntsville, Alabama 35801, hereinafter referred to as "grantor", and **Stacey A. Mollohan and Amy Beckenhauer Mollohan, husband and wife**, whose mailing address is 28 Bellemere Ct NW, Marietta, Georgia 30064-2649, hereinafter referred to as "grantee". (Wherever used herein the terms "grantor" and "grantee" include all the parties to this instrument and the heirs, legal representatives and assigns of individuals, and the successors and assigns of corporations)

WITNESSETH:

That the grantor, for and in consideration of the sum of Ten Dollars ($10.00) and other good and valuable consideration, receipt of which is hereby acknowledged, hereby grants, bargains, sells, aliens, remises, releases, conveys and confirms unto the grantee, all that certain land situate in Okaloosa County, Florida, viz:

Lot 6, Block 6, CRYSTAL BEACH, according to the Plat thereof as recorded in Plat Book 1, Page 17, of the Public Records of Okaloosa County, Florida.

Parcel Identification No. 00-2S-22-0580-0006-0060

This conveyance is made subject to covenants, conditions, restrictions and easements of record, if any, which may now affect the above described property, but this provision shall not operate to reimpose the same. Also subject to zoning regulations and ordinances, and to real estate taxes for the year 2017 and subsequent years.

TOGETHER with all the tenements, hereditaments and appurtenances thereto belonging or in anywise appertaining.

TO HAVE AND TO HOLD, the same in fee simple forever.

Site:

Location:
The subject is located on the northwest corner of Cobia Street and Scenic Highway 98 in the mature Crystal Beach Subdivision.

The subject improvement is sited on a north/south axis on the lot and features views of the Gulf of Mexico to the south. It is also on the southern lot tier of Crystal Beach and access to the gulf is very proximate, just a short walk away.

This area is east of the community of Henderson Beach and west of the Destiny/Destiny West/Destiny By The Sea communities.

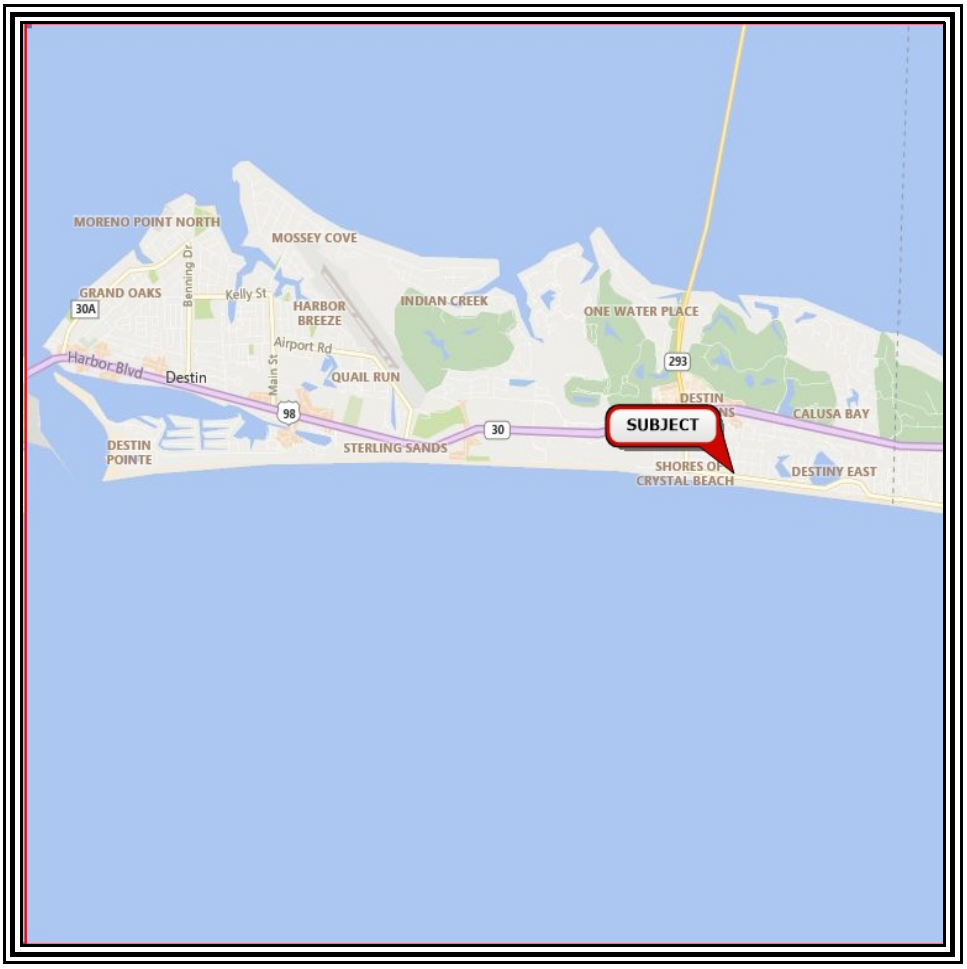
Along the south side of Scenic Highway 98 are many condominium projects, individual homes and some commercial use, typically restaurants, which cater to the tourist industry.

Along Scenic Highway 98 to the north are other residential uses, primarily detached homes with a interspersion of condominium and town home projects, which are a mix of owner occupant and seasonal rental use.

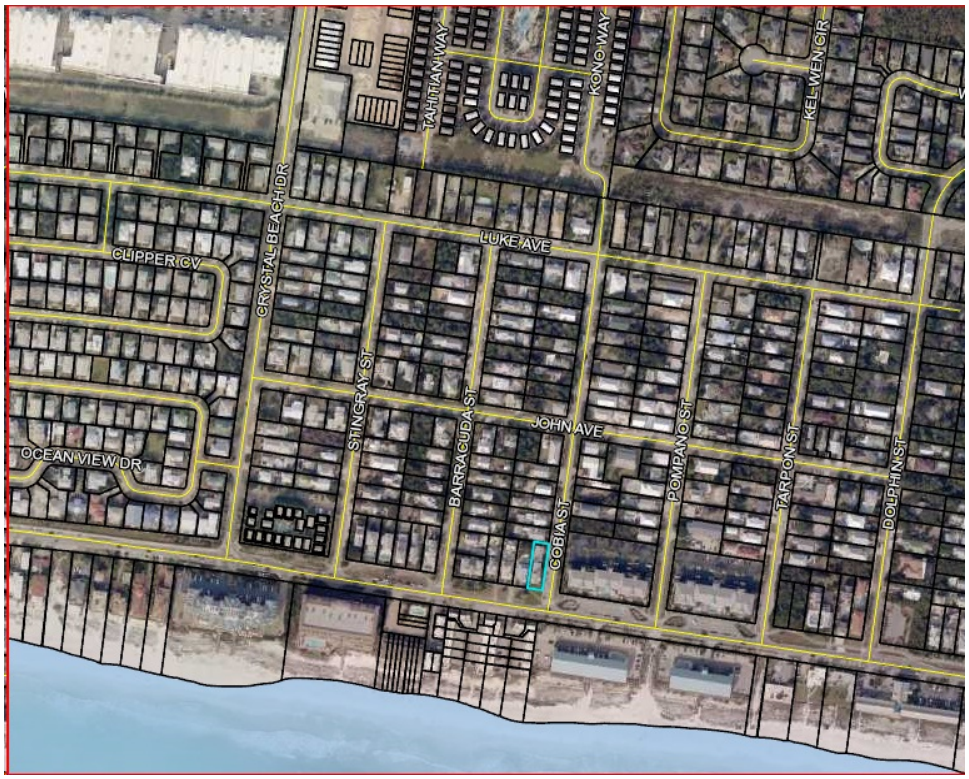
Within the Crystal Beach Subdivisions is an eclectic mix of housing, ranging from 1950s Florida Cottages to newly constructed large beach homes.

This entire area of Destin, in close proximity to the Gulf of Mexico, is a desired location and well considered by the market.

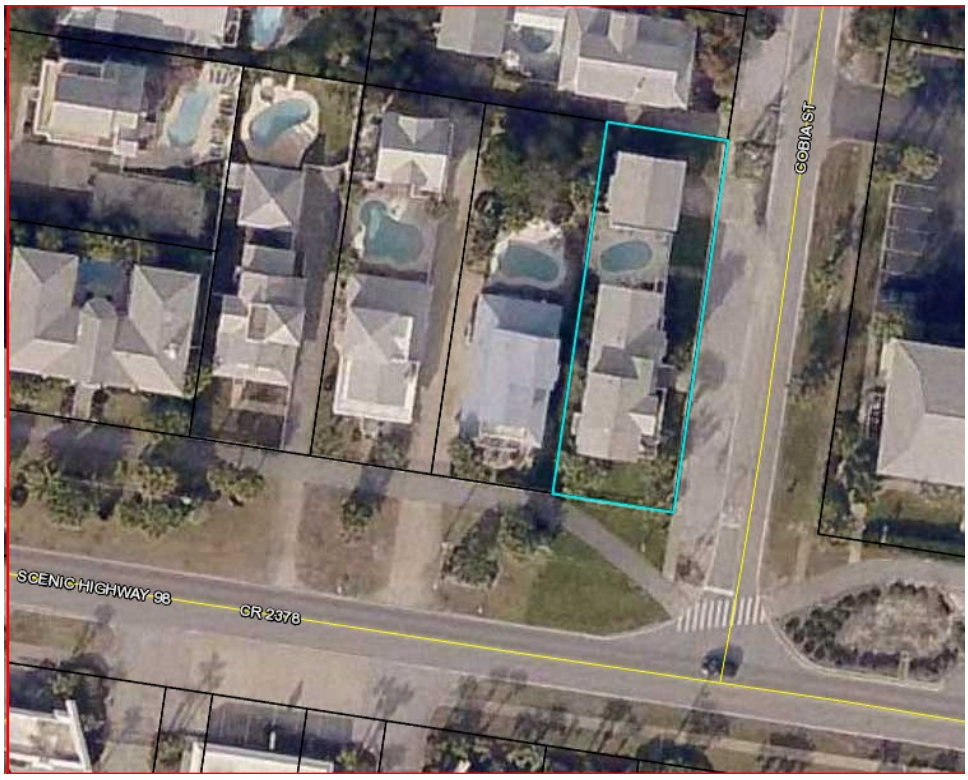
See the following map for the subject location in the broad Destin market.



The following map indicates the local market area surrounding the subject.



The following aerial photograph indicates the subject parcel. This aerial indicates a vacant lot as the aerial was taken prior to the construction of the subject.



Land Size:

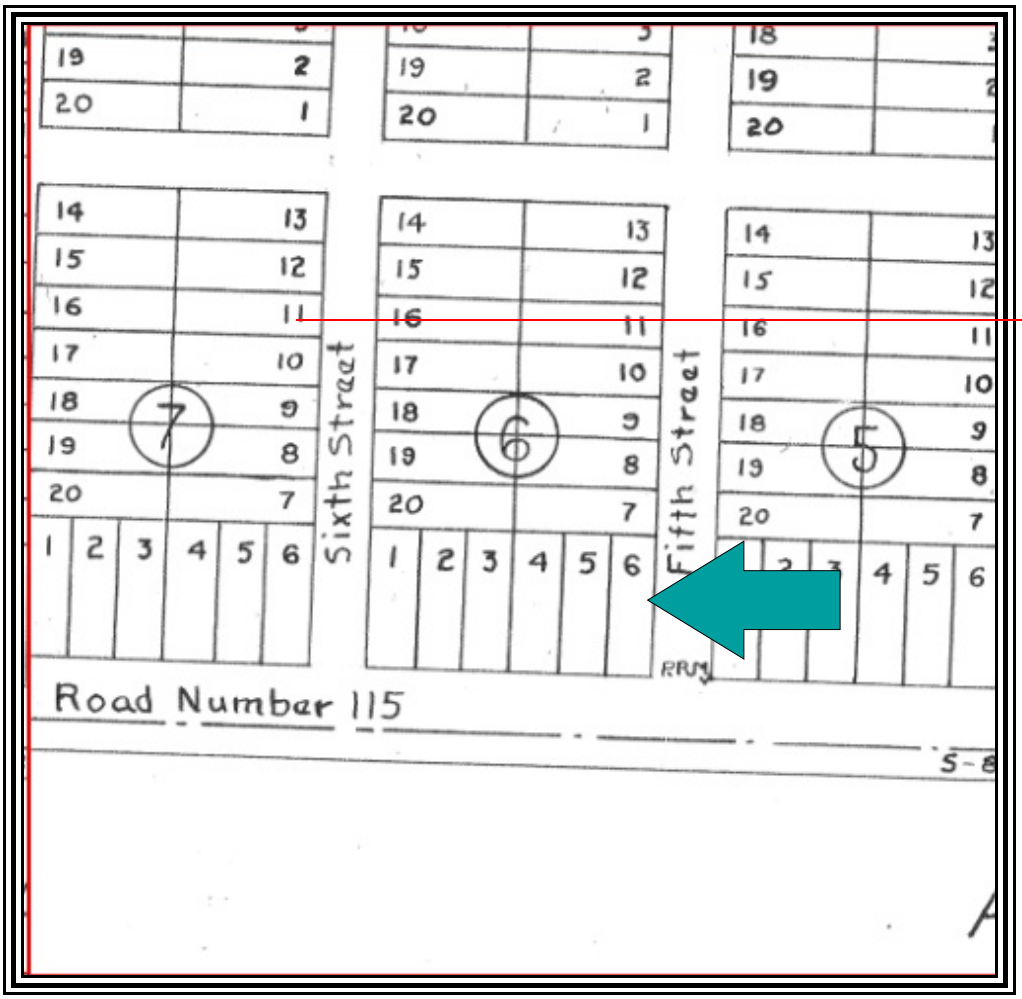
The subject is a single residential lot.

The rounded dimensions are as follows:

50.00 feet on the west side, fronting on Dolphin Street
150.00 feet on the north side,
50.00 feet on the east side,
150.00 feet on the south side.

These dimensions result in a land size of an approximate 0.17 acres, or 7,500 SF. This land size is typical of lots in the Crystal Beach Subdivision.

See the following excerpt from the recorded plat map.



Site Topography:

Per the Okaloosa County GIS site and my viewing, the subject is at the road grade of both Scenic Highway 98 and Cobia Street.

Based on the following excerpt from the Okaloosa County GIS system, the subject slopes slightly to the north and the north side of the main improvement is elevated on pilings an approximate five feet.

The subject lot contour is now typical for most Crystal Beach lots.

Utilities:

Utility	*Provider*	*Utility*	*Provider*
Electricity	Gulf Power	Stormwater Drainage	Destin
Water and Sewer	Destin Water Users	Fire Department	Destin
Natural Gas	Okaloosa Gas	Police Department	Contract with the Okaloosa County Sheriff
Telephone	Verizon	Refuse Removal	By contract
Cable Television	Cox Cable		

The utilities for the subject site are considered as typical in the market.

Easements/Encroachments:
I was not furnished a copy of a recent survey of the subject property. A review of the site plan, various maps and my personal viewing did not indicate any easements or encroachments.

The warranty deed foes not reference any atypical easements.

I assume there are additional utility easements of record.

It is my opinion that there are no easements or encroachments which would affect value or transferability.

Ingress/Egress:
The subject property is reached directly from either Scenic Highway 98 which runs along the entire south side of the subject and Cobia Street which runs along the entire east side of the subject.

Cobia Street is a two lane, paved public roadway which connects to Scenic Highway 98 to the south and Luke Avenue to the north.

Scenic Highway 98 is a paved, two lane public roadway.

Scenic Highway 98 is the original U. S. Highway 98 which was the main east/west arterial in the Destin market. Now that the six lane U. S. Highway 98 has been developed to the north, Scenic Highway 98 is now a coastal road running parallel to, and just north of, the Gulf of Mexico.

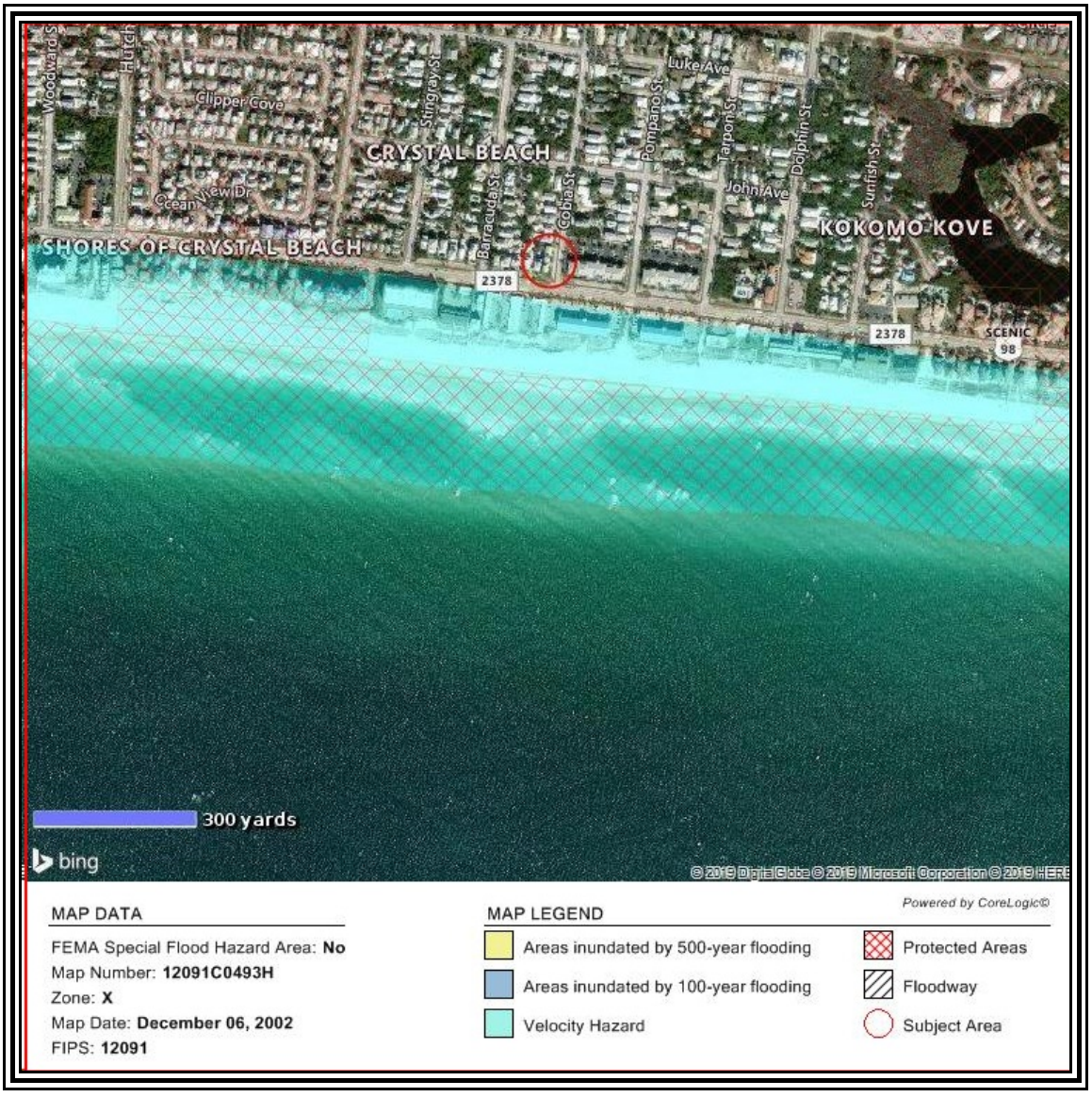
Ingress/egress is viewed as similar to most access typically found in the market.

Parking is viewed as superior to most parking found in the market as the subject features an approximate three spaces on the east side of the garage and a paver driveway on the east side of the main improvement.

Flood Risk:

FEMA Map Panel	*Map Area*	*Dated*	*Flood Zone*
12091C 0493H	Okaloosa County	December 6, 2002	"X"

* The client is advised appraisers are not surveyors, and accordingly, any final determination as to flood zone status should only be made by a licensed, adequately insured, Florida surveyor utilizing the latest FEMA flood panels. However, it appears the entire subject area is considered as Flood Zone 'X', an area of substantial flood risk. The subject is located at the red circle in the following flood map.



Wetlands:

None, per the Okaloosa County GIS site.

The wetland map is consistent with the flood panel on the previous page.

Census Data:
The subject is located in census tract 0233.08.

IMPROVEMENTS 'AS IS'

Size:
The subject is a single family detached improvement with three levels.

The subject also features a detached garage with a carriage house living unit above the garage on the second level. It also features exterior balconies and porches, as well as an in ground swimming pool, pool deck/lanai, landscaping, and fencing.

The detached garage features a game room on the first level and living area upstairs with a bedroom with a king, sleeping two (2) and a bunk area, sleeping four (4). There is a total of six (6) guest sleeping capacity in the garage living area.

The first level features typical living areas in the form of the kitchen, living room, dining room and half bath. This level also features one bedroom with a king, sleeping two (2). There is a total of two (2) guest sleeping capacity on the first level.

The second level features a bedroom with a king, sleeping two (2), as well as two bunks, sleeping two for a total of four (4). There is a second bedroom with a king, sleeping two (2). There is a third bedroom with bunks, sleeping four (4). This is a total of ten (10) guests on the second level.

The third level features an area with a queen, sleeping two (2) as well as bunks, sleeping six (6). I note that this room does not meet the Okaloosa County Property Appraiser definition of a bedroom as it does not feature a closet. The third level sleeps a total of eight (8) guests.

The total sleeping capacity for the subject is twenty eight (28) guests.

Construction Quality:
The quality of construction for the subject improvement is *Class D* average. Details of construction are summarized below:

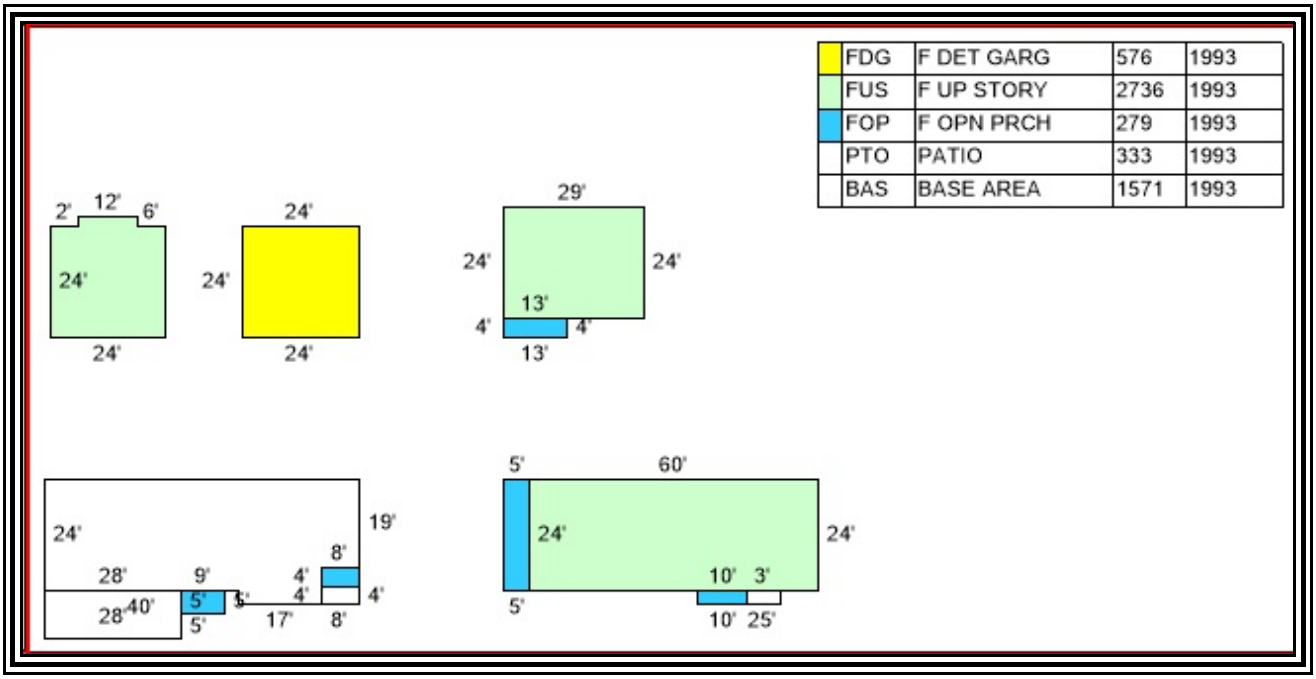
Construction Component	
Foundation	Partial concrete slab and then pilings on the north side
Exterior walls	Wood frame with vinyl
Roof	Metal
Trim	Base and crown molding
Windows	Double pane aluminum
Exterior doors	Insulated metal with glass
Insulation	Unknown. Assumed to be R38 behind sheet rock
HVAC	Forced Air and Central HVAC
Ceiling	9 and 10 foot with sheet rock and can lights
Interior Walls	Painted sheet rock
Interior flooring	Good tile and carpet
Interior doors	Six and four panel wood
Restrooms	Four full bathrooms and one half bath
Lighting	Can lights
Kitchens	One typical residential kitchen with good cabinetry and one small kitchen in carriage house
Other	Many porches/swimming pool and lanai.

Condition of Improvements:
The subject improvement is in good condition.

Age:
Public records indicate that the subject improvement was constructed in 1993 and is twenty six (28) years old.

I consider the actual age and the effective age to be similar. I estimate an economic life of fifty five (55) years and a physical life of seventy five (75) years.

See the following sizes indicated for the subject in the Okaloosa County Property Appraiser web site.

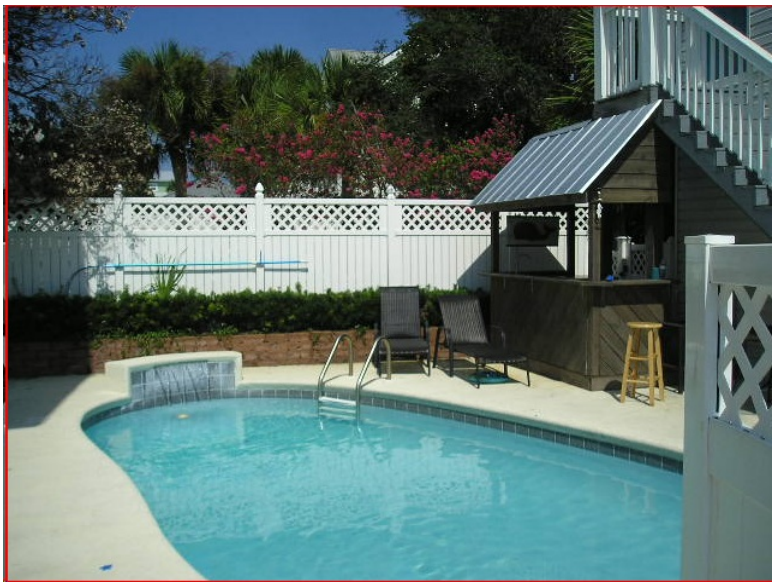


Exterior Photographs:

FRONT OF SUBJECT MAIN IMPROVEMENT

REAR OF SUBJECT MAIN IMPROVEMENT

FRONT OF GARAGE AND SECOND LEVEL CARRIAGE HOUSE



SWIMMING POOL AND EXTERIOR BAR

Garage/Carriage House Sleeping Six (6).

FIRST LEVEL OF GARAGE CONVERTED TO AN ENTERTAINMENT ROOM

FIRST LEVEL OF GARAGE CONVERTED TO A GAME ROOM

KITCHEN IN SECOND LEVEL CARRIAGE HOUSE

BUNKS SLEEPING FOUR (4) IN CARRIAGE HOUSE

BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #1

BATH ROOM IN SECOND LEVEL OF CARRIAGE HOUSE

First Level Sleeping Two (2).

KITCHEN

LIVING ROOM/DINING ROOM

LIVING ROOM

DINING ROOM

BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #2

TYPICAL BATH IN MAIN HOUSE

Second Level Sleeping Ten (10):

BEDROOM WITH BUNKS SLEEPING FOUR (4) - BEDROOM #3

BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #4

BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #5

BUNKS IN BEDROOM #5 SLEEPING TWO (2)

Additional room sleeping eight (8).

ADDITIONAL ROOM WITH BUNKS/TRUNDLES SLEEPING SIX (6)

ADDITIONAL ROOM WITH QUEEN SLEEPING TWO (2)

I note that this additional room is not a bedroom as it does not feature a closet.

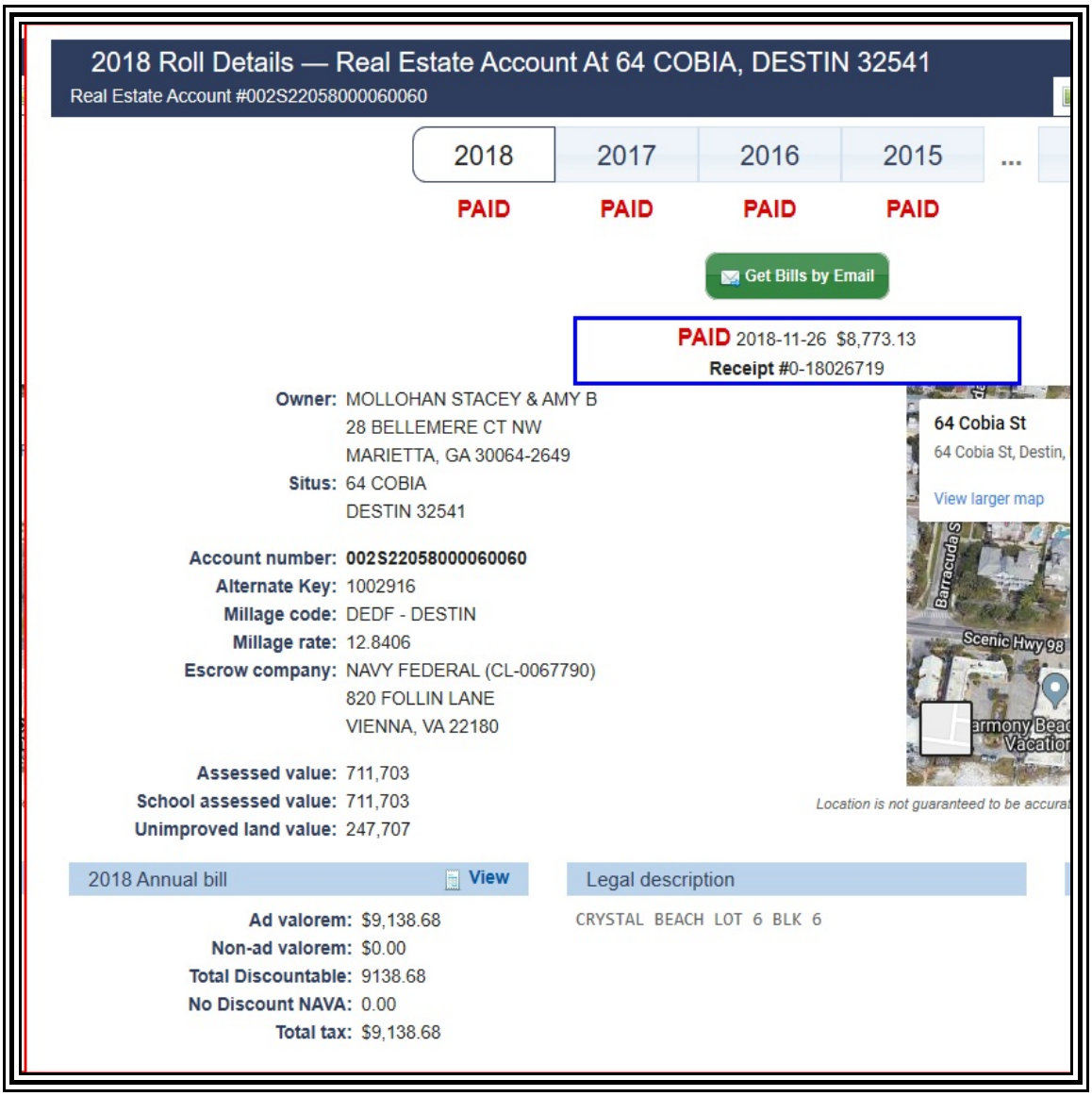
Tax Identification number, gross tax amount due, amount paid, and assessed value for the 2018 tax year.

Tax Identification Number	Assessed Value	Gross Tax Amount Due	Amount paid	Amt. Due
00-2S-22-0580-0027-0120	$711,703	$9,138.68	$8,773.13	None

The 2018 taxes were paid early, resulting in a discount.

There are no previous year taxes owing.

It is my experience that assessed value has little correlation with current market value and are typically lower than market value with a few exceptions.



2018 Roll Details — Real Estate Account At 64 COBIA, DESTIN 32541

Real Estate Account #002S22058000060060

2018 2017 2016 2015 ...

PAID PAID PAID PAID

Get Bills by Email

PAID 2018-11-26 $8,773.13
Receipt #0-18026719

Owner: MOLLOHAN STACEY & AMY B
28 BELLEMERE CT NW
MARIETTA, GA 30064-2649
Situs: 64 COBIA
DESTIN 32541

Account number: 002S22058000060060
Alternate Key: 1002916
Millage code: DEDF - DESTIN
Millage rate: 12.8406
Escrow company: NAVY FEDERAL (CL-0067790)
820 FOLLIN LANE
VIENNA, VA 22180

Assessed value: 711,703
School assessed value: 711,703
Unimproved land value: 247,707

64 Cobia St
64 Cobia St, Destin,
View larger map
Barracuda S
Scenic Hwy 98
Location is not guaranteed to be accura

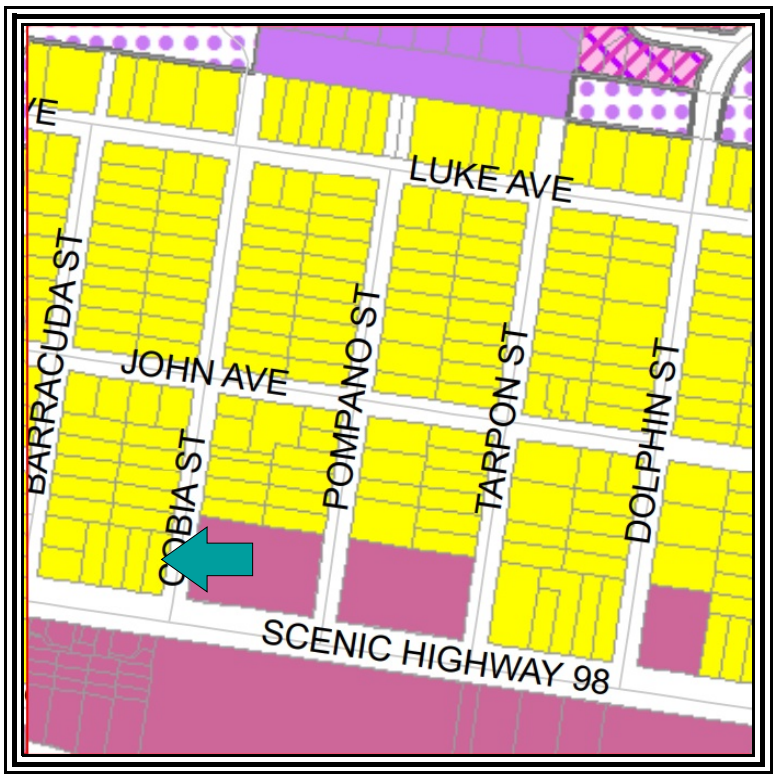
2018 Annual bill View

Ad valorem: $9,138.68
Non-ad valorem: $0.00
Total Discountable: 9138.68
No Discount NAVA: 0.00
Total tax: $9,138.68

Legal description

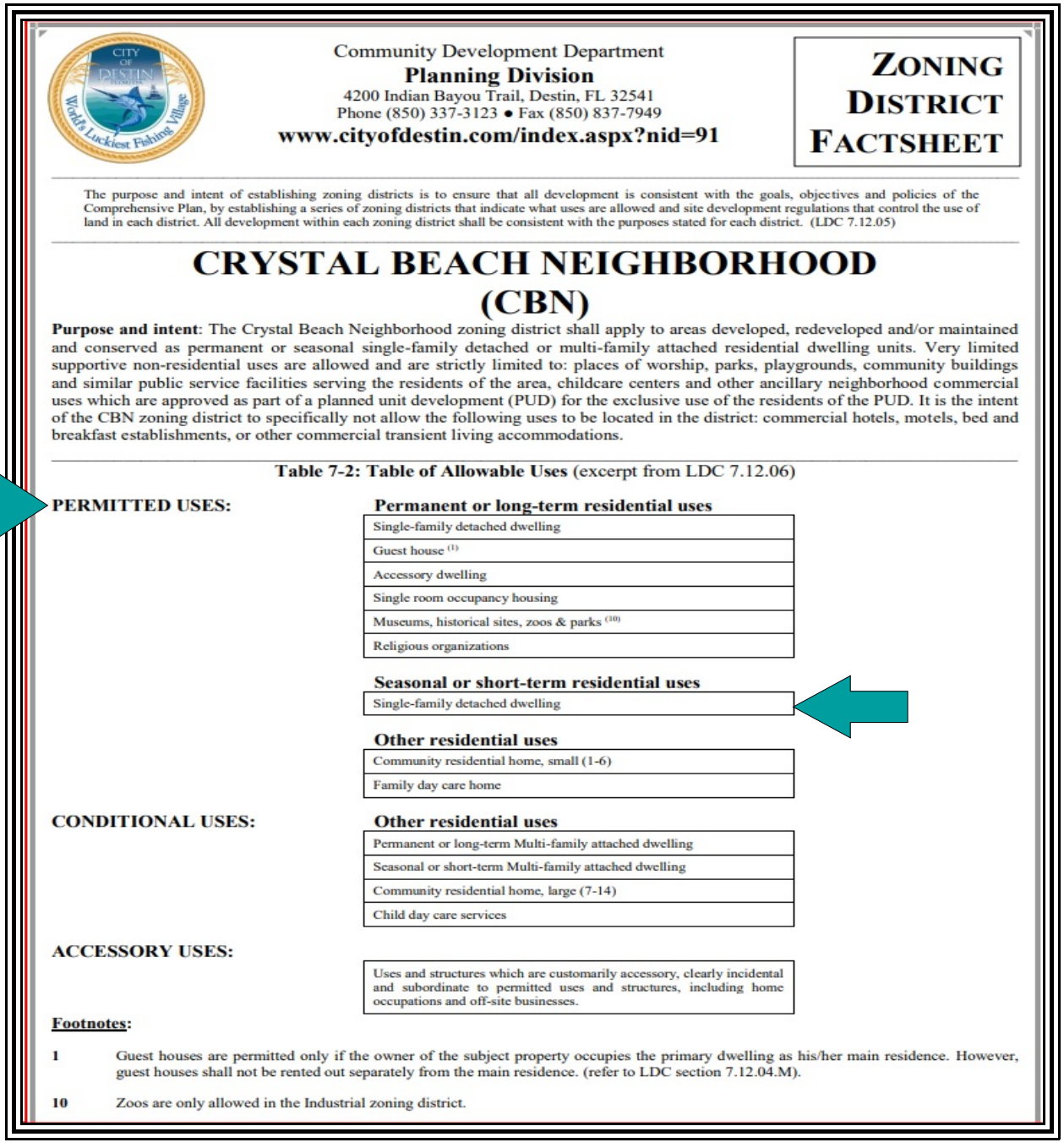
CRYSTAL BEACH LOT 6 BLK 6

Zoning:
The following map indicates zoning for the subject parcel. The subject is zoned Crystal Beach Neighborhood by Destin. See following pages for detailed identification of allowable uses.



LAND DEVELOPMENT CODE COMMENTS
The following excerpts were taken from the Destin Land Development Code, currently on line.

This first excerpt states that Crystal Beach Neighborhood designates seasonal or short-term residential uses for single-family detached dwellings as a permitted use. I note that this description of the Crystal Beach Neighborhood zoning designation is silent regarding the number of allowable guests and does not limit guest numbers.



Community Development Department
Planning Division
4200 Indian Bayou Trail, Destin, FL 32541
Phone (850) 337-3123 ● Fax (850) 837-7949
www.cityofdestin.com/index.aspx?nid=91

ZONING DISTRICT FACTSHEET

The purpose and intent of establishing zoning districts is to ensure that all development is consistent with the goals, objectives and policies of the Comprehensive Plan, by establishing a series of zoning districts that indicate what uses are allowed and site development regulations that control the use of land in each district. All development within each zoning district shall be consistent with the purposes stated for each district. (LDC 7.12.05)

CRYSTAL BEACH NEIGHBORHOOD (CBN)

Purpose and intent: The Crystal Beach Neighborhood zoning district shall apply to areas developed, redeveloped and/or maintained and conserved as permanent or seasonal single-family detached or multi-family attached residential dwelling units. Very limited supportive non-residential uses are allowed and are strictly limited to: places of worship, parks, playgrounds, community buildings and similar public service facilities serving the residents of the area, childcare centers and other ancillary neighborhood commercial uses which are approved as part of a planned unit development (PUD) for the exclusive use of the residents of the PUD. It is the intent of the CBN zoning district to specifically not allow the following uses to be located in the district: commercial hotels, motels, bed and breakfast establishments, or other commercial transient living accommodations.

Table 7-2: Table of Allowable Uses (excerpt from LDC 7.12.06)

PERMITTED USES:

Permanent or long-term residential uses

Single-family detached dwelling
Guest house [1]
Accessory dwelling
Single room occupancy housing
Museums, historical sites, zoos & parks [10]
Religious organizations

Seasonal or short-term residential uses

Single-family detached dwelling

Other residential uses

Community residential home, small (1-6)
Family day care home

CONDITIONAL USES:

Other residential uses

Permanent or long-term Multi-family attached dwelling
Seasonal or short-term Multi-family attached dwelling
Community residential home, large (7-14)
Child day care services

ACCESSORY USES:

Uses and structures which are customarily accessory, clearly incidental and subordinate to permitted uses and structures, including home occupations and off-site businesses.

Footnotes:

1 Guest houses are permitted only if the owner of the subject property occupies the primary dwelling as his/her main residence. However, guest houses shall not be rented out separately from the main residence. (refer to LDC section 7.12.04.M).

10 Zoos are only allowed in the Industrial zoning district.

This second excerpt defines long term rental and short term rental. I again note that the definition of short term rental is silent regarding the number of allowable guests.

Policy 1-2.1.1: Residential Uses Defined. Residential uses shall include several structure types used for housing, including single-family detached dwellings and multiple-family structures including duplex structures units, town homes and other detached single-family structures, apartments, patio homes, atrium homes, and similar multiple-family structures. The specific FLUM designations shall identify where single-family and multiple-family structures may be located. Following are the definitions for long-term residential and short-term residential.

1. **Long-Term Residential.** Long-term residential uses shall be defined as any residential accommodation that is available for occupancy for 181 days or more. Long-term residential uses shall include lock-out units, as defined in the Glossary.
2. **Short-Term Residential.** Short-term residential uses shall be defined as any residential accommodation that is available for occupancy for 180 days or less. Short-Term Residential uses shall include lock-out units, as defined in the Glossary.

This third excerpt defines the grandfather clause. This clause states clearly that the grandfather status may be released only by the vested entity

Policy 1-2.1.5: Grandfather Clause. Existing land uses that were lawfully conforming uses prior to the effective date of the Comprehensive Plan, shall continue as lawful uses and shall be regulated through administrative remedies for vested rights issues that shall be included in the LDC. Building heights, density and/or intensity which (a) are actual present and which lawfully existed prior to the effective date of the Comprehensive Plan, or (b) were authorized pursuant to a development order, which development order remained unexpired as of the effective date of the Comprehensive Plan, shall continue to be legal building heights, density and/or intensity (as applicable) after adoption of the Comprehensive Plan. All duly approved and recorded lots, subdivision and condominium plats of record, which existed as legal lots, subdivision and condominium plats of record prior to the adoption of this Comprehensive Plan shall continue to be legal lots, subdivision and condominium plats of record after adoption of the Compreh This grandfather status may only be relinquished voluntarily by the vested entity. All sions, condominium plats and all replats shall comply with the Comp hensive Plan objectives and Policies, including maximum density provisions. Similarly, all new deve ment shall comply with the Comprehensive Plan and LDC unless the development is found to have a vested right in a land use, building height, density or intensity that is in conflict with the Comprehensive Plan and LDC. Under such condition the grandfather clause shall be applicable unless voluntarily relinquished by the vested entity. The intent is to sustain demonstrated private property rights while preserving the public interest, welfare, health, and safety. Notwithstanding, any single-family home that is subject to redevelopment shall be allowed to reconstruct, providing adopted building and construction codes as well as this ordinance and the size and dimension criteria of the LDC are met.

CONCLUSION

Based on these excerpts, I conclude that prior to the first application of Ordinance 18-29-CC on July 1, 2019, there were no restrictions to the number of allowable guests.

History:
The subject was transferred on 5/16/2017 from 64 Cobia LLC to Stacey and Amy Beckenhauer Mollohan per ORB/P 3300/1774.

The subject was listed in MLS by Wanda Pitts, a well respected realtor.

The MLS number was 747778 and the list price was $1,199,000.

The subject closed at a rounded $1,100,000.

This sale appears to have been arms length and market based.

The listing indicated annual rent in a range from $125,000 to $135,000.

Active Listings:
None.

Current Use:
The subject is currently a detached single family home used for seasonal rental, catering to large family groups.

Surrounding Uses:
The surrounding use in the Crystal Beach/Destiny/Destiny By The Sea area is a mix of full time occupants and seasonal renters.

MARKET AREA ANALYSIS - SEASONAL RENTAL MARKET

I am restricting this analysis to the seasonal rental market.

Up until perhaps 2000, the great majority of seasonal rentals were condominium units.

However, the growing demand for larger spaces to accommodate extended families in one place led to the conversion of many larger homes to seasonal rentals. It also spurred the construction of homes specifically designed for large rental parties.

Such homes feature typical living areas but emphasize a substantial number of bedrooms and baths. Often bedrooms are equipped with multiple built - in bunks for sleeping children.

Most homes also feature sofa sleepers which can sleep additional children.

Many of these homes, and certainly those recently constructed for this purpose, featured swimming pools and lanai areas as an exterior amenity.

This market has flourished as Destin is nationally recognized as a tourist attraction.

It is common to see Realtors addressing gross rental amounts or gross rental projections in MLS Listings. While the value of homes similar to the subject is partially estimated by a size / value per SF component, the fact that a home generates a substantial amount of income makes it a more attractive and safe purchase than a home which is not rented for seasonal income. In the past few years, income has become as important as selling prices, per SF.

Another factor worthy of discussion is that many owners now self - manage. Typically in the past, management of rentals was performed by one of several large real estate companies, such as Resort Quest, Dale Peterson, Newman Dailey and Southern Resorts. However, in the past 10 years a substantial number of smaller management companies have surfaced.

Management fees for seasonal rentals range from perhaps 15% to 25% of gross revenue.

Entrepreneurial owners have recognized this expense line and many now self - manage with the aid of Vacation Rental By Owner (VRBO) or some similar search engine.

The seasonal rental market is increasing in the Destin/Miramar Beach market as the thriving national economy allows discretionary vacations.

Without the first application of Destin Ordinance 18-29-CC, allowing a capacity of 28 guests, I would consider the seasonal rental market to continue to flourish over the next several years.

However, with the first application of Ordinance 18-29-CC, limiting the subject to 14 guests, I would project a diminution in value.

HIGHEST AND BEST USE 'AS IS'

Legally Permissible
The subject property is zoned (and designated for future land use) as *Crystal Beach Neighborhood (CBN)* by the City of Destin, Florida.

This zoning and land use designation allows for single-family use and specifically indicates that short term rentals is a permitted use (See page 35). The use of the subject for single-family short-term rentals is therefore allowed in this district.

Physically Possible
The subject property appears to be relatively level and well drained. Soil and subsoil conditions nearby appear compatible with both low-rise, multi-story use and traditional commercial development. All utilities required for commercial or 'mixed use' are presently at the site. The size and dimensions of the site are sufficient to allow a wide variety of legally permissible uses. The shape of the site is rectangular and this shape does not limit utility. Transportation of construction materials or labor to the site is estimated to be relatively simple due to the central location of the site within the overall market. Access to the site is above average.

However, the most compelling substantiation that the subject is physically possible is the fact that it already exists.

Therefore, use of the subject property for single family use as a seasonal rental is physically possible.

Financially Feasible
Value opinions derived in the income approach to value indicate the existing improvement contributes value to the underlying land. There is substantial other ongoing seasonal rental use in the market, suggesting that there is broad appeal for seasonal rental properties.

Therefore, continued use of the subject property for a detached single family residence used for seasonal rental income is financially feasible.

Maximally Productive
The alternatives of addition, demolition, expansion, modernization, or conversion to alternate uses have been considered within the legal, physical, and financially feasible parameters. Several alternatives exist.

Alternatives for use of improvements:

Expansion
The existing subject improvement is 4,307 HVAC SF. The subject is typical of most seasonal rental homes. Thus, there is no need for expansion. Any expansion would come at a cost of parking and/or access. Thus, expansion beyond what is existing, does not appear to be appropriate and feasible.

Renovation
Typically, any existing property could benefit from renovation. However, the subject has been well maintained and is in good condition. Thus, I would not consider imminent major renovation to be required or practical.

Downsizing
The existing subject improvements are 4,307 HVAC SF. I see no reason to downsize the subject improvement as it appeared that all of it is usable space. Thus, downsizing beyond what is existing does not appear to be appropriate, physically possible or feasible.

Subdividing
The purpose of the subject is to lease it seasonally to large parties of guests. Subdivision would not be legally approved and does not appear to be financially prudent as the parties of guests would be smaller and grouping smaller parties together in the same pool could prove problematic. I would not consider subdivision to be prudent or feasible.

Demolition
The subject was constructed in 1993 and is currently in good condition. It features a probable 30 years of remaining economic life and a probable 40-50 years of remaining physical life.

I do not consider demolition and replacement with alternative improvements to be a superior use to the current use as a rental property. No alternative use would be certain to serve the land better. Thus, the subject is not a candidate for demolition.

Utilizing existing improvements
Continued use 'as is' as a seasonal rental, is considered the maximally productive use.

Conclusion of Highest and Best Use 'as is'
Analysis of recent trends and current market supply and demand indicate that the maximally productive highest and best use of the subject property is continued use as a detached single family residence used for seasonal rental income.

Conclusion of Highest and Best User 'as is'
Analysis of recent trends and current market supply and demand strongly indicate the most probable user is an entrepreneurial user who leases the subject for seasonal rental income with a small amount of personal use.

SUMMARY OF ANALYSIS AND VALUATION

Methodology

Site valuation derived from Sales Comparison Analysis involves direct comparisons of the subject property to similar properties selling in the marketplace to derive a comparative value indication for the subject property 'as if vacant,' as of the effective date of value. This approach is also called the 'direct sales comparison approach', or the 'market approach', and tends to be the most reliable approach for developing an opinion of the value of vacant land or sites available for development. Other methods of developing the value of land are available. Allocation, extraction, land residual, ground rent capitalization, and discounted cash flow analysis are all recognized as reasonable methods of valuation.

The cost approach is a reliable methodology for new, or nearly new, buildings. I estimate the replacement cost or reproduction cost, in this case replacement construction cost, of the existing or existing improvements and site improvements (including direct and indirect costs as well as an appropriate developer profit), deducting accrued depreciation from physical, functional, and external sources from the total replacement or reproduction cost new. The depreciated replacement or reproduction cost of the improvements is added to the value of the site resulting in a value indication of the fee simple interest in the property.

The sales comparison approach is based on the 'Principle of Substitution' which indicates an informed purchaser would pay no more for a property than the cost of acquiring an equally desirable substitute property with the same or similar utility. This approach is applicable when an active market provides sufficient quantities of reliable data which can be verified from authoritative sources. The Sales Comparison Approach is reliable in an active market or if an opinion of value is related to properties which there are comparable sales available. This approach to value is also relevant when sales data can be verified with the principals to the transaction. Heavy emphasis is usually placed on this approach to value in an active market.

The income approach is recognized as a reliable approach for developing an opinion of the value of 'income producing' property to an investor. The income approach consists of methods, techniques, and mathematical procedures an appraiser uses to analyze a property's capacity to generate income and convert income into an indication of present value either by capitalizing the current income at a market capitalization rate or discounting the future cash flows into a present value estimate using an appropriate yield (discount) rate. The appraisal process emulates the market, and the most probable purchaser would be an investor. Two (2) techniques associated with the income approach are direct capitalization and discounted cash flow analysis.

Methodology employed and explanation of the exclusion of any of the three (3) approaches to value

I am not performing cost analysis. The problem to be solved is to derive the diminution in value based on the guest restrictions included in Destin Ordinance 18-29-CC. The number of guests would have no impact on the cost to construct.

I am not performing sales comparison analysis. The impact of Destin Ordinance 18-29-CC may not be evident in the market for several years in the selling prices of homes. The ordinance allows a five year grandfather period. Homes sold in this grandfather period may not indicate a decline in selling prices and it would not be reliable to estimate diminution in value based on comparable sales until a larger array of data was available for use in sales comparison analysis.

I am performing income analysis. I will identify probable annual income for the subject with twenty six (28) guests, based on historical income and projected income from the owner; and then identify market rents which support the subject contract rent. I will then identify operating expenses and subtract operating expense from gross rent to arrive at a net operating income (NOI). I will then apply a market based capitalization rent to the NOI to arrive at a value for the subject, prior to the first application of Destin Ordinance 18-29-CC on July 1, 2019.

I will then identify the rental incomes for homes which are allowed only 14 guests. I will then subtract expenses for the rents of 14 guest homes and arrive at their NOI. I will then derive a value by capitalizing this NOI.

Finally I will subtract the value for a 14 guest house from the value of a 28 guest house and this figure will be the diminution in value.

COST ANALYSIS
NOT PERFORMED

SALES COMPARISON ANALYSIS NOT PERFORMED

INCOME ANALYSIS
'AS IS'

DESCRIPTION OF INCOME ANALYSIS METHODOLOGY

The income approach to value is based on the principle of anticipation, in that the value of the subject property correlates to the present worth of the future right to receive benefits in the form of income to be received by the owner. The income approach considers the property from an investment interest with the assumption that the amount of income, coupled with the regularity and quality of the income stream, are the basis for valuing the property based on income analysis.

The income approach is applied by identifying the net income by first identifying gross income and then deducting from the gross income the expenses of operating a property to arrive at a net income, generally identified a Net Operating Income (NOI).

The estimated NOI is then converted to a value opinion by utilizing either a Discounted Cash Flow Analysis, or a Direct Capitalization Analysis, or both.

Discounted cash Flow Analysis:
The Discounted Cash Flow Analysis (DCF) is an analysis where a discount rate is applied to a series (typically several years) of income streams with a reversion after typically 7 to 10 years. The appraiser must specify the quantity, variable nature of the income, timing of payments (monthly/quarterly/annually) to a present value at a specified yield rate. The DCF analysis is most applicable when the net income is projected to be variable and when the property is on a sufficient size and investment value to influence market participants to evaluate purchase decisions based on DCF. A large strip retail center would be a good candidate for DCF analysis, as would a project to be constructed in phases, where the income would increase as new construction is added.

I note that I did not perform DCF analysis as it is my opinion that market participants would not use DCF analysis to base decisions to either purchase or sell properties such as the subject.

Direct Capitalization:
The conversion of a net income to a current value is called capitalization. Capitalization is a method which is used to convert the estimate of a single year's net income actual figures and/or expectancy of income into a value opinion by dividing the income by a appropriate rate of capitalization, as estimated by the appraiser. This technique employs capitalization rates derived from the market, using both capitalization rates from recent sales of similar properties, generally augmented by national indices, or other mathematical progressions. This process provides a one year snap shot of the property value. Future yields and values are not directly identified. The direct capitalization analysis is most appropriate for small to medium sized income producing properties, in stable markets with a forecast of generally stable income.

The procedural steps involved in capitalization are as follows:

Develop the probable gross income by identifying historical performance, income projections and market incomes from comparable properties which support the historical or projected subject income.

Estimate vacancy and collection losses to arrive at Effective Gross Income (EGI).

Estimate and subtract operating expenses to arrive at NOI.

Develop a capitalization rate which is supported by the market.

Divide the NOI by the capitalization rate to derive a value opinion.

I am employing the direct capitalization analysis to derive values in this analysis.

I note for the reader that steps #1 and #2 are generally combined in the analysis of seasonal resort properties. Owners and management companies tend to provide actual income which has already accounted for vacancy and collection loss.

INCOME ANALYSIS - ESTIMATE OF CAPITALIZATION RATE

The capitalization rate is a rate which is applied to the Net Operating Income (NOI) to derive a value for a property. As the chart below indicates, you can derive a capitalization rate by dividing the NOI by the purchase price.

The following excerpt will provide some explanation of capitalization rates.

Capitalization rates are used in a formula. As seen below, dividing the net operating income by the purchase price indicates the capitalization rate.

Another variation of the formula is to divide the net operating income by the capitalization rate and this process will indicate the value of the property.

What Is a Cap Rate?

A cap rate is simply a formula. It's the ratio of a rental property's net operating income to its purchase price (including any upfront repairs):

Cap Rate =

Net Operating Income (NOI) ÷ Purchase Price

The formula can be used on the level of an individual property by looking at its net operating income compared to its value. But it can also be used on the level of an entire market by taking *average* cap rates for a large group of properties.

Importantly, the cap rate formula does NOT include any mortgage expenses. As you can see in the formula for net operating income below, the expenses do not include a mortgage or interest payment.

Gross Rental Income
- Vacancy/Credit Loss Reserve
- Property Taxes
- Property Insurance
- Maintenance/Repairs
- Common Utilities (if any)
- Other expenses (ex: license)
= Net Operating Income

MARKET DATA BASED ON TYPICAL INDICES

Capitalization rates range widely in the market. The following table derived from Realty rates.com indicate a wide variety of capitalization rates base on property types. This table contains very recent data from the first quarter 2019.

As can be seen, properties such as restaurants and lodging (motels and hotels) have high capitalization rates.

Apartments (residential) have the lowest capitalization rates.

Realty rates does not include a separate category of single family detached homes.

RealtyRates.com INVESTOR SURVEY - 2nd Quarter 2019*
CURRENT & HISTORICAL CAP RATE INDICES

Method-Weighted* Property Category Indices

	Apts		Golf		Healthcare Senior Housing		Industrial		Lodging		MH/RV Park		Office		Retail		Restaurant		Self Storage		Special Purpose		Weighted^ Composite Indices	
Year	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg
2019	8.18	-24	11.79	-23	8.78	-23	8.94	-25	10.18	-35	9.32	-24	8.78	-26	9.15	-23	11.36	-21	9.61	-26	11.44	-21	9.39	-25
1st Qtr	8.18	-28	11.79	-29	8.78	-29	8.94	-29	10.18	-35	9.32	-30	8.78	-30	9.15	-29	11.36	-26	9.61	-31	11.44	-27	9.39	-29
2018	8.42	26	12.02	30	9.01	14	9.19	23	10.53	25	9.56	30	9.04	10	9.38	20	11.57	15	9.86	29	11.64	40	9.64	22
4th Qtr	8.46	8	12.08	11	9.07	11	9.23	7	10.53	1	9.62	13	9.08	13	9.44	10	11.62	11	9.92	13	11.71	11	9.68	9
2017	8.16	4	11.73	-2	8.87	-6	8.96	-12	10.28	5	9.26	11	8.94	-22	9.19	-8	11.42	-15	9.57	-9	11.25	4	9.42	-6
2016	8.13	-2	11.75	6	8.92	12	9.08	15	10.22	0	9.15	15	9.16	16	9.27	12	11.57	-10	9.67	14	11.21	10	9.48	9
2015	8.15	-9	11.69	-14	8.80	-9	8.93	-10	10.22	-20	8.99	-18	9.00	-6	9.15	-11	11.66	-13	9.52	-22	11.11	-12	9.40	-12
2014	8.24	-15	11.83	-9	8.89	-1	9.03	-4	10.43	-17	9.17	-5	9.06	-22	9.26	15	11.79	-6	9.75	-20	11.24	14	9.52	-7
2013	8.39	14	11.92	-14	8.90	5	9.07	-2	10.60	3	9.22	14	9.28	-19	9.11	-4	11.86	9	9.95	-24	11.10	1	9.58	-2
2012	8.25	-35	12.07	6	8.85	-36	9.09	-40	10.57	-24	9.08	-39	9.47	3	9.15	-13	11.77	6	10.19	-49	11.09	-4	9.60	-21
2011	8.60	-29	12.00	-22	9.21	-40	9.49	-11	10.81	-24	9.48	-8	9.44	-10	9.28	-26	11.70	-14	10.69	-3	11.12	-17	9.81	-19
2010	8.89	4	12.22	5	9.62	15	9.60	12	11.05	7	9.55	22	9.54	16	9.54	25	11.84	12	10.72	21	11.30	0	10.00	13
2009	8.85	8	12.17	16	9.47	10	9.48	10	10.98	-7	9.33	1	9.38	29	9.29	20	11.72	15	10.50	37	11.30	8	9.87	14
2008	8.77	-4	12.01	29	9.37	-16	9.38	-14	11.05	56	9.32	-5	9.09	-16	9.09	-11	11.57	-28	10.13	20	11.22	-7	9.74	-1
2007	8.81	-45	11.72	-21	9.53	-65	9.52	-25	10.49	-28	9.37	-26	9.25	-47	9.20	-12	11.85	61	9.93	-38	11.29	-24	9.75	-28
2006	9.26	12	11.93	47	10.18	15	9.77	35	10.77	27	9.63	41	9.72	26	9.32	30	11.24	18	10.31	27	11.53	9	10.03	26
2005	9.14	14	11.46	80	10.03	-16	9.42	-30	10.50	-21	9.22	19	9.46	6	9.02	16	11.06	5	10.04	13	11.44	-30	9.77	2
2004	9.00	-19	10.66	28	10.19	-37	9.72	19	10.71	-98	9.03	-48	9.40	-4	8.86	-19	11.01	-15	9.91	-13	11.74	-30	9.75	-19
2003	9.19	-2	10.38	-32	10.56	64	9.53	33	11.69	56	9.51	-11	9.44	1	9.05	-18	11.16	8	10.04	-53	12.04	105	9.94	12
2002	9.21	-40	10.70	18	9.92	-39	9.20	-61	11.13	26	9.62	-60	9.43	-35	9.23	-62	11.08	-3	10.57	-12	10.99	-177	9.82	-41
2001	9.61	64	10.52	133	10.31	90	9.81	16	10.87	98	10.22	-68	9.78	-35	9.85	-53	11.11	47	10.69	13	12.76	32	10.23	21
2000	8.97		9.19		9.41		9.65		9.89		10.90		10.13		10.38		10.64		10.56		12.44		10.01	

* Weighted by methodology: Band-of-Investment, DCR Technique, Sales Survey

^ Further weighted by property category

*1st Quarter 2019 Data

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The following chart provides some additional data regarding capitalization rates for apartments in some major metropolitan centers.

These rates are lower than the overall national rate for apartments identified on the previous page. I attribute this to the fact that the cities below are major metropolitan areas with a high density of population which keeps occupancy high and inspires investor confidence. In this regard, the Destin seasonal rental market is similar in its high density and national appeal.

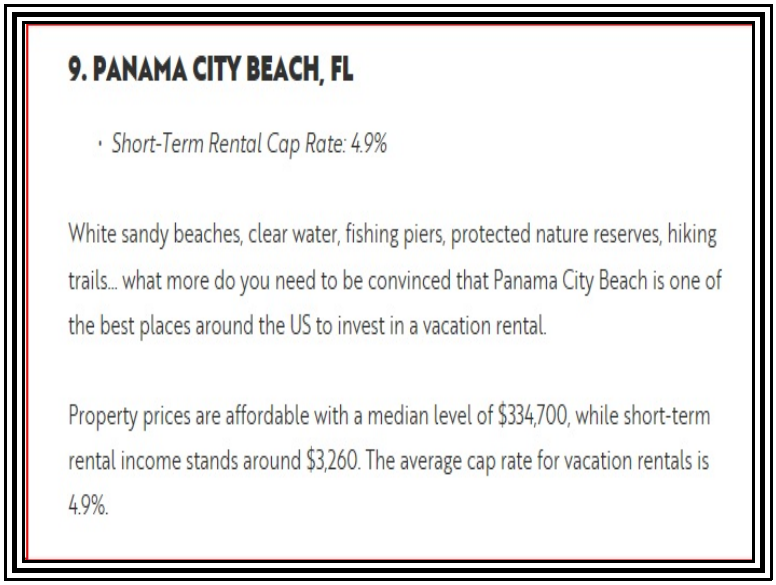
Cap Rates For Stabilized, Class A Multifamily Apartments By City – 2017 (2nd Half)	
San Diego	4.25%
Chicago	4.75%
Atlanta	5.00%
Philadelphia	5.25%
St. Louis	5.75%
Cleveland	6.25%
Pittsburgh	6.50%
Detroit	7.25%

Single family homes are seldom valued via income capitalization. Most homes are owner occupied and the issue of rent and valuation through rent is generally not applicable. However, I identified the following excerpt rom the internet which indicates a range of capitalization rates from 4% to 10% for single family homes. The reader will note in the excerpt immediately above that high demand areas feature lower capitalization rates and lower demand areas feature higher capitalization rates. I would again observe that Destin is a high demand area in the seasonal rental market. Thus, I would consider it probable that capitalization rates for singe family homes in Destin were toward the low side of the 4% to 10% range.

Cap Rate for Single Family Home

Professionals purchasing commercial properties, for example, may buy at a 4% cap rate in high demand areas, or a 10% (or even higher) cap rate in low-demand areas. Generally, 4% to 10% per year is a reasonable range to earn for your investment property. Continuing with our example from above, $17,000/ **5%** = $340,000.

The following are two excerpts from the internet indicating that Panama City Beach, Florida boasts a very low capitalization rate of 4.9% and that the Destin, Florida market features a 4.7% capitalization rate for Airbnb rentals.

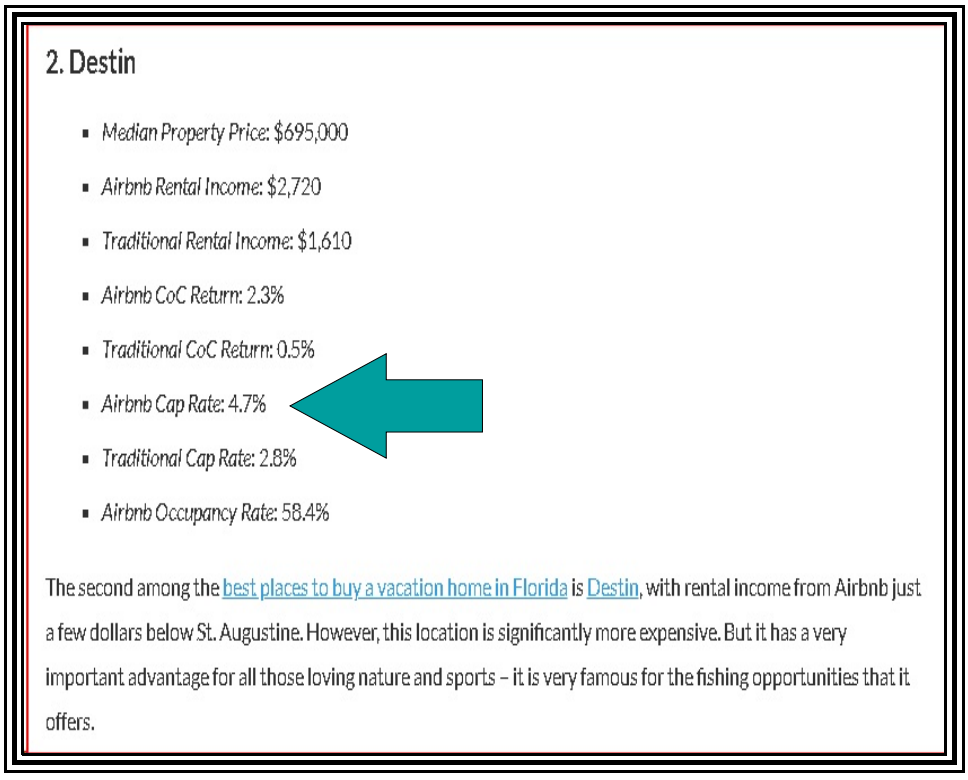


9. PANAMA CITY BEACH, FL

- *Short-Term Rental Cap Rate: 4.9%*

White sandy beaches, clear water, fishing piers, protected nature reserves, hiking trails... what more do you need to be convinced that Panama City Beach is one of the best places around the US to invest in a vacation rental.

Property prices are affordable with a median level of $334,700, while short-term rental income stands around $3,260. The average cap rate for vacation rentals is 4.9%.



2. Destin

- *Median Property Price:* $695,000
- *Airbnb Rental Income:* $2,720
- *Traditional Rental Income:* $1,610
- *Airbnb CoC Return:* 2.3%
- *Traditional CoC Return:* 0.5%
- *Airbnb Cap Rate:* 4.7%
- *Traditional Cap Rate:* 2.8%
- *Airbnb Occupancy Rate:* 58.4%

The second among the best places to buy a vacation home in Florida is Destin, with rental income from Airbnb just a few dollars below St. Augustine. However, this location is significantly more expensive. But it has a very important advantage for all those loving nature and sports – it is very famous for the fishing opportunities that it offers.

Conclusion:
I have provided an array of capitalization rates from national data ranging from a low of 4.7% to a high of 8.42%.

I am selecting a rounded rate of 6.25%, recognizing that there are established capitalization rates both higher than, and lower than, the reconciled 6.25%.

I am confident that a capitalization rate of 6.25% is well supported by national data.

I also note that the most similar rate is the 4.7% Airbnb rate in Destin, which suggests that a 6.25% rate may be conservative.

MARKET CAP RATE DATA BASED ON LOCAL SALES OF HOMES USED FOR SEASONAL RENTAL

In addition to the national data provided above, I am also providing some data from actual sales in the local market.

I have some professional acquaintances who specialize in the management of large homes used for seasonal rentals. I have asked them to provide me some actual data from recent sales to help derive a local data base of capitalization rates.

On 7/13/2018, Frangista Beach E16 LLC (Nick Athens - a professional acquaintance well known to me) sold 3491 Scenic Highway 98 to Rich Rentals for $3,000,000. This house is 6,008 HVAC SF and features nine (9) bedrooms and 9.5 baths. It is very similar to the subject and is a very good comparable indicator of capitalization rates. Mr. Athens stated that the net operating income was $172,340. Dividing $172,340 by $3,000,000 indicates a capitalization rate of 5.74%.

On 9/4/2015, Nick and Tina Athens sold 1850 - 1852 Scenic Gulf Drive in Miramar Beach to Forty-Four Holdings for $2,205,000. This was two side by side homes in Frangista Beach which were an aggregate 3,460 HVAC SF and which features Five (5) bedrooms and 7 baths. Mr. Athens stated that the net operating rent was $133,200. Dividing $133,200 by $2,025,000 indicates a capitalization rate of 6.58%. I do not consider it a coincidence that the home with the fewest bedrooms featured the highest capitalization rate.

On 2/10/2016, Destiny Real Estate Ventures LLC sold 3463 Scenic Highway 98 to Charles Barone for $3,615,000. This house is 6,465 HVAC SF and features eight (8) bedrooms and 6.5 baths. It is very similar to the subject and is a very good comparable indicator of capitalization rates. Mr. Giles stated that the net operating income was $222,125. Dividing $222,125 by $3,615,000 indicates a capitalization rate of 6.15%.

On 1/11/2019, Kevin Hense sold 2984 Scenic Highway 98 to Russell and Susan Hancock for $3,000,000. This house is 3,997 HVAC SF and features six (6) bedrooms and 5.5 baths. It is very similar to the subject and is a very good comparable indicator of capitalization rates. Mr. Hense stated that the net operating income was $176,000. Dividing $176,000 by $3,000,000 indicates a capitalization rate of 5.87%.

On May 18, 2018, Sapp Investments LLC sold 4659 Destiny Way to the Lindholm Family Revocable Living Trust for $2,500,000. Mr. Lindholm stated to me that income for 2018 was an aggregate of $293,500. He also stated that expenses were an approximate $115,025, resulting in approximate $178,475 of net operating income (NOI). Dividing $178,475 by $2,500,000 indicates a capitalization rate of 7.14%.

RECAPITULATION OF LOCAL MARKET CAPITALIZATION RATES

The following table summarizes the capitalization rates identified in the narrative above.

Property Address	Capitalization Rate
3491 Scenic Highway 98, Destin	5.74%
1850 Scenic Gulf Drive, Mirimar Beach	6.58%
3463 Scenic Highway 98, Destin	6.15%
2984 Scenic Highway 98, Destin	5.87%
4659 Destiny Way, Destin	7.14%
Average	6.29%
Rounded	6.25%

I consider a rounded capitalization rate of 6.25%, derived from local market data, to be a market supported rate which is both credible and reliable, as well as being consistent with national data which brackets the final capitalization rate selection.

For this reason, I am selecting a 6.25% capitalization rate.

ESTIMATE OF VALUE PRIOR TO THE FIRST APPLICATION OF DESTIN ORDINANCE 18-29-CC

Based on the current zoning and the Destin Land Development Code, and prior to the first application of Destin Ordinance 18-29-CC on July 1, 2019, there was no limit to the number of guests allowed in the subject improvement. The subject can accommodate up to twenty six (28) guests based on the data provided by the owner and my identification of sleeping capacity previously identified.

CURRENT CONTRACT RENT
I note that seasonal rentals are typically described with annual rental amounts as opposed to more consistent monthly rental rates.

Such rental amounts are generally described using gross income data, and/or projections of gross income data.

Appraisers need to then examine expenses to arrive at a net operating rent to capitalize. Expenses to gross revenue are ad valorem taxes, flood and hazard insurance, HOA dues, maintenance and repairs, utilities, lawn maintenance, pest control, professional fees and reserves. I note that interest/mortgage payments and depreciation are not expenses when capitalizing property for value.

The subject was acquired in 2017 in mid year. Thus, I will not consider any 2017 data as the subject was owned by two different owners. I note that the MS listing which offered the subject for sale stated that there was $130,000 of rental income projected for 2017.

The owner self manages the subject and has provided me the following data for 2018 and 2019. I note that the 2019 income figures are rent collected and rentals booked (year to date).

Year	Gross Income	Expenses	Net Income	Expense Ratio
2018	$346,245	$103,812	$242,433	30%
2019 (YTD)	$184,966	$52,515	$133,451	28%

Assuming that the owner is generally correct regarding the gross rent figures above, dividing these figures by 28 guests indicates a per guest rate of $13,317 in 2018 and $7,114 in 2019 (YTD).

The decline in 2019 is not uncommon as I consider the volume of tourists to be consistent between 2018 and 2019, however, there have been dozens of additional, new rental homes added to the market in the past year, expanding the supply of housing available with no appreciable increase in guests. Thus, more rentals are chasing the same number of guests, generally lowering income in 2019 from 2018 levels.

As I assume that more guests will be booked by the end of the year, I am interpolating between the 2018 actual and the 2019 YTD to a rounded $225,000 of income with an approximate 30% expense ratio. Dividing $225,000 by 28 guests results in a per guest average of $8,650, rounded.

I will attempt to provide support to the 2018 actual and the 2019 projection by researching other homes in Destin which rent to similar number of guests.

See the following page.

MARKET SUPPORT FOR GROSS INCOME ESTIMATE
Some of these comparables were provided to me by Jordan Shane, Florida Luxury Vacation Rentals, Cheryl St.Pe', Destin Comforts and Ben Giles.

Some of these comparables were provided to me by Ben Giles, an owner of several large homes. Other owners who provided data were Tari Furey, Nick Athens, Kevin Hense, Doris Reel, Brad Lindholm, and Andrea Farrell.

Number	Address	Gross Income	Guest capacity	Annual Income per Guest
1	3587 Scenic Highway 98	$305,393	32	$9,545
2	3463 Scenic Highway 98	380,000	32	$11,875
3	3461 Scenic Highway 98	$364,723	36	$10,131
4	107 Hollywood Street	$289,647	38	$7,622
5	112 Sandprint Circle	$325,000	30	$10,833
6	4659 Destiny Way	$293,500	28	$10,482
7	3485 Scenic Highway 98	$145,100	22	$6,595
8	3489 Scenic Highway 98	$160,900	20	$8,045
9	92 Pompano Street	$144,000	24	$6,000
10	91 Dolphin Street	$154,000	28	$5,500
11	93 Tarpon Street	$132,000	24	$5,500

The average of these eleven market comparable rentals is $8,375, rounded, per guest annually.

The rentals which front on Scenic Highway 98 are most similar to the subject, despite the subject address on Cobia Street, as the subject is on a corner and also fronts Scenic Highway 98.

The location on Scenic Highway 98 places the subject on the most southern tier of lots which are north of Scenic Highway 98, making beach access more proximate.

I note that several comparables are located in Crystal Beach, but are two or perhaps three blocks from Scenic Highway 98, making it a longer walk to get to the beach with children and beach chairs/mats/coolers, etc.

I would consider the subject location to be generally superior to most of the other Crystal Beach rentals.

The most similar market data supports the owner's projection.

I am selecting a rounded $8,650 per guest income.

The subject can accommodate 28 guests. Multiplying 28 by $8,650 per guest results in an annual gross income of $242,200, a figure which is interpolated between the owner's 2018 actual and 2019 actual income/booking YTD.

MARKET SUPPORT FOR GROSS TO NET RATIO

I have attempted to derive gross and net income figures for comparable properties in the market. However, my research indicates that many owners and property managers are unwilling to divulge private financial information, especially the net income.

Thus, I will provide some market examples of properties where clients or close associates did divulge data.

The first example is a detached home located at 112 Sandprint Circle in the Dunes of Destin. The owners, Edward and Tari Furey, provided me with detailed data regarding income and expenses. They indicted annual revenue of $325,000 and annual expense of $100,000. This suggests an expense ratio of $100,000 / $325,000, or 31%, rounded.

I again spoke to Nick Athens who still owns a detached house at 4664 Destiny Way which grossed $275,000 in 2018. The expenses for this property were an approximate $89,000. This suggests an expense ratio of $89,000 / $275,000, or 32% rounded.

As a third indicator, I spoke to Kevin Hense, who sold a detached house at 2984 Scenic Highway 98 for $3,000,000 on 1/11/2019. Mr. Hense indicated that the 2018 gross rent was $283,000 and that the expenses were $87,000. This suggests an expense ratio of $87,000 / $283,000, or 33%, rounded.

Based on data provided by the owner, the subject featured expense ratios of 30% and 28% in 2018 and 2019, respectively.

Thus, the owner provided data is supported by market data. I have the impression that the owner is a very attentive manager and takes steps required to limit expenses.

I am using a 30% expense ratio in this analysis, weighted below market averages toward the owner's actual figures.

The next step is applying the previously calculated expense ratio to the gross rent to arrive at a net operating income (NOI). Applying a 30% expense ratio to $242,200 results in a net rent of $169,540.

Capitalizing $169,540 with a 6.25% capitalization rate results in a value of $2,712,640, rounded to $2,710,000.

It is my professional opinion that the subject value, prior to the first application of Destin Ordinance 18-29-CC on July 1, 2019 is $2,710,000, based on income analysis.

$2,710,000

ESTIMATE OF VALUE AFTER THE FIRST APPLICATION OF DESTIN ORDINANCE 18-29-CC

Destin Ordinance 18-29-CC reduces the subject sleeping capacity to 14 guests as the limit is two guests per bedroom, plus four (4) additional guests. There are five (5) bedrooms. Thus, 2 x 5 = 10 + 4 = 14.

I note for the reader that the ordinance states clearly that a bedroom must meet the requirements of the Okaloosa County Property Appraiser who states that a bedroom has a door, a window and a closet. The Okaloosa County Property Appraiser states that the subject is a seven bedroom house. It is my opinion that the limit of 14 guests will have a negative impact on value. To estimate the difference, I need to research the market for homes which are limited to smaller guest totals. Market research results in the following comparable rentals.

MARKET SUPPORT FOR GROSS INCOME ESTIMATE

Some of these comparables were provided to me by Jordan Shane, Florida Luxury Vacation Rentals, Cheryl St.Pe', Destin Comforts and Ben Giles.

#	Address	Gross Income	Guest capacity	Income per guest
1	3892 Sandprint Circle	$176,500	30	$5,883
2	113 Los Angeles Street	$137,308	19	$7,227
3	1737 Scenic Highway 98	$144,814	20	$7,241
4	100 Sandprint Circle	$105,000	20	$5,250
5	84 Woodward Street	$80,560	12	$6,713
6	212 Kono Way	$74,815	12	$6,235
7	82 Shirah Street	$110,000	17	$6,470
8	75 Shirah Street	$79,885	14	$5,706
9	76 Dolphin Street	$101,300	20	$5,065
10	3489 Scenic Highway 98	$160,900	20	$8,045
11	3485 Scenic Highway 98	$145,100	20	$6,595

The average of these ten market comparable rentals is $6,396.

However, I would still consider a per guest rate of $8,650 per year to be credible, based on the subject's frontage on Scenic Highway 98.

Based on the first application of Destin Ordinance 18-29-CC, the subject will be limited to 14 guests.

Multiplying $8,650 per guest by 14 guests results in gross annual rent of $121,100.

Applying a 30% expense ratio to $121,100 results in a net rent of $100,100.

Capitalizing $100,100 with a 6.25% capitalization rate results in a value of $1,601,600, rounded to $1,600,000.

It is my professional opinion that the subject value, after first application of Destin Ordinance 18-29-CC is $1,600,000, based on income analysis.

$1,600,000

ESTIMATE OF THE DIMINUTION OF VALUE

My research and analysis indicates that the value of the subject based on the right to sleep 28 guests is a rounded $2,710,000.

My research and analysis indicates the value of the subject based on the limit to sleep only 14 guests is a rounded $1,600,000.

It is my opinion the first application of Destin Ordinance 18-29-CC on July 1, 2019 results in an approximate $1,110,000 diminution of value.

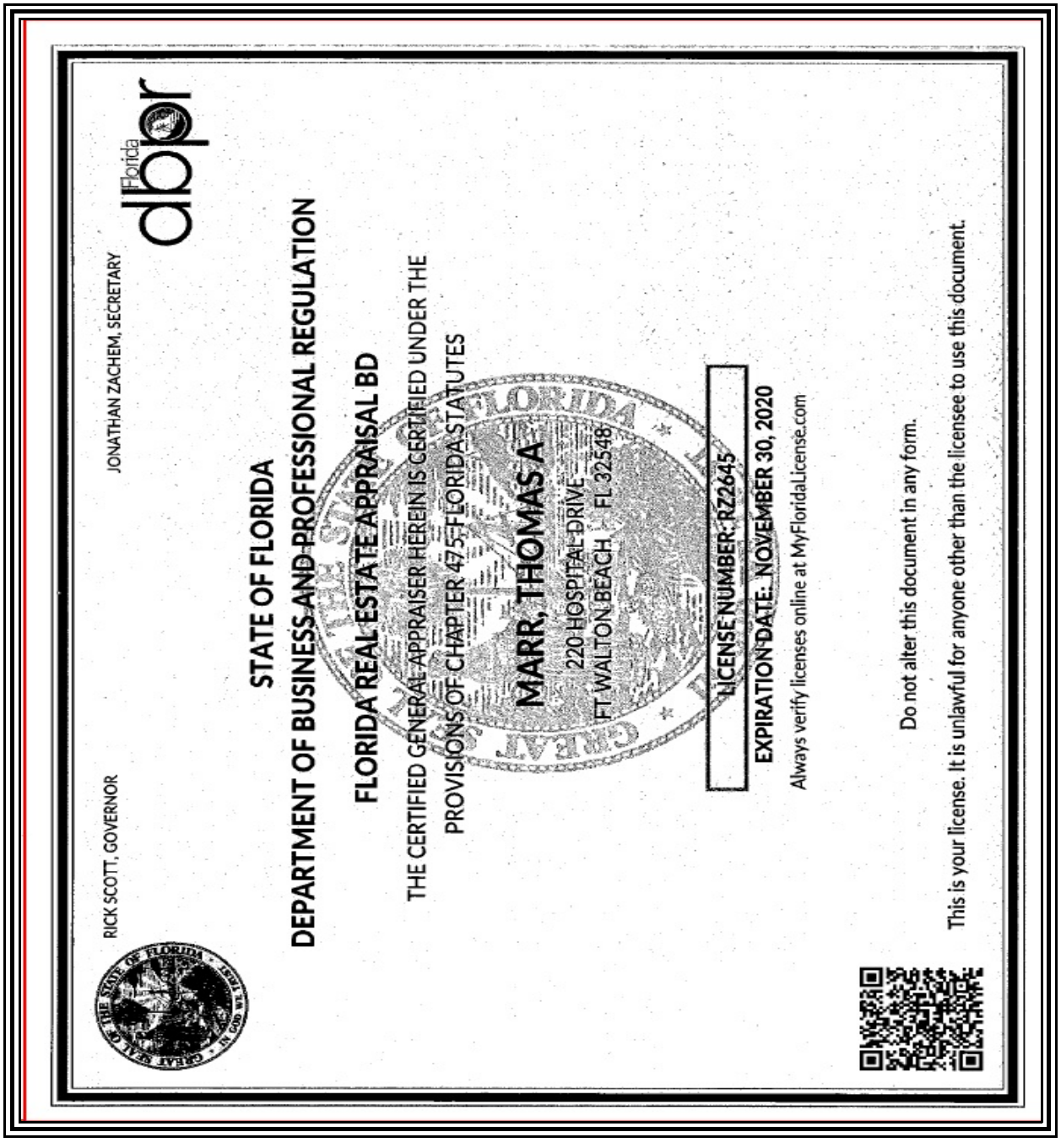
DIMINUTION OF VALUE

$1,110,000

A D D E N D A

Appraiser License

APPRAISER LICENSE



RICK SCOTT, GOVERNOR

JONATHAN ZACHEM, SECRETARY

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STATE OF FLORIDA

DEPARTMENT OF BUSINESS AND PROFESSIONAL REGULATION

FLORIDA REAL ESTATE APPRAISAL BD

THE CERTIFIED GENERAL APPRAISER HEREIN IS CERTIFIED UNDER THE PROVISIONS OF CHAPTER 475, FLORIDA STATUTES

MARR, THOMAS A

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THIS INSTRUMENT PREPARED BY
AND AFTER RECORDING RETURN TO:

Kimberly Romano Kopp, Esq.
Romano Kopp Law, P.A.
P.O. Box 445
Destin, Florida 32541

For Recording Purposes Only

SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is entered into this _____day of _____ 2019, ("Effective Date") by and between, _____. ("Owner") and the City of Destin ("City"), collectively referred to as the "Parties."

RECITALS

WHEREAS, on January 22, 2019, the City enacted Ordinance 18-29-CC, the Short-Term Rental Occupancy Ordinance ("Ordinance"), which limits the occupancy of short-term rental homes to two (2) people per bedroom plus an additional four (4) persons; and

WHEREAS, Owner owns the real property and improvements located at 64 Cobia Street, Destin, FL 32541, as more particularly described in the attached Exhibit "A" (the "Property"); and

WHEREAS, Owner filed a claim with the City, pursuant to the provisions of §70.001, Florida Statutes, the Bert J. Harris, Jr., Private Property Rights Protection Act (the "Harris Act"), alleging that the Property had been inordinately burdened by the adoption of the Ordinance, (the "Claim"); and

WHEREAS, the Harris Act provides for the City to have the ability to enter into a settlement agreement which would have the effect of a modification or variance to the application of a regulation or ordinance as it would otherwise apply to the subject real property, provided the relief granted protects the public interest served by the regulations at issue and is the appropriate relief necessary to prevent the governmental regulatory effort from inordinately burdening the real property; and

WHEREAS, the City has determined that the modifications to the effect of the Ordinance effected by this Agreement protect the public interest served by the Ordinance and are the appropriate relief necessary to prevent the regulatory effect of the Ordinance from inordinately burdening the Property; and

WHEREAS, the Parties now desire to settle and finally resolve all disputes between and among them concerning the Claim.

NOW, THEREFORE, the Parties hereby agree as follows:

1. **Recitals.** The above recitals are true and correct and are incorporated herein by reference.

2. **Occupancy Allowable Under Ordinance.**

(a) Owner is hereby granted a variance from the provisions of the Ordinance so that the Owner shall have the right to apply under the Ordinance for a maximum occupancy of twenty-one (21) overnight guests at the five (5) bedroom vacation rental property noted above and the City shall grant such occupancy. The right shall continue in perpetuity, regardless of any future changes in ownership, provided that this right shall expire permanently if the Property were to be voluntarily remodeled or voluntarily rebuilt in such a manner as to change the number of bedrooms that existed at the date of the Claim. The Property remains subject to all other requirements of the City's regulations, including but not limited to regulations for short-term rentals, parking, trash, and noise.

(b) No greater than five (5) vehicles may be parked on the Property. No vehicle may encroach upon the City's right-of way.

(c) Owner shall ensure that at least four (4) outdoor trash receptacles are provided by the applicable trash hauler and available for use by occupants at all times.

(d) Owner agrees that the City shall be permitted to access the property on an annual basis for the purpose of life-safety inspections to ensure code compliance with minimum egress requirements pursuant to the Florida Building Code (Residential) and to ensure the property has adequate and working smoke detectors.

3. **Development in Accordance with Code.** Notwithstanding any provisions contained herein, the Owner shall at any time have the right and option to remodel, develop, or use the Property in accordance with the applicable ordinances of the City of Destin in effect at the time of application therefor, and this variance shall not be construed as making the Property in any way non-conforming.

4. **Entire Agreement.** The Parties acknowledge that this Agreement constitutes the entire agreement between them regarding the settlement of their dispute and any prior statements, whether oral or written, are merged herein. This Agreement may not be modified or amended without a written instrument signed by the party against whom enforcement is sought.

5. **Duration of Agreement.** This Agreement shall be perpetual and deemed to run with the land, and shall be binding upon and the benefits shall inure to the parties hereto and their respective heirs, devisees, personal representatives, successors and assigns.

6. **Authority.** The signatories to this Agreement are expressly authorized to resolve their dispute as set forth herein and by their signatures here represent and affirm their authority to execute this Agreement.

7. **Governing Law.** The law of the State of Florida shall apply to this Agreement. Any dispute regarding this Agreement shall be litigated exclusively in the courts of Okaloosa County, Florida. The parties expressly consent to such agreed jurisdiction and venue, and waive any objections thereto.

8. **Notices.** Any notice required or permitted to be given hereunder shall be in writing and shall be (i) delivered by hand, (ii) delivered by reputable national or local courier (such as United Parcel Service or Federal Express), (iii) mailed by United States registered or certified mail, return receipt requested and postage prepaid, or (iv) sent by facsimile transmission provided a confirmation of such facsimile transmission is sent the same day by one of the methods of delivery in (i), (ii), or (iii) above. Any notice shall be addressed to each party at its address as set forth below. Any such notice shall be considered given on the date of such hand delivery, deposit with such courier for same day or next business day delivery, upon receipt of return receipt of certified mail, or receipt of facsimile transmissions, as the case may be, and the time period (if any is provided herein) in which to respond to such notice shall commence on the date of receipt. Rejection or other refusal to accept or inability to deliver because of changed address of which no notice was given shall be deemed to be receipt of the notice. By giving to the other party at least ten (10) days' notice thereof, any party shall have the right from time to time to change the addresses thereof and to specify up to two (2) additional addresses within the United States of America to which copies of notices to it shall be sent. Notice may be given on behalf of any party by such party's counsel. In the event the subject property owner changes, notices shall be addressed to the current owner as indicated in the records of the Okaloosa County Property Appraiser. Otherwise, notices shall be sent as follows:

Each notice shall be addressed as follows:

To City: City of Destin, Florida
Attn:
4200 Indian Bayou Trail
Destin, Florida 32541

With a copy to:

City Land Use Attorney
Romano Kopp Law, PA
PO Box 445
Destin, Florida 32541

To 64 Cobia at:

With a copy to:

9. **Attorney's Fees**. In the event of any action, whether pre-suit, mediation, litigation or appellate proceeding to enforce the terms and conditions of this Agreement, each party to the action shall pay its own attorney's fees and costs incurred therein.

10. **Venue**. Venue over any action to enforce the terms and conditions of this Agreement, including mediation, shall lie solely in Okaloosa County, Florida.

OWNER:

_____ _____
Signature of Witness #1

_____ _____
Print or type name

_____
Signature of Witness # 2

_____
Print or type name

STATE OF_____
COUNTY OF_____

The foregoing instrument was acknowledged before me this _____ day of _____ 2019, by _____ _____ and _____, who are personal known to me or who have produced _____ as identification and who did not (did) take an oath.

_____
Signature of Notary

(NOTARY SEAL)

_____
Print or type name

CITY OF DESTIN

By:_____
Gary Jarvis, Mayor

Date:_____

ATTEST:

_____
Rey Bailey, City Clerk

Date:_____

STATE OF_____
COUNTY OF_____

The foregoing instrument was acknowledged before me this _____ day of _____ 2019, by _____ _____ and _____, who are personal known to me or who have produced _____ as identification and who did not (did) take an oath.

_____
Signature of Notary

(NOTARY SEAL)

_____
Print or Type Name

Approved as to form and legality for use and reliance
by the City of Destin, Florida, only.

_____
Kimberly Romano Kopp, Esq.
City Land Use Attorney

Exhibit "A"

Legal Description of Property

ITEM # 2019-1903

CITY OF DESTIN

AGENDA ITEM

COUNCIL MEETING DATE: December 9, 2019
TYPE OF AGENDA ITEM: Action Item

TO: City Council

THRU: Lance Johnson, City Manager

FROM: Kimberly Kopp, Land Use Attorney
Louis Zunguze, Community Development Director

DATE: December 5, 2019

SUBJECT: 22) 8 Magnolia Drive

I. BACKGROUND:

On January 22, 2019, the City enacted Ordinance 18-29-CC, the Short-Term Rental Occupancy Ordinance ("Ordinance"), which limits the occupancy of short-term rental homes to two (2) people per bedroom plus an additional four (4) persons.
The subject property owner owns the real property and improvements located at 8 Magnolia Drive, Destin, FL 32541, as more particularly described in Exhibit "A" (the"Property") to the proposed settlement agreement.
On May 10, 2019, Owner filed a claim with the City, pursuant to the provisions of §70.001, Florida Statutes, theBert J. Harris, Jr., Private Property Rights Protection Act(the "Harris Act"), alleging that the Property had beeninordinately burdened by the adoption of the Ordinance, (the "Claim).

The Harris Act provides for the City to have the ability to enter into a settlement agreement which would have the effect of a modification or variance to the application of a regulation or ordinance as it would otherwise apply to the subject real property, provided the relief granted protects the public interest served by the regulations at issue and is the appropriate relief necessary to prevent the governmental regulatory effort from inordinately burdening the real property.

The City Council should settle the claim if the City Council determines that the modifications within the settlement agreement protect the public interest served by the Ordinance and are the appropriate relief necessary to prevent the regulatory effect of the Ordinance from inordinately burdening the Property.

II. DISCUSSION:

The property owner has requested a maximum occupancy of sixteen (16) occupants. City staff is recommending an occupancy of eleven (11) occupants based on the square footage of the property. The building official utilized a one-occupant per 200 square feet methodology for recommending the above-stated occupancy.

Additionally, staff is recommending at least two (2) trash cans on the property. This recommendation is based on industry standard (Waste Management) that, on average, one trash can is required for every six occupants in order to ensure adequate garbage disposal. Therefore, if the maximum number of occupants exceeds any multiple of six (6, 12, 18, 24, 30, 36, etc.), then an extra trash can will be needed to accommodate the additional occupants. For example, if thirteen (13) is the maximum occupation, then three (3) trash cans are required. This is because, on average, two (2) trash cans will only accommodate twelve (12) occupants. The third trash can will be needed to accommodate the thirteenth occupant.

Further, the property owner must agree to annual life safety inspections, as provided in the proposed settlement agreement.

Finally, staff is recommending that no greater than four (4) vehicles be parked on this property

As stated in the agreement, the property owner remains bound by all other provisions of City codes.

A. Link to Strategic Goals / Objectives:

B. Effect on Budget (EOB):

C. Level of Service (LOS):

III. CONCLUSION:

IV. RECOMMENDED MOTION: 1. I move to approve the settlement agreement prepared by the City Land Use Attorney and Staff.

or

2. I move to approve the settlement agreement prepared by the City Land Use Attorney and Staff with the following modifications:_____.

or

3. I move to direct the City Land Use Attorney to negotiate in good faith with the property owner and to bring back an alternate settlement proposal to the City

Council for consideration.

or

4. I move to deny settlement of the subject claim at this time.

Attachments:

1. Bert Harris Case - 8 Magnolia Drive
2. 8 Magnolia Drive

DANA C. MATTHEWS
MICHAEL A. JONES
KENNETH M. BORICK
Of Counsel
Also admitted in Georgia and South Carolina
DANA C. "D.C." MATTHEWS II
SAMUEL B. TAYLOR
DANIEL C. O'ROURKE
Florida Supreme Court Certified
Civil and Family Mediator

MATTHEWS & JONES
ATTORNEYS AT LAW
INSIGHT | INTEGRITY | INNOVATION

CHRISTA P. DIVINEY
Board Certified Criminal Trial Lawyer
Also admitted in Alabama
LAURA PENTEL-KLANG
JESSICA L. STEWART
SALVADOR "A.J." GOMEZ
C. STEPHEN TATUM

Reply to Destin

STATUM@DESTINLAW.COM

October 9, 2019

VIA HAND DELIVERY

Mayor Gary Jarvis
City of Destin
4200 Indian Bayou Trail
Destin, FL 32541
gjarvis@cityofdestin.com

Dear Mayor Jarvis:

Our firm represents Ollie's Breeze, LLC, the owner of the home located 8 Magnolia Drive; Destin, Florida, also identified as Lot 4, Block C, Holiday Isle Residential Section No. 4, recorded in Okaloosa County Plat Book 4, at Page 29.

Due to the enactment of City of Destin Ordinance 18-29-CC, which limits the occupancy of short term rental homes to two (2) people per bedroom plus an additional four (4) persons, Ollie's Breeze's reasonable investment-backed expectations for use of the home as a short-term vacation rental property have been inordinately burdened, as defined in the "Bert J. Harris, Jr., Private Property Rights Protections Act", Chapter 70, Florida Statutes ("Harris Act"). Magnolia Breeze hereby submits this letter along with the enclosed EquiValue Appraisal, LLC property appraisal dated September 23, 2019, as a claim under the Harris Act against the City of Destin for One Hundred Forty Five Thousand Dollars ($145,000), which represents the diminution in value of Ollie's Breeze's property.

Pursuant to the provisions of the Harris Act, Ollie's Breeze hereby demands payment in the amount of One Hundred Forty Five Thousand Dollars ($145,000), plus attorneys fees and costs.

If no resolution is reached during the statutorily prescribed waiting period, Ollie's Breeze intends to file suit pursuant to this claim and pursue any other legal remedies for

the actions that gave rise to this claim. Ollie's Breeze explicitly reserves the right to bring any and all legal challenges, appeals and objections with respect to Ordinance 18-29-CC.

Sincerely,

C. Stephen Tatum
Matthews & Jones, LLP
Attorney for Magnolia Breeze, LLC

Enclosure

cc: Lance Johnson, City Manager (via email)
Rey Bailey, City Clerk (via email)
Kimberley Romano-Kopp, Esq. (via email)
Client

APPRAISAL REPORT

PROPERTY: AN APPROXIMATE +/-4,278 SQUARE FOOT HEATED AND COOLED RESORT RESIDENTIAL RENTAL PROPERTY, ALONG WITH ASSOCIATED SITE IMPROVEMENTS INCLUDING A POOL, POOL DECK AND EXTENSIVE PARKING, ALL OF WHICH IS SITED ON AN APPROXIMATE 0.45-ACRE SITE

8 MAGNOLIA DRIVE, DESTIN, OKALOOSA COUNTY, FL

EQUIVALUE APPRAISAL

EQUIVALUE APPRAISAL, LLC
PROFESSIONAL APPRAISAL AND VALUATION SERVICES
PO BOX 5326
DESTIN, FLORIDA 32540
PHONE (850) 424-6119

Jason P. Shirey, MAI, CCIM, CPM
State-Certified General Real Estate Appraiser, RZ3186 (FL)
Direct Phone (850) 543-5953 (Mobile)

EquiValue Appraisal File No.: 190307C

APPRAISAL REPORT

Of Resort Residential Property
+/-0.45Acres of Residential-Zoned Land
Improved with a resort residential structure,
Containing approximately +/-4,278 SF of Heated and Cooled Livable Area,
Along with Associated Site Improvements Including a Heated Pool and Pool Deck

Location
8 Magnolia Drive,
Destin, Okaloosa County, FL
32541

Property Owner
Ollie's Breeze, LLC

Effective Date
January 22, 2019 (Retrospective)

Report Date
September 23, 2019

Client / Intended User
Ollie's Breeze, LLC
P.O. Box 9734
College Station, TX 77842

Prepared by:
Jason P. Shirey, MAI, CCIM, Cert Gen RZ3186

EQUIVALUE
APPRAISAL

Phone 850 424 6119 Fax 888 774 4503
EquiValue Appraisal, LLC File #: 190307C

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September 23, 2019

Ollie's Breeze, LLC
P.O. Box 9734
College Station, TX 77842

Re: Diminution in Value Appraisal of an approximate +/-4,278 HVAC Square Foot Resort Residential Rental Property, 'As Is', whose postal address is 8 Magnolia Drive, Destin, Okaloosa County, FL 32541. EquiValue Appraisal File No. 190307C.

Dear Client:

At your request and authorization, we have prepared an appraisal for the above-referenced resort residential rental property. A copy of the pertinent engagement document has been included in the addenda to this report if applicable.

This letter of transmittal is *not* an appraisal report, but merely serves to transmit the attached appraisal report and convey the final conclusion of value. The accompanying research, analyses and conclusions, and appraisal report following this letter of transmittal has been compiled in accordance with USPAP Standards Rule 2-2(a) for a written appraisal report.

The purpose of this appraisal is to determine if there is a Diminution in Value as result of recently-adopted City of Destin Ordinance No. 18-29-CC, and if so, to derive an opinion of the Diminution in Value to the subject property associated with the implementation of said Ordinance.

This Ordinance was implemented January 22, 2019, and the incorporation of this ordinance limits the occupancy of the subject property to 14 guests. Prior to the implementation of this Ordinance, the designed occupancy of the subject property was 16 guests. Therefore, as a result of the ordinance, the maximum occupancy of the subject has been reduced by 2 guests, or approximately -12.50%.

We are therefore opining on the difference in market value of the subject before and after the adoption of City of Destin Ordinance No. 18-29-CC, which was promulgated on January 22, 2019.

The values reported are predicated upon market conditions prevailing as of the effective date of the appraisal. In the context of the scope of work, the appraisal is considered to render a credible opinion of value, specific to the client, intended use and intended user.

The intended use of this appraisal is for internal decision making purposes by the stated Client and their advisors. This appraisal is intended for the use of the client and client's advisors.

We have completed the requisite inspections, research, and analyses necessary to appraise the 100% fee simple interest in the subject property, 'As Is' as of January 22, 2019, both prior to adoption of Ordinance No. 18-29-CC and after, in order to evaluate the potential Diminution in value.

Please reference the Scope section of this report for information regarding the scope of research and analysis for this appraisal, including property identification, inspection, highest and best use analysis and valuation methodology.

I certify that I have no present or contemplated future interest in the property beyond this opinion of value. The reported value(s) in this appraisal have not been based on a requested minimum valuation, a specific valuation, and have been prepared in compliance with the Uniform Standards of Professional Appraisal Practice.

Your attention is directed to the Limiting Conditions and Assumptions section following the reconciliation and appraisal certification in this report. Acceptance of this report constitutes an agreement with these conditions and assumptions.

This appraisal is subject to the following Hypothetical Condition(s):

- None.

This appraisal is subject to the following Extraordinary Assumption(s):

- None.

Our opinion of value was formed based on our experience in the field of real property valuation, as well as the research and analysis set forth in this appraisal.

I am of the opinion that as a result of the implemented City of Destin Ordinance 18-29-CC that the market value of the subject property is negatively impacted.

The implemented Ordinance reduces the maximum occupancy of the subject property, and therefore the subject's associated income generation potential.

The subject property is a resort-residential property specifically utilized for income generation purposes. Therefore, a reduction in scheduled income due the subject correlates to a reduction in associated value.

The Diminution in Value to the subject is represented by the difference between the 'Before' and the 'After' value conclusions.

In this case, this is represented by the difference between the opined value prior to implementation of the Ordinance (ie. the 'Before Ordinance' value of $805,000) and the value after implementation of the Ordinance (ie. the 'After Ordinance' value of $660,000).

Per this calculation, with supporting documentation as to the rationale of these values provided within this report, the opinion of Diminution in Value to the subject as a result of City of Destin Ordinance 18-29-CC is opined to be $145,000.

Therefore,

Diminution in Market Value
As A Result of Implementation of City of Destin Ordinance 18-29-CC:

One Hundred Forty Five Thousand Dollars
($145,000)

The estimated market exposure period necessary for the subject to have achieved these values is estimated to be 9-12 months.

It was a pleasure assisting you with this matter. If you have any questions concerning the following analysis, or if we can be of further assistance, please do not hesitate to call.

Respectfully submitted,
EquiValue Appraisal, LLC

Jason P. Shirey, MAI, CCIM, CPM
Cert Gen RZ3186

INTRODUCTION

QUALIFICATIONS OF THE APPRAISER

Qualifications of

Jason P. Shirey, MAI, CCIM, MS-RECM

State-Certified General Real Estate Appraiser No. RZ 3186 (FL)
State-Certified General Contractor No. CGC 062478 (FL)
Licensed Real Estate Broker No. BK 3168469 (FL)

MAI : Designated Member of the Appraisal Institute
Appraisal Insitute, Chicago, Illinois.

CCIM : Designated Certified Commercial Investment Member
CCIM Institute, Chicago, Illinois.

M.S. RECM : Master of Science, Real Estate and Construction Management
University of Denver - Denver, Colorado.

B.S. BCN : Bachelor of Science, Building Construction Management
University of Florida – Gainesville, Florida.

Business Affiliations and Work Experience, Past / Present

EquiValue Appraisal and Consulting Services
Principal and Founder; Real Estate Appraiser, Real Estate Broker, Certified General Contractor

Marsh Appraisal Corporation - Real Estate Appraisal and Valuation Services, Fort Walton Beach, Florida
Registered Trainee Appraiser / State Certified Real Estate Appraiser

Plantation Coast Properties, LLC – Fort Walton Beach, Florida
Principal; Real Estate Investments and Property Management

Alcon Associates, Inc. – Commercial General Contractors / Construction Managers; Pensacola, Florida
Florida Division Manager

National Construction Enterprises, LLC – General Contractor / Construction Managers; Savannah, Georgia
Vice President of Operations, Savannah-Hilton Head Division

Acoustics and Specialties, Inc. – General Contractors; Memphis, Tennessee
Senior Estimator / Project Manager of Healthcare Construction

Brasfield and Gorrie General Contractor Inc. – General Contractors and Construction Managers; Orlando, Florida
Construction Estimator / Project Manager

United States Air Force Reserve
Reserve Pilot, Boeing C-17 Globemaster III

EQUIVALUE APPRAISAL

Jason P. Shirey, MAI, CCIM, MS-RECM (Continued)

Professional / Continuing Education

Litigation Appraising - Specialized Topics and Applications
Appraisal Institute

Uniform Standards of Professinal Appraisal Practice
7 Hour Update, *Appraisal Institute*

Advanced Income Capitalization
Appraisal Institute

Advanced Sales Comparison Approach
and Principles In Highest and Best Use
Appraisal Institute

User Decision Analysis for Commercial Real Estate
CCIM Institute Course CI-103

Advanced Cost Approach
Appraisal Institue

Real Estate Taxation, Planning and Consequences
University of Denver, Burns School of Real Estate

Advanced Real Estate Feasibility Analysis
Urban Land Institute / University of Denver

Real Estate Securities and Syndications
University of Denver, Burns School of Real Estate

Legal Issues In Real Estate and Construction Management
University of Denver, Burns School of Real Estate

Income Property Investment
Urban Land Institute / University of Denver

Argus Financial Analysis
University of Denver, Burns School of Real Estate

Residential Real Estate Appraiser Course ABII
Ed Klopfer Schools of Real Estate

Real Estate Salesperson Pre-Licensing Course
Ed Klopfer Schools of Real Estate

Income Property Management
Institute of Real Estate Management / University of Denver

Certified Commercial Investment Member Core Concepts
CCIM Insitute Comprehensive Exam

Appraising from Blueprints and Specifications
Appraisal Institute

Florida Building Code Update
Florida Workplace Safety and OSHA Update
Universal Inspection Service

Uniform Standards of Professional Appraisal Practice
15 Hour Update, *Appraisal Institute*

Business Practices and Ethics for Appraisers
Appraisal Institute Course #420

Basic Income Capitalization
Appraisal Institute

Advanced Valuation and Report Writing
Appraisal Institute Course #540

Real Estate Investment Finance
University of Denver, Burns School of Real Estate

Computer Applications for Real Estate Analysis
University of Denver, Burns School of Real Estate

Risk Management and Insurance for Investment Real Estate
University of Denver, Burns School of Real Estate

Indoor Air Quality and Mold Contamination Remediation
National Association of Mold Professionals, 2004

Real Estate Trainee Appraiser Course ABI
Ed klopfer Schools of Real Estate

Uniform Standards of Professional Appraisal Practice
15 Hour Update, *Appraisal Institute*

EQUIVALUE APPRAISAL

Jason P. Shirey, MAI, CCIM, MS-RECM (Continued)

Appraiser Experience - Property Types

Affordable Housing
Agricultural Land
Aircraft Hangars
Antenna Towers
Apartments
Automobile Dealerships
Hotels and Motels
Bank Buildings
Bowling Alleys
Broadcast Facilities
Campgrounds / Recreational Vehicle Parks
Car Washes
Churches
Coastal Land
Condominium Units:
  Assemblages, Complexes, Conversions
Condominium Projects:
  Pre-development, Insurable Replacement Cost
Convenience Stores
Day Care Centers
Development Appraisals
Distribution Facilities
Golf Clubs and Country Clubs
Health Clubs
High-End Residential
Hobby Farms
Home Sites (Lots)
Home Sites (Land - Large Tracts)
Hotel - Resorts
Industrial Land
Indstrial Improvements
Light Industrial Properties
Manufacturing Facilities
Marinas / Docks / Boat Storage Facilities
Medical Offices
Mixed Use Developments
Mobile Home Parks
Multifamily Land
Multifamily Developments
Nurseries
Office Buildings
Office Condominiums
Office-Warehouse Facilities
Outdoor Signs
Parking Facilities
Replacement Cost Appraisals
Retail Stores (Anchor Tenant / Owner Occupied)
Retail Strip Centers (Multiple Tenant)
Restaurants (All types)
Self-Storage Facilities
Subdivisions (Commercial)
Subdivisions (Residential)
Single Family Residences
Sustainable Development (Green Buildings)
Urban Land (Vacant and Interim Use)
Warehouses
Yacht Clubs

Previous Client List (Partial)

Access Bank and Mortgage
Alternative Funding Corporation
BanCorp South
Bank of America
Bank of Bonifay
Bank of Pensacola
BankTrust
Beach Community Bank
CB Richard Ellis
CCB Community Bank
Colonial Bank
Community Bank
Compass Bank
Cotton and Gates
Crystal Beach Development
DestinFirst Bank
First Capital Bank
First City Bank
First Gulf Bank
First National Bank and Trust
Florida Coastal Mortgage
Guaranty Federal Bank
GulfSouth Private Bank
Jay Odom
Kevin Helmich, P.A.
Legendary, Inc.
LNK Development
M & F Bank
People's First Community Bank
Premier Community Bank
Regions Bank
Renasant Bank
Sunbird Condominium Owner's Association
Suntrust Bank
The Plaza Owner's Association
Tranquil Harbor Owner's Association
Trustmark National Bank
Vanguard Bank
Villas on the Gulf Condominium Onwer's Association
Vision Bank
Wachovia Bank
Whitney Bank

Assignment Purposes

Acquisition
Disposition
Assessment Appeal
Development Feasibility
Estate Planning
Financing (Institutional and Private)
Investment Analysis
Portfolio Analysis
Marital Dissolution
Relocation
Mediation, Arbitration, Dispute Resolution

EQUIVALUE APPRAISAL

Jason P. Shirey, MAI, CCIM, MS-RECM (Continued)

Assignment Types

Appraisal Review
Buyer Brokerage
Complex Valuation
Construction Progress / Draw Request Inspection
Demographic Analysis
Detrimental Conditions Valuation and Consulting
Eminent Domain Valuation and Consulting
Estate Valuation
Feasibility Studies
Fee Appraisals Including Full and Fractional Interests
Foreclosure / REO Appraisal - Assessment
Highest and Best Use Analysis
Insurance
Litigation Support
Market Studies
Portfolio Valuation and Analysis
Relocation Appraisal
Rent Analysis / Studies
Retrospective Valuation
Site Location Services
Valuation and Consultation for Financial Reporting

Primary Market Area

Okaloosa County
- Destin
- Fort Walton Beach
- Crestview
- Mary Esther
- Niceville
- Bluewater Bay

Walton County
- Miramar Beach
- Panama City Beach
- Rosemary Beach
- Santa Rosa Beach
- Blue Mountain Beach
- Freeport
- Defuniak Springs
- Inlet Beach
- Seacrest Beach

Santa Rosa County
- Navarre
- Navarre Beach
- Gulf Breeze

Bay County
- Panama City
- Panama City Beach
- Springfield

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Subject Photograph(s)

Additional photographs can be referenced in the Property Description Section of the Appraisal Report.

Summary of Salient Facts and Conclusions

GENERAL	
EquiValue Appraisal File No:	190307C
Subject:	An approximate 4,278 HVAC SF / 5,370 Gross SF Resort Residential Rental Property located along the east side of Magnolia Drive, approximately 600 feet north of the Beaches of the Gulf of Mexico, with postal address of 8 Magnolia Drive in Destin, Okaloosa County, Florida. The subject site is comprised of +/-0.45 acres of Medium Density Residential – Holiday Isle zoned land (a residentially-oriented zoning designation) which is improved with a three story resort rental residential structure, along with associated site improvements which include a heated pool, pool deck and extensive parking. According to information provided by the Okaloosa County Property Appraisers Office, the subject improvement was constructed in 2004, thus providing for an actual age of 15 years. Per information provided by the current owner, the subject improvement was completely remodeled and updated prior to his acquisition. As the improvement has been renovated and updated and is considered to be of good/very good quality of construction and in good condition, and based on the appraiser's observations made during the inspection, it is the appraisers opinion that the subject improvement exhibits an effective year built of approximately 2011, providing for an effective age of approximately 8 years.

The configuration of the existing structure was specifically designed and outfitted to accommodate and adequately park 16 overnight (sleeping) guests and features the following characteristics,

- 5 Bedrooms
- 4 Bathrooms
- A Great Room, Dining Area, Game Room, Living Room Area, and a Kitchen Area
- Heated Swimming Pool and Pool Deck
- Outdoor Living Areas
- Extensive Surface Parking.

The use of the subject property in 'As Is' condition is as a beach proximate, resort residential rental property and this is the use represented in the valuation of the subject property, as of the effective date of this appraisal.

In the 'Before' condition, occupancy of the subject was specifically designed for 16 guests with sleeping accommodations as follows:

1st Floor Game Room (Sleeps 6)
2 Twin over Twin Bunk Beds
1 Queen Sleeper Sofa

2nd Floor Bedroom #1 (Sleeps 2)
1 King Bed

2nd Floor Bedroom #2 (Sleeps 2)
1 King Bed

3rd Floor Bedroom #3 (Sleeps 2)
1 King Bed

3rd Floor Bedroom #4 (Sleeps 2)
1 King Bed

3rd Floor Bedroom #5 (Sleeps 2)
2 Twin Beds

	In the ‘After’ condition and taking into account the City of Destin Ordinance 18-29-CC which was implemented January 22, 2019, the occupancy of the subject (in aggregate) is limited to 14 Guests as calculated by having a total of 5 bedrooms (as recognized by the Okaloosa County Property Appraisers Office) at 2 guests per bedroom, plus 4 additional guests.
Owner:	Ollie’s Breeze, LLC P.O. Box 9734 College Station, TX 77842
Legal Description:	Holiday Isle Lot 4 Block C
Tax Identification:	00-2S-24-2186-000C-0040
Date of Report:	September 23, 2019
Date of Value:	January 22, 2019
Property Rights Appraised:	Fee Simple
Intended Use:	The intended use of this appraisal is for internal decision making purposes by the client, and for Bert Harris Act computation of damages.
Intended User(s):	The intended user of this report is the property owner, the property owner advisors, courts and local government and regulatory agencies.
Appraisal Purpose:	Market Value Opinion 'As Is' in the ‘Before Ordinance’ and ‘After Ordinance’ conditions, and subsequent evaluation of Diminution in Value.
2018 Assessed Value:	**$667,020** Despite the intention of the property appraiser to value property at market value on a yearly basis, it is the appraiser’s opinion that assessed value has no direct correlation to fair market value in the subject market area. It is noted that as the subject was just recently extensively renovated.

2018 Taxes:	**$8,564.94 (Paid)** According to the Okaloosa County Tax Collector, taxes for 2018 have been paid in full and no prior year delinquent taxes remain owing.
Sale History:	The most recent transaction related to the subject property can be found in an Assignment of Sublease recorded in the Okaloosa County public records at OR Book 3326 Page 4,762. According to this assignment of sub lease, the subject property was conveyed to Ollie's Breeze, LLC (assignee) from Magnolia Beach Destiny, LLC (assignor) on November 15, 2017 or a total consideration of $805,000. This transaction has been given some consideration in our valuation of the subject property. There have been no other transfers of the subject property in the preceding 3 years
Current Contracts/Listing:	We were unable to locate any active listing for sale of the subject property in the prior 12 months. We are unaware of any intention by the current owner to market the subject for sale. It is our understanding that the property owner plans to retain the subject property for short-term rental purposes and income generation potential.

PROPERTY	
Land Area:	Total: +/-0.45-Acre Usable: +/-0.45-Acre Excess: 0.00 Acres
Zoning/ Future Land Use:	Medium Density Residential – Holiday Isle (MDR-HI) - by the City of Destin

Highest and Best Use 'As Is':	Utilizing the subject as a resort-residential rental property at maximum occupancy is estimated to be the highest and best use of the subject 'As Is'. It is noted that occupancy limitations imposed on the subject by virtue of City of Destin Ordinance 18-29-CC, which limits occupancy of the subject property to a lesser number than that for which the subject was specifically renovated and outfitted, is anticipated to have a negative impact on the market value / return on investment of the subject property to the owner.

VALUE CONCLUSIONS

Land Value:	Not Utilized
Cost Approach:	Not Utilized
Improved Sales Comparison Approach:	Not Utilized
Income Approach:	$805,000 – Before Ordinance 18-29-CC $660,000 – After Ordinance 18-29-CC $145,000 – Diminution in Value as a Result of Ordinance 18-29-CC

Appraisal Scope of Work

In accordance with the 2018-2019 Uniform Standards of Professional Appraisal Practice, it is the appraiser's responsibility to develop and report a scope of work that results in credible results that are appropriate for the appraisal problem and intended user(s).

This process should meet the expectations of parties who are regularly intended users for similar assignments and be consistent with what an appraiser's peers actions would be in performing the same or a similar assignment.

Therefore, the appraiser must identify and consider:

- the client and intended users;
- the intended use of the report;
- the type and definition of value;
- the effective date of value;
- assignment conditions;
- typical client expectations; and
- typical appraisal work by peers for similar assignments**.**

This appraisal is prepared for the Client, Ollie's Breeze, LLC.

The intended use of this appraisal is for internal decision making purposes by the client, the client's advisors, and for Bert Harris Act computation of damages.

The intended user of this report is the property owner, the property owner's advisors, courts and local government and regulatory agencies.

SCOPE OF WORK	
Report Type:	This is a written Appraisal Report, which is intended to comply with the reporting requirements established by Standards Rule 2-2(a) of the *2018-2019* edition of the U*SPAP* for a written Appraisal Report. It presents summary discussions of the data, reasoning, and analyses utilized in the appraisal process to develop the appraiser's opinion of value. Supporting documentation not provided with the report concerning the data, reasoning, and analyses is retained in the appraiser's file. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated in the report. The appraiser is not responsible for the unauthorized use of this report.

Property Identification:	The subject was identified by the legal description and the assessor's parcel number, and appraiser inspection.
Inspection:	An inspection of the site and improvements was made, and photographs were taken.
Market Area and Analysis of Market Conditions:	A complete analysis of market conditions was made. The appraisers physically inspected the micro and/or macro market environments which influence the subject property.
Highest and Best Use Analysis:	A complete analysis of highest and best use for the subject property in 'As Is' condition was made.

Valuation Analyses

Land Valuation and Cost Approach:	An opinion of value for the subject property in 'as if vacant' condition and subsequent application of the cost approach has not been provided. The purpose of this appraisal is to evaluate the impact to the value of the subject by virtue of the implementation of City of Destin Ordinance 18-29-CC which limits occupancy of the subject and corresponding associated income generation potential. Thus, the cost to acquire land and construct a replacement property is meaningless to the purpose of the assignment and was not applied.
Sales Comparison Approach:	The improved sales comparison approach was not utilized in this appraisal assignment. The purpose of this appraisal is to evaluate the impact to the value to the subject by virtue of the implementation of City of Destin Ordinance 18-29-CC which limits occupancy of the subject and associated income generation potential. As this ordinance was just recently implemented, an adequate number of improved sales which sold after the Ordinance implementation date were not available from which to derive an opinion of market value from this approach. As sales which occurred prior to this Ordinance will reflect market transactions without this restriction, they are not considered valid indicators of value for the subject in the restricted condition. Therefore this approach could not be applied due to lack of sufficient comparable data.

Income Approach:	The income approach was applied for the subject in both the 'Before Ordinance' and 'After Ordinance' scenarios.
Hypothetical Conditions:	None.
Extraordinary Assumptions:	None.
Exposure Time (Market Value):	Exposure Time may be defined as: the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective opinion based on an analysis of past events assuming a competitive and open market. The estimate of exposure time is presented in consideration of the exposure periods for comparable sales utilized in this appraisal, marketing time information available from nationally published sources including the CB Richard Ellis National Market Survey and the opinions of market participants. ***It is estimated that the exposure time necessary for the subject to have achieved the opinion of value is 9-12 months.***

Definition of Value, Property Rights Appraised, and Intended Use

Purpose of the Appraisal:

The purpose of an appraisal is the stated reason and scope of the appraisal assignment. It is established by the client, and points to the information that the client needs to answer specific questions pertaining to real property. The purpose of the appraisal establishes the foundation for the final value conclusion, which does not change to accommodate the use of the appraisal.[1]

The purpose of this appraisal is to derive an opinion of the Diminution in Value to the subject property associated with the implementation of City of Destin Ordinance No. 18-29-CC.

This Ordinance was implemented January 22, 2019, and the incorporation of this ordinance limits the occupancy of the subject property to 14 guests. Prior to the implementation of this Ordinance, the designed occupancy of the subject property was 16 guests. Therefore, as a result of the ordinance, the maximum occupancy of the subject has been reduced by 2 guests, or approximately -12.50%.

We are therefore opining on the difference in market value of the subject before and after the adoption of City of Destin Ordinance No. 18-29-CC, which was promulgated on January 22, 2019.

Intended Use of the Appraisal and Intended User:

The intended use of an appraisal is the manner in which a client will employ the information contained in the appraisal report. The intended use or function of an appraisal is determined by the client's needs. Because an appraisal may provide a basis for a decision concerning real property, the intended use of the appraisal depends on the decision that the client wishes to make.[2]

The intended use of this appraisal is for internal decision making purposes by the client, and for Bert Harris Act computation of damages. The intended user of this report is the client / property owner, advisors, courts and local government and regulatory agencies.

Property Rights Appraised

Real property is said to have value as a result of the "bundle of rights" that are inherent to property ownership. Regardless of the type of ownership, the owner of real property is said to have an interest in that property. The following definitions are for the three most commonly-valuated interests as defined by the Dictionary of Real Estate Appraisal, Fourth Edition.

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[1] The Appraisal of Real Estate, Twelfth Edition
[2] The Appraisal of Real Estate, Twelfth Edition

Fee Simple Interest:
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.

Leased Fee Interest:
An ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the lessee are specified by contract terms contained within the lease.

Leasehold Interest:
The interest held by the lessee (the tenant or renter) through a lease transferring the rights of use and occupancy for a stated term under certain conditions. See also negative leasehold; positive leasehold.

The subject property is being appraised 'fee simple', taking into account market conditions at the effective date of the report. Given the valuation of the subject in 'As Is' condition and the nature of the subject being a resort-rental property which is occupied on a short term or seasonal basis, fee simple basis is considered to be the appropriate valuation standard.

Date of Value Opinion
Value opinions are presented as of a specific date, taking into account market conditions at that time. The effective date of an appraisal is the date at which the analyses, opinions, and advice in an appraisal, review, or consulting service apply. (USPAP, 2018-2019 edition.)

The date of the value opinion can be current, in the past (retrospective), or forecast into the future (prospective).

The following presents definitions regarding the date of the opinion of value, as provided by the text The Appraisal of Real Estate, Twelfth Edition:

Date of Value Opinion:
The date for which an opinion of value is valid.

Current Value:
In accounting, synonymous with market value.

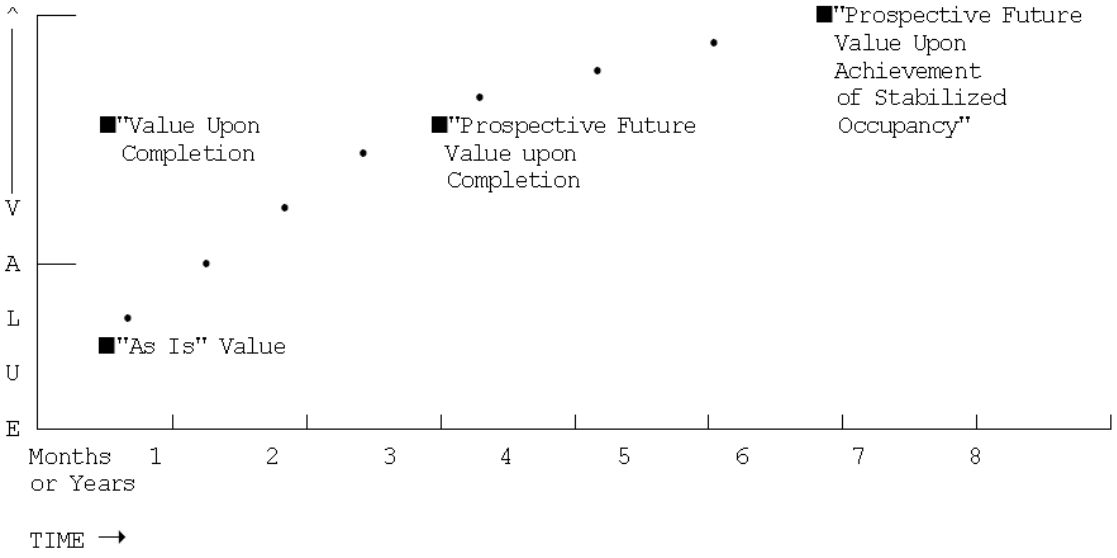
Retrospective Value Opinion:
An opinion of value that is likely to have applied as of a specified historic date. A retrospective value opinion is most frequently sought in connection with appraisals for estate tax, condemnation, inheritance tax, and similar purposes.

Prospective Value Opinion:
A forecast of the value expected at a specified future date. A prospective value opinion is most frequently sought in connection with real estate projects that are proposed, under construction, or under conversion to a new use, or those that have not achieved sellout or a stabilized level of long-term occupancy at the time the appraisal report is written.

In a prospective appraisal, the appraiser analyzes market trends to provide support for forecasted income and expense or sell-out opinions, absorption periods, capitalization rates, and discount rates as of the effective date of the appraisal. This appraisal report was prepared taking into account market conditions present as of the date of the report. The appraiser(s) can not be held responsible for unforeseen events that alter market conditions prior to the effective date of the appraisal.

The following graph presents a graphical depiction of the above-described date of value opinions and their associated position within a potential overall development time scenario.

Value Creation Continuum[1]



The preceding exhibit graphically displays the creation of value in a real estate development project over time, assuming a zero inflation environment for clarity of presentation.

1 Code of Federal Regulations, Title 12, as amended by the Federal Home Loan Bank Board.

Basis of the Subject Value Opinion

The four time differential values on the preceding graph which may be considered in the appraisal of proposed developments are defined as follows:

(1) **"As Is"** means an estimate of the market value of a property in the condition observed upon inspection and as it physically and legally exists without hypothetical conditions, assumptions, or qualifications as of the date of appraisal.

(2) **"Value as Complete" or "Value Upon Completion"** means the market value of a property with all proposed construction, conversion, or rehabilitation hypothetically completed, or under other specified hypothetical conditions as of the date of appraisal. With regard to properties wherein anticipated market conditions indicate that stabilized occupancy is not likely as of the date of completion, this estimate of value shall reflect the market value of the property as if complete and prepared for occupancy by tenants.

(3) **"Prospective Future Value Upon Completion"** means the prospective future value of a property on the date that construction is completed, based upon market conditions forecast to exist as of that completion date.

(4) **"Prospective Future Value Upon Achievement of Stabilized Occupancy"** means the prospective future value of a property at a point in time when all improvements have been physically constructed and the property has been leased to its optimum level of long term occupancy.

The purpose of this appraisal is to derive an opinion of the Diminution in Value to the subject property associated with the implementation of City of Destin Ordinance No. 18-29-CC.

The following are the pertinent dates to the valuation, viewing, and appraisal reporting of the subject property:

Effective Date of Value Opinion:	**January 22, 2019**
Date of Viewing:	**August 2, 2019**
Date of Appraisal Report:	**September 23, 2019**
Date of Photographs:	**August 2, 2019**

Definition of Value

The definition of "Market Value", as defined by the Office of the Comptroller of Currency (OCC) under 12 CFR, Part 34, Subpart C-Appraisals, 34.42 Definitions, the Board of Governors of the Federal Reserve System (FRS) and the Federal Deposit Insurance Corporation in compliance with Title XI of FIRREA, as well as by the Uniform Standards of Appraisal Practice as promulgated by the Appraisal Foundation, is as follows.

> Market value means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby,
>
> 1. Buyer and seller are typically motivated;
>
> 2. Both parties are well informed or well advised, and acting in what they consider their own best interest;
>
> 3. A reasonable time is allowed for exposure in the open market;
>
> 4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
>
> 5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Policy Statement of the Appraisal Institute

It is improper to base a conclusion or opinion of value upon the premise the racial, ethnic, or religious homogeneity of the inhabitants of an area or of a property is necessary for maximum value.

Racial, religious, and ethnic factors are deemed unreliable predictors of value trends or price variance.

It is improper to base a conclusion or opinion of value, or a conclusion with respect to neighborhood trends, upon stereotyped, biased presumptions relating to the effective age or remaining life of the property being appraised or the life expectancy of the neighborhood in which it is located.

FACTUAL DESCRIPTIONS

Property Description

Summary of Site Characteristics and Improvements

SITE	
Information Sources:	Deed, assessment records, inspection, owner
Total Site Size:	+/-0.45-Acre
Usable Site Size:	+/-0.45-Acre
Excess Land:	0.00 acres
Corner Lot:	The site is not a corner lot.
Visibility:	The subject site benefits from visibility from Magnolia Drive (which parallels the western boundary). The subject site is considered to have good visibility for the subject market area.
Shape:	Irregular (Functional). See aerial photograph / property appraiser map for a visual depiction of the site shape and parcel.
Road Frontage/Access:	The subject features direct access from Magnolia Drive, a two lane secondary residential roadway.
Waterfront Proximity:	The subject is located approximately 600 feet north of the Beaches of the Gulf of Mexico and is well-positioned as a resort rental property which would capitalize on its close proximity to the beaches to the south.
Drainage:	Drainage appears adequate for the subject property. Drainage on the subject site meets current standards for storm water retention. The subject property is considered typical with regard to other similar properties in the subject market area.
Potential For Environmental Contamination:	The appraisers have not observed, nor are qualified to detect, the existence of potentially hazardous material or underground storage tanks which may be present on or near the subject site. The appraisers recommend that an environmental survey be attained to assure the environmental stability of the subject property. This appraisal assumes no subsoil contamination of the subject site.

Utilities:

*Electricity***:** Electricity is provided by Gulf Power, Inc. Standard service capacity exists at the subject property with adequate capacity to service the subject existing improvements.

Sewer: Public sewer is provided and is on site.
Water: Public water is provided and is on site.
Natural Gas: Natural Gas service is provided and is on site.

Adequacy: Utility service is considered adequate for the subject improvements and at least standard for the subject market area.

Site Improvements: Site improvements present on the subject at the time of inspection included extensive concrete driveway/parking, utilities, landscaping, a heated swimming pool with concrete pool deck area.

Landscaping: The subject features very good quality landscaping with various plantings and grassy areas with irrigation.

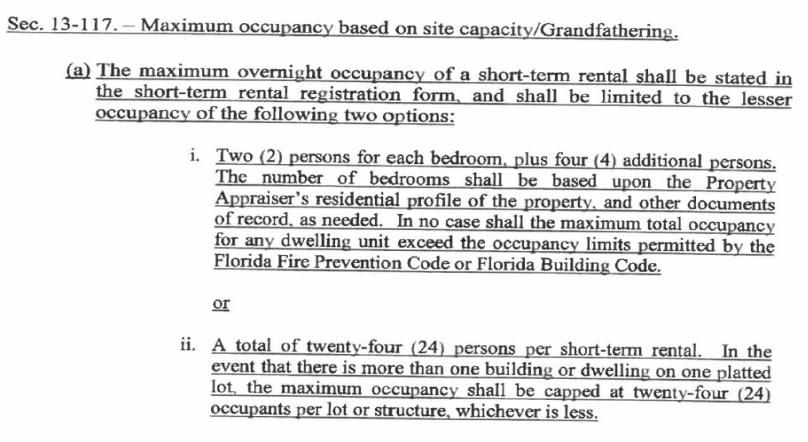
Site Utility: Good

Flood Zone: The subject is located in an area mapped by the Federal Emergency Management Agency (FEMA). The subject property appears to be located in Flood Zone 'AE (EL 11)' as noted by the following FEMA Map Number:
FEMA Map Number: 12091C0488H 12/06/2002

Easements: We were not provided with a survey for the subject property. Our review of the appropriate maps and public records for the subject property indicated that standard utility easements exist. Our viewing did not indicate that any of these easements would adversely affect the value opinion of the subject contained herein. This appraisal assumes no easements, encroachments, or private deed restrictions which would adversely affect the value of the subject property.

Encroachments: We were not provided with a survey for the subject property. Our review of the appropriate maps and public records for the subject property did not reveal any encroachments on the subject site. Our viewing did not indicate any encroachments that would adversely affect the value opinion of the subject contained herein. This appraisal assumes no easements, encroachments, or private deed restrictions which would adversely affect the value of the subject property.

IMPROVEMENTS – AS IS	
Summary:	Good/Very Good Quality Resort Rental Residence
Architectural Style:	Modern Multi-Story Residential 'Resort Style' Single Family Home
Building Class (Marshall Valuation)	Class D, Wood Frame
Construction:	Wood Frame with Hardi-Plank Exterior
Quality:	Good/Very Good Quality Resort Residential Dwelling
Actual / Effective Age:	Actual Year Built 2004 / Actual Age 15 Years Effective Year Built 2011 / Effective Age 8 Years Per information provided by the current owner, the subject improvement was completely remodeled and updated prior to his acquisition. As the improvement has been renovated and updated and is considered to be of good/very good quality of construction and in good condition, and based on the appraiser's observations made during the inspection, it is the appraisers opinion that the subject improvement exhibits an effective year built of approximately 2011, providing for an effective age of approximately 8 years.
Condition:	Good/Very Good
Remaining Useful Life:	47 Years
Areas & Ratios:	Bedrooms: 5 Baths: 4 Gross Building Area: 4,278 Square Feet HVAC Building Area: 5,370 Square Feet Per the Okaloosa County Property Appraiser, the subject features 5 bedrooms and 4 bathrooms. Per instituted City of Destin Ordinance, the maximum number of guests will be calculated at the rate of 2 guests per bedroom based on the Property Appraiser's residential profile of the property, plus 4 additional guests. Therefore, the subject in the 'after ordinance' condition will be limited to 14 total guests. See Excerpt below.



Sec. 13-117. – Maximum occupancy based on site capacity/Grandfathering.

(a) The maximum overnight occupancy of a short-term rental shall be stated in the short-term rental registration form, and shall be limited to the lesser occupancy of the following two options:

i. Two (2) persons for each bedroom, plus four (4) additional persons. The number of bedrooms shall be based upon the Property Appraiser's residential profile of the property, and other documents of record, as needed. In no case shall the maximum total occupancy for any dwelling unit exceed the occupancy limits permitted by the Florida Fire Prevention Code or Florida Building Code.

or

ii. A total of twenty-four (24) persons per short-term rental. In the event that there is more than one building or dwelling on one platted lot, the maximum occupancy shall be capped at twenty-four (24) occupants per lot or structure, whichever is less.

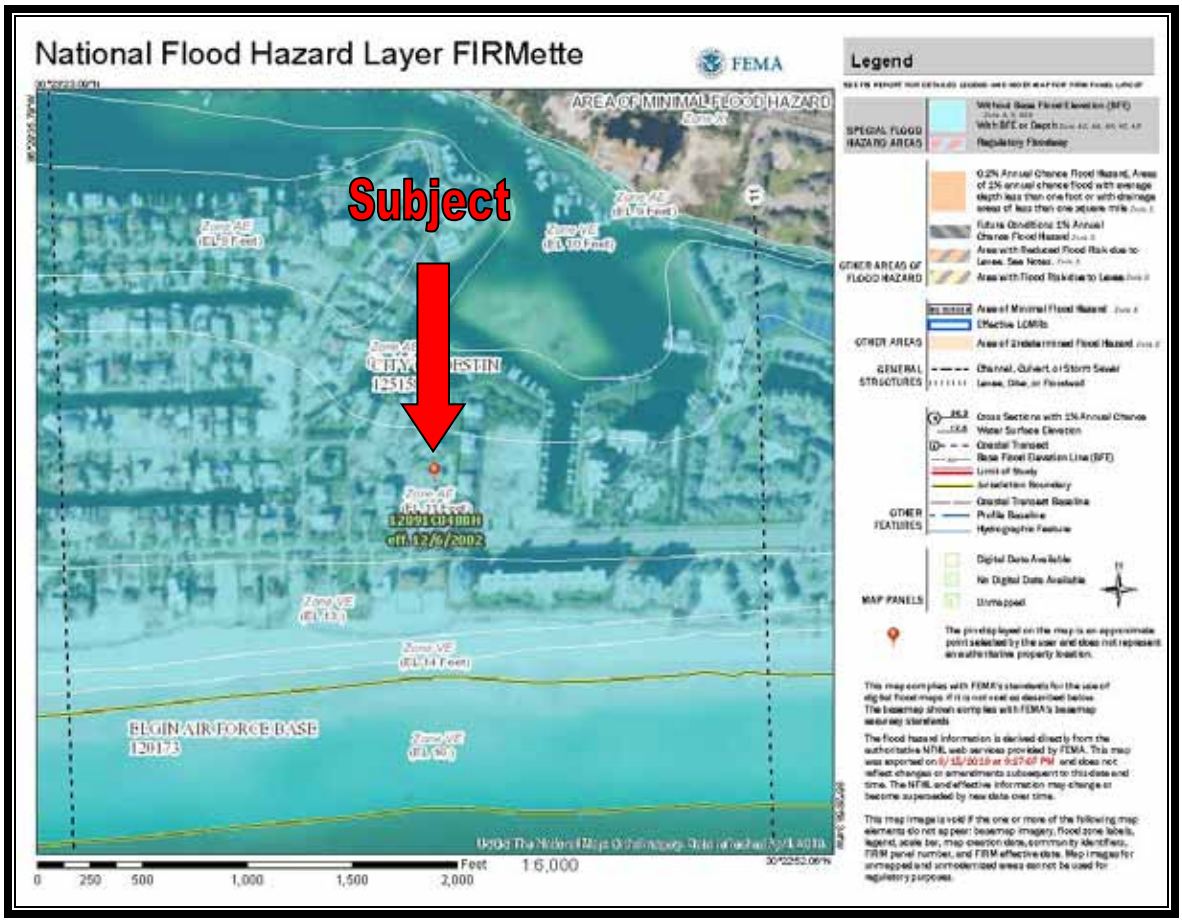
FOUNDATION, FRAME & EXTERIOR	
Foundation:	Concrete Slab, Pilings
Frame:	Wood Frame
Exterior:	Hardi-Plank Siding
Roof/Cover:	Metal, Sloped

INTERIOR	
Notes Regarding Interior Finish:	Interior finishes to the subject are of very good quality and include, but are not limited to, good quality cabinetry, stone or solid surface countertops, custom backsplashes, stainless steel appliances, and good quality bathroom and kitchen fixtures. Good quality flooring and appurtenances. The subject features a finish consistent with to slightly superior to most resort residences in the existing Destin / Crystal Beach market.
Interior Finish:	Good/Very Good Quality.
Ceilings & Ceiling Height:	Finished Ceilings throughout, generally 10-0"-20'-0" height.
Floor Cover:	Tile and Carpet. Good/Very good level of floor finish.
Doors:	Good Quality and condition solid core doors. Glass windows and doors are good quality insulated double pane impact resistant.
Additional Amenities:	The subject property has a good/very good level of finish with good design and outdoor living areas including an outdoor heated swimming pool with concrete pool deck and covered balconies/patios.

MECHANICAL SYSTEMS	
Heating / Cooling:	Multiple Individual HVAC systems.
Hot Water:	Adequate for property.
Electrical:	Adequate for property.
Plumbing:	Adequate for property.
	The subject was specifically designed as a resort rental property with planned occupancy / sleeping accommodations for 16 persons.

Regional/Area Maps

Flood Map


National Flood Hazard Layer FIRMette
FEMA
Legend
Subject
AREA OF MINIMAL FLOOD HAZARD
Zone X
Zone AE
(EL 9 Feet)
Zone AE
(EL 10 Feet)
12091C0410H
eff. 12/6/2002
Zone VE
(EL 13 Feet)
Zone VE
(EL 14 Feet)
ELGIN AIR FORCE BASE
120173
Zone VE
(EL 16)
SPECIAL FLOOD HAZARD AREAS
OTHER AREAS OF FLOOD HAZARD
OTHER AREAS
GENERAL STRUCTURES
OTHER FEATURES
MAP PANELS
Digital Data Available
No Digital Data Available
Unmapped
Feet
0
250
500
1,000
1,500
2,000
1:6,000

Flood Zone Descriptions

“A 100-year flood is a flood that has a 1-percent chance of being equaled or exceeded in any given year. A base flood may also be referred to as a 100-year storm and the area inundated during the base flood is sometimes called the 100-year flood plain.

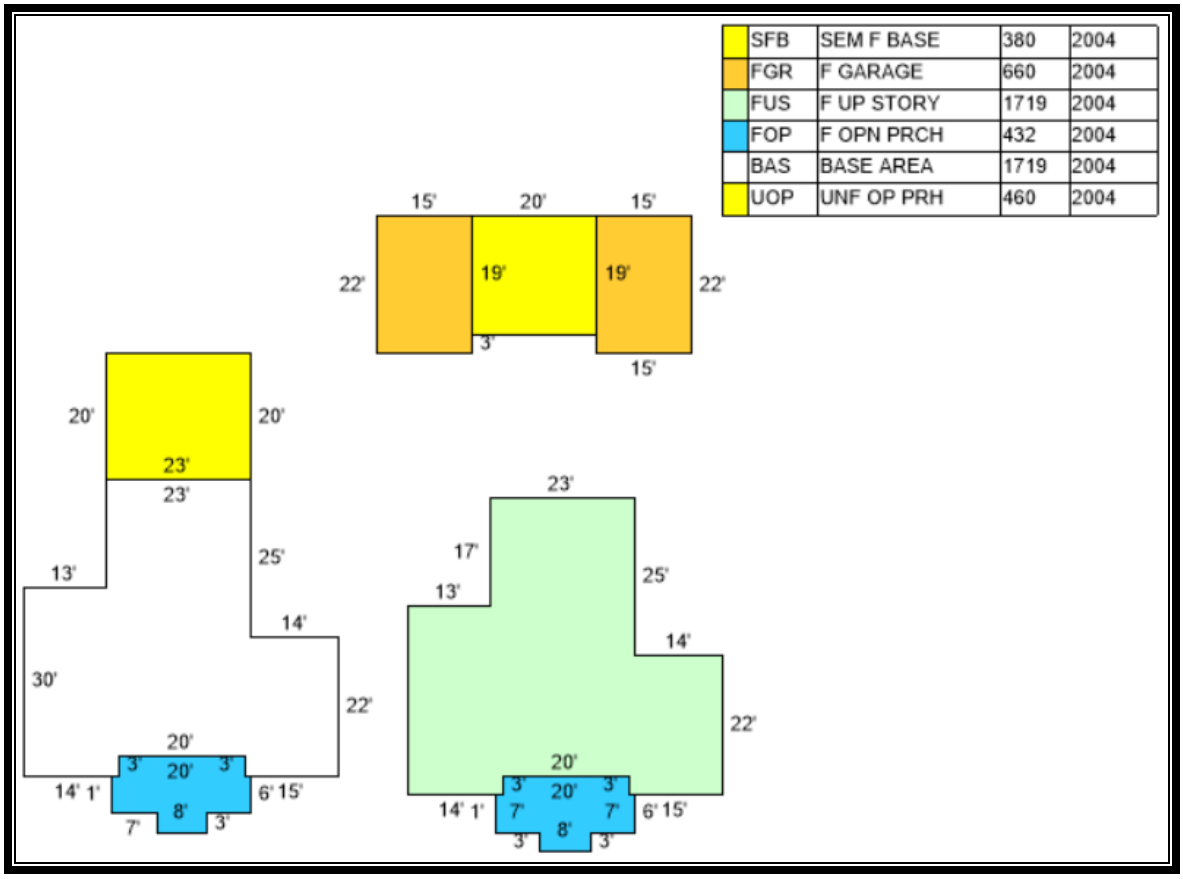
The term "100-year flood" is misleading. It is not the flood that will occur once every 100 years. Rather, it is the flood elevation that has a 1- percent chance of being equaled or exceeded each year. Thus, the 100-year flood could occur more than once in a relatively short period of time. The 100-year flood, which is the standard used by most Federal and state agencies, is used by the National Flood Insurance Program (NFIP) as the standard for floodplain management and to determine the need for flood insurance. A structure located within a special flood hazard area shown on an NFIP map has a 26 percent chance of suffering flood damage during the term of a 30-year mortgage.

Zone AE and A1-A30
Zones AE and A1-A30 are the flood insurance rate zones that correspond to the 100-year floodplains that are determined in the Flood Insurance Study by detailed methods. In most instances, Base Flood Elevations derived from the detailed hydraulic analyses are shown at selected intervals within this zone. Mandatory flood insurance purchase requirements apply.

Zone VE
Zone VE is the flood insurance rate zone that corresponds to the 100-year coastal floodplains that have additional hazards associated with storm waves. BFEs derived from the detailed hydraulic analyses are shown at selected intervals within this zone. Mandatory flood insurance purchase requirements apply.

Zones B, C, and X are the flood insurance rate zones that correspond to areas outside the 100-year floodplains, areas of 100-year sheet flow flooding where average depths are less than 1 foot, areas of 100-year stream flooding where the contributing drainage area is less than 1 square mile, or areas protected from the 100-year flood by levees. No BFEs or depths are shown within this zone.”

Building Floor Plan



We note that the area depicted as Semi-finished base on the above floor plan, is finished and utilized as a game room (bunk room).

Aerial Photograph

Subject property outlined in blue above

Subject Photographs

Subject West (Front) Elevation

Subject East (Rear) Elevation

Subject South (Side) Elevation

Subject North (Side) Elevation

Subject Parking Area (along west elevation)

Heated Pool with Concrete Deck

Subject Signage

Covered Area Under Residence

Front Entry

Interior View

Interior View

Interior View

Interior View

Interior View

Interior View

Interior View

Interior View

Interior View

Interior View

Interior View

Interior View

Interior View

Interior View

Interior View

Interior View

Interior View

Interior View

Interior View

Zoning

The subject property is designated with the Medium Density Residential – Holiday Isle (MDR-HI) zoning designation, as governed by the City of Destin.

Use of the subject for various residential, short term seasonal rental, guest house and other varied uses are legally permissible by the zoning in place.

Therefore, use of the subject as a seasonal rental property is considered legal, conforming. It is noted that the zoning category description within the land development code does not provide for any outlined maximum occupancies for the subject property or other similar properties. We therefore ascertain that prior to implementation of City of Destin Ordinance 18-29-CC occupancy of the subject for the planned number of sleeping guests of 16 was legally permissible.

City of Destin
Community Development Department
Planning Division
4200 Indian Bayou Trail, Destin, FL 32541
Phone (850) 837-4242 • Fax (850) 650-0693

ZONING DISTRICT FACTSHEET

The purpose and intent of establishing zoning districts is to ensure that all development is consistent with the goals, objectives and policies of the Comprehensive Plan, by establishing a series of zoning districts that indicate what uses are allowed and site development regulations that control the use of land in each district. All development within each zoning district shall be consistent with the purposes stated for each district. (LDC 7.12.05)

MEDIUM DENSITY RESIDENTIAL – HOLIDAY ISLE (MDR-HI)

Purpose and intent: The Medium Density Residential - Holiday Isle Apartment zoning district shall apply to areas developed, redeveloped and/or maintained and conserved as permanent or seasonal single-family detached or multi-family attached residential dwelling units. It is the intent of the MDR - HI zoning district to specifically not allow the following uses to be located in the district: commercial hotels, motels, bed and breakfast establishments, or other commercial transient living accommodations; and all non-residential uses.

Table 7-2: Table of Allowable Uses (excerpt from LDC 7.12.06)

PERMITTED USES:

Permanent or long-term residential uses

Single-family detached dwelling
Multi-family attached dwelling
Guest house [1]
Accessory dwelling
Single room occupancy housing

Seasonal or short-term residential uses

Single-family detached dwelling
Multi-family attached dwelling

Other residential uses

Community residential home, small (1-6)
Family day care home

CONDITIONAL USES:

Other residential uses

Community residential home, large (7-14)

ACCESSORY USES:

Uses and structures which are customarily accessory, clearly incidental and subordinate to permitted uses and structures, including home occupations and off-site businesses.

Footnotes:

1 Guest houses are permitted only if the owner of the subject property occupies the primary dwelling as his/her main residence. However, guest houses shall not be rented out separately from the main residence. (refer to LDC section 7.12.04.M).

Table 7-3: Schedule of Dimensional Requirements in Zoning Districts (excerpt from LDC 7.12.08)
(all dimensions in feet)

Medium Density Residential – Holiday Isle (MDR-HI)			
Dwelling Units		**1**	**2+**
Minimum Lot Area (square feet)		7,500	None
Minimum Lot Size	Width	70	None
	Depth	100	None
Maximum Building Height / Stories	Tier 1	35/3	35/3
	Tier 2	N/A	N/A
	Tier 3	N/A	N/A
Setbacks	Front	20	C/D
	Side	7½	C/D
	Rear	10	C/D
Maximum Density (units per acre)	Tier 1	5.81	9.99
	Tier 2	N/A	N/A
	Tier 3	N/A	N/A
Maximum Floor Area Ratio	Tier 1	N/A	N/A
	Tier 2	N/A	N/A
	Tier 3	N/A	N/A
Minimum Open Space (%)	Tier 1	25%	25%
	Tier 2	N/A	N/A
	Tier 3	N/A	N/A

Footnotes:

C For all structures three stories in height, the minimum front setback shall be 20 feet, the minimum side setback shall be 15 feet on each side and the minimum rear setback shall be 20 feet.

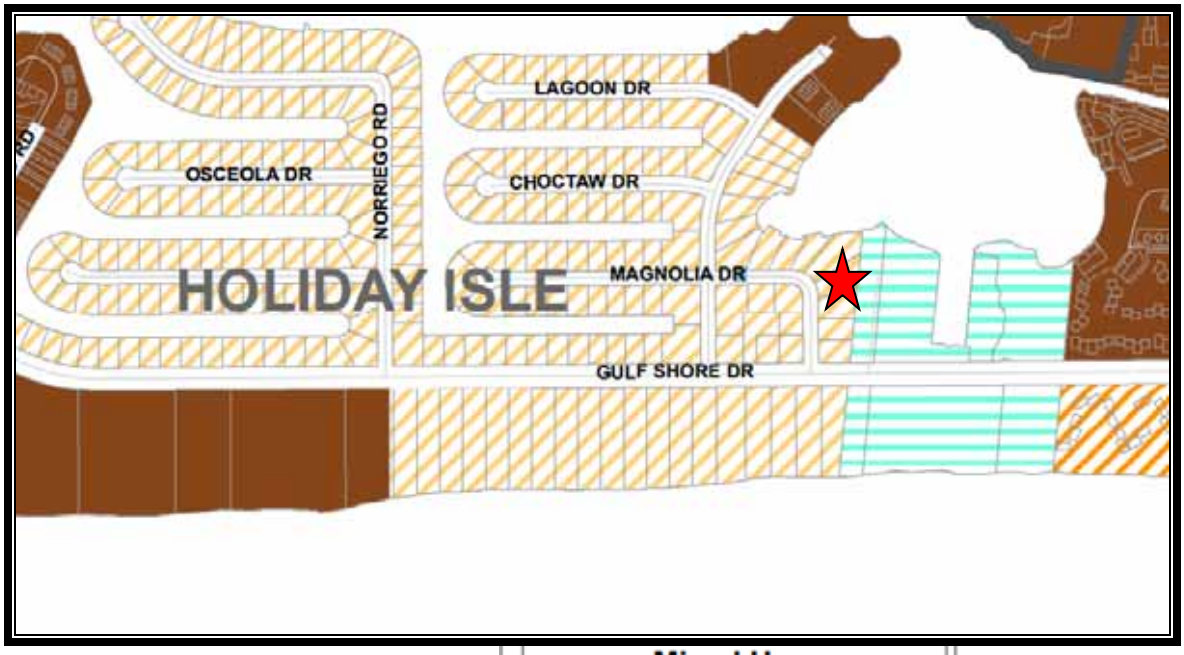
For all buildings exceeding three stories in height, the minimum front setback shall be 20 feet, the minimum side setback shall be 20 feet and increased by two feet on each side for each story exceeding four stories, and a minimum 25-foot rear yard setback shall be required.

Within the Old Destin MMTD, no minimum front, side or rear setbacks are required, except where the property line is contiguous with a BE or LDR residential district boundary; then ten-foot side and rear yards, maintained as open space, shall be provided

Buildings or structures three stories or less utilized for residential or multifamily purposes on the same lot shall be a minimum of ten feet apart. All buildings exceeding three stories in height, the distance apart on the same lot shall be increased by two feet for each story exceeding three stories with a maximum of 50 feet between buildings being required. There are no minimum spacing requirements between residential, nonresidential, mixed-use or multifamily buildings located on the same lot in the Old Destin MMTD

D For all structures two stories or less in height, the minimum front setback shall be 20 feet, and no side or rear yards are required except where property line is contiguous with residential district boundary; then a ten-foot yard, maintained as open space, shall be provided. Within the Old Destin MMTD, no minimum front setback is required.

Zoning Map



Residential

- BE - Bay Estates
- LDR-V - Low Density Residential - Village
- LDR-HI - Low Density Residential - Holiday Isle
- LDR-H - Low Density Residential - Harbor
- MDR-V - Medium Density Residential - Village
- MDR-HI - Med. Density Resid. - Holiday Isle
- HDR - High Density Residential
- CBN - Crystal Beach Neighborhood

Mixed Use

- CBR - Crystal Beach Resort
- ROI-CBR - Residential, Office, & Institutional - Crystal Beach Residential
- ROI-GD - Residential, Office, & Institutional - General Development
- ROI-TD - Residential, Office, & Institutional - Tourist Development
- ROI-VR - Residential, Office, & Institutional - Village Residential
- CMU - Calhoun Mixed Use
- TCMU - Town Center Mixed Use
- HIMU - Holiday Isle Mixed Use
- GRMU - Gulf Resort Mixed Use
- NHMU - North Harbor Mixed Use
- SHMU - South Harbor Mixed Use
- BRMU - Bay Resort Mixed Use

Assessment and Taxes

Tax Structure, Overview

Florida Law requires that the just value of all property be determined each year. The Supreme Court of Florida has declared "just value" to be legally synonymous to "full cash value" and "fair market value." The fair market value of real property is the amount for which it could sell on the open market, and assumes the present use is the highest and best use. The property appraiser analyzes these market transactions annually to determine fair market value as of January 1 of each year.

The property appraiser is responsible for identifying, locating, and fairly valuing all property, both real and personal, within the county for tax purposes. The "market" value of real property is based on the current real estate market, and is determined by market participants. The property appraiser has the legal responsibility to study the transactions of market participants and appraise real property accordingly.

At least once every three years, the county property appraiser or a staff appraiser will visit and inspect each property. Additionally, individual property values may be adjusted between visits in light of sales activity or other factors affecting real estate values in the subject neighborhood. Sales of similar properties are typically used as strong indicators of value in the real estate market.

Each August, the Property Appraiser sends a "Notice of Proposed Taxes," to all property owners to notify them of the taxable value of their property. Taxable value is the assessed value less any exemptions. The TRIM notice also gives information on proposed millage rates and taxes as estimated by community taxing authorities, and when and where these taxing authorities will hold public meetings to discuss tentative budgets to set your millage tax rates.

The property appraiser only assesses all property in the county and is neither a taxing authority nor a tax collector. Three separate government entities, each having unique and distinct roles, determine the tax bill of any property in their jurisdiction.

The following is a summary of the process:

> First the property appraiser annually appraises all property in their respective county at the market value as of January 1 each year.
>
> Second, each taxing authority within the county sets their own millage rate based on the amount of tax dollars necessary to fund their annual budget.
>
> Finally, the tax collector takes the amount of taxes due in order to bill and collect all taxes levied within the county.

Tax Collector Card

BEN ANDERSON
Okaloosa County Tax Collector

MAIL PAYMENTS TO: P.O. BOX 1390, NICEVILLE, FL 32588

2018 Paid Real Estate
Notice of Ad Valorem Tax and Non-Ad Valorem Assessments

ACCOUNT NUMBER	ESCROW CD	MILLAGE CODE	ALTERNATE KEY	PROPERTY ADDRESS
00ZS242186000C0040		DEDF	1020095	8 MAGNOLIA, DESTIN, 32541

OLLIE'S BREEZE LLC
PO BOX 9734
COLLEGE STATION, TX 77842

8 MAGNOLIA

HOLIDAY ISLE
LOT 4 BLK C

AD VALOREM TAXES

TAXING AUTHORITY	MILLAGE RATE	ASSESSED VALUE	EXEMPTION AMOUNT	TAXABLE VALUE	TAXES LEVIED
OKALOOSA COUNTY BD OF CO COMMS					
EMERGENCY MEDICAL SERVICES	0.0741	667,020	0	667,020	49.42
GENERAL	3.7214	667,020	0	667,020	2,482.25
COUNTY PUBLIC HEALTH UNIT	0.0353	667,020	0	667,020	23.54
SCHOOL LOCAL	2.2480	667,020	0	667,020	1,499.46
SCHOOL STATE	4.1130	667,020	0	667,020	2,743.45
NORTHWEST WATER DISTRICT	0.0338	667,020	0	667,020	22.55
CITY OF DESTIN	1.6150	667,020	0	667,020	1,077.24
DESTIN FIRE DISTRICT	1.0000	667,020	0	667,020	667.02

EXEMPTIONS APPLIED:

TOTAL MILLAGE	12.8406	AD VALOREM TAXES	$8,564.94

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NON-AD VALOREM ASSESSMENTS

LEVYING AUTHORITY	RATE	AMOUNT
OKALOOSA BEACH RESTORATION MSB		0.00

PAY ON LINE WITH CREDIT/DEBIT CARD AT www.OkaloosaTax.com - BANK CARD USER FEE WILL APPLY

NON-AD VALOREM ASSESSMENTS	$0.00

COMBINED TAXES AND ASSESSMENTS	$8,564.94

PAYING ONLINE VIA
E-CHECK IS FREE
Visit www.OkaloosaTax.com

PAY YOUR BILL

"PAY ONLINE, NOT IN LINE"

RETAIN THIS PORTION FOR YOUR RECORDS
WALK-IN CUSTOMERS PLEASE BRING FOR RECEIPT
AFTER MARCH 31ST, TAXES MUST BE PAID WITH CASH, CASHIER'S CHECK OR MONEY ORDER.

If Postmarked By	Jan 31, 2019
Please Pay	$0.00

BEN ANDERSON
Okaloosa County Tax Collector

MAIL PAYMENTS TO: P.O. BOX 1390, NICEVILLE, FL 32588

2018 Paid Real Estate
Notice of Ad Valorem Tax and Non-Ad Valorem Assessments

ACCOUNT NUMBER	ESCROW CD	MILLAGE CODE	ALTERNATE KEY	PROPERTY ADDRESS
00ZS242186000C0040		DEDF	1020095	8 MAGNOLIA, DESTIN, 32541

PRIOR TO MARCH 31ST TAXES CAN BE PAID USING CASH, CHECK, CREDIT/DEBIT CARDS OR E-CHECK

If Postmarked By	Jan 31, 2019
Please Pay	$0.00

OLLIE'S BREEZE LLC
PO BOX 9734
COLLEGE STATION, TX 77842

8 MAGNOLIA

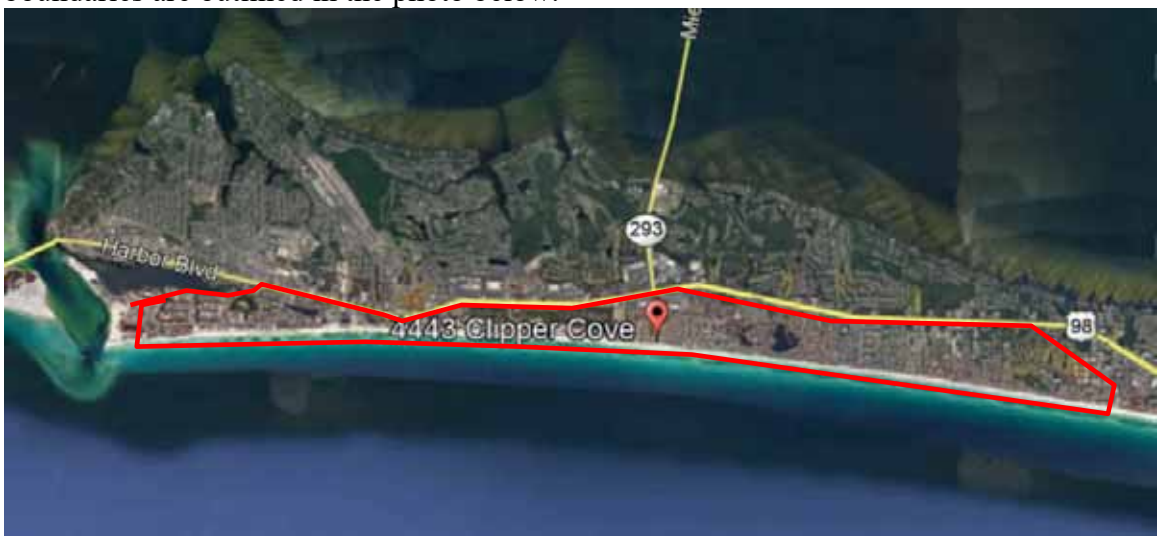
HOLIDAY ISLE
LOT 4 BLK C

Paid OLLIES BREEZE LLC 01/10/2019 Receipt # 350-1800079 Check $8,393.64

ANALYSIS OF DATA AND OPINIONS OF THE APPRAISERS

Market Area Summary / Neighborhood Information

The subject property is located in the Destin-Miramar Beach market area, which is bounded by the Destin Harbor / East Pass to the West, US Highway 98 and the waters of the Destin Harbor to the North, the Gulf of Mexico to the South and the intersection of US Highway 98 / Scenic Gulf Drive to the East. The approximate neighborhood boundaries are outlined in the photo below.



This is a resort area driven primarily by proximity to area beaches and resort activities. The predominant property type in the area is of second home and seasonal vacation properties with far fewer full-time residents than seasonal occupants.

Many second home and resort area property owners rent their properties on a seasonal basis to either offset costs of ownership or in the pursuit of income generation potential, and the seasonal income attributed to a property is often a significant factor contemplated by purchasers in the market when evaluating a purchase decision.

We have witnessed a trend for increased rental demand of larger resort residences which can accommodate larger groups for family reunions, large family vacations, etc.

This has led to the construction of larger and larger seasonal resort rental homes to serve this need. These larger properties often witness more robust demand and income generation potential than smaller properties with less sleeping capacity where vacationing groups would otherwise be required to split between several locations.

In summary, the subject is sited directly in an area that is geared toward seasonal rental operations, be it solely for the purpose of income generation potential or as an offset to the costs of personal use. The ability to rent a property seasonally remains a significant motivator for market participants and weighs heavily in their buy-sell decision making process. A restriction that negatively impacts the ability to seasonally rent a resort property is estimated to have a significant negative impact on the value of this asset class.

Highest and Best Use

The definition of "highest and best use" is presented unabridged in the definitions section of this report. However, in brief, highest and best use refers to the reasonably probable and legal use of vacant land or an improved property, which is legally permissible, physically possible, appropriately supported, financially feasible, and that results in the highest value, i.e. maximally productive.[3]

Objective analysis and interpretation of market data leads to an informed opinion of that use. However, the estimate of highest and best use should not be interpreted as a provable fact. A typical highest and best analysis evaluation process and pertinent questions which aid in the elimination of possible alternatives are presented below.

1. **Permissible Use.** What uses are permitted by zoning and other legal restrictions? What are the land use controls that will govern the site? Uses that are *legally permissible* are those allowed under current or likely zoning and those that could meet building codes. In addition, local communities may have restrictions on public utility loads, traffic creation, access restrictions, and so on, all of which must be considered when selecting legally permissible uses

2. **Physically Possible Use.** To what use is the site physically adaptable? What is an appropriate improvement given architectural / engineer study? Unless prohibited by soil or subsoil problems or land size constraints, it is *physically possible* to place most potential improvements on the site. Usually this test, if performed first or second, will not significantly reduce the number of potential uses.

3. **Feasible Use.** Which possible and permissible use will produce any net return to the owner of the site? Should the land be developed, and if so, what kind of improvement should be built? If an improvement should be constructed, what is the type and characteristics of an ideal improvement? Uses that are considered economically or financially feasible are those that potentially would logically produce net operating income and net resale price levels high enough to adequately support construction of the potential improvement and provide the investor with a reasonable profit. Implicit to this analysis is that riskier projects require higher profit levels to induce potential developers to undertake the burden of coordination of land, labor and capital.

4. **Maximally Productive Use.** The final test is to determine of the financially feasible options, which of these would result in the highest land value or values as

[3] The Appraisal of Real Estate, Twelfth Edition

improved. Among the feasible uses which use will produce the highest net return, (i.e., the highest present worth)? If there are existing improvements on the property should they be maintained in their current state or should they be altered to more closely resemble the ideal improvement?

Although these criteria are generally evaluated sequentially, the resulting conclusion of highest and best use should be identical regardless of the order of application of the above tests.

Implied within this definition is that the estimation of the highest and best use for a particular property results from the appraisers' judgment and analytical skill with respect to the market for that particular property.

However, the highest and best use of a specific parcel of land is not just a matter of subjective opinion; rather, highest and best use is indicated by supply and demand forces within the market where the property is located, availability of capital, supply of alternative investments, need for additional products or services within a community, and other factors.

Highest and Best Use 'As Is'

The highest and best use 'As Is' recognizes among all reasonable, alternative uses, the use that yields the highest present land value after payments are made for labor, capital, and entrepreneurial coordination.[4]

We have evaluated the most probable uses for the subject property, 'As Is', given the current market for resort residential rental property and recent development activity in the subject market area.

Legally Permissible

The subject property is designated with the Medium Density Residential – Holiday Isle (MDR-HI) zoning designation, as governed by the City of Destin. Use of the subject for various residential, short term seasonal rental, guest house and other varied uses are legally permissible by the zoning in place.

Therefore, use of the subject as a seasonal rental property is considered legal, conforming. It is noted that the zoning category description within the land development code does not provide for any outlined maximum occupancies for the subject property or other similar properties. We therefore ascertain that prior to implementation of City of Destin Ordinance 18-29-CC occupancy of the subject for the planned number of sleeping guests of 16 was legally permissible. After implementation of City Ordinance 18-29-CC, the subject will be limited to a total of 14 sleeping guests.

Therefore, use of the subject as a resort residential property is legally permissible. Use of the subject prior to Ordinance implementation for occupancy by up to 16 guests was permitted, however after implementation of the Ordinance occupancy is limited to 16 guests.

Physically Possible

The subject property is generally level, well-drained, and at or level with the existing road grade of Magnolia Drive and features sufficient parking and site improvements to operate in the designed capacity for 16 occupants.

The subject represents a well-constructed resort residential property with multiple bedrooms, bathrooms, a heated in ground pool, kitchen, and living areas, etc. The subject has been specifically configured for occupancy as a resort rental property, and features all necessary components for operation as intended, with a designed occupancy of 16 overnight guests.

Therefore, use of the subject as a resort residential rental property for 16 sleeping guests is physically possible.

[4] The Appraisal Of Real Estate, Twelfth Edition

Financially Feasible
Demand for resort residential properties in the subject market area has improved in the previous 24-48 month period, with a number of increased transactions. Most market participants would describe the market for similar properties as robust.

As described in the market analysis section of this report, the predominant property type in the market area is of second home and seasonal vacation properties with limited full-time residents.

Many property owners rent their properties on a seasonal basis to offset costs of ownership or for income generation potential, and the income a property can generate is often a significant factor contemplated by purchasers in the market. This can be done with or without the assistance of a professional property manager.

We have witnessed a trend for increased rental demand of resort residences which can accommodate larger groups for family reunions, large family vacations, etc. This has led to the construction and renovation of seasonal resort rental homes to serve this need.

Reference the subject, the property was specifically configured to house up to 16 sleeping guests. Similar properties in the market (and the subject property) achieve sufficient income to provide an adequate return on investment to be definitively financially feasible, however this financial feasibility is directly linked to occupancy.

The recently-implemented City of Destin Ordinance 18-29-CC serves to reduce occupancy of the subject to no more than 14 persons, a net reduction in occupancy of -12.50%.

This no doubt will impact the income generation potential of the property and associated net income, as now the improvement which was configured for 16 guests will be limited to 14; But, the predominant costs of ownership remain the same.

This ordinance inevitably lowers net income to the property owner- a situation that has no result other than to reduce the value of the asset in its respective marketplace where income generation potential is valued by prospective purchasers.

Therefore, use of the subject as a resort rental property is considered to be financially feasible. However, it is noted that the reduction in permissible occupancy by Ordinance 18-29-CC is estimated to impact the financial performance and associated market value of the subject property negatively.

Maximally Productive Given the legally permissible, physically possible, and financially feasible uses of the subject property we are of the opinion that the maximally productive use of the subject property 'As Is' is for continued resort rental use at the occupancy for which is was specifically configured (ie. 16 guests).

This use will certainly bring the highest net return to the land. While operation in a reduced occupancy capacity (as dictated by City of Destin Ordinance 18-29-CC) is still possible, the impact to the income generation potential is significant, as the occupancy has now been reduced by -12.50% based on number of persons.

This ordinance inevitably reduces gross and net income to the property owner, resulting in a reduced financial benefit of ownership and negative impact to market value.

Therefore, use of the subject as a seasonal rental property is considered legal, conforming. It is noted that the zoning category description within the land development code does not provide for any outlined maximum occupancies for the subject property or other similar properties. We therefore ascertain that prior to implementation of City of Destin Ordinance 18-29-CC occupancy of the subject for the planned number of sleeping guests of 16 was legally permissible.

Valuation Methodology - Overview

The appraisal analysis is based on analytical techniques that may encompass anticipation of costs to be incurred, and benefits to be derived in the future; however, the subject is appraised as described in this report, including only those assumptions also described in this report.

This appraisal analysis has been conducted, and the appraisal report was prepared in conformance with the requirements of Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA).

The valuation process is a systematic procedure an appraiser follows to provide answers to a client's questions about real property value.[1] Three basic approaches may be used to arrive at an estimate of market value. They are:

1. The Cost Approach
2. The Income Approach
3. The Sales Comparison Approach

Land Valuation Methodology

Land Valuation is generally a component of the Cost Approach in appraisal of an improved property. In most appraisal analyses, separate land valuation is conducted utilizing the Sales Comparison Approach.

Cost Approach Methodology

The cost approach is a reliable methodology for new, nearly new or special-use buildings. In the cost approach, value is estimated as the current cost of reproducing or replacing the existing or proposed improvements and site improvements (including direct and indirect costs as well as an appropriate entrepreneurial incentive or profit), and then deducting the loss in value from depreciation due to physical, functional, and external sources.[5]

The depreciated replacement or reproduction cost of the improvements is then added to the value of the site resulting in a value indication of the fee simple interest in the property.

The Cost Approach is summarized as follows:

Cost New
- Depreciation
+ Entrepreneurial Incentive
+ Land Value
= Value

[5] The Appraisal of Real Estate, Twelfth Edition

Sales Comparison Approach Methodology

The sales comparison approach is premised on the "Principle of Substitution" which indicates an informed purchaser would pay no more for a property than the cost of acquiring an equally desirable substitute property possessing the same or similar utility.

This approach is applicable when an active market provides sufficient quantities of reliable data which can be verified from authoritative sources. The Sales Comparison Approach is most reliable in an active market or if an opinion of value is related to properties for which there are comparable sales available- and heavy emphasis is generally placed on this sales comparison approach when these market conditions are present.

The Sales Comparison Approach compares sales of similar properties with the subject property. Each comparable sale is adjusted for its inferior or superior characteristics. The values derived from the adjusted comparable sales form a range of value for the subject. By process of correlation and analysis, a final indicated value is derived.

Income Approach Methodology

The Income Approach converts the anticipated flow of future benefits (income) to a present value estimate through a capitalization and/or a discounting process.

The income approach is recognized as a reliable approach for estimating the value of "income producing" property to an investor. The income approach consists of methods, techniques, and mathematical procedures that an appraiser utilizes to analyze a property's capacity to generate income and convert income into an indication of present value either by capitalizing the current income at a market capitalization rate, or discounting the future cash flows into a present value estimate using an appropriate yield (discount) rate. The appraisal process emulates the actions of the market, and the income approach is most applicable when the probable buyer would be an investor or prospective owner occupant. Two techniques associated with the income approach are direct capitalization and discounted cash flow analysis.

Final Reconciliation Process

In the appraisal process for improved property, typically more than one approach to value is applied, resulting in two or more value indications that must be evaluated for relevancy, applicability and reliability, and a final point value or range of value is chosen.

Resolving the differences among various value indications is called reconciliation.[6]

The appraisal process concludes with the Final Reconciliation of the values derived from the approaches applied to arrive at a single estimate or range of market value opinions. Different properties require different means of analysis and lend themselves to one

[6] The Appraisal of Real Estate, Twelfth Edition

approach over the others. As such, in the reconciliation appropriate weight is given to the most applicable and/or reliable indications of value to arrive at a conclusion.

Reconciliation is not a mathematical process. Rather, at this point in the valuation process the appraiser must reevaluate all pertinent data in the analysis for appropriateness, accuracy, and quality of evidence.

The appraiser then weighs the relative significance, applicability, and defensibility of each value indication and relies most heavily on the approach that is most appropriate to the nature of the appraisal problem.

Valuation Methodology Utilized in this Assignment

Valuation Analyses

Purpose of Assignment:	The purpose of this appraisal is to derive an opinion of the Diminution in Value to the subject property associated with the implementation of City of Destin Ordinance No. 18-29-CC. This Ordinance was implemented January 22, 2019, and the incorporation of this ordinance limits the occupancy of the subject property to 14 guests. Prior to the implementation of this Ordinance, the designed occupancy of the subject property was 16 guests. Therefore, as a result of the ordinance, the maximum occupancy of the subject has been reduced by 2 guests, or approximately -12.50%. We are therefore opining on the difference in market value of the subject before and after the adoption of City of Destin Ordinance No. 18-29-CC, which was promulgated on January 22, 2019.
Land Valuation:	An opinion of value for the subject property in 'as if vacant' condition and subsequent application of the cost approach has not been provided. The purpose of this appraisal is to evaluate the impact to the value of the subject by virtue of the implementation of City of Destin Ordinance 18-29-CC which limits occupancy of the subject and corresponding associated income generation potential. Thus, the cost to acquire land and construct a replacement property is meaningless to the purpose of the assignment and was not applied.

Sales Comparison Approach:	The improved sales comparison approach was not utilized in this appraisal assignment. The purpose of this appraisal is to evaluate the impact to the value to the subject by virtue of the implementation of City of Destin Ordinance 18-29-CC which limits occupancy of the subject and associated income generation potential. As this ordinance was just recently implemented, an adequate number of improved sales which sold after the Ordinance implementation date were not available from which to derive an opinion of market value from this approach. As sales which occurred prior to this Ordinance will reflect market transactions without this restriction, they are not considered valid indicators of value for the subject in the restricted condition. Therefore this approach could not be applied due to lack of sufficient comparable data.
Income Approach:	The income approach was applied for the subject in both the 'Before Ordinance' and 'After Ordinance' scenarios.

Income Approach

The Income Approach to value is based on the principle of anticipation, i.e. the value of property correlates to the present worth of the future rights to benefits to be received by the owner. Income approach analysis considers the property from an investor's point of view, the basic premise being that the amount and quality of the income stream are the basis for value of the property.

The income approach is applied by projecting a net income stream through analysis of the subject historical data, comparable property's income and expense information, and historical income expense information for similar properties in the subject market area.

The estimated net income is then converted to a value indication utilizing either the process of direct capitalization analysis, discounted cash flow (DCF) analysis (yield capitalization), or a combination of these methods.

Discounted Cash Flow Analysis (Yield Analysis)
Discounted Cash Flow (DCF) analysis is the procedure in which a discount rate is applied to a series of projected income streams and a reversion. The analyst specifies the quantity, variability, timing, and duration of the income streams as well as the quantity and timing of the reversion and discounts each to its present value at a specified yield rate. DCF analysis can be applied with any yield capitalization technique and may be performed on either a lease-by-lease or aggregate basis.[7]

Applicability: DCF (Yield) analysis is generally used when the net income of the property is forecast to be variable, when the property is of a sufficient size and investment value to cause market participants to evaluate purchase decisions based on DCF, or when specifically requested by the client in an assignment.

Given the nature of the subject property, a discounted cash flow analysis was not employed in this appraisal analysis, as market participants typically do not utilize DCF methodology when evaluating purchase decisions for properties such as the subject.

Direct Capitalization
Conversion of a net income to a present value dollar estimate is called capitalization. Direct capitalization is a method used to convert an estimate of a single year's income expectancy into an indication of value in one direct step, either by dividing the income estimate by an appropriate rate or by multiplying the income estimate by an appropriate factor. This technique employs capitalization rates and multipliers extracted from sales. Only the first year's income is considered. Yield and value change are implied, but not identified.

[7] The Dictionary of Real Estate Appraisal, Fourth Edition

Applicability: Direct Capitalization analysis is generally appropriate for small to medium sized income-producing properties, in stable markets, single tenant or multi-user-oriented properties, or those with a forecast stable income stream.

Direct Capitalization is utilized in this appraisal given the subject market environment, the character of the subject property in the local market, and the tendency for market participants to use direct capitalization analysis when evaluating investment thresholds and financial benefits for similar property.

The steps involved in capitalizing the subject's net operating income are as follows:

- Develop the subject's Potential Gross Income (PGI) through analysis of the subject's actual historic income and an analysis of competitive current market income rates.

- Estimate and deduct vacancy and collection losses to develop the Effective Gross Income (EGI).

- Develop and subtract operating expenses to derive the Net Operating Income (NOI).

- Develop the appropriate capitalization rate (R_o).

- Divide the net operating income by the capitalization rate for an estimate of value through the income approach.

The reliability of a value found by this approach depends on an appraiser's ability to forecast and support income forecasts and to apply the appropriate income capitalization technique to arrive at the value estimate. When estimating market value, the income forecast must be considered by the appraiser to be typical and the income capitalization techniques must reflect the way investors usually estimate value.

Valuation of a Fee Simple Interest by the Income Approach
When estimating the value of the fee simple interest by the income approach, the annual operating income is forecast assuming market levels. The term "market levels" means that the income and expenses are set at levels considered suitable for the subject property after comparing it to similar properties under current market conditions. Rental rates are projected based on expected market rents and vacancy, and collection loss is based on what is typical in the market for properties renting at the market rate.

Estimate of Potential Gross Income (PGI)

Potential Gross Income is the total income attributable to real property at full occupancy before vacancy and operating expenses are deducted. Potential Gross Income includes the sum of potential rental income, other income, and expense recoveries. The income and expense history of the subject property is described below.

Property Income / Use History:
The property owner provided us with historical rental income and expense data the subject property.

The income generated by the subject property as provided by the property owner for the first year of use in the rental cycle (the previous 2018 rental year), was $92,942, or $5,808.88 per sleeping guest based on a published occupancy of 16 guests.

We again mention that the subject property is a resort residential property that was specifically configured for income generation potential based on a sleeping occupancy load of 16 persons. This is the basis of the 'Before Ordinance' valuation scenario.

As a result of the implementation of City of Destin Ordinance 18-29-CC, the subject is now limited to a maximum sleeping occupancy of 14 persons, or a reduction of approximately -12.50%. This is the basis of the 'After Ordinance' valuation scenario.

We now seek to formulate an opinion of probable annual gross income due the subject in the 'Before Ordinance' configuration with a sleeping occupancy of 16 guests and in the 'After Ordinance' configuration with a sleeping occupancy of 14 guests.

Market Rent Based on Occupancy
The appraiser has researched the local market area in order to derive potential subject market rents based on the respective occupancy levels in the 'before' and 'after' configurations.

We will present a table of comparable gross rental income for comparable resort residential properties for both the 'before' and 'after' occupancy categories. The following table outlines comparable rentals of residential resort rental homes in the subject market area with a sleeping capacity of 12-19 guests (before ordinance), then for 12-18 guests (after ordinance).

COMPARABLE RENTAL SCHEDULE, SLEEPING OCCUPANCY APPROXIMATELY 16 PERSONS 'Before Ordinance' Dataset					
Address	Sleeping Capacity	HVAC SF	Year Built	Annual Gross Income	Gross Income Per Sleeping Occupant
212 Kono Way	12	2,130	2015	$74,815	$6,235
56 Kokomo Row	12	3,433	1997	$86,667	$7,222
4835 Ocean Boulevard	14	3,546	1981	$79,885	$5,706
83 Sunfish Street	16	2,450	1994	$96,000	$6,000
4443 Clipper Cove	16	2,244	1993	$102,429	$6,402
91 Barracuda Street	18	3,320	2007	$139,577	$7,754
4735 Ocean Boulevard	18	4,263	2003	$157,980	$8,777
113 Los Angeles Street	19	3,122	2005	$137,308	$7,227
SUBJECT FORECAST REVENUE	*16*	*4,278*	*2011 (Eff)*	*$92,942*	*$5,809*
Comparable Statistics*					
Minimum	12	2130	1981	$74,815	$5,706
Maximum	19	4263	2015	$157,980	$8,777
Average	16	3064	1999	$109,333	$6,915
Median	16	3221	2000	$99,215	$6,812
*Subject Data Excluded From Statistical Calculations					

The array of comparable rentals above exhibited a range of income per guest per year of between $5,706 and $8,777 per occupant.

Based on market rent comparables, the appraiser is of the opinion that the historical income generated by the subject property in 2018 was below market for properties sharing the same characteristics of the subject property (i.e. location, age, size, quality of construction/condition, sleeping occupancy, amenities, etc.). The appraiser does however recognize that owners often lower rents on a rental property during the first few months of use in an effort to build client base and that once the property has an established client base these rates typically increase. Therefore we will utilize market rent for the subject property based on the data presented by the above market comparables.

In consideration of the data above, we consider that an appropriate conclusion of gross annual rent per sleeping occupant is supported at $7,600 per sleeping space consistent with similar properties within the subject market area, which is within the range of comparable rental data presented.

CONCLUSION OF POTENTIAL GROSS ANNUAL RENT, SUBJECT SLEEPING OCCUPANCY OF 16 PERSONS 'Before Ordinance'				
Address	Sleeping Capacity	HVAC SF	Concluded Annual Gross	Calculated Conclusion of Annual Gross Income
Subject Property	*16*	*4,278*	*$7,600*	*$121,600*

COMPARABLE RENTAL SCHEDULE, SLEEPING OCCUPANCY OF APPROXIMATELY 14 PERSONS 'After Ordinance' Dataset						
Address		Sleeping Capacity	HVAC SF	Year Built	Annual Gross Income	Gross Income Per Sleeping Occupant
212 Kono Way		12	2,130	2015	$74,815	$6,235
56 Kokomo Row		12	3,433	1997	$86,667	$7,222
4835 Ocean Boulevard		14	3,546	1981	$79,885	$5,706
83 Sunfish Street		16	2,450	1994	$96,000	$6,000
4443 Clipper Cove		16	2,244	1993	$102,429	$6,402
91 Barracuda Street		18	3,320	2007	$139,577	$7,754
4735 Ocean Boulevard		18	4,263	2003	$157,980	$8,777
	Minimum	12	2,130	1981	$74,815	$5,706
	Maximum	18	4,263	2015	$157,980	$8,777
	Average	15	3,055	1999	$105,336	$6,871
	Median	16	3,320	1997	$96,000	$6,402
*Subject Occupancy Limited by City of Destin Ordinance 18-29-CC						

The array of comparable rentals above exhibited a range of income per guest per year of between $5,706 and $8,777 per occupant. In consideration of the data above, we consider that an appropriate conclusion of gross annual rent per sleeping occupant is supported at the upper end of the range, in consideration of the location and larger size of the structure per number of occupants. We therefore estimate an annual rent of $7,800 per sleeping space is supported.

CONCLUSION OF POTENTIAL GROSS ANNUAL RENT, SUBJECT SLEEPING OCCUPANCY OF 14 PERSONS 'After Ordinance'				
Address	Sleeping Capacity	HVAC SF	Annual Gross Income	Calculated Conclusion of Annual Gross Income
Subject Property	*14*	*4,278*	*$7,800*	*$109,200*

In the preceding section of the report we derived an opinion of probable gross annual rent due the subejct in both the 'Before Ordinance' ($121,600) and 'After Ordinance' ($109,200) conditions. The result was a decrease in annual income as a result of the reduced sleeping capacity of -10.19% commensurate with the decrease in ocupancy from 16 to 14 persons or -12.50%.

We now seek to evaluate the expenses pertinent to the subject in order to forecast Net Operating Income in both the Before and After scenarios.

Estimation of Operating Expenses

Vacancy and Collection Loss
As we forecast income based on comparable rentals with reported gross income figures, there is no need to deduct a vacancy and collection loss allocation, as the figures utilized already take into account a vacant and credit loss deduction.

Taxes
The property taxes for the subject property as of 2018 are reported to be a rounded figure of $8,565 annually. This cost is stable regardless of the occupancy of the subject in the 'before' and 'after' conditions.

Insurance
The insurance costs for the subject are reported to be a rounded $8,586 annually, which is consistent with other similar properties in the market area. This cost is stable regardless of the occupancy of the subject in the 'before' and 'after' conditions.

Utilities (Power, Water/Sewer/Garbage, Cable and Internet)
The owner pays all utilities, including power, water/sewer/garbage, cable and internet, for the subject property. The annual 2018 Utilities expenses were reported to be a rounded $8,900, and we will utilize this annual cost for the subject in the 'before' condition, and at the rounded rate of $8,500 in the 'after' condition. It is noted that regardless of the occupancy of the subject, the costs of electricity remain relatively constant, and the costs of cable and internet are the same regardless of the number of occupants. Only the expenses of water, gas and to a nominal degree electricity are variable with occupancy.

Repairs/Maintenance
We have included a repairs/maintenance allowance as a percentage of EGI at 13.5% in the before configuration which equates to $12,547 annually. With regard to the after configuration, noting that routine maintenance is likely not significantly impacted by differences in occupancy between 16 and 14 persons, but the annual income is reduced, we must increase our maintenance in the 'after' configuration as this expense is calculated as a % of EGI. In the 'after' condition we estimate maintenance at the rate of 15% of EGI. While we do recognize that 'wear and tear' is somewhat linked to occupancy, the fact that the entire house area is subject to use by 14 guests just as it is with 16 guests, this cost is somewhat fixed.

Management

We estimate management costs based on the costs of a third party manager who would typically charge between 15% and 25% of collected rents for the management service. We will utilize a rate in the middle of this scale for both value scenarios, or a rate of 22% of EGI, based on information provided by the property owner.

Income and Expense Statement

The table below recaps our projected income stream and breaks down each expense item. Expenses are totaled, and the net operating income is displayed for both the 'before' and 'after' ordinance conditions.

"Before" Condition

Income Capitalization Analysis - 'Before Ordinance Limiting Occupancy'				
Unit	**Income**	**Method**	**Units/SF**	**Annual**
Annual Income 'Before Ordinance' - 16 Guests	$121,600.00	$/Year	1	$121,600
			Potential Gross Income:	$121,600
		Vacancy & Collection Loss	Included	$0
			Effective Gross Income (EGI):	$121,600

Expense	**Amount (% or $)**	**Method**	**Annual**
Taxes	$8,565	$/Year	$8,565
Insurance	$8,586	$/Year	$8,586
Utilities	$8,900	$/Year	$8,900
Repairs/Maintenance	13.5%	% of EGI	$16,416
Management	22%	% of EGI	$26,752
		Total Expenses:	$69,219
		Expense Ratio (Expenses/EGI):	56.92%
		Net Operating Income (NOI):	$52,381

"After" Condition

Income Capitalization Analysis - 'After Ordinance Limiting Occupancy'				
Unit	**Income**	**Method**	**Units/SF**	**Annual**
Annual Income 'After Ordinance' - 14 Guests	$109,200.00	$/Year	1	$109,200
			Potential Gross Income:	$109,200
		Vacancy & Collection Loss	Included	$0
			Effective Gross Income (EGI):	$109,200

Expense	**Amount (% or**	**Method**	**Annual**
Taxes	$8,565	$/Year	$8,565
Insurance	$8,586	$/Year	$8,586
Utilities	$8,500	$/Year	$8,500
Repairs/Maintenance	15.0%	% of EGI	$16,380
Management	22%	% of EGI	$24,024
		Total Expenses:	$66,055
		Expense Ratio (Expenses/EGI):	60.49%
		Net Operating Income (NOI):	$43,145

Capitalization Rate Derivation
The capitalization rate is the factor that coverts the stabilized net operating income (NOI) to a present value. It is the ratio of net income to value or sale price.

NOI ÷ Sale Price = Capitalization Rate

For example, if a property sells for $500,000, and has a stabilized NOI of $50,000, the indicated capitalization rate is 10%.

Four methods are generally recognized for estimating an appropriate capitalization rate for use in direct capitalization analysis. These four methods are:

1. Market-Extracted Capitalization Rate Data
2. Band of Investment Method Calculation
3. Debt Coverage Method Calculation
4. Nationally-Published Capitalization Rate Data

Market Extracted Capitalization Rate Data
The market-extraction method of estimating capitalization rates involves finding comparable sales of property similar to the subject, and extracting a market rate from the net operating income and sales price of the comparable property.

We present the following examples of market-extracted capitalization rates for Resort Residential properties, based on similar sales in the local and broader markets.

- 3463 Scenic Highway 98 is a resort rental property that sold in February of 2016 for $3,615,000. Net Operating Income was reported to be $222,125, therefore indicating a capitalization rate of 6.14%.

- 925 Scenic Gulf Drive in Miramar Beach is a resort rental property that sold in November of 2018 for $1,900,000. Net Operating Income based on forecast income and expenses was reported to be $130,000, therefore indicating a capitalization rate of 6.84%.

- 917 Scenic Gulf Drive in Miramar Beach is a resort rental property that sold in August of 2018 for $1,925,000. Net Operating Income based on forecast income and expenses was reported to be $135,000, therefore indicating a capitalization rate of 7.00%.

- 1850 Scenic Gulf Drive in Miramar Beach is a resort rental property that sold in September of 2015 for $2,205,000. Net Operating Income at the time of sale was reported to be $133,200, therefore indicating a capitalization rate of 6.03%.

Based on the above information, and taking into consideration the overall market appeal we consider that a market extracted rate of 6.50% would be applicable for the subject property.

Band of Investment Method Analysis

This technique utilizes lender and real estate investor investment criteria to develop, or synthesize a capitalization rate. As most income producing properties are purchased with debt plus equity capital, the return on investment portion of the overall capitalization rate must satisfy the market returns of both the investor and the lender. The lender must receive a competitive interest rate, and the investor must anticipate receiving a competitive equity yield.

There are four key inputs necessary for this method:

1. The loan-to-value ratio (M)
2. The mortgage interest rate (i)
3. The loan term (n)
4. The equity cap rate or equity dividend rate (R_E)

The mortgage variables are used to build the mortgage constant (R_M), which is the total amount of the payments made in one year, expressed as a percentage of the original loan amount.

Payments x 12 / Original Loan Amount = Mortgage Constant (R_M)

The equity cap rate is the annual return to the investor, expressed as a percent of the original amount invested. The annual return to the investor is also known as the equity dividend rate; it is the profit remaining after debt service and all other expenses.

After Debt Service Profit / Equity Investment = Equity Cap Rate (R_E)

Note that the equity cap rate is not the same (usually, that is) as the equity yield rate. The equity yield rate reflects the total return to the investor over the life of the investment. Factors such as appreciation and mortgage pay down affect and usually increase this return to a point higher than the equity dividend rate. In markets where substantial appreciation is expected, investors will often accept a low or even negative equity dividend rate, anticipating a compensating payoff when the property is eventually sold. In markets where little appreciation is expected, much more weight is given to the annual equity dividend.

Formula:

R_M x M = rate
R_E x (1-M) = rate
= Cap Rate (R_o)

A survey of local lenders indicated that competitive fixed rate loans for properties similar to the subject as investment property are typically available at a rate of between 5.50% and 7.50% on a 30 year amortization schedule with a 50-70% loan to value.

Thus, we will use a rate of 6.00% in our calculations, with a 70% loan to value and a 30 year amortization term for our analysis of the band of investment and debt coverage ratio analyses.

The debt capitalization rate (or mortgage constant) for a typical loan made at 6.00% for 30 years is 0.07194606.

Equity dividend (capitalization) rates in the local market range from 4-9%. We estimate an equity dividend rate of 6.00% in the local market for property such as the subject.

Debt Coverage Ratio Method Analysis

This technique develops a capitalization rate based on typical mortgage terms. There are four variables necessary for this method:

1. The loan-to-value ratio (M)
2. The mortgage interest rate (i)
3. The loan term (n)
4. The debt coverage ratio (DCR)

Items 1 through 3 are discussed above under the Band of Investment section. In this method it is also used to develop the mortgage constant (R_M). The debt coverage ratio is the factor by which income exceeds debt on an annual basis.

Formula:
Debt Coverage Ratio x Loan to Value Ratio x Mortgage Constant = R_o
or: DCR x M x R_M = R_o

We have researched mortgage rates and terms typical for the subject within the market area as noted above. The table below details the Band of Investment and Debt Coverage Ratio Analyses calculations.

Capitalization Rate Calculations					
Capitalization Rate Variables					
Mortgage Interest Rate	6.00%				
Loan Term (Years)	30				
Loan To Value Ratio	70.%				
Debt Coverage Ratio	1.25				
Equity Dividend Rate	6.00%				
Band of Investment Analysis					
Mortgage Constant			Loan Ratio	Contributions	
0.071946063		x	70.%	=	5.04%
Equity Dividend Rate			Equity Ratio		
6.00%		x	30.%	=	1.80%
			Band of Investment Capitalization Rate		**6.84%**
Debt Coverage Ratio Analysis					
Debt Coverage Ratio x Loan to Value Ratio x Mortgage Constant					
1.25 x 0.7 x 0.0719460630183303				=	6.30%
			Debt Coverage Ratio Capitalization Rate		**6.30%**

The Band of Investment capitalization rate analysis indicated an appropriate capitalization rate per the preceding assumptions of 6.84%.

The Debt Coverage Ratio Analysis indicated an appropriate capitalization rate per the preceding assumptions of 6.30%.

National Survey Data

RealtyRates.com Investor Survey
RealtyRates does not track capitalization rates for resort residential property such as the subject, however they do track rates for lodging facilities, a property type that is similar in use to the subject, being a facility for short term rental on a seasonal basis where all services are included in the rental rate. We therefore look to this property category in realty rates for an indication of an applicable capitalization rate for the subject.

The *Realty Rates Investor Survey*, dated 4th Quarter 2018, indicates going-in capitalization rates for Lodging Facilities – All Types ranged from 5.21% to 17.22% with an average of 11.32%. In consideration of the excellent quality and condition of the subject property, as well as the resort location, we would estimate an applicable capitalization rate would be below the national average indicated by the survey data and within the lower quartile of exhibited rates, or a rate of between 5.21% and 8.22%.

RealtyRates.com INVESTOR SURVEY - 4th Quarter 2018* LODGING FACILITIES -ALL TYPES							
Item	**Input**						**OAR**
Minimum							
Spread Over 10-Year Treasury	0.86%	**DCR Technique**		1.00	0.048303	0.80	**3.86**
Debt Coverage Ratio	1.00	**Band of Investment Technique**					
Interest Rate	3.75%	Mortgage		80%	0.048303	0.038642	
Amortization	40	Equity		20%	0.080938	0.016188	
Mortgage Constant	0.048303	OAR					**5.48**
Loan-to-Value Ratio	80%	**Surveyed Rates**					**5.21**
Equity Dividend Rate	8.09%						
Maximum							
Spread Over 10-Year Treasury	11.58%	**DCR Technique**		2.85	0.163616	0.50	**23.32**
Debt Coverage Ratio	2.85	**Band of Investment Technique**					
Interest Rate	14.47%	Mortgage		50%	0.163616	0.081808	
Amortization	15	Equity		50%	0.198946	0.099473	
Mortgage Constant	0.163616	OAR					**18.13**
Loan-to-Value Ratio	50%	**Surveyed Rates**					**17.22**
Equity Dividend Rate	19.89%						
Average							
Spread Over 10-Year Treasury	3.54%	**DCR Technique**		1.53	0.084242	0.67	**8.60**
Debt Coverage Ratio	1.53	**Band of Investment Technique**					
Interest Rate	6.43%	Mortgage		67%	0.084242	0.056324	
Amortization	22	Equity		33%	0.145842	0.048333	
Mortgage Constant	0.084242	OAR					**10.47**
Loan-to-Value Ratio	66.9%	**Surveyed Rates**					**11.32**
Equity Dividend Rate	14.6%						

Capitalization Rate Summary and Conclusion

We consider that a market extracted rate of 6.50% would be applicable for the subject property based on market-extracted capitalization rate indications.

The Band of Investment capitalization rate analysis indicated an appropriate capitalization rate per the preceding assumptions of 6.84%.

The Debt Coverage Ratio Analysis indicated an appropriate capitalization rate per the preceding assumptions of 6.30%.

National Market Indicators as reported by realty rates for a related property type indicate an appropriate capitalization rate of between 5.21% and 8.22% for the subject property.

Capitalization Rate Conclusion:

It is the opinion of the appraiser that a **6.50% capitalization rate** should be employed in this analysis.

On the following page we present the direct capitalization analysis for both the 'Before' and 'After' Ordinance 18-29-CC value scenarios.

Capitalization to Value

"Before" Condition

Income Capitalization Analysis - 'Before Ordinance Limiting Occupancy'				
Unit	**Income**	**Method**	**Units/SF**	**Annual**
Annual Income 'Before Ordinance' - 16 Guests	$121,600.00	$/Year	1	$121,600
			Potential Gross Income:	$121,600
		Vacancy & Collection Loss	Included	$0
			Effective Gross Income (EGI):	$121,600

Expense	**Amount (% or $)**	**Method**	**Annual**
Taxes	$8,565	$/Year	$8,565
Insurance	$8,586	$/Year	$8,586
Utilities	$8,900	$/Year	$8,900
Repairs/Maintenance	13.5%	% of EGI	$16,416
Management	22%	% of EGI	$26,752
		Total Expenses:	$69,219
		Expense Ratio (Expenses/EGI):	56.92%
		Net Operating Income (NOI):	$52,381
		Capitalization Rate:	6.50%
		Value (NOI/Cap Rate):	$805,862
		Rounded:	$805,000

"After" Condition

Income Capitalization Analysis - 'After Ordinance Limiting Occupancy'				
Unit	**Income**	**Method**	**Units/SF**	**Annual**
Annual Income 'After Ordinance' - 14 Guests	$109,200.00	$/Year	1	$109,200
			Potential Gross Income:	$109,200
		Vacancy & Collection Loss	Included	$0
			Effective Gross Income (EGI):	$109,200

Expense	**Amount (% or**	**Method**	**Annual**
Taxes	$8,565	$/Year	$8,565
Insurance	$8,586	$/Year	$8,586
Utilities	$8,500	$/Year	$8,500
Repairs/Maintenance	15.0%	% of EGI	$16,380
Management	22%	% of EGI	$24,024
		Total Expenses:	$66,055
		Expense Ratio (Expenses/EGI):	60.49%
		Net Operating Income (NOI):	$43,145
		Capitalization Rate:	6.50%
		Value (NOI/Cap Rate):	$663,769
		Rounded:	$660,000

Conclusion of Diminution in Value

In the 'before ordinance' configuration direct capitalization of the net operating income to the subject property revealed a value opinion of $805,000 based on an occupancy of 16 sleeping guests.

In the 'after ordinance' configuration direct capitalization of the net operating income to the subject property revealed a value opinion of $660,000 based on an occupancy of 14 sleeping guests.

The Diminution in Value is represented by the difference between the 'before' and 'after' value conclusions, or in this case the difference between $805,000 and $660,000 or $145,000.

As an augmenting check to this value opinion, we consider a discounted cash flow analysis of the lost income to the subject as a result of the reduced occupancy, for the remaining term of the economic life of the improvement.

As presented in the preceding income analyses, the difference in annual Net Operating Income between the 'before' scenario at $52,381 and the 'after' scenario at $43,145, calculates to $9,236 annually.

This is the annual net income loss as a result of the implemented restriction on occupancy by virtue of City of Destin Ordinance 18-29-CC, and will promulgate for the remainder of the economic life of the structure and the site is redeveloped.

We previously stated in the report that information provided by the Okaloosa County Property Appraisers Office indicates that the subject improvement was constructed in 2004 which provides for an actual age of 15 years. However, the improvement has been recently renovated and is considered to be of very good quality of construction and in good/very good condition providing for an effective year built of 2011 and an effective age of approximately 8 Years

The published economic life of improvements similar to the subject is 55 years per Marshall Valuation Service. Subtracting the economic age of the improvement of 8 years from the overall life of 55 years we calculate a remaining economic life for the subject structure is 47 years.

If we consider that City of Destin Ordinance 18-29-CC serves to reduce occupancy to the subject, thereby reducing annual income in the amount of $9,236 annually, presumably for the remaining economic life of the improvement, we can calculate the present value of this financial loss over time as a check to the Diminution in value calculation via direct capitalization analysis presented preceding.

If we discount the annual loss of $9,236 for a period of 47 years, at a discount rate of 6% annually, the present value of the future loss of income is calculated to be $143,980 which provides additional support for our opinion of Diminution in Value via direct capitalization analysis of $145,000.

Therefore, our opinion of Diminution in value for the subject property is opined to be $145,000 consistent with our calculation via direct capitalization analysis:

One Hundred Forty Five Thousand Dollars
$145,000

Certification

The appraiser has no present or prospective interest in the subject property of this appraisal and no personal interest of bias with respect to the parties involved in this appraisal. I have the appropriate education and experience to conduct this appraisal.

The appraiser will not divulge the analytical findings or conclusions to anyone other than the client or designee, except as may be required by the Appraisal Institute or by a court of law with power of subponea.

I certify, to the best of our knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions and conclusions.
- I have no present or prospective interest in the property which is the subject of this report and no personal interest with respect to the parties involved.
- I have no bias with respect to the property which is the subject of this report or to the parties involved with this assignment.
- The engagement in this assignment was not contingent upon developing or reporting predetermined results.
- The compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- I have made a personal inspection of the property that is the subject of this report.

Certification
(Continued)

- The signatory appraiser has not performed any services, as an appraiser or in any other capacity, regarding the subject property within the 3 years prior to acceptance of this appraisal assignment.

This appraisal has been conducted, and the appraisal report prepared in conformance with the requirements of Title XI of the Financial Institutions Reform, Recover, and Enforcement Act of 1989 (FIRREA, 12 U.S.C. 3331 et seq.). This appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.

No person other than the undersigned made a significant professional contribution to the research and analysis in this appraisal unless specifically noted above.

Respectfully Submitted,

EquiValue Appraisal, LLC

Jason P. Shirey, MAI, CCIM
Cert Gen RZ3186

Limiting Conditions and Assumptions

1. Unless otherwise noted in the body of the report, we assumed that title to the property or properties appraised is clear and marketable and that there are no recorded or unrecorded matters or exceptions that would adversely affect marketability or value. We are not aware of any title defects nor were we advised of any unless such is specifically noted in the report. We did not examine a title report and make no representations relative to the condition thereof. Documents dealing with liens, encumbrances, easements, deed restrictions, clouds and other conditions that may affect the quality of title were not reviewed. Insurance against financial loss resulting in claims that may arise out of defects in the subject property's title should be sought from a qualified title company that issues or insures title to real property.

2. We assume that improvements are constructed or will be constructed according to approved architectural plans and specifications and in conformance with recommendations contained in or based upon any soils report(s).

3. Unless otherwise noted in the body of this report, we assumed: that any existing improvements on the property or properties being appraised are structurally sound, seismically safe and code conforming; that all building systems (mechanical/electrical, HVAC, elevator, plumbing, etc.) are, or will be upon completion, in good working order with no major deferred maintenance or repair required; that the roof and exterior are in good condition and free from intrusion by the elements; that the property or properties have been engineered in such a manner that it or they will withstand any known elements such as windstorm, hurricane, tornado, flooding, earthquake, or similar natural occurrences; and, that the improvements, as currently constituted, conform to all applicable local, state, and federal building codes and ordinances. We are not engineers and are not competent to judge matters of an engineering nature. We did not retain independent structural, mechanical, electrical, or civil engineers in connection with this appraisal and, therefore, make no representations relative to the condition of improvements. Unless otherwise noted in the body of this report no problems were brought to our attention by ownership or management. We were not furnished any engineering studies by the owners or by the party requesting this appraisal. If questions in these areas are critical to the decision process of the reader, the advice of competent engineering consultants should be obtained and relied upon. It is specifically assumed that any knowledgeable and prudent purchaser would, as a precondition to closing a sale, obtain a satisfactory engineering report relative to the structural integrity of the property and the integrity of the building systems. Structural problems and/or building system problems may not be visually detectable. If engineering consultants retained should report negative factors of a material nature, or if such are later discovered, relative to the condition of the improvements, such information could have a substantial negative impact on the conclusions reported in this appraisal. Accordingly, if engineering consultants report negative findings, we reserve the right to amend the appraisal conclusions reported herein.

4. All furnishings, equipment and business operations, except as specifically stated and typically considered as part of real property, have been disregarded with only real property being considered in the appraisal. Any existing or proposed improvements, on- or off-site, as well as any alterations or repairs considered, are assumed to be completed

in a workmanlike manner according to standard practices based upon information submitted. This report may be subject to amendment upon re-inspection of the subject property subsequent to repairs, modifications, alterations and completed new construction. Any estimate of Market Value is as of the date indicated; based upon the information, conditions and projected levels of operation.

5. We assume that all factual data furnished by the client, property owner, owner's representative, or persons designated by the client or owner to supply said data are accurate and correct unless otherwise noted in the appraisal report. We have no reason to believe that any of the data furnished contain any material error. Information and data referred to in this paragraph include, without being limited to, numerical street addresses, lot and block numbers, Assessor's Parcel Numbers, land dimensions, square footage area of the land, dimensions of the improvements, gross building areas, net rentable areas, usable areas, unit count, room count, rent schedules, income data, historical operating expenses, budgets, and related data. Any material error in any of the above data could have a substantial impact on the conclusions reported. Thus, we reserve the right to amend our conclusions if errors are revealed. Accordingly, the client-addressee should carefully review all assumptions, data, relevant calculations, and conclusions within 30 days after the date of delivery of this report and should immediately notify us of any questions or errors.

6. The date of value to which any of the conclusions and opinions expressed in this report apply, is set forth in the Letter of Transmittal. Further, that the dollar amount of any value opinion herein rendered is based upon the purchasing power of the American Dollar on that date. This appraisal is based on market conditions existing as of the date of this appraisal. Under the terms of the engagement, we will have no obligation to revise this report to reflect events or conditions which occur subsequent to the date of the appraisal. However, we will be available to discuss the necessity for revision resulting from changes in economics or market factors affecting the subject.

7. We assume no private deed restrictions, limiting the use of the subject property in any way.

8. Unless otherwise noted in the body of the report, we assume that there are no mineral deposits or subsurface rights of value involved in this appraisal, whether they be gas, liquid, or solid. Nor are the rights associated with extraction or exploration of such elements considered unless otherwise stated in this appraisal report. Unless otherwise stated we also assumed that there are no air or development rights of value that may be transferred.

9. We are not aware of any contemplated public initiatives, governmental development controls, or rent controls that would significantly affect the value of the subject.

10. The estimate of Market Value, which may be defined within the body of this report, is subject to change with market fluctuations over time. Market value is highly related to exposure, time promotion effort, terms, motivation, and conclusions surrounding the offering. The value estimate(s) consider the productivity and relative attractiveness of the property, both physically and economically, on the open market.

11. Unless specifically set forth in the body of the report, nothing contained herein shall be construed to represent any direct or indirect recommendation to buy, sell, or hold the

properties at the value stated. Such decisions involve substantial investment strategy questions and must be specifically addressed in consultation form.

12. Unless otherwise noted in the body of this report, we assume that no changes in the present zoning ordinances or regulations governing use, density, or shape are being considered. The property is appraised assuming 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 estimates contained in this report is based, unless otherwise stated.

13. This study may not be duplicated in whole or in part without our written consent, nor may this report or copies hereof be transmitted to third parties without said consent. Exempt from this restriction is duplication for the internal use of the client-addressee and/or transmission to attorneys, accountants, or advisors of the client-addressee. Also exempt from this restriction is transmission of the report to any court, governmental authority, or regulatory agency having jurisdiction over the party/parties for whom this appraisal was prepared, provided that this report and/or its contents shall not be published, in whole or in part, in any public document without our written consent. Finally, this report shall not be advertised to the public or otherwise used to induce a third party to purchase the property or to make a "sale" or "offer for sale" of any "security", as such terms are defined and used in this Securities Act of 1933, as amended. Any third party, not covered by the exemptions herein, who may possess this report, is advised that they should rely on their own independently secured advice for any decision in connection with this property. We shall have no accountability or responsibility to any such third party.

14. Any value estimate provided in the report applies to the entire property, and any pro ration or division of the title into fractional interests will invalidate the value estimate, unless such pro ration or division of interests has been set forth in the report.

15. Any distribution of the total valuation in this report between land and improvement applies only under the existing program of utilization. Component values for land and/or buildings are not intended to be used in conjunction with any other property or appraisal and are invalid if so used.

16. The maps, plats, sketches, graphs, photographs, and exhibits included in this report are for illustration purposes only and are to be used only to assist in visualizing matters discussed within this report. Except as specifically stated, data relative to size or areas of the subject and comparable properties was obtained from sources deemed accurate and reliable. None of the exhibits are to be removed, reproduced, or used apart from this report.

17. No opinion is intended to be expressed on matters that may require legal expertise or specialized investigation or knowledge beyond that which is customarily employed by real estate appraisers. Values and opinions expressed presume that environmental and other governmental restrictions/conditions by applicable agencies have been met, including but not limited to seismic hazards, flight patters, decibel levels/noise envelopes, fire hazards, hillside ordinances, density, allowable uses, building codes, permits, licenses, etc. No survey, engineering study or architectural analysis was provided to us unless otherwise stated within the body of this report. If we were not supplied with a

termite inspection, survey or occupancy permit, no responsibility or representation is assumed or made for any costs associated with obtaining same or for any deficiencies discovered before or after they are obtained. No representation or warranty is made concerning obtaining these items. We assume no responsibility for any costs or consequences arising due to the need, or the lack of need, for flood hazard insurance. An agent for the Federal Flood Insurance Program should be contacted to determine the actual need for Flood Hazard Insurance.

18. Acceptance and/or use of this report constitutes full acceptance of the Assumptions and Limiting Conditions and extraordinary assumptions set forth in this report. It is the responsibility of the Client, or client's designees, to read in full, comprehend and thus become aware of the aforementioned assumptions and limiting conditions. We assume no responsibility for any situation arising out of the Client's failure to become familiar with and understand the same. The Client is advised to retain experts in areas that fall outside the scope of the real estate appraisal/consulting profession if so desired.

19. We assume that the subject property will be under prudent and competent management and ownership; neither inefficient nor super-efficient.

20. We assume 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 reports.

21. No survey of the boundaries of the property was undertaken. All areas and dimensions furnished are presumed correct. It is further assumed that no encroachments to the realty exists.

22. All value opinions expressed herein are as of the date of value. In some cases, facts or opinions are expressed in the present tense. All opinions are expressed as of the date of value, unless specifically noted.

23. The Americans with Disabilities Act (ADA) became effective January 26, 1992. Notwithstanding any discussion of possible readily achievable barrier removal construction items in this report, we did not perform a specific compliance survey and analysis of this property to determine wither it is in conformance with the various detailed requirements of the ADA. It is possible that a compliance survey of the property together with a detailed analysis of the requirements of the ADA could reveal that the property is not in compliance with one or more of the requirements of the ADA. If so, the fact could have a negative effect on the value estimated herein. Since we have no specific information relating to this issue, nor are we qualified to make such an assessment, the effect of any possible non-compliance was not considered in estimating the value of the subject property.

24. The value estimate rendered in this report is predicated on the assumption that there is no hazardous material on or in the property that would cause a loss of value. We were not provided with an Environmental Assessment Report. Further, we are not qualified to determine the existence or extent of environmental hazards. If there are any concerns pertaining to environmental hazards for this property, we recommend that a qualified engineer perform an assessment.

ADDENDA

Parcel Map

Okaloosa County Property Appraiser

Parcel ID	00-2S-24-2186-000C-0040	Physical Address	8 MAGNOLIA DR DESTIN	Land Value	$216,097	Last 2 Sales Date	Price	Reason	Qual
Acres (GIS)	0.45	Mailing Address	OLLIE'S BREEZE LLC PO BOX 9734 COLLEGE STATION, TX 77842	Ag Land Value	$0	11/15/2017	$805000	QUAL/DEED EXAMINATION	Q
Property Class	SINGLE FAM			Building Value	$493,065	10/20/2014	$100	UNQUAL/CORRECTIVE/QCD,TD	U
Taxing District	10			Misc Value	$19,260				
				Just Value	$728,422				
				Assessed Value	$728,422				
				Exempt Value	$0				
				Taxable Value	$728,422				

Date created: 9/15/2019
Last Data Uploaded: 9/13/2019 4:48:42 AM

Developed by Schneider GEOSPATIAL

Property Appraiser Card

Okaloosa County Property Appraiser

Parcel Summary

Parcel ID	00-2S-24-2186-000C-0040
Location Address	8 MAGNOLIA DR DESTIN 32541
Brief Tax Description*	HOLIDAY ISLE LOT 4 BLK C
	*The Description above is not to be used on legal documents.
Property Use Code	SINGLE FAM (000100)
Sec/Twp/Rng	00-2S-24
Tax District	Destin (District 10)
Millage Rate	12.8406
Acreage	0.000
Homestead	N
Acreage (GIS)	0.45
Fire District	N/A

View Map

Owner Information

Primary Owner
Ollie's Breeze LLC
PO Box 9734
College Station, TX 77842

Valuation

	2019 Proposed Values	2018 Certified Values
Building Value	$493,065	$437,880
Extra Features Value	$19,260	$17,280
Land Value	$216,097	$211,860
Land Agricultural Value	$0	$0
Agricultural (Market) Value	$0	$0
Just (Market) Value	$728,422	$667,020
Assessed Value	$728,422	$667,020
Exempt Value	$0	$0
Taxable Value	$728,422	$667,020
Maximum Save Our Homes Portability	$0	$0

Just (Market) Value description - This is the value established by the Property Appraiser for ad valorem purposes. This value does not represent anticipated selling price.

Land Information

Code	Land Use	Number of Units	Unit Type	Frontage	Depth
000100	SFR	1.00	LT	95	0

Building Information

Building 1

Type	SFR EXCEPT
Total Area	5,370
Heated Area	3,742
Exterior Walls	ABOVE AVG.;
Roof Cover	ARCT METAL; .
Interior Walls	DRYWALL; .
Frame Type	.
Floor Cover	CLAY/CERMC; CARPET
Heat	AIR DUCTED
Air Conditioning	CENTRAL
Bathrooms	4
Bedrooms	5
Stories	3
Actual Year Built	2004
Effective Year Built	2004

Extra Features

Code	Description	Number of Items	Length x Width x Height	Units	Unit Type	Effective Year Built
DRIVWY	DRIVEWAY	1	0 x 0 x 0	1	UT	2004
SWPOOL	SWIMPOOL	1	0 x 0 x 0	1	UT	2004

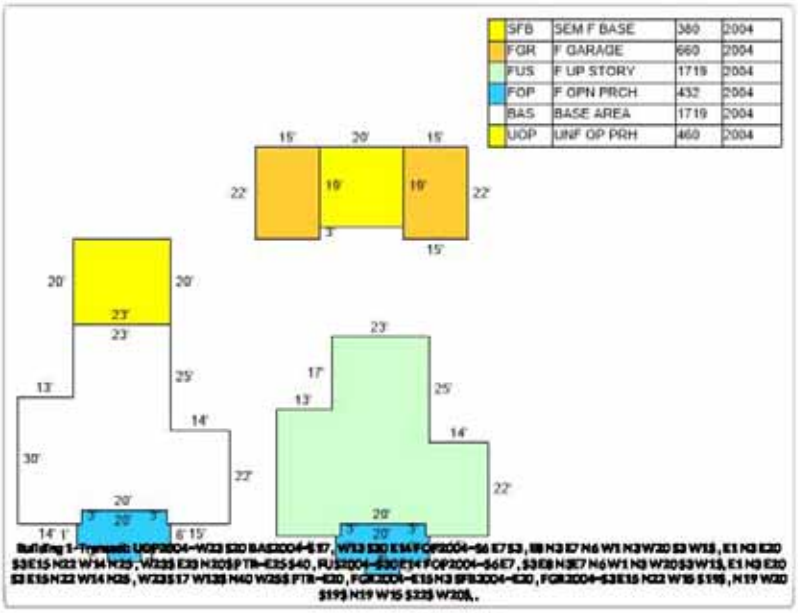
Building Area Types

Type	Description	Sq. Footage	Year
UOP	UNF OP PRH	460	2004
BAS	BASE AREA	1,719	2004
FOP	F OPN PRCH	432	2004
FUS	F UP STORY	1,719	2004
FGR	F GARAGE	660	2004
SFB	SEM F BASE	380	2004

Sales

Multi Parcel	Sale Date	Sale Price	Instrument	Book	Page	Qualification	Vacant/Improved	Grantor	Grantee
N	11/15/2017	$805,000	AL	3326	4762	Qualified (Q)	Improved	MAGNOLIA BEACH DESTINY LLC	OLLIE'S BREEZE LLC
N	10/20/2014	$100	AL	3171	3475	Unqualified (U)	Improved	ADAMS CLAYTON S JR & META C	MAGNOLIA BEACH DESTINY LLC
N	07/23/2014	$487,500	AL	3157	2082	Unqualified (V)	Improved	IFS PROPERTIES LLC	ADAMS CLAYTON S JR & META C (H&W)
N	07/23/2014	$341,300	AL	3157	2079	Unqualified (U)	Improved	BANK OF NEW YORK MELLON	IFS PROPERTIES LLC
N	01/16/2014	$395,100	CT	3139	3995	Unqualified (U)	Improved	CLERK OF COURT	BANK OF NEW YORK MELLON
N	02/27/2004	$100	AL	2635	4	Unqualified (U)	Improved	BENNETT JEFFREY D & BOWEN MICHAEL B	FEINSTEIN JEFFREY M & SHARON B
N	02/27/2004	$690,000	AL	2554	2521	Qualified (Q)	Improved	BENNETT JEFFREY D & BOWEN MICHAEL B	FEINSTEIN JEFFREY M & SHARON B
N	07/12/2002	$185,000	SL	2370	627	Unqualified (U)	Vacant	O'BRIANT C R & JOANNE L FAMILY TRUST	BENNETT JEFFREY D & BOWNE MICHAEL B
N	01/06/1997	$100	AL	2044	1674	Unqualified (U)	Vacant	O'BRIANT C R & JOANNE L	OBRIANT C R & J L FAMILY TRUST
N	11/01/1979	$10,800	AL	1075	660	Qualified (Q)	Vacant		O'BRIANT C R & JOANNE L
N	11/01/1979	$10,800	AL	1075	660	Qualified (Q)	Improved		
N	08/01/1978	$2,500	LA	988	498	Unqualified (U)	Vacant		
N	01/01/1977	$3,800	PV	0	0	Unqualified (U)	Vacant		

Sketches



Print Sketches

Generate Owner List by Radius

Distance:
1.00
Feet

Show address of: Owner Property

Download format:
Address labels (5160)

International mailing labels that exceed 5 lines are not supported on the Address labels (5160). For International addresses, please use the xlsx, csv or tab download formats.

Download

Additional owner options:

All Owners

Additional mailing label options:

Show parcel id on label

Skip labels:
0

The Okaloosa County Property Appraiser's Office (OCPA) makes every effort to produce the most accurate information possible. No warranties, expressed or implied, are provided for the data herein, its use or interpretation. Just (Market) Value is established by the Property Appraiser for ad valorem tax purposes. It does not represent anticipated selling price. Current year assessments are as of January 1st and are based on previous year sales activity. All website information is subject to change.

User Privacy Policy
GDPR Privacy Notice

Developed by Schneider GEOSPATIAL

Last Data Upload: 9/13/2019, 3:46:42 AM

Version 2.3.4

Deed

FILE #3173796 RCD: 11/22/2017 11:04 AM, BK: 3326 PG: 4762, RECORDING: $15.00 RECORDING ARTICLE V: $12.00
D Doc Stmp: $5,635.00 DEPUTY CLERK HOHARA
JD PEACOCK II CLERK OF COURTS, OKALOOSA COUNTY, FLORIDA

PREPARED BY AND RETURN TO:
McNeese Title, LLC
36468 Emerald Coast Parkway, Suite 1201
Destin, Florida 32541
Julie R. Barbeau
File No. 17-0563JB

ASSIGNMENT OF SUBLEASE

THIS ASSIGNMENT OF SUBLEASE, made this November 15, 2017 A.D. entered into by and between **Magnolia Beach Destiny, LLC, a Florida limited liability company,** whose address is: 71 Foxglove Lane, Jacksons Gap, Alabama 36861, hereinafter called the Assignor(s), to **Ollie's Breeze, LLC, a Florida limited liability company**, whose post office address is: PO Box 9734, College Station, Texas 77842, hereinafter called the Assignee(s):

(Whenever used herein the term "assignor" and "assignee" include all the parties to this instrument and the heirs, legal representatives and assigns of individuals, and the successors and assigns of corporations)

WHEREAS as interest in said sublease was subsequently assigned to Assignors as recorded in Official Records Book 3171, Page 3475, of the Public Records of Okaloosa County, Florida.

NOW THEREFORE for Ten Dollars, ($10.00) and other valuable consideration and the mutual covenants and agreements herein described to be kept and performed by the Assignee, the Assignor does hereby sell, transfer, set over to, convey, and assign all rights, title and interest to Assignee, in and to the following described Leasehold Estate, located in Okaloosa County, Florida, to-wit:

Lot 4, Block C of HOLIDAY ISLE RESIDENTIAL SECTION NO. 4, according to the Plat thereof as recorded in Plat Book 4, Page(s) 29, of the Public Records of OKALOOSA County, Florida.

Parcel ID Number: **00-2S-24-2186-000C-0040**

Said property is NOT the homestead property of the Grantor as defined by the Constitution of the State of Florida.

Subject, however, to all covenants, conditions, restrictions, reservations, limitations, easements and to all applicable zoning ordinances and/or restrictions and prohibitions imposed by governmental authorities, if any, and taxes for the current year.

The Assignors warrant that they have a good right to assign that interest herein assigned under the terms of the original lease, that the Assignors have made no prior assignment of this leasehold interest, and that such interest is clear of all encumbrances, save and except the taxes for the year subsequent to December 31, 2017 and subsequent years.

TO HAVE AND TO HOLD the same throughout the remainder of the terms of the above-mentioned lease, the same being for an original period of 99 years, subject to the covenants, restrictions and conditions in said lease.

BK: 3326 PG: 4763

In Witness Whereof, the said assignor has signed and sealed these presents the day and year first above written.

Signed, sealed and delivered in our presence:

Magnolia Beach Destiny, LLC

Witness Signature: _____

By: Clayton S. Adams, Jr., Managing Member

Witness Printed Name Julie R Barbeau

Witness Signature: _____

By: Meta C. Adams, Managing Member

Witness Printed Name CHRISTINA OWENS

State of Florida
County of Okaloosa

The foregoing instrument was acknowledged before me this November 15, 2017, by Clayton S. Adams, Jr. and Meta C. Adams as Managing Member of Magnolia Beach Destiny, LLC, a Florida limited liability company, who is/are personally known to me or who has produced a driver's license as identification.

(notary stamp / seal)

JULIE R. BARBEAU
MY COMMISSION # GG 132621
EXPIRES: August 29, 2021
Bonded Thru Notary Public Underwriters

Notary Public
Print Name: Julie R Barbeau

My Commission Expires: _____

BK: 3326 PG: 4764

ACCEPTANCE OF SUBLEASE

By acceptance of this instrument, Assignee covenants and agrees to do and perform each and all of the commitments and covenants of the Assignors contained in the original lease insofar as such commitments and covenants therein pertain to the property herby assigned, including but not limited to, the payment of all amount required to be paid thereunder promptly when due.

In Witness Whereof, the said assignee has signed and sealed these presents the day and year first above written.

Signed, sealed and delivered in our presence:

Ollie's Breeze, LLC
By: Rocky Partners, LLC, as its Manager

Witness Signature _____
Witness Printed Name Amber Skalka

By: Bryan Scott Medlin, Managing Member

Witness Signature _____
Witness Printed Name Kourtney Shaffer

State of Texas
County of Brazos

The foregoing instrument was acknowledged before me this November 15, 2017, by Bryan Scott Medlin as Managing Member of Rocky Partners, LLC, as the Manager of Ollie's Breeze, LLC, a Florida limited liability company, who is/are personally known to me or who has produced a driver's license as identification.

(notary stamp/seal)

THELMA KLINGLE
Notary ID # 124775403
My Commission Expires
August 3, 2020

Notary Public
Print Name: Thelma Klingle
My Commission Expires: August 3, 2020

THIS INSTRUMENT PREPARED BY AND AFTER RECORDING RETURN TO:

Kimberly Romano Kopp, Esq.
Romano Kopp Law, P.A.
P.O. Box 445
Destin, Florida 32541

For Recording Purposes Only

SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is entered into this _____day of _____ 2019, ("Effective Date") by and between, Ollie's Breeze, LLC. ("Owner") and the City of Destin ("City"), collectively referred to as the "Parties."

RECITALS

WHEREAS, on January 22, 2019, the City enacted Ordinance 18-29-CC, the Short-Term Rental Occupancy Ordinance ("Ordinance"), which limits the occupancy of short-term rental homes to two (2) people per bedroom plus an additional four (4) persons; and

WHEREAS, Owner owns the real property and improvements located at 8 Magnolia Drive, Destin, FL 32541, as more particularly described in the attached Exhibit "A" (the "Property"); and

WHEREAS, on May 10, 2019, Owner filed a claim with the City, pursuant to the provisions of §70.001, Florida Statutes, the Bert J. Harris, Jr., Private Property Rights Protection Act (the "Harris Act"), alleging that the Property had been inordinately burdened by the adoption of the Ordinance, (the "Claim"); and

WHEREAS, the Harris Act provides for the City to have the ability to enter into a settlement agreement which would have the effect of a modification or variance to the application of a regulation or ordinance as it would otherwise apply to the subject real property, provided the relief granted protects the public interest served by the regulations at issue and is the appropriate relief necessary to prevent the governmental regulatory effort from inordinately burdening the real property; and

WHEREAS, the City has determined that the modifications to the effect of the Ordinance effected by this Agreement protect the public interest served by the Ordinance and are the appropriate relief necessary to prevent the regulatory effect of the Ordinance from inordinately burdening the Property; and

WHEREAS, the Parties now desire to settle and finally resolve all disputes between and among them concerning the Claim.

NOW, THEREFORE, the Parties hereby agree as follows:

1. **Recitals.** The above recitals are true and correct and are incorporated herein by reference.

2. **Occupancy Allowable Under Ordinance.**

(a) Owner is hereby granted a variance from the provisions of the Ordinance so that the Owner shall have the right to apply under the Ordinance for a maximum occupancy of eleven (11) overnight guests at the five (5) bedroom vacation rental property noted above and the City shall grant such occupancy. The right shall continue in perpetuity, regardless of any future changes in ownership, provided that this right shall expire permanently if the Property were to be voluntarily remodeled or voluntarily rebuilt in such a manner as to change the number of bedrooms that existed at the date of the Claim. The Property remains subject to all other requirements of the City's regulations, including but not limited to regulations for short-term rentals, parking, trash, and noise.

(b) No greater than four (4) vehicles may be parked on the Property. No vehicle may encroach upon the City's right-of way.

(c) Owner shall ensure that at least two (2) outdoor trash receptacles are provided by the applicable trash hauler and available for use by occupants at all times.

(d) Owner agrees that the City shall be permitted to access the property on an annual basis for the purpose of life-safety inspections to ensure code compliance with minimum egress and emergency egress requirements pursuant to the Florida Building Code (Residential) and to ensure the property has adequate and working smoke detectors. Owner shall submit to the City a separate application and fee for such inspection, on a form provided by the City, at the time Owner submits its annual short-term rental registration application to the City.

3. **Development in Accordance with Code.** Notwithstanding any provisions contained herein, the Owner shall at any time have the right and option to remodel, develop, or use the Property in accordance with the applicable ordinances of the City of Destin in effect at the time of application therefor, and this variance shall not be construed as making the Property in any way non-conforming.

4. **Entire Agreement.** The Parties acknowledge that this Agreement constitutes the entire agreement between them regarding the settlement of their dispute and any prior statements, whether oral or written, are merged herein. This Agreement may not be modified or amended without a written instrument signed by the party against whom enforcement is sought.

5. **Duration of Agreement.** This Agreement shall be perpetual and deemed to run with the land, and shall be binding upon and the benefits shall inure to the parties hereto and their respective heirs, devisees, personal representatives, successors and assigns.

6. **Authority.** The signatories to this Agreement are expressly authorized to resolve their dispute as set forth herein and by their signatures here represent and affirm their authority to execute this Agreement.

7. **Governing Law.** The law of the State of Florida shall apply to this Agreement. Any dispute regarding this Agreement shall be litigated exclusively in the courts of Okaloosa County, Florida. The parties expressly consent to such agreed jurisdiction and venue, and waive any objections thereto.

8. **Notices.** Any notice required or permitted to be given hereunder shall be in writing and shall be (i) delivered by hand, (ii) delivered by reputable national or local courier (such as United Parcel Service or Federal Express), (iii) mailed by United States registered or certified mail, return receipt requested and postage prepaid, or (iv) sent by facsimile transmission provided a confirmation of such facsimile transmission is sent the same day by one of the methods of delivery in (i), (ii), or (iii) above. Any notice shall be addressed to each party at its address as set forth below. Any such notice shall be considered given on the date of such hand delivery, deposit with such courier for same day or next business day delivery, upon receipt of return receipt of certified mail, or receipt of facsimile transmissions, as the case may be, and the time period (if any is provided herein) in which to respond to such notice shall commence on the date of receipt. Rejection or other refusal to accept or inability to deliver because of changed address of which no notice was given shall be deemed to be receipt of the notice. By giving to the other party at least ten (10) days' notice thereof, any party shall have the right from time to time to change the addresses thereof and to specify up to two (2) additional addresses within the United States of America to which copies of notices to it shall be sent. Notice may be given on behalf of any party by such party's counsel. In the event the subject property owner changes, notices shall be addressed to the current owner as indicated in the records of the Okaloosa County Property Appraiser. Otherwise, notices shall be sent as follows:

Each notice shall be addressed as follows:

To City:
City of Destin, Florida
Attn: City Manager
4200 Indian Bayou Trail
Destin, Florida 32541

With a copy to:
City Land Use Attorney
Romano Kopp Law, PA
PO Box 445
Destin, Florida 32541

To Ollie's Breeze, LLC:
12 Hutchinson, LLC
P.O. Box 9734
College Station, TX 77842

With a copy to: Matthews & Jones, LLP
Attn: C. Stephen Tatum
4475 Legendary Drive
Destin, Florida 32541

9. **Attorney's Fees**. In the event of any action, whether pre-suit, mediation, litigation or appellate proceeding to enforce the terms and conditions of this Agreement, each party to the action shall pay its own attorney's fees and costs incurred therein.

10. **Venue**. Venue over any action to enforce the terms and conditions of this Agreement, including mediation, shall lie solely in Okaloosa County, Florida.

OWNER: Ollie's Breeze, LLC

_____ _____
Signature of Witness #1 Scott Medlin

_____ _____
Print or type name

_____
Signature of Witness # 2

_____
Print or type name

STATE OF_____
COUNTY OF_____

The foregoing instrument was acknowledged before me this _____ day of _____ 2019, by _____ _____ and _____, who are personal known to me or who have produced _____ as identification and who did not (did) take an oath.

_____
Signature of Notary

(NOTARY SEAL)

_____
Print or type name

CITY OF DESTIN

By:_____
Gary Jarvis, Mayor

Date:_____

ATTEST:

_____
Rey Bailey, City Clerk

Date:_____

STATE OF_____
COUNTY OF_____

The foregoing instrument was acknowledged before me this _____ day of _____ 2019, by _____ _____ and _____, who are personal known to me or who have produced _____ as identification and who did not (did) take an oath.

_____
Signature of Notary

(NOTARY SEAL)

_____
Print or Type Name

Approved as to form and legality for use and reliance
by the City of Destin, Florida, only.

_____
Kimberly Romano Kopp, Esq.
City Land Use Attorney

Exhibit "A"

Legal Description of Property

Lot 4, Block C of HOLIDAY ISLE RESIDENTAIL SECTION NO. 4, according to the Plat thereof as recorded in Plat Bok 4, Page(s) 29, of the Public Records of OKALOOSA County, Florida.

ITEM # 2019-1904

CITY OF DESTIN

AGENDA ITEM

COUNCIL MEETING DATE: December 9, 2019
TYPE OF AGENDA ITEM: Action Item

TO: City Council

THRU: Lance Johnson, City Manager

FROM: Kimberly Kopp, Land Use Attorney
Louis Zunguze, Community Development Director

DATE: December 5, 2019

SUBJECT: 23) 3 Magnolia Drive

I. BACKGROUND:

On January 22, 2019, the City enacted Ordinance 18-29-CC, the Short-Term Rental Occupancy Ordinance ("Ordinance"), which limits the occupancy of short-term rental homes to two (2) people per bedroom plus an additional four (4) persons.

The subject property owner owns the real property and improvements located at 3 Magnolia Drive, Destin, FL 32541, as more particularly described in Exhibit "A" (the"Property") to the proposed settlement agreement.

Owner filed a claim with the City, pursuant to the provisions of §70.001, Florida Statutes, the Bert J. Harris Jr., Private Property Rights Protection Act (the "Harris Act"), alleging that the Property had been inordinately burdened by the adoption of the Ordinance, (the "Claim).

The Harris Act provides for the City to have the ability to enter into a settlement agreement which would have the effect of a modification or variance to the application of a regulation or ordinance as it would otherwise apply to the subject real property, provided the relief granted protects the public interest served by the regulations at issue and is the appropriate relief necessary to prevent the governmental regulatory effort from inordinately burdening the real property.

The City Council should settle the claim if the City Council determines that the modifications within the settlement agreement protect the public interest served by the Ordinance and are the appropriate relief necessary to prevent the regulatory effect of the Ordinance from inordinately burdening the Property.

II. DISCUSSION: The property owner has requested a maximum occupancy of twenty-six (26) occupants. City staff is recommending an occupancy of sixteen (16) occupants based on the square footage of the property. The building official utilized a one-occupant per 200 square feet methodology for recommending the above-stated occupancy.

Additionally, staff is recommending at least three (3) trash cans on the property. This recommendation is based on industry standard (Waste Management) that, on average, one trash can is required for every six occupants in order to ensure adequate garbage disposal. Therefore, if the maximum number of occupants exceeds any multiple of six (6, 12, 18, 24, 30, 36, etc.), then an extra trash can will be needed to accommodate the additional occupants. For example, if thirteen (13) is the maximum occupation, then three (3) trash cans are required. This is because, on average, two (2) trash cans will only accommodate twelve (12) occupants. The third trash can will be needed to accommodate the thirteenth occupant.

Further, the property owner must agree to annual life safety inspections, as provided in the proposed settlement agreement.

Finally, staff is recommending that no greater than seven (7) vehicles be parked on this property

As stated in the agreement, the property owner remains bound by all other provisions of City codes.

A. **Link to Strategic Goals / Objectives:**
B. **Effect on Budget (EOB):**
C. **Level of Service (LOS):**

III. CONCLUSION:

IV. RECOMMENDED MOTION: 1. I move to approve the settlement agreement prepared by the City Land Use Attorney and Staff.

or

2. I move to approve the settlement agreement prepared by the City Land Use Attorney and Staff with the following modifications:_____.

or

3. I move to direct the City Land Use Attorney to negotiate in good faith with the property owner and to bring back an alternate settlement proposal to the City

Council for consideration.

or

4. I move to deny settlement of the subject claim at this time.

Attachments:

1. Bert Harris Case - 3 Magnolia Drive
2. 3 Magnolia Drive (002) (2)

DANA C. MATTHEWS
MICHAEL A. JONES
KENNETH M. BORICK
Of Counsel
Also admitted in Georgia and South Carolina
DANA C. "D.C." MATTHEWS II
SAMUEL B. TAYLOR
DANIEL C. O'ROURKE
Florida Supreme Court Certified
Civil and Family Mediator

MATTHEWS & JONES
ATTORNEYS AT LAW
INSIGHT | INTEGRITY | INNOVATION

CHRISTA P. DIVINEY
Board Certified Criminal Trial Lawyer
Also admitted in Alabama
LAURA PENTEL-KLANG
JESSICA L. STEWART
SALVADOR "A.J." GOMEZ
C. STEPHEN TATUM

Reply to Destin

STATUM@DESTINLAW.COM

October 2, 2019

VIA HAND DELIVERY

Mayor Gary Jarvis
City of Destin
4200 Indian Bayou Trail
Destin, FL 32541
gjarvis@cityofdestin.com

Dear Mayor Jarvis:

Our firm represents Magnolia Breeze, LLC, the owner of the home located 3 Magnolia Drive; Destin, Florida, also identified as Lot 2, Block D, Holiday Isle on the Gulf of Mexico at Destin, Residential Section No. 4, recorded in Okaloosa County Plat Book 4, at Page 29.

Due to the enactment of City of Destin Ordinance 18-29-CC, which limits the occupancy of short term rental homes to two (2) people per bedroom plus an additional four (4) persons, Magnolia Breeze's reasonable investment-backed expectations for use of the home as a short-term vacation rental property have been inordinately burdened, as defined in the "Bert J. Harris, Jr., Private Property Rights Protections Act", Chapter 70, Florida Statutes ("Harris Act"). Magnolia Breeze hereby submits this letter along with the enclosed EquiValue Appraisal, LLC property appraisal dated September 19, 2019, as a claim under the Harris Act against the City of Destin for Eight Hundred Fifteen Thousand Dollars ($815,000), which represents the diminution in value of Magnolia Breeze's property.

Pursuant to the provisions of the Harris Act, Magnolia Breeze hereby demands payment in the amount of Eight Hundred Fifteen Thousand Dollars ($815,000) plus attorneys fees and costs.

If no resolution is reached during the statutorily prescribed waiting period, Magnolia Breeze intends to file suit pursuant to this claim and pursue any other legal remedies for the actions that gave rise to this claim. Magnolia Breeze explicitly reserves the right to bring any and all legal challenges, appeals and objections with respect to Ordinance 18-29-CC.

Sincerely,

C. Stephen Tatum
Matthews & Jones, LLP
Attorney for Magnolia Breeze, LLC

Enclosure

cc: Lance Johnson, City Manager (via email)
Rey Bailey, City Clerk (via email)
Kimberley Romano-Kopp, Esq. (via email)
Client

APPRAISAL REPORT

PROPERTY: AN APPROXIMATE +/-3,290 SQUARE FOOT HEATED AND COOLED RESORT RESIDENTIAL RENTAL PROPERTY, ALONG WITH ASSOCIATED SITE IMPROVEMENTS INCLUDING A POOL (WITH CASCADING WATERFALLS), AND POOL DECK, ALL OF WHICH IS SITED ON AN APPROXIMATE 0.24-ACRE SITE

3 MAGNOLIA DRIVE, DESTIN, OKALOOSA COUNTY, FL

EQUIVALUE APPRAISAL

EQUIVALUE APPRAISAL, LLC
PROFESSIONAL APPRAISAL AND VALUATION SERVICES
PO BOX 5326
DESTIN, FLORIDA 32540
PHONE (850) 424-6119

Jason P. Shirey, MAI, CCIM, CPM
State-Certified General Real Estate Appraiser, RZ3186 (FL)
Direct Phone (850) 543-5953 (Mobile)

EquiValue Appraisal File No.: 190307D

APPRAISAL REPORT

Of Resort Residential Property
+/-0.24-Acres of Residential-Zoned Land
Improved with a resort residential structure,
Containing approximately +/-3,290 SF of Heated and Cooled Livable Area,
Along with Associated Site Improvements Including a Pool (with cascading waterfalls)
and Pool Deck

Location
3 Magnolia Drive,
Destin, Okaloosa County, FL
32541

Property Owner
Magnolia Breeze, LLC

Effective Date
January 22, 2019 (Retrospective)

Report Date
September 25, 2019

Client / Intended User
Magnolia Breeze, LLC
18898 State Highway 6 South
College Station, TX 77845

Prepared by:
Jason P. Shirey, MAI, CCIM, Cert Gen RZ3186

EQUIVALUE
APPRAISAL

Phone 850 424 6119 Fax 888 774 4503
EquiValue Appraisal, LLC File #: 190307D

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September 25, 2019

Magnolia Breeze, LLC
18898 State Highway 6 South
College Station, TX 77845

Re: Diminution in Value Appraisal of an approximate +/-3,290 HVAC Square Foot Resort Residential Rental Property, 'As Is', whose postal address is 3 Magnolia Drive, Destin, Okaloosa County, FL 32541. EquiValue Appraisal File No. 190307D.

Dear Client:

At your request and authorization, we have prepared an appraisal for the above-referenced resort residential rental property. A copy of the pertinent engagement document has been included in the addenda to this report if applicable.

This letter of transmittal is *not* an appraisal report, but merely serves to transmit the attached appraisal report and convey the final conclusion of value. The accompanying research, analyses and conclusions, and appraisal report following this letter of transmittal has been compiled in accordance with USPAP Standards Rule 2-2(a) for a written appraisal report.

The purpose of this appraisal is to determine if there is a Diminution in Value as result of recently-adopted City of Destin Ordinance No. 18-29-CC, and if so, to derive an opinion of the Diminution in Value to the subject property associated with the implementation of said Ordinance.

This Ordinance was implemented January 22, 2019, and the incorporation of this ordinance limits the occupancy of the subject property to 18 guests. Prior to the implementation of this Ordinance, the designed occupancy of the subject property was 26 guests. Therefore, as a result of the ordinance, the maximum occupancy of the subject has been reduced by 8 guests, or approximately -30.77%.

We are therefore opining on the difference in market value of the subject before and after the adoption of City of Destin Ordinance No. 18-29-CC, which was promulgated on January 22, 2019.

The values reported are predicated upon market conditions prevailing as of the effective date of the appraisal. In the context of the scope of work, the appraisal is considered to render a credible opinion of value, specific to the client, intended use and intended user.

The intended use of this appraisal is for internal decision making purposes by the stated Client and their advisors. This appraisal is intended for the use of the client and client's advisors.

We have completed the requisite inspections, research, and analyses necessary to appraise the 100% fee simple interest in the subject property, 'As Is' as of January 22, 2019, both prior to adoption of Ordinance No. 18-29-CC and after, in order to evaluate the potential Diminution in value.

Please reference the Scope section of this report for information regarding the scope of research and analysis for this appraisal, including property identification, inspection, highest and best use analysis and valuation methodology.

I certify that I have no present or contemplated future interest in the property beyond this opinion of value. The reported value(s) in this appraisal have not been based on a requested minimum valuation, a specific valuation, and have been prepared in compliance with the Uniform Standards of Professional Appraisal Practice.

Your attention is directed to the Limiting Conditions and Assumptions section following the reconciliation and appraisal certification in this report. Acceptance of this report constitutes an agreement with these conditions and assumptions.

This appraisal is subject to the following Hypothetical Condition(s):

- None.

This appraisal is subject to the following Extraordinary Assumption(s):

- None.

Our opinion of value was formed based on our experience in the field of real property valuation, as well as the research and analysis set forth in this appraisal.

I am of the opinion that as a result of the implemented City of Destin Ordinance 18-29-CC that the market value of the subject property is negatively impacted.

The implemented Ordinance reduces the maximum occupancy of the subject property, and therefore the subject's associated income generation potential.

The subject property is a resort-residential property specifically utilized for income generation purposes. Therefore, a reduction in scheduled income due the subject correlates to a reduction in associated value.

The Diminution in Value to the subject is represented by the difference between the 'Before' and the 'After' value conclusions.

In this case, this is represented by the difference between the opined value prior to implementation of the Ordinance (ie. the 'Before Ordinance' value of $1,815,000) and the value after implementation of the Ordinance (ie. the 'After Ordinance' value of $1,000,000).

Per this calculation, with supporting documentation as to the rationale of these values provided within this report, the opinion of Diminution in Value to the subject as a result of City of Destin Ordinance 18-29-CC is opined to be $815,000.

Therefore,

Diminution in Market Value
As A Result of Implementation of City of Destin Ordinance 18-29-CC:

Eight Hundred Fifteen Thousand Dollars
($815,000)

The estimated market exposure period necessary for the subject to have achieved these values is estimated to be 9-12 months.

It was a pleasure assisting you with this matter. If you have any questions concerning the following analysis, or if we can be of further assistance, please do not hesitate to call.

Respectfully submitted,
EquiValue Appraisal, LLC

Jason P. Shirey, MAI, CCIM, CPM
Cert Gen RZ3186

INTRODUCTION

QUALIFICATIONS OF THE APPRAISER

Qualifications of

Jason P. Shirey, MAI, CCIM, MS-RECM

State-Certified General Real Estate Appraiser No. RZ 3186 (FL)
State-Certified General Contractor No. CGC 062478 (FL)
Licensed Real Estate Broker No. BK 3168469 (FL)

MAI : Designated Member of the Appraisal Institute
Appraisal Insitute, Chicago, Illinois.

CCIM : Designated Certified Commercial Investment Member
CCIM Institute, Chicago, Illinois.

M.S. RECM : Master of Science, Real Estate and Construction Management
University of Denver - Denver, Colorado.

B.S. BCN : Bachelor of Science, Building Construction Management
University of Florida – Gainesville, Florida.

Business Affiliations and Work Experience, Past / Present

EquiValue Appraisal and Consulting Services
Principal and Founder; Real Estate Appraiser, Real Estate Broker, Certified General Contractor

Marsh Appraisal Corporation - Real Estate Appraisal and Valuation Services, Fort Walton Beach, Florida
Registered Trainee Appraiser / State Certified Real Estate Appraiser

Plantation Coast Properties, LLC – Fort Walton Beach, Florida
Principal; Real Estate Investments and Property Management

Alcon Associates, Inc. – Commercial General Contractors / Construction Managers; Pensacola, Florida
Florida Division Manager

National Construction Enterprises, LLC – General Contractor / Construction Managers; Savannah, Georgia
Vice President of Operations, Savannah-Hilton Head Division

Acoustics and Specialties, Inc. – General Contractors; Memphis, Tennessee
Senior Estimator / Project Manager of Healthcare Construction

Brasfield and Gorrie General Contractor Inc. – General Contractors and Construction Managers; Orlando, Florida
Construction Estimator / Project Manager

United States Air Force Reserve
Reserve Pilot, Boeing C-17 Globemaster III

EQUIVALUE APPRAISAL

Jason P. Shirey, MAI, CCIM, MS-RECM (Continued)

Professional / Continuing Education

Litigation Appraising - Specialized Topics and Applications
Appraisal Institute

Uniform Standards of Professinal Appraisal Practice
7 Hour Update, *Appraisal Institute*

Advanced Income Capitalization
Appraisal Institute

Advanced Sales Comparison Approach
and Principles In Highest and Best Use
Appraisal Institute

User Decision Analysis for Commercial Real Estate
CCIM Institute Course CI-103

Advanced Cost Approach
Appraisal Institue

Real Estate Taxation, Planning and Consequences
University of Denver, Burns School of Real Estate

Advanced Real Estate Feasibility Analysis
Urban Land Institute / University of Denver

Real Estate Securities and Syndications
University of Denver, Burns School of Real Estate

Legal Issues In Real Estate and Construction Management
University of Denver, Burns School of Real Estate

Income Property Investment
Urban Land Institute / University of Denver

Argus Financial Analysis
University of Denver, Burns School of Real Estate

Residential Real Estate Appraiser Course ABII
Ed Klopfer Schools of Real Estate

Real Estate Salesperson Pre-Licensing Course
Ed Klopfer Schools of Real Estate

Income Property Management
Institute of Real Estate Management / University of Denver

Certified Commercial Investment Member Core Concepts
CCIM Insitute Comprehensive Exam

Appraising from Blueprints and Specifications
Appraisal Institute

Florida Building Code Update
Florida Workplace Safety and OSHA Update
Universal Inspection Service

Uniform Standards of Professional Appraisal Practice
15 Hour Update, *Appraisal Institute*

Business Practices and Ethics for Appraisers
Appraisal Institute Course #420

Basic Income Capitalization
Appraisal Institute

Advanced Valuation and Report Writing
Appraisal Institute Course #540

Real Estate Investment Finance
University of Denver, Burns School of Real Estate

Computer Applications for Real Estate Analysis
University of Denver, Burns School of Real Estate

Risk Management and Insurance for Investment Real Estate
University of Denver, Burns School of Real Estate

Indoor Air Quality and Mold Contamination Remediation
National Association of Mold Professionals, 2004

Real Estate Trainee Appraiser Course ABI
Ed klopfer Schools of Real Estate

Uniform Standards of Professional Appraisal Practice
15 Hour Update, *Appraisal Institute*

EQUIVALUE APPRAISAL

Jason P. Shirey, MAI, CCIM, MS-RECM (Continued)

Appraiser Experience - Property Types

Affordable Housing
Agricultural Land
Aircraft Hangars
Antenna Towers
Apartments
Automobile Dealerships
Hotels and Motels
Bank Buildings
Bowling Alleys
Broadcast Facilities
Campgrounds / Recreational Vehicle Parks
Car Washes
Churches
Coastal Land
Condominium Units:
  Assemblages, Complexes, Conversions
Condominium Projects:
  Pre-development, Insurable Replacement Cost
Convenience Stores
Day Care Centers
Development Appraisals
Distribution Facilities
Golf Clubs and Country Clubs
Health Clubs
High-End Residential
Hobby Farms
Home Sites (Lots)
Home Sites (Land - Large Tracts)
Hotel - Resorts
Industrial Land
Indstrial Improvements
Light Industrial Properties
Manufacturing Facilities
Marinas / Docks / Boat Storage Facilities
Medical Offices
Mixed Use Developments
Mobile Home Parks
Multifamily Land
Multifamily Developments
Nurseries
Office Buildings
Office Condominiums
Office-Warehouse Facilities
Outdoor Signs
Parking Facilities
Replacement Cost Appraisals
Retail Stores (Anchor Tenant / Owner Occupied)
Retail Strip Centers (Multiple Tenant)
Restaurants (All types)
Self-Storage Facilities
Subdivisions (Commercial)
Subdivisions (Residential)
Single Family Residences
Sustainable Development (Green Buildings)
Urban Land (Vacant and Interim Use)
Warehouses
Yacht Clubs

Previous Client List (Partial)

Access Bank and Mortgage
Alternative Funding Corporation
BanCorp South
Bank of America
Bank of Bonifay
Bank of Pensacola
BankTrust
Beach Community Bank
CB Richard Ellis
CCB Community Bank
Colonial Bank
Community Bank
Compass Bank
Cotton and Gates
Crystal Beach Development
DestinFirst Bank
First Capital Bank
First City Bank
First Gulf Bank
First National Bank and Trust
Florida Coastal Mortgage
Guaranty Federal Bank
GulfSouth Private Bank
Jay Odom
Kevin Helmich, P.A.
Legendary, Inc.
LNK Development
M & F Bank
People's First Community Bank
Premier Community Bank
Regions Bank
Renasant Bank
Sunbird Condominium Owner's Association
Suntrust Bank
The Plaza Owner's Association
Tranquil Harbor Owner's Association
Trustmark National Bank
Vanguard Bank
Villas on the Gulf Condominium Onwer's Association
Vision Bank
Wachovia Bank
Whitney Bank

Assignment Purposes

Acquisition
Disposition
Assessment Appeal
Development Feasibility
Estate Planning
Financing (Institutional and Private)
Investment Analysis
Portfolio Analysis
Marital Dissolution
Relocation
Mediation, Arbitration, Dispute Resolution

EQUIVALUE APPRAISAL

Jason P. Shirey, MAI, CCIM, MS-RECM (Continued)

Assignment Types

Appraisal Review
Buyer Brokerage
Complex Valuation
Construction Progress / Draw Request Inspection
Demographic Analysis
Detrimental Conditions Valuation and Consulting
Eminent Domain Valuation and Consulting
Estate Valuation
Feasibility Studies
Fee Appraisals Including Full and Fractional Interests
Foreclosure / REO Appraisal - Assessment
Highest and Best Use Analysis
Insurance
Litigation Support
Market Studies
Portfolio Valuation and Analysis
Relocation Appraisal
Rent Analysis / Studies
Retrospective Valuation
Site Location Services
Valuation and Consultation for Financial Reporting

Primary Market Area

Okaloosa County
- Destin
- Fort Walton Beach
- Crestview
- Mary Esther
- Niceville
- Bluewater Bay

Walton County
- Miramar Beach
- Panama City Beach
- Rosemary Beach
- Santa Rosa Beach
- Blue Mountain Beach
- Freeport
- Defuniak Springs
- Inlet Beach
- Seacrest Beach

Santa Rosa County
- Navarre
- Navarre Beach
- Gulf Breeze

Bay County
- Panama City
- Panama City Beach
- Springfield

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Subject Photograph(s)

Additional photographs can be referenced in the Property Description Section of the Appraisal Report.

Summary of Salient Facts and Conclusions

GENERAL	
EquiValue Appraisal File No:	190307D
Subject:	An approximate 3,290 HVAC SF / 11,860 Gross SF Resort Residential Rental Property located along the west side of Magnolia Drive, approximately 525 feet north of the Beaches of the Gulf of Mexico, with postal address of 3 Magnolia Drive in Destin, Okaloosa County, Florida. The subject site is comprised of +/-0.24 acres of Medium Density Residential – Holiday Isle zoned land (a residentially-oriented zoning designation) which is improved with a multistory resort rental residential structure, along with associated site improvements which include a pool (with cascading waterfalls) and pool deck. According to information provided by the Okaloosa County Property Appraisers Office, the improvement was constructed in 2017, provided for actual age of 2 years. The subject improvement is considered to be of very good quality of construction and in good condition, and based on the appraiser's observations during the inspection exhibits an effective year built commensurate with the actual year built (2017), providing for an effective age of 2 years.

The configuration of the existing structure was specifically designed and outfitted to accommodate 26 overnight (sleeping) guests (not including air mattresses) and features the following characteristics,

- 7 Bedrooms
- 8 Bathrooms
- Dining Room, 2 Living Rooms (2nd & 3rd Floors), Laundry Room and a Gourmet Kitchen
- Swimming Pool (with cascading waterfalls) and Pool Deck
- Outdoor Living/Entertainment Areas
- 360 degree wrap around covered balconies (floors 2 and 3) and a 4th floor observation deck

The use of the subject property in 'As Is' condition is as a beach proximate, resort residential rental property and this is the use represented in the valuation of the subject property, as of the effective date of this appraisal.

In the 'Before' condition, occupancy of the subject was specifically designed for 26 guests (not including the air mattress) with sleeping accommodations as follows:

2nd Floor Bedroom #1 (Sleeps 2)
1 King Bed

2nd Floor Bedroom #2 (Sleeps 2)
1 King Bed

2nd Floor Bedroom #3 (Sleeps 2)
1 King Bed

2nd Floor Bedroom (Bunk Room) #4 (Sleeps 6)
Triple Queen over Queen Bunk Bed

3rd Floor Bedroom #5 (Sleeps 2)
1 King Bed

3rd Floor Bedroom #6 (Sleeps 2)
1 King Bed

3rd Floor Bedroom (Bunk Room) #7 (Sleeps 8)
2 Queen over Queen Bunk Beds

Queen Sleeper Sofa (2nd Floor Living Room) (Sleeps 2)

	In the ‘After’ condition and taking into account the City of Destin Ordinance 18-29-CC which was implemented January 22, 2019, the occupancy of the subject (in aggregate) is limited to 18 Guests as calculated by having a total of 7 bedrooms (as recognized by the Okaloosa County Property Appraisers Office) at 2 guests per bedroom, plus 4 additional guests.
Owner:	Magnolia Breeze, LLC 18898 State Highway 6 South College Station, TX 77845
Legal Description:	Holiday Isle Lot 2 Block D
Tax Identification:	00-2S-24-2186-000D-0020
Date of Report:	September 25, 2019
Date of Value:	January 22, 2019
Property Rights Appraised:	Fee Simple
Intended Use:	The intended use of this appraisal is for internal decision making purposes by the client, and for Bert Harris Act computation of damages.
Intended User(s):	The intended user of this report is the property owner, the property owner advisors, courts and local government and regulatory agencies.
Appraisal Purpose:	Market Value Opinion 'As Is' in the ‘Before Ordinance’ and ‘After Ordinance’ conditions, and subsequent evaluation of Diminution in Value.
2018 Assessed Value:	**$810,349** Despite the intention of the property appraiser to value property at market value on a yearly basis, it is the appraiser’s opinion that assessed value has no direct correlation to fair market value in the subject market area.

2018 Taxes:	**$10,799.74 (Paid)** According to the Okaloosa County Tax Collector, taxes for 2018 have been paid in full and no prior year delinquent taxes remain owing.
Sale History:	The most recent transaction related to the subject property can be found in an Assignment of Sublease recorded in the Okaloosa County public records at OR Book 3234 Page 974. According to this assignment of sub lease, the subject property was conveyed to Magnolia Breeze, LLC (assignee) from Fengming Qiu (assignor) on January 28, 2016 or a total consideration of $196,000. The above transaction was given no consideration in our valuation of the subject property as this was a transfer of the subject property as a vacant lot and the existing resort residential rental improvement was constructed on the subject property after acquisition of the vacant site by the property owner. Information provided by the property owner indicated that the motivation for the construction of the existing improvement was for income generation purposes with a specific design for 26 sleeping occupants. There have been no transfers of the subject property in the preceding 3 years
Current Contracts/Listing:	We were unable to locate any active listing for sale of the subject property in the prior 12 months. We are unaware of any intention by the current owner to market the subject for sale. It is our understanding that the property owner plans to retain the subject property for short-term rental purposes and income generation potential.

PROPERTY	
Land Area:	Total: +/-0.24-Acre Usable: +/-0.24-Acre Excess: 0.00 Acres

Zoning/ Future Land Use:	Medium Density Residential – Holiday Isle (MDR-HI) - by the City of Destin
Highest and Best Use 'As Is':	Utilizing the subject as a resort-residential rental property at maximum occupancy is estimated to be the highest and best use of the subject 'As Is'. It is noted that occupancy limitations imposed on the subject by virtue of City of Destin Ordinance 18-29-CC, which limits occupancy of the subject property to a lesser number than that for which the subject was specifically renovated and outfitted, is anticipated to have a negative impact on the market value / return on investment of the subject property to the owner.

VALUE CONCLUSIONS

Land Value:	Not Utilized
Cost Approach:	Not Utilized
Improved Sales Comparison Approach:	Not Utilized
Income Approach:	$1,815,000 – Before Ordinance 18-29-CC $1,000,000 – After Ordinance 18-29-CC $815,000 – Diminution in Value as a Result of Ordinance 18-29-CC

Appraisal Scope of Work

In accordance with the 2018-2019 Uniform Standards of Professional Appraisal Practice, it is the appraiser's responsibility to develop and report a scope of work that results in credible results that are appropriate for the appraisal problem and intended user(s).

This process should meet the expectations of parties who are regularly intended users for similar assignments and be consistent with what an appraiser's peers actions would be in performing the same or a similar assignment.

Therefore, the appraiser must identify and consider:

- the client and intended users;
- the intended use of the report;
- the type and definition of value;
- the effective date of value;
- assignment conditions;
- typical client expectations; and
- typical appraisal work by peers for similar assignments**.**

This appraisal is prepared for the Client, Magnolia Breeze, LLC.

The intended use of this appraisal is for internal decision making purposes by the client, the client's advisors, and for Bert Harris Act computation of damages.

The intended user of this report is the property owner, the property owner's advisors, courts and local government and regulatory agencies.

SCOPE OF WORK	
Report Type:	This is a written Appraisal Report, which is intended to comply with the reporting requirements established by Standards Rule 2-2(a) of the *2018-2019* edition of the U*SPAP* for a written Appraisal Report. It presents summary discussions of the data, reasoning, and analyses utilized in the appraisal process to develop the appraiser's opinion of value. Supporting documentation not provided with the report concerning the data, reasoning, and analyses is retained in the appraiser's file. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated in the report. The appraiser is not responsible for the unauthorized use of this report.

Property Identification:	The subject was identified by the legal description and the assessor's parcel number, and appraiser inspection.
Inspection:	An inspection of the site and improvements was made, and photographs were taken.
Market Area and Analysis of Market Conditions:	A complete analysis of market conditions was made. The appraisers physically inspected the micro and/or macro market environments which influence the subject property.
Highest and Best Use Analysis:	A complete analysis of highest and best use for the subject property in ‘As Is’ condition was made.

Valuation Analyses

Land Valuation and Cost Approach:	An opinion of value for the subject property in 'as if vacant' condition and subsequent application of the cost approach has not been provided. The purpose of this appraisal is to evaluate the impact to the value of the subject by virtue of the implementation of City of Destin Ordinance 18-29-CC which limits occupancy of the subject and corresponding associated income generation potential. Thus, the cost to acquire land and construct a replacement property is meaningless to the purpose of the assignment and was not applied.
Sales Comparison Approach:	The improved sales comparison approach was not utilized in this appraisal assignment. The purpose of this appraisal is to evaluate the impact to the value to the subject by virtue of the implementation of City of Destin Ordinance 18-29-CC which limits occupancy of the subject and associated income generation potential. As this ordinance was just recently implemented, an adequate number of improved sales which sold after the Ordinance implementation date were not available from which to derive an opinion of market value from this approach. As sales which occurred prior to this Ordinance will reflect market transactions without this restriction, they are not considered valid indicators of value for the subject in the restricted condition. Therefore this approach could not be applied due to lack of sufficient comparable data.

Income Approach:	The income approach was applied for the subject in both the 'Before Ordinance' and 'After Ordinance' scenarios.
Hypothetical Conditions:	None.
Extraordinary Assumptions:	None.
Exposure Time (Market Value):	Exposure Time may be defined as: the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective opinion based on an analysis of past events assuming a competitive and open market. The estimate of exposure time is presented in consideration of the exposure periods for comparable sales utilized in this appraisal, marketing time information available from nationally published sources including the CB Richard Ellis National Market Survey and the opinions of market participants. ***It is estimated that the exposure time necessary for the subject to have achieved the opinion of value is 9-12 months.***

Definition of Value, Property Rights Appraised, and Intended Use

Purpose of the Appraisal:

The purpose of an appraisal is the stated reason and scope of the appraisal assignment. It is established by the client, and points to the information that the client needs to answer specific questions pertaining to real property. The purpose of the appraisal establishes the foundation for the final value conclusion, which does not change to accommodate the use of the appraisal.[1]

The purpose of this appraisal is to derive an opinion of the Diminution in Value to the subject property associated with the implementation of City of Destin Ordinance No. 18-29-CC.

This Ordinance was implemented January 22, 2019, and the incorporation of this ordinance limits the occupancy of the subject property to 18 guests. Prior to the implementation of this Ordinance, the designed occupancy of the subject property was 26 guests. Therefore, as a result of the ordinance, the maximum occupancy of the subject has been reduced by 6 guests, or approximately -30.77%.

We are therefore opining on the difference in market value of the subject before and after the adoption of City of Destin Ordinance No. 18-29-CC, which was promulgated on January 22, 2019.

Intended Use of the Appraisal and Intended User:

The intended use of an appraisal is the manner in which a client will employ the information contained in the appraisal report. The intended use or function of an appraisal is determined by the client's needs. Because an appraisal may provide a basis for a decision concerning real property, the intended use of the appraisal depends on the decision that the client wishes to make.[2]

The intended use of this appraisal is for internal decision making purposes by the client, and for Bert Harris Act computation of damages. The intended user of this report is the client / property owner, advisors, courts and local government and regulatory agencies.

Property Rights Appraised

Real property is said to have value as a result of the "bundle of rights" that are inherent to property ownership. Regardless of the type of ownership, the owner of real property is said to have an interest in that property. The following definitions are for the three most commonly-valuated interests as defined by the Dictionary of Real Estate Appraisal, Fourth Edition.

---

[1] The Appraisal of Real Estate, Twelfth Edition
[2] The Appraisal of Real Estate, Twelfth Edition

Fee Simple Interest:
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.

Leased Fee Interest:
An ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the lessee are specified by contract terms contained within the lease.

Leasehold Interest:
The interest held by the lessee (the tenant or renter) through a lease transferring the rights of use and occupancy for a stated term under certain conditions. See also negative leasehold; positive leasehold.

The subject property is being appraised 'fee simple', taking into account market conditions at the effective date of the report. Given the valuation of the subject in 'As Is' condition and the nature of the subject being a resort-rental property which is occupied on a short term or seasonal basis, fee simple basis is considered to be the appropriate valuation standard.

Date of Value Opinion
Value opinions are presented as of a specific date, taking into account market conditions at that time. The effective date of an appraisal is the date at which the analyses, opinions, and advice in an appraisal, review, or consulting service apply. (USPAP, 2018-2019 edition.)

The date of the value opinion can be current, in the past (retrospective), or forecast into the future (prospective).

The following presents definitions regarding the date of the opinion of value, as provided by the text The Appraisal of Real Estate, Twelfth Edition:

Date of Value Opinion:
The date for which an opinion of value is valid.

Current Value:
In accounting, synonymous with market value.

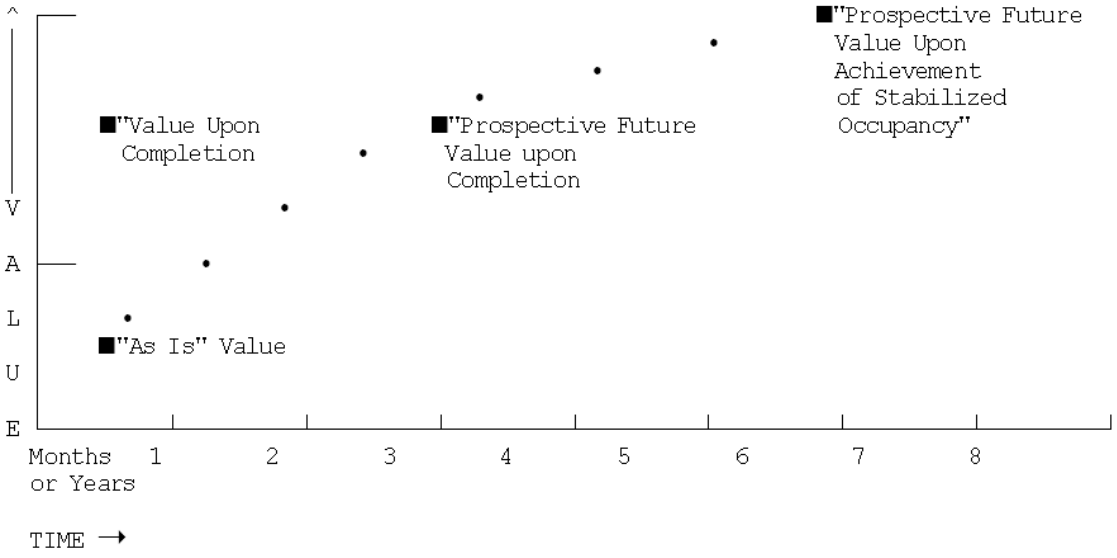
Retrospective Value Opinion:
An opinion of value that is likely to have applied as of a specified historic date. A retrospective value opinion is most frequently sought in connection with appraisals for estate tax, condemnation, inheritance tax, and similar purposes.

Prospective Value Opinion:
A forecast of the value expected at a specified future date. A prospective value opinion is most frequently sought in connection with real estate projects that are proposed, under construction, or under conversion to a new use, or those that have not achieved sellout or a stabilized level of long-term occupancy at the time the appraisal report is written.

In a prospective appraisal, the appraiser analyzes market trends to provide support for forecasted income and expense or sell-out opinions, absorption periods, capitalization rates, and discount rates as of the effective date of the appraisal. This appraisal report was prepared taking into account market conditions present as of the date of the report. The appraiser(s) can not be held responsible for unforeseen events that alter market conditions prior to the effective date of the appraisal.

The following graph presents a graphical depiction of the above-described date of value opinions and their associated position within a potential overall development time scenario.

Value Creation Continuum[1]



The preceding exhibit graphically displays the creation of value in a real estate development project over time, assuming a zero inflation environment for clarity of presentation.

1 Code of Federal Regulations, Title 12, as amended by the Federal Home Loan Bank Board.

Basis of the Subject Value Opinion

The four time differential values on the preceding graph which may be considered in the appraisal of proposed developments are defined as follows:

(1) **"As Is"** means an estimate of the market value of a property in the condition observed upon inspection and as it physically and legally exists without hypothetical conditions, assumptions, or qualifications as of the date of appraisal.

(2) **"Value as Complete" or "Value Upon Completion"** means the market value of a property with all proposed construction, conversion, or rehabilitation hypothetically completed, or under other specified hypothetical conditions as of the date of appraisal. With regard to properties wherein anticipated market conditions indicate that stabilized occupancy is not likely as of the date of completion, this estimate of value shall reflect the market value of the property as if complete and prepared for occupancy by tenants.

(3) **"Prospective Future Value Upon Completion"** means the prospective future value of a property on the date that construction is completed, based upon market conditions forecast to exist as of that completion date.

(4) **"Prospective Future Value Upon Achievement of Stabilized Occupancy"** means the prospective future value of a property at a point in time when all improvements have been physically constructed and the property has been leased to its optimum level of long term occupancy.

The purpose of this appraisal is to derive an opinion of the Diminution in Value to the subject property associated with the implementation of City of Destin Ordinance No. 18-29-CC.

The following are the pertinent dates to the valuation, viewing, and appraisal reporting of the subject property:

Effective Date of Value Opinion:	**January 22, 2019**
Date of Viewing:	**August 2, 2019**
Date of Appraisal Report:	**September 25, 2019**
Date of Photographs:	**August 2, 2019**

Definition of Value

The definition of "Market Value", as defined by the Office of the Comptroller of Currency (OCC) under 12 CFR, Part 34, Subpart C-Appraisals, 34.42 Definitions, the Board of Governors of the Federal Reserve System (FRS) and the Federal Deposit Insurance Corporation in compliance with Title XI of FIRREA, as well as by the Uniform Standards of Appraisal Practice as promulgated by the Appraisal Foundation, is as follows.

> Market value means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby,
>
> 1. Buyer and seller are typically motivated;
>
> 2. Both parties are well informed or well advised, and acting in what they consider their own best interest;
>
> 3. A reasonable time is allowed for exposure in the open market;
>
> 4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
>
> 5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Policy Statement of the Appraisal Institute

It is improper to base a conclusion or opinion of value upon the premise the racial, ethnic, or religious homogeneity of the inhabitants of an area or of a property is necessary for maximum value.

Racial, religious, and ethnic factors are deemed unreliable predictors of value trends or price variance.

It is improper to base a conclusion or opinion of value, or a conclusion with respect to neighborhood trends, upon stereotyped, biased presumptions relating to the effective age or remaining life of the property being appraised or the life expectancy of the neighborhood in which it is located.

FACTUAL DESCRIPTIONS

Property Description

Summary of Site Characteristics and Improvements

SITE	
Information Sources:	Deed, assessment records, inspection, owner
Total Site Size:	+/-0.24-Acre
Usable Site Size:	+/-0.24-Acre
Excess Land:	0.00 acres
Corner Lot:	The site is not a corner lot.
Visibility:	The subject site benefits from visibility from Magnolia Drive (which parallels the eastern boundary). The subject site is considered to have good visibility for the subject market area.
Shape:	Square. See aerial photograph / property appraiser map for a visual depiction of the site shape and parcel.
Road Frontage/Access:	The subject features direct access from Magnolia Drive, a two lane secondary residential roadway.
Waterfront Proximity:	The subject is located approximately 525 feet north of the Beaches of the Gulf of Mexico and is well-positioned as a resort rental property which would capitalize on proximity to beaches.
Drainage:	Drainage appears adequate for the subject property. Drainage on the subject site meets current standards for storm water retention. The subject property is considered typical with regard to other similar properties in the subject market area.
Potential For Environmental Contamination:	The appraisers have not observed, nor are qualified to detect, the existence of potentially hazardous material or underground storage tanks which may be present on or near the subject site. The appraisers recommend that an environmental survey be attained to assure the environmental stability of the subject property. This appraisal assumes no subsoil contamination of the subject site.

Utilities:

Electricity: Electricity is provided by Gulf Power, Inc. Standard service capacity exists at the subject property with adequate capacity to service the subject existing improvements.

Sewer: Public sewer is provided and is on site.
Water: Public water is provided and is on site.
Natural Gas: Natural Gas service is provided and is on site.

Adequacy: Utility service is considered adequate for the subject improvements and at least standard for the subject market area.

Site Improvements: Site improvements present on the subject at the time of inspection included brick pavered driveway, utilities, landscaping, a heated swimming pool with concrete pool deck area.

Landscaping: The subject features excellent quality landscaping with various plantings and grassy areas with irrigation.

Site Utility: Good

Flood Zone: The subject is located in an area mapped by the Federal Emergency Management Agency (FEMA). The subject property appears to be located in Flood Zone 'AE (EL 11)' as noted by the following FEMA Map Number:
FEMA Map Number: 12091C0488H 12/06/2002

Easements: We were not provided with a survey for the subject property. Our review of the appropriate maps and public records for the subject property indicated that standard utility easements exist. Our viewing did not indicate that any of these easements would adversely affect the value opinion of the subject contained herein. This appraisal assumes no easements, encroachments, or private deed restrictions which would adversely affect the value of the subject property.

Encroachments: We were not provided with a survey for the subject property. Our review of the appropriate maps and public records for the subject property did not reveal any encroachments on the subject site. Our viewing did not indicate any encroachments that would adversely affect the value opinion of the subject contained herein. This appraisal assumes no easements, encroachments, or private deed restrictions which would adversely affect the value of the subject property.

IMPROVEMENTS – AS IS	
Summary:	Very Good Quality Resort Rental Residence
Architectural Style:	Modern Multi-Story Residential 'Resort Style' Single Family Home
Building Class (Marshall Valuation)	Class D, Wood Frame
Construction:	Wood Frame with Hardi Plank Exterior
Quality:	Very Good Quality Resort Residential Dwelling
Actual / Effective Age:	Actual Year Built 2017 / Actual Age 2 Years Effective Year Built 2017 / Effective Age Years
Condition:	Very Good
Remaining Useful Life:	53 Years
Areas & Ratios:	Bedrooms: 8 Baths: 7 Gross Building Area: 11,860 Square Feet HVAC Building Area: 3,290 Square Feet Per the Okaloosa County Property Appraiser, in aggregate the subject features 7 bedrooms and 8 bathrooms. Per instituted City of Destin Ordinance, the maximum number of guests will be calculated at the rate of 2 guests per bedroom based on the Property Appraiser's residential profile of the property, plus 4 additional guests. Therefore, the subject in the 'after ordinance' condition will be limited to 18 total guests. See Excerpt below.

Sec. 13-117. – Maximum occupancy based on site capacity/Grandfathering.

(a) The maximum overnight occupancy of a short-term rental shall be stated in the short-term rental registration form, and shall be limited to the lesser occupancy of the following two options:

i. Two (2) persons for each bedroom, plus four (4) additional persons. The number of bedrooms shall be based upon the Property Appraiser's residential profile of the property, and other documents of record, as needed. In no case shall the maximum total occupancy for any dwelling unit exceed the occupancy limits permitted by the Florida Fire Prevention Code or Florida Building Code.

or

ii. A total of twenty-four (24) persons per short-term rental. In the event that there is more than one building or dwelling on one platted lot, the maximum occupancy shall be capped at twenty-four (24) occupants per lot or structure, whichever is less.

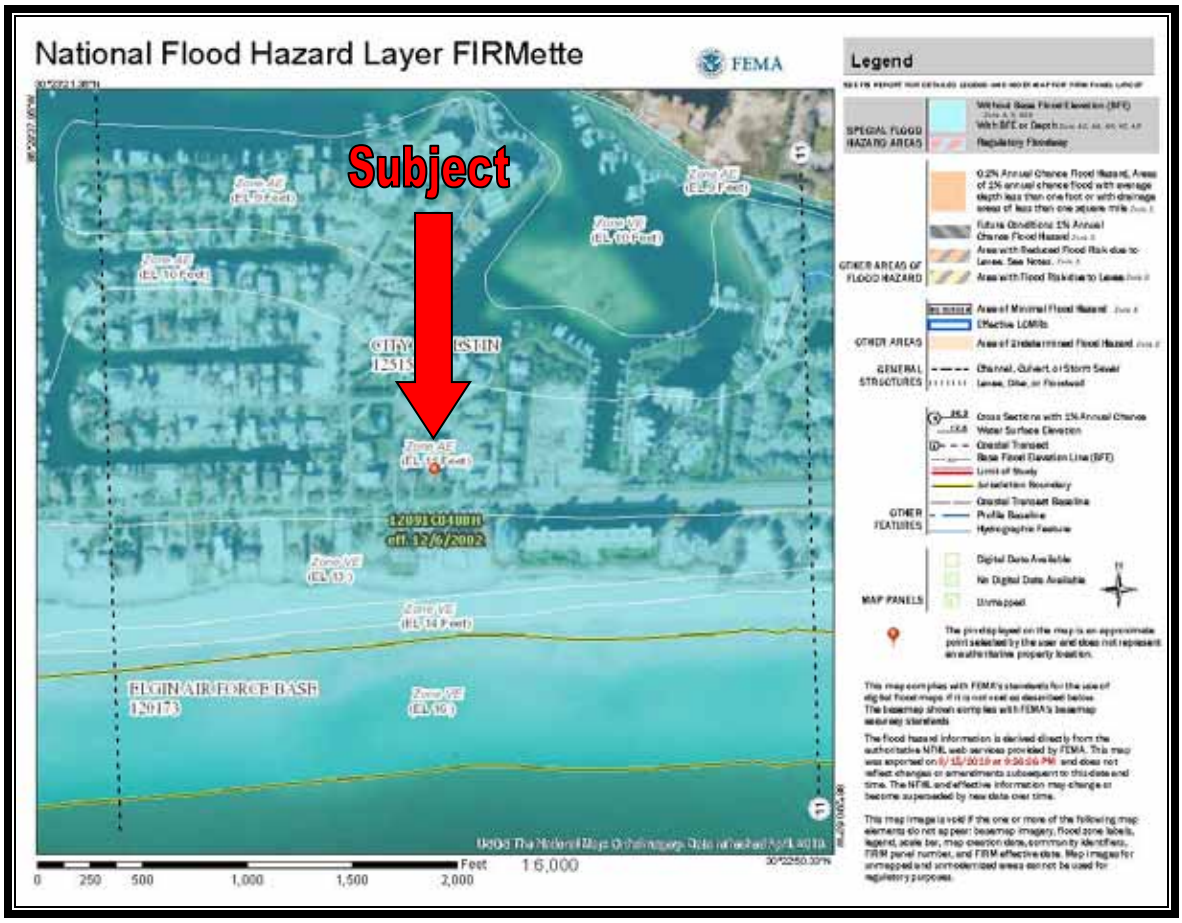
FOUNDATION, FRAME & EXTERIOR	
Foundation:	Concrete Slab, Pilings
Frame:	Wood Frame
Exterior:	Hardi-Plank Siding
Roof/Cover:	Metal (sloped)

INTERIOR	
Notes Regarding Interior Finish:	Interior finishes to the subject are of very good quality and include, but are not limited to, good quality cabinetry, stone or solid surface countertops, custom backsplashes, stainless steel appliances, and good quality bathroom and kitchen fixtures. Good quality flooring and appurtenances. The subject features a finish consistent with to superior to most resort residences in the existing Destin / Crystal Beach market.
Interior Finish:	Very Good Quality.
Ceilings & Ceiling Height:	Finished Ceilings throughout, generally 10-0”-12’-0” height.
Floor Cover:	Clay/Ceramic and Hardwood. Very good level of floor finish.
Doors:	Good Quality and condition solid core doors. Glass windows and doors are good quality insulated double pane impact resistant.
Additional Amenities:	The subject property has a very good level of finish with good design and outdoor living areas including an outdoor pool (with cascading waterfall) with concrete pool deck, 360 degree wrap around covered balconies (floors 2 and 3), and a 4th floor observation deck.

MECHANICAL SYSTEMS	
Heating / Cooling:	Multiple Individual HVAC systems.
Hot Water:	Adequate for property.
Electrical:	Adequate for property.
Plumbing:	Adequate for property.
	The subject was specifically designed as a resort rental property with planned occupancy / sleeping accommodations for 26 persons.

Regional/Area Maps

Flood Map


National Flood Hazard Layer FIRMette
FEMA
Subject
Legend
SPECIAL FLOOD HAZARD AREAS
OTHER AREAS OF FLOOD HAZARD
OTHER AREAS
GENERAL STRUCTURES
OTHER FEATURES
MAP PANELS
ELGIN AIR FORCE BASE
120173
Feet
16,000
0
250
500
1,000
1,500
2,000

Flood Zone Descriptions

“A 100-year flood is a flood that has a 1-percent chance of being equaled or exceeded in any given year. A base flood may also be referred to as a 100-year storm and the area inundated during the base flood is sometimes called the 100-year flood plain.

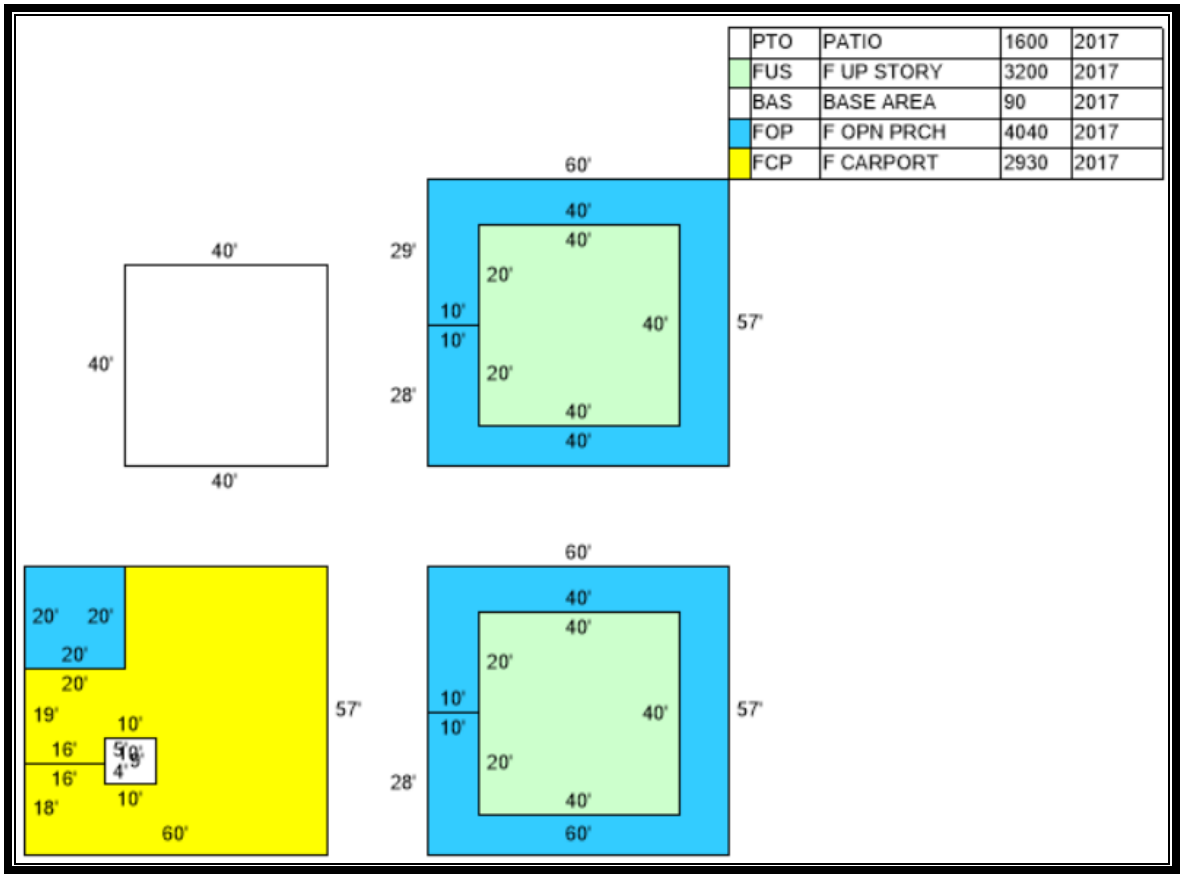
The term "100-year flood" is misleading. It is not the flood that will occur once every 100 years. Rather, it is the flood elevation that has a 1- percent chance of being equaled or exceeded each year. Thus, the 100-year flood could occur more than once in a relatively short period of time. The 100-year flood, which is the standard used by most Federal and state agencies, is used by the National Flood Insurance Program (NFIP) as the standard for floodplain management and to determine the need for flood insurance. A structure located within a special flood hazard area shown on an NFIP map has a 26 percent chance of suffering flood damage during the term of a 30-year mortgage.

Zone AE and A1-A30
Zones AE and A1-A30 are the flood insurance rate zones that correspond to the 100-year floodplains that are determined in the Flood Insurance Study by detailed methods. In most instances, Base Flood Elevations derived from the detailed hydraulic analyses are shown at selected intervals within this zone. Mandatory flood insurance purchase requirements apply.

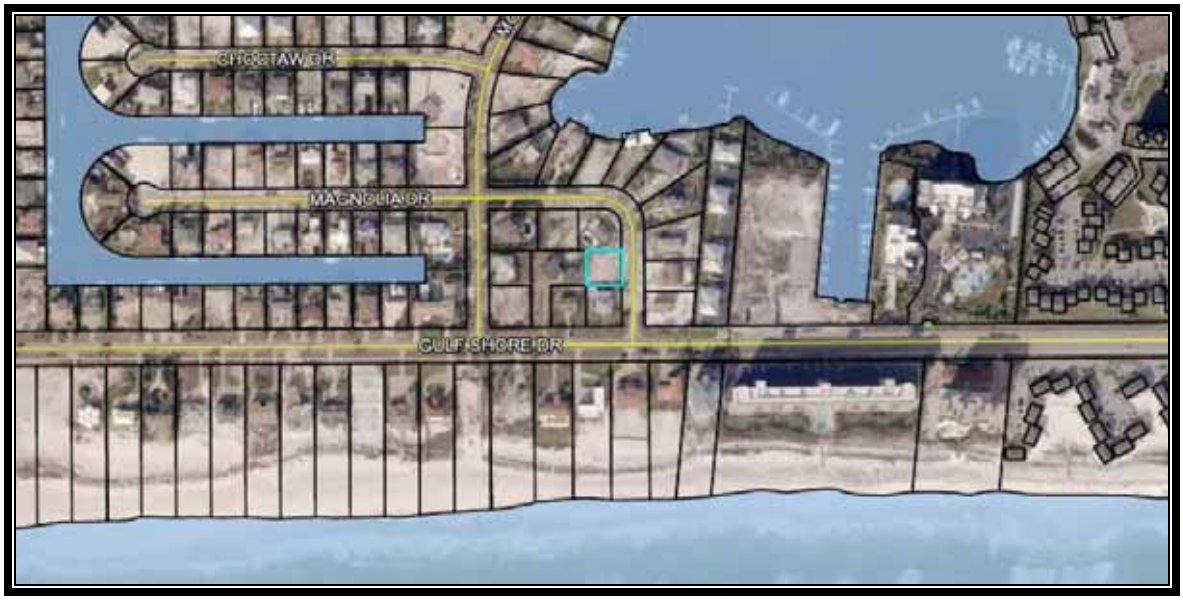
Zone VE
Zone VE is the flood insurance rate zone that corresponds to the 100-year coastal floodplains that have additional hazards associated with storm waves. BFEs derived from the detailed hydraulic analyses are shown at selected intervals within this zone. Mandatory flood insurance purchase requirements apply.

Zones B, C, and X are the flood insurance rate zones that correspond to areas outside the 100-year floodplains, areas of 100-year sheet flow flooding where average depths are less than 1 foot, areas of 100-year stream flooding where the contributing drainage area is less than 1 square mile, or areas protected from the 100-year flood by levees. No BFEs or depths are shown within this zone.”

Building Floor Plan



Aerial Photograph



Subject property outlined in blue above

Subject Photographs

Subject East (Front) Elevation

Subject South (Side) Elevation

Subject Along West (Rear) Elevation

Subject North (Side) Elevation

Subject Parking Area (along east elevation)

Pool with Concrete Deck

View of covered ground floor area

View of covered ground floor area

View of covered ground floor area

View of Full Bathroom located on covered ground floor area

Interior View

Interior View

Interior View

Interior View

Interior View

Interior View

Interior View

Interior View

Interior View

Interior View

Interior View

Interior View

Interior View

Interior View

Interior View

Interior View

Interior View

Interior View

Interior View

Typical view of covered balconey area

Typical view of covered balconey area

Typical view of covered balconey area

Distant view of the Gulf of Mexico from the covered balcony area

Zoning

The subject property is designated with the Medium Density Residential – Holiday Isle (MDR-HI) zoning designation, as governed by the City of Destin.

Use of the subject for various residential, short term seasonal rental, guest house and other varied uses are legally permissible by the zoning in place.

Therefore, use of the subject as a seasonal rental property is considered legal, conforming. It is noted that the zoning category description within the land development code does not provide for any outlined maximum occupancies for the subject property or other similar properties. We therefore ascertain that prior to implementation of City of Destin Ordinance 18-29-CC occupancy of the subject for the planned number of sleeping guests of 26 was legally permissible.

City of Destin
Community Development Department
Planning Division
4200 Indian Bayou Trail, Destin, FL 32541
Phone (850) 837-4242 • Fax (850) 650-0693

ZONING DISTRICT FACTSHEET

The purpose and intent of establishing zoning districts is to ensure that all development is consistent with the goals, objectives and policies of the Comprehensive Plan, by establishing a series of zoning districts that indicate what uses are allowed and site development regulations that control the use of land in each district. All development within each zoning district shall be consistent with the purposes stated for each district. (LDC 7.12.05)

MEDIUM DENSITY RESIDENTIAL – HOLIDAY ISLE (MDR-HI)

Purpose and intent: The Medium Density Residential - Holiday Isle Apartment zoning district shall apply to areas developed, redeveloped and/or maintained and conserved as permanent or seasonal single-family detached or multi-family attached residential dwelling units. It is the intent of the MDR - HI zoning district to specifically not allow the following uses to be located in the district: commercial hotels, motels, bed and breakfast establishments, or other commercial transient living accommodations; and all non-residential uses.

Table 7-2: Table of Allowable Uses (excerpt from LDC 7.12.06)

PERMITTED USES:

Permanent or long-term residential uses

Single-family detached dwelling
Multi-family attached dwelling
Guest house [1]
Accessory dwelling
Single room occupancy housing

Seasonal or short-term residential uses

Single-family detached dwelling
Multi-family attached dwelling

Other residential uses

Community residential home, small (1-6)
Family day care home

CONDITIONAL USES:

Other residential uses

Community residential home, large (7-14)

ACCESSORY USES:

Uses and structures which are customarily accessory, clearly incidental and subordinate to permitted uses and structures, including home occupations and off-site businesses.

Footnotes:

1 Guest houses are permitted only if the owner of the subject property occupies the primary dwelling as his/her main residence. However, guest houses shall not be rented out separately from the main residence. (refer to LDC section 7.12.04.M).

Table 7-3: Schedule of Dimensional Requirements in Zoning Districts (excerpt from LDC 7.12.08)
(all dimensions in feet)

Medium Density Residential – Holiday Isle (MDR-HI)			
Dwelling Units		**1**	**2+**
Minimum Lot Area (square feet)		7,500	None
Minimum Lot Size	Width	70	None
	Depth	100	None
Maximum Building Height / Stories	Tier 1	35/3	35/3
	Tier 2	N/A	N/A
	Tier 3	N/A	N/A
Setbacks	Front	20	C/D
	Side	7½	C/D
	Rear	10	C/D
Maximum Density (units per acre)	Tier 1	5.81	9.99
	Tier 2	N/A	N/A
	Tier 3	N/A	N/A
Maximum Floor Area Ratio	Tier 1	N/A	N/A
	Tier 2	N/A	N/A
	Tier 3	N/A	N/A
Minimum Open Space (%)	Tier 1	25%	25%
	Tier 2	N/A	N/A
	Tier 3	N/A	N/A

Footnotes:

C For all structures three stories in height, the minimum front setback shall be 20 feet, the minimum side setback shall be 15 feet on each side and the minimum rear setback shall be 20 feet.

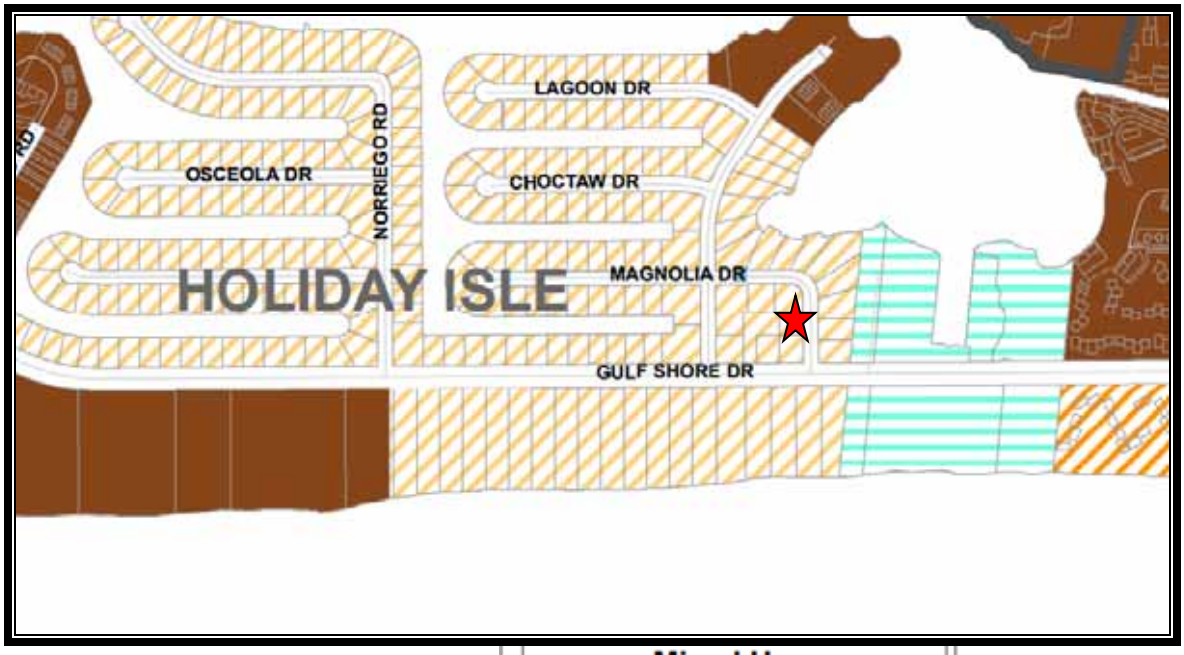
For all buildings exceeding three stories in height, the minimum front setback shall be 20 feet, the minimum side setback shall be 20 feet and increased by two feet on each side for each story exceeding four stories, and a minimum 25-foot rear yard setback shall be required.

Within the Old Destin MMTD, no minimum front, side or rear setbacks are required, except where the property line is contiguous with a BE or LDR residential district boundary; then ten-foot side and rear yards, maintained as open space, shall be provided

Buildings or structures three stories or less utilized for residential or multifamily purposes on the same lot shall be a minimum of ten feet apart. All buildings exceeding three stories in height, the distance apart on the same lot shall be increased by two feet for each story exceeding three stories with a maximum of 50 feet between buildings being required. There are no minimum spacing requirements between residential, nonresidential, mixed-use or multifamily buildings located on the same lot in the Old Destin MMTD

D For all structures two stories or less in height, the minimum front setback shall be 20 feet, and no side or rear yards are required except where property line is contiguous with residential district boundary; then a ten-foot yard, maintained as open space, shall be provided. Within the Old Destin MMTD, no minimum front setback is required.

Zoning Map



Residential

- BE - Bay Estates
- LDR-V - Low Density Residential - Village
- LDR-HI - Low Density Residential - Holiday Isle
- LDR-H - Low Density Residential - Harbor
- MDR-V - Medium Density Residential - Village
- MDR-HI - Med. Density Resid. - Holiday Isle
- HDR - High Density Residential
- CBN - Crystal Beach Neighborhood

Mixed Use

- CBR - Crystal Beach Resort
- ROI-CBR - Residential, Office, & Institutional - Crystal Beach Residential
- ROI-GD - Residential, Office, & Institutional - General Development
- ROI-TD - Residential, Office, & Institutional - Tourist Development
- ROI-VR - Residential, Office, & Institutional - Village Residential
- CMU - Calhoun Mixed Use
- TCMU - Town Center Mixed Use
- HIMU - Holiday Isle Mixed Use
- GRMU - Gulf Resort Mixed Use
- NHMU - North Harbor Mixed Use
- SHMU - South Harbor Mixed Use
- BRMU - Bay Resort Mixed Use

Assessment and Taxes

Tax Structure, Overview

Florida Law requires that the just value of all property be determined each year. The Supreme Court of Florida has declared "just value" to be legally synonymous to "full cash value" and "fair market value." The fair market value of real property is the amount for which it could sell on the open market, and assumes the present use is the highest and best use. The property appraiser analyzes these market transactions annually to determine fair market value as of January 1 of each year.

The property appraiser is responsible for identifying, locating, and fairly valuing all property, both real and personal, within the county for tax purposes. The "market" value of real property is based on the current real estate market, and is determined by market participants. The property appraiser has the legal responsibility to study the transactions of market participants and appraise real property accordingly.

At least once every three years, the county property appraiser or a staff appraiser will visit and inspect each property. Additionally, individual property values may be adjusted between visits in light of sales activity or other factors affecting real estate values in the subject neighborhood. Sales of similar properties are typically used as strong indicators of value in the real estate market.

Each August, the Property Appraiser sends a "Notice of Proposed Taxes," to all property owners to notify them of the taxable value of their property. Taxable value is the assessed value less any exemptions. The TRIM notice also gives information on proposed millage rates and taxes as estimated by community taxing authorities, and when and where these taxing authorities will hold public meetings to discuss tentative budgets to set your millage tax rates.

The property appraiser only assesses all property in the county and is neither a taxing authority nor a tax collector. Three separate government entities, each having unique and distinct roles, determine the tax bill of any property in their jurisdiction.

The following is a summary of the process:

> First the property appraiser annually appraises all property in their respective county at the market value as of January 1 each year.
>
> Second, each taxing authority within the county sets their own millage rate based on the amount of tax dollars necessary to fund their annual budget.
>
> Finally, the tax collector takes the amount of taxes due in order to bill and collect all taxes levied within the county.

Tax Collector Card

BEN ANDERSON
Okaloosa County Tax Collector

2018 Paid Real Estate
Notice of Ad Valorem Tax and Non-Ad Valorem Assessments

MAIL PAYMENTS TO: P.O. BOX 1390, NICEVILLE, FL 32588

ACCOUNT NUMBER	ESCROW CD	MILLAGE CODE	ALTERNATE KEY	PROPERTY ADDRESS
00ZS242186000D0020		DEDF	1020109	MAGNOLIA 3, DESTIN, 32541

MAGNOLIA BREEZE LLC
18898 HIGHWAY 6 SOUTH
COLLEGE STATION, TX 77845-8476

MAGNOLIA 3

HOLIDAY ISLE
LOT 2 BLK D

AD VALOREM TAXES

TAXING AUTHORITY	MILLAGE RATE	ASSESSED VALUE	EXEMPTION AMOUNT	TAXABLE VALUE	TAXES LEVIED
OKALOOSA COUNTY BD OF CO COMMS					
EMERGENCY MEDICAL SERVICES	0.0741	810,949	0	810,949	60.05
GENERAL	3.7214	810,949	0	810,949	3,015.63
COUNTY PUBLIC HEALTH UNIT	0.0353	810,949	0	810,949	28.6
SCHOOL LOCAL	2.2480	872,348	0	872,348	1,961.04
SCHOOL STATE	4.1130	872,348	0	872,348	3,587.97
NORTHWEST WATER DISTRICT	0.0338	810,949	0	810,949	27.39
CITY OF DESTIN	1.6150	810,949	0	810,949	1,308.71
DESTIN FIRE DISTRICT	1.0000	810,949	0	810,949	810.35

EXEMPTIONS APPLIED:

TOTAL MILLAGE	12.8406	AD VALOREM TAXES	$10,799.74

WANT TO RECEIVE YOUR BILL ELECTRONICALLY NEXT YEAR? VISIT www.OkaloosaTax.com AND SIGN UP FOR E-BILLS!

NON-AD VALOREM ASSESSMENTS

LEVYING AUTHORITY	RATE	AMOUNT
OKALOOSA BEACH RESTORATION MSB		0.00

PAY ON LINE WITH CREDIT/DEBIT CARD AT www.OkaloosaTax.com - BANK CARD USER FEE WILL APPLY

NON-AD VALOREM ASSESSMENTS	$0.00

COMBINED TAXES AND ASSESSMENTS	$10,799.74

PAYING ONLINE VIA
E-CHECK IS FREE
Visit www.OkaloosaTax.com

PAY YOUR BILL

"PAY ONLINE, NOT IN LINE"

RETAIN THIS PORTION FOR YOUR RECORDS
WALK-IN CUSTOMERS PLEASE BRING FOR RECEIPT
AFTER MARCH 31ST, TAXES MUST BE PAID WITH CASH, CASHIER'S CHECK OR MONEY ORDER.

If Postmarked By	Jan 31, 2019
Please Pay	$0.00

BEN ANDERSON
Okaloosa County Tax Collector

2018 Paid Real Estate
Notice of Ad Valorem Tax and Non-Ad Valorem Assessments

MAIL PAYMENTS TO: P.O. BOX 1390, NICEVILLE, FL 32588

ACCOUNT NUMBER	ESCROW CD	MILLAGE CODE	ALTERNATE KEY	PROPERTY ADDRESS
00ZS242186000D0020		DEDF	1020109	MAGNOLIA 3, DESTIN, 32541

PRIOR TO MARCH 31ST TAXES CAN BE PAID USING CASH, CHECK, CREDIT/DEBIT CARDS OR E-CHECK

If Postmarked By	Jan 31, 2019
Please Pay	$0.00

MAGNOLIA BREEZE LLC
18898 HIGHWAY 6 SOUTH
COLLEGE STATION, TX 77845-8476

MAGNOLIA 3

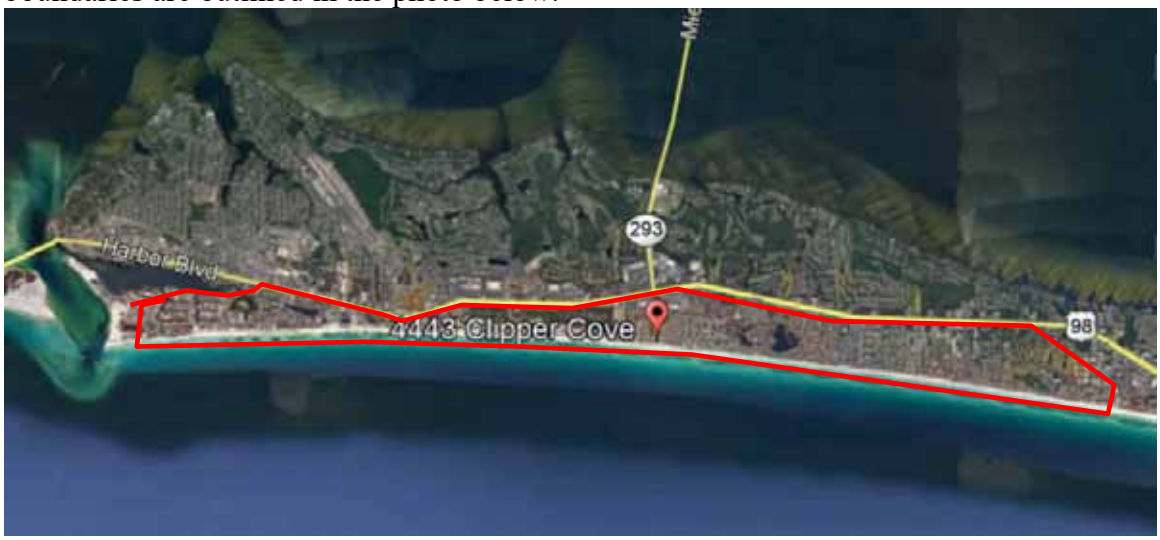
HOLIDAY ISLE
LOT 2 BLK D

Paid	MAGNOLIA BREEZE LLC	01/10/2019	Receipt #	350-1800017 6	Check	$10,583.75

ANALYSIS OF DATA AND OPINIONS OF THE APPRAISERS

Market Area Summary / Neighborhood Information

The subject property is located in the Destin-Miramar Beach market area, which is bounded by the Destin Harbor / East Pass to the West, US Highway 98 and the waters of the Destin Harbor to the North, the Gulf of Mexico to the South and the intersection of US Highway 98 / Scenic Gulf Drive to the East. The approximate neighborhood boundaries are outlined in the photo below.



This is a resort area driven primarily by proximity to area beaches and resort activities. The predominant property type in the area is of second home and seasonal vacation properties with far fewer full-time residents than seasonal occupants.

Many second home and resort area property owners rent their properties on a seasonal basis to either offset costs of ownership or in the pursuit of income generation potential, and the seasonal income attributed to a property is often a significant factor contemplated by purchasers in the market when evaluating a purchase decision.

We have witnessed a trend for increased rental demand of larger resort residences which can accommodate larger groups for family reunions, large family vacations, etc.

This has led to the construction of larger and larger seasonal resort rental homes to serve this need. These larger properties often witness more robust demand and income generation potential than smaller properties with less sleeping capacity where vacationing groups would otherwise be required to split between several locations.

In summary, the subject is sited directly in an area that is geared toward seasonal rental operations, be it solely for the purpose of income generation potential or as an offset to the costs of personal use. The ability to rent a property seasonally remains a significant motivator for market participants and weighs heavily in their buy-sell decision making process. A restriction that negatively impacts the ability to seasonally rent a resort property is estimated to have a significant negative impact on the value of this asset class.

Highest and Best Use

The definition of "highest and best use" is presented unabridged in the definitions section of this report. However, in brief, highest and best use refers to the reasonably probable and legal use of vacant land or an improved property, which is legally permissible, physically possible, appropriately supported, financially feasible, and that results in the highest value, i.e. maximally productive.[3]

Objective analysis and interpretation of market data leads to an informed opinion of that use. However, the estimate of highest and best use should not be interpreted as a provable fact. A typical highest and best analysis evaluation process and pertinent questions which aid in the elimination of possible alternatives are presented below.

1. **Permissible Use.** What uses are permitted by zoning and other legal restrictions? What are the land use controls that will govern the site? Uses that are *legally permissible* are those allowed under current or likely zoning and those that could meet building codes. In addition, local communities may have restrictions on public utility loads, traffic creation, access restrictions, and so on, all of which must be considered when selecting legally permissible uses

2. **Physically Possible Use.** To what use is the site physically adaptable? What is an appropriate improvement given architectural / engineer study? Unless prohibited by soil or subsoil problems or land size constraints, it is *physically possible* to place most potential improvements on the site. Usually this test, if performed first or second, will not significantly reduce the number of potential uses.

3. **Feasible Use.** Which possible and permissible use will produce any net return to the owner of the site? Should the land be developed, and if so, what kind of improvement should be built? If an improvement should be constructed, what is the type and characteristics of an ideal improvement? Uses that are considered economically or financially feasible are those that potentially would logically produce net operating income and net resale price levels high enough to adequately support construction of the potential improvement and provide the investor with a reasonable profit. Implicit to this analysis is that riskier projects require higher profit levels to induce potential developers to undertake the burden of coordination of land, labor and capital.

4. **Maximally Productive Use.** The final test is to determine of the financially feasible options, which of these would result in the highest land value or values as

[3] The Appraisal of Real Estate, Twelfth Edition

improved. Among the feasible uses which use will produce the highest net return, (i.e., the highest present worth)? If there are existing improvements on the property should they be maintained in their current state or should they be altered to more closely resemble the ideal improvement?

Although these criteria are generally evaluated sequentially, the resulting conclusion of highest and best use should be identical regardless of the order of application of the above tests.

Implied within this definition is that the estimation of the highest and best use for a particular property results from the appraisers' judgment and analytical skill with respect to the market for that particular property.

However, the highest and best use of a specific parcel of land is not just a matter of subjective opinion; rather, highest and best use is indicated by supply and demand forces within the market where the property is located, availability of capital, supply of alternative investments, need for additional products or services within a community, and other factors.

Highest and Best Use 'As Is'

The highest and best use 'As Is' recognizes among all reasonable, alternative uses, the use that yields the highest present land value after payments are made for labor, capital, and entrepreneurial coordination.[4]

We have evaluated the most probable uses for the subject property, 'As Is', given the current market for resort residential rental property and recent development activity in the subject market area.

Legally Permissible

The subject property is designated with the Medium Density Residential – Holiday Isle (MDR-HI) zoning designation, as governed by the City of Destin. Use of the subject for various residential, short term seasonal rental, guest house and other varied uses are legally permissible by the zoning in place.

Therefore, use of the subject as a seasonal rental property is considered legal, conforming. It is noted that the zoning category description within the land development code does not provide for any outlined maximum occupancies for the subject property or other similar properties. We therefore ascertain that prior to implementation of City of Destin Ordinance 18-29-CC occupancy of the subject for the planned number of sleeping guests of 26 was legally permissible. After implementation of City Ordinance 18-29-CC, the subject will be limited to a total of 18 sleeping guests.

Therefore, use of the subject as a resort residential property is legally permissible. Use of the subject prior to Ordinance implementation for occupancy by up to 26 guests was permitted, however after implementation of the Ordinance occupancy is limited to 18 guests.

Physically Possible

The subject property is generally level, well-drained, and at or level with the existing road grade of Magnolia Drive and features sufficient parking and site improvements to operate in the designed capacity for 26 occupants.

The subject represents a well-constructed resort residential property with multiple bedrooms, bathrooms, kitchen, living areas, and an in ground pool, etc. The subject has been specifically configured for occupancy as a resort rental property, and features all necessary components for operation as intended, with a designed occupancy of 26 overnight guests.

Therefore, use of the subject as a resort residential rental property for 26 sleeping guests is physically possible.

[4] The Appraisal Of Real Estate, Twelfth Edition

Financially Feasible
Demand for resort residential properties in the subject market area has improved in the previous 24-48 month period, with a number of increased transactions. Most market participants would describe the market for similar properties as robust.

As described in the market analysis section of this report, the predominant property type in the market area is of second home and seasonal vacation properties with limited full-time residents.

Many property owners rent their properties on a seasonal basis to offset costs of ownership or for income generation potential, and the income a property can generate is often a significant factor contemplated by purchasers in the market. This can be done with or without the assistance of a professional property manager.

We have witnessed a trend for increased rental demand of resort residences which can accommodate larger groups for family reunions, large family vacations, etc. This has led to the construction and renovation of seasonal resort rental homes to serve this need.

Reference the subject, the property was specifically designed and constructed to house up to 26 sleeping guests. Similar properties in the market (and the subject property) achieve sufficient income to provide an adequate return on investment to be definitively financially feasible, however this financial feasibility is directly linked to occupancy.

The recently-implemented City of Destin Ordinance 18-29-CC serves to reduce occupancy of the subject to no more than 18 persons, a net reduction in occupancy of -30.77%.

This no doubt will impact the income generation potential of the property and associated net income, as now the improvement which was designed, constructed, and furnished to accommodate up to 26 guests will be limited to 18; But, the predominant costs of ownership remain the same.

This ordinance inevitably lowers net income to the property owner- a situation that has no result other than to reduce the value of the asset in its respective marketplace where income generation potential is valued by prospective purchasers.

Therefore, use of the subject as a resort rental property is considered to be financially feasible. However, it is noted that the reduction in permissible occupancy by Ordinance 18-29-CC is estimated to impact the financial performance and associated market value of the subject property negatively.

Maximally Productive Given the legally permissible, physically possible, and financially feasible uses of the subject property we are of the opinion that the maximally productive use of the subject property ‘As Is’ is for continued resort rental use at the

occupancy for which it was specifically designed, constructed, and furnished (ie. 26 guests).

This use will certainly bring the highest net return to the land. While operation in a reduced occupancy capacity (as dictated by City of Destin Ordinance 18-29-CC) is still possible, the impact to the income generation potential is significant, as the occupancy has now been reduced by -30.77% based on number of persons.

This ordinance inevitably reduces gross and net income to the property owner, resulting in a reduced financial benefit of ownership and negative impact to market value.

Therefore, use of the subject as a seasonal rental property is considered legal, conforming. It is noted that the zoning category description within the land development code does not provide for any outlined maximum occupancies for the subject property or other similar properties. We therefore ascertain that prior to implementation of City of Destin Ordinance 18-29-CC occupancy of the subject for the planned number of sleeping guests of 26 was legally permissible.

Valuation Methodology - Overview

The appraisal analysis is based on analytical techniques that may encompass anticipation of costs to be incurred, and benefits to be derived in the future; however, the subject is appraised as described in this report, including only those assumptions also described in this report.

This appraisal analysis has been conducted, and the appraisal report was prepared in conformance with the requirements of Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA).

The valuation process is a systematic procedure an appraiser follows to provide answers to a client's questions about real property value.[1] Three basic approaches may be used to arrive at an estimate of market value. They are:

1. The Cost Approach
2. The Income Approach
3. The Sales Comparison Approach

Land Valuation Methodology

Land Valuation is generally a component of the Cost Approach in appraisal of an improved property. In most appraisal analyses, separate land valuation is conducted utilizing the Sales Comparison Approach.

Cost Approach Methodology

The cost approach is a reliable methodology for new, nearly new or special-use buildings. In the cost approach, value is estimated as the current cost of reproducing or replacing the existing or proposed improvements and site improvements (including direct and indirect costs as well as an appropriate entrepreneurial incentive or profit), and then deducting the loss in value from depreciation due to physical, functional, and external sources.[5]

The depreciated replacement or reproduction cost of the improvements is then added to the value of the site resulting in a value indication of the fee simple interest in the property.

The Cost Approach is summarized as follows:

Cost New
- Depreciation
+ Entrepreneurial Incentive
+ Land Value
= Value

[5] The Appraisal of Real Estate, Twelfth Edition

Sales Comparison Approach Methodology

The sales comparison approach is premised on the "Principle of Substitution" which indicates an informed purchaser would pay no more for a property than the cost of acquiring an equally desirable substitute property possessing the same or similar utility.

This approach is applicable when an active market provides sufficient quantities of reliable data which can be verified from authoritative sources. The Sales Comparison Approach is most reliable in an active market or if an opinion of value is related to properties for which there are comparable sales available- and heavy emphasis is generally placed on this sales comparison approach when these market conditions are present.

The Sales Comparison Approach compares sales of similar properties with the subject property. Each comparable sale is adjusted for its inferior or superior characteristics. The values derived from the adjusted comparable sales form a range of value for the subject. By process of correlation and analysis, a final indicated value is derived.

Income Approach Methodology

The Income Approach converts the anticipated flow of future benefits (income) to a present value estimate through a capitalization and/or a discounting process.

The income approach is recognized as a reliable approach for estimating the value of "income producing" property to an investor. The income approach consists of methods, techniques, and mathematical procedures that an appraiser utilizes to analyze a property's capacity to generate income and convert income into an indication of present value either by capitalizing the current income at a market capitalization rate, or discounting the future cash flows into a present value estimate using an appropriate yield (discount) rate. The appraisal process emulates the actions of the market, and the income approach is most applicable when the probable buyer would be an investor or prospective owner occupant. Two techniques associated with the income approach are direct capitalization and discounted cash flow analysis.

Final Reconciliation Process

In the appraisal process for improved property, typically more than one approach to value is applied, resulting in two or more value indications that must be evaluated for relevancy, applicability and reliability, and a final point value or range of value is chosen.

Resolving the differences among various value indications is called reconciliation.[6]

The appraisal process concludes with the Final Reconciliation of the values derived from the approaches applied to arrive at a single estimate or range of market value opinions. Different properties require different means of analysis and lend themselves to one

[6] The Appraisal of Real Estate, Twelfth Edition

approach over the others. As such, in the reconciliation appropriate weight is given to the most applicable and/or reliable indications of value to arrive at a conclusion.

Reconciliation is not a mathematical process. Rather, at this point in the valuation process the appraiser must reevaluate all pertinent data in the analysis for appropriateness, accuracy, and quality of evidence.

The appraiser then weighs the relative significance, applicability, and defensibility of each value indication and relies most heavily on the approach that is most appropriate to the nature of the appraisal problem.

Valuation Methodology Utilized in this Assignment

Valuation Analyses

Purpose of Assignment:	The purpose of this appraisal is to derive an opinion of the Diminution in Value to the subject property associated with the implementation of City of Destin Ordinance No. 18-29-CC. This Ordinance was implemented January 22, 2019, and the incorporation of this ordinance limits the occupancy of the subject property to 18 guests. Prior to the implementation of this Ordinance, the designed occupancy of the subject property was 26 guests. Therefore, as a result of the ordinance, the maximum occupancy of the subject has been reduced by 8 guests, or approximately -30.77%. We are therefore opining on the difference in market value of the subject before and after the adoption of City of Destin Ordinance No. 18-29-CC, which was promulgated on January 22, 2019.
Land Valuation:	An opinion of value for the subject property in 'as if vacant' condition and subsequent application of the cost approach has not been provided. The purpose of this appraisal is to evaluate the impact to the value of the subject by virtue of the implementation of City of Destin Ordinance 18-29-CC which limits occupancy of the subject and corresponding associated income generation potential. Thus, the cost to acquire land and construct a replacement property is meaningless to the purpose of the assignment and was not applied.

Sales Comparison Approach:	The improved sales comparison approach was not utilized in this appraisal assignment. The purpose of this appraisal is to evaluate the impact to the value to the subject by virtue of the implementation of City of Destin Ordinance 18-29-CC which limits occupancy of the subject and associated income generation potential. As this ordinance was just recently implemented, an adequate number of improved sales which sold after the Ordinance implementation date were not available from which to derive an opinion of market value from this approach. As sales which occurred prior to this Ordinance will reflect market transactions without this restriction, they are not considered valid indicators of value for the subject in the restricted condition. Therefore this approach could not be applied due to lack of sufficient comparable data.
Income Approach:	The income approach was applied for the subject in both the 'Before Ordinance' and 'After Ordinance' scenarios.

Income Approach

The Income Approach to value is based on the principle of anticipation, i.e. the value of property correlates to the present worth of the future rights to benefits to be received by the owner. Income approach analysis considers the property from an investor's point of view, the basic premise being that the amount and quality of the income stream are the basis for value of the property.

The income approach is applied by projecting a net income stream through analysis of the subject historical data, comparable property's income and expense information, and historical income expense information for similar properties in the subject market area.

The estimated net income is then converted to a value indication utilizing either the process of direct capitalization analysis, discounted cash flow (DCF) analysis (yield capitalization), or a combination of these methods.

Discounted Cash Flow Analysis (Yield Analysis)
Discounted Cash Flow (DCF) analysis is the procedure in which a discount rate is applied to a series of projected income streams and a reversion. The analyst specifies the quantity, variability, timing, and duration of the income streams as well as the quantity and timing of the reversion and discounts each to its present value at a specified yield rate. DCF analysis can be applied with any yield capitalization technique and may be performed on either a lease-by-lease or aggregate basis.[7]

Applicability: DCF (Yield) analysis is generally used when the net income of the property is forecast to be variable, when the property is of a sufficient size and investment value to cause market participants to evaluate purchase decisions based on DCF, or when specifically requested by the client in an assignment.

Given the nature of the subject property, a discounted cash flow analysis was not employed in this appraisal analysis, as market participants typically do not utilize DCF methodology when evaluating purchase decisions for properties such as the subject.

Direct Capitalization
Conversion of a net income to a present value dollar estimate is called capitalization. Direct capitalization is a method used to convert an estimate of a single year's income expectancy into an indication of value in one direct step, either by dividing the income estimate by an appropriate rate or by multiplying the income estimate by an appropriate factor. This technique employs capitalization rates and multipliers extracted from sales. Only the first year's income is considered. Yield and value change are implied, but not identified.

[7] The Dictionary of Real Estate Appraisal, Fourth Edition

Applicability: Direct Capitalization analysis is generally appropriate for small to medium sized income-producing properties, in stable markets, single tenant or multi-user-oriented properties, or those with a forecast stable income stream.

Direct Capitalization is utilized in this appraisal given the subject market environment, the character of the subject property in the local market, and the tendency for market participants to use direct capitalization analysis when evaluating investment thresholds and financial benefits for similar property.

The steps involved in capitalizing the subject's net operating income are as follows:

- Develop the subject's Potential Gross Income (PGI) through analysis of the subject's actual historic income and an analysis of competitive current market income rates.

- Estimate and deduct vacancy and collection losses to develop the Effective Gross Income (EGI).

- Develop and subtract operating expenses to derive the Net Operating Income (NOI).

- Develop the appropriate capitalization rate (R_o).

- Divide the net operating income by the capitalization rate for an estimate of value through the income approach.

The reliability of a value found by this approach depends on an appraiser's ability to forecast and support income forecasts and to apply the appropriate income capitalization technique to arrive at the value estimate. When estimating market value, the income forecast must be considered by the appraiser to be typical and the income capitalization techniques must reflect the way investors usually estimate value.

Valuation of a Fee Simple Interest by the Income Approach
When estimating the value of the fee simple interest by the income approach, the annual operating income is forecast assuming market levels. The term "market levels" means that the income and expenses are set at levels considered suitable for the subject property after comparing it to similar properties under current market conditions. Rental rates are projected based on expected market rents and vacancy, and collection loss is based on what is typical in the market for properties renting at the market rate.

Estimate of Potential Gross Income (PGI)

Potential Gross Income is the total income attributable to real property at full occupancy before vacancy and operating expenses are deducted. Potential Gross Income includes the sum of potential rental income, other income, and expense recoveries. The income and expense history of the subject property is described below.

Property Income / Use History:
The property owner provided us with historical rental income and expense data the subject property.

The historical income generated by the subject property as provided by the property owner for the 2018 rental year was $251,696, or $9,680.62 per sleeping guest based on a published occupancy of 26 guests.

We again mention that the subject property is a resort residential property that was specifically designed, constructed, and furnished for income generation potential based on a sleeping occupancy load of 26 persons. This is the basis of the 'Before Ordinance' valuation scenario.

As a result of the implementation of City of Destin Ordinance 18-29-CC, the subject is now limited to a maximum sleeping occupancy of 18 persons, or a reduction of approximately -30.77%. This is the basis of the 'After Ordinance' valuation scenario.

We now seek to formulate an opinion of probable annual gross income due the subject in the 'Before Ordinance' configuration with a sleeping occupancy of 26 guests and in the 'After Ordinance' configuration with a sleeping occupancy of 18 guests.

Market Rent Based on Occupancy
The appraiser has researched the local market area in order to derive potential subject market rents based on the respective occupancy levels in the 'before' and 'after' configurations.

We will present a table of comparable gross rental income for comparable resort residential properties for both the 'before' and 'after' occupancy categories. The following table outlines comparable rentals of residential resort rental homes in the subject market area with a sleeping capacity of 24-32 guests (before ordinance), then for 14-24 guests (after ordinance).

COMPARABLE RENTAL SCHEDULE, SLEEPING OCCUPANCY APPROXIMATELY 26 PERSONS 'Before Ordinance' Dataset					
Address	**Sleeping Capacity**	**HVAC SF**	**Year Built**	**Annual Gross Income**	**Gross Income Per Sleeping Occupant**
4488 Ocean View Drive	24	3,885	2018	$163,393	$6,808
2825 Scenic Highway 98	24	5,000	1991	$220,000	$9,167
96 Tarpon Street	28	3,398	2017	$161,000	$5,750
90 Woodward	28	4,102	2013	$130,000	$4,643
3487 Scenic Highway 98	32	6,600	2016	$305,393	$9,544
3463 Scenic Highway 98	32	6,153	2015	$380,000	$11,875
42 Miami Street	34	7,424	2016	$463,852	$13,643
SUBJECT FORECAT REVENUE	26	3,290	2017	$251,696	$9,681
Comparable Statistics*					
Minimum	24	3,290	1991	$130,000	$4,643
Maximum	34	7,424	2018	$463,852	$13,643
Average	29	4,982	2013	$259,417	$8,889
Median	28	4,551	2016	$235,848	$9,355

*Subject Data Excluded From Statistical Calculations

The array of comparable rentals above exhibited a range of income per guest per year of between $4,643 and $13,643 per occupant. In consideration of the data above, we consider that an appropriate conclusion of gross annual rent per sleeping occupant is supported at $9,000 per sleeping space consistent with the historical performance of the subject, which is within the range of comparable rental data presented.

CONCLUSION OF POTENTIAL GROSS ANNUAL RENT, SUBJECT SLEEPING OCCUPANCY OF 26 PERSONS 'Before Ordinance'				
Address	**Sleeping Capacity**	**HVAC SF**	**Concluded Annual Gross Income Calculated Per Sleeping Occupant**	**Calculated Conclusion of Annual Gross Income**
Subject Property	*26*	*3,290*	*$9,000*	*$234,000*

COMPARABLE RENTAL SCHEDULE, SLEEPING OCCUPANCY OF APPROXIMATELY 18 PERSONS 'After Ordinance' Dataset					
Address	Sleeping Capacity	HVAC SF	Year Built	Annual Gross Income	Gross Income Per Sleeping Occupant
4835 Ocean Boulevard	14	3,546	2000	$126,000	$9,000
80 Woodward Street	16	2,378	2003	$85,000	$5,313
83 Sunfish Street	16	2,450	1994	$96,000	$6,000
4443 Clipper Cove	16	2,244	1993	$102,429	$6,402
91 Barracuda Street	18	3,320	2007	$139,577	$7,754
4735 Ocean Boulevard	18	4,263	2003	$157,980	$8,777
113 Los Angeles Street	19	3,122	2005	$137,308	$7,227
71 Stingray Street	20	3,014	1994	$106,000	$5,300
3893 Sandprint Cir	20	3,107	2018	$118,796	$5,940
100 Sandprint Circle	20	4,227	1999	$105,000	$5,250
84 Pompano Stret	20	3,310	2012	$160,000	$8,000
3147 Scenic Highway 98	20	4,204	2008	$132,000	$6,600
76 Dolphin Street	21	3,086	1998	$101,300	$4,824
96 Sarasota Street	22	4,132	2009	$143,813	$6,537
4488 Ocean View Drive	24	3,885	2018	$163,393	$6,808
2825 Scenic Highway 98	24	5,000	1991	$220,000	$9,167
Minimum	14	2,244	1991	$85,000	$4,824
Maximum	24	5,000	2018	$220,000	$9,167
Average	19	3,456	1991	$130,912	$6,806
Median	20	3,315	2003	$129,000	$6,568

*Subject Occupancy Limited by City of Destin Ordinance 18-29-CC

The array of comparable rentals above exhibited a range of income per guest per year of between $4,824 and $9,167 per occupant. In consideration of the data above, we consider that an appropriate conclusion of gross annual rent per sleeping occupant is supported at the upper end of the range, in consideration of the financial performance in the before ordinance condition, location, and larger size of the structure per number of occupants. We therefore estimate an annual rent of $9,100 per sleeping space is supported.

CONCLUSION OF POTENTIAL GROSS ANNUAL RENT, SUBJECT SLEEPING OCCUPANCY OF 18 PERSONS 'After Ordinance'				
Address	Sleeping Capacity	HVAC SF	Concluded Annual Gross Income Calculated Per Sleeping Occupant	Calculated Conclusion of Annual Gross Income
Subject Property	*18*	*3,290*	*$9,100*	*$163,800*

In the preceding section of the report we derived an opinion of probable gross annual rent due the subejct in both the 'Before Ordinance' ($234,000) and 'After Ordinance' ($163,800) conditions. The result was a decrease in annual income as a result of the reduced sleeping capaicty of -30.00% commensurate with the decrease in ocupancy from 26 to 18 persons or -30.77%.

We now seek to evaluate the expenses pertinent to the subject in order to forecast Net Operating Income in both the Before and After scenarios.

Estimation of Operating Expenses

Vacancy and Collection Loss
As we forecast income based on comparable rentals with reported gross income figures, there is no need to deduct a vacancy and collection loss allocation, as the figures utilized already take into account a vacant and credit loss deduction.

Taxes
The property taxes for the subject property as of 2018 are reported to be a rounded figure of $10,800 annually. This cost is stable regardless of the occupancy of the subject in the 'before' and 'after' conditions.

Insurance
The insurance costs for the subject are reported to be a rounded $7,054 annually, which is consistent with other similar properties in the market area. This cost is stable regardless of the occupancy of the subject in the 'before' and 'after' conditions.

Utilities (Power, Water/Sewer/Garbage, Cable and Internet)
The owner pays all utilities, including power, water/sewer/garbage, cable and internet, for the subject property. The annual 2018 Utilities expenses were reported to be a rounded $20,177, and we will utilize this annual cost rounded to $21,000 for the subject in the 'before' condition, and at the rounded rate of $20,000 in the 'after' condition. It is noted that regardless of the occupancy of the subject, the costs of electricity remain relatively constant, and the costs of cable and internet are the same regardless of the number of occupants. Only the expenses of water, gas and to a nominal degree electricity are variable with occupancy.

Repairs/Maintenance
We have included a repairs/maintenance allowance as a percentage of EGI at 11.0% in the before configuration which equates to $25,740 annually. With regard to the after configuration, noting that routine maintenance is likely not significantly impacted by differences in occupancy between 26 and 18 persons, but the annual income is reduced, we must increase our maintenance in the 'after' configuration as this expense is calculated as a % of EGI. In the 'after' condition we estimate maintenance at the rate of 15% of EGI. While we do recognize that 'wear and tear' is somewhat linked to occupancy, the fact that the entire house area is subject to use by 18 guests just as it is with 26 guests, this cost is somewhat fixed.

Management

We estimate management costs based on the costs of a third party manager who would typically charge between 15% and 25% of collected rents for the management service. We will utilize a rate in the middle of this scale for both value scenarios, or a rate of 22% of EGI, based on information provided by the property owner.

Income and Expense Statement

The table below recaps our projected income stream and breaks down each expense item. Expenses are totaled, and the net operating income is displayed for both the 'before' and 'after' ordinance conditions.

"Before" Condition

Income Capitalization Analysis - 'Before Ordinance Limiting Occupancy'				
Unit	**Income**	**Method**	**Units/SF**	**Annual**
Annual Income 'Before Ordinance' - 26 Guests	$234,000	$/Year	1	$234,000
			Potential Gross Income:	$234,000
			Vacancy & Collection Loss Included	$0
			Effective Gross Income (EGI):	$234,000

Expense	**Amount (% or**	**Method**	**Annual**
Taxes	$10,800	$/Year	$10,800
Insurance	$7,054	$/Year	$7,054
Utilities	$21,000	$/Year	$21,000
Repairs/Maintenance	11.0%	% of EGI	$25,740
Management	22%	% of EGI	$51,480
		Total Expenses:	$116,074
		Expense Ratio (Expenses/EGI):	49.60%
		Net Operating Income (NOI):	$117,926

"After" Condition

Income Capitalization Analysis - 'After Ordinance Limiting Occupancy'				
Unit	**Income**	**Method**	**Units/SF**	**Annual**
Annual Income 'After Ordinance' - 18 Guests	$163,800.00	$/Year	1	$163,800
			Potential Gross Income:	$163,800
			Vacancy & Collection Loss Included	$0
			Effective Gross Income (EGI):	$163,800

Expense	**Amount (% or**	**Method**	**Annual**
Taxes	$10,800	$/Year	$10,800
Insurance	$7,054	$/Year	$7,054
Utilities	$20,000	$/Year	$20,000
Repairs/Maintenance	15.0%	% of EGI	$24,570
Management	22%	% of EGI	$36,036
		Total Expenses:	$98,460
		Expense Ratio (Expenses/EGI):	60.11%
		Net Operating Income (NOI):	$65,340

Capitalization Rate Derivation
The capitalization rate is the factor that coverts the stabilized net operating income (NOI) to a present value. It is the ratio of net income to value or sale price.

NOI ÷ Sale Price = Capitalization Rate

For example, if a property sells for $500,000, and has a stabilized NOI of $50,000, the indicated capitalization rate is 10%.

Four methods are generally recognized for estimating an appropriate capitalization rate for use in direct capitalization analysis. These four methods are:

1. Market-Extracted Capitalization Rate Data
2. Band of Investment Method Calculation
3. Debt Coverage Method Calculation
4. Nationally-Published Capitalization Rate Data

Market Extracted Capitalization Rate Data
The market-extraction method of estimating capitalization rates involves finding comparable sales of property similar to the subject, and extracting a market rate from the net operating income and sales price of the comparable property.

We present the following examples of market-extracted capitalization rates for Resort Residential properties, based on similar sales in the local and broader markets.

- 3463 Scenic Highway 98 is a resort rental property that sold in February of 2016 for $3,615,000. Net Operating Income was reported to be $222,125, therefore indicating a capitalization rate of 6.14%.

- 925 Scenic Gulf Drive in Miramar Beach is a resort rental property that sold in November of 2018 for $1,900,000. Net Operating Income based on forecast income and expenses was reported to be $130,000, therefore indicating a capitalization rate of 6.84%.

- 917 Scenic Gulf Drive in Miramar Beach is a resort rental property that sold in August of 2018 for $1,925,000. Net Operating Income based on forecast income and expenses was reported to be $135,000, therefore indicating a capitalization rate of 7.00%.

- 1850 Scenic Gulf Drive in Miramar Beach is a resort rental property that sold in September of 2015 for $2,205,000. Net Operating Income at the time of sale was reported to be $133,200, therefore indicating a capitalization rate of 6.03%.

Based on the above information, and taking into consideration the overall market appeal we consider that a market extracted rate of 6.50% would be applicable for the subject property.

Band of Investment Method Analysis

This technique utilizes lender and real estate investor investment criteria to develop, or synthesize a capitalization rate. As most income producing properties are purchased with debt plus equity capital, the return on investment portion of the overall capitalization rate must satisfy the market returns of both the investor and the lender. The lender must receive a competitive interest rate, and the investor must anticipate receiving a competitive equity yield.

There are four key inputs necessary for this method:

1. The loan-to-value ratio (M)
2. The mortgage interest rate (i)
3. The loan term (n)
4. The equity cap rate or equity dividend rate (R_E)

The mortgage variables are used to build the mortgage constant (R_M), which is the total amount of the payments made in one year, expressed as a percentage of the original loan amount.

Payments x 12 / Original Loan Amount = Mortgage Constant (R_M)

The equity cap rate is the annual return to the investor, expressed as a percent of the original amount invested. The annual return to the investor is also known as the equity dividend rate; it is the profit remaining after debt service and all other expenses.

After Debt Service Profit / Equity Investment = Equity Cap Rate (R_E)

Note that the equity cap rate is not the same (usually, that is) as the equity yield rate. The equity yield rate reflects the total return to the investor over the life of the investment. Factors such as appreciation and mortgage pay down affect and usually increase this return to a point higher than the equity dividend rate. In markets where substantial appreciation is expected, investors will often accept a low or even negative equity dividend rate, anticipating a compensating payoff when the property is eventually sold. In markets where little appreciation is expected, much more weight is given to the annual equity dividend.

Formula:

R_M x M = rate
R_E x (1-M) = rate
= Cap Rate (R_o)

A survey of local lenders indicated that competitive fixed rate loans for properties similar to the subject as investment property are typically available at a rate of between 5.50% and 7.50% on a 30 year amortization schedule with a 50-70% loan to value.

Thus, we will use a rate of 6.00% in our calculations, with a 70% loan to value and a 30 year amortization term for our analysis of the band of investment and debt coverage ratio analyses.

The debt capitalization rate (or mortgage constant) for a typical loan made at 6.00% for 30 years is 0.07194606.

Equity dividend (capitalization) rates in the local market range from 4-9%. We estimate an equity dividend rate of 6.00% in the local market for property such as the subject.

Debt Coverage Ratio Method Analysis

This technique develops a capitalization rate based on typical mortgage terms. There are four variables necessary for this method:

1. The loan-to-value ratio (M)
2. The mortgage interest rate (i)
3. The loan term (n)
4. The debt coverage ratio (DCR)

Items 1 through 3 are discussed above under the Band of Investment section. In this method it is also used to develop the mortgage constant (R_M). The debt coverage ratio is the factor by which income exceeds debt on an annual basis.

Formula:
Debt Coverage Ratio x Loan to Value Ratio x Mortgage Constant = R_o
or: DCR x M x R_M = R_o

We have researched mortgage rates and terms typical for the subject within the market area as noted above. The table below details the Band of Investment and Debt Coverage Ratio Analyses calculations.

Capitalization Rate Calculations					
Capitalization Rate Variables					
Mortgage Interest Rate	6.00%				
Loan Term (Years)	30				
Loan To Value Ratio	70.%				
Debt Coverage Ratio	1.25				
Equity Dividend Rate	6.00%				
Band of Investment Analysis					
Mortgage Constant			Loan Ratio	Contributions	
0.071946063		x	70.%	=	5.04%
Equity Dividend Rate			Equity Ratio		
6.00%		x	30.%	=	1.80%
			Band of Investment Capitalization Rate		**6.84%**
Debt Coverage Ratio Analysis					
Debt Coverage Ratio x Loan to Value Ratio x Mortgage Constant					
1.25 x 0.7 x 0.0719460630183303				=	6.30%
			Debt Coverage Ratio Capitalization Rate		**6.30%**

The Band of Investment capitalization rate analysis indicated an appropriate capitalization rate per the preceding assumptions of 6.84%.

The Debt Coverage Ratio Analysis indicated an appropriate capitalization rate per the preceding assumptions of 6.30%.

National Survey Data

RealtyRates.com Investor Survey
RealtyRates does not track capitalization rates for resort residential property such as the subject, however they do track rates for lodging facilities, a property type that is similar in use to the subject, being a facility for short term rental on a seasonal basis where all services are included in the rental rate. We therefore look to this property category in realty rates for an indication of an applicable capitalization rate for the subject.

The *Realty Rates Investor Survey*, dated 4th Quarter 2018, indicates going-in capitalization rates for Lodging Facilities – All Types ranged from 5.21% to 17.22% with an average of 11.32%. In consideration of the excellent quality and condition of the subject property, as well as the resort location, we would estimate an applicable capitalization rate would be below the national average indicated by the survey data and within the lower quartile of exhibited rates, or a rate of between 5.21% and 8.22%.

RealtyRates.com INVESTOR SURVEY - 4th Quarter 2018* LODGING FACILITIES -ALL TYPES							
Item	**Input**						**OAR**
Minimum							
Spread Over 10-Year Treasury	0.86%	**DCR Technique**		1.00	0.048303	0.80	**3.86**
Debt Coverage Ratio	1.00	**Band of Investment Technique**					
Interest Rate	3.75%	Mortgage		80%	0.048303	0.038642	
Amortization	40	Equity		20%	0.080938	0.016188	
Mortgage Constant	0.048303	OAR					**5.48**
Loan-to-Value Ratio	80%	**Surveyed Rates**					**5.21**
Equity Dividend Rate	8.09%						
Maximum							
Spread Over 10-Year Treasury	11.58%	**DCR Technique**		2.85	0.163616	0.50	**23.32**
Debt Coverage Ratio	2.85	**Band of Investment Technique**					
Interest Rate	14.47%	Mortgage		50%	0.163616	0.081808	
Amortization	15	Equity		50%	0.198946	0.099473	
Mortgage Constant	0.163616	OAR					**18.13**
Loan-to-Value Ratio	50%	**Surveyed Rates**					**17.22**
Equity Dividend Rate	19.89%						
Average							
Spread Over 10-Year Treasury	3.54%	**DCR Technique**		1.53	0.084242	0.67	**8.60**
Debt Coverage Ratio	1.53	**Band of Investment Technique**					
Interest Rate	6.43%	Mortgage		67%	0.084242	0.056324	
Amortization	22	Equity		33%	0.145842	0.048333	
Mortgage Constant	0.084242	OAR					**10.47**
Loan-to-Value Ratio	66.9%	**Surveyed Rates**					**11.32**
Equity Dividend Rate	14.6%						

Capitalization Rate Summary and Conclusion

We consider that a market extracted rate of 6.50% would be applicable for the subject property based on market-extracted capitalization rate indications.

The Band of Investment capitalization rate analysis indicated an appropriate capitalization rate per the preceding assumptions of 6.84%.

The Debt Coverage Ratio Analysis indicated an appropriate capitalization rate per the preceding assumptions of 6.30%.

National Market Indicators as reported by realty rates for a related property type indicate an appropriate capitalization rate of between 5.21% and 8.22% for the subject property.

Capitalization Rate Conclusion:

It is the opinion of the appraiser that a **6.50% capitalization rate** should be employed in this analysis.

On the following page we present the direct capitalization analysis for both the 'Before' and 'After' Ordinance 18-29-CC value scenarios.

Capitalization to Value

"Before" Condition

Income Capitalization Analysis - 'Before Ordinance Limiting Occupancy'				
Unit	**Income**	**Method**	**Units/SF**	**Annual**
Annual Income 'Before Ordinance' - 26 Guests	$234,000	$/Year	1	$234,000
			Potential Gross Income:	$234,000
			Vacancy & Collection Loss Included	$0
			Effective Gross Income (EGI):	$234,000

Expense	**Amount (% or**	**Method**	**Annual**
Taxes	$10,800	$/Year	$10,800
Insurance	$7,054	$/Year	$7,054
Utilities	$21,000	$/Year	$21,000
Repairs/Maintenance	11.0%	% of EGI	$25,740
Management	22%	% of EGI	$51,480
		Total Expenses:	$116,074
		Expense Ratio (Expenses/EGI):	49.60%
		Net Operating Income (NOI):	$117,926
		Capitalization Rate:	6.50%
		Value (NOI/Cap Rate):	$1,814,246
		Rounded:	$1,815,000

"After" Condition

Income Capitalization Analysis - 'After Ordinance Limiting Occupancy'				
Unit	**Income**	**Method**	**Units/SF**	**Annual**
Annual Income 'After Ordinance' - 18 Guests	$163,800.00	$/Year	1	$163,800
			Potential Gross Income:	$163,800
			Vacancy & Collection Loss Included	$0
			Effective Gross Income (EGI):	$163,800

Expense	**Amount (% or**	**Method**	**Annual**
Taxes	$10,800	$/Year	$10,800
Insurance	$7,054	$/Year	$7,054
Utilities	$20,000	$/Year	$20,000
Repairs/Maintenance	15.0%	% of EGI	$24,570
Management	22%	% of EGI	$36,036
		Total Expenses:	$98,460
		Expense Ratio (Expenses/EGI):	60.11%
		Net Operating Income (NOI):	$65,340
		Capitalization Rate:	6.50%
		Value (NOI/Cap Rate):	$1,005,231
		Rounded:	$1,000,000

Conclusion of Diminution in Value

In the 'before ordinance' configuration direct capitalization of the net operating income to the subject property revealed a value opinion of $1,815,000 based on an occupancy of 26 sleeping guests.

In the 'after ordinance' configuration direct capitalization of the net operating income to the subject property revealed a value opinion of $1,000,000 based on an occupancy of 18 sleeping guests.

The Diminution in Value is represented by the difference between the 'before' and 'after' value conclusions, or in this case the difference between $1,815,000 and $1,000,000 or $815,000.

As an augmenting check to this value opinion, we consider a discounted cash flow analysis of the lost income to the subject as a result of the reduced occupancy, for the remaining term of the economic life of the improvement.

As presented in the preceding income analyses, the difference in annual Net Operating Income between the 'before' scenario at $117,926 and the 'after' scenario at $65,340, calculates to $52,586 annually.

This is the annual net income loss as a result of the implemented restriction on occupancy by virtue of City of Destin Ordinance 18-29-CC, and will promulgate for the remainder of the economic life of the structure and the site is redeveloped.

We previously stated in the report that information provided by the Okaloosa County Property Appraisers Office indicates that the subject improvement was constructed in 2017 which provides for an actual and effective age of 2 years.

The published economic life of improvements similar to the subject is 55 years per Marshall Valuation Service. Subtracting the economic age of the improvement of 2 years from the overall life of 55 years we calculate a remaining economic life for the subject structure is 53 years.

If we consider that City of Destin Ordinance 18-29-CC serves to reduce occupancy to the subject, thereby reducing annual income in the amount of $52,586 annually, presumably for the remaining economic life of the improvement, we can calculate the present value of this financial loss over time as a check to the Diminution in value calculation via direct capitalization analysis presented preceding.

If we discount the annual loss of $52,586 for a period of 53 years, at a discount rate of 6% annually, the present value of the future loss of income is calculated to be $836,484 which provides additional support for our opinion of Diminution in Value via direct capitalization analysis of $815,000.

Therefore, our opinion of Diminution in value for the subject property is opined to be $815,000 consistent with our calculation via direct capitalization analysis:

Eight Hundred Fifteen Thousand Dollars
$815,000

Certification

The appraiser has no present or prospective interest in the subject property of this appraisal and no personal interest of bias with respect to the parties involved in this appraisal. I have the appropriate education and experience to conduct this appraisal.

The appraiser will not divulge the analytical findings or conclusions to anyone other than the client or designee, except as may be required by the Appraisal Institute or by a court of law with power of subponea.

I certify, to the best of our knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions and conclusions.
- I have no present or prospective interest in the property which is the subject of this report and no personal interest with respect to the parties involved.
- I have no bias with respect to the property which is the subject of this report or to the parties involved with this assignment.
- The engagement in this assignment was not contingent upon developing or reporting predetermined results.
- The compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- I have made a personal inspection of the property that is the subject of this report.

Certification
(Continued)

- The signatory appraiser has not performed any services, as an appraiser or in any other capacity, regarding the subject property within the 3 years prior to acceptance of this appraisal assignment.

This appraisal has been conducted, and the appraisal report prepared in conformance with the requirements of Title XI of the Financial Institutions Reform, Recover, and Enforcement Act of 1989 (FIRREA, 12 U.S.C. 3331 et seq.). This appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.

No person other than the undersigned made a significant professional contribution to the research and analysis in this appraisal unless specifically noted above.

Respectfully Submitted,

EquiValue Appraisal, LLC

Jason P. Shirey, MAI, CCIM
Cert Gen RZ3186

Limiting Conditions and Assumptions

1. Unless otherwise noted in the body of the report, we assumed that title to the property or properties appraised is clear and marketable and that there are no recorded or unrecorded matters or exceptions that would adversely affect marketability or value. We are not aware of any title defects nor were we advised of any unless such is specifically noted in the report. We did not examine a title report and make no representations relative to the condition thereof. Documents dealing with liens, encumbrances, easements, deed restrictions, clouds and other conditions that may affect the quality of title were not reviewed. Insurance against financial loss resulting in claims that may arise out of defects in the subject property's title should be sought from a qualified title company that issues or insures title to real property.

2. We assume that improvements are constructed or will be constructed according to approved architectural plans and specifications and in conformance with recommendations contained in or based upon any soils report(s).

3. Unless otherwise noted in the body of this report, we assumed: that any existing improvements on the property or properties being appraised are structurally sound, seismically safe and code conforming; that all building systems (mechanical/electrical, HVAC, elevator, plumbing, etc.) are, or will be upon completion, in good working order with no major deferred maintenance or repair required; that the roof and exterior are in good condition and free from intrusion by the elements; that the property or properties have been engineered in such a manner that it or they will withstand any known elements such as windstorm, hurricane, tornado, flooding, earthquake, or similar natural occurrences; and, that the improvements, as currently constituted, conform to all applicable local, state, and federal building codes and ordinances. We are not engineers and are not competent to judge matters of an engineering nature. We did not retain independent structural, mechanical, electrical, or civil engineers in connection with this appraisal and, therefore, make no representations relative to the condition of improvements. Unless otherwise noted in the body of this report no problems were brought to our attention by ownership or management. We were not furnished any engineering studies by the owners or by the party requesting this appraisal. If questions in these areas are critical to the decision process of the reader, the advice of competent engineering consultants should be obtained and relied upon. It is specifically assumed that any knowledgeable and prudent purchaser would, as a precondition to closing a sale, obtain a satisfactory engineering report relative to the structural integrity of the property and the integrity of the building systems. Structural problems and/or building system problems may not be visually detectable. If engineering consultants retained should report negative factors of a material nature, or if such are later discovered, relative to the condition of the improvements, such information could have a substantial negative impact on the conclusions reported in this appraisal. Accordingly, if engineering consultants report negative findings, we reserve the right to amend the appraisal conclusions reported herein.

4. All furnishings, equipment and business operations, except as specifically stated and typically considered as part of real property, have been disregarded with only real property being considered in the appraisal. Any existing or proposed improvements, on- or off-site, as well as any alterations or repairs considered, are assumed to be completed

in a workmanlike manner according to standard practices based upon information submitted. This report may be subject to amendment upon re-inspection of the subject property subsequent to repairs, modifications, alterations and completed new construction. Any estimate of Market Value is as of the date indicated; based upon the information, conditions and projected levels of operation.

5. We assume that all factual data furnished by the client, property owner, owner's representative, or persons designated by the client or owner to supply said data are accurate and correct unless otherwise noted in the appraisal report. We have no reason to believe that any of the data furnished contain any material error. Information and data referred to in this paragraph include, without being limited to, numerical street addresses, lot and block numbers, Assessor's Parcel Numbers, land dimensions, square footage area of the land, dimensions of the improvements, gross building areas, net rentable areas, usable areas, unit count, room count, rent schedules, income data, historical operating expenses, budgets, and related data. Any material error in any of the above data could have a substantial impact on the conclusions reported. Thus, we reserve the right to amend our conclusions if errors are revealed. Accordingly, the client-addressee should carefully review all assumptions, data, relevant calculations, and conclusions within 30 days after the date of delivery of this report and should immediately notify us of any questions or errors.

6. The date of value to which any of the conclusions and opinions expressed in this report apply, is set forth in the Letter of Transmittal. Further, that the dollar amount of any value opinion herein rendered is based upon the purchasing power of the American Dollar on that date. This appraisal is based on market conditions existing as of the date of this appraisal. Under the terms of the engagement, we will have no obligation to revise this report to reflect events or conditions which occur subsequent to the date of the appraisal. However, we will be available to discuss the necessity for revision resulting from changes in economics or market factors affecting the subject.

7. We assume no private deed restrictions, limiting the use of the subject property in any way.

8. Unless otherwise noted in the body of the report, we assume that there are no mineral deposits or subsurface rights of value involved in this appraisal, whether they be gas, liquid, or solid. Nor are the rights associated with extraction or exploration of such elements considered unless otherwise stated in this appraisal report. Unless otherwise stated we also assumed that there are no air or development rights of value that may be transferred.

9. We are not aware of any contemplated public initiatives, governmental development controls, or rent controls that would significantly affect the value of the subject.

10. The estimate of Market Value, which may be defined within the body of this report, is subject to change with market fluctuations over time. Market value is highly related to exposure, time promotion effort, terms, motivation, and conclusions surrounding the offering. The value estimate(s) consider the productivity and relative attractiveness of the property, both physically and economically, on the open market.

11. Unless specifically set forth in the body of the report, nothing contained herein shall be construed to represent any direct or indirect recommendation to buy, sell, or hold the

properties at the value stated. Such decisions involve substantial investment strategy questions and must be specifically addressed in consultation form.

12. Unless otherwise noted in the body of this report, we assume that no changes in the present zoning ordinances or regulations governing use, density, or shape are being considered. The property is appraised assuming 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 estimates contained in this report is based, unless otherwise stated.

13. This study may not be duplicated in whole or in part without our written consent, nor may this report or copies hereof be transmitted to third parties without said consent. Exempt from this restriction is duplication for the internal use of the client-addressee and/or transmission to attorneys, accountants, or advisors of the client-addressee. Also exempt from this restriction is transmission of the report to any court, governmental authority, or regulatory agency having jurisdiction over the party/parties for whom this appraisal was prepared, provided that this report and/or its contents shall not be published, in whole or in part, in any public document without our written consent. Finally, this report shall not be advertised to the public or otherwise used to induce a third party to purchase the property or to make a "sale" or "offer for sale" of any "security", as such terms are defined and used in this Securities Act of 1933, as amended. Any third party, not covered by the exemptions herein, who may possess this report, is advised that they should rely on their own independently secured advice for any decision in connection with this property. We shall have no accountability or responsibility to any such third party.

14. Any value estimate provided in the report applies to the entire property, and any pro ration or division of the title into fractional interests will invalidate the value estimate, unless such pro ration or division of interests has been set forth in the report.

15. Any distribution of the total valuation in this report between land and improvement applies only under the existing program of utilization. Component values for land and/or buildings are not intended to be used in conjunction with any other property or appraisal and are invalid if so used.

16. The maps, plats, sketches, graphs, photographs, and exhibits included in this report are for illustration purposes only and are to be used only to assist in visualizing matters discussed within this report. Except as specifically stated, data relative to size or areas of the subject and comparable properties was obtained from sources deemed accurate and reliable. None of the exhibits are to be removed, reproduced, or used apart from this report.

17. No opinion is intended to be expressed on matters that may require legal expertise or specialized investigation or knowledge beyond that which is customarily employed by real estate appraisers. Values and opinions expressed presume that environmental and other governmental restrictions/conditions by applicable agencies have been met, including but not limited to seismic hazards, flight patters, decibel levels/noise envelopes, fire hazards, hillside ordinances, density, allowable uses, building codes, permits, licenses, etc. No survey, engineering study or architectural analysis was provided to us unless otherwise stated within the body of this report. If we were not supplied with a

termite inspection, survey or occupancy permit, no responsibility or representation is assumed or made for any costs associated with obtaining same or for any deficiencies discovered before or after they are obtained. No representation or warranty is made concerning obtaining these items. We assume no responsibility for any costs or consequences arising due to the need, or the lack of need, for flood hazard insurance. An agent for the Federal Flood Insurance Program should be contacted to determine the actual need for Flood Hazard Insurance.

18. Acceptance and/or use of this report constitutes full acceptance of the Assumptions and Limiting Conditions and extraordinary assumptions set forth in this report. It is the responsibility of the Client, or client's designees, to read in full, comprehend and thus become aware of the aforementioned assumptions and limiting conditions. We assume no responsibility for any situation arising out of the Client's failure to become familiar with and understand the same. The Client is advised to retain experts in areas that fall outside the scope of the real estate appraisal/consulting profession if so desired.

19. We assume that the subject property will be under prudent and competent management and ownership; neither inefficient nor super-efficient.

20. We assume 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 reports.

21. No survey of the boundaries of the property was undertaken. All areas and dimensions furnished are presumed correct. It is further assumed that no encroachments to the realty exists.

22. All value opinions expressed herein are as of the date of value. In some cases, facts or opinions are expressed in the present tense. All opinions are expressed as of the date of value, unless specifically noted.

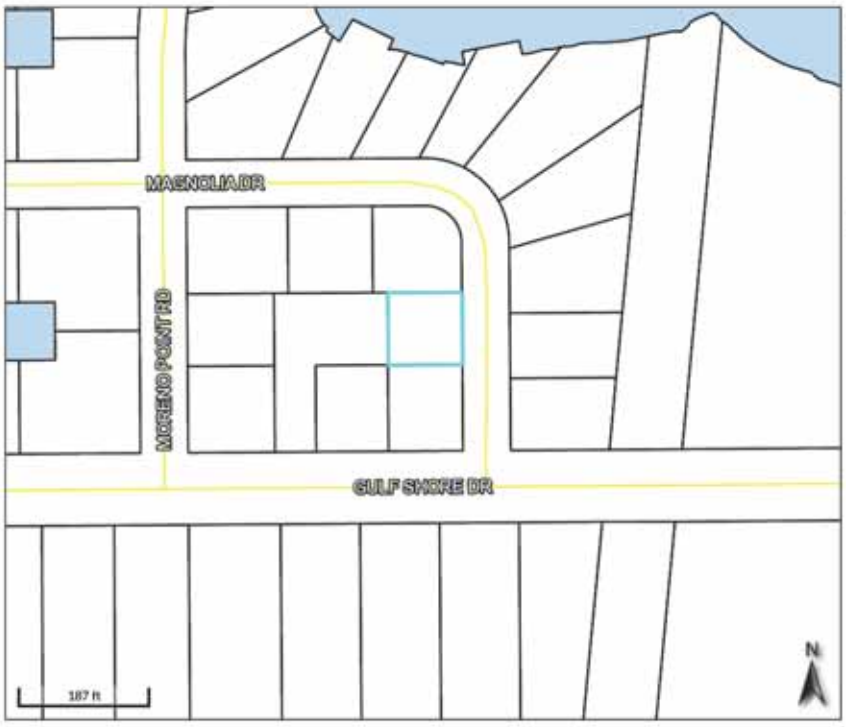
23. The Americans with Disabilities Act (ADA) became effective January 26, 1992. Notwithstanding any discussion of possible readily achievable barrier removal construction items in this report, we did not perform a specific compliance survey and analysis of this property to determine wither it is in conformance with the various detailed requirements of the ADA. It is possible that a compliance survey of the property together with a detailed analysis of the requirements of the ADA could reveal that the property is not in compliance with one or more of the requirements of the ADA. If so, the fact could have a negative effect on the value estimated herein. Since we have no specific information relating to this issue, nor are we qualified to make such an assessment, the effect of any possible non-compliance was not considered in estimating the value of the subject property.

24. The value estimate rendered in this report is predicated on the assumption that there is no hazardous material on or in the property that would cause a loss of value. We were not provided with an Environmental Assessment Report. Further, we are not qualified to determine the existence or extent of environmental hazards. If there are any concerns pertaining to environmental hazards for this property, we recommend that a qualified engineer perform an assessment.

ADDENDA

Parcel Map

Okaloosa County Property Appraiser



Parcel ID	00-25-24-2186-000D-0020	Physical Address	3 MAGNOLIA DR DESTIN	Land Value	$196,452	Last 2 Sales			
Acres (GIS)	0.24	Mailing Address	MAGNOLIA BREEZE LLC 18898 HIGHWAY 6 SOUTH COLLEGE STATION, TX 77845-8476	Ag Land Value	$0	Date	Price	Reason	Qual
Property Class	SINGLE FAM			Building Value	$697,562	1/28/2016	$196000	QUAL/PHY PROP CHGD AFTER SALE	Q
Taxing District	10			Misc Value	$67,410	3/1/2012	$105000	QUAL/DEED EXAMINATION	Q
				Just Value	$961,424				
				Assessed Value	$891,384				
				Exempt Value	$0				
				Taxable Value	$891,384				

Date created: 9/15/2019
Last Data Uploaded: 9/13/2019 4:48:42 AM

Developed by Schneider GEOSPATIAL

Property Appraiser Card

Okaloosa County Property Appraiser

Parcel Summary

Parcel ID	00-2S-24-2186-0000-0020
Location Address	3 MAGNOLIA DR DESTIN 32541
Brief Tax Description*	HOLIDAY ISLE LOT 2 BLK D *The Description above is not to be used on legal documents.
Property Use Code	SINGLE FAM (000100)
Sec/Twp/Rng	00-2S-24
Tax District	Destin (District 10)
Millage Rate	12.8406
Acreage	0.000
Homestead	N
Acreage (GIS)	0.24
Fire District	N/A

View Map

Owner Information

Primary Owner
Magnolia Breeze LLC
18878 Highway 6 South
College Station, TX 778458476

Valuation

	2019 Proposed Values	2018 Certified Values
Building Value	$697,562	$619,268
Extra Features Value	$67,410	$60,480
Land Value	$196,452	$192,600
Land Agricultural Value	$0	$0
Agricultural (Market) Value	$0	$0
Just (Market) Value	$961,424	$872,348
Assessed Value	$891,384	$810,349
Exempt Value	$0	$0
Taxable Value	$891,384	$810,349
Maximum Save Our Homes Portability	$0	$61,999

*Just (Market) Value" description - This is the value established by the Property Appraiser for ad valorem purposes. This value does not represent anticipated selling price.

Land Information

Code	Land Use	Number of Units	Unit Type	Frontage	Depth
000100	SFR	1.00	LT	100	0

Building Information

Building 1

Type	SFR EXCEPT
Total Area	11,860
Heated Area	3,290
Exterior Walls	HARDIE BO;
Roof Cover	ARCT METAL; .
Interior Walls	DRYWALL; DECORATIVE
Frame Type	.
Floor Cover	CLAY/CERMC; HARDWOOD
Heat	AIR DUCTED
Air Conditioning	CENTRAL
Bathrooms	8
Bedrooms	7
Stories	4
Actual Year Built	2017
Effective Year Built	2017

Extra Features

Code	Description	Number of Items	Length x Width x Height	Units	Unit Type	Effective Year Built
PAVERS	PAVERS	1	0 x 0 x 0	1	UT	2017
SWPOOL	SWIMPOOL	1	0 x 0 x 0	1	UT	2017
ELEVTR	ELEVATOR	1	0 x 0 x 0	1	UT	2017

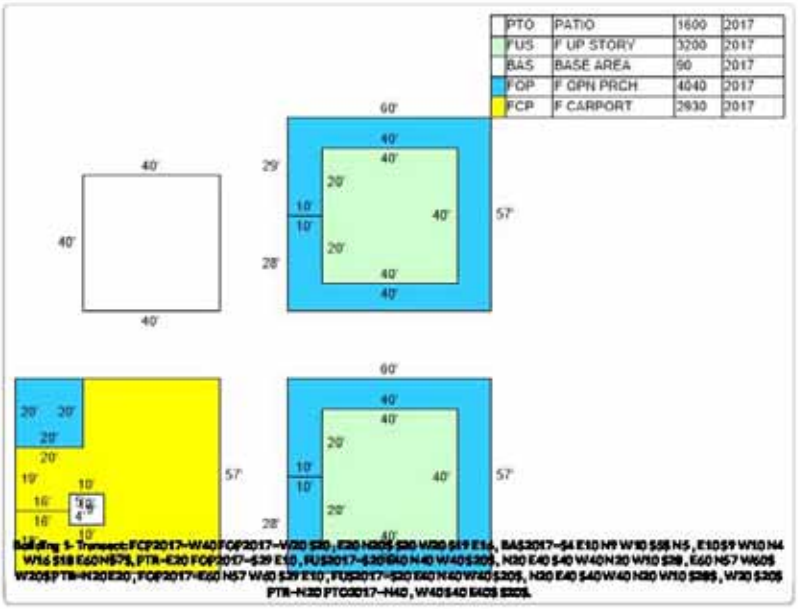
Building Area Types

Type	Description	Sq Footage	Year
FCP	F CARPORT	2,930	2017
FOP	F OPN PRCH	4,040	2017
BAS	BASE AREA	90	2017
FUS	F UP STORY	3,200	2017
PTO	PATIO	1,600	2017

Sales

Multi Parcel	Sale Date	Sale Price	Instrument	Book	Page	Qualification	Vacant/Improved	Grantor	Grantee
N	01/25/2016	$1,950,000	AL	3234	974	Qualified (Q)	Vacant	QUI FENGMING	MAGNOLIA BREEZE LLC
N	03/01/2012	$1,050,000	AL	3027	255	Qualified (Q)	Vacant	WEAVER DONALD P JR	QIU FENGMING
N	09/06/2000	$90,000	AS	2264	578	Qualified (Q)	Vacant	HALEY EDGAR J	WEAVER DONALD P JR
N	09/09/1961	$4,000	PV	501	561	Unqualified (U)	Vacant	CRS DEVELOPMENT CORPORATION	HALEY EDGAR J & MARY W

Sketches



Print Sketches

Assignment of Sublease

FILE # 3046641 RCD: 02/04/2016 @ 02:48 PM, BK: 3234 PG: 974 RECORDING: $15.00 RECORDING ARTICLE V: $12.00 DEED DOCSTAMPS $1372.00 DEPUTY CLERK ASECRIST JD PEACOCK II, CLERK OF COURTS, OKALOOSA CO, FL

PREPARED BY AND RETURN TO:
McNeese Title, LLC
36468 Emerald Coast Parkway, Suite 1201
Destin, Florida 32541
Julie R. Barbeau
File No. 15-0799JB

ASSIGNMENT OF SUBLEASE

THIS ASSIGNMENT OF SUBLEASE, made this January 28, 2016 A.D. entered into by and between **Fengming Qiu,** whose address is: P.O. Box 26504, Macon, Georgia 31221, hereinafter called the Assignor(s), to **Magnolia Breeze, LLC, a Texas limited liability company**, whose post office address is: 18898 Highway 6 South, College Station, Texas 77845-8475, hereinafter called the Assignee(s):

(Whenever used herein the term "assignor" and "assignee" include all the parties to this instrument and the heirs, legal representatives and assigns of individuals, and the successors and assigns of corporations)

WHEREAS as interest in said sublease was subsequently assigned to Assignors as recorded in Official Records Book 3027, Page 255, of the Public Records of Okaloosa County, Florida.

NOW THEREFORE for Ten Dollars, ($10.00) and other valuable consideration and the mutual covenants and agreements herein described to be kept and performed by the Assignee, the Assignor does hereby sell, transfer, set over to, convey, and assign all rights, title and interest to Assignee, in and to the following described Leasehold Estate, located in Okaloosa County, Florida, to-wit:

Lot 2, Block D of HOLIDAY ISLE ON THE GULF OF MEXICO AT DESTIN, INC., RESIDENTIAL SECTION NUMBER 4, according to the Plat thereof as recorded in Plat Book 4, Page(s) 29, of the Public Records of Okaloosa County, Florida.

Parcel ID Number: **00-2S-24-2186-000D-0020**

Said property is **NOT** the homestead property of the Grantor as defined by the Constitution of the State of Florida.

Subject, however, to all covenants, conditions, restrictions, reservations, limitations, easements and to all applicable zoning ordinances and/or restrictions and prohibitions imposed by governmental authorities, if any, and taxes for the current year.

The Assignors warrant that they have a good right to assign that interest herein assigned under the terms of the original lease, that the Assignors have made no prior assignment of this leasehold interest, and that such interest is clear of all encumbrances, save and except the taxes for the year subsequent to December 31, 2015 and subsequent years.

TO HAVE AND TO HOLD the same throughout the remainder of the terms of the above-mentioned lease, the same being for an original period of 99 years, subject to the covenants, restrictions and conditions in said lease.

BK: 3234 PG: 975

In Witness Whereof, the said assignor has signed and sealed these presents the day and year first above written.

Signed, sealed and delivered in our presence:

Witness Signature: _____

Witness Printed Name JIAYE SHO

Witness Signature: _____

Witness Printed Name FANG YI ZENG

Fengming Qiu
Address: P.O. Box 26504, Macon, Georgia 31221

State of People's Republic of China
Municipality of Shanghai
Consulate General of the
County of United States of America

The foregoing instrument was acknowledged before me this 1st day of Feb, 2016, by Fengming Qiu, who is/~~are~~ personally known to me or who has produced a passport as identification.

Dorota Grondelski
Consular Associate of the
United States of America

Notary Public
Print Name: _____
My Commission Expires: PRESIDENTIAL COMMISSIONS DO NOT EXPIRE

CONSULAR SERVICE OF THE UNITED STATES OF AMERICA

American Consulate General
Shanghai China

BK: 3234 PG: 976

ACCEPTANCE OF SUBLEASE

By acceptance of this instrument, Assignee covenants and agrees to do and perform each and all of the commitments and covenants of the Assignors contained in the original lease insofar as such commitments and covenants therein pertain to the property herby assigned, including but not limited to, the payment of all amount required to be paid thereunder promptly when due.

In Witness Whereof, the said assignee has signed and sealed these presents the day and year first above written.

Signed, sealed and delivered in our presence:

Witness Signature _____

Witness Printed Name Julie R. Barbeau

By: Scott Medlin, Manager
Magnolia Breeze, LLC, a Texas limited liability company
Address: 18898 Highway 6 South, College Station, Texas
77845-8475

Witness Signature: _____

Witness Printed Name _____

State of Florida
County of Okaloosa

The foregoing instrument was acknowledged before me this January 28, 2016, by Scott Medlins as Manager of Magnolia Breeze, LLC, a Texas limited liability company, who is/are personally known to me or who has produced driver's license as identification.

Notary Public
Print Name:

My Commission Expires:

JULIE R. BARBEAU
MY COMMISSION # FF 012888
EXPIRES: August 29, 2017
Bonded Thru Notary Public Underwriters

THIS INSTRUMENT PREPARED BY
AND AFTER RECORDING RETURN TO:

Kimberly Romano Kopp, Esq.
Romano Kopp Law, P.A.
P.O. Box 445
Destin, Florida 32541

For Recording Purposes Only

SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is entered into this _____day of _____ 2019, ("Effective Date") by and between, Magnolia Breeze, LLC. ("Owner") and the City of Destin ("City"), collectively referred to as the "Parties."

RECITALS

WHEREAS, on January 22, 2019, the City enacted Ordinance 18-29-CC, the Short-Term Rental Occupancy Ordinance ("Ordinance"), which limits the occupancy of short-term rental homes to two (2) people per bedroom plus an additional four (4) persons; and

WHEREAS, Owner owns the real property and improvements located at 3 Magnolia Drive, Destin, FL 32541, as more particularly described in the attached Exhibit "A" (the "Property"); and

WHEREAS, on May 10, 2019, Owner filed a claim with the City, pursuant to the provisions of §70.001, Florida Statutes, the Bert J. Harris, Jr., Private Property Rights Protection Act (the "Harris Act"), alleging that the Property had been inordinately burdened by the adoption of the Ordinance, (the "Claim"); and

WHEREAS, the Harris Act provides for the City to have the ability to enter into a settlement agreement which would have the effect of a modification or variance to the application of a regulation or ordinance as it would otherwise apply to the subject real property, provided the relief granted protects the public interest served by the regulations at issue and is the appropriate relief necessary to prevent the governmental regulatory effort from inordinately burdening the real property; and

WHEREAS, the City has determined that the modifications to the effect of the Ordinance effected by this Agreement protect the public interest served by the Ordinance and are the appropriate relief necessary to prevent the regulatory effect of the Ordinance from inordinately burdening the Property; and

WHEREAS, the Parties now desire to settle and finally resolve all disputes between and among them concerning the Claim.

NOW, THEREFORE, the Parties hereby agree as follows:

1. **Recitals.** The above recitals are true and correct and are incorporated herein by reference.

2. **Occupancy Allowable Under Ordinance.**

(a) Owner is hereby granted a variance from the provisions of the Ordinance so that the Owner shall have the right to apply under the Ordinance for a maximum occupancy of sixteen (16) overnight guests at the seven (7) bedroom vacation rental property noted above and the City shall grant such occupancy. The right shall continue in perpetuity, regardless of any future changes in ownership, provided that this right shall expire permanently if the Property were to be voluntarily remodeled or voluntarily rebuilt in such a manner as to change the number of bedrooms that existed at the date of the Claim. The Property remains subject to all other requirements of the City's regulations, including but not limited to regulations for short-term rentals, parking, trash, and noise.

(b) No greater than seven (7) vehicles may be parked on the Property. No vehicle may encroach upon the City's right-of way.

(c) Owner shall ensure that at least three (3) outdoor trash receptacles are provided by the applicable trash hauler and available for use by occupants at all times.

(d) Owner agrees that the City shall be permitted to access the property on an annual basis for the purpose of life-safety inspections to ensure code compliance with minimum egress requirements pursuant to the Florida Building Code (Residential) and to ensure the property has adequate and working smoke detectors.

3. **Development in Accordance with Code.** Notwithstanding any provisions contained herein, the Owner shall at any time have the right and option to remodel, develop, or use the Property in accordance with the applicable ordinances of the City of Destin in effect at the time of application therefor, and this variance shall not be construed as making the Property in any way non-conforming.

4. **Entire Agreement.** The Parties acknowledge that this Agreement constitutes the entire agreement between them regarding the settlement of their dispute and any prior statements, whether oral or written, are merged herein. This Agreement may not be modified or amended without a written instrument signed by the party against whom enforcement is sought.

5. **Duration of Agreement.** This Agreement shall be perpetual and deemed to run with the land, and shall be binding upon and the benefits shall inure to the parties hereto and their respective heirs, devisees, personal representatives, successors and assigns.

6. **Authority.** The signatories to this Agreement are expressly authorized to resolve their dispute as set forth herein and by their signatures here represent and affirm their authority to execute this Agreement.

7. **Governing Law.** The law of the State of Florida shall apply to this Agreement. Any dispute regarding this Agreement shall be litigated exclusively in the courts of Okaloosa County, Florida. The parties expressly consent to such agreed jurisdiction and venue, and waive any objections thereto.

8. **Notices.** Any notice required or permitted to be given hereunder shall be in writing and shall be (i) delivered by hand, (ii) delivered by reputable national or local courier (such as United Parcel Service or Federal Express), (iii) mailed by United States registered or certified mail, return receipt requested and postage prepaid, or (iv) sent by facsimile transmission provided a confirmation of such facsimile transmission is sent the same day by one of the methods of delivery in (i), (ii), or (iii) above. Any notice shall be addressed to each party at its address as set forth below. Any such notice shall be considered given on the date of such hand delivery, deposit with such courier for same day or next business day delivery, upon receipt of return receipt of certified mail, or receipt of facsimile transmissions, as the case may be, and the time period (if any is provided herein) in which to respond to such notice shall commence on the date of receipt. Rejection or other refusal to accept or inability to deliver because of changed address of which no notice was given shall be deemed to be receipt of the notice. By giving to the other party at least ten (10) days' notice thereof, any party shall have the right from time to time to change the addresses thereof and to specify up to two (2) additional addresses within the United States of America to which copies of notices to it shall be sent. Notice may be given on behalf of any party by such party's counsel. In the event the subject property owner changes, notices shall be addressed to the current owner as indicated in the records of the Okaloosa County Property Appraiser. Otherwise, notices shall be sent as follows:

Each notice shall be addressed as follows:

To City: City of Destin, Florida
Attn:
4200 Indian Bayou Trail
Destin, Florida 32541

With a copy to:
City Land Use Attorney
Romano Kopp Law, PA
PO Box 445
Destin, Florida 32541

To Magnolia Breeze LLC: Scott Medin LLC
P.O. Box 973
College Station, TX 77842

With a copy to: Matthews & Jones, LLP
Attn: C. Stephen Tatum
4475 Legendary Drive
Destin, Florida 32541

9. **Attorney's Fees**. In the event of any action, whether pre-suit, mediation, litigation or appellate proceeding to enforce the terms and conditions of this Agreement, each party to the action shall pay its own attorney's fees and costs incurred therein.

10. **Venue**. Venue over any action to enforce the terms and conditions of this Agreement, including mediation, shall lie solely in Okaloosa County, Florida.

OWNER: Magnolia Breeze, LLC

_____
Signature of Witness #1

_____
Scott Medlin

_____
Print or type name

_____
Phil Medlin

_____
Signature of Witness # 2

_____
Print or type name

STATE OF_____
COUNTY OF_____

The foregoing instrument was acknowledged before me this _____ day of _____ 2019, by _____ _____ and _____, who are personal known to me or who have produced _____ as identification and who did not (did) take an oath.

_____
Signature of Notary

(NOTARY SEAL)

_____
Print or type name

CITY OF DESTIN

By:_____
Gary Jarvis, Mayor

Date:_____

ATTEST:

_____
Rey Bailey, City Clerk

Date:_____

STATE OF_____
COUNTY OF_____

The foregoing instrument was acknowledged before me this _____ day of _____ 2019, by _____ _____ and _____, who are personal known to me or who have produced _____ as identification and who did not (did) take an oath.

_____
Signature of Notary

(NOTARY SEAL)

_____
Print or Type Name

Approved as to form and legality for use and reliance
by the City of Destin, Florida, only.

_____
Kimberly Romano Kopp, Esq.
City Land Use Attorney

Exhibit "A"

Legal Description of Property

Lot 2, Block D, of HOLIDAY ISLE ON THE GULF OF MEXICO AT DESTIN, INC. RESIDENTAIL SECTION NUMBER 4, according to the Plat thereof as recorded in Plat Book 4, Page(s) 29, of the Public records of Okaloosa County, Florida.

ITEM # 2019-1905

CITY OF DESTIN

AGENDA ITEM

COUNCIL MEETING DATE: December 9, 2019
TYPE OF AGENDA ITEM: Action Item

TO: City Council

THRU: Lance Johnson, City Manager

FROM: Kimberly Kopp, Land Use Attorney
Louis Zunguze, Community Development Director

DATE: December 5, 2019

SUBJECT: 24) 4782 Ocean Blvd

I. BACKGROUND:

On January 22, 2019, the City enacted Ordinance 18-29-CC, the Short-Term Rental Occupancy Ordinance ("Ordinance"), which limits the occupancy of short-term rental homes to two (2) people per bedroom plus an additional four (4) persons.

The subject property owner owns the real property and improvements located at 4782 Ocean Blvd., Destin, FL 32541, as more particularly described in Exhibit "A" (the"Property") to the proposed settlement agreement.

Owner filed a claim with the City, pursuant to the provisions of §70.001, Florida Statutes, the Bert J. Harris Jr., Private Property Rights Protection Act (the "Harris Act"), alleging that the Property had been inordinately burdened by the adoption of the Ordinance, (the "Claim).

The Harris Act provides for the City to have the ability to enter into a settlement agreement which would have the effect of a modification or variance to the application of a regulation or ordinance as it would otherwise apply to the subject real property, provided the relief granted protects the public interest served by the regulations at issue and is the appropriate relief necessary to prevent the governmental regulatory effort from inordinately burdening the real property.

The City Council should settle the claim if the City Council determines that the modifications within the settlement agreement protect the public interest served by the Ordinance and are the appropriate relief necessary to prevent the regulatory effect of the Ordinance from inordinately burdening the Property.

II. DISCUSSION: The property owner has requested a maximum occupancy of twenty (20) occupants. City staff is recommending an occupancy of twenty (20) occupants based on the square footage of the property. The building official utilized a one-occupant per 200 square feet methodology for recommending the above-stated occupancy.

Additionally, staff is recommending at least four (4) trash cans on the property. This recommendation is based on industry standard (Waste Management) that, on average, one trash can is required for every six occupants in order to ensure adequate garbage disposal. Therefore, if the maximum number of occupants exceeds any multiple of six (6, 12, 18, 24, 30, 36, etc.), then an extra trash can will be needed to accommodate the additional occupants. For example, if thirteen (13) is the maximum occupation, then three (3) trash cans are required. This is because, on average, two (2) trash cans will only accommodate twelve (12) occupants. The third trash can will be needed to accommodate the thirteenth occupant.

Further, the property owner must agree to annual life safety inspections, as provided in the proposed settlement agreement.

Finally, staff is recommending that no greater than six (6) vehicles be parked on this property

As stated in the agreement, the property owner remains bound by all other provisions of City codes.

A. **Link to Strategic Goals / Objectives:**
B. **Effect on Budget (EOB):**
C. **Level of Service (LOS):**

III. CONCLUSION:

IV. RECOMMENDED MOTION: 1. I move to approve the settlement agreement prepared by the City Land Use Attorney and Staff.

or

2. I move to approve the settlement agreement prepared by the City Land Use Attorney and Staff with the following modifications:_____.

or

3. I move to direct the City Land Use Attorney to negotiate in good faith with the property owner and to bring back an alternate settlement proposal to the City

Council for consideration.

or

4. I move to deny settlement of the subject claim at this time.

Attachments:

1. Burt Harris Case - 4782 Ocean Blvd
2. 4782 Ocean Blvd_Bert Harris Proposed Settlement Draft 11_1_2019

NAJMY | THOMPSON PL
ATTORNEYS AT LAW

1401 8th Avenue West
Bradenton, FL 34205

PHONE: (941) 748 - 2216
FAX: (941) 748 - 2218

OTHER OFFICES:
Lakewood Ranch (941) 907 - 3999
Sarasota (941) 907 - 3999
New York (212) 220 - 6616

WWW.NAJMYTHOMPSON.COM

October 23, 2019
Via Hand Delivery

City of Destin
c/o Major Gary Jarvis
4200 Indian Bayou Trail
Destin, FL 32541

Re: 4782 Ocean Boulevard, Destin, FL 32541
Bert J. Harris Claim, §70.001, *Fla. Stat.*, July 1, 2012

Dear Mayor Jarvis,

This firm represents Hyewon Kim, Trustee UTA of Hyewon Kim, dated October 29, 1991 and S. Brian Kim, Trustee UTA of S. Brian Kim, dated October 29, 1991 ("Brian and Hyewon Kim"), owners of an improved property described as 4782 Ocean Boulevard, Destin, FL 32541. My clients constructed and have been operating the house as a short-term rental property within the City of Destin for over seven (7) years. The City of Destin has authorized the use of this property as a short-term vacation rental.

The "before" condition of the subject property is a five-bedroom, three-story residence able to accommodate twenty-six (26) guests as part of the authorized and approved short-term rental use of this property and others within the City.

By the City of Destin's passage on January 22, 2019 of Ordinance 18-29-CC and application of Ordinance 18-29-CC to the subject property on October 2, 2019 (when the City of Destin denied my clients' request for a variance), this property is now restricted to an occupancy of fourteen (14) guests. [1]

The Florida Legislature has passed Section 70.001, *Fla. Stat.*, known as the "Bert J. Harris Jr. Private Property Rights Protection Act as Amended."

[1] The subject property was issued a grandfather certificate on July 11, 2019, permitting the property to rent to twenty-four (24) occupants until July 11, 2024.

NT

Chapter 70.001, *Fla. Stat.*, "*inter alia*", created a separate and district cause of action which provides for relief or payment of compensation when a new law, rule, regulation or ordinance of the state or a political entity in the state, as applied, unfairly affects real property. "When a specific action of a governmental entity has inordinately burdened an existing use of real property or a vested right to a specific use of real property, the property owners of that real property are entitled to relief, which may include compensation for the actual loss to the fair market value of the real property caused by the action of government, as provided in this section." *Fla Stat.* §70.001(2).

The owners of the subject property assert that their actual and existing use of said real property has been inordinately burdened by the City of Destin's adoption and application of Ordinance 18-29-CC by restricting its occupancy to only two (2) persons per bedroom plus four (4).

To that end, this letter should serve as a formal, written claim pursuant to §70.001, *Fla. Stat.*, the Bert J. Harris Jr. Private Property Rights Protection Act as Amended. Attached to this letter is a bona fide, valid appraisal that supports the claim and demonstrates the loss in value to the real property. This appraisal establishes the loss in value of the subject property, as a result of the application of the occupancy limitation of Ordinance 18-29-CC, to be $1,610,000.00.

Pursuant to §70.001(4)(c), *Fla. Stat.*, the City of Destin has 150 days to respond to this claim with a written settlement offer. You should consult your counsel as to any other obligations and settlement opportunities contained within this statute.

PLEASE BE GOVERNED ACCORDINGLY.

Sincerely,

NAJMY THOMPSON, P.L.

Aaron M. Thomas
athomas@najmythompson.com

Enclosure: Appraisal

cc:

Kyle Bauman
Anchors Smith Grimsley, PLC
909 Mar Walt Drive, Suite 1014
Fort Walton Beach, Fl 32547-6711
kbauman@asglegal.com

Kimberly Kopp
Romano Kopp Law, P.A.
P.O. Box 622562
Oviedo, Florida 32762-2562
kopp@romanokopplaw.com

AMT/kls

Appraisal Report

Detached Single Family Residential Home

5,595 ± HVAC SF Existing Structure

4782 Ocean Boulevard
Destin, FL 32541

DIMINUTION IN VALUE ANALYSIS
4782 OCEAN BOULEVARD
DESTIN, FL 32541

FOR
BRIAN AND HYEWON KIM
AND
DESIGNATED ATTORNEYS

RETROSPECTIVE TO OCTOBER 2, 2019

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APPRAISAL REPORT

SUBJECT PROPERTY

5,595 ± HVAC SF Existing Detached Residential Improvement

Five Bedrooms and Seven Bathrooms

4782 Ocean Boulevard
Destin, FL 32541

EFFECTIVE DATE OF APPRAISAL

Retrospective to October 2, 2019

REPORT DATE

October 9, 2019

VIEWING DATE

March 14, 2019 and September 30, 2019

CLIENT/INTENDED USER

Brian and Hyewon Kim
4782 Ocean Boulevard
Destin, FL 32541

File № 190235A

PREPARED BY:

Thomas A. Marr

State-certified General Real Estate Appraiser № RZ 2645 (FL)
tom@panappraisal.com

Panhandle Appraisal Group
220 Hospital Drive
Fort Walton Beach, Florida 32548
Telephone: (850) 243-0958
Facsimile: (850) 226-8462

PANHANDLE APPRAISAL GROUP

REAL ESTATE VALUATION AND RESEARCH
Specializing in Residential and Commercial Valuation Support
Fort Walton Beach, Florida

Thomas A. Marr
State-certified General Real Estate Appraiser № RZ2645 (FL)

220 Hospital Drive
Fort Walton Beach, Florida 32548

Telephone: (850) 243-0958
Facsimile: (850) 226-8462

October 9, 2019

Brian and Hyewon Kim
4782 Ocean Boulevard
Destin, FL 32541

Re: Diminution in value appraisal of an approximate 5,595 HVAC SF detached residential improvement, 'as is' identified as 4782 Ocean Boulevard in Destin, FL 32541. **Panhandle Appraisal Group File № 190235A.**

Dear Mr. Kim:

I have completed the requisite personal viewing, research, and analysis necessary to determine if a diminution in value has occurred for the subject parcel.

The subject property is a three level, detached single family residential structure with an approximate 5,595 HVAC SF, five bedrooms and seven bathrooms. The current sleeping capacity of the subject is twenty six (26) guests.

The purpose of the appraisal analysis was to develop an opinion of the market value of the subject property prior to the first application of the city of Destin Ordinance No. 18-29-CC to the subject property on October 2, 2019 when twenty six (26) guests ere allowd, and then derive a value after the first application of the ordinance on October 2, 2019 which limited the subject to fourteen (14) guests, based on two guests per bedroom, plus four. I note that the designation as a bedroom is based on data in the Okaloosa County Property Appraiser web site.

The authorized user is the client at the address above. The understood intended use of the appraisal report will be for reference in determining if the first application of Ordinance No. 18-29-CC resulted in a diminution of valuc. No other use of this report by any other entity or person is authorized.

Subject to the above and the assumptions, limiting conditions, and certification set forth herein, it is my professional opinion the retrospective market value of the fee simple interest in the subject property, 'as is', as of October 2, 2019, prior to the first application of Ordinance No. 18-29-CC, was:

TWO MILLION SEVEN HUNDRED THOUSAND DOLLARS
$2,700,000

Subject to the above and the assumptions, limiting conditions, and certification set forth herein, it is my professional opinion the current market value of the fee simple interest in the subject property, 'as is', as of October 2, 2019, after the first application of Ordinance No. 18-29-CC is:

ONE MILLION NINETY THOUSAND DOLLARS
$1,090,000

The diminution of value is a rounded $1,610,000.

Exposure Time
The exposure time linked to the final value opinion is a range to nine (9) to twelve (12) months based on market sales of similar properties and current market activity.

Analysis of recent trends and current market supply and demand strongly indicate the highest and best use of the subject property, is continued use as a seasonal rental home.

I hereby certify I possess no interest, present or contemplated, in the appraised property. The undersigned appraiser is competent or has taken the necessary steps to become competent for the property type being appraised. This appraisal has been prepared utilizing all of the requirements set forth as standards for real estate appraisals established for federally related transactions by the Comptroller of the Currency, the Federal Reserve Board, the Federal Deposit Insurance Corporation, and the State of Florida. The appraisal is in conformity with the standards for real estate appraisals as established by the Appraisal Foundation and its Appraisal Standards Board. The appraisal also conforms to *the 2018/2019 edition of the Uniform Standards of Professional Appraisal Practice (USPAP)* and your instructions. The fee for this appraisal was not based on value, nor was the assignment undertaken based on a predetermined value, a trend in value, or a minimum or maximum value.

Respectfully submitted,

Thomas A. Marr

Thomas A. Marr
State-Certified General Real Estate Appraiser № RZ 2645 (Florida)

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APPRAISAL REPORT

This is an Appraisal Report which is intended to comply with the reporting requirements in accordance with the 2018/2019 edition of the Uniform Standards of Professional Appraisal Practice (USPAP) for an Appraisal Report. As such, it represents summary discussions of the data, reasoning, and analyses used in the appraisal process to develop the appraisers' opinion of value. Supporting documentation concerning the data, reasoning, and analyses may be retained in the appraiser's files. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated below. The appraisers are not responsible for unauthorized use of this report.

CLIENT:

Brian and Hyewon Kim
4782 Ocean Boulevard
Destin, FL 32541

APPRAISERS:

Thomas A. Marr
State-certified General Real Estate Appraiser № RZ 2645 (Florida)

Panhandle Appraisal Group
220 Hospital Drive
Fort Walton Beach, Florida 32548

SUBJECT PROPERTY:

Legal Description
Lots 77A & 77B, Destiny By The Sea SD.

Tax ID №: 00-2S-22-0075-0000-077A.

PURPOSE OF THE APPRAISAL:

The purpose of this appraisal was to develop an estimate of the diminution in value from prior to the first application of City of Destin Ordinance No. 18-29-CC and after the first application of the ordinance on October 2, 2019.

INTENDED USE OF REPORT:

The understood intended use of the appraisal report will be for client use for legal proceedings to restore maximum occupancy property rights.

INTENDED USER:

The intended user is the client stated above, the client's attorneys, and regulatory authorities. This report is not intended or authorized for any other user or audience.

PROPERTY RIGHTS APPRAISED:

Fee Simple, one hundred percent (100%) ownership interest in the subject property.

EFFECTIVE DATE OF VALUE:

Retrospective to October 2, 2019.

DATE OF REPORT:

October 9, 2019.

DATE OF INSPECTION:

Thomas A. Marr viewed the subject property on March 14, 2019 and September 30, 2019.

SCOPE OF WORK:

I note you have not requested an appraisal report format. Based on the Scope of Work requirements included in the 2018/2019 version of USPAP, which indicates the appraiser is responsible to coordinate the scope of work with the client, I am informing you I will perform an appraisal report. **It is my opinion this process of work meets all applicable 2018/2019 USPAP standards.**

DEFINITIONS:

The definitions, commencing on the page following, are provided to assist the reader in understanding this appraisal report.

Market Value[1]

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

- Purchaser and seller are typically motivated;
- Both parties are well informed or well advised and each acting in what they consider their best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

The four (4) time differential values on the graph which may be considered in the appraisal of existing developments are defined as follows:

(1) **'As Is'** means an estimate of the market value of a property in the condition observed upon inspection and as it physically and legally exists without hypothetical conditions, assumptions, or qualifications as of the date of appraisal.

(2) **'Value Upon Completion'** means the market value of a property with all existing construction, conversion, or rehabilitation hypothetically completed, or under other specified hypothetical conditions as of the date of appraisal. With regard to properties wherein anticipated market conditions indicate stabilized occupancy is not likely as of the date of completion, this estimate of value shall reflect the market value of the property as if complete and prepared for occupancy by tenants.

(3) **'Prospective Future Value Upon Completion'** means the prospective future value of a property on the date construction is completed, based upon market conditions forecast to exist as of completion date.

(4) **'Prospective Future Value Upon Achievement of Stabilized Occupancy'** means the prospective future value of a property at a point in time when all improvements have been physically constructed and the property has been leased to its optimum level of long term occupancy.

Fee Simple Estate[2]

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.

Leased Fee Interest[3]

An ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the lessee are specified by contract terms contained within the lease.

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1 Title XI, Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), [Pub. L. No. 101-73, 103 Stat. 183 (1989)], 12 U.S.C. 3310, 3331-3351, and section 5(b) of the Bank Holding Company Act, 12 U.S.C. 1844(b); Part 225, Subpart G: Appraisals; Paragraph 225.62 (f).
Uniform Standards of Professional Appraisal Practice, 2003 Edition, Page 3
Federal Reserve System, 12 CFR Parts 208 and 225, Sec. 225.62
Office of the Comptroller of the Currency, 12 CFR Part 34, Sec. 34.42 (g)
FDIC, 12 CFR Part 323, Sec. 323.2 (g) (2000)
Office of Thrift Supervision, 12 CFR Part 564, Sec. 564.2
NCUA, 12 CFR Part 722, Sec. 722.2

2 The Dictionary of Real Estate Appraisal, Appraisal Institute, Fourth Edition, 2002, Page 113.

3 Ibid., Page 161.

Leasehold Interest[4]
The interest held by the lessee (the tenant or renter) through a lease transferring the rights of use and occupancy for a stated term under certain conditions.

Condominium[5]
A multi-unit structure or property in which persons hold fee simple title to individual units and an undivided interest in common areas.

Highest and Best Use[6]
The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and which results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability.

...of land or a site as though vacant:

Among all reasonable, alternative uses, the use yielding the highest present land value, after payments are made for labor, capital, and coordination. The use of property based on the assumption the parcel of land is vacant or can be made vacant by demolishing any improvements.

...of property as improved:

The use which should be made of a property as it exists. An existing improvement should be renovated or retained as is so long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing building and constructing a new one.

Marketing Time[7]
The time it takes an interest in real property to sell on the market subsequent to the date of an appraisal.

Exposure Time[8]
A retrospective estimate based on an analysis of past events assuming a competitive and open market.

Advocacy[9]
Representing the cause or interest of another, even if cause or interest does not necessarily coincide with one's own beliefs, opinions, conclusions, or recommendations.

Appraisal[10]
(Noun) The act or process of developing an opinion of value; an opinion of value. (Adjective) of, or pertaining to appraising and related functions such as appraisal practice or appraisal services.

Appraisal Practice[11]
Valuation services performed by an individual acting as an appraiser, including, but not limited to appraisal, appraisal review, or appraisal consulting.

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4 Ibid., Page 162.

5 Ibid., Page 59.

6 Ibid., Page 135.

7 Ibid., Page 175

8 Ibid., Page 105

9 2018/2019 edition, *Uniform Standards of Professional Appraisal Practice (USPAP)*, Page 1

10 Ibid, Page 1

11 Ibid, Page 1

Appraisal Review[12]
The act or process of developing and communicating an opinion about the quality of another appraiser's work was performed as part of an appraisal, appraisal review, or appraisal consulting assignment.

Appraiser[13]
One who is expected to perform valuation services competently, and in a manner, is independent, impartial, and objective.

Appraiser's Peers[14]
Other appraisers who possess expertise and competency in a similar type of assignment.

Assignment[15]
A valuation service provided as a consequence if an agreement between an appraiser and a client.

Assignment Results[16]
An appraiser's opinions and conclusions developed specific to an assignment.

Assumption[17]
An occurrence which is taken to be true.

Bias[18]
A preference or inclination which precludes an appraiser's impartiality, independence, or objectivity in an assignment.

Business Enterprise[19]
An entity pursuing an economic entity.

Business Equity[20]
The interests, benefits, and rights inherent in the ownership of a business enterprise or a part thereof in any form (including, but not necessarily limited to, capital stock, partnership interests, cooperatives, sole proprietorships, options, and warrants).

Client[21]
The party or parties who engage an appraiser (by employment or contract) in a specific assignment.

Confidential Information[22]
Information is either:

- identified by the Client as confidential when providing it to an appraiser and is not available from any other source; or,
- classified as confidential or private by applicable law or regulation.

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12 Ibid, Page 1

13 Ibid, Page 1

14 Ibid, Page 2

15 Ibid, Page 2

16 Ibid, Page 2

17 Ibid, Page 2

18 Ibid, Page 2

19 2018/2019 edition, USPAP, Page 2

20 Ibid, Page 2

21 Ibid, Page 2

22 Ibid, Page 2

Cost[23]
The amount required to create, produce, or obtain a property.

'Credible'[24]
Worthy of belief.

Extraordinary Assumption[25]
An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions.

Feasibility Analysis[26]
A study of the cost-benefit relationship of an economic endeavor.

Hypothetical Condition[27]
An assertion which is contrary to what exists but is supposed for the purpose of analysis.

Intangible Property[28]
(Intangible Assets) Nonphysical assets, including, but not limited to, franchises, trademarks, patents, copyrights, goodwill, equities, securities, and contracts as distinguished from physical assets such as facilities and equipment.

Intended Use[29]
The use or uses of an appraiser's reported appraisal, appraisal review, or appraisal consulting assignment opinions and conclusions, as identified by the appraiser based on communication with the Client at the time of the assignment.

Intended User[30]
The Client and any other party as identified, by name or type, as users of the appraisal, appraisal review, or appraisal consulting report by the appraiser on the basis of communication with the Client at the time of the assignment.

Jurisdictional Exception[31]
...an assignment condition which voids the force of a part or parts of *USPAP*, when compliance with part or parts of *USPAP* is contrary to law or public policy applicable to the assignment.

IDENTIFY THE PROBLEM TO BE SOLVED
The problem to be solved in this appraisal analysis was to develop an opinion of the market value of the subject property, both prior to the first application of the city of Destin Ordinance No. 18-29-CC to the subject on October 2, 2019 when a twenty six (26) guest occupancy was allowed and after the first application of the Destin Ordinance No. 18-29-CC on October 2, 2019, which limited the subject to fourteen (14) guests, based on two guests per bedroom, plus four. Utilizing the before and after values, I derived a diminution of value to the subject property.

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23 Ibid, Page 2

24 Ibid, Page 3

25 Ibid, Page 3

26 Ibid, Page 3

27 Ibid, Page 3

28 Ibid, Page 3

29 Ibid, Page 3

30 Ibid, Page 3

31 2018 edition, *USPAP*, Page 3

EXTENT OF THE PROCESS OF COLLECTING, CONFIRMING, AND REPORTING DATA:

Preparation of this appraisal included the following scope of work:

- The subject site, improvements, and parking improvements were inspected by the appraiser, the property was photographed. File data for similar properties was reviewed.
- The public records were reviewed.
- The appraiser examined the economic, social, governmental, and environmental forces affecting value in the subject neighborhood and the entire market area as a whole.
- The appraiser identified recent and projected actual rents for the subject, based on occupancy of up to 26 guests. The appraiser then identified the annual rentals of other comparable properties which accommodated up to or beyond 26 guests. This data was used to verify or support the historical performance and the projected rents for the subject. These comparable rentals provided market support for the subject actual and projected gross rental income.
- The appraiser identified market rental comparables for properties limited to 14 guests.
- The appraiser then reduced gross rent to net operating rent and capitalized the net operating rent to identify value for the subject as a 26 guest rental and a 14 guest rental. The difference between these two values is the diminution in value.

IDENTIFICATION OF THE TYPE OF APPRAISAL AND APPRAISAL REPORT FORMAT:
I have provided an **Appraisal Report**, as defined by the *2018/2019 edition of the Uniform Standards of Professional Appraisal Practice*, containing a summary of all relevant conclusions, data, and analyses used in the report.

TERMS OF THE FINAL VALUE OPINION:
The final opinion of the current market values of the subject property, 'as is' is expressed in terms of cash or financing terms equivalent to cash.

POLICY STATEMENT OF THE APPRAISAL INSTITUTE:
It is improper to base a conclusion or opinion of value upon the premise the racial, ethnic, or religious homogeneity of the inhabitants of an area or of a property is necessary for maximum value.

Racial, religious, and ethnic factors are deemed unreliable predictors of value trends or price variance.

It is improper to base a conclusion or opinion of value, or a conclusion with respect to neighborhood trends, upon stereotyped, biased presumptions relating to the effective age or remaining life of the property being appraised or the life expectancy of the neighborhood in which it is located.

The undersigned appraiser is not a member of the Appraisal Institute.

GENERAL ASSUMPTIONS:

1. No responsibility is assumed for the legal description provided or for matters relevant to legal or title considerations. Title to the property is assumed to be marketable unless otherwise stated. The legal description used in this report is assumed to be correct.

2. The subject property is appraised free and clear of any or all liens, leases, or encumbrances unless otherwise stated. All mortgages, liens, encumbrances, leases, and servitudes have been disregarded unless so specified within the report.

3. No survey of the property has been made by the appraisers and no responsibility is assumed in connection with such matters. Sketches, plot plans, or illustrative material presented in this report are included only to assist the reader in visualizing the property.

4. Information and data furnished by others is usually assumed to be true, correct and reliable. When such information and data appears to be dubious and when it is critical to the appraisal, a reasonable effort has been made to verify all such information; however, no responsibility for its accuracy is assumed by the appraiser.

5. Responsible ownership and competent property management are assumed unless otherwise stated in this report.

6. It is assumed there are no hidden or unapparent conditions of the property, subsoil or structures which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.

7. It is assumed 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.

8. It is assumed the subject property is in compliance with all applicable zoning and land use regulations, unless a nonconformity has been stated, defined and considered in the appraisal report.

9. It is assumed all required licenses, consents or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use which the value estimate contained in this report is based.

10. It is assumed the utilization of the land and improvements is within the boundaries or property lines of the property described and there is no encroachment or trespass unless noted within the report.

EXTRAORDINARY ASSUMPTIONS:

I am using data provided to me by the client and other vacation home owners.

I am also using rental projections from the current property manager.

I am making the extraordinary assumption that the data provided is accurate, credible and reliable.

If, for any reason, the data provided is not accurate, credible and reliable, the values derived in the analysis is subject to review.

GENERAL LIMITING CONDITIONS:

1. This is an Appraisal Report which is intended to comply with the reporting requirements set forth in accordance with the *2018/2019 edition of the Uniform Standards of Professional Appraisal Practice* for an Appraisal Report. As such, it includes summarized discussions of the data, reasoning, and analyses used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses may be retained in the appraiser's files. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraiser is not responsible for unauthorized use of this report.

2. Appraisers are not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraisers suggesting the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert in the field of environmental assessment. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The appraiser's value estimate is predicated on the assumption there exists no such material on or in the property causing a loss in value unless otherwise stated in this report. No responsibility is assumed for any environmental conditions, or for any expertise or engineering knowledge required to discover them. The appraisers' descriptions and resulting comments are the result of the routine observations made during the appraisal process.

3. The subject property is appraised without a specific compliance survey having been conducted to determine if the property is or is not in conformance with the requirements of *The Americans with Disabilities Act*. The presence of architectural and communications barriers which are structural in nature which would otherwise restrict access by disabled individuals may adversely affect the property's value, marketability, or utility.

4. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event, only with proper written qualification and only in its entirety.

5. Neither all nor any part of the contents of this report shall be conveyed to any person or entity, other than the appraiser's or firm's client, through advertising, solicitation materials, public relations, news, sales, or other media without the written consent and approval of the authors, particularly as to valuation conclusions, the identity of the appraiser or firm with which the appraiser is connected, or any reference to affiliation with any professional appraisal organization. Further, the appraiser or firm assumes no obligation, liability, or accountability to any third party. If this report is placed in the hands of anyone but the client, client shall make party aware of all the assumptions and limiting conditions of the assignment.

6. The appraiser affixing his signatures to this appraisal report will not be required to give testimony or appear in court because of having made this appraisal, with reference to the property in question, unless arrangements have been previously made thereof.

7. No environmental impact studies were either requested or made in conjunction with this appraisal, and the appraiser hereby reserves the right to alter, amend, revise, or rescind any of the value opinions based upon any subsequent environmental impact studies, research, or investigation.

8. The appraiser has not been supplied with a report of the subsoil conditions indicating the exact capacity of the subsoil. I do not have the benefit of subsoil test results of the properties and detection of possible soil defects would be beyond my realm of expertise. However, there appear to be no hidden or apparent conditions of the subject sites or subsoil structures which would render them more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.

9. Acceptance of and/or use of this appraisal report constitutes acceptance of the foregoing General Assumptions, Special Assumptions, General Limiting Conditions, and Special Limiting Conditions.

EXTRAORDINARY LIMITING CONDITIONS AND HYPOTHETICAL CONDITIONS:

I note that the ordinance in question allows a five (5) year 'grandfather' period. I considered if this 'grandfather' status should receive some analysis in the discussion of diminution of value. After consideration, I concluded that a potential market participant, aware that the grandfather status will be eliminated , would be very wary to enter into a financial arrangement where he may have to liquidate in an unknown market within a time line that may not be available . Thus, I am not considering any impact of the 'grandfather' status.

CERTIFICATION:

I certify, to the best of my knowledge and belief:

1. The statements of fact contained in this report are true and correct.

2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions and conclusions.

3. I possess no present or prospective interest in the property which is the subject of this report and no personal interest with respect to the parties involved.

4. I possess no bias with respect to the property which is the subject of this report or to the parties involved with this assignment.

5. The engagement in this assignment was not contingent upon developing or reporting predetermined results.

6. The compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value favoring the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

7. The analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *2018/2019 edition of the Uniform Standards of Professional Appraisal Practice*.

8. Thomas A. Marr has made a personal viewing of the property which is the subject of this report. No one else has rendered significant real estate appraisal knowledge and input to the compilation of this report.

9. I have not performed any services, to include appraisal services, regarding the subject in the previous three years.

10. The opinion of market value 'as is' of the one hundred percent (100%) fee simple ownership interest in the subject property, 'as is' is prior to the first application of Destin Ordinance 18-29-CC prior to October 2, 2019 is TWO MILLION SEVEN HUNDRED THOUSAND DOLLARS ($2,700,000) and the value after the first application of Destin Ordinance 18-29-CC on October 2, 2019 is ONE MILLION NINETY THOUSAND DOLLARS ($1,090,000. The diminution of value is estimated as ONE MILLION SIX HUNDRED TEN THOUSAND DOLLARS ($1,610,000).

Thomas A. Marr
State-certified General Real Estate Appraiser № RZ 2645 (Florida)

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DESCRIPTION OF THE SUBJECT PROPERTY
Ownership:

The current owner is Brian and Hyewon Kim.

PLEASE RECORD & RETURN TO:
National Advantage Settlement SVC
329 Forest Grove Rd, Ste 201
Coraopolis, PA 15108

~~**Return To And Mail Tax Statements To:**~~
Hyewon Kim and S. Brian Kim
0 Ocean Blvd.
Destin, FL 32541
Property Tax ID#: 00-2S-22-0075-0000-077A
File #: SUR-32677SL-03

Purchase

WARRANTY DEED

This WARRANTY DEED, executed this 10th day of May, 2010, by CLARK G. WARDEN, Surviving Spouse and Tenant by the Entirety of Emma M. Warden, deceased, whose address is 24 Cardinal Road, Covington, LA 70433, hereinafter called GRANTOR, grants to HYEWON KIM, Trustee UTA of Hyewon Kim, dated October 29, 1991 and S. BRIAN KIM, Trustee UTA of S. Brian Kim, dated October 29, 1991, whose address is 0 Ocean Blvd., Destin, FL 32541, hereinafter called GRANTEES.

Wherever used herein the terms "GRANTOR" AND "GRANTEES" include all the parties to this instrument and the heirs, legal representatives and assigns of individuals, and the successors and assigns of corporations.

Witnessed: That GRANTOR, for and in consideration of the sum of $410,000.00 and other valuable considerations, receipt whereof is hereby acknowledged, hereby grants, bargains, sells aliens, remiss, releases, conveys and confirms unto the GRANTEES, all that certain land, situated in Okaloosa County, Florida, viz:

ALL THAT CERTAIN LAND SITUATE IN OKALOOSA COUNTY, STATE OF FLORIDA, VIZ: LOT 77 A AND 77 B, DESTINY BY THE SEA, A PLANNED UNIT DEVELOPMENT, ACCORDING TO THE PLAT THEREOF AS RECORDED IN PLAT BOOK 16, PAGES 21 AND 22, OF THE PUBLIC RECORDS OF OKALOOSA COUNTY, FLORIDA.

Commonly known as: Lot 77A and 77B Ocean Blvd, Destin, Fl. 32541

Together with all the tenements, hereditaments and appurtenances thereto belonging or in anywise appertaining.

To have and to hold, the same in fee simple forever.

And the Grantors hereby covenant with said Grantees that the Grantors are lawfully seized of said land in fee simple; that the Grantors have good right and lawful authority to sell and convey said land, hereby warrant the title to said land and will defend the same against the lawful claims of all persons whomsoever; and that said land is free of all encumbrances, except taxes accruing subsequent to December 31, 2010.

SITE:

Location:
The subject is located on the north side of Ocean Boulevard an approximate 1/10 mile east of the Ocean Boulevard and Caicos Cay intersection in the gated Destiny by the Sea Subdivision.

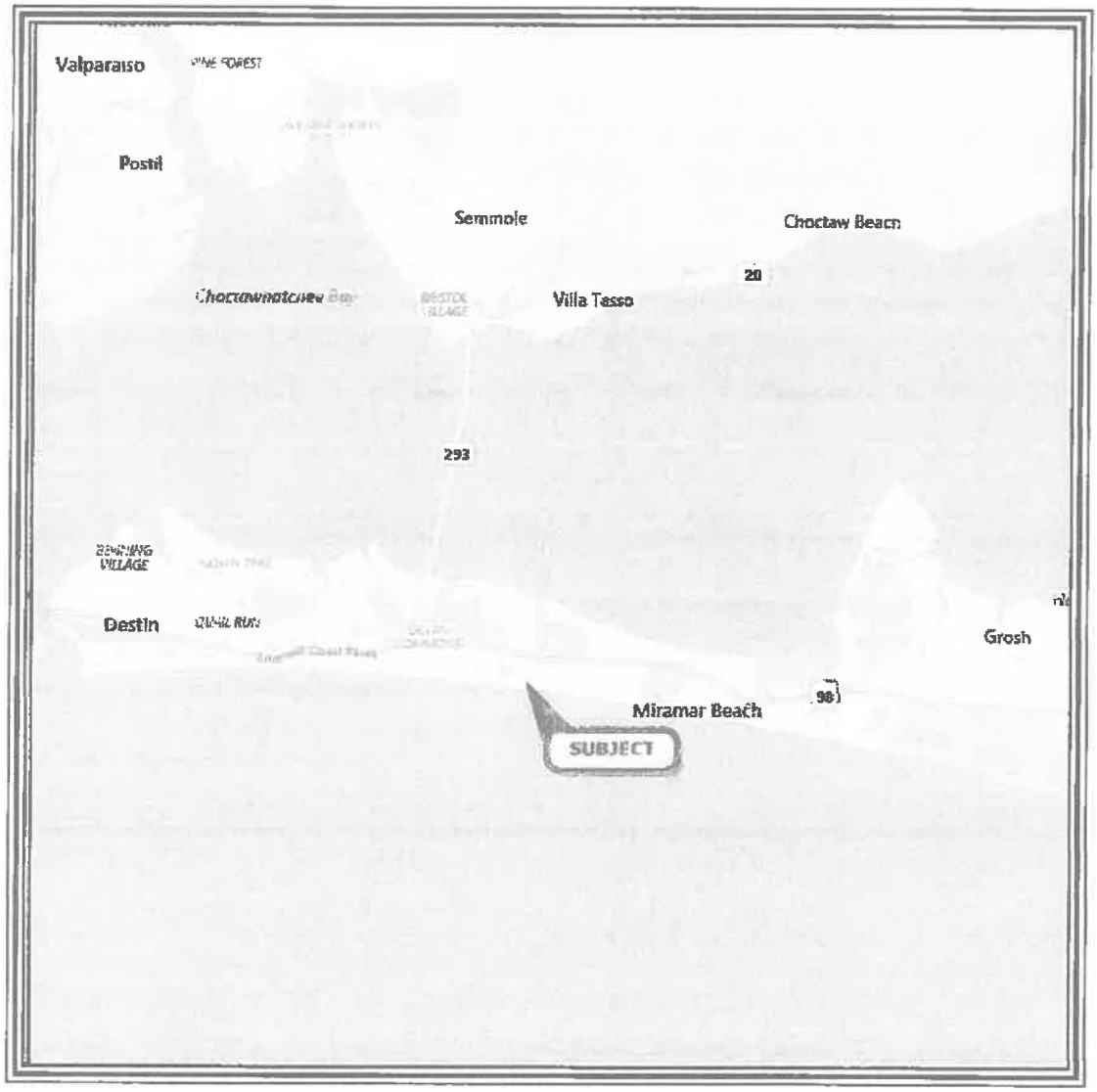
This subdivision is just south of Scenic Highway 98, a mature arterial which runs along the Gulf of Mexico.

Along the south side of Scenic Highway 98 are many condominium projects, individual homes and some commercial use, typically restaurants, which cater to the tourist industry.

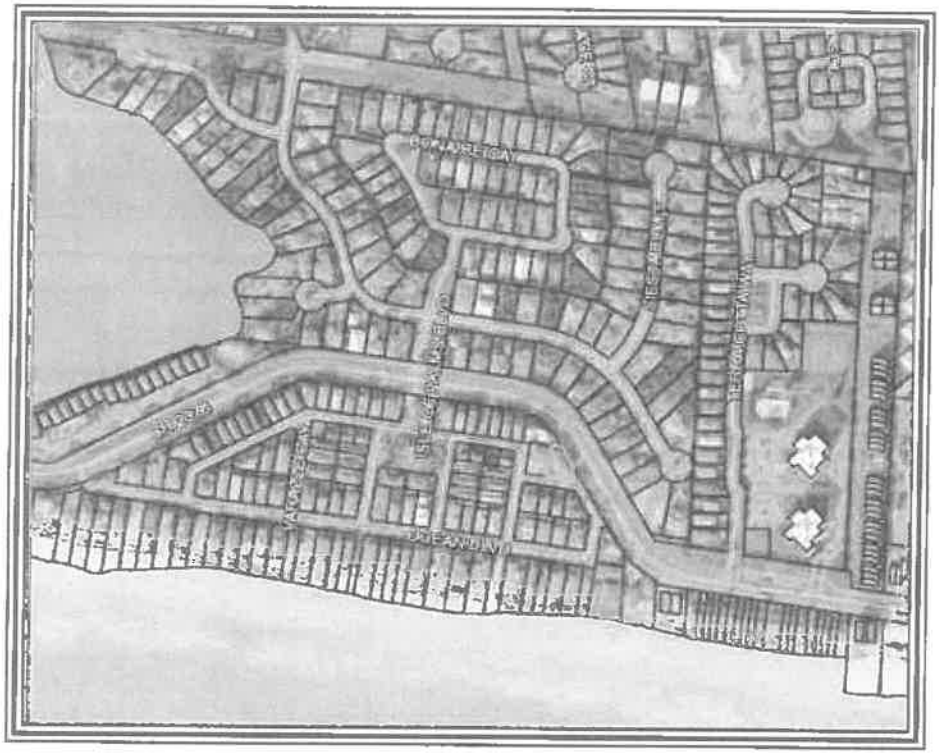
Along Scenic Highway 98 to the north are other residential uses, primarily detached homes with a interspersion of condominium and town home projects which are a mix of owner occupant and seasonal rental use.

This entire area of Destin, in close proximity to the Gulf of Mexico, is a desired location and well considered by the market.

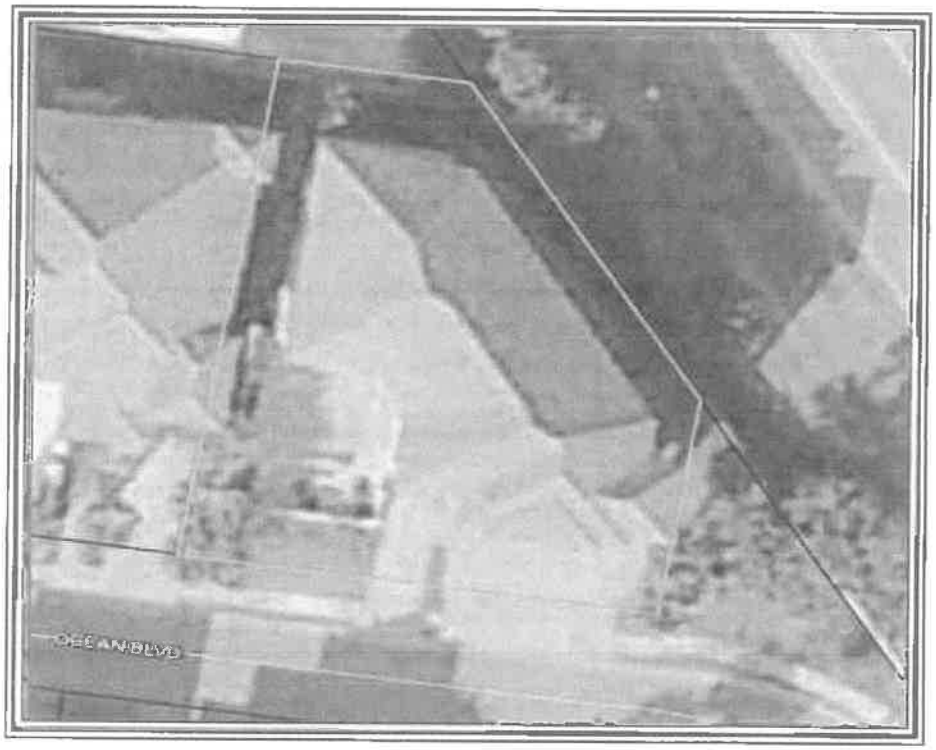
See the following map for the subject location in the broad Destin market.



The following map indicates the local market area surrounding the subject.



The following aerial photograph indicates the immediate vicinity of the subject.



Land Size:

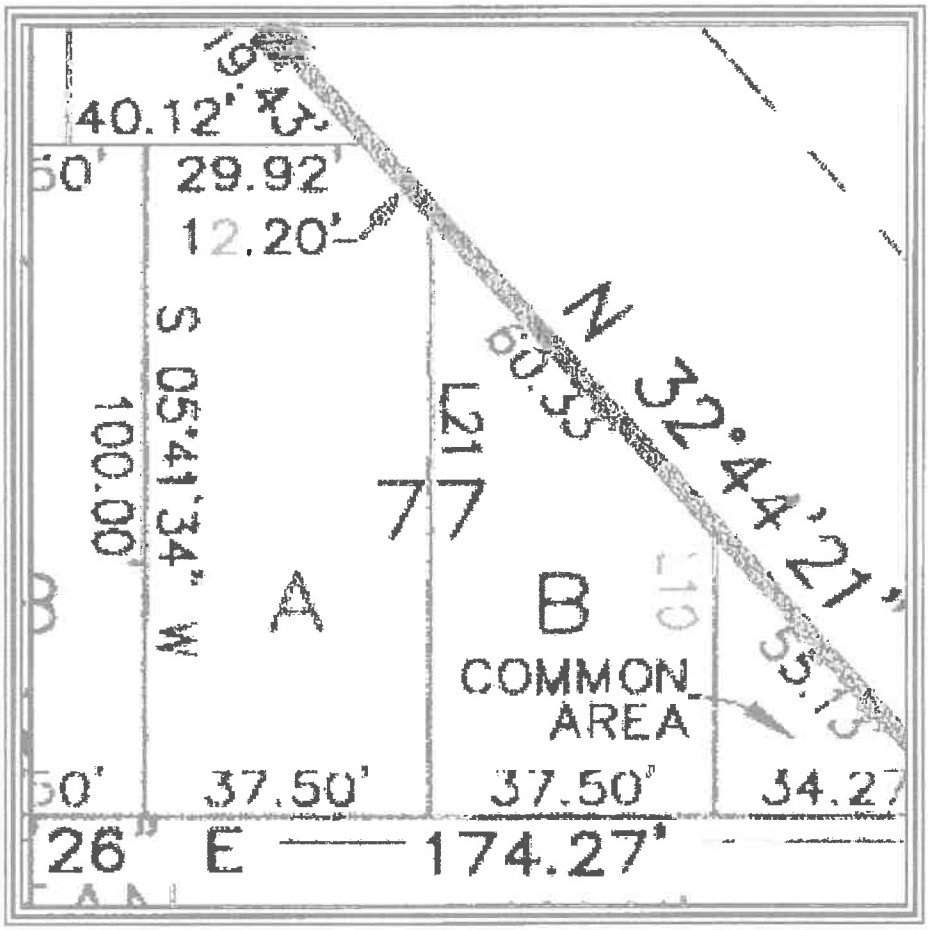
The subject is a single residential lot.

The dimensions are as follows:

100.00 feet on the west side,
29.92 feet on the north side,
72.55 feet on the NE side,
43.22 feet on the east side.
75 feet on the south side, fronting Ocean Boulevard

These dimensions result in a land size of an approximate 0.14 acres, or 6,100 SF. This land size is typical in the Destiny By The Sea SD as there was an effort made by the developer to develop as many lots as possible.

See the following excerpt from the recorded plat map.



Site Topography:

Per the Okaloosa County GIS site and my viewing, the subject is at the road grade of Ocean Boulevard.

The subject then slopes slightly downward to the north.

This slope is perceptible when viewing the subject, however, the slope was accounted for in the construction of the home and has no negative connotation.

The subject lot contour is typical for many parcels.

I am providing the following contour map extracted from the Okaloosa County Property Appraiser web site.

Utilities:

Utility	*Provider*	*Utility*	*Provider*
Electricity	Gulf Power	Stormwater Drainage	Destin
Water and Sewer	Okaloosa County	Fire Department	Destin
Natural Gas	Okaloosa Gas	Police Department	Contract with the Okaloosa County Sheriff
Telephone	Verizon	Refuse Removal	By contract
Cable Television	Cox Cable		

The utilities for the subject site are considered as typical in the market.

Easements/Encroachments:
I was not furnished a copy of a recent survey of the subject property. A review of the site plan, various maps and my personal viewing did not indicate any easements or encroachments.

I assume there are utility easements of record.

It is my opinion that there are no easements or encroachments which would affect value or transferability.

Ingress/Egress:
The subject property is reached directly from Ocean Boulevard, which fronts on the subject south side.

Ocean Boulevard is a paved, two lane public roadway.

Ocean Boulevard is a central roadway within the Destiny By The Sea SD. It runs in a circle and its north and south paths are intersected by several short roads, identified as cays. Ocean Boulevard leads to the gate of the subdivision and access to Scenic Highway 98, which runs along the north side if the SD on the north side of the SD fence.

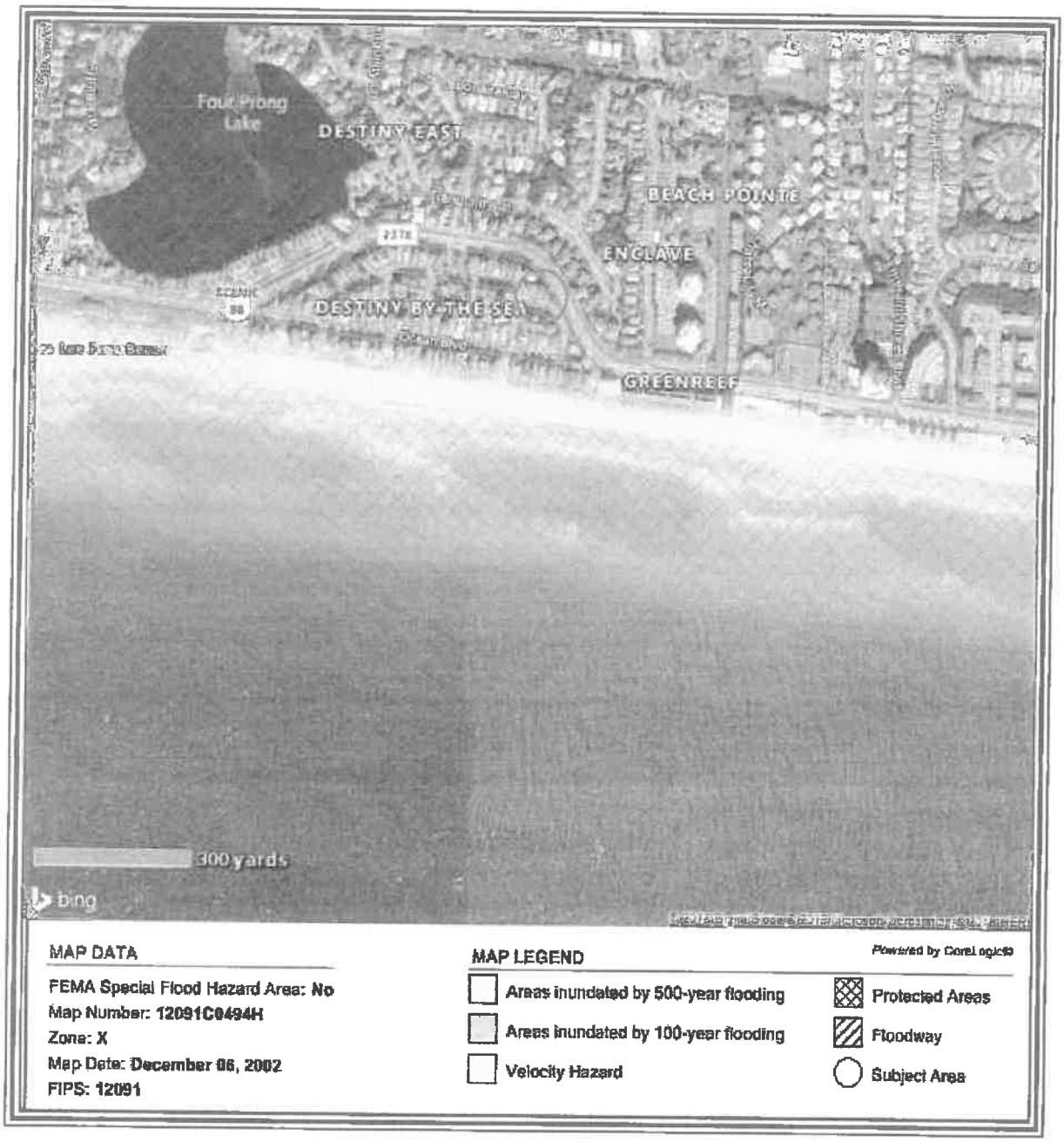
Ingress/egress is viewed as similar to most access typically found in the market.

Parking is viewed as similar to most parking found in the market as the subject features two garage spaces and four driveway spaces.

Flood Risk:

FEMA Map Panel	*Map Area*	*Dated*	*Flood Zone*
12091C 0494H	Okaloosa County	December 6, 2002	"X"

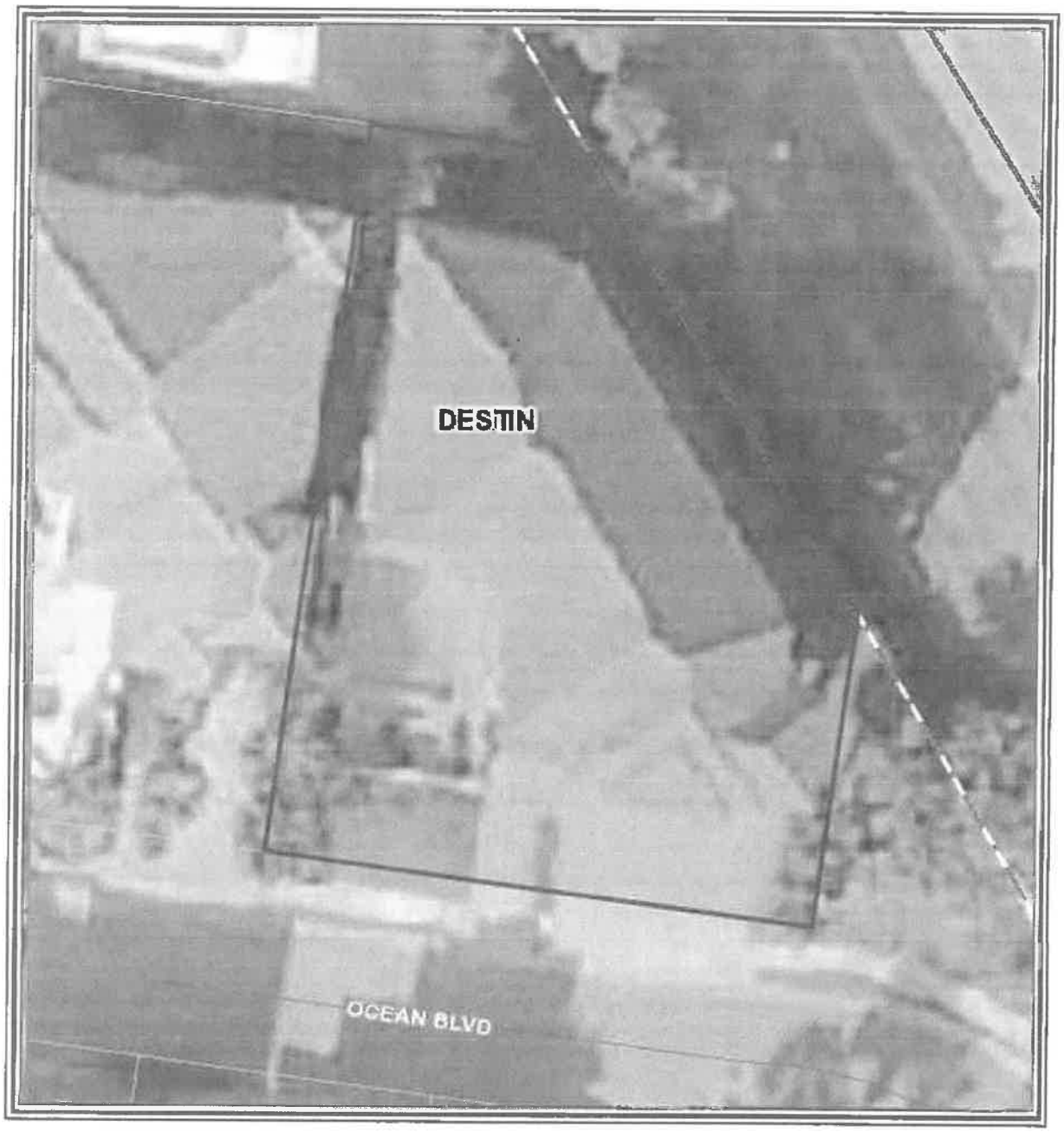
* The client is advised appraisers are not surveyors, and accordingly, any final determination as to flood zone status should only be made by a licensed, adequately insured, Florida surveyor utilizing the latest FEMA flood panels. However, it appears the entire subject area is considered as Flood Zone 'X', an area of minimal flood risk. The subject is located at the red circle in the following flood map.



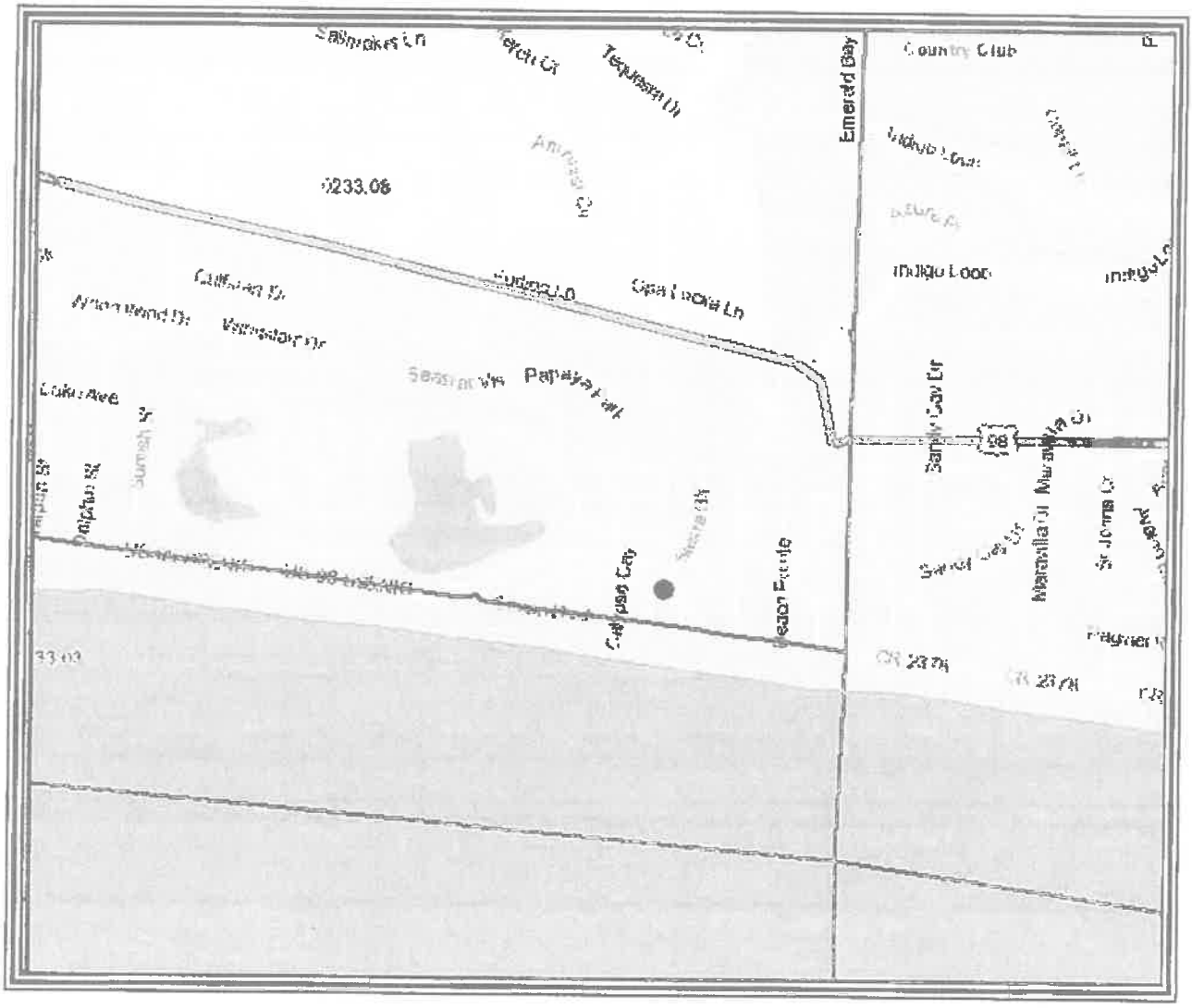
Wetlands:

The subject features no wetlands.

The wetland map is consistent with the flood panel on the previous page.



Census Data:
The subject is located in census tract 0233.08.



IMPROVEMENTS 'AS IS'

Size:
The subject is a single family detached improvement with three living levels.

The subject also features an attached garage on the first level. The subject features substantial exterior balconies and porches, as well as an in ground swimming pool, pool deck/lanai, landscaping, and four open paver parking spaces.

The first living level is one bedroom with a king bed sleeping two (2) and a bunk room sleeping six (6) for a total of eight (8) guests on the first level. This level also features a game room and a media room.

The second level is the kitchen and other living areas to include a master bedroom suite which sleeps two (2) guests and a bunk room which sleeps ten (10) guests. This is a total of twelve (12) guests on the second level.

The third level is three bedrooms, each with a king bed sleeping two (2) each for a total of six (6) guests on the third level.

I note that the two bunk rooms do not apparently meet the Okaloosa County Property Appraiser definition of a bedroom as the bunk rooms do not feature a closet.

The three level totals of 8, 12 and 6 result in a total of 26 guests.

Per Okaloosa County public records, the subject is 7,652 total SF with an approximate 5,595 HVAC SF of living area.

Construction Quality:
The quality of construction for the subject improvement is *Class D* good. Details of construction are summarized below:

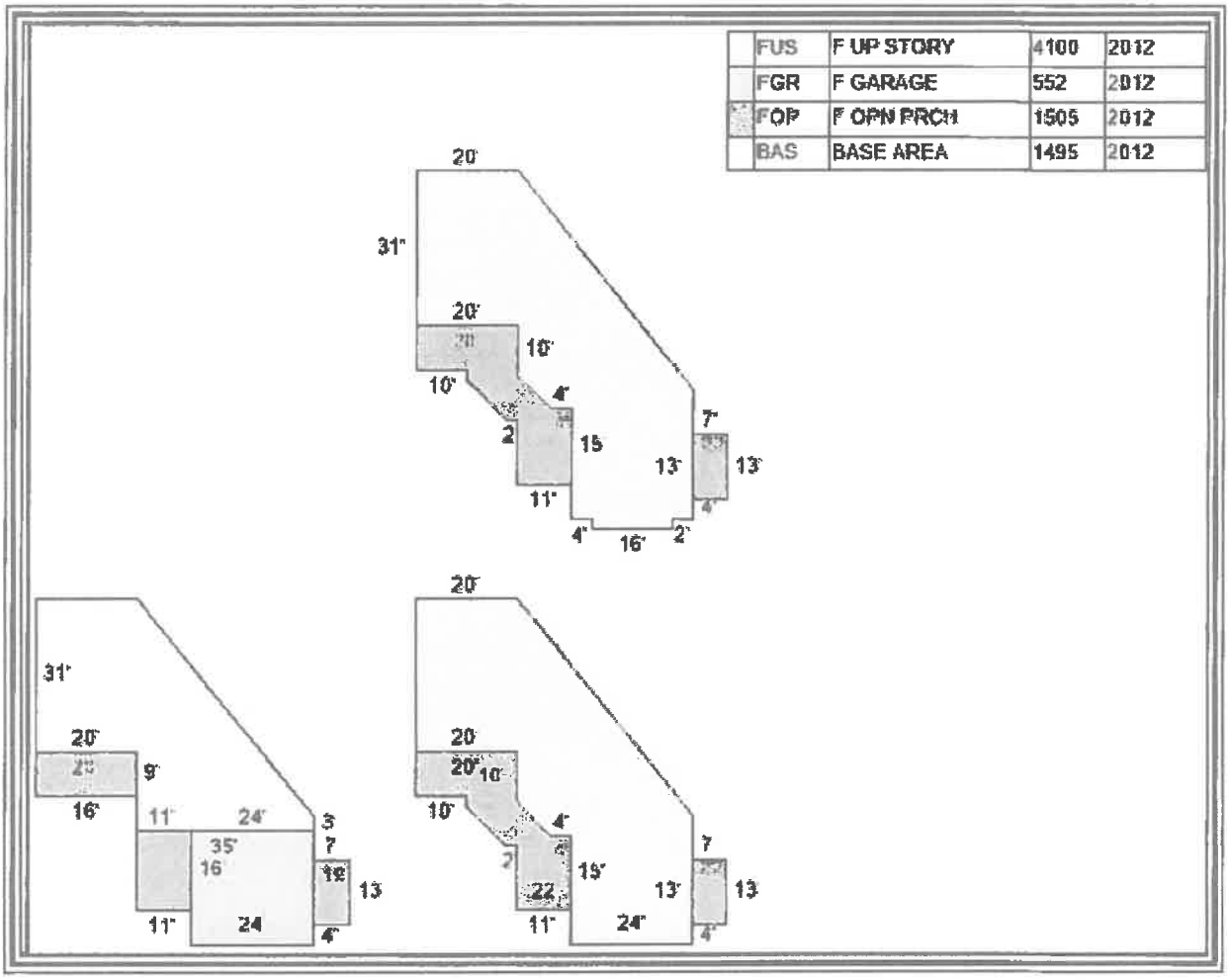
Construction Component	
Foundation	4" Reinforced concrete slab
Exterior walls	Wood frame with stucco
Roof	Concrete Tile
Trim	Base and crown molding
Windows	Double pane aluminum
Exterior doors	Insulated metal with glass
Insulation	Unknown. Assumed to be R38 behind sheet rock
HVAC	Forced Air and Central HVAC
Ceiling	9 and 10 foot with sheet rock and can lights
Interior Walls	Painted sheet rock
Interior flooring	High quality stone, tile and carpet
Interior doors	Six and four panel wood
Restrooms	Six
Lighting	Can lights
Kitchens	One typical residential kitchen
Other	Many porches/swimming pool and lanai/elevator.

Condition of Improvements:
The subject improvement is in good condition.

Age:
Public records indicate this subject improvement was constructed in 2012.

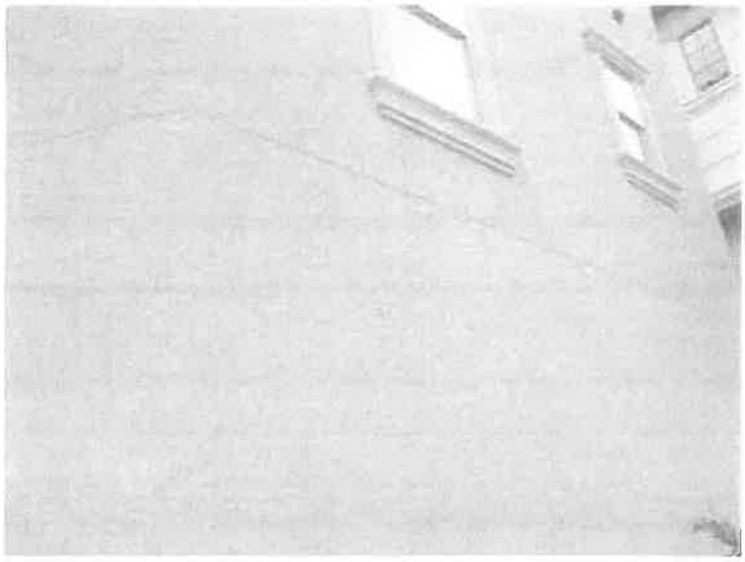
I consider the actual age and the effective age to be a similar seven (7) years. I estimate an economic life of fifty five (55) years and a physical life of seventy five (75) years.

See the following sketch from the Okaloosa County Property Appraiser web site.



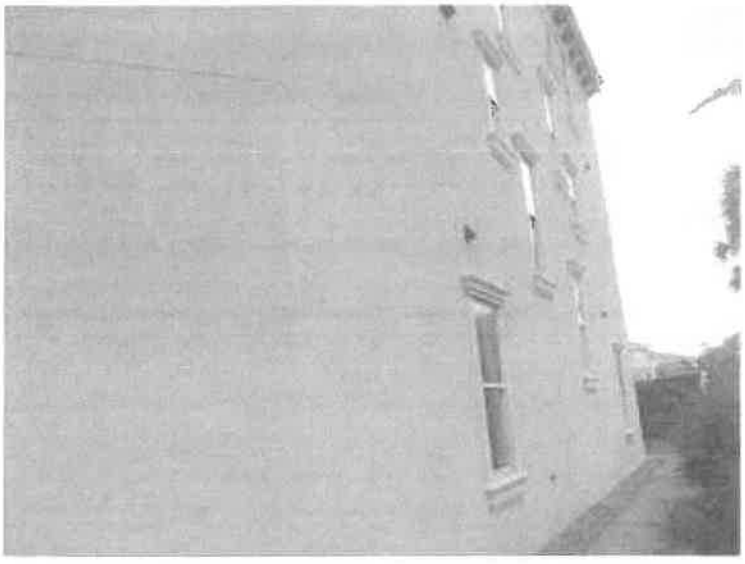
Exterior Photographs:

FRONT OF SUBJECT



REAR OF SUBJECT

EAST SIDE OF SUBJECT



WEST SIDE OF SUBJECT

SWIMMING POOL

COVERED FIRST LEVEL PORCH

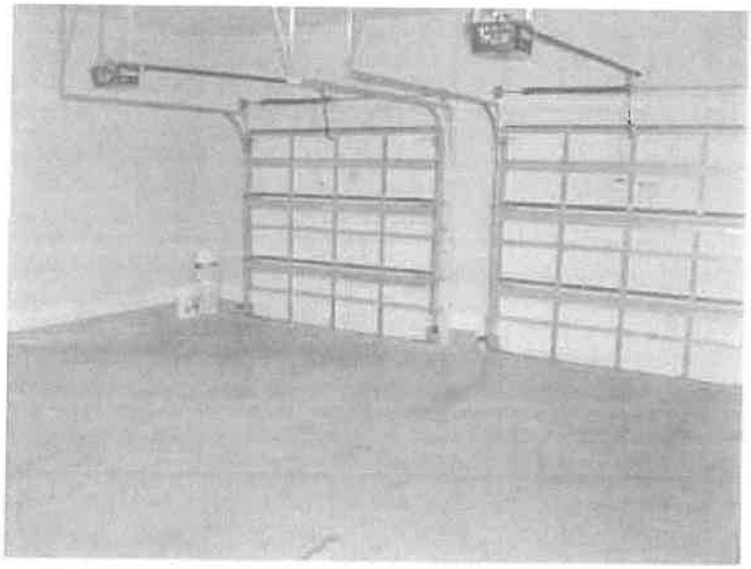
First Level Sleeping eight (8).

BEDROOM WITH A KING SLEEPING TWO (2) - Bedroom #1

FULL BATH SUPPORTING BEDROOM ABOVE - BATH #1

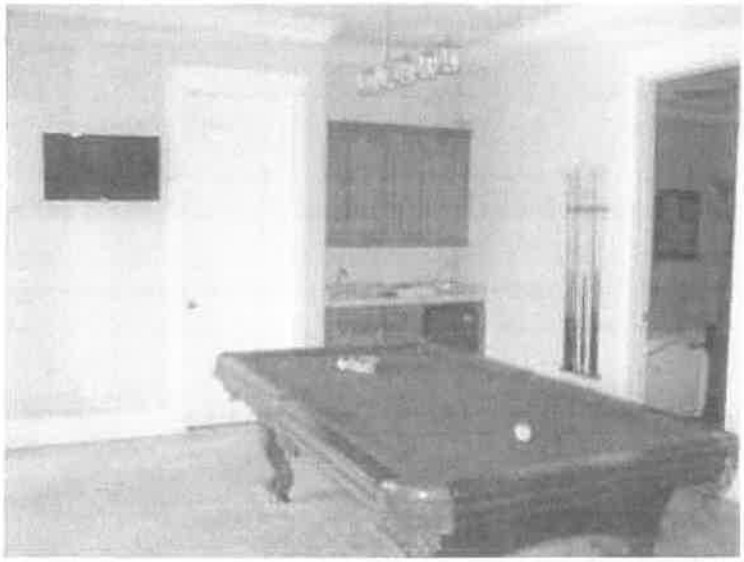
BUNK ROOM SLEEPING SIX (6)

FULL BATH SUPPORTING BUNK ROOM/GAME ROOM/MEDIA ROOM - BATH #2



ATTACHED TWO (2) CAR GARAGE

WET BAR



GAME ROOM

MEDIA ROOM

Second Floor Area Features Kitchen and Great Room and Sleeps Twelve (12):

KITCHEN

GREAT ROOM

BREAKFAST NOOK

FIRE PLACE

BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #2

FULL BATH SUPPORTING BEDROOM #2 - BATH #3

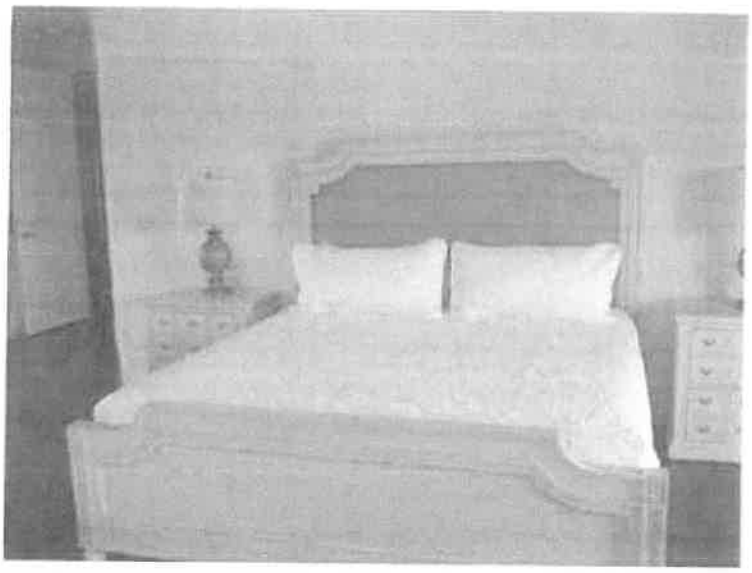
BUNK ROOM SLEEPING TEN (10)

FULL BATH SUPPORTING BUNK ROOM - BATH #4

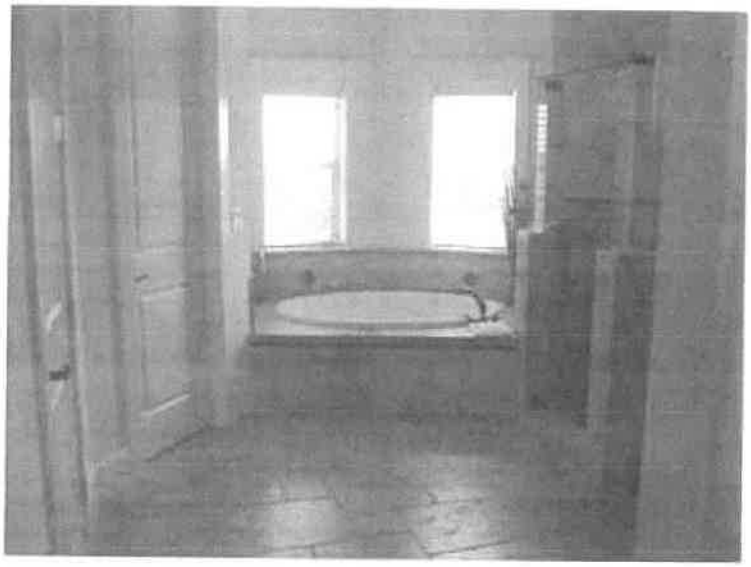
LAUNDRY ROOM

SECOND LEVEL BALCONY

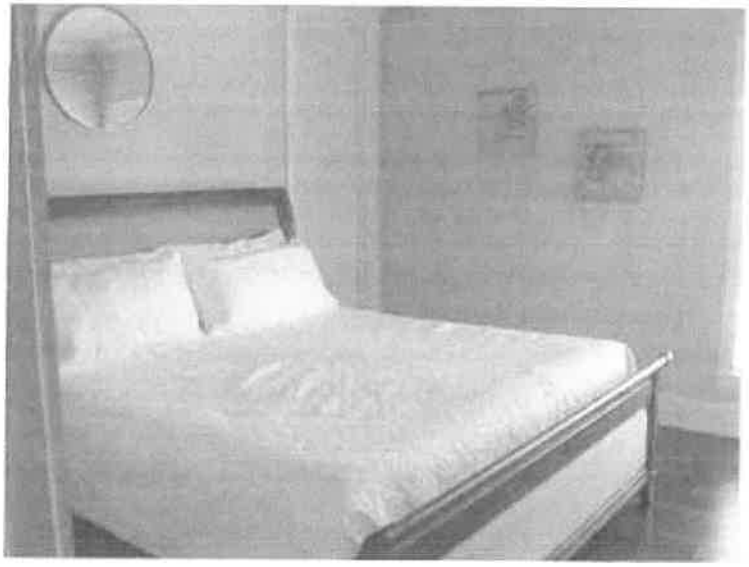
Third Level Sleeping Six (6):



BEDROOM WITH A KING SLEEPING TWO (2) - BEDROOM #5

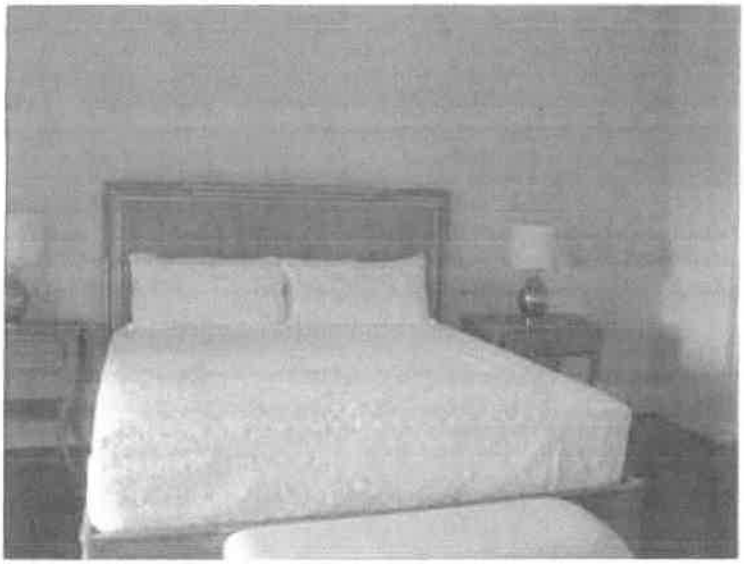


FULL BATH SUPPORTING BEDROOM ABOVE - BATH #5



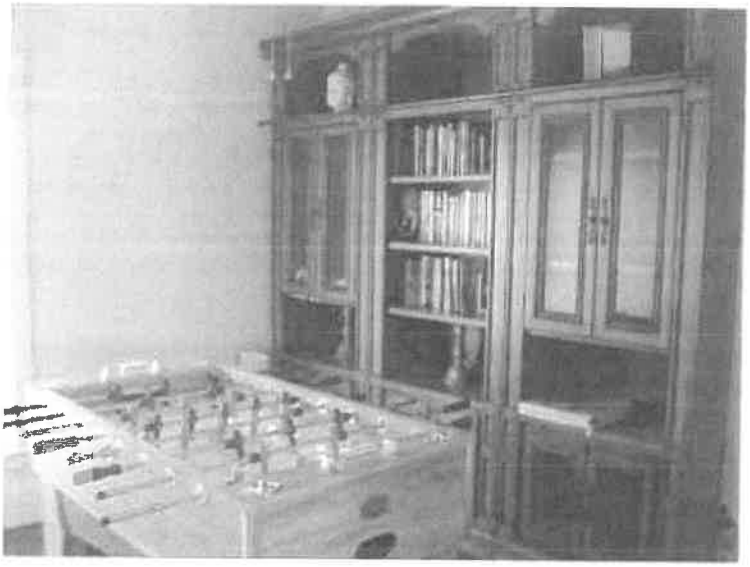
BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #4

FULL BATH SUPPORTING BEDROOM #4 - BATH # 6



BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #5

FULL BATH SUPPORTING BEDROOM #5 - BATH #7



THIRD LEVEL GAME ROOM

THIRD LEVEL SITTING ROOM

WET BARS

THIRD LEVEL COVERED BALCONY

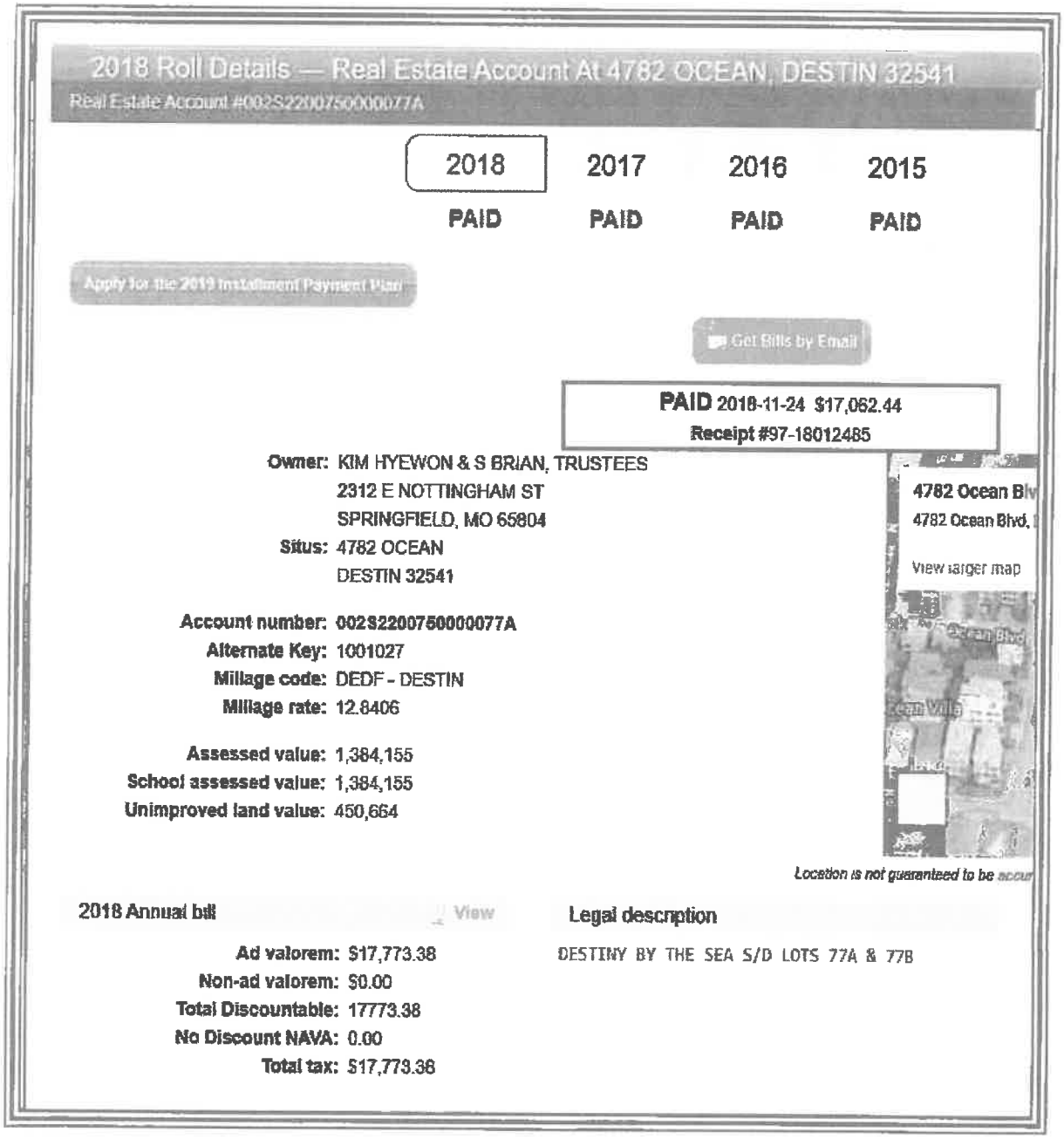
The tax identification number, gross tax amount due, amount paid, and assessed value for the 2018 tax year.

Tax Identification Number	Assessed Value	Gross Tax Amount Due	Amount paid	Amt. Due
00-2S-22-0075-0000-077A	$1,384,155	$17,773.38	$17,062.44	None

The 2018 taxes were paid early, resulting in a discount.

There are no previous year taxes owing.

It is my experience that assessed value has little correlation with current market value and are typically lower than market value with a few exceptions.



2018 Roll Details — Real Estate Account At 4782 OCEAN, DESTIN 32541

Real Estate Account #002S220075000077A

2018	2017	2016	2015
PAID	PAID	PAID	PAID

Apply for the 2019 Installment Payment Plan

Get Bills by Email

PAID 2018-11-24 $17,062.44
Receipt #97-18012485

Owner: KIM HYEWON & S BRIAN, TRUSTEES
2312 E NOTTINGHAM ST
SPRINGFIELD, MO 65804
Situs: 4782 OCEAN
DESTIN 32541

Account number: 002S220075000077A
Alternate Key: 1001027
Millage code: DEDF - DESTIN
Millage rate: 12.8406

Assessed value: 1,384,155
School assessed value: 1,384,155
Unimproved land value: 450,664

4782 Ocean Blv
4782 Ocean Blvd,
View larger map

Location is not guaranteed to be accur

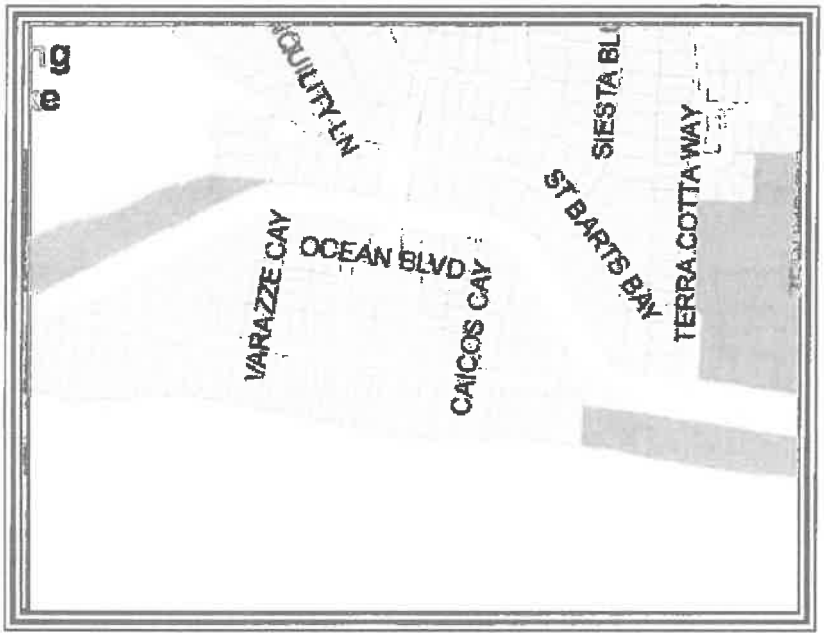
2018 Annual bill View

Ad valorem: $17,773.38
Non-ad valorem: $0.00
Total Discountable: 17773.38
No Discount NAVA: 0.00
Total tax: $17,773.38

Legal description

DESTINY BY THE SEA S/D LOTS 77A & 77B

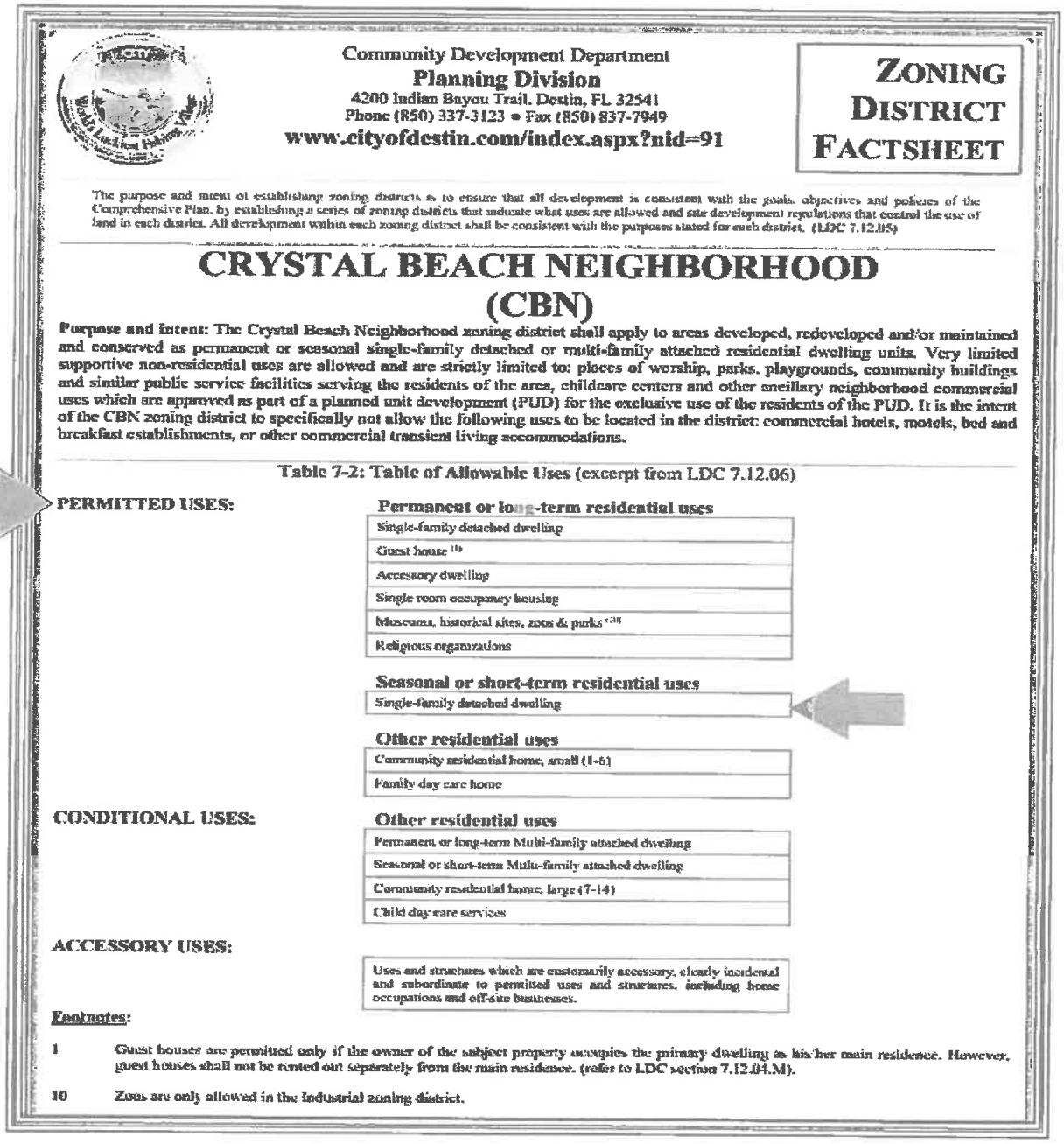
Zoning:
The following map indicates zoning for the subject parcel. The subject is zoned Crystal Beach Neighborhood by Destin. See following pages for detailed identification of allowable uses.



LAND DEVELOPMENT CODE COMMENTS

The following excerpts were taken from the Destin Land Development Code, currently on line.

This first excerpt states that Crystal Beach Neighborhood designates seasonal or short-term residential uses for single-family detached dwellings as a permitted use. I note that this description of the Crystal Beach Neighborhood zoning designation is silent regarding the number of allowable guests and does not limit guest numbers.



Community Development Department
Planning Division
4200 Indian Bayou Trail. Destin, FL 32541
Phone (850) 337-3123 • Fax (850) 837-7949
www.cityofdestin.com/index.aspx?nid=91

ZONING DISTRICT FACTSHEET

The purpose and intent of establishing zoning districts is to ensure that all development is consistent with the goals, objectives and policies of the Comprehensive Plan, by establishing a series of zoning districts that indicate what uses are allowed and site development regulations that control the use of land in each district. All development within each zoning district shall be consistent with the purposes stated for each district. (LDC 7.12.05)

CRYSTAL BEACH NEIGHBORHOOD (CBN)

Purpose and intent: The Crystal Beach Neighborhood zoning district shall apply to areas developed, redeveloped and/or maintained and conserved as permanent or seasonal single-family detached or multi-family attached residential dwelling units. Very limited supportive non-residential uses are allowed and are strictly limited to: places of worship, parks, playgrounds, community buildings and similar public service facilities serving the residents of the area, childcare centers and other ancillary neighborhood commercial uses which are approved as part of a planned unit development (PUD) for the exclusive use of the residents of the PUD. It is the intent of the CBN zoning district to specifically not allow the following uses to be located in the district: commercial hotels, motels, bed and breakfast establishments, or other commercial transient living accommodations.

Table 7-2: Table of Allowable Uses (excerpt from LDC 7.12.06)

PERMITTED USES:

Permanent or long-term residential uses

Single-family detached dwelling
Guest house [1]
Accessory dwelling
Single room occupancy housing
Museums, historical sites, zoos & parks [10]
Religious organizations

Seasonal or short-term residential uses

Single-family detached dwelling

Other residential uses

Community residential home, small (1-6)
Family day care home

CONDITIONAL USES:

Other residential uses

Permanent or long-term Multi-family attached dwelling
Seasonal or short-term Multi-family attached dwelling
Community residential home, large (7-14)
Child day care services

ACCESSORY USES:

Uses and structures which are customarily accessory, clearly incidental and subordinate to permitted uses and structures, including home occupations and off-site businesses.

Footnotes:

1 Guest houses are permitted only if the owner of the subject property occupies the primary dwelling as his/her main residence. However, guest houses shall not be rented out separately from the main residence. (refer to LDC section 7.12.04.M).

10 Zoos are only allowed in the Industrial zoning district.

This second excerpt defines long term rental and short term rental. I again note that the definition of short term rental is silent regarding the number of allowable guests.

Policy 1-2.1.1: Residential Uses Defined. Residential uses shall include several structure types used for housing, including single-family detached dwellings and multiple-family structures including duplex structures units, town homes and other detached single-family structures, apartments, patio homes, atrium homes, and similar multiple-family structures. The specific FLUM designations shall identify where single-family and multiple-family structures may be located. Following are the definitions for long-term residential and short-term residential.

1. Long-Term Residential. Long-term residential uses shall be defined as any residential accommodation that is available for occupancy for 181 days or more. Long-term residential uses shall include lock-out units, as defined in the Glossary.
2. Short-Term Residential. Short-term residential uses shall be defined as any residential accommodation that is available for occupancy for 180 days or less. Short-Term Residential uses shall include lock-out units, as defined in the Glossary.

This third excerpt defines the grandfather clause. This clause states clearly that the grandfather status may be released only by the vested entity

Policy 1-2.1.3: Grandfather Clause. Existing land uses that were lawfully conforming uses prior to the effective date of the Comprehensive Plan, shall continue as lawful uses and shall be regulated through administrative remedies for vested rights issues that shall be included in the LDC. Building heights, density and/or intensity which (a) are actual present and which lawfully existed prior to the effective date of the Comprehensive Plan, or (b) were authorized pursuant to a development order, which development order remained unexpired as of the effective date of the Comprehensive Plan, shall continue to be legal building heights, density and/or intensity (as applicable) after adoption of the Comprehensive Plan. All duly approved and recorded lots, subdivision and condominium plats of record, which existed as legal lots, subdivision and condominium plats of record prior to the adoption of this Comprehensive Plan shall continue to be legal lots, subdivision and condominium plats of record after adoption of the Compre[illegible]an. This grandfather status may only be relinquished voluntarily by the vested entity. All [illegible]ions, condominium plats and all replats shall comply with the [illegible]hensive Plan objectives and Policies, including maximum density provisions. Similarly, all new de[illegible] comply with the Comprehensive Plan and LDC unless the development is found to have a vested right in a land use, building height, density or intensity that is in conflict with the Comprehensive Plan and LDC. Under such condition the grandfather clause shall be applicable unless voluntarily relinquished by the vested entity. The intent is to sustain demonstrated private property rights while preserving the public interest, welfare, health, and safety. Notwithstanding, any single-family home that is subject to redevelopment shall be allowed to reconstruct, providing adopted building and construction codes as well as this ordinance and the size and dimension criteria of the LDC are met.

CONCLUSION

Based on these excerpts, I conclude that prior to the first application of Ordinance 18-29-CC, there were no restrictions to the number of allowable guests.

History:
The subject has been owned by the current owner since 5/10/2010 when they purchased it as a vacant lot for $460,000.

Based on this transfer date outside of three years, there is no requirement to analyze the previous sale.

The purchasers then constructed the subject improvement.

Active Listings:
The subject is not listed for sale and has not been listed for sale in the previous three years.

Current Use:
The subject is currently a detached single family home used for seasonal rental, catering to large family groups.

Surrounding Uses:
The surrounding use in the Crystal Beach area is a mix of full time occupants and seasonal renters.

MARKET AREA ANALYSIS - SEASONAL RENTAL MARKET

I am restricting this analysis to the seasonal rental market.

Up until perhaps 2000, the great majority of seasonal rentals were condominium units.

However, the growing demand for larger spaces to accommodate extended families in one place led to the conversion of many larger homes to seasonal rents. It also spurred the construction of homes specifically designed for large rental parties.

Such homes feature typical living areas but emphasize a substantial number of bedrooms and baths. Often bedrooms are equipped with multiple built - in bunks for sleeping children.

Most homes also feature sofa sleepers which can sleep additional children.

Many of these homes, and certainly those recently constructed for this purpose, featured swimming pools and lanai areas as an exterior amenity.

This market has flourished as Destin is nationally recognized as a tourist attraction.

It is common to see Realtors addressing gross rental amounts or gross rental projections in MLS Listings. While the value of homes similar to the subject is partially estimated by a size / value per SF component, the fact that a home generates a substantial amount of income makes it a more attractive and safe purchase than a home which is not rented for seasonal income. In the past few years, income has become as important as selling prices, per SF.

Another factor worthy of discussion is that many owners now self - manage. Typically in the past, management of rentals was performed by one of several large real estate companies, such as Resort Quest, Dale Peterson, Newman Dailey and Southern Resorts. However, in the past 10 years a substantial number of smaller management companies have surfaced.

Management fees for seasonal rentals range from perhaps 15% to 25% of gross revenue.

Entrepreneurial owners have recognized this expense line and many now self - manage with the aid of Vacation Rental By Owner (VRBO) or some similar search engine.

The seasonal rental market is increasing in the Destin/Miramar Beach market as the thriving national economy allows discretionary vacations.

Without the first application of Ordinance 18-29-CC, allowing the planned capacity up to 26 guests, I would consider the seasonal rental market to continue to flourish over the next several years.

With the first application of Ordinance 18-29-CC, limiting the subject to 14 guests, I would project a diminution in value.

HIGHEST AND BEST USE 'AS IS'

Legally Permissible
The subject property is zoned (and designated for future land use) as *Crystal Beach Neighborhood (CBN)* by the City of Destin, Florida.

This zoning and land use designation allows for single-family use and specifically indicates that short term rentals is a permitted use (See page 41). The use of the subject for single-family short-term rentals is therefore allowed in this district.

Physically Possible
The subject property appears to be relatively level and well drained. Soil and subsoil conditions nearby appear compatible with both low-rise, multi-story use and traditional commercial development. All utilities required for commercial or 'mixed use' are presently at the site. The size and dimensions of the site are sufficient to allow a wide variety of legally permissible uses. The shape of the site is rectangular and this shape does not limit utility. Transportation of construction materials or labor to the site is estimated to be relatively simple due to the central location of the site within the overall market. Access to the site is above average.

However, the most compelling substantiation that the subject is physically possible is the fact that it already exists.

Therefore, use of the subject property for single family use as a seasonal rental is physically possible.

Financially Feasible
Value opinions derived in the income approach to value indicate the existing improvement contributes value to the underlying land. There is substantial other ongoing seasonal rental use in the market, suggesting that there is broad appeal for seasonal rental properties.

Therefore, continued use of the subject property for a detached single family residence used for seasonal rental income is financially feasible.

Maximally Productive
The alternatives of addition, demolition, expansion, modernization, or conversion to alternate uses have been considered within the legal, physical, and financially feasible parameters. Several alternatives exist.

Alternatives for use of improvements:

Expansion
The existing subject improvement is 5,595 HVAC SF. The subject is typical of most seasonal rental homes. Thus, there is no need for expansion. Any expansion would come at a cost of parking and/or access. Thus, expansion beyond what is existing, does not appear to be appropriate and feasible.

Renovation
Typically, any existing property could benefit from renovation. However, the subject has been well maintained and is in good condition. Thus, I would not consider imminent renovation to be required or practical.

Downsizing
The existing subject improvements are 5,595 HVAC SF. I see no reason to downsize the subject improvement as it appeared that all of it is usable space. Thus, downsizing beyond what is existing does not appear to be appropriate, physically possible or feasible.

Subdividing
The purpose of the subject is to lease it seasonally to large parties of guests. Subdivision would not be legally approved and does not appear to be financially prudent as the parties of guests would be smaller and grouping smaller parties together in the same pool could prove problematic. I would not consider subdivision to be prudent or feasible.

Demolition
The subject is a recently constructed home in 2012 and is currently in good condition. It features a probable 50 years of remaining economic life and a probable 70-75 years of remaining physical life.

I do not consider demolition and replacement with alternative improvements to be a superior use to the current use as a rental property. No alternative use would be certain to serve the land better. Thus, the subject is not a candidate for demolition.

Utilizing existing improvements
Continued use 'as is' as a seasonal rental, is considered the maximally productive use.

Conclusion of Highest and Best Use 'as is'
Analysis of recent trends and current market supply and demand indicate that the maximally productive highest and best use of the subject property is continued use as a detached single family residence used for seasonal rental income.

Conclusion of Highest and Best User 'as is'
Analysis of recent trends and current market supply and demand strongly indicate the most probable user is an entrepreneurial user who leases the subject for seasonal rental income with a small amount of personal use.

SUMMARY OF ANALYSIS AND VALUATION

Methodology

Site valuation derived from Sales Comparison Analysis involves direct comparisons of the subject property to similar properties selling in the marketplace to derive a comparative value indication for the subject property 'as if vacant,' as of the effective date of value. This approach is also called the 'direct sales comparison approach', or the 'market approach', and tends to be the most reliable approach for developing an opinion of the value of vacant land or sites available for development. Other methods of developing the value of land are available. Allocation, extraction, land residual, ground rent capitalization, and discounted cash flow analysis are all recognized as reasonable method of valuation.

The cost approach is a reliable methodology for new, or nearly new, buildings. I estimate the replacement cost or reproduction cost, in this case replacement construction cost, of the existing or existing improvements and site improvements (including direct and indirect costs as well as an appropriate developer profit), deducting accrued depreciation from physical, functional, and external sources from the total replacement or reproduction cost new. The depreciated replacement or reproduction cost of the improvements is added to the value of the site resulting in a value indication of the fee simple interest in the property.

The sales comparison approach is based on the 'Principle of Substitution' which indicates an informed purchaser would pay no more for a property than the cost of acquiring an equally desirable substitute property with the same or similar utility. This approach is applicable when an active market provides sufficient quantities of reliable data which can be verified from authoritative sources. The Sales Comparison Approach is reliable in an active market or if an opinion of value is related to properties which there are comparable sales available. This approach to value is also relevant when sales data can be verified with the principals to the transaction. Heavy emphasis is usually placed on this approach to value in an active market.

The income approach is recognized as a reliable approach for developing an opinion of the value of 'income producing' property to an investor. The income approach consists of methods, techniques, and mathematical procedures an appraiser uses to analyze a property's capacity to generate income and convert income into an indication of present value either by capitalizing the current income at a market capitalization rate or discounting the future cash flows into a present value estimate using an appropriate yield (discount) rate. The appraisal process emulates the market, and the most probable purchaser would either be an investor or prospective owner occupant. Two (2) techniques associated with the income approach are direct capitalization and discounted cash flow analysis.

Methodology employed and explanation of the exclusion of any of the three (3) approaches to value

I am not performing cost analysis. A buyer and seller in the market would not care what it cost to build the subject. In addition, the problem to be solved is to drive the diminution in value based on the guest restrictions included in Destin Ordinance 18-29-CC. The number of guests would have no impact on the cost to construct.

I am not performing sales comparison analysis. The impact of Destin Ordinance 18-29-CC may not be evident in the market for several years in the selling prices of homes. The ordinance allows a five year grandfather period. Homes sold in this grandfather period may not indicate a decline in selling prices and it would not be reliable to estimate diminution in value based on comparable sales until a larger array of data was available for use in sales comparison analysis.

I am performing income analysis. I will identify probable annual income for the subject based on historical income and projected income from the new manager; and then identify market rents which support the subject contract rent. I will then identify operating expenses and subtract operating expense from gross rent to arrive at a net operating income (NOI). I will then apply a market based capitalization rent to the NOI to arrive at a value for the subject, prior to the first application of Destin Ordinance 18-29-CC.

I will then identify the rental incomes for homes which are allowed only 14 guests. I will then subtract expenses for the rents of 14 guest homes and arrive at their NOI. I will then derive a value by capitalizing this NOI.

Finally I will subtract the value for a 14 guest house from the value of a 26 guest house and this figure will be the diminution in value.

COST ANALYSIS
NOT PERFORMED

SALES COMPARISON ANALYSIS NOT PERFORMED

INCOME ANALYSIS
'AS IS'

DESCRIPTION OF INCOME ANALYSIS METHODOLOGY

The income approach to value is based on the principle of anticipation, in that the value of the subject property correlates to the present worth of the future right to receive benefits in the form of income to be received by the owner. The income approach considers the property from an investment interest with the assumption that the amount of income, coupled with the regularity and quality of the income stream, are the basis for valuing the property based on income analysis.

The income approach is applied by identifying the net income by first identifying gross income and then deducting from the gross income the expenses of operating a property to arrive at a net income, generally identified a Net Operating Income (NOI).

The estimated NOI is then converted to a value opinion by utilizing either a Discounted Cash Flow Analysis, or a Direct Capitalization Analysis, or both.

Discounted cash Flow Analysis:
The Discounted Cash Flow Analysis (DCF) is an analysis where a discount rate is applied to a series (typically several years) of income streams with a reversion after typically 7 to 10 years. The appraiser must specify the quantity, variable nature of the income, timing of payments (monthly/quarterly/annually) to a present value at a specified yield rate. The DCF analysis is most applicable when the net income is projected to be variable and when the property is on a sufficient size and investment value to influence market participants to evaluate purchase decisions based on DCF. A large strip retail center would be a good candidate for DCF analysis, as would a project to be constructed in phases, where the income would increase as new construction is added.

I note that I did not perform DCF analysis as it is my opinion that market participants would not use DCF analysis to base decisions to either purchase or sell properties such as the subject.

Direct Capitalization:
The conversion of a net income to a current value is called capitalization. Capitalization is a method which is used to convert the estimate of a single year's net income actual figures and/or expectancy of income into a value opinion by dividing the income by a appropriate rate of capitalization, as estimated by the appraiser. This technique employs capitalization rates derived from the market, using both capitalization rates from recent sales of similar properties, generally augmented by national indices, or other mathematical progressions. This process provides a one year snap shot of the property value. Future yields and values are not directly identified. The direct capitalization analysis is most appropriate for small to medium sized income producing properties, in stable markets with a forecast of generally stable income.

The procedural steps involved in capitalization are as follows:

Develop the probable gross income by identifying historical performance, income projections and market incomes from comparable properties which support the historical or projected subject income.

Estimate vacancy and collection losses to arrive at Effective Gross Income (EGI).

Estimate and subtract operating expenses to arrive at NOI.

Develop a capitalization rate which is supported by the market.

Divide the NOI by the capitalization rate to derive a value opinion.

I am employing the direct capitalization analysis to derive values in this analysis.

I note for the reader that steps #1 and #2 are generally combined in the analysis of seasonal resort properties. Owners and management companies tend to provide actual income which has already accounted for vacancy and collection loss.

ESTIMATE OF CAPITALIZATION RATE

The capitalization rate is a rate which is applied to the Net Operating Income (NOI) to derive a value for a property. As the chart below indicates, you can derive a capitalization rate by dividing the NOI by the purchase price.

The following excerpt will provide some explanation of capitalization rates.

Capitalization rates are used in a formula. As seen below, dividing the net operating income by the purchase price indicates the capitalization rate.

Another variation of the formula is to divide the net operating income by the capitalization rate and this process will indicate the value of the property.

What Is a Cap Rate?

A cap rate is simply a formula. It's the ratio of a rental property's net operating income to its purchase price (including any upfront repairs):

Cap Rate =

Net Operating Income (NOI) ÷ Purchase Price

The formula can be used on the level of an individual property by looking at its net operating income compared to its value. But it can also be used on the level of an entire market by taking *average* cap rates for a large group of properties.

Importantly, the cap rate formula does NOT include any mortgage expenses. As you can see in the formula for net operating income below, the expenses do not include a mortgage or interest payment.

Gross Rental Income
- Vacancy/Credit Loss Reserve
- Property Taxes
- Property Insurance
- Maintenance/Repairs
- Common Utilities (if any)
- Other expenses (ex: license)

= Net Operating Income

MARKET CAPITALIZATION RATE BASED ON NATIONAL INDICE

Capitalization rates range widely in the market. The following table derived from Realty rates.com indicate a wide variety of capitalization rates base on property types. This table contains very recent data from the first quarter 2019.

As can be seen, properties such as restaurants and lodging (motels and hotels) have high capitalization rates. Apartments (residential) have the lowest capitalization rates.

Realty rates does not include a separate category of single family detached homes.

RealtyRates.com INVESTOR SURVEY - 1st Quarter 2019*
CURRENT & HISTORICAL CAP RATE INDICES

Method-Weighted* Property Category Indices

	Apts		Golf		Healthcare Senior Housing		Industrial		Lodging		MH/RV Park		Office		Retail		Restaurant		Self Storage		Special Purpose		Weighted* Composite Indices	
		BP		BP		BP		BP		BP		BP		BP		BP		BP		BP		BP		BP
Year	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg
2018	9.42	26	12.02	30	9.01	14	9.19	23	10.53	25	9.56	30	9.04	10	9.38	20	11.57	15	9.86	25	11.64	40	9.64	22
4th Qtr	9.46	8	12.08	11	9.07	11	9.23	7	10.53	1	9.62	13	9.08	13	9.44	19	11.62	11	9.92	13	11.71	11	9.69	9
3rd Qtr	9.37	-4	11.97	-5	8.96	-2	9.16	-5	10.52	-7	9.50	-5	8.95	-6	9.33	-3	11.61	-4	9.79	-7	11.60	-3	9.59	-5
2nd Qtr	9.41	3	12.02	5	8.99	3	9.21	5	10.59	6	9.55	5	9.00	0	9.36	4	11.56	4	9.86	6	11.63	5	9.64	4
1st Qtr	9.38	23	11.97	28	8.96	13	9.16	22	10.52	31	9.50	28	9.00	5	9.32	17	11.52	26	9.81	25	11.58	34	9.60	21
2017	9.16	4	11.73	-2	8.87	-6	8.96	-12	10.28	5	9.26	11	8.94	-22	9.19	-9	11.42	-15	9.57	-9	11.25	4	9.42	-5
2016	9.13	-2	11.75	6	8.92	12	9.08	15	10.22	0	9.15	15	9.16	16	9.27	12	11.57	-10	9.67	14	11.21	10	9.48	9
2015	9.15	-9	11.69	-14	8.80	-9	8.93	-10	10.22	-20	8.99	-19	9.00	-6	9.15	-11	11.66	-13	9.52	-22	11.11	-12	9.40	-12
2014	9.24	-15	11.83	-9	8.89	-1	9.03	-4	10.43	-17	9.17	-5	9.06	-22	9.26	15	11.79	-6	9.75	-20	11.24	14	9.52	-7
2013	9.39	14	11.92	-14	8.90	5	9.07	-2	10.60	3	9.22	14	9.28	-19	9.11	-4	11.86	9	9.95	-24	11.10	1	9.58	-2
2012	9.25	-35	12.07	6	8.85	-36	9.09	-40	10.57	-24	9.08	-39	9.47	3	9.15	-13	11.77	6	10.19	-49	11.09	-4	9.60	-21
2011	9.60	-29	12.00	-22	9.21	-40	9.49	-11	10.81	-24	9.48	-8	9.44	-10	9.28	-26	11.70	-14	10.69	-3	11.12	-17	9.81	-15
2010	9.89	4	12.22	5	9.62	15	9.60	12	11.05	7	9.65	22	9.54	16	9.54	25	11.84	12	10.72	21	11.30	0	10.00	13
2009	9.85	8	12.17	18	9.47	10	9.48	10	10.98	-7	9.33	1	9.39	29	9.29	20	11.72	15	10.50	37	11.30	8	9.87	14
2008	9.77	-4	12.01	29	9.37	-16	9.38	-14	11.05	58	9.32	-5	9.09	-16	9.09	-11	11.57	-29	10.13	20	11.22	-7	9.74	-1
2007	9.81	-45	11.72	-21	9.53	-65	9.52	-25	10.49	-29	9.37	-26	9.25	-47	9.20	-12	11.86	61	9.93	-38	11.29	-24	9.75	-28
2006	9.26	12	11.93	47	10.18	15	9.77	35	10.77	27	9.63	41	9.72	26	9.32	30	11.24	18	10.31	27	11.53	9	10.03	26
2005	9.14	14	11.46	80	10.03	-16	9.42	-30	10.60	-21	9.22	19	9.46	6	9.02	16	11.06	5	10.04	13	11.44	-30	9.77	2
2004	9.00	-19	10.66	28	10.19	-37	9.72	19	10.71	-98	9.03	-46	9.40	-4	8.86	-19	11.01	-15	9.91	-13	11.74	-30	9.75	-19
2003	9.19	-2	10.38	-32	10.56	64	9.53	33	11.69	66	9.51	-11	9.44	1	9.05	-18	11.16	8	10.04	-53	12.04	105	9.94	12
2002	9.21	-40	10.70	18	9.92	-39	9.20	-61	11.13	26	9.62	-60	9.43	-35	9.23	-62	11.06	-3	10.57	-12	10.99	-177	9.82	-41
2001	9.61	64	10.52	133	10.31	90	9.81	16	10.87	99	10.22	-69	9.78	-35	9.85	-53	11.11	47	10.69	13	12.76	32	10.23	21
2000	8.97		9.19		9.41		9.65		9.89		10.90		10.13		10.38		10.64		10.56		12.44		10.01	

*Weighted by methodology: Band-of-Investment, DCR Technique, Sales Survey

*Further weighted by property category

ADDITIONAL DATA ON CAPITALIZATION RATES

The following chart provides some additional data regarding capitalization rates for apartments in some major metropolitan centers.

These rates are lower than the overall national rate for apartments identified on the previous page. I attribute this to the fact that the cities below are major metropolitan areas with a high density of population which keeps occupancy high and inspires investor confidence. In this regard, the Destin seasonal rental market is similar in its high density and national appeal.

Cap Rates For Stabilized, Class A Multifamily Apartments By City – 2017 (2nd Half)	
San Diego	4.25%
Chicago	4.75%
Atlanta	5.00%
Philadelphia	5.25%
St. Louis	5.75%
Cleveland	6.25%
Pittsburgh	6.50%
Detroit	7.25%

Single family homes are seldom valued via income capitalization. Most homes are owner occupied and the issue of rent and valuation through rent is generally not applicable. However, I identified the following excerpt rom the internet which indicates a range of capitalization rates from 4% to 10% for single family homes. The reader will note in the excerpt immediately above that high demand areas feature lower capitalization rates and lower demand areas feature higher capitalization rates. I would again observe that Destin is a high demand area in the seasonal rental market. Thus, I would consider it probable that capitalization rates for singe family homes in Destin were toward the low side of the 4% to 10% range.

Cap Rate for Single Family Home

Professionals purchasing commercial properties, for example, may buy at a 4% cap rate in high demand areas, or a 10% (or even higher) cap rate in low-demand areas. Generally, 4% to 10% per year is a reasonable range to earn for your investment property. Continuing with our example from above, $17,000/ **5%** = $340,000.

The following are two excerpts from the internet indicating that Panama City Beach, Florida boasts a very low capitalization rate of 4.9% and that the Destin, Florida market features a 4.7% capitalization rate for Airbnb rentals.

9. PANAMA CITY BEACH, FL

Short-Term Rental Cap Rate: 4.9%

White sandy beaches, clear water, fishing piers, protected nature reserves, hiking trails... what more do you need to be convinced that Panama City Beach is one of the best places around the US to invest in a vacation rental.

Property prices are affordable with a median level of $334,700, while short-term rental income stands around $3,260. The average cap rate for vacation rentals is 4.9%.

2. Destin

- *Median Property Price:* $695,000
- *Airbnb Rental Income:* $2,720
- *Traditional Rental Income:* $1,610
- *Airbnb CoC Return:* 2.3%
- *Traditional CoC Return:* 0.5%
- *Airbnb Cap Rate:* 4.7%
- *Traditional Cap Rate:* 2.8%
- *Airbnb Occupancy Rate:* 58.4%

The second among the best places to buy a vacation home in Florida is Destin, with rental income from Airbnb just a few dollars below St. Augustine. However, this location is significantly more expensive. But it has a very important advantage for all those loving nature and sports – it is very famous for the fishing opportunities that it offers.

Conclusion:
I have provided an array of capitalization rates from national data ranging from a low of 4.7% to a high of 8.42%.

I am selecting a rounded rate of 6.25%, recognizing that there are established capitalization rates both higher than, and lower than, the reconciled 6.25%.

I am confident that a capitalization rate of 6.25% is well supported by national data.

I also note that the most similar rate is the 4.7% Airbnb rate in Destin, which suggests that a 6.25% rate may be conservative.

MARKET CAP RATE DATA BASED ON LOCAL SALES OF HOMES USED FOR SEASONAL RENTAL

In addition to the national data provided above, I am also providing some data from actual sales in the local market.

I have some professional acquaintances who specialize in the management of large homes used for seasonal rentals. I have asked them to provide me some actual data from recent sales to help derive a local data base of capitalization rates.

On 7/13/2018, Frangista Beach E16 LLC (Nick Athens - a professional acquaintance well known to me) sold 3491 Scenic Highway 98 to Rich Rentals for $3,000,000. This house is 6,008 HVAC SF and features nine (9) bedrooms and 9.5 baths. It is very similar to the subject and is a very good comparable indicator of capitalization rates. Mr. Athens stated that the net operating income was $172,340. Dividing $172,340 by $3,000,000 indicates a capitalization rate of 5.74%.

On 9/4/2015, Nick and Tina Athens sold 1850 - 1852 Scenic Gulf Drive in Miramar Beach to Forty-Four Holdings for $2,205,000. This was two side by side homes in Frangista Beach which were an aggregate 3,460 HVAC SF and which features Five (5) bedrooms and 7 baths. Mr. Athens stated that the net operating rent was $133,200. Dividing $133,200 by $2,025,000 indicates a capitalization rate of 6.58%. I do not consider it a coincidence that the home with the fewest bedrooms featured the highest capitalization rate.

On 2/10/2016, Destiny Real Estate Ventures LLC (Ben Giles - a professional acquaintance well known to me) sold 3463 Scenic Highway 98 to Charles Barone for $3,615,000. This house is 6,465 HVAC SF and features eight (8) bedrooms and 6.5 baths. It is very similar to the subject and is a very good comparable indicator of capitalization rates. Mr. Giles stated that the net operating income was $222,125. Dividing $222,125 by $3,615,000 indicates a capitalization rate of 6.15%.

On 1/11/2019, Kevin Hense sold 2984 Scenic Highway 98 to Russell and Susan Hancock for $3,000,000. This house is 3,997 HVAC SF and features six (6) bedrooms and 5.5 baths. It is very similar to the subject and is a very good comparable indicator of capitalization rates. Mr. Hense stated that the net operating income was $176,000. Dividing $176,000 by $3,000,000 indicates a capitalization rate of 5.87%.

On May 18, 2018, Sapp Investments LLC sold 4659 Destiny Way to the Lindholm Family Revocable Living Trust for $2,500,000. Mr. Lindholm stated to me that income for 2018 was an aggregate of $293,500. He also stated that expenses were an approximate $115,025, resulting in approximate $178,475 of net operating income (NOI). Dividing $178,475 by $2,500,000 indicates a capitalization rate of 7.14%.

RECAPITULATION OF LOCAL MARKET CAPITALIZATION RATES

The following table summarizes the capitalization rates identified in the narrative above.

Property Address	Capitalization Rate
3491 Scenic Highway 98, Destin	5.74%
1850 Scenic Gulf Drive, Mirimar Beach	6.58%
3463 Scenic Highway 98, Destin	6.15%
2984 Scenic Highway 98, Destin	5.87%
4659 Destiny Way, Destin	7.14%
Average	6.29%
Rounded	6.25%

I consider a rounded capitalization rate of 6.25%, derived from local data, to be a market supported rate which is both credible and reliable, as well as being consistent with national data which brackets the final capitalization rate selection.

For this reason, I am selecting a 6.25% capitalization rate.

ESTIMATE OF VALUE PRIOR TO THE FIRST APPLICATION OF ORDINANCE 18-29-CC

Based on the current zoning and the Destin Land Development Code previously discussed, there is currently no limit to the number of guests allowed in the subject improvement. The subject can accommodate up to twenty six (26) guests based on the data provided by the owner and my identification of sleeping capacity previously identified.

CURRENT CONTRACT RENT
I note that seasonal rentals are typically described with annual rental amounts as opposed to more consistent monthly rental rates.

Such rental amounts are generally described using gross income data, and/or projections of gross income data.

Appraisers need to then examine expenses to arrive at a net operating rent to capitalize. Expenses to gross revenue are ad valorem taxes, flood and hazard insurance, HOA dues, maintenance and repairs, utilities, lawn maintenance, pest control, professional fees and reserves. I note that interest/mortgage payments and depreciation are not expenses when capitalizing property for value.

In the case of the subject, it has been managed by a management company. The owner provided me with gross income and expenses from 2018 which indicated gross income of $145,466 and expense of $53.472 which is an approximate 37% expense ratio.

4782 Ocean (Casa Oceana) : $145,466/ $53,472

I note that the owner was not satisfied with the performance of the previous management company and has made a move to Destin Luxury Rentals. The new company provided me a projection for 2019 of their expected gross income as follows:

FLORIDA LUXURY VACATION RENTALS

FLVR Rental Pro Forma
4782 Ocean Blvd, Destin, FL 32541
8 Bed | 7.5 Bath | Sleeps 26

Spring Break - $8,000\wk | 4 weeks = $32,000	
Spring - $6,000\wk | 4 weeks = $24,000	
Summer - $12,900\wk | 12 weeks = $154,800	
Late Summer - $10,000\wk | 2 weeks = $20,000	
Fall - $6,000\wk | 4 weeks = $24,000	
Winter - $5,000\wk | 4 weeks = $20,000	
Total Gross Rental - $274,800	
Rental Management Fee	**| Total Net to Owner =**

It can be seen that there is quite a difference between $145,466 and $274,800.

I would suspect that a more credible and reasonable (USPAP Standard) would fall between the 2018 actual and the 2019 projection.

To refine the gap between $145,466 and $274,800, I will use market data to estimate a credible and reasonable ret projection.

MARKET SUPPORT FOR GROSS INCOME ESTIMATE

Some of these comparables were provided to me by Ben Giles, an owner of several large homes. Other owners who provided data were Tari Furey, Nick Athens and Kevin Hense.

Address	Gross Income	Guest capacity	Income per guest
42 Miami Street	$463,852	34	$13,643
3487 Scenic Highway 98	$305,393	32	$9,545
3463 Scenic Highway 98	380,000	32	$11,875
3461 Scenic Highway 98	$364,723	36	$10,131
107 Hollywood Street	$289,647	38	$7,622
112 Sandprint Circle	$325,000	30	$10,833
4664 Destiny Way	$275,000	20	$13,750
2984 Scenic Gulf Drive	$263,000	22	$11,954

The average of these eight market comparable rentals is $11,169. The three most similar homes are the last three based on the smaller number of guests as compared to the first five rentals. However, two of these sales are gulf front homes and the third is a front row home in Destiny with unobstructed gulf views. All are arguably superior to the subject in either location or view, or perhaps both.

Based on this data, I consider a value per guest of $10,000 to be a credible and reasonable market based opinion of annual rent.

The subject can accommodate 26 guests. Multiplying 26 by $10,000 per guest results in an annual gross income of $260,000, relatively consistent with the Florida Luxury Vacation Rentals projection of $274,800.

MARKET SUPPORT FOR GROSS TO NET RATIO

RATIO OF GROSS TO NET INCOME

I have attempted to derive gross and net income figures for comparable properties in the market. However, my research indicates that many owners and property managers are unwilling to divulge private financial information, especially the net income.

Thus, I will provide some market examples of properties where clients or close associates did divulge data.

The first example is a detached home located at 112 Sandprint Circle in the Dunes of Destin. The owners, Edward and Tari Furey, provided me with detailed data regarding income and expenses. They indicted annual revenue of $325,000 and annual expense of $100,000. This suggests an expense ratio of $100,000 / $325,000, or 31%, rounded.

I again spoke to Nick Athens who still owns a detached house at 4664 Destiny Way which grossed $275,000 in 2018. The expenses for this property were an approximate $89,000. This suggests an expense ratio of $89,000 / $275,000, or 32% rounded.

As a third indicator, I spoke to Kevin Hense, who sold a detached house at 2984 Scenic Highway 98 for $3,000,000 on 1/11/2019. Mr. Hense indicated that the 2018 gross rent was $263,000 and that the expenses were $87,000. This suggests an expense ratio of $87,000 / $263,000, or 33%, rounded.

I am also providing the following data from the client regarding his six homes in Destin, to include the subject.

4722 Ocean (Camelot) : Revenues $200,947 vs Expense $89,056
4729 Ocean (Vita La Bella): $108,191 vs $ 53,521
4742 Ocean (Tuscany) : $271,198/ $88,722
4782 Ocean (Casa Oceana) : $145,466/ $53,472
3425 Scenic HWY 98 (Commander's Palace) : $165,123/ $63,997
3467 Scenic HWY 98 (Sand Castle By the Sea) : $114,690/ $67,883

These six operating expense ratios in order are 44% / 49% / 33% / 37% / 39% and 59%

I consider the historical operating expense ratios for the six homes owned by the client to be higher than typical in the market. This is because of the low income amounts, which perhaps can be attributed to previous inefficient management. Lower income will lead to high operating expense ratios as the fixed costs of taxes and insurance are constant regardless of the number of guests/gross income.

Because I consider that it will require at least a season to 'right the ship', I will use an operating expense ratio of 35%, above the market comparables above.

The next step is applying the previously calculated expense ratio to the gross rent to arrive at a net operating rent average for the five comparable rentals. Applying a 35% expense ratio to $260,000 results in a net rent of $169,000.

Capitalizing $169,000 with a 6.25% capitalization rate results in a value of $2,704, 000, rounded to $2,700,000.

It is my professional opinion that the subject value, prior to the first application of Destin Ordinance 18-29-CC is $2,700,000, based on income analysis.

$2,700,000

ESTIMATE OF VALUE AFTER THE FIRST APPLICATION OF ORDINANCE 18-29-CC

Destin Ordinance 18-29-CC reduces the subject sleeping capacity to 14 guests as the limit is two guests per bedroom, plus four (4) additional guests. There are five (5) bedrooms. Thus, 2 x 5 = 10 + 4 = 14.

I note for the reader that the ordinance states clearly that a bedroom must meet the requirements of the Okaloosa County Property Appraiser who states that a bedroom has a door, a window and a closet. The Okaloosa County Property Appraiser states that the subject is a five bedroom house.

It is my opinion that the limit of 14 guests will have a negative impact on value.

To estimate the difference, I need to research the market for homes which are limited to smaller guest totals

Market research results in the following comparable rentals.

MARKET SUPPORT FOR GROSS INCOME ESTIMATE

Some of these comparables were provided to me by Jordan Shane, Florida Luxury vacation Rentals, Cheryl St.Pe', Destin Comforts and Ben Giles.

Address	Gross Income	Guest capacity	Income per guest
3893 Sandprint Circle	$118,796	20	$5,939
113 Los Angeles Street	$137,308	19	$7,227
1737 Scenic Highway 98	$144,814	20	$7,241
100 Sandprint Circle	$105,000	20	$5,250
84 Woodward Street	$80,560	12	$6,713
212 Kono Way	$74,815	12	$6,235
75 Shirah Street	$79,885	14	$5,706

The average of these seven market comparable rentals is $6,330. The three most similar homes are the last three based on the smaller number of guests as compared to the first four rentals. However, the subject is located in a gated, gulf front subdivision. I consider the subject to command a higher rate per guest than the above averages.

Based on this data, I consider a value per guest of $7,500 to be a credible and reasonable market based opinion of annual rent.

Based on the impact of Ordinance 18-29-CC, the subject will be limited to 14 guests.

Multiplying $7,500 per guest by 14 guests results in gross annual rent of $105,000.

The next step is applying the previously calculated expense ratio to the gross rent to arrive at a net operating rent (NOI).

Applying a 35% expense ratio to $105,000 results in a net rent of $68,250.

Capitalizing $68,250 with a 6.25% capitalization rate results in a value of $1,092,000, rounded to $1,190,000.

It is my professional opinion that the subject value, after to the first application of Destin Ordinance 18-29-CC is $1,090,000, based on income analysis.

$1,090,000

ESTIMATE OF THE DIMINUTION OF VALUE

My research and analysis indicates that the value of the subject based on the right to sleep 26 guests is a rounded $2,700,000.

My research and analysis indicates the value of the subject based on the limit to sleep only 14 guests is a rounded $1,090,000.

It is my opinion the first application of Destin Ordinance results in an approximate $1,610,000 diminution of value.

DIMINUTION OF VALUE

$1,610,000

ADDENDA

Appraiser License

APPRAISER LICENSE

THIS INSTRUMENT PREPARED BY
AND AFTER RECORDING RETURN TO:

Kimberly Romano Kopp, Esq.
Romano Kopp Law, P.A.
P.O. Box 445
Destin, Florida 32541

For Recording Purposes Only

SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is entered into this _____day of _____ 2019, ("Effective Date") by and between, Hyewon Kim, Trustee UTA of Hyewon Kim ("**Owner**") and the City of Destin ("**City**"), collectively referred to as the "Parties."

RECITALS

WHEREAS, on January 22, 2019, the City enacted Ordinance 18-29-CC, the Short-Term Rental Occupancy Ordinance ("Ordinance"), which limits the occupancy of short-term rental homes to two (2) people per bedroom plus an additional four (4) persons; and

WHEREAS, Owner owns the real property and improvements located at 4782 Ocean Boulevard, Destin, Florida, 32541, as more particularly described in the attached Exhibit "A" (the "Property"); and

WHEREAS, on October 23, 2019, Owner filed a claim with the City, pursuant to the provisions of §70.001, Florida Statutes, the Bert J. Harris, Jr., Private Property Rights Protection Act (the "Harris Act"), alleging that the Property had been inordinately burdened by the adoption of the Ordinance, (the "Claim"); and

WHEREAS, the Harris Act provides for the City to have the ability to enter into a settlement agreement which would have the effect of a modification or variance to the application of a regulation or ordinance as it would otherwise apply to the subject real property, provided the relief granted protects the public interest served by the regulations at issue and is the appropriate relief necessary to prevent the governmental regulatory effort from inordinately burdening the real property; and

WHEREAS, the City has determined that the modifications to the effect of the Ordinance effected by this Agreement protect the public interest served by the Ordinance and are the appropriate relief necessary to prevent the regulatory effect of the Ordinance from inordinately burdening the Property; and

WHEREAS, the Parties now desire to settle and finally resolve all disputes between and among them concerning the Claim.

NOW, THEREFORE, the Parties hereby agree as follows:

1. **Recitals.** The above recitals are true and correct and are incorporated herein by reference.

2. **Occupancy Allowable Under Ordinance.**

(a) Owner is hereby granted a variance from the provisions of the Ordinance so that the Owner shall have the right to apply under the Ordinance for a maximum occupancy of twenty (20) overnight guests at the five (5) bedroom vacation rental property noted above and the City shall grant such occupancy. The right shall continue in perpetuity, regardless of any future changes in ownership, provided that this right shall expire permanently if the Property were to be voluntarily remodeled or voluntarily rebuilt in such a manner as to change the number of bedrooms that existed at the date of the Claim. The Property remains subject to all other requirements of the City's regulations, including but not limited to regulations for short-term rentals, parking, trash, and noise.

(b) No greater than six (6) vehicles may be parked on the Property. No vehicle may encroach upon the City's right-of way.

(c) Owner shall ensure that at least four (4) outdoor trash receptacles are provided by the applicable trash hauler and available for use by occupants at all times.

(d) Owner agrees that the City shall be permitted to access the property on an annual basis for the purpose of life-safety inspections to ensure code compliance with minimum egress and emergency egress requirements pursuant to the Florida Building Code (Residential) and to ensure the property has adequate and working smoke detectors. Owner shall submit to the City a separate application and fee for such inspection, on a form provided by the City, at the time Owner submits its annual short-term rental registration application to the City.

3. **Development in Accordance with Code.** Notwithstanding any provisions contained herein, the Owner shall at any time have the right and option to remodel, develop, or use the Property in accordance with the applicable ordinances of the City of Destin in effect at the time of application therefor, and this variance shall not be construed as making the Property in any way non-conforming.

4. **Entire Agreement.** The Parties acknowledge that this Agreement constitutes the entire agreement between them regarding the settlement of their dispute and any prior statements, whether oral or written, are merged herein. This Agreement may not be modified or amended without a written instrument signed by the party against whom enforcement is sought.

5. **Duration of Agreement.** This Agreement shall be perpetual and deemed to run with the land, and shall be binding upon and the benefits shall inure to the parties hereto and their respective heirs, devisees, personal representatives, successors and assigns.

6. **Authority.** The signatories to this Agreement are expressly authorized to resolve their dispute as set forth herein and by their signatures here represent and affirm their authority to execute this Agreement.

7. **Governing Law.** The law of the State of Florida shall apply to this Agreement. Any dispute regarding this Agreement shall be litigated exclusively in the courts of Okaloosa County, Florida. The parties expressly consent to such agreed jurisdiction and venue, and waive any objections thereto.

8. **Notices.** Any notice required or permitted to be given hereunder shall be in writing and shall be (i) delivered by hand, (ii) delivered by reputable national or local courier (such as United Parcel Service or Federal Express), (iii) mailed by United States registered or certified mail, return receipt requested and postage prepaid, or (iv) sent by facsimile transmission provided a confirmation of such facsimile transmission is sent the same day by one of the methods of delivery in (i), (ii), or (iii) above. Any notice shall be addressed to each party at its address as set forth below. Any such notice shall be considered given on the date of such hand delivery, deposit with such courier for same day or next business day delivery, upon receipt of return receipt of certified mail, or receipt of facsimile transmissions, as the case may be, and the time period (if any is provided herein) in which to respond to such notice shall commence on the date of receipt. Rejection or other refusal to accept or inability to deliver because of changed address of which no notice was given shall be deemed to be receipt of the notice. By giving to the other party at least ten (10) days' notice thereof, any party shall have the right from time to time to change the addresses thereof and to specify up to two (2) additional addresses within the United States of America to which copies of notices to it shall be sent. Notice may be given on behalf of any party by such party's counsel. In the event the subject property owner changes, notices shall be addressed to the current owner as indicated in the records of the Okaloosa County Property Appraiser. Otherwise, notices shall be sent as follows:

Each notice shall be addressed as follows:

To City: City of Destin, Florida
Attn:
4200 Indian Bayou Trail
Destin, Florida 32541

With a copy to:
City Land Use Attorney
Romano Kopp Law, PA
PO Box 445
Destin, Florida 32541
Attn: Kimberly Romano Kopp, Esq.

To Owner: Hyewon Kim, Trustee
4782 Ocean Blvd.
Destin, FL 32541

With a copy to: Najmy Thompson, PL
1401 8th Avenue West
Bradenton, Florida 34205
Attention: Aaron M. Thomas, Esq.

Attorney's Fees. In the event of any action, whether pre-suit, mediation, litigation or appellate proceeding to enforce the terms and conditions of this Agreement, each party to the action shall pay its own attorney's fees and costs incurred therein.

(d) Venue over any action to enforce the terms and conditions of this Agreement, including mediation, shall lie solely in Okaloosa County, Florida.

OWNER: Hyewon Kim, Trustee UTA OF Hyewon Kim

_____
Signature of Witness #1

_____
Hyewon Kim, Trustee

_____
Print or type name

_____

_____
Signature of Witness # 2

_____
Print or type name

STATE OF_____
COUNTY OF_____

The foregoing instrument was acknowledged before me this _____ day of _____ 2019, by _____ _____ and _____, who are personal known to me or who have produced _____ as identification and who did not (did) take an oath.

_____
Signature of Notary

(NOTARY SEAL)

_____
Print or type name

CITY OF DESTIN

By:_____
Gary Jarvis, Mayor

Date:_____

ATTEST:

_____
Rey Bailey, City Clerk

Date:_____

STATE OF_____
COUNTY OF_____

The foregoing instrument was acknowledged before me this _____ day of _____ 2019, by _____ _____ and _____, who are personal known to me or who have produced _____ as identification and who did not (did) take an oath.

_____
Signature of Notary

(NOTARY SEAL)

_____
Print or Type Name

Approved as to form and legality for use and reliance
by the City of Destin, Florida, only.

_____
Kimberly Romano Kopp, Esq.
City Land Use Attorney

Exhibit "A"

Legal Description of Property

ITEM # 2019-1906

CITY OF DESTIN

AGENDA ITEM

COUNCIL MEETING DATE: December 9, 2019
TYPE OF AGENDA ITEM: Action Item

TO: City Council

THRU: Lance Johnson, City Manager

FROM: Kimberly Kopp, Land Use Attorney
Louis Zunguze, Community Development Director

DATE: December 5, 2019

SUBJECT: 25) 4729 Ocean Blvd

I. BACKGROUND:

On January 22, 2019, the City enacted Ordinance 18-29-CC, the Short-Term Rental Occupancy Ordinance ("Ordinance"), which limits the occupancy of short-term rental homes to two (2) people per bedroom plus an additional four (4) persons.

The subject property owner owns the real property and improvements located at 4729 Ocean Blvd., Destin, FL 32541, as more particularly described in Exhibit "A" (the"Property") to the proposed settlement agreement.

Owner filed a claim with the City, pursuant to the provisions of §70.001, Florida Statutes, the Bert J. Harris Jr., Private Property Rights Protection Act (the "Harris Act"), alleging that the Property had been inordinately burdened by the adoption of the Ordinance, (the "Claim).

The Harris Act provides for the City to have the ability to enter into a settlement agreement which would have the effect of a modification or variance to the application of a regulation or ordinance as it would otherwise apply to the subject real property, provided the relief granted protects the public interest served by the regulations at issue and is the appropriate relief necessary to prevent the governmental regulatory effort from inordinately burdening the real property.

The City Council should settle the claim if the City Council determines that the modifications within the settlement agreement protect the public interest served by the Ordinance and are the appropriate relief necessary to prevent the regulatory effect of the Ordinance from inordinately burdening the Property.

II. DISCUSSION: The property owner has requested a maximum occupancy of twenty (20) occupants. City staff is recommending an occupancy of twenty (20) occupants based on the square footage of the property. The building official utilized a one-occupant per 200 square feet methodology for recommending the above-stated occupancy.

Additionally, staff is recommending at least four (4) trash cans on the property. This recommendation is based on industry standard (Waste Management) that, on average, one trash can is required for every six occupants in order to ensure adequate garbage disposal. Therefore, if the maximum number of occupants exceeds any multiple of six (6, 12, 18, 24, 30, 36, etc.), then an extra trash can will be needed to accommodate the additional occupants. For example, if thirteen (13) is the maximum occupation, then three (3) trash cans are required. This is because, on average, two (2) trash cans will only accommodate twelve (12) occupants. The third trash can will be needed to accommodate the thirteenth occupant.

Further, the property owner must agree to annual life safety inspections, as provided in the proposed settlement agreement.

Finally, staff is recommending that no greater than three (3) vehicles be parked on this property

As stated in the agreement, the property owner remains bound by all other provisions of City codes.

A. **Link to Strategic Goals / Objectives:**
B. **Effect on Budget (EOB):**
C. **Level of Service (LOS):**

III. CONCLUSION:

IV. RECOMMENDED MOTION: 1. I move to approve the settlement agreement prepared by the City Land Use Attorney and Staff.

or

2. I move to approve the settlement agreement prepared by the City Land Use Attorney and Staff with the following modifications:_____.

or

3. I move to direct the City Land Use Attorney to negotiate in good faith with the property owner and to bring back an alternate settlement proposal to the City

Council for consideration.

or

4. I move to deny settlement of the subject claim at this time.

Attachments:

1. Burt Harris Case - 4729 Ocean Blvd
2. 4729 Ocean Blvd Bert Harris Proposed Settlement Draft 11_11_2019

NAJMY | THOMPSON PL
ATTORNEYS AT LAW

1401 8th Avenue West
Bradenton, FL 34205

PHONE: (941) 748 - 2216
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Sarasota (941) 907 - 3999
New York (212) 220 - 6616

WWW.NAJMYTHOMPSON.COM

October 23, 2019
Via Hand Delivery

City of Destin
c/o Major Gary Jarvis
4200 Indian Bayou Trail
Destin, FL 32541

Re: 4729 Ocean Boulevard, Destin, FL 32541
Bert J. Harris Claim, §70.001, *Fla. Stat.*, July 1, 2012

Dear Mayor Jarvis,

This firm represents MJ Daniel Investment, LLC and its principals and affiliates, owner of an improved property described as 4729 Ocean Boulevard, Destin, FL 32541. My client has been utilizing and operating the house as a short-term rental property within the City of Destin for almost six (6) years. The City of Destin has authorized the use of this property as a short-term vacation rental.

The "before" condition of the subject property is a six-bedroom, three-story residence able to accommodate twenty (20) guests as part of the authorized and approved short-term rental use of this property and others within the City.

By the City of Destin's passage on January 22, 2019 of Ordinance 18-29-CC and application of Ordinance 18-29-CC to the subject property on October 2, 2019 (when the City of Destin denied my client's request for a variance), this property is now restricted to an occupancy of sixteen (16) guests.[1]

The Florida Legislature has passed Section 70.001, *Fla. Stat.*, known as the "Bert J. Harris Jr. Private Property Rights Protection Act as Amended."

[1] The subject property was issued a grandfather certificate on July 2, 2019, permitting the property to rent to twenty (20) occupants until July 2, 2024.

NT

Chapter 70.001, *Fla. Stat.*, "*inter alia*", created a separate and district cause of action which provides for relief or payment of compensation when a new law, rule, regulation or ordinance of the state or a political entity in the state, as applied, unfairly affects real property. "When a specific action of a governmental entity has inordinately burdened an existing use of real property or a vested right to a specific use of real property, the property owners of that real property are entitled to relief, which may include compensation for the actual loss to the fair market value of the real property caused by the action of government, as provided in this section." *Fla Stat.* §70.001(2).

The owner of the subject property asserts that its actual and existing use of said real property has been inordinately burdened by the City of Destin's adoption and application of Ordinance 18-29-CC by restricting its occupancy to only two (2) persons per bedroom plus four (4).

To that end, this letter should serve as a formal, written claim pursuant to §70.001, *Fla. Stat.*, the Bert J. Harris Jr. Private Property Rights Protection Act as Amended. Attached to this letter is a bona fide, valid appraisal that supports the claim and demonstrates the loss in value to the real property. This appraisal establishes the loss in value at the subject property, as a result of the application of the occupancy limitation of Ordinance 18-29-CC, to be $385,000.00.

Pursuant to §70.001(4)(c), *Fla. Stat.*, the City of Destin has 150 days to respond to this claim with a written settlement offer. You should consult your counsel as to any other obligations and settlement opportunities contained within this statute.

PLEASE BE GOVERNED ACCORDINGLY.

Sincerely,

NAJMY THOMPSON, P.L.

Aaron M. Thomas
athomas@najmythompson.com

Enclosure: Appraisal

cc:

Kyle Bauman
Anchors Smith Grimsley, PLC
909 Mar Walt Drive, Suite 1014
Fort Walton Beach, Fl 32547-6711
kbauman@asglegal.com

Kimberly Kopp
Romano Kopp Law, P.A.
P.O. Box 622562
Oviedo, Florida 32762-2562
kopp@romanokopplaw.com

AMT/kls

Appraisal Report

Detached Single Family Residential Home

3,857 ± HVAC SF Existing Structure

4729 Ocean Boulevard
Destin, FL 32541

DIMINUTION IN VALUE ANALYSIS
4729 OCEAN BOULEVARD
DESTIN, FL 32541

FOR
M. J. DANIEL INVESTMENTS, LLC
AND
DESIGNATED ATTORNEYS

RETROSPECTIVE TO OCTOBER 2, 2019

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APPRAISAL REPORT

SUBJECT PROPERTY

3,857 ± HVAC SF Existing Detached Residential Improvement

Six Bedrooms and Six Bathrooms

4729 Ocean Boulevard
Destin, FL 32541

EFFECTIVE DATE OF APPRAISAL

Retrospective to October 2, 2019

REPORT DATE

October 9, 2019

VIEWING DATE

March 14, 2019 and September 30, 2019

CLIENT/INTENDED USER

M. J. DANIEL INVESTMENT, LLC
4729 Ocean Boulevard
Destin, FL 32541

File № 190233A

PREPARED BY:

Thomas A. Marr

State-certified General Real Estate Appraiser № RZ 2645 (FL)
tom@panappraisal.com

Panhandle Appraisal Group
220 Hospital Drive
Fort Walton Beach, Florida 32548
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October 9, 2019

M. J. Daniel Investment, LLC
4782 Ocean Boulevard
Destin, FL 32541

Re: Diminution in value appraisal of an approximate 3,857 HVAC SF detached residential improvement, 'as is', identified as 4729 Ocean Boulevard in Destin, FL 32541. **Panhandle Appraisal Group File № 190233.**

Dear Mr. Daniel:

I have completed the requisite personal viewing, research, and analysis necessary to determine if a diminution in value has occurred for the subject parcel.

The subject property is a three level, detached single family residential structure with an approximate 3,857 HVAC SF, six bedrooms and six bathrooms. The current sleeping capacity of the subject is twenty (20) guests.

The purpose of the appraisal analysis was to develop an opinion of the market value of the subject property prior to the first application of the city of Destin Ordinance No. 18-29-CC to the subject on October 2, 2019 when a twenty guest occupancy was allowed, and then derive a value after the first application of the ordinance after October 2, 2019 which limited the subject to sixteen (16) guests, based on two guests per bedroom, plus four. I note that the designation as a bedroom is based on data in the Okaloosa County Property Appraiser web site.

The authorized user is the client at the address above. The understood intended use of the appraisal report will be for reference in determining if the first application of Ordinance No. 18-29-CC resulted in a diminution of value. No other use of this report by any other entity or person is authorized.

Subject to the above and the assumptions, limiting conditions, and certification set forth herein, it is my professional opinion the retrospective market value of the fee simple interest in the subject property, 'as is', as of October 2, 2019, prior to the first application of Ordinance No. 18-29-CC, was:

ONE MILLION FIVE HUNDRED THIRTY FIVE THOUSAND DOLLARS
$1,535,000

Subject to the above and the assumptions, limiting conditions, and certification set forth herein, it is my professional opinion the current market value of the fee simple interest in the subject property, 'as is', after the first application of Ordinance No. 18-29-CC is:

ONE MILLION ONE HUNDRED FIFTY THOUSAND DOLLARS
$1,150,000

The diminution of value is a rounded $385,000.

Exposure Time
The exposure time linked to the final value opinion is a range to nine (9) to twelve (12) months based on market sales of similar properties and current market activity.

Analysis of recent trends and current market supply and demand strongly indicate the highest and best use of the subject property, is continued use as a seasonal rental home.

I hereby certify I possess no interest, present or contemplated, in the appraised property. The undersigned appraiser is competent or has taken the necessary steps to become competent for the property type being appraised. This appraisal has been prepared utilizing all of the requirements set forth as standards for real estate appraisals established for federally related transactions by the Comptroller of the Currency, the Federal Reserve Board, the Federal Deposit Insurance Corporation, and the State of Florida. The appraisal is in conformity with the standards for real estate appraisals as established by the Appraisal Foundation and its Appraisal Standards Board. The appraisal also conforms to *the 2018/2019 edition of the Uniform Standards of Professional Appraisal Practice (USPAP)* and your instructions. The fee for this appraisal was not based on value, nor was the assignment undertaken based on a predetermined value, a trend in value, or a minimum or maximum value.

Respectfully submitted,

Thomas A. Marr

Thomas A. Marr
State-Certified General Real Estate Appraiser № RZ 2645 (Florida)

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APPRAISAL REPORT

This is an Appraisal Report which is intended to comply with the reporting requirements in accordance with the 2018/2019 edition of the Uniform Standards of Professional Appraisal Practice (USPAP) for an Appraisal Report. As such, it represents summary discussions of the data, reasoning, and analyses used in the appraisal process to develop the appraisers' opinion of value. Supporting documentation concerning the data, reasoning, and analyses may be retained in the appraiser's files. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated below. The appraisers are not responsible for unauthorized use of this report.

CLIENT:

M. J. Daniel Investment, LLC
4729 Ocean Boulevard
Destin, FL 32541

APPRAISERS:

Thomas A. Marr
State-certified General Real Estate Appraiser № RZ 2645 (Florida)

Panhandle Appraisal Group
220 Hospital Drive
Fort Walton Beach, Florida 32548

SUBJECT PROPERTY:

Legal Description
Lots 41, Destiny By The Sea SD.

Tax ID №: 00-2S-22-0075-0000-0410.

PURPOSE OF THE APPRAISAL:

The purpose of this appraisal was to develop an estimate of the diminution in value from prior to the first application of City of Destin Ordinance No. 18-29-CC and after the first application of the ordinance on October 2, 2019.

INTENDED USE OF REPORT:

The understood intended use of the appraisal report will be for client use for legal proceedings to restore maximum occupancy property rights.

INTENDED USER:

The intended user is the client stated above, the client's attorneys, and regulatory authorities. This report is not intended or authorized for any other user or audience.

PROPERTY RIGHTS APPRAISED:

Fee Simple, one hundred percent (100%) ownership interest in the subject property.

EFFECTIVE DATE OF VALUE:

Retrospective to October 2, 2019.

DATE OF REPORT:

October 9, 2019.

DATE OF INSPECTION:

Thomas A. Marr viewed the subject property on March 14, 2019 and September 30, 2019.

SCOPE OF WORK:

I note you have not requested an appraisal report format. Based on the Scope of Work requirements included in the 2018/2019 version of USPAP, which indicates the appraiser is responsible to coordinate the scope of work with the client, I am informing you I will perform an appraisal report. **It is my opinion this process of work meets all applicable 2018/2019 USPAP standards.**

DEFINITIONS:

The definitions, commencing on the page following, are provided to assist the reader in understanding this appraisal report.

Market Value[1]

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

- Purchaser and seller are typically motivated;
- Both parties are well informed or well advised and each acting in what they consider their best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

The four (4) time differential values on the graph which may be considered in the appraisal of existing developments are defined as follows:

(1) **'As Is'** means an estimate of the market value of a property in the condition observed upon inspection and as it physically and legally exists without hypothetical conditions, assumptions, or qualifications as of the date of appraisal.

(2) **'Value Upon Completion'** means the market value of a property with all existing construction, conversion, or rehabilitation hypothetically completed, or under other specified hypothetical conditions as of the date of appraisal. With regard to properties wherein anticipated market conditions indicate stabilized occupancy is not likely as of the date of completion, this estimate of value shall reflect the market value of the property as if complete and prepared for occupancy by tenants.

(3) **'Prospective Future Value Upon Completion'** means the prospective future value of a property on the date construction is completed, based upon market conditions forecast to exist as of completion date.

(4) **'Prospective Future Value Upon Achievement of Stabilized Occupancy'** means the prospective future value of a property at a point in time when all improvements have been physically constructed and the property has been leased to its optimum level of long term occupancy.

Fee Simple Estate[2]

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.

Leased Fee Interest[3]

An ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the lessee are specified by contract terms contained within the lease.

---

1 Title XI, Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), [Pub. L. No. 101-73, 103 Stat. 183 (1989)], 12 U.S.C. 3310, 3331-3351, and section 5(b) of the Bank Holding Company Act, 12 U.S.C. 1844(b); Part 225, Subpart G: Appraisals; Paragraph 225.62 (f).
Uniform Standards of Professional Appraisal Practice, 2003 Edition, Page 3
Federal Reserve System, 12 CFR Parts 208 and 225, Sec. 225.62
Office of the Comptroller of the Currency, 12 CFR Part 34, Sec. 34.42 (g)
FDIC, 12 CFR Part 323, Sec. 323.2 (g) (2000)
Office of Thrift Supervision, 12 CFR Part 564, Sec. 564.2
NCUA, 12 CFR Part 722, Sec. 722.2

2 The Dictionary of Real Estate Appraisal, Appraisal Institute, Fourth Edition, 2002, Page 113.

3 Ibid., Page 161.

Leasehold Interest[4]
The interest held by the lessee (the tenant or renter) through a lease transferring the rights of use and occupancy for a stated term under certain conditions.

Condominium[5]
A multi-unit structure or property in which persons hold fee simple title to individual units and an undivided interest in common areas.

Highest and Best Use[6]
The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and which results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability.

...of land or a site as though vacant:

Among all reasonable, alternative uses, the use yielding the highest present land value, after payments are made for labor, capital, and coordination. The use of property based on the assumption the parcel of land is vacant or can be made vacant by demolishing any improvements.

...of property as improved:

The use which should be made of a property as it exists. An existing improvement should be renovated or retained as is so long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing building and constructing a new one.

Marketing Time[7]
The time it takes an interest in real property to sell on the market subsequent to the date of an appraisal.

Exposure Time[8]
A retrospective estimate based on an analysis of past events assuming a competitive and open market.

Advocacy[9]
Representing the cause or interest of another, even if cause or interest does not necessarily coincide with one's own beliefs, opinions, conclusions, or recommendations.

Appraisal[10]
(Noun) The act or process of developing an opinion of value; an opinion of value. (Adjective) of, or pertaining to appraising and related functions such as appraisal practice or appraisal services.

Appraisal Practice[11]
Valuation services performed by an individual acting as an appraiser, including, but not limited to appraisal, appraisal review, or appraisal consulting.

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4 Ibid., Page 162.

5 Ibid., Page 59.

6 Ibid., Page 135.

8 Ibid., Page 175

9 Ibid., Page 105

9 2018/2019 edition, *Uniform Standards of Professional Appraisal Practice (USPAP)*, Page 1

10 Ibid, Page 1

11 Ibid, Page 1

Appraisal Review[12]
The act or process of developing and communicating an opinion about the quality of another appraiser's work was performed as part of an appraisal, appraisal review, or appraisal consulting assignment.

Appraiser[13]
One who is expected to perform valuation services competently, and in a manner, is independent, impartial, and objective.

Appraiser's Peers[14]
Other appraisers who possess expertise and competency in a similar type of assignment.

Assignment[15]
A valuation service provided as a consequence if an agreement between an appraiser and a client.

Assignment Results[16]
An appraiser's opinions and conclusions developed specific to an assignment.

Assumption[17]
An occurrence which is taken to be true.

Bias[18]
A preference or inclination which precludes an appraiser's impartiality, independence, or objectivity in an assignment.

Business Enterprise[19]
An entity pursuing an economic entity.

Business Equity[20]
The interests, benefits, and rights inherent in the ownership of a business enterprise or a part thereof in any form (including, but not necessarily limited to, capital stock, partnership interests, cooperatives, sole proprietorships, options, and warrants).

Client[21]
The party or parties who engage an appraiser (by employment or contract) in a specific assignment.

Confidential Information[22]
Information is either:

- identified by the Client as confidential when providing it to an appraiser and is not available from any other source; or,
- classified as confidential or private by applicable law or regulation.

---

12 Ibid, Page 1

13 Ibid, Page 1

14 Ibid, Page 2

15 Ibid, Page 2

16 Ibid, Page 2

17 Ibid, Page 2

18 Ibid, Page 2

19 2018/2019 edition, USPAP, Page 2

20 Ibid, Page 2

21 Ibid, Page 2

22 Ibid, Page 2

Cost[23]
The amount required to create, produce, or obtain a property.

'Credible'[24]
Worthy of belief.

Extraordinary Assumption[25]
An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions.

Feasibility Analysis[26]
A study of the cost-benefit relationship of an economic endeavor.

Hypothetical Condition[27]
An assertion which is contrary to what exists but is supposed for the purpose of analysis.

Intangible Property[28]
(Intangible Assets) Nonphysical assets, including, but not limited to, franchises, trademarks, patents, copyrights, goodwill, equities, securities, and contracts as distinguished from physical assets such as facilities and equipment.

Intended Use[29]
The use or uses of an appraiser's reported appraisal, appraisal review, or appraisal consulting assignment opinions and conclusions, as identified by the appraiser based on communication with the Client at the time of the assignment.

Intended User[30]
The Client and any other party as identified, by name or type, as users of the appraisal, appraisal review, or appraisal consulting report by the appraiser on the basis of communication with the Client at the time of the assignment.

Jurisdictional Exception[31]
...an assignment condition which voids the force of a part or parts of *USPAP*, when compliance with part or parts of *USPAP* is contrary to law or public policy applicable to the assignment.

IDENTIFY THE PROBLEM TO BE SOLVED
The problem to be solved in this appraisal analysis was to develop an opinion of the market value of the subject property, both prior to the first application of the city of Destin Ordinance No. 18-29-CC to the subject on October 2, 2019 when twenty (20) guest occupancy was allowed and after the first application of the Destin Ordinance No. 18-29-CC on October 2, 2019, which limited the subject to sixteen (16) guests, based on two guests per bedroom, plus four. Utilizing the before and after values, I derived a diminution of value to the subject property.

---

23 Ibid, Page 2

24 Ibid, Page 3

25 Ibid, Page 3

26 Ibid, Page 3

27 Ibid, Page 3

28 Ibid, Page 3

29 Ibid, Page 3

30 Ibid, Page 3

31 2018 edition, *USPAP*, Page 3

EXTENT OF THE PROCESS OF COLLECTING, CONFIRMING, AND REPORTING DATA:

Preparation of this appraisal included the following scope of work:

- The subject site, improvements, and parking improvements were inspected by the appraiser, the property was photographed. File data for similar properties was reviewed.
- The public records were reviewed.
- The appraiser examined the economic, social, governmental, and environmental forces affecting value in the subject neighborhood and the entire market area as a whole.
- The appraiser identified recent and projected actual rents for the subject, based on occupancy of up to 20 guests. The appraiser then identified the annual rentals of other comparable properties which accommodated up to or beyond 20 guests. This data was used to verify or support the historical performance and the projected rents for the subject. These comparable rentals provided market support for the subject actual and projected gross rental income.
- The appraiser identified market rental comparables for properties limited to 16 guests.
- The appraiser then reduced gross rent to net operating rent and capitalized the net operating rent to identify value for the subject as a 20 guest rental and a 16 guest rental. The difference between these two values is the diminution in value.

IDENTIFICATION OF THE TYPE OF APPRAISAL AND APPRAISAL REPORT FORMAT:
I have provided an **Appraisal Report**, as defined by the *2018/2019 edition of the Uniform Standards of Professional Appraisal Practice*, containing a summary of all relevant conclusions, data, and analyses used in the report.

TERMS OF THE FINAL VALUE OPINION:
The final opinion of the current market values of the subject property, 'as is' is expressed in terms of cash or financing terms equivalent to cash.

POLICY STATEMENT OF THE APPRAISAL INSTITUTE:
It is improper to base a conclusion or opinion of value upon the premise the racial, ethnic, or religious homogeneity of the inhabitants of an area or of a property is necessary for maximum value.

Racial, religious, and ethnic factors are deemed unreliable predictors of value trends or price variance.

It is improper to base a conclusion or opinion of value, or a conclusion with respect to neighborhood trends, upon stereotyped, biased presumptions relating to the effective age or remaining life of the property being appraised or the life expectancy of the neighborhood in which it is located.

The undersigned appraiser is not a member of the Appraisal Institute.

GENERAL ASSUMPTIONS:

1. No responsibility is assumed for the legal description provided or for matters relevant to legal or title considerations. Title to the property is assumed to be marketable unless otherwise stated. The legal description used in this report is assumed to be correct.

2. The subject property is appraised free and clear of any or all liens, leases, or encumbrances unless otherwise stated. All mortgages, liens, encumbrances, leases, and servitudes have been disregarded unless so specified within the report.

3. No survey of the property has been made by the appraisers and no responsibility is assumed in connection with such matters. Sketches, plot plans, or illustrative material presented in this report are included only to assist the reader in visualizing the property.

4. Information and data furnished by others is usually assumed to be true, correct and reliable. When such information and data appears to be dubious and when it is critical to the appraisal, a reasonable effort has been made to verify all such information; however, no responsibility for its accuracy is assumed by the appraiser.

5. Responsible ownership and competent property management are assumed unless otherwise stated in this report.

6. It is assumed there are no hidden or unapparent conditions of the property, subsoil or structures which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.

7. It is assumed 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.

8. It is assumed the subject property is in compliance with all applicable zoning and land use regulations, unless a nonconformity has been stated, defined and considered in the appraisal report.

9. It is assumed all required licenses, consents or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use which the value estimate contained in this report is based.

10. It is assumed the utilization of the land and improvements is within the boundaries or property lines of the property described and there is no encroachment or trespass unless noted within the report.

EXTRAORDINARY ASSUMPTIONS:

I am using data provided to me by the client and other vacation home owners.

I am also using rental projections from the current property manager.

I am making the extraordinary assumption that the data provided is accurate, credible and reliable.

If, for any reason, the data provided is not accurate, credible and reliable, the values derived in the analysis is subject to review.

GENERAL LIMITING CONDITIONS:

1. This is an Appraisal Report which is intended to comply with the reporting requirements set forth in accordance with the *2018/2019 edition of the Uniform Standards of Professional Appraisal Practice* for an Appraisal Report. As such, it includes summarized discussions of the data, reasoning, and analyses used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses may be retained in the appraiser's files. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraiser is not responsible for unauthorized use of this report.

2. Appraisers are not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraisers suggesting the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert in the field of environmental assessment. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The appraiser's value estimate is predicated on the assumption there exists no such material on or in the property causing a loss in value unless otherwise stated in this report. No responsibility is assumed for any environmental conditions, or for any expertise or engineering knowledge required to discover them. The appraisers' descriptions and resulting comments are the result of the routine observations made during the appraisal process.

3. The subject property is appraised without a specific compliance survey having been conducted to determine if the property is or is not in conformance with the requirements of *The Americans with Disabilities Act*. The presence of architectural and communications barriers which are structural in nature which would otherwise restrict access by disabled individuals may adversely affect the property's value, marketability, or utility.

4. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event, only with proper written qualification and only in its entirety.

5. Neither all nor any part of the contents of this report shall be conveyed to any person or entity, other than the appraiser's or firm's client, through advertising, solicitation materials, public relations, news, sales, or other media without the written consent and approval of the authors, particularly as to valuation conclusions, the identity of the appraiser or firm with which the appraiser is connected, or any reference to affiliation with any professional appraisal organization. Further, the appraiser or firm assumes no obligation, liability, or accountability to any third party. If this report is placed in the hands of anyone but the client, client shall make party aware of all the assumptions and limiting conditions of the assignment.

6. The appraiser affixing his signatures to this appraisal report will not be required to give testimony or appear in court because of having made this appraisal, with reference to the property in question, unless arrangements have been previously made thereof.

7. No environmental impact studies were either requested or made in conjunction with this appraisal, and the appraiser hereby reserves the right to alter, amend, revise, or rescind any of the value opinions based upon any subsequent environmental impact studies, research, or investigation.

8. The appraiser has not been supplied with a report of the subsoil conditions indicating the exact capacity of the subsoil. I do not have the benefit of subsoil test results of the properties and detection of possible soil defects would be beyond my realm of expertise. However, there appear to be no hidden or apparent conditions of the subject sites or subsoil structures which would render them more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.

9. Acceptance of and/or use of this appraisal report constitutes acceptance of the foregoing General Assumptions, Special Assumptions, General Limiting Conditions, and Special Limiting Conditions.

EXTRAORDINARY LIMITING CONDITIONS AND HYPOTHETICAL CONDITIONS:

I note that the ordinance in question allows a five (5) year 'grandfather' period. I considered if this 'grandfather' status should receive some analysis in the discussion of diminution of value. After consideration, I concluded that a potential market participant, aware that the grandfather status will be eliminated , would be very wary to enter into a financial arrangement where he may have to liquidate in an unknown market within a time line that may not be available . Thus, I am not considering any impact of the 'grandfather' status.

CERTIFICATION:

I certify, to the best of my knowledge and belief:

1. The statements of fact contained in this report are true and correct.

2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions and conclusions.

3. I possess no present or prospective interest in the property which is the subject of this report and no personal interest with respect to the parties involved.

4. I possess no bias with respect to the property which is the subject of this report or to the parties involved with this assignment.

5. The engagement in this assignment was not contingent upon developing or reporting predetermined results.

6. The compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value favoring the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

7. The analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *2018/2019 edition of the Uniform Standards of Professional Appraisal Practice.*

8. Thomas A. Marr has made a personal viewing of the property which is the subject of this report. No one else has rendered significant real estate appraisal knowledge and input to the compilation of this report.

9. I have not performed any services, to include appraisal services, regarding the subject in the previous three years.

10. The opinion of market value 'as is' of the one hundred percent (100%) fee simple ownership interest in the subject property, 'as is' is prior to the first application of Destin Ordinance 18-29-CC is ONE MILLION FIVE HUNDRED THIRTY FIVE THOUSAND DOLLARS ($1,535,000) and the value after the first application of Destin Ordinance 18-29-CC is ONE MILLION ONE HUNDRED FIFTY THOUSAND DOLLARS ($1,150,000). The diminution of value is estimated as THREE HUNDRED EIGHTY FIVE THOUSAND DOLLARS ($385,000).

Thomas A Marr

Thomas A. Marr
State-certified General Real Estate Appraiser № RZ 2645 (Florida)

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DESCRIPTION OF THE SUBJECT PROPERTY
Ownership:

The current owner is M. J. Daniel Investment, LLC.

FILE # 2894139 RCD: 11/07/2013 @ 04:28 PM, BK: 3125 PG: 82 RECORDING: $10.50 RECORDING ARTICLE V: $8.00 DEED DOCSTAMPS $11200.00 DEPUTY CLERK MSMITH DON W. HOWARD, CLERK OF COURTS, OKALOOSA COUNTY FL

Prepared by:
Robert O. Beasley
Litvak, Beasley & Wilson, LLP
226 East Government Street, Post Office Box 13503
Pensacola, Florida 32591-3503
File Number: 13-0124ROB
Consideration: $1,600,000.00

General Warranty Deed

Made this October 25, 2013 A.D. By Robert W. Higgins Family, LTD, a Texas limited partnership, whose address is: 3001 Ong Street, Amarillo, Texas, hereinafter called the grantor, to MJ Daniel Investment, LLC, a Nevada Limited Liability Company, whose post office address is: 21312 E. Nottingham, Springfield, MO 62804, hereinafter called the grantee:

(Whenever used herein the term "grantor" and "grantee" include all the parties to this instrument and the heirs, legal representatives and assigns of individuals, and the successors and assigns of corporations)

Witnesseth, that the grantor, for and in consideration of the sum of Ten Dollars, ($10.00) and other valuable considerations, receipt whereof is hereby acknowledged, hereby grants, bargains, sells, aliens, remises, releases, conveys and confirms unto the grantee, all that certain land situate in Okaloosa County, Florida, viz:

Lot 41, Destiny by the Sea, a planned unit development, according to the plat thereof, recorded in Plat Book 16, Pages 21 and 22, of the Public Records of Okaloosa County, Florida.

Parcel ID Number: 00252200750000410

Together with all the tenements, hereditaments and appurtenances thereto belonging or in anywise appertaining.

To Have and to Hold, the same in fee simple forever.

And the grantor hereby covenants with said grantee that the grantor is lawfully seized of said land in fee simple; that the grantor has good right and lawful authority to sell and convey said land; that the grantor hereby fully warrants the title to said land and will defend the same against the lawful claims of all persons whomsoever; and that said land is free of all encumbrances except taxes accruing subsequent to December 31, 2012.

SITE:

Location:
The subject is located on the north side of Ocean Boulevard on te NE corner of Ocean Boulevard and Varezze Cay in the gated Destiny by the Sea Subdivision.

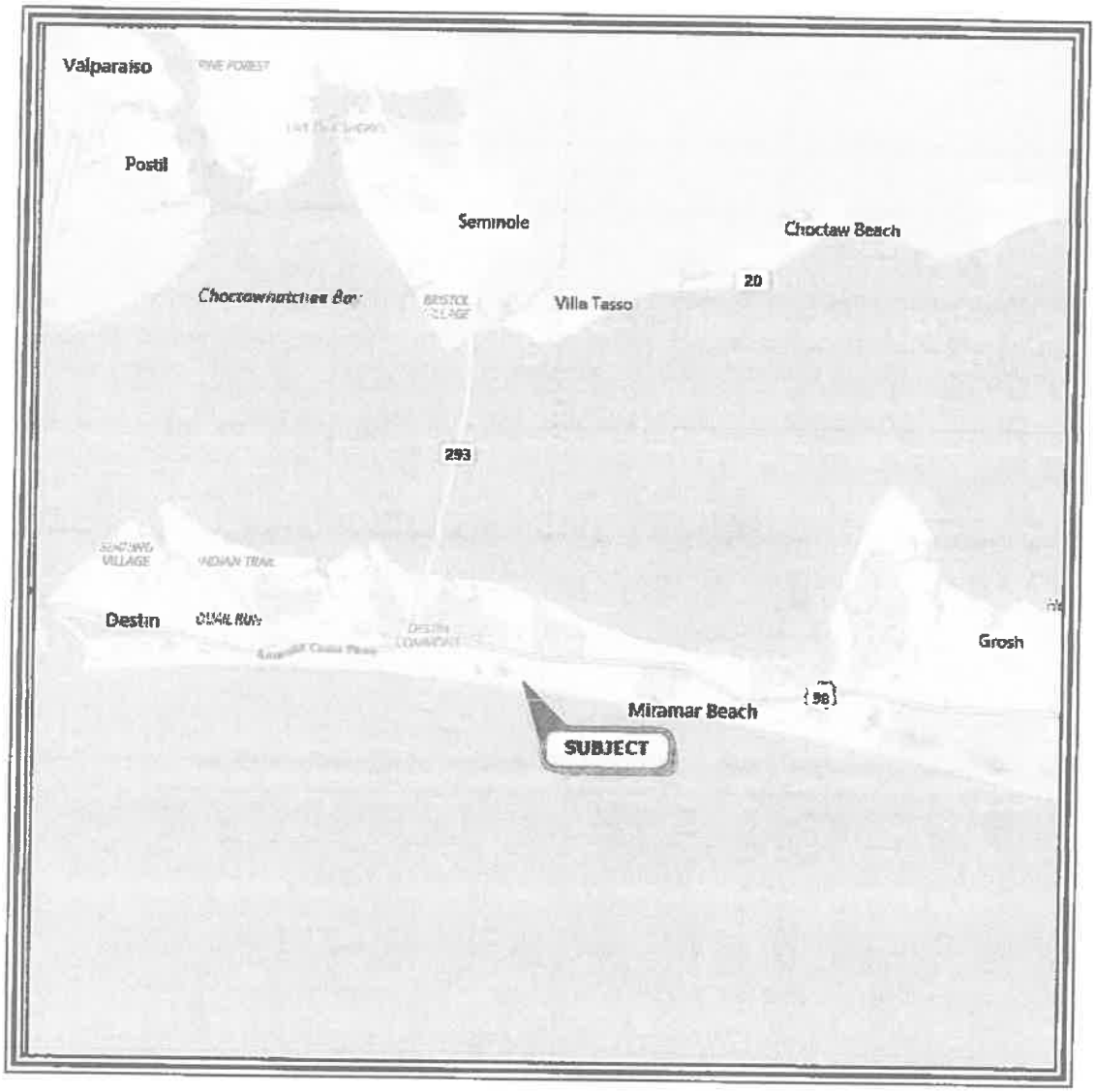
This subdivision is just south of Scenic Highway 98, a mature arterial which runs along the Gulf of Mexico.

Along the south side of Scenic Highway 98 are many condominium projects, individual homes and some commercial use, typically restaurants, which cater to the tourist industry.

Along Scenic Highway 98 to the north are other residential uses, primarily detached homes with a interspersion of condominium and town home projects which are a mix of owner occupant and seasonal rental use.

This entire area of Destin, in close proximity to the Gulf of Mexico, is a desired location and well considered by the market.

See the following map for the subject location in the broad Destin market.



The following map indicates the local market area surrounding the subject.

The following aerial photograph indicates the immediate vicinity of the subject.

Land Size:

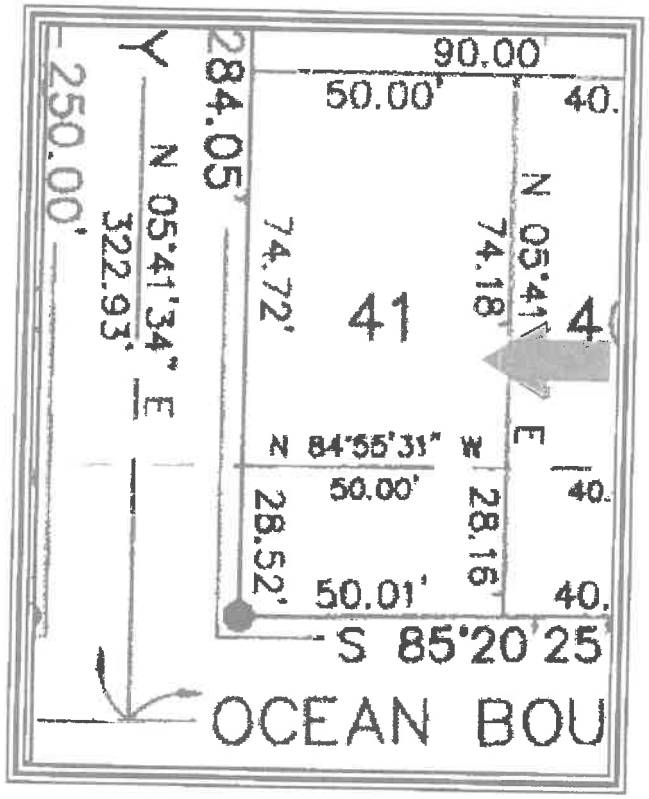
The subject is a single residential lot.

The dimensions are as follows:

102.94 feet on the west side, fronting Varezze Cay,
50.000 feet on the north side,
102,34 feet on the east side, and
43.22 feet on the east side.
50.010 feet on the south side, fronting Ocean Boulevard

These dimensions result in a land size of an approximate 0.12 acres, or 5,100 SF. This land size is typical in the Destiny By The Sea SD as there was an effort made by the developer to develop as many lots as possible.

See the following excerpt from the recorded plat map.



Site Topography:

Per the Okaloosa County GIS site and my viewing, the subject is at the road grade of Ocean Boulevard and Varezze Cay.

The subject then slopes slightly downward to the northwest, contouring along Varezze Cay which also slopes slightly to the north.

This slope is perceptible when viewing the subject, however, the slope was accounted for in the construction of the home and has no negative connotation.

The subject lot contour is typical for many parcels.

I am providing the following contour map extracted from the Okaloosa County Property Appraiser web site.

Utilities:

Utility	*Provider*	*Utility*	*Provider*
Electricity	Gulf Power	Stormwater Drainage	Destin
Water and Sewer	Okaloosa County	Fire Department	Destin
Natural Gas	Okaloosa Gas	Police Department	Contract with the Okaloosa County Sheriff
Telephone	Verizon	Refuse Removal	By contract
Cable Television	Cox Cable		

The utilities for the subject site are considered as typical in the market.

Easements/Encroachments:
I was not furnished a copy of a recent survey of the subject property. A review of the site plan, various maps and my personal viewing did not indicate any easements or encroachments.

I assume there are utility easements of record.

It is my opinion that there are no easements or encroachments which would affect value or transferability.

Ingress/Egress:
The subject property is reached directly from Ocean Boulevard, which fronts on the subject south side and Varezze Cay which fronts on the subject west side.

Ocean Boulevard and Varezze Cay are both paved, two lane public roadways.

Ocean Boulevard is a central roadway within the Destiny By The Sea SD. It runs in a circle and its north and south paths are intersected by several short roads, identified as cays. Ocean Boulevard leads to the gate of the subdivision and access to Scenic Highway 98, which runs along the north side if the SD on the north side of the SD fence.

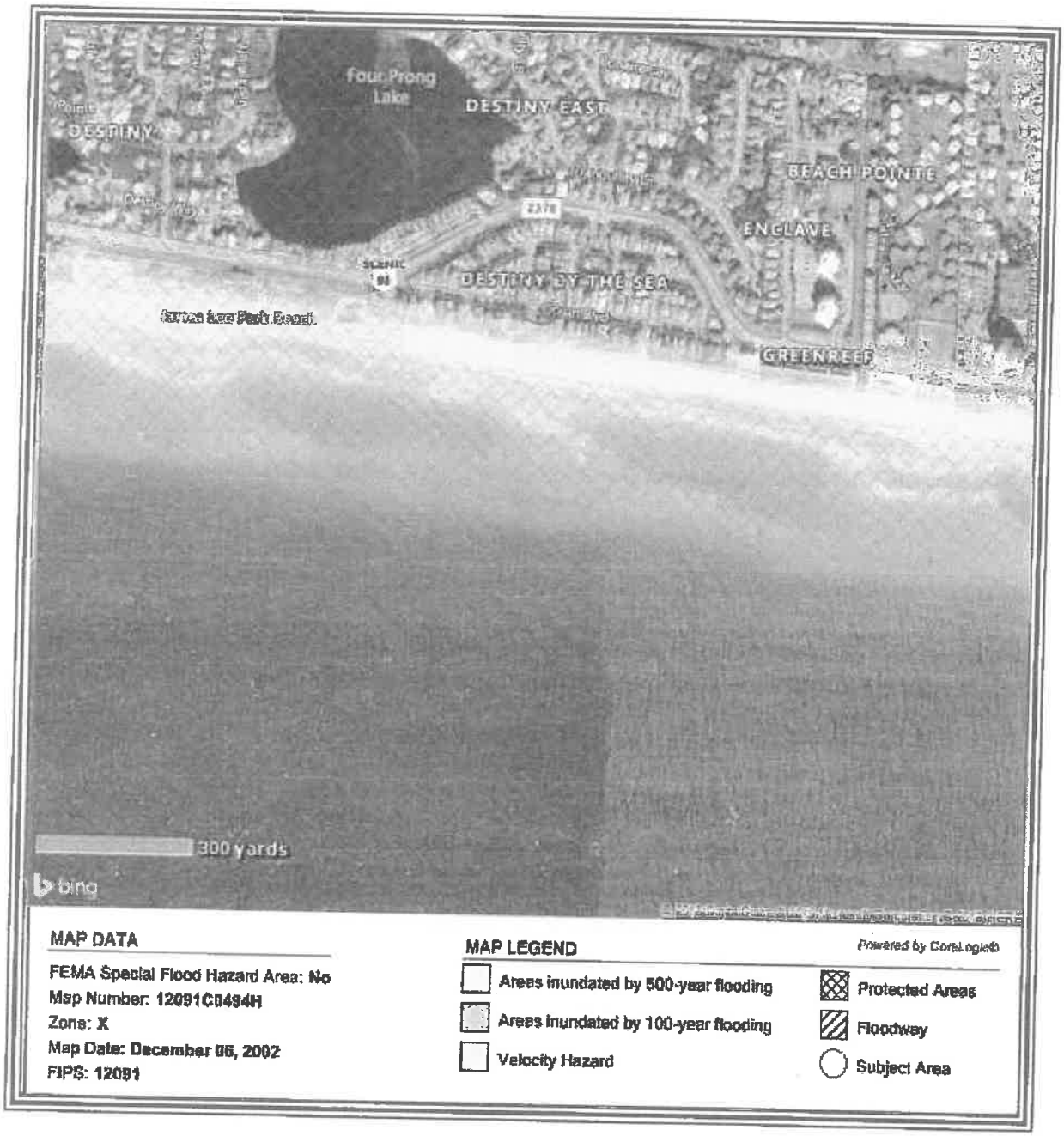
Ingress/egress is viewed as similar to most access typically found in the market.

Parking is viewed as similar to most parking found in the market as the subject features two garage spaces and four driveway spaces.

Flood Risk:

FEMA Map Panel	*Map Area*	*Dated*	*Flood Zone*
12091C 0494H	Okaloosa County	December 6, 2002	"X"

* The client is advised appraisers are not surveyors, and accordingly, any final determination as to flood zone status should only be made by a licensed, adequately insured, Florida surveyor utilizing the latest FEMA flood panels. However, it appears the entire subject area is considered as Flood Zone 'X', an area of minimal flood risk. The subject is located at the red circle in the following flood map.

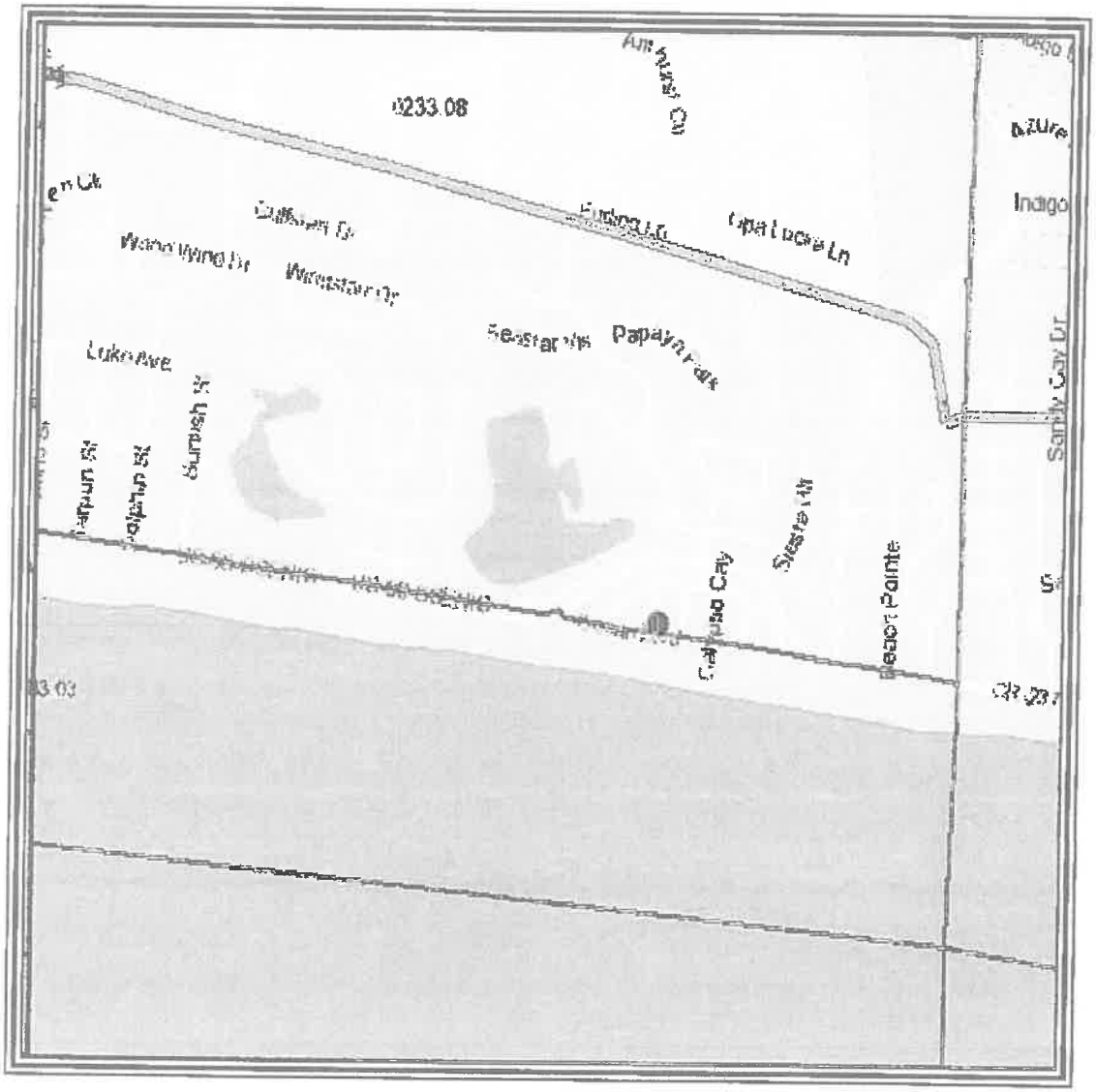


Wetlands:

The subject features no wetlands.

The wetland map is consistent with the flood panel on the previous page.

Census Data:
The subject is located in census tract 0233.08.



IMPROVEMENTS 'AS IS'

Size:
The subject is a single family detached improvement with three living levels.

The subject also features an attached garage on the first level. The subject features substantial exterior balconies and porches, as well as an in ground swimming pool, pool deck/lanai, landscaping, and two exterior parking spaces.

The first living level is one bedroom with a king bed sleeping two (2), a bunk room sleeping five (5) and a second bunk room sleeping three (3) for a total of ten (10) guests on the first level.

The second level is the kitchen and other living areas to include a king master bedroom suite which sleeps two (2) guests as well as a sofa sleeper which sleeps and additional two (2) guests. There is a second sofa sleeper in the living room which sleeps two (2) guests for a total six (6) guests on the second level.

The third level there are two king suites each sleeping two (2) guests for a total of four (4) guests on the third level.

I note that the two bunk rooms apparently meet the Okaloosa County Property Appraiser definition of a bedroom.

The three level totals of 10, 6, and 4 guests result in a total of 20 guests.

Per Okaloosa County public records, the subject is 5,166 total SF with an approximate 3,857 HVAC SF of living area.

Construction Quality:
The quality of construction for the subject improvement is *Class D* good. Details of construction are summarized below:

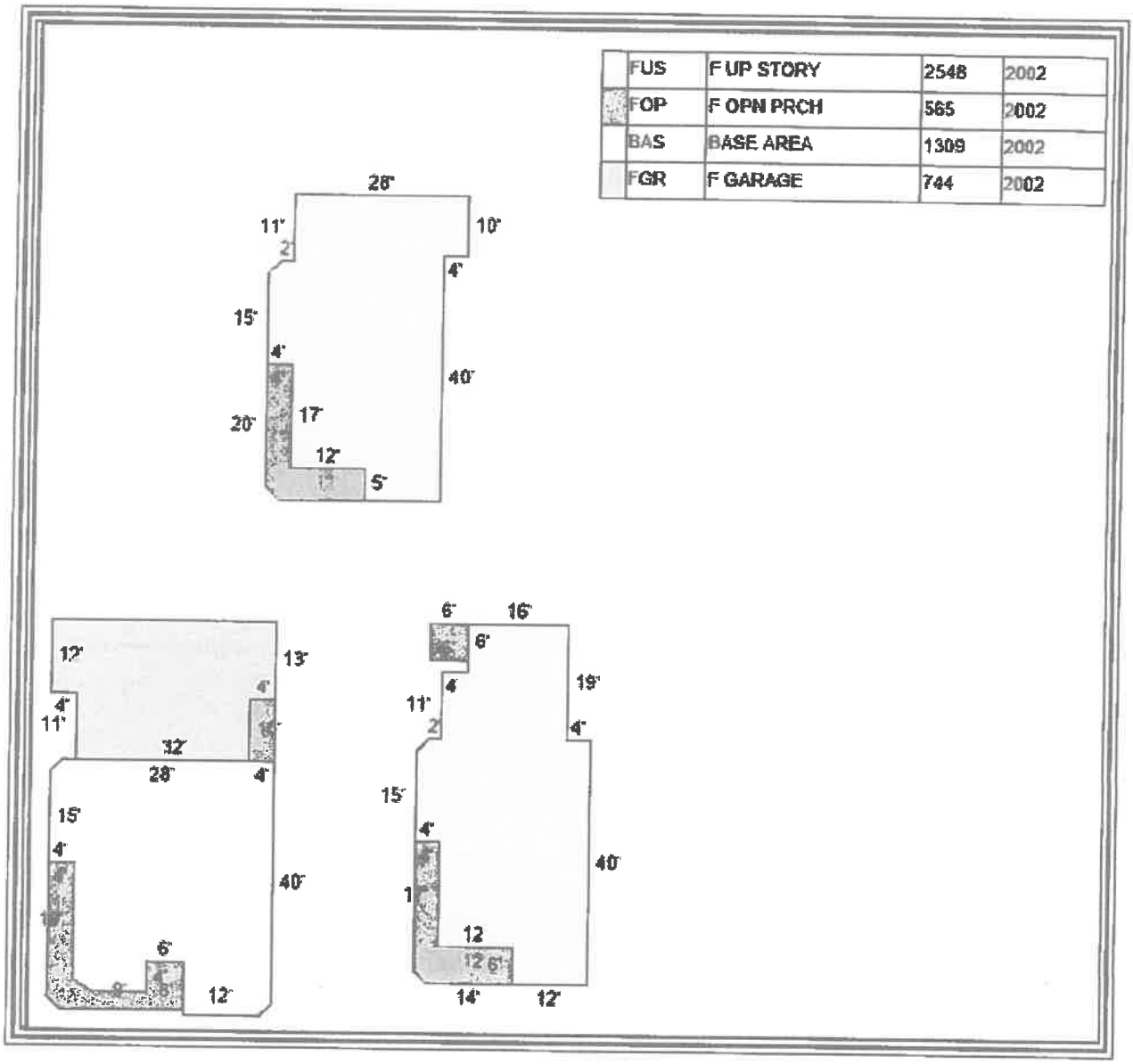
Construction Component	
Foundation	4" Reinforced concrete slab
Exterior walls	Wood frame with stucco
Roof	Clay Tile
Trim	Base and crown molding
Windows	Double pane aluminum
Exterior doors	Insulated metal with glass
Insulation	Unknown. Assumed to be R38 behind sheet rock
HVAC	Forced Air and Central HVAC
Ceiling	9 and 10 foot with sheet rock and can lights
Interior Walls	Painted sheet rock
Interior flooring	High quality stone, tile and carpet
Interior doors	Six and four panel wood
Restrooms	Five
Lighting	Can lights
Kitchens	One typical residential kitchen
Other	Some porches/swimming pool and lanai/elevator.

Condition of Improvements:
The subject improvement is in good condition.

Age:
Public records indicate this subject improvement was constructed in 2002.

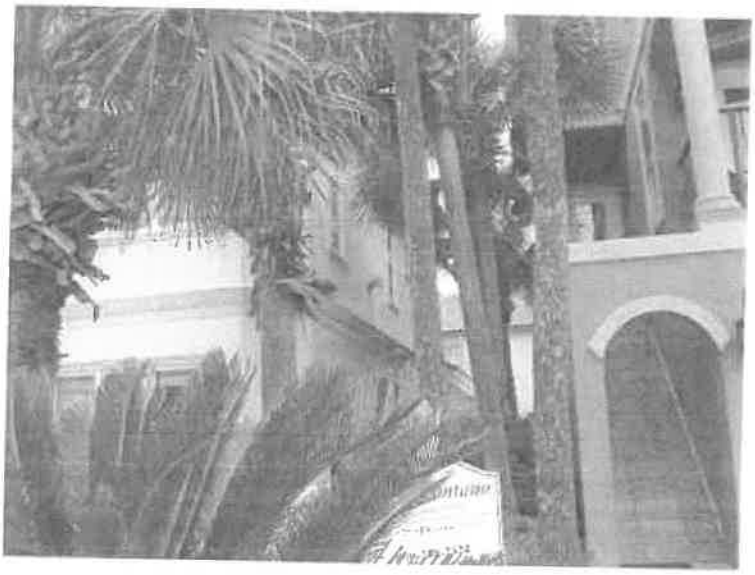
I consider the actual age to be seventeen (17) years and the effective age to be twelve (12) years. I estimate a remaining economic life of forty (40) years and a physical life of seventy (70) years.

See the following sketch from the Okaloosa County Property Appraiser web site.



Exterior Photographs:

FRONT AND WEST SIDES OF SUBJECT



EAST SIDE OF SUBJECT

REAR OF SUBJECT

SWIMMING POOL AND DECK

First Level Sleeping Ten (10)

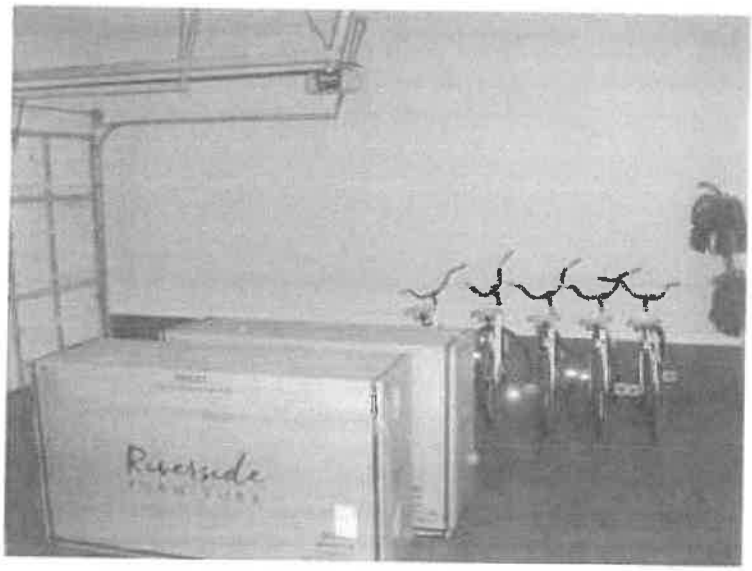
BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #1

FULL BATH SUPPORTING BEDROOM #1 - BATH #1

BUNK ROOM SLEEPING THREE (3) - BEDROOM #2

BUNK ROOM SLEEPING SIX (6) - BEDROOM #3

FULL BATH SUPPORTING THE TWO BUNK ROOM - BATH #2



ATTACHED GARAGE

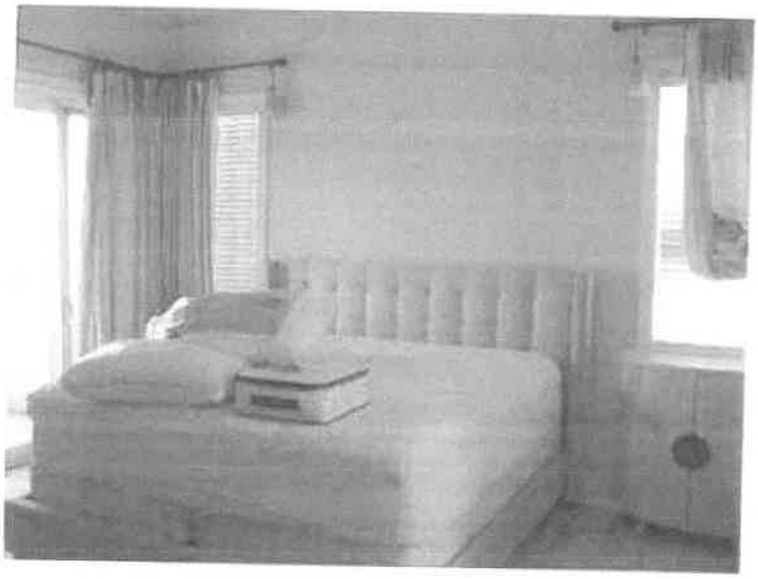
Second Floor Area Features Kitchen and Great Room and Sleeps Six (6)

KITCHEN

GREAT ROOM

DINING ROOM

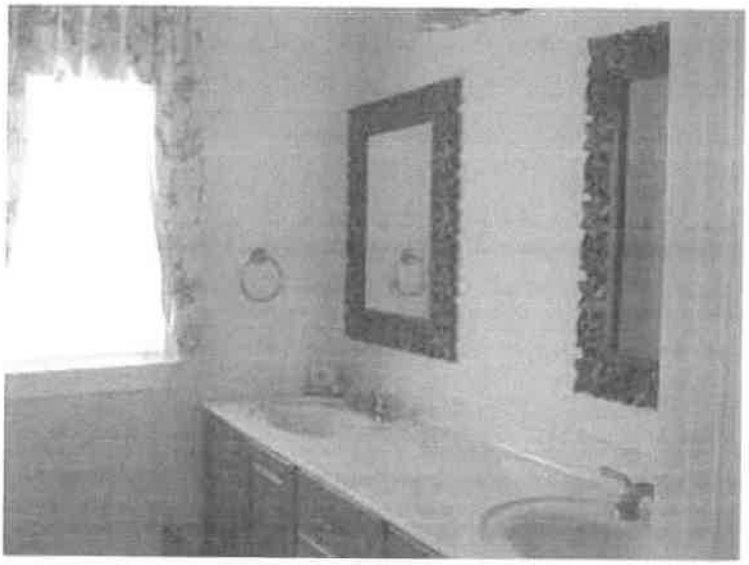
LAUNDRY



BEDROOM WITH KING SLEEPING TWO (2) AND SOFA SLEEPING TWO (2) - TOTAL OF FOUR (4) - BEDROOM #4

FULL BATH SUPPORTING BEDROOM #4 - BATH #3

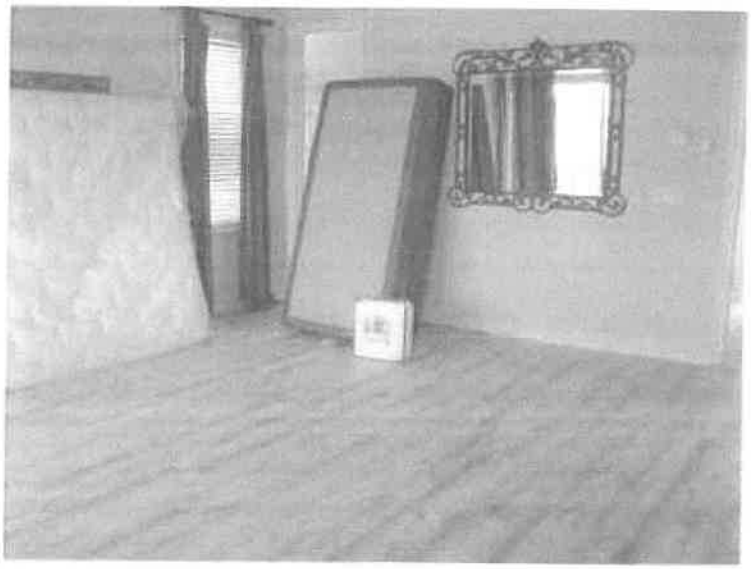
GREAT ROOM RE-PRESENTED AS IT WILL FEATURE SOFA SLEEPING TWO (2)



FULL HALL BATH SUPPORTING SECOND LEVEL - BATH #4

BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #5

FULL BATH SUPPORTING BEDROOM #5 - BATH #5



BEDROOM WITH A KING SLEEPING TWO (2) - BEDROOM #6

FULL BATH SUPPORTING BEDROOM #6 - BATH #6

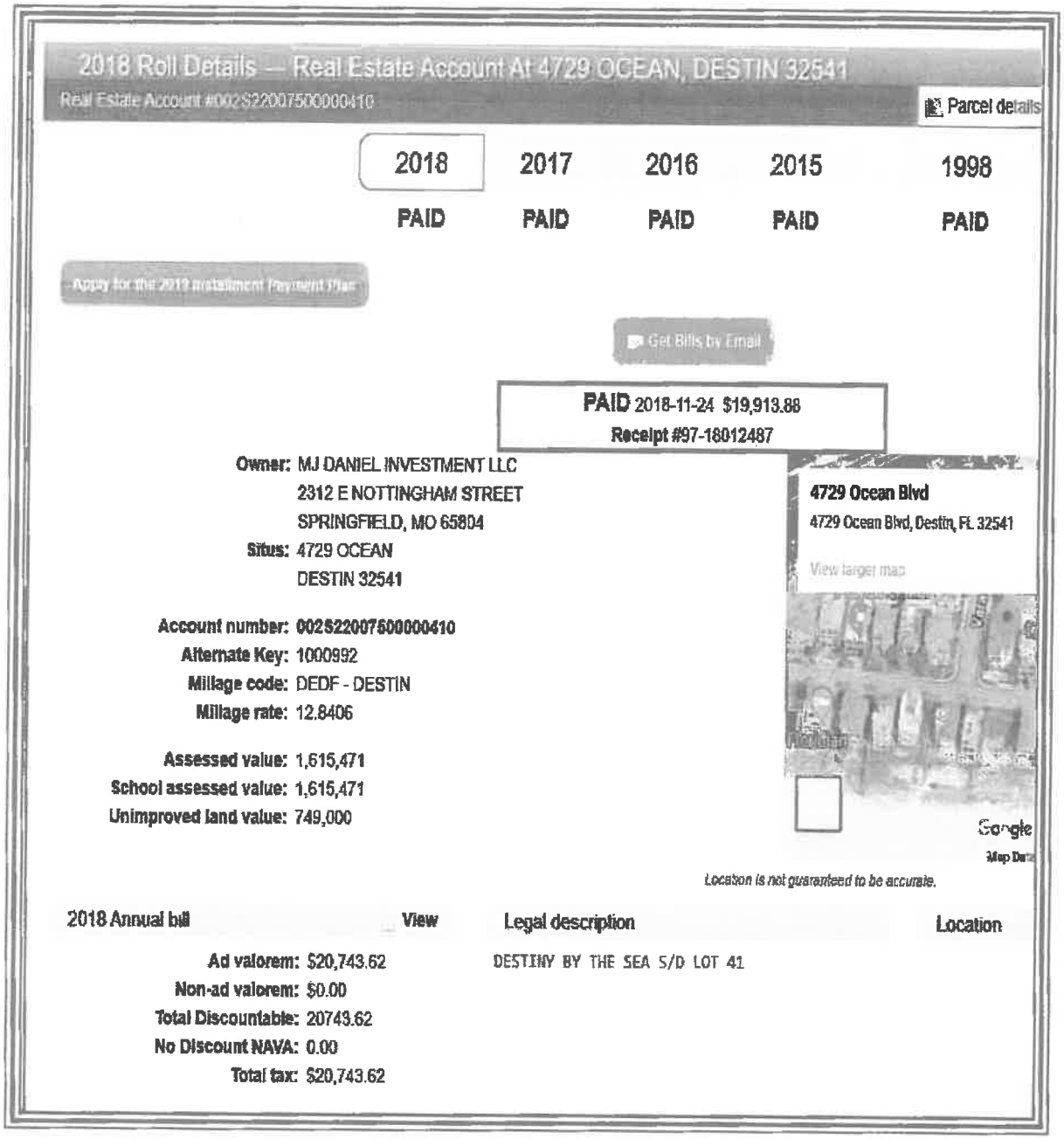
Tax Identification number, gross tax amount due, amount paid, and assessed value for the 2018 tax year.

Tax Identification Number	Assessed Value	Gross Tax Amount Due	Amount paid	Amt. Due
00-2S-22-0075-0000-0410	$1,615,471	$20,743.62	$19,913.88	None

The 2018 taxes were paid early, resulting in a discount.

There are no previous year taxes owing.

It is my experience that assessed value has little correlation with current market value and are typically lower than market value with a few exceptions.



2018 Roll Details — Real Estate Account At 4729 OCEAN, DESTIN 32541

Real Estate Account #002S22007500000410

Parcel details

2018	2017	2016	2015	1998
PAID	PAID	PAID	PAID	PAID

Apply for the 2019 Installment Payment Plan

Get Bills by Email

PAID 2018-11-24 $19,913.88
Receipt #97-18012487

Owner: MJ DANIEL INVESTMENT LLC
2312 E NOTTINGHAM STREET
SPRINGFIELD, MO 65804
Situs: 4729 OCEAN
DESTIN 32541

Account number: 002S22007500000410
Alternate Key: 1000992
Millage code: DEDF - DESTIN
Millage rate: 12.8406

Assessed value: 1,615,471
School assessed value: 1,615,471
Unimproved land value: 749,000

4729 Ocean Blvd
4729 Ocean Blvd, Destin, FL 32541
View larger map

Google

Location is not guaranteed to be accurate.

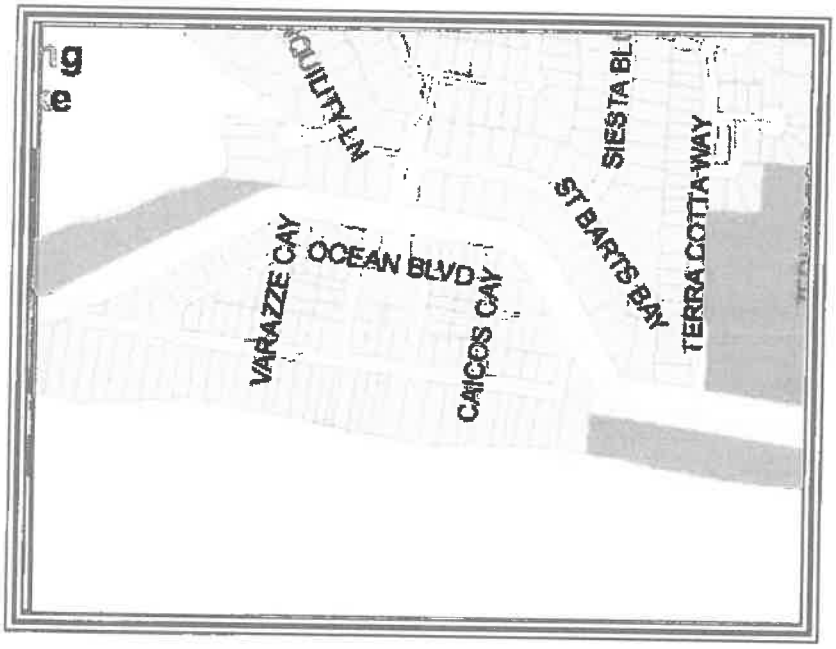
2018 Annual bill — View

Ad valorem: $20,743.62
Non-ad valorem: $0.00
Total Discountable: 20743.62
No Discount NAVA: 0.00
Total tax: $20,743.62

Legal description — Location

DESTINY BY THE SEA S/D LOT 41

Zoning:
The following map indicates zoning for the subject parcel. The subject is zoned Crystal Beach Neighborhood by Destin. See following pages for detailed identification of allowable uses.



LAND DEVELOPMENT CODE COMMENTS

The following excerpts were taken from the Destin Land Development Code, currently on line.

This first excerpt states that Crystal Beach Neighborhood designates seasonal or short-term residential uses for single-family detached dwellings as a permitted use. I note that this description of the Crystal Beach Neighborhood zoning designation is silent regarding the number of allowable guests and does not limit guest numbers.

Community Development Department
Planning Division
4200 Indian Bayou Trail, Destin, FL 32541
Phone (850) 337-3123 • Fax (850) 837-7949
www.cityofdestin.com/index.aspx?nid=91

ZONING DISTRICT FACTSHEET

The purpose and intent of establishing zoning districts is to ensure that all development is consistent with the goals, objectives and policies of the Comprehensive Plan, by establishing a series of zoning districts that indicate what uses are allowed and site development regulations that control the use of land in each district. All development within each zoning district shall be consistent with the purposes stated for each district. (LDC 7.12.05)

CRYSTAL BEACH NEIGHBORHOOD (CBN)

Purpose and intent: The Crystal Beach Neighborhood zoning district shall apply to areas developed, redeveloped and/or maintained and conserved as permanent or seasonal single-family detached or multi-family attached residential dwelling units. Very limited supportive non-residential uses are allowed and are strictly limited to: places of worship, parks, playgrounds, community buildings and similar public service facilities serving the residents of the area, childcare centers and other ancillary neighborhood commercial uses which are approved as part of a planned unit development (PUD) for the exclusive use of the residents of the PUD. It is the intent of the CBN zoning district to specifically not allow the following uses to be located in the district: commercial hotels, motels, bed and breakfast establishments, or other commercial transient living accommodations.

Table 7-2: Table of Allowable Uses (excerpt from LDC 7.12.06)

PERMITTED USES:

Permanent or long-term residential uses

Single-family detached dwelling
Guest house [1]
Accessory dwelling
Single room occupancy housing
Museums, historical sites, zoos & parks [10]
Religious organizations

Seasonal or short-term residential uses

Single-family detached dwelling

Other residential uses

Community residential home, small (1-6)
Family day care home

CONDITIONAL USES:

Other residential uses

Permanent or long-term Multi-family attached dwelling
Seasonal or short-term Multi-family attached dwelling
Community residential home, large (7-14)
Child day care services

ACCESSORY USES:

Uses and structures which are customarily accessory, clearly incidental and subordinate to permitted uses and structures, including home occupations and off-site businesses.

Footnotes:

1 Guest houses are permitted only if the owner of the subject property occupies the primary dwelling as his/her main residence. However, guest houses shall not be rented out separately from the main residence. (refer to LDC section 7.12.04.M).

10 Zoos are only allowed in the Industrial zoning district.

This second excerpt defines long term rental and short term rental. I again note that the definition of short term rental is silent regarding the number of allowable guests.

> Policy 1-2.1.1: Residential Uses Defined. Residential uses shall include several structure types used for housing, including single-family detached dwellings and multiple-family structures including duplex structures units, town homes and other detached single-family structures, apartments, patio homes, atrium homes, and similar multiple-family structures. The specific FLUM designations shall identify where single-family and multiple-family structures may be located. Following are the definitions for long-term residential and short-term residential.
>
> 1. Long-Term Residential. Long-term residential uses shall be defined as any residential accommodation that is available for occupancy for 181 days or more. Long-term residential uses shall include lock-out units, as defined in the Glossary.
> 2. Short-Term Residential. Short-term residential uses shall be defined as any residential accommodation that is available for occupancy for 180 days or less. Short-Term Residential uses shall include lock-out units, as defined in the Glossary.

This third excerpt defines the grandfather clause. This clause states clearly that the grandfather status may be released only by the vested entity

> Policy 1-2.1.5: Grandfather Clause. Existing land uses that were lawfully conforming uses prior to the effective date of the Comprehensive Plan, shall continue as lawful uses and shall be regulated through administrative remedies for vested rights issues that shall be included in the LDC. Building heights, density and/or intensity which (a) are actual present and which lawfully existed prior to the effective date of the Comprehensive Plan, or (b) were authorized pursuant to a development order, which development order remained unexpired as of the effective date of the Comprehensive Plan, shall continue to be legal building heights, density and/or intensity (as applicable) after adoption of the Comprehensive Plan. All duly approved and recorded lots, subdivision and condominium plats of record, which existed as legal lots, subdivision and condominium plats of record prior to the adoption of this Comprehensive Plan shall continue to be legal lots, subdivision and condominium plats of record after adoption of the Compre[illegible]p. This grandfather status may only be relinquished voluntarily by the vested entity. All [illegible]ions, condominium plats and all replats shall comply with the Com[illegible]ensive Plan objectives and Policies, including maximum density provisions. Similarly, all new develo[illegible]ment shall comply with the Comprehensive Plan and LDC unless the development is found to have a vested right in a land use, building height, density or intensity that is in conflict with the Comprehensive Plan and LDC. Under such condition the grandfather clause shall be applicable unless voluntarily relinquished by the vested entity. The intent is to sustain demonstrated private property rights while preserving the public interest, welfare, health, and safety. Notwithstanding, any single-family home that is subject to redevelopment shall be allowed to reconstruct providing adopted building and construction codes as well as this ordinance and the size and dimension criteria of the LDC are met.

CONCLUSION

Based on these excerpts, I conclude that prior to the first application of Ordinance 18-29-CC, there were no restrictions to the number of allowable guests.

History:
The subject has been owned by the current owner since 10/25/2013 when they purchased it for $1,600,000.

Based on this transfer date outside of three years, there is no requirement to analyze the previous sale.

Active Listings:
The subject is not listed for sale and has not been listed for sale in the previous three years.

Current Use:
The subject is currently a detached single family home used for seasonal rental, catering to large family groups.

Surrounding Uses:
The surrounding use in the Crystal Beach area is a mix of full time occupants and seasonal renters.

MARKET AREA ANALYSIS - SEASONAL RENTAL MARKET

I am restricting this analysis to the seasonal rental market.

Up until perhaps 2000, the great majority of seasonal rentals were condominium units.

However, the growing demand for larger spaces to accommodate extended families in one place led to the conversion of many larger homes to seasonal rents. It also spurred the construction of homes specifically designed for large rental parties.

Such homes feature typical living areas but emphasize a substantial number of bedrooms and baths. Often bedrooms are equipped with multiple built - in bunks for sleeping children.

Most homes also feature sofa sleepers which can sleep additional children.

Many of these homes, and certainly those recently constructed for this purpose, featured swimming pools and lanai areas as an exterior amenity.

This market has flourished as Destin is nationally recognized as a tourist attraction.

It is common to see Realtors addressing gross rental amounts or gross rental projections in MLS Listings. While the value of homes similar to the subject is partially estimated by a size / value per SF component, the fact that a home generates a substantial amount of income makes it a more attractive and safe purchase than a home which is not rented for seasonal income. In the past few years, income has become as important as selling prices, per SF.

Another factor worthy of discussion is that many owners now self - manage. Typically in the past, management of rentals was performed by one of several large real estate companies, such as Resort Quest, Dale Peterson, Newman Dailey and Southern Resorts. However, in the past 10 years a substantial number of smaller management companies have surfaced.

Management fees for seasonal rentals range from perhaps 15% to 25% of gross revenue.

Entrepreneurial owners have recognized this expense line and many now self - manage with the aid of Vacation Rental By Owner (VRBO) or some similar search engine.

The seasonal rental market is increasing in the Destin/Miramar Beach market as the thriving national economy allows discretionary vacations.

Without the first application of Ordinance 18-29-CC, allowing the planned capacity up to 20 guests, I would consider the seasonal rental market to continue to flourish over the next several years.

With the first application of Ordinance 18-29-CC, limiting the subject to 16 guests, I would project a diminution in value.

HIGHEST AND BEST USE 'AS IS'

Legally Permissible
The subject property is zoned (and designated for future land use) as *Crystal Beach Neighborhood (CBN)* by the City of Destin, Florida.

This zoning and land use designation allows for single-family use and specifically indicates that short term rentals is a permitted use (See page 37). The use of the subject for single-family short-term rentals is therefore allowed in this district.

Physically Possible
The subject property appears to be relatively level and well drained. Soil and subsoil conditions nearby appear compatible with both low-rise, multi-story use and traditional commercial development. All utilities required for commercial or 'mixed use' are presently at the site. The size and dimensions of the site are sufficient to allow a wide variety of legally permissible uses. The shape of the site is rectangular and this shape does not limit utility. Transportation of construction materials or labor to the site is estimated to be relatively simple due to the central location of the site within the overall market. Access to the site is above average.

However, the most compelling substantiation that the subject is physically possible is the fact that it already exists.

Therefore, use of the subject property for single family use as a seasonal rental is physically possible.

Financially Feasible
Value opinions derived in the income approach to value indicate the existing improvement contributes value to the underlying land. There is substantial other ongoing seasonal rental use in the market, suggesting that there is broad appeal for seasonal rental properties.

Therefore, continued use of the subject property for a detached single family residence used for seasonal rental income is financially feasible.

Maximally Productive
The alternatives of addition, demolition, expansion, modernization, or conversion to alternate uses have been considered within the legal, physical, and financially feasible parameters. Several alternatives exist.

Alternatives for use of improvements:

Expansion
The existing subject improvement is 3,857 HVAC SF. The subject is typical of most seasonal rental homes. Thus, there is no need for expansion. Any expansion would come at a cost of parking and/or access. Thus, expansion beyond what is existing, does not appear to be appropriate and feasible.

Renovation
Typically, any existing property could benefit from renovation. However, the subject has been well maintained and is in good condition. Thus, I would not consider imminent renovation to be required or practical.

Downsizing
The existing subject improvements are 3,857 HVAC SF. I see no reason to downsize the subject improvement as it appeared that all of it is usable space. Thus, downsizing beyond what is existing does not appear to be appropriate, physically possible or feasible.

Subdividing
The purpose of the subject is to lease it seasonally to large parties of guests. Subdivision would not be legally approved and does not appear to be financially prudent as the parties of guests would be smaller and grouping smaller parties together in the same pool could prove problematic. I would not consider subdivision to be prudent or feasible.

Demolition
The subject is a recently constructed home in 2002 and is currently in good condition. It features a probable 40 years of remaining economic life and a probable 60-65 years of remaining physical life.

I do not consider demolition and replacement with alternative improvements to be a superior use to the current use as a rental property. No alternative use would be certain to serve the land better. Thus, the subject is not a candidate for demolition.

Utilizing existing improvements
Continued use 'as is' as a seasonal rental, is considered the maximally productive use.

Conclusion of Highest and Best Use 'as is'
Analysis of recent trends and current market supply and demand indicate that the maximally productive highest and best use of the subject property is continued use as a detached single family residence used for seasonal rental income.

Conclusion of Highest and Best User 'as is'
Analysis of recent trends and current market supply and demand strongly indicate the most probable user is an entrepreneurial user who leases the subject for seasonal rental income with a small amount of personal use.

SUMMARY OF ANALYSIS AND VALUATION

Methodology

Site valuation derived from Sales Comparison Analysis involves direct comparisons of the subject property to similar properties selling in the marketplace to derive a comparative value indication for the subject property 'as if vacant,' as of the effective date of value. This approach is also called the 'direct sales comparison approach', or the 'market approach', and tends to be the most reliable approach for developing an opinion of the value of vacant land or sites available for development. Other methods of developing the value of land are available. Allocation, extraction, land residual, ground rent capitalization, and discounted cash flow analysis are all recognized as reasonable method of valuation.

The cost approach is a reliable methodology for new, or nearly new, buildings. I estimate the replacement cost or reproduction cost, in this case replacement construction cost, of the existing or existing improvements and site improvements (including direct and indirect costs as well as an appropriate developer profit), deducting accrued depreciation from physical, functional, and external sources from the total replacement or reproduction cost new. The depreciated replacement or reproduction cost of the improvements is added to the value of the site resulting in a value indication of the fee simple interest in the property.

The sales comparison approach is based on the 'Principle of Substitution' which indicates an informed purchaser would pay no more for a property than the cost of acquiring an equally desirable substitute property with the same or similar utility. This approach is applicable when an active market provides sufficient quantities of reliable data which can be verified from authoritative sources. The Sales Comparison Approach is reliable in an active market or if an opinion of value is related to properties which there are comparable sales available. This approach to value is also relevant when sales data can be verified with the principals to the transaction. Heavy emphasis is usually placed on this approach to value in an active market.

The income approach is recognized as a reliable approach for developing an opinion of the value of 'income producing' property to an investor. The income approach consists of methods, techniques, and mathematical procedures an appraiser uses to analyze a property's capacity to generate income and convert income into an indication of present value either by capitalizing the current income at a market capitalization rate or discounting the future cash flows into a present value estimate using an appropriate yield (discount) rate. The appraisal process emulates the market, and the most probable purchaser would either be an investor or prospective owner occupant. Two (2) techniques associated with the income approach are direct capitalization and discounted cash flow analysis.

Methodology employed and explanation of the exclusion of any of the three (3) approaches to value

I am not performing cost analysis. A buyer and seller in the market would not care what it cost to build the subject. In addition, the problem to be solved is to drive the diminution in value based on the guest restrictions included in Destin Ordinance 18-29-CC. The number of guests would have no impact on the cost to construct.

I am not performing sales comparison analysis. The impact of Destin Ordinance 18-29-CC may not be evident in the market for several years in the selling prices of homes. The ordinance allows a five year grandfather period. Homes sold in this grandfather period may not indicate a decline in selling prices and it would not be reliable to estimate diminution in value based on comparable sales until a larger array of data was available for use in sales comparison analysis.

I am performing income analysis. I will identify probable annual income for the subject based on historical income and projected income from the new manager; and then identify market rents which support the subject contract rent. I will then identify operating expenses and subtract operating expense from gross rent to arrive at a net operating income (NOI). I will then apply a market based capitalization rent to the NOI to arrive at a value for the subject, prior to the first application of Destin Ordinance 18-29-CC.

I will then identify the rental incomes for homes which are allowed only 16 guests. I will then subtract expenses for the rents of 16 guest homes and arrive at their NOI. I will then derive a value by capitalizing this NOI.

Finally I will subtract the value for a 16 guest house from the value of a 20 guest house and this figure will be the diminution in value.

COST ANALYSIS NOT PERFORMED

SALES COMPARISON ANALYSIS NOT PERFORMED

INCOME ANALYSIS
'AS IS'

DESCRIPTION OF INCOME ANALYSIS METHODOLOGY

The income approach to value is based on the principle of anticipation, in that the value of the subject property correlates to the present worth of the future right to receive benefits in the form of income to be received by the owner. The income approach considers the property from an investment interest with the assumption that the amount of income, coupled with the regularity and quality of the income stream, are the basis for valuing the property based on income analysis.

The income approach is applied by identifying the net income by first identifying gross income and then deducting from the gross income the expenses of operating a property to arrive at a net income, generally identified a Net Operating Income (NOI).

The estimated NOI is then converted to a value opinion by utilizing either a Discounted Cash Flow Analysis, or a Direct Capitalization Analysis, or both.

Discounted cash Flow Analysis:
The Discounted Cash Flow Analysis (DCF) is an analysis where a discount rate is applied to a series (typically several years) of income streams with a reversion after typically 7 to 10 years. The appraiser must specify the quantity, variable nature of the income, timing of payments (monthly/quarterly/annually) to a present value at a specified yield rate. The DCF analysis is most applicable when the net income is projected to be variable and when the property is on a sufficient size and investment value to influence market participants to evaluate purchase decisions based on DCF. A large strip retail center would be a good candidate for DCF analysis, as would a project to be constructed in phases, where the income would increase as new construction is added.

I note that I did not perform DCF analysis as it is my opinion that market participants would not use DCF analysis to base decisions to either purchase or sell properties such as the subject.

Direct Capitalization:
The conversion of a net income to a current value is called capitalization. Capitalization is a method which is used to convert the estimate of a single year's net income actual figures and/or expectancy of income into a value opinion by dividing the income by a appropriate rate of capitalization, as estimated by the appraiser. This technique employs capitalization rates derived from the market, using both capitalization rates from recent sales of similar properties, generally augmented by national indices, or other mathematical progressions. This process provides a one year snap shot of the property value. Future yields and values are not directly identified. The direct capitalization analysis is most appropriate for small to medium sized income producing properties, in stable markets with a forecast of generally stable income.

The procedural steps involved in capitalization are as follows:

Develop the probable gross income by identifying historical performance, income projections and market incomes from comparable properties which support the historical or projected subject income.

Estimate vacancy and collection losses to arrive at Effective Gross Income (EGI).

Estimate and subtract operating expenses to arrive at NOI.

Develop a capitalization rate which is supported by the market.

Divide the NOI by the capitalization rate to derive a value opinion.

I am employing the direct capitalization analysis to derive values in this analysis.

I note for the reader that steps #1 and #2 are generally combined in the analysis of seasonal resort properties. Owners and management companies tend to provide actual income which has already accounted for vacancy and collection loss.

ESTIMATE OF CAPITALIZATION RATE

The capitalization rate is a rate which is applied to the Net Operating Income (NOI) to derive a value for a property. As the chart below indicates, you can derive a capitalization rate by dividing the NOI by the purchase price.

The following excerpt will provide some explanation of capitalization rates.

Capitalization rates are used in a formula. As seen below, dividing the net operating income by the purchase price indicates the capitalization rate.

Another variation of the formula is to divide the net operating income by the capitalization rate and this process will indicate the value of the property.

What Is a Cap Rate?

A cap rate is simply a formula. It's the ratio of a rental property's net operating income to its purchase price (including any upfront repairs):

Cap Rate =

Net Operating Income (NOI) ÷ Purchase Price

The formula can be used on the level of an individual property by looking at its net operating income compared to its value. But it can also be used on the level of an entire market by taking *average* cap rates for a large group of properties.

Importantly, the cap rate formula does NOT include any mortgage expenses. As you can see in the formula for net operating income below, the expenses do not include a mortgage or interest payment.

Gross Rental Income
- Vacancy/Credit Loss Reserve
- Property Taxes
- Property Insurance
- Maintenance/Repairs
- Common Utilities (if any)
- Other expenses (ex: license)

= Net Operating Income

MARKET CAPITALIZATION RATE BASED ON NATIONAL INDICE

Capitalization rates range widely in the market. The following table derived from Realty rates.com indicate a wide variety of capitalization rates base on property types. This table contains very recent data from the first quarter 2019.

As can be seen, properties such as restaurants and lodging (motels and hotels) have high capitalization rates. Apartments (residential) have the lowest capitalization rates.

Realty rates does not include a separate category of single family detached homes.

RealtyRates.com INVESTOR SURVEY - 1st Quarter 2019*
CURRENT & HISTORICAL CAP RATE INDICES

Method-Weighted* Property Category Indices

	Apts		Golf		Healthcare Senior Housing		Industrial		Lodging		MH/RV Park		Office		Retail		Restaurant		Self Storage		Special Purpose		Weighted* Composite Indices	
		BP		BP		BP		BP		BP		BP		BP		BP		BP		BP		BP		BP
Year	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg
2018	9.42	26	12.02	39	9.01	14	9.19	23	10.53	25	9.56	30	9.04	10	9.38	20	11.57	15	9.66	23	11.64	40	9.54	22
4th Qtr	9.46	9	12.08	11	9.07	11	9.23	7	10.53	1	9.62	13	9.09	13	9.44	10	11.62	11	9.92	13	11.71	11	9.60	9
3rd Qtr	9.37	-4	11.97	-5	8.96	-2	9.16	-5	10.52	-7	9.50	-5	8.95	-6	9.33	-3	11.51	-4	9.79	-7	11.60	-3	9.53	-5
2nd Qtr	9.41	3	12.02	5	8.99	3	9.21	5	10.59	6	9.55	5	9.00	0	9.36	4	11.56	4	9.86	6	11.63	5	9.64	4
1st Qtr	9.38	23	11.97	28	8.96	13	9.16	22	10.52	31	9.50	28	9.00	5	9.32	17	11.52	26	9.81	25	11.58	34	9.60	21
2017	9.15	4	11.73	-2	8.87	-6	8.95	-12	10.28	5	9.26	11	8.94	-22	9.19	-9	11.42	-15	9.57	-9	11.25	4	9.42	-6
2016	9.13	-2	11.75	8	8.92	12	9.08	15	10.22	0	9.15	15	9.16	16	9.27	12	11.57	-10	9.67	14	11.21	10	9.48	9
2015	9.15	-9	11.69	-14	8.90	-9	8.93	-10	10.22	-20	8.99	-19	9.00	-6	9.15	-11	11.66	-13	9.52	-22	11.11	-12	9.40	-12
2014	9.24	-15	11.83	-9	8.89	-1	9.03	-4	10.43	-17	9.17	-5	9.06	-22	9.26	15	11.79	-6	9.75	-20	11.24	14	9.52	-7
2013	9.39	14	11.92	-14	8.90	5	9.07	-2	10.60	3	9.22	14	9.28	-19	9.11	-4	11.98	9	9.95	-24	11.10	1	9.59	-2
2012	9.25	-35	12.07	6	8.85	-36	9.09	-40	10.57	-24	9.68	-39	9.47	3	9.15	-13	11.77	6	10.19	-49	11.09	-4	9.60	-21
2011	9.60	-23	12.00	-22	9.21	-40	9.49	-11	10.81	-24	9.48	-8	9.44	-10	9.28	-26	11.70	-14	10.69	-3	11.12	-17	9.81	-19
2010	9.69	4	12.22	5	9.62	15	9.60	12	11.05	7	9.56	22	9.54	16	9.54	26	11.94	12	10.72	21	11.30	0	10.00	13
2009	9.65	9	12.17	16	9.47	10	9.48	10	10.98	-7	9.33	1	9.39	29	9.29	29	11.72	15	10.50	37	11.30	8	9.87	14
2008	9.77	-4	12.01	29	9.37	-16	9.38	-14	11.05	56	9.32	-5	9.09	-16	9.09	-11	11.57	-28	10.13	20	11.22	-7	9.74	-1
2007	9.81	-45	11.72	-21	9.53	-65	9.52	-26	10.49	-29	9.37	-26	9.25	-47	9.20	-12	11.85	61	9.93	-38	11.29	-24	9.75	-26
2006	9.26	12	11.93	47	10.18	15	9.77	38	10.77	27	9.63	41	9.72	26	9.32	30	11.24	18	10.31	27	11.53	9	10.03	28
2005	9.14	16	11.46	60	10.03	-16	9.42	-30	10.60	-21	9.22	19	9.46	6	9.02	16	11.06	6	10.04	13	11.44	-30	9.77	2
2004	9.00	-19	10.66	28	10.19	-37	9.72	19	10.71	-98	9.03	-48	9.40	-4	8.86	-19	11.01	-15	9.91	-13	11.74	-30	9.75	-19
2003	9.19	-2	10.38	-32	10.56	64	9.53	33	11.69	56	9.51	-11	9.44	1	9.05	-19	11.16	9	10.04	-53	12.04	105	9.94	12
2002	9.21	-40	10.70	18	9.92	-39	9.20	-61	11.13	26	9.62	-60	9.43	-35	9.23	-62	11.08	-3	10.57	-12	10.99	-177	9.82	-41
2001	9.61	64	10.52	133	10.31	99	9.81	16	10.87	99	10.22	-68	9.78	-35	9.95	-53	11.11	47	10.69	13	12.76	32	10.23	21
2000	8.97		9.19		9.41		9.65		9.89		10.90		10.13		10.38		10.64		10.56		12.44		10.01	

* Weighted by methodology: Band-of-Investment, DCR Technique, Sales Survey

* Further weighted by property category

ADDITIONAL DATA ON CAPITALIZATION RATES

The following chart provides some additional data regarding capitalization rates for apartments in some major metropolitan centers.

These rates are lower than the overall national rate for apartments identified on the previous page. I attribute this to the fact that the cities below are major metropolitan areas with a high density of population which keeps occupancy high and inspires investor confidence. In this regard, the Destin seasonal rental market is similar in its high density and national appeal.

Cap Rates For Stabilized, Class A Multifamily Apartments By City – 2017 (2nd Half)

San Diego	4.25%
Chicago	4.75%
Atlanta	5.00%
Philadelphia	5.25%
St. Louis	5.75%
Cleveland	6.25%
Pittsburgh	6.50%
Detroit	7.25%

Single family homes are seldom valued via income capitalization. Most homes are owner occupied and the issue of rent and valuation through rent is generally not applicable. However, I identified the following excerpt rom the internet which indicates a range of capitalization rates from 4% to 10% for single family homes. The reader will note in the excerpt immediately above that high demand areas feature lower capitalization rates and lower demand areas feature higher capitalization rates. I would again observe that Destin is a high demand area in the seasonal rental market. Thus, I would consider it probable that capitalization rates for singe family homes in Destin were toward the low side of the 4% to 10% range.

Cap Rate for Single Family Home

Professionals purchasing commercial properties, for example, may buy at a 4% cap rate in high demand areas, or a 10% (or even higher) cap rate in low-demand areas. Generally, 4% to 10% per year is a reasonable range to earn for your investment property. Continuing with our example from above, $17,000/ 5% = $340,000.

The following are two excerpts from the internet indicating that Panama City Beach, Florida boasts a very low capitalization rate of 4.9% and that the Destin, Florida market features a 4.7% capitalization rate for Airbnb rentals.

9. PANAMA CITY BEACH, FL

- *Short-Term Rental Cap Rate: 4.9%*

White sandy beaches, clear water, fishing piers, protected nature reserves, hiking trails... what more do you need to be convinced that Panama City Beach is one of the best places around the US to invest in a vacation rental.

Property prices are affordable with a median level of $334,700, while short-term rental income stands around $3,260. The average cap rate for vacation rentals is 4.9%.

2. Destin

- *Median Property Price:* $695,000
- *Airbnb Rental Income:* $2,720
- *Traditional Rental Income:* $1,610
- *Airbnb CoC Return:* 2.3%
- *Traditional CoC Return:* 0.5%
- *Airbnb Cap Rate:* 4.7%
- *Traditional Cap Rate:* 2.8%
- *Airbnb Occupancy Rate:* 58.4%

The second among the best places to buy a vacation home in Florida is Destin, with rental income from Airbnb just a few dollars below St. Augustine. However, this location is significantly more expensive. But it has a very important advantage for all those loving nature and sports – it is very famous for the fishing opportunities that it offers.

Conclusion:

I have provided an array of capitalization rates from national data ranging from a low of 4.7% to a high of 8.42%.

I am selecting a rounded rate of 6.25%, recognizing that there are established capitalization rates both higher than, and lower than, the reconciled 6.25%.

I am confident that a capitalization rate of 6.25% is well supported by national data.

I also note that the most similar rate is the 4.7% Airbnb rate in Destin, which suggests that a 6.25% rate may be conservative.

MARKET CAP RATE DATA BASED ON LOCAL SALES OF HOMES USED FOR SEASONAL RENTAL

In addition to the national data provided above, I am also providing some data from actual sales in the local market.

I have some professional acquaintances who specialize in the management of large homes used for seasonal rentals. I have asked them to provide me some actual data from recent sales to help derive a local data base of capitalization rates.

On 7/13/2018, Frangista Beach E16 LLC (Nick Athens - a professional acquaintance well known to me) sold 3491 Scenic Highway 98 to Rich Rentals for $3,000,000. This house is 6,008 HVAC SF and features nine (9) bedrooms and 9.5 baths. It is very similar to the subject and is a very good comparable indicator of capitalization rates. Mr. Athens stated that the net operating income was $172,340. Dividing $172,340 by $3,000,000 indicates a capitalization rate of 5.74%.

On 9/4/2015, Nick and Tina Athens sold 1850 - 1852 Scenic Gulf Drive in Miramar Beach to Forty-Four Holdings for $2,205,000. This was two side by side homes in Frangista Beach which were an aggregate 3,460 HVAC SF and which features Five (5) bedrooms and 7 baths. Mr. Athens stated that the net operating rent was $133,200. Dividing $133,200 by $2,025,000 indicates a capitalization rate of 6.58%. I do not consider it a coincidence that the home with the fewest bedrooms featured the highest capitalization rate.

On 2/10/2016, Destiny Real Estate Ventures LLC (Ben Giles - a professional acquaintance well known to me) sold 3463 Scenic Highway 98 to Charles Barone for $3,615,000. This house is 6,465 HVAC SF and features eight (8) bedrooms and 6.5 baths. It is very similar to the subject and is a very good comparable indicator of capitalization rates. Mr. Giles stated that the net operating income was $222,125. Dividing $222,125 by $3,615,000 indicates a capitalization rate of 6.15%.

On 1/11/2019, Kevin Hense sold 2984 Scenic Highway 98 to Russell and Susan Hancock for $3,000,000. This house is 3,997 HVAC SF and features six (6) bedrooms and 5.5 baths. It is very similar to the subject and is a very good comparable indicator of capitalization rates. Mr. Hense stated that the net operating income was $176,000. Dividing $176,000 by $3,000,000 indicates a capitalization rate of 5.87%.

On May 18, 2018, Sapp Investments LLC sold 4659 Destiny Way to the Lindholm Family Revocable Living Trust for $2,500,000. Mr. Lindholm stated to me that income for 2018 was an aggregate of $293,500. He also stated that expenses were an approximate $115,025, resulting in approximate $178,475 of net operating income (NOI). Dividing $178,475 by $2,500,000 indicates a capitalization rate of 7.14%.

RECAPITULATION OF LOCAL MARKET CAPITALIZATION RATES

The following table summarizes the capitalization rates identified in the narrative above.

Property Address	Capitalization Rate
3491 Scenic Highway 98, Destin	5.74%
1850 Scenic Gulf Drive, Mirimar Beach	6.58%
3463 Scenic Highway 98, Destin	6.15%
2984 Scenic Highway 98, Destin	5.87%
4659 Destiny Way, Destin	7.14%
Average	6.29%
Rounded	6.25%

I consider a rounded capitalization rate of 6.25%, derived from local data, to be a market supported rate which is both credible and reliable, as well as being consistent with national data which brackets the final capitalization rate selection.

For this reason, I am selecting a 6.25% capitalization rate.

ESTIMATE OF VALUE PRIOR TO THE FIRST APPLICATION OF DESTIN ORDINANCE 18-29-CC

Based on the current zoning and the Destin Land Development Code previously discussed, there is currently no limit to the number of guests allowed in the subject improvement. The subject can accommodate up to twenty (20) guests based on the data provided by the owner and my identification of sleeping capacity previously identified.

CURRENT CONTRACT RENT
I note that seasonal rentals are typically described with annual rental amounts as opposed to more consistent monthly rental rates.

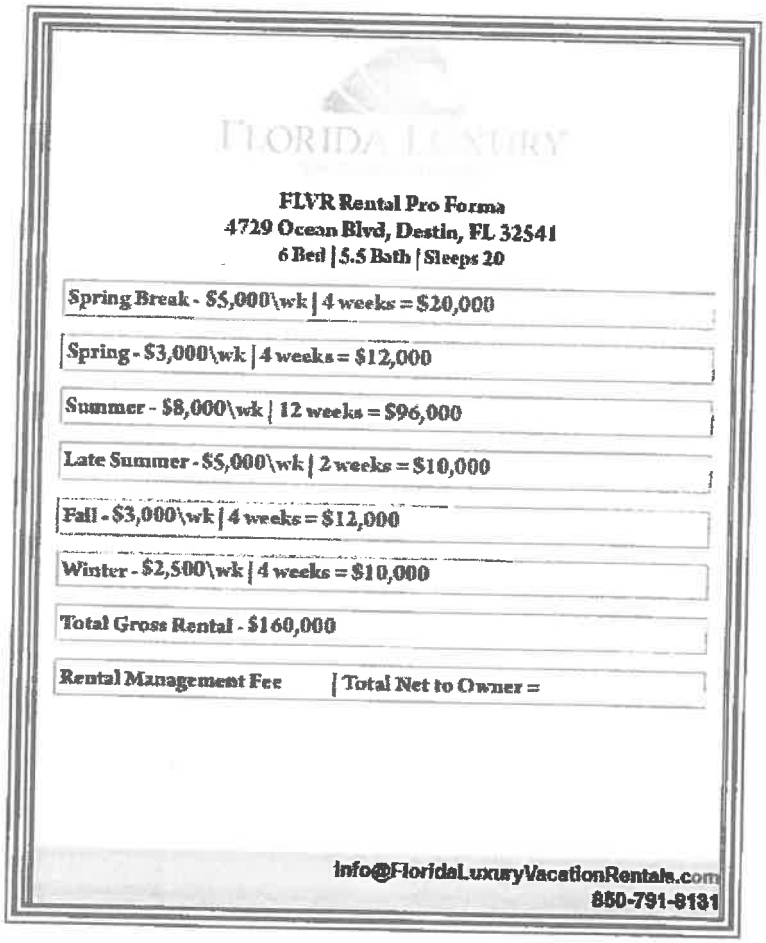
Such rental amounts are generally described using gross income data, and/or projections of gross income data.

Appraisers need to then examine expenses to arrive at a net operating rent to capitalize. Expenses to gross revenue are ad valorem taxes, flood and hazard insurance, HOA dues, maintenance and repairs, utilities, lawn maintenance, pest control, professional fees and reserves. I note that interest/mortgage payments and depreciation are not expenses when capitalizing property for value.

In the case of the subject, it has been managed by a management company. The owner provided me with gross income and expenses from 2018 which indicated gross income of $108,191 and expense of $53,521 which is an approximate 49% expense ratio.

4729 Ocean (Vita La Bella): $108,191 vs $ 53,521

I note that the owner was not satisfied with the performance of the previous management company and has made a move to Destin Luxury Rentals. The new company provided me a projection for 2019 of their expected gross income as follows:



FLORIDA LUXURY

FLVR Rental Pro Forma
4729 Ocean Blvd, Destin, FL 32541
6 Bed | 5.5 Bath | Sleeps 20

Spring Break - $5,000\wk | 4 weeks = $20,000
Spring - $3,000\wk | 4 weeks = $12,000
Summer - $8,000\wk | 12 weeks = $96,000
Late Summer - $5,000\wk | 2 weeks = $10,000
Fall - $3,000\wk | 4 weeks = $12,000
Winter - $2,500\wk | 4 weeks = $10,000
Total Gross Rental - $160,000
Rental Management Fee | Total Net to Owner =

info@FloridaLuxuryVacationRentals.com
850-791-8131

It can be seen that there is quite a difference between $108,191 and $160,000.

I would suspect that a more credible and reasonable (USPAP Standard) would fall between the 2018 actual and the 2019 projection.

To refine the gap between $108,191 and $160,000, I will use market data to estimate a credible and reasonable ret projection.

MARKET SUPPORT FOR GROSS INCOME ESTIMATE

Some of these comparables were provided to me by Ben Giles, an owner of several large homes. Other owners who provided data were Tari Furey, Nick Athens and Kevin Hense.

Address	Gross Income	Guest capacity	Income per guest
42 Miami Street	$463,852	34	$13,643
3487 Scenic Highway 98	$305,393	32	$9,545
3463 Scenic Highway 98	380,000	32	$11,875
3461 Scenic Highway 98	$364,723	36	$10,131
107 Hollywood Street	$289,647	38	$7,622
112 Sandprint Circle	$325,000	30	$10,833
4664 Destiny Way	$275,000	20	$13,750
2984 Scenic Gulf Drive	$263,000	22	$11,954

The average of these eight market comparable rentals is $11,169. The three most similar homes are the last three based on the smaller number of guests as compared to the first five rentals. However, two of these sales are gulf front homes and the third is a front row home in Destiny with unobstructed gulf views. All are arguably superior to the subject in either location or view, or perhaps both.

Based on this data, I consider a value per guest of $7,500 to be a credible and reasonable market based opinion of annual rent.

The subject can accommodate 20 guests. Multiplying 20 by $7,500 per guest results in an annual gross income of $150,000, relatively consistent with the Florida Luxury Vacation Rentals projection of $160,000.

MARKET SUPPORT FOR GROSS TO NET RATIO

RATIO OF GROSS TO NET INCOME

I have attempted to derive gross and net income figures for comparable properties in the market. However, my research indicates that many owners and property managers are unwilling to divulge private financial information, especially the net income.

Thus, I will provide some market examples of properties where clients or close associates did divulge data.

The first example is a detached home located at 112 Sandprint Circle in the Dunes of Destin. The owners, Edward and Tari Furey, provided me with detailed data regarding income and expenses. They indicted annual revenue of $325,000 and annual expense of $100,000. This suggests an expense ratio of $100,000 / $325,000, or 31%, rounded.

I again spoke to Nick Athens who still owns a detached house at 4664 Destiny Way which grossed $275,000 in 2018. The expenses for this property were an approximate $89,000. This suggests an expense ratio of $89,000 / $275,000, or 32% rounded.

As a third indicator, I spoke to Kevin Hense, who sold a detached house at 2984 Scenic Highway 98 for $3,000,000 on 1/11/2019. Mr. Hense indicated that the 2018 gross rent was $263,000 and that the expenses were $87,000. This suggests an expense ratio of $87,000 / $263,000, or 33%, rounded.

I am also providing the following data from the client regarding his six homes in Destin, to include the subject.

4722 Ocean (Camelot) : Revenues $200,947 vs Expense $89,056
4729 Ocean (Vita La Bella): $108,191 vs $ 53,521
4742 Ocean (Tuscany) : $271,198/ $88,722
4782 Ocean (Casa Oceana) : $145,466/ $53,472
3425 Scenic HWY 98 (Commander's Palace) : $165,123/ $63,997
3467 Scenic HWY 98 (Sand Castle By the Sea) : $114,690/ $67,883

These six operating expense ratios in order are 44% / 49% / 33% / 37% / 39% and 59% with the subject indicating a 49% expense ratio.

I consider the historical operating expense ratios for the six homes owned by the client to be higher than typical in the market. This is because of the low income amounts, which perhaps can be attributed to previous inefficient management. Lower income will lead to high operating expense ratios as the fixed costs of taxes and insurance are constant regardless of the number of guests/gross income.

Because I consider that it will require at least a season to 'right the ship', I will use an operating expense ratio of 40%, above the market comparables above.

The next step is applying the previously calculated expense ratio to the gross rent to arrive at a net operating rent average for the five comparable rentals. Applying a 40% expense ratio to $160,000 results in a net rent of $96,000.

Capitalizing $96,000 with a 6.25% capitalization rate results in a value of $1,536,000, rounded to $1,535,000.

It is my professional opinion that the subject value, prior to the first application of Destin Ordinance 18-29-CC is $1,535,000, based on income analysis.

$1,535,000

ESTIMATE OF VALUE AFTER THE FIRST APPLICATION OF ORDINANCE 18-29-CC

Destin Ordinance 18-29-CC reduces the subject sleeping capacity to 16 guests as the limit is two guests per bedroom, plus four (4) additional guests. There are six (6) bedrooms. Thus, 2 x 6 = 12 + 4 = 16.

I note for the reader that the ordinance states clearly that a bedroom must meet the requirements of the Okaloosa County Property Appraiser who states that a bedroom has a door, a window and a closet. The Okaloosa County Property Appraiser states that the subject is a six bedroom house.

It is my opinion that the limit of 16 guests will have a negative impact on value.

To estimate the difference, I need to research the market for homes which are limited to smaller guest totals

Market research results in the following comparable rentals.

MARKET SUPPORT FOR GROSS INCOME ESTIMATE

Some of these comparables were provided to me by Jordan Shane, Florida Luxury vacation Rentals, Cheryl St.Pe', Destin Comforts and Ben Giles.

Address	Gross Income	Guest capacity	Income per guest
3893 Sandprint Circle	$118,796	20	$5,939
113 Los Angeles Street	$137,308	19	$7,227
1737 Scenic Highway 98	$144,814	20	$7,241
100 Sandprint Circle	$105,000	20	$5,250
84 Woodward Street	$80,560	12	$6,713
212 Kono Way	$74,815	12	$6,235
75 Shirah Street	$79,885	14	$5,706

The average of these seven market comparable rentals is $6,330. The three most similar homes are the last three based on the smaller number of guests as compared to the first four rentals. However, the subject is located in a gated, gulf front subdivision. I consider the subject to command a higher rate per guest than the above averages.

Based on this data, I consider a value per guest of $7,500 to be a credible and reasonable market based opinion of annual rent.

Based on the impact of Ordinance 18-29-CC, the subject will be limited to 16 guests.

Multiplying $7,500 per guest by 16 guests results in gross annual rent of $120,000.

The next step is applying the previously calculated expense ratio to the gross rent to arrive at a net operating rent (NOI).

Applying a 40% expense ratio to $120,000 results in a net rent of $72,000.

Capitalizing $72,000 with a 6.25% capitalization rate results in a value of $1,152,000, rounded to $1,150,000.

It is my professional opinion that the subject value, after to the first application of Destin Ordinance 18-29-CC is $1,150,000, based on income analysis.

$1,150,000

ESTIMATE OF THE DIMINUTION OF VALUE

My research and analysis indicates that the value of the subject based on the right to sleep 20 guests is a rounded $1,535,000.

My research and analysis indicates the value of the subject based on the limit to sleep only 16 guests is a rounded $1,150,000.

It is my opinion the first application of Destin Ordinance results in an approximate $385,000 diminution of value.

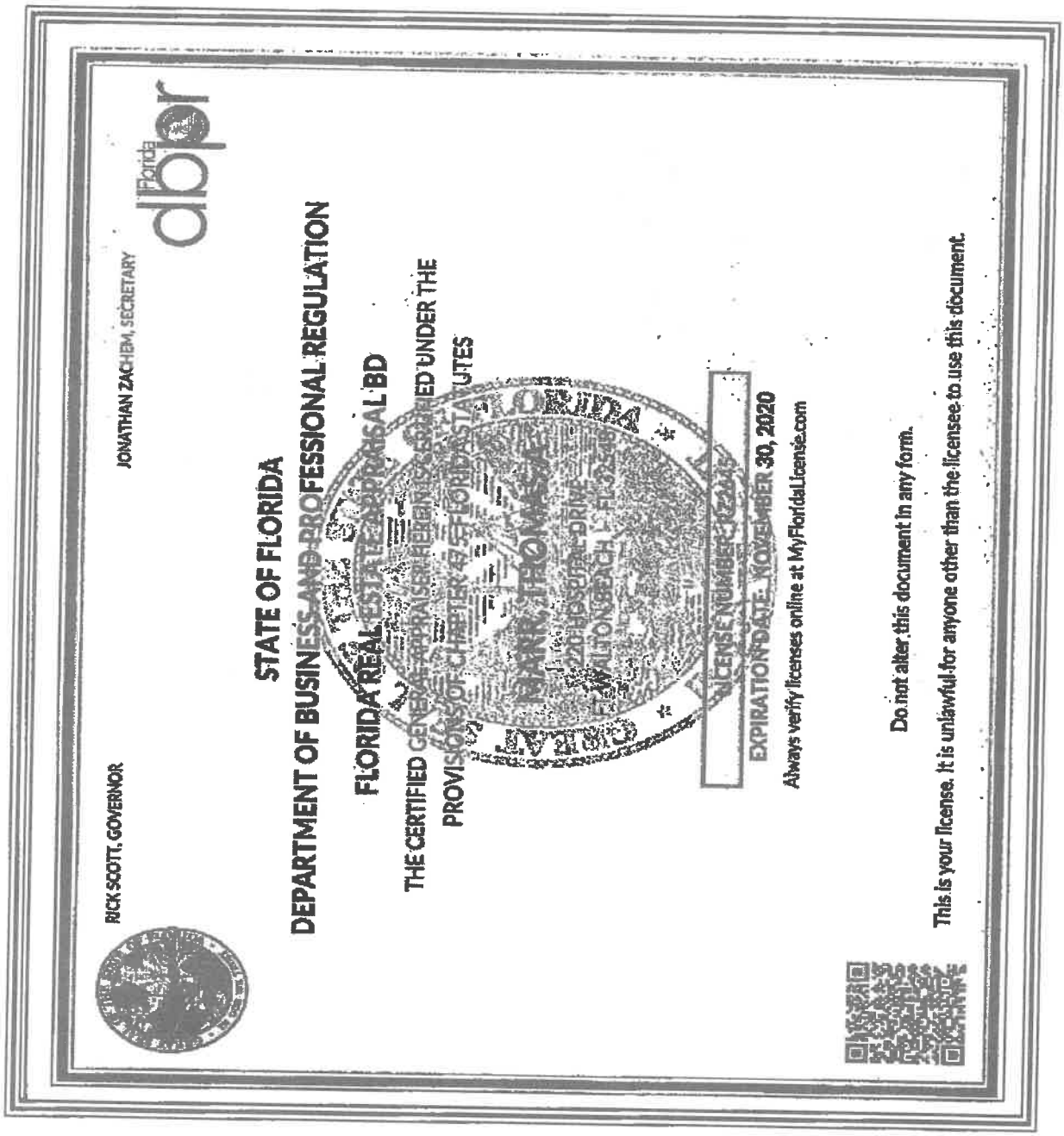
DIMINUTION OF VALUE

$385,000

ADDENDA

Appraiser License

APPRAISER LICENSE



THIS INSTRUMENT PREPARED BY
AND AFTER RECORDING RETURN TO:

Kimberly Romano Kopp, Esq.
Romano Kopp Law, P.A.
P.O. Box 445
Destin, Florida 32541

For Recording Purposes Only

SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is entered into this _____day of _____ 2019, ("Effective Date") by and between, MJ Daniel Investment, LLC ("**Owner**") and the City of Destin ("**City**"), collectively referred to as the "Parties."

RECITALS

WHEREAS, on January 22, 2019, the City enacted Ordinance 18-29-CC, the Short-Term Rental Occupancy Ordinance ("Ordinance"), which limits the occupancy of short-term rental homes to two (2) people per bedroom plus an additional four (4) persons; and

WHEREAS, Owner owns the real property and improvements located at 4729 Ocean Boulevard, Destin, FL 32541, as more particularly described in the attached Exhibit "A" (the "Property"); and

WHEREAS, on October 23, 2019, Owner filed a claim with the City, pursuant to the provisions of §70.001, Florida Statutes, the Bert J. Harris, Jr., Private Property Rights Protection Act (the "Harris Act"), alleging that the Property had been inordinately burdened by the adoption of the Ordinance, (the "Claim"); and

WHEREAS, the Harris Act provides for the City to have the ability to enter into a settlement agreement which would have the effect of a modification or variance to the application of a regulation or ordinance as it would otherwise apply to the subject real property, provided the relief granted protects the public interest served by the regulations at issue and is the appropriate relief necessary to prevent the governmental regulatory effort from inordinately burdening the real property; and

WHEREAS, the City has determined that the modifications to the effect of the Ordinance effected by this Agreement protect the public interest served by the Ordinance and are the appropriate relief necessary to prevent the regulatory effect of the Ordinance from inordinately burdening the Property; and

WHEREAS, the Parties now desire to settle and finally resolve all disputes between and among them concerning the Claim.

NOW, THEREFORE, the Parties hereby agree as follows:

1. **Recitals.** The above recitals are true and correct and are incorporated herein by reference.

2. **Occupancy Allowable Under Ordinance.**

(a) Owner is hereby granted a variance from the provisions of the Ordinance so that the Owner shall have the right to apply under the Ordinance for a maximum occupancy of twenty (20) overnight guests at the seven (7) bedroom vacation rental property noted above and the City shall grant such occupancy. The right shall continue in perpetuity, regardless of any future changes in ownership, provided that this right shall expire permanently if the Property were to be voluntarily remodeled or voluntarily rebuilt in such a manner as to change the number of bedrooms that existed at the date of the Claim. The Property remains subject to all other requirements of the City's regulations, including but not limited to regulations for short-term rentals, parking, trash, and noise.

(b) No greater than three (3) vehicles may be parked on the Property. No vehicle may encroach upon the City's right-of way.

(c) Owner shall ensure that at least four (4) outdoor trash receptacles are provided by the applicable trash hauler and available for use by occupants at all times.

(d) Owner agrees that the City shall be permitted to access the property on an annual basis for the purpose of life-safety inspections to ensure code compliance with minimum egress and emergency egress requirements pursuant to the Florida Building Code (Residential) and to ensure the property has adequate and working smoke detectors. Owner shall submit to the City a separate application and fee for such inspection, on a form provided by the City, at the time Owner submits its annual short-term rental registration application to the City.

3. **Development in Accordance with Code.** Notwithstanding any provisions contained herein, the Owner shall at any time have the right and option to remodel, develop, or use the Property in accordance with the applicable ordinances of the City of Destin in effect at the time of application therefor, and this variance shall not be construed as making the Property in any way non-conforming.

4. **Entire Agreement.** The Parties acknowledge that this Agreement constitutes the entire agreement between them regarding the settlement of their dispute and any prior statements, whether oral or written, are merged herein. This Agreement may not be modified or amended without a written instrument signed by the party against whom enforcement is sought.

5. **Duration of Agreement.** This Agreement shall be perpetual and deemed to run with the land, and shall be binding upon and the benefits shall inure to the parties hereto and their respective heirs, devisees, personal representatives, successors and assigns.

6. **Authority.** The signatories to this Agreement are expressly authorized to resolve their dispute as set forth herein and by their signatures here represent and affirm their authority to execute this Agreement.

7. **Governing Law.** The law of the State of Florida shall apply to this Agreement. Any dispute regarding this Agreement shall be litigated exclusively in the courts of Okaloosa County, Florida. The parties expressly consent to such agreed jurisdiction and venue, and waive any objections thereto.

8. **Notices.** Any notice required or permitted to be given hereunder shall be in writing and shall be (i) delivered by hand, (ii) delivered by reputable national or local courier (such as United Parcel Service or Federal Express), (iii) mailed by United States registered or certified mail, return receipt requested and postage prepaid, or (iv) sent by facsimile transmission provided a confirmation of such facsimile transmission is sent the same day by one of the methods of delivery in (i), (ii), or (iii) above. Any notice shall be addressed to each party at its address as set forth below. Any such notice shall be considered given on the date of such hand delivery, deposit with such courier for same day or next business day delivery, upon receipt of return receipt of certified mail, or receipt of facsimile transmissions, as the case may be, and the time period (if any is provided herein) in which to respond to such notice shall commence on the date of receipt. Rejection or other refusal to accept or inability to deliver because of changed address of which no notice was given shall be deemed to be receipt of the notice. By giving to the other party at least ten (10) days' notice thereof, any party shall have the right from time to time to change the addresses thereof and to specify up to two (2) additional addresses within the United States of America to which copies of notices to it shall be sent. Notice may be given on behalf of any party by such party's counsel. In the event the subject property owner changes, notices shall be addressed to the current owner as indicated in the records of the Okaloosa County Property Appraiser. Otherwise, notices shall be sent as follows:

Each notice shall be addressed as follows:

To City: City of Destin, Florida
Attn:
4200 Indian Bayou Trail
Destin, Florida 32541

With a copy to:
City Land Use Attorney
Romano Kopp Law, PA
PO Box 445
Destin, Florida 32541
Attn: Kimberly Romano Kopp, Esq.

To Owner: MJ Daniel Investment, LLC
4729 Ocean Blvd.
Destin, FL 32541

With a copy to: Najmy Thompson, PL
1401 8th Avenue West
Bradenton, Florida 34205
Attention: Aaron M. Thomas, Esq.

Attorney's Fees. In the event of any action, whether pre-suit, mediation, litigation or appellate proceeding to enforce the terms and conditions of this Agreement, each party to the action shall pay its own attorney's fees and costs incurred therein.

(d) Venue over any action to enforce the terms and conditions of this Agreement, including mediation, shall lie solely in Okaloosa County, Florida.

OWNER: MJ Daniel Investment, LLC

_____
Signature of Witness #1

_____
By:
MJ Daniel Investment, LLC

_____
Print or type name

_____
Signature of Witness # 2

_____
Print or type name

STATE OF_____
COUNTY OF_____

The foregoing instrument was acknowledged before me this _____ day of _____ 2019, by _____ _____ and _____, who are personal known to me or who have produced _____ as identification and who did not (did) take an oath.

_____
Signature of Notary

(NOTARY SEAL)

_____
Print or type name

CITY OF DESTIN

By:_____
Gary Jarvis, Mayor

Date:_____

ATTEST:

_____
Rey Bailey, City Clerk

Date:_____

STATE OF_____
COUNTY OF_____

The foregoing instrument was acknowledged before me this _____ day of _____ 2019, by _____ _____ and _____, who are personal known to me or who have produced _____ as identification and who did not (did) take an oath.

_____
Signature of Notary

(NOTARY SEAL)

_____
Print or Type Name

Approved as to form and legality for use and reliance
by the City of Destin, Florida, only.

_____
Kimberly Romano Kopp, Esq.
City Land Use Attorney

Exhibit "A"

Legal Description of Property

ITEM # 2019-1907

CITY OF DESTIN

AGENDA ITEM

COUNCIL MEETING DATE: December 9, 2019
TYPE OF AGENDA ITEM: Action Item

TO: City Council

THRU: Lance Johnson, City Manager

FROM: Kimberly Kopp, Land Use Attorney
Louis Zunguze, Community Development Director

DATE: December 5, 2019

SUBJECT: 26) 4722 Ocean Blvd

I. BACKGROUND:

On January 22, 2019, the City enacted Ordinance 18-29-CC, the Short-Term Rental Occupancy Ordinance ("Ordinance"), which limits the occupancy of short-term rental homes to two (2) people per bedroom plus an additional four (4) persons.

The subject property owner owns the real property and improvements located at 4722 Ocean Blvd., Destin, FL 32541, as more particularly described in Exhibit "A" (the"Property") to the proposed settlement agreement.

Owner filed a claim with the City, pursuant to the provisions of §70.001, Florida Statutes, the Bert J. Harris Jr., Private Property Rights Protection Act (the "Harris Act"), alleging that the Property had been inordinately burdened by the adoption of the Ordinance, (the "Claim).

The Harris Act provides for the City to have the ability to enter into a settlement agreement which would have the effect of a modification or variance to the application of a regulation or ordinance as it would otherwise apply to the subject real property, provided the relief granted protects the public interest served by the regulations at issue and is the appropriate relief necessary to prevent the governmental regulatory effort from inordinately burdening the real property.

The City Council should settle the claim if the City Council determines that the modifications within the settlement agreement protect the public interest served by the Ordinance and are the appropriate relief necessary to prevent the regulatory effect of the Ordinance from inordinately burdening the Property.

II. DISCUSSION: The property owner has requested a maximum occupancy of twenty (20) occupants. City staff is recommending an occupancy of twenty (20) occupants based on the square footage of the property. The building official utilized a one-occupant per 200 square feet methodology for recommending the above-stated occupancy.

Additionally, staff is recommending at least four (4) trash cans on the property. This recommendation is based on industry standard (Waste Management) that, on average, one trash can is required for every six occupants in order to ensure adequate garbage disposal. Therefore, if the maximum number of occupants exceeds any multiple of six (6, 12, 18, 24, 30, 36, etc.), then an extra trash can will be needed to accommodate the additional occupants. For example, if thirteen (13) is the maximum occupation, then three (3) trash cans are required. This is because, on average, two (2) trash cans will only accommodate twelve (12) occupants. The third trash can will be needed to accommodate the thirteenth occupant.

Further, the property owner must agree to annual life safety inspections, as provided in the proposed settlement agreement.

Finally, staff is recommending that no greater than four (4) vehicles be parked on this property

As stated in the agreement, the property owner remains bound by all other provisions of City codes.

A. **Link to Strategic Goals / Objectives:**
B. **Effect on Budget (EOB):**
C. **Level of Service (LOS):**

III. CONCLUSION:

IV. RECOMMENDED MOTION: 1. I move to approve the settlement agreement prepared by the City Land Use Attorney and Staff.

or

2. I move to approve the settlement agreement prepared by the City Land Use Attorney and Staff with the following modifications:_____.

or

3. I move to direct the City Land Use Attorney to negotiate in good faith with the property owner and to bring back an alternate settlement proposal to the City

Council for consideration.

or

4. I move to deny settlement of the subject claim at this time.

Attachments:

1. Burt Harris Case - 4722 Ocean Blvd
2. 4722 Ocean Blvd Bert Harris Proposed Settlement Draft 11_1_2019

NAJMY | THOMPSON PL
ATTORNEYS AT LAW

1401 8th Avenue West
Bradenton, FL 34205

PHONE: (941) 748 - 2216
FAX: (941) 748 - 2218

OTHER OFFICES:
Lakewood Ranch (941) 907 - 3999
Sarasota (941) 907 - 3999
New York (212) 220 - 6616

WWW.NAJMYTHOMPSON.COM

October 23, 2019
Via Hand Delivery

City of Destin
c/o Major Gary Jarvis
4200 Indian Bayou Trail
Destin, Fl 32541

Re: 4722 Ocean Boulevard, Destin, FL 32541
Bert J. Harris Claim, §70.001, *Fla. Stat.*, July 1, 2012

Dear Mayor Jarvis,

This firm represents MJ Daniel Investment, LLC and its principals and affiliates, owner of an improved property described as 4722 Ocean Boulevard, Destin, FL 32541. My client has been utilizing and operating the house as a short-term rental property within the City of Destin for over seven (7) years. The City of Destin has authorized the use of this property as a short-term vacation rental.

The "before" condition of the subject property is a five-bedroom, three-story residence able to accommodate twenty (20) guests as part of the authorized and approved short-term rental use of this property and others within the City.

By the City of Destin's passage on January 22, 2019 of Ordinance 18-29-CC and application of Ordinance 18-29-CC to the subject property on October 2, 2019 (when the City if Destin denied my client's request for a variance), this property is now restricted to an occupancy of fourteen (14) guests. [1]

The Florida Legislature has passed Section 70.001, *Fla. Stat.*, known as the "Bert J. Harris Jr. Private Property Rights Protection Act as Amended."

[1] The subject property was issued a grandfather certificate on July 2, 2019, permitting the property to rent to twenty (20) occupants until July 2, 2024.

NT

Chapter 70.001, *Fla. Stat.*, "*inter alia*", created a separate and district cause of action which provides for relief or payment of compensation when a new law, rule, regulation or ordinance of the state or a political entity in the state, as applied, unfairly affects real property. "When a specific action of a governmental entity has inordinately burdened an existing use of real property or a vested right to a specific use of real property, the property owners of that real property are entitled to relief, which may include compensation for the actual loss to the fair market value of the real property caused by the action of government, as provided in this section." *Fla Stat.* §70.001(2).

The owner of the subject property asserts that its actual and existing use of said real property has been inordinately burdened by the City of Destin's adoption and application of Ordinance 18-29-CC by restricting its occupancy to only two (2) persons per bedroom plus four (4).

To that end, this letter should serve as a formal, written claim pursuant to §70.001, *Fla. Stat.*, the Bert J. Harris Jr. Private Property Rights Protection Act as Amended. Attached to this letter is a bona fide, valid appraisal that supports the claim and demonstrates the loss in value to the real property. This appraisal establishes the loss in value of the subject property, as a result of the application of the occupancy limitation of Ordinance 18-29-CC, to be $1,245,000.00

Pursuant to §70.001(4)(c), *Fla. Stat.*, the City of Destin has 150 days to respond to this claim with a written settlement offer. You should consult your counsel as to any other obligations and settlement opportunities contained within this statute.

PLEASE BE GOVERNED ACCORDINGLY.

Sincerely,

NAJMY THOMPSON, P.L.

Aaron M. Thomas
athomas@najmythompson.com

Enclosure: Appraisal

cc:

Kyle Bauman
Anchors Smith Grimsley, PLC
909 Mar Walt Drive, Suite 1014
Fort Walton Beach, Fl 32547-6711
kbauman@asglegal.com

Kimberly Kopp
Romano Kopp Law, P.A.
P.O. Box 622562
Oviedo, Florida 32762-2562
kopp@romanokopplaw.com

AMT/kls

Appraisal Report

Detached Single Family Residential Home

4,558 ± HVAC SF Existing Structure

4722 Ocean Boulevard
Destin, FL 32541

DIMINUTION IN VALUE ANALYSIS
4722 OCEAN BOULEVARD
DESTIN, FL 32541

FOR
M. J. DANIEL INVESTMENT, LLC
AND
DESIGNATED ATTORNEYS

RETROSPECTIVE TO OCTOBER 2, 2019

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APPRAISAL REPORT

SUBJECT PROPERTY

4,558 ± HVAC SF Existing Detached Residential Improvement

Five Bedrooms and Four and One Half Bathrooms

4722 Ocean Boulevard
Destin, FL 32541

EFFECTIVE DATE OF APPRAISAL

Retrospective to October 2, 2019

REPORT DATE

October 9, 2019

VIEWING DATE

March 14, 2019 and September 30, 2019

CLIENT/INTENDED USER

M. J. Daniel Investment, LLC
4722 Ocean Boulevard
Destin, FL 32541

File № 190232A

PREPARED BY:

Thomas A. Marr

State-certified General Real Estate Appraiser № RZ 2645 (FL)
tom@panappraisal.com

Panhandle Appraisal Group
220 Hospital Drive
Fort Walton Beach, Florida 32548
Telephone: (850) 243-0958
Facsimile: (850) 226-8462

PANHANDLE APPRAISAL GROUP

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Specializing in Residential and Commercial Valuation Support
Fort Walton Beach, Florida

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State-certified General Real Estate Appraiser № RZ2645 (FL)

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Fort Walton Beach, Florida 32548

Telephone: (850) 243-0958
Facsimile: (850) 226-8462

October 9, 2019

M. J. Daniel Investment, LLC
4722 Ocean Boulevard
Destin, FL 32541

Re: Diminution in value appraisal of an approximate 4,558 HVAC SF detached residential improvement, 'as is' identified as 4722 Ocean Boulevard in Destin, FL 32541. **Panhandle Appraisal Group File № 190232A.**

Dear Mr. Daniel:

I have completed the requisite personal viewing, research, and analysis necessary to determine if a diminution in value has occurred for the subject parcel.

The subject property is a three level, detached single family residential structure with an approximate 4,558 HVAC SF, five bedrooms and four and one half baths. The current sleeping capacity of the subject is twenty (20) guests.

The purpose of the appraisal analysis was to develop an opinion of the market value of the subject property prior to the first application of the city of Destin Ordinance No. 18-29-CC to the subject on October 2, 2019, when a twenty (20) guest occupancy was allowed and then derive a value of the subject after the October 2, 2019 ordinance which limited the subject to fourteen (14) guests, based on two guests per bedroom, plus four. I note that the designation as a bedroom is based on data in the Okaloosa County Property Appraiser web site.

The authorized user is the client at the address above. The understood intended use of the appraisal report will be for reference in determining if the first application of Ordinance No. 18-29-CC resulted in a diminution of value. No other use of this report by any other entity or person is authorized.

Subject to the above and the assumptions, limiting conditions, and certification set forth herein, it is my professional opinion the retrospective market value of the fee simple interest in the subject property, 'as is', as of October 2, 2019, prior to the first application of Ordinance No. 18-29-CC, was:

TWO MILLION FIVE HUNDRED NINETY THOUSAND DOLLARS
$2,590,000

Subject to the above and the assumptions, limiting conditions, and certification set forth herein, it is my professional opinion the current market value of the fee simple interest in the subject property, 'as is', after the first application of Ordinance No. 18-29-CC is:

ONE MILLION THREE HUNDRED FORTY FIVE THOUSAND DOLLARS
$1,345,000

The diminution of value is a rounded $1,245,000.

Exposure Time
The exposure time linked to the final value opinion is a range to nine (9) to twelve (12) months based on market sales of similar properties and current market activity.

Analysis of recent trends and current market supply and demand strongly indicate the highest and best use of the subject property, is continued use as a seasonal rental home.

I hereby certify I possess no interest, present or contemplated, in the appraised property. The undersigned appraiser is competent or has taken the necessary steps to become competent for the property type being appraised. This appraisal has been prepared utilizing all of the requirements set forth as standards for real estate appraisals established for federally related transactions by the Comptroller of the Currency, the Federal Reserve Board, the Federal Deposit Insurance Corporation, and the State of Florida. The appraisal is in conformity with the standards for real estate appraisals as established by the Appraisal Foundation and its Appraisal Standards Board. The appraisal also conforms to *the 2018/2019 edition of the Uniform Standards of Professional Appraisal Practice (USPAP)* and your instructions. The fee for this appraisal was not based on value, nor was the assignment undertaken based on a predetermined value, a trend in value, or a minimum or maximum value.

Respectfully submitted,

Thomas A. Marr

Thomas A. Marr
State-Certified General Real Estate Appraiser № RZ 2645 (Florida)

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APPRAISAL REPORT

This is an Appraisal Report which is intended to comply with the reporting requirements in accordance with the 2018/2019 edition of the Uniform Standards of Professional Appraisal Practice (USPAP) for an Appraisal Report. As such, it represents summary discussions of the data, reasoning, and analyses used in the appraisal process to develop the appraisers' opinion of value. Supporting documentation concerning the data, reasoning, and analyses may be retained in the appraiser's files. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated below. The appraisers are not responsible for unauthorized use of this report.

CLIENT:

M. J. Daniel Investment, LLC
4722 Ocean Boulevard
Destin, FL 32541

APPRAISERS:

Thomas A. Marr
State-certified General Real Estate Appraiser № RZ 2645 (Florida)

Panhandle Appraisal Group
220 Hospital Drive
Fort Walton Beach, Florida 32548

SUBJECT PROPERTY:

Legal Description
Lot 4, Destiny By The Sea SD.

Tax ID №: 00-2S-22-0075-0000-0040.

PURPOSE OF THE APPRAISAL:

The purpose of this appraisal was to develop an estimate of the diminution in value from prior to the first application of City of Destin Ordinance No. 18-29-CC and after the first application of the ordinance on October 2, 2019.

INTENDED USE OF REPORT:

The understood intended use of the appraisal report will be for client use for legal proceedings to restore maximum occupancy property rights.

INTENDED USER:

The intended user is the client stated above, the client's attorneys, and regulatory authorities. This report is not intended or authorized for any other user or audience.

PROPERTY RIGHTS APPRAISED:

Fee Simple, one hundred percent (100%) ownership interest in the subject property.

EFFECTIVE DATE OF VALUE:

Retrospective to October 2, 2019.

DATE OF REPORT:

October 9, 2019.

DATE OF INSPECTION:

Thomas A. Marr viewed the subject property on March 14, 2019 and on September 30, 2019.

SCOPE OF WORK:

I note you have not requested an appraisal report format. Based on the Scope of Work requirements included in the 2018/2019 version of USPAP, which indicates the appraiser is responsible to coordinate the scope of work with the client, I am informing you I will perform an appraisal report. **It is my opinion this process of work meets all applicable 2018/2019 USPAP standards.**

DEFINITIONS:

The definitions, commencing on the page following, are provided to assist the reader in understanding this appraisal report.

Market Value[1]

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

- Purchaser and seller are typically motivated;
- Both parties are well informed or well advised and each acting in what they consider their best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

The four (4) time differential values on the graph which may be considered in the appraisal of existing developments are defined as follows:

(1) **'As Is'** means an estimate of the market value of a property in the condition observed upon inspection and as it physically and legally exists without hypothetical conditions, assumptions, or qualifications as of the date of appraisal.

(2) **'Value Upon Completion'** means the market value of a property with all existing construction, conversion, or rehabilitation hypothetically completed, or under other specified hypothetical conditions as of the date of appraisal. With regard to properties wherein anticipated market conditions indicate stabilized occupancy is not likely as of the date of completion, this estimate of value shall reflect the market value of the property as if complete and prepared for occupancy by tenants.

(3) **'Prospective Future Value Upon Completion'** means the prospective future value of a property on the date construction is completed, based upon market conditions forecast to exist as of completion date.

(4) **'Prospective Future Value Upon Achievement of Stabilized Occupancy'** means the prospective future value of a property at a point in time when all improvements have been physically constructed and the property has been leased to its optimum level of long term occupancy.

Fee Simple Estate[2]

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.

Leased Fee Interest[3]

An ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the lessee are specified by contract terms contained within the lease.

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1 Title XI, Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), [Pub. L. No. 101-73, 103 Stat. 183 (1989)], 12 U.S.C. 3310, 3331-3351, and section 5(b) of the Bank Holding Company Act, 12 U.S.C. 1844(b); Part 225, Subpart G: Appraisals; Paragraph 225.62 (f).
Uniform Standards of Professional Appraisal Practice, 2003 Edition, Page 3
Federal Reserve System, 12 CFR Parts 208 and 225, Sec. 225.62
Office of the Comptroller of the Currency, 12 CFR Part 34, Sec. 34.42 (g)
FDIC, 12 CFR Part 323, Sec. 323.2 (g) (2000)
Office of Thrift Supervision, 12 CFR Part 564, Sec. 564.2
NCUA, 12 CFR Part 722, Sec. 722.2

2 The Dictionary of Real Estate Appraisal, Appraisal Institute, Fourth Edition, 2002, Page 113.

3 Ibid., Page 161.

Leasehold Interest[4]
The interest held by the lessee (the tenant or renter) through a lease transferring the rights of use and occupancy for a stated term under certain conditions.

Condominium[5]
A multi-unit structure or property in which persons hold fee simple title to individual units and an undivided interest in common areas.

Highest and Best Use[6]
The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and which results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability.

...of land or a site as though vacant:

Among all reasonable, alternative uses, the use yielding the highest present land value, after payments are made for labor, capital, and coordination. The use of property based on the assumption the parcel of land is vacant or can be made vacant by demolishing any improvements.

...of property as improved:

The use which should be made of a property as it exists. An existing improvement should be renovated or retained as is so long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing building and constructing a new one.

Marketing Time[7]
The time it takes an interest in real property to sell on the market subsequent to the date of an appraisal.

Exposure Time[8]
A retrospective estimate based on an analysis of past events assuming a competitive and open market.

Advocacy[9]
Representing the cause or interest of another, even if cause or interest does not necessarily coincide with one's own beliefs, opinions, conclusions, or recommendations.

Appraisal[10]
(Noun) The act or process of developing an opinion of value; an opinion of value. (Adjective) of, or pertaining to appraising and related functions such as appraisal practice or appraisal services.

Appraisal Practice[11]
Valuation services performed by an individual acting as an appraiser, including, but not limited to appraisal, appraisal review, or appraisal consulting.

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4 Ibid., Page 162.

5 Ibid., Page 59.

6 Ibid., Page 135.

8 Ibid., Page 175

9 Ibid., Page 105

9 2018/2019 edition, *Uniform Standards of Professional Appraisal Practice (USPAP)*, Page 1

10 Ibid, Page 1

11 Ibid, Page 1

Appraisal Review[12]
The act or process of developing and communicating an opinion about the quality of another appraiser's work was performed as part of an appraisal, appraisal review, or appraisal consulting assignment.

Appraiser[13]
One who is expected to perform valuation services competently, and in a manner, is independent, impartial, and objective.

Appraiser's Peers[14]
Other appraisers who possess expertise and competency in a similar type of assignment.

Assignment[15]
A valuation service provided as a consequence if an agreement between an appraiser and a client.

Assignment Results[16]
An appraiser's opinions and conclusions developed specific to an assignment.

Assumption[17]
An occurrence which is taken to be true.

Bias[18]
A preference or inclination which precludes an appraiser's impartiality, independence, or objectivity in an assignment.

Business Enterprise[19]
An entity pursuing an economic entity.

Business Equity[20]
The interests, benefits, and rights inherent in the ownership of a business enterprise or a part thereof in any form (including, but not necessarily limited to, capital stock, partnership interests, cooperatives, sole proprietorships, options, and warrants).

Client[21]
The party or parties who engage an appraiser (by employment or contract) in a specific assignment.

Confidential Information[22]
Information is either:

- identified by the Client as confidential when providing it to an appraiser and is not available from any other source; or,
- classified as confidential or private by applicable law or regulation.

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12 Ibid, Page 1

13 Ibid, Page 1

14 Ibid, Page 2

15 Ibid, Page 2

16 Ibid, Page 2

17 Ibid, Page 2

18 Ibid, Page 2

19 2018/2019 edition, USPAP, Page 2

20 Ibid, Page 2

21 Ibid, Page 2

22 Ibid, Page 2

Cost[23]
The amount required to create, produce, or obtain a property.

'Credible'[24]
Worthy of belief.

Extraordinary Assumption[25]
An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions.

Feasibility Analysis[26]
A study of the cost-benefit relationship of an economic endeavor.

Hypothetical Condition[27]
An assertion which is contrary to what exists but is supposed for the purpose of analysis.

Intangible Property[28]
(Intangible Assets) Nonphysical assets, including, but not limited to, franchises, trademarks, patents, copyrights, goodwill, equities, securities, and contracts as distinguished from physical assets such as facilities and equipment.

Intended Use[29]
The use or uses of an appraiser's reported appraisal, appraisal review, or appraisal consulting assignment opinions and conclusions, as identified by the appraiser based on communication with the Client at the time of the assignment.

Intended User[30]
The Client and any other party as identified, by name or type, as users of the appraisal, appraisal review, or appraisal consulting report by the appraiser on the basis of communication with the Client at the time of the assignment.

Jurisdictional Exception[31]
...an assignment condition which voids the force of a part or parts of *USPAP*, when compliance with part or parts of *USPAP* is contrary to law or public policy applicable to the assignment.

IDENTIFY THE PROBLEM TO BE SOLVED
The problem to be solved in this appraisal analysis was to develop an opinion of the market value of the subject property, both prior to the first application of the city of Destin Ordinance No. 18-29-CC to the subject on October 2, 2019 when twenty (20) guest occupancy was allowed and after the first application of the Destin Ordinance No. 18-29-CC on October 2, 2019, which limited the subject to fourteen (14) guests, based on two guests per bedroom, plus four. Utilizing the before and after values, I derived a diminution of value to the subject property.

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23 Ibid, Page 2

24 Ibid, Page 3

25 Ibid, Page 3

26 Ibid, Page 3

27 Ibid, Page 3

28 Ibid, Page 3

29 Ibid, Page 3

30 Ibid, Page 3

31 2018 edition, *USPAP*, Page 3

EXTENT OF THE PROCESS OF COLLECTING, CONFIRMING, AND REPORTING DATA:

Preparation of this appraisal included the following scope of work:

- The subject site, improvements, and parking improvements were inspected by the appraiser, the property was photographed. File data for similar properties was reviewed.
- The public records were reviewed.
- The appraiser examined the economic, social, governmental, and environmental forces affecting value in the subject neighborhood and the entire market area as a whole.
- The appraiser identified recent and projected actual rents for the subject, based on occupancy of up to 20 guests. The appraiser then identified the annual rentals of other comparable properties which accommodated up to or beyond 20 guests. This data was used to verify or support the historical performance and the projected rents for the subject. These comparable rentals provided market support for the subject actual and projected gross rental income.
- The appraiser identified market rental comparables for properties limited to 14 guests.
- The appraiser then reduced gross rent to net operating rent and capitalized the net operating rent to identify value for the subject as a 20 guest rental and a 14 guest rental. The difference between these two values is the diminution in value.

IDENTIFICATION OF THE TYPE OF APPRAISAL AND APPRAISAL REPORT FORMAT:
I have provided an **Appraisal Report**, as defined by the *2018/2019 edition of the Uniform Standards of Professional Appraisal Practice*, containing a summary of all relevant conclusions, data, and analyses used in the report.

TERMS OF THE FINAL VALUE OPINION:
The final opinion of the current market values of the subject property, 'as is' is expressed in terms of cash or financing terms equivalent to cash.

POLICY STATEMENT OF THE APPRAISAL INSTITUTE:
It is improper to base a conclusion or opinion of value upon the premise the racial, ethnic, or religious homogeneity of the inhabitants of an area or of a property is necessary for maximum value.

Racial, religious, and ethnic factors are deemed unreliable predictors of value trends or price variance.

It is improper to base a conclusion or opinion of value, or a conclusion with respect to neighborhood trends, upon stereotyped, biased presumptions relating to the effective age or remaining life of the property being appraised or the life expectancy of the neighborhood in which it is located.

The undersigned appraiser is not a member of the Appraisal Institute.

GENERAL ASSUMPTIONS:

1. No responsibility is assumed for the legal description provided or for matters relevant to legal or title considerations. Title to the property is assumed to be marketable unless otherwise stated. The legal description used in this report is assumed to be correct.

2. The subject property is appraised free and clear of any or all liens, leases, or encumbrances unless otherwise stated. All mortgages, liens, encumbrances, leases, and servitudes have been disregarded unless so specified within the report.

3. No survey of the property has been made by the appraisers and no responsibility is assumed in connection with such matters. Sketches, plot plans, or illustrative material presented in this report are included only to assist the reader in visualizing the property.

4. Information and data furnished by others is usually assumed to be true, correct and reliable. When such information and data appears to be dubious and when it is critical to the appraisal, a reasonable effort has been made to verify all such information; however, no responsibility for its accuracy is assumed by the appraiser.

5. Responsible ownership and competent property management are assumed unless otherwise stated in this report.

6. It is assumed there are no hidden or unapparent conditions of the property, subsoil or structures which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.

7. It is assumed 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.

8. It is assumed the subject property is in compliance with all applicable zoning and land use regulations, unless a nonconformity has been stated, defined and considered in the appraisal report.

9. It is assumed all required licenses, consents or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use which the value estimate contained in this report is based.

10. It is assumed the utilization of the land and improvements is within the boundaries or property lines of the property described and there is no encroachment or trespass unless noted within the report.

EXTRAORDINARY ASSUMPTIONS:

I am using data provided to me by the client and other vacation home owners.

I am also using rental projections from the current property manager.

I am making the extraordinary assumption that the data provided is accurate, credible and reliable.

If, for any reason, the data provided is not accurate, credible and reliable, the values derived in the analysis is subject to review.

GENERAL LIMITING CONDITIONS:

1. This is an Appraisal Report which is intended to comply with the reporting requirements set forth in accordance with the *2018/2019 edition of the Uniform Standards of Professional Appraisal Practice* for an Appraisal Report. As such, it includes summarized discussions of the data, reasoning, and analyses used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses may be retained in the appraiser's files. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraiser is not responsible for unauthorized use of this report.

2. Appraisers are not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraisers suggesting the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert in the field of environmental assessment. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The appraiser's value estimate is predicated on the assumption there exists no such material on or in the property causing a loss in value unless otherwise stated in this report. No responsibility is assumed for any environmental conditions, or for any expertise or engineering knowledge required to discover them. The appraisers' descriptions and resulting comments are the result of the routine observations made during the appraisal process.

3. The subject property is appraised without a specific compliance survey having been conducted to determine if the property is or is not in conformance with the requirements of *The Americans with Disabilities Act*. The presence of architectural and communications barriers which are structural in nature which would otherwise restrict access by disabled individuals may adversely affect the property's value, marketability, or utility.

4. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event, only with proper written qualification and only in its entirety.

5. Neither all nor any part of the contents of this report shall be conveyed to any person or entity, other than the appraiser's or firm's client, through advertising, solicitation materials, public relations, news, sales, or other media without the written consent and approval of the authors, particularly as to valuation conclusions, the identity of the appraiser or firm with which the appraiser is connected, or any reference to affiliation with any professional appraisal organization. Further, the appraiser or firm assumes no obligation, liability, or accountability to any third party. If this report is placed in the hands of anyone but the client, client shall make party aware of all the assumptions and limiting conditions of the assignment.

6. The appraiser affixing his signatures to this appraisal report will not be required to give testimony or appear in court because of having made this appraisal, with reference to the property in question, unless arrangements have been previously made thereof.

7. No environmental impact studies were either requested or made in conjunction with this appraisal, and the appraiser hereby reserves the right to alter, amend, revise, or rescind any of the value opinions based upon any subsequent environmental impact studies, research, or investigation.

8. The appraiser has not been supplied with a report of the subsoil conditions indicating the exact capacity of the subsoil. I do not have the benefit of subsoil test results of the properties and detection of possible soil defects would be beyond my realm of expertise. However, there appear to be no hidden or apparent conditions of the subject sites or subsoil structures which would render them more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.

9. Acceptance of and/or use of this appraisal report constitutes acceptance of the foregoing General Assumptions, Special Assumptions, General Limiting Conditions, and Special Limiting Conditions.

EXTRAORDINARY LIMITING CONDITIONS AND HYPOTHETICAL CONDITIONS:

I note that the ordinance in question allows a five (5) year 'grandfather' period. I considered if this 'grandfather' status should receive some analysis in the discussion of diminution of value. After consideration, I concluded that a potential market participant, aware that the grandfather status will be eliminated , would be very wary to enter into a financial arrangement where he may have to liquidate in an unknown market within a time line that may not be available . Thus, I am not considering any impact of the 'grandfather' status.

CERTIFICATION:

I certify, to the best of my knowledge and belief:

1. The statements of fact contained in this report are true and correct.

2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions and conclusions.

3. I possess no present or prospective interest in the property which is the subject of this report and no personal interest with respect to the parties involved.

4. I possess no bias with respect to the property which is the subject of this report or to the parties involved with this assignment.

5. The engagement in this assignment was not contingent upon developing or reporting predetermined results.

6. The compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value favoring the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

7. The analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *2018/2019 edition of the Uniform Standards of Professional Appraisal Practice*.

8. Thomas A. Marr has made a personal viewing of the property which is the subject of this report. No one else has rendered significant real estate appraisal knowledge and input to the compilation of this report.

9. I have not performed any services, to include appraisal services, regarding the subject in the previous three years.

10. The opinion of market value 'as is' of the one hundred percent (100%) fee simple ownership interest in the subject property, 'as is' is prior to the first application of Destin Ordinance 18-29-CC is TWO MILLION FIVE HUNDRED NINETY THOUSAND DOLLARS ($2,590,000) and the value after the first application of Destin Ordinance 18-29-CC is ONE MILLION THREE HUNDRED FORTY FIVE THOUSAND DOLLARS ($1,345,000). The diminution of value is estimated as ONE MILLION TWO HUNDRED FORTY FIVE THOUSAND DOLLARS ($1,245,000).

Thomas A Marr

Thomas A. Marr
State-certified General Real Estate Appraiser № RZ 2645 (Florida)

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DESCRIPTION OF THE SUBJECT PROPERTY
Ownership:

The current owner is M. J. Daniel Investment, LLC.

FILE # 2767023 RCD: 04/03/2012 @ 03:31 PM, BK: 3029 PG: 367 RECORDING: $10.50 RECORDING ARTICLE V: $8.00 DEED DOCSTAMPS $17500.00 DEPUTY CLERK PDUNN DON W. HOWARD, CLERK OF COURTS, OKALOOSA COUNTY FL

Prepared by and return to:
Peggy S. Owens
McNeese Title, LLC
36468 Emerald Coast Parkway, Suite 1201
Destin, Florida 32541

File Number: 12-0167PO

Warranty Deed

Made this March 29 2012 A.D. By **James E. Clausel and Sandra J. Clausel, husband and wife**, whose address is: 90 Avalon Place, Savannah, Tennessee 38372, hereinafter called the grantor, to **MJ Daniel Investment, LLC a Nevada limited liability company**, whose post office address is: 2312 E. Nottingham, Springfield, Missouri 65804, hereinafter called the grantee:

(Whenever used herein the term "grantor" and "grantee" include all the parties to this instrument and the heirs, legal representatives and assigns of individuals, and the successors and assigns of corporations)

Witnesseth, that the grantor, for and in consideration of the sum of Ten Dollars, ($10.00) and other valuable considerations, receipt whereof is hereby acknowledged, hereby grants, bargains, sells, aliens, remises, releases, conveys and confirms unto the grantee, all that certain land situate in Okaloosa County, Florida, viz:

Lot 4, DESTINY BY THE SEA, a Planned Unit Development, according to the Plat thereof as recorded in Plat Book 16, Pages 21 and 22, of the Public Records of Okaloosa County, Florida.

Being and intended to be the same premises conveyed to the Grantor herein by deed recorded September 3rd 2002, in Official Records Book 2379, Page 331, Public Records of Okaloosa County, Florida.

Parcel ID Number: 00-2S-22-0075-0000-0040

Said property is NOT the homestead property of the Grantor as defined by the Constitution of the State of Florida.

Together with all the tenements, hereditaments and appurtenances thereto belonging or in anywise appertaining.

To Have and to Hold, the same in fee simple forever.

SITE:

Location:
The subject is located on the south side of Ocean Boulevard an approximate 150 feet west of the intersection of Ocean Boulevard and Varezze Cay in the gated Destiny by the Sea Subdivision.

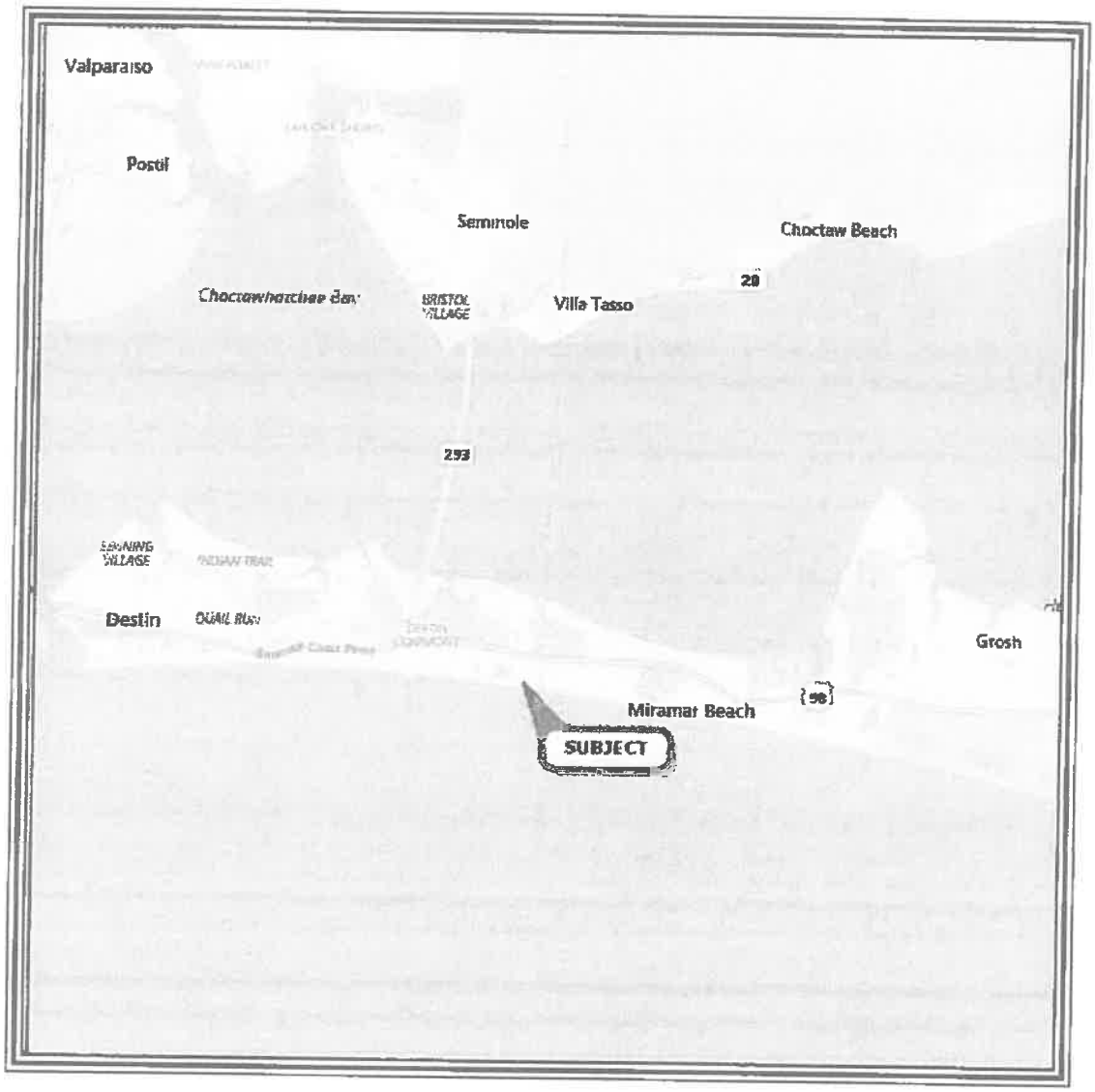
This subdivision is just south of Scenic Highway 98, a mature arterial which runs along the Gulf of Mexico.

Along the south side of Scenic Highway 98 are many condominium projects, individual homes and some commercial use, typically restaurants, which cater to the tourist industry.

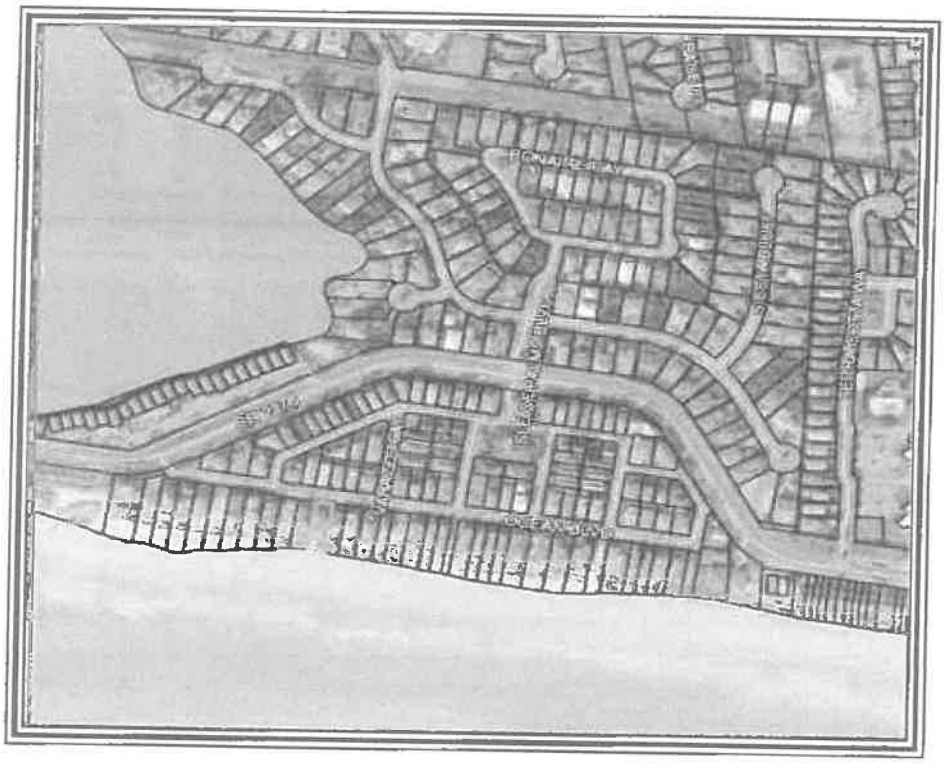
Along Scenic Highway 98 to the north are other residential uses, primarily detached homes with a interspersion of condominium and town home projects which are a mix of owner occupant and seasonal rental use.

This entire area of Destin, in close proximity to the Gulf of Mexico, is a desired location and well considered by the market.

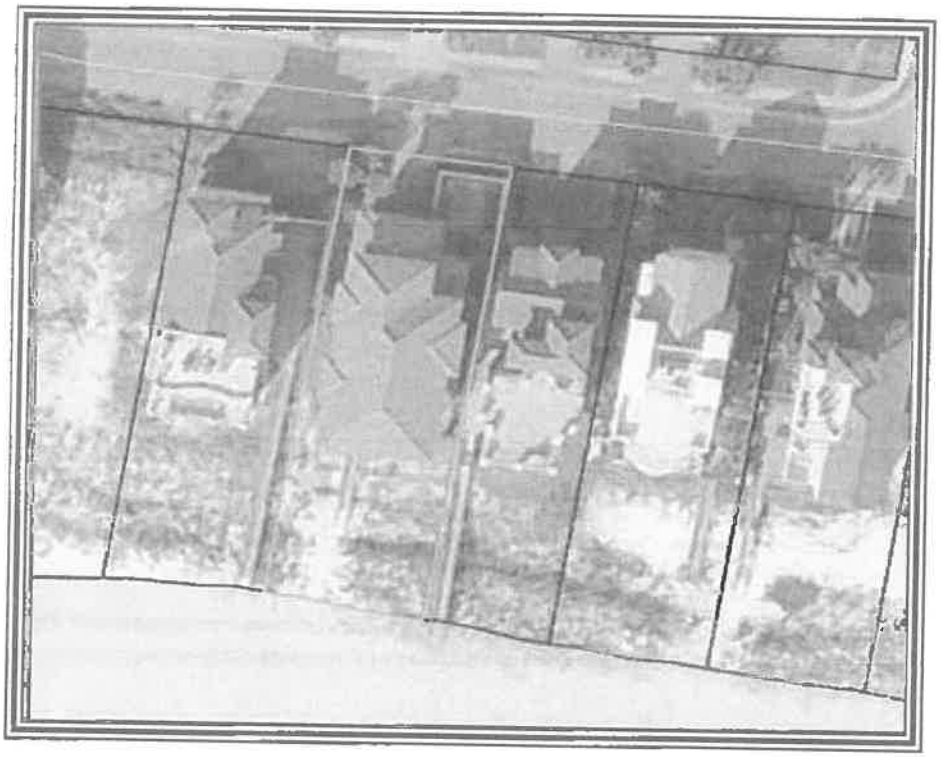
See the following map for the subject location in the broad Destin market.



The following map indicates the local market area surrounding the subject.



The following aerial photograph indicates the subject parcel.



Land Size:

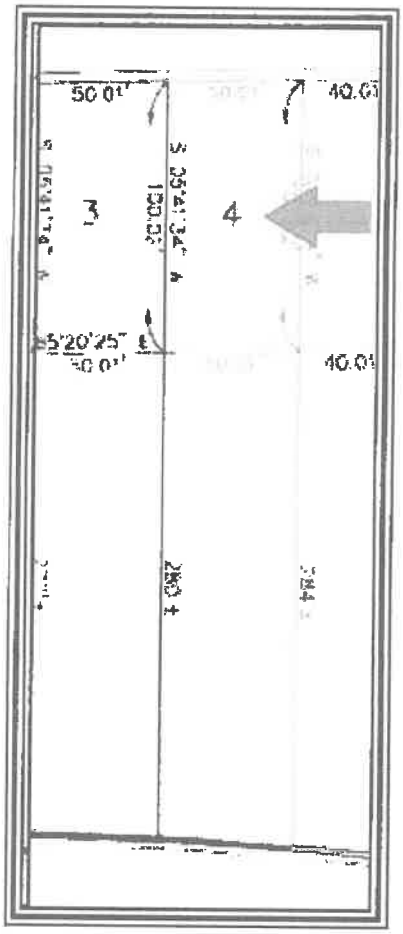
The subject is a single residential lot.

The dimensions are as follows:

280.00 feet on the west side,
50.01 feet on the north side, fronting Ocean Boulevard,
284.00 feet on the east side, and
50.00 feet on the south side, fronting the Gulf of Mexico.

These dimensions result in a land size of an approximate 0.32 acres, or 14,100 SF. This land size is larger than many lot in Destiny By The Sea as some lots are 34 feet wide and others are 45 feet wide.

See the following excerpt from the recorded plat map.



Site Topography:

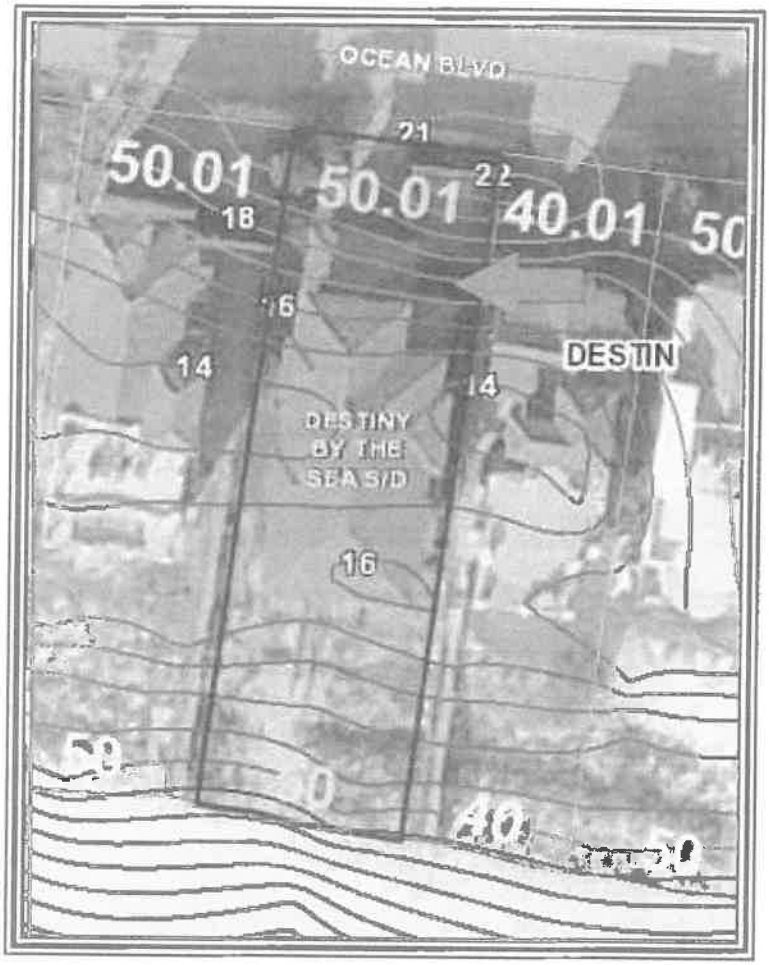
Per the Okaloosa County GIS site and my viewing, the subject is at the road grade of Ocean Boulevard.

The subject then slopes substantially downward to the south and the Gulf of Mexico.

This slope is perceptible when viewing the subject, however, the slope was accounted for in the construction of the home and has no negative connotation.

The subject lot contour is typical for many parcels.

I am providing the following contour map extracted from the Okaloosa County Property Appraiser web site.



Utilities:

Utility	*Provider*	*Utility*	*Provider*
Electricity	Gulf Power	Stormwater Drainage	Destin
Water and Sewer	Okaloosa County	Fire Department	Destin
Natural Gas	Okaloosa Gas	Police Department	Contract with the Okaloosa County Sheriff
Telephone	Verizon	Refuse Removal	By contract
Cable Television	Cox Cable		

The utilities for the subject site are considered as typical in the market.

Easements/Encroachments:
I was not furnished a copy of a recent survey of the subject property. A review of the site plan, various maps and my personal viewing did not indicate any easements or encroachments.

I assume there are utility easements of record.

It is my opinion that there are no easements or encroachments which would affect value or transferability.

Ingress/Egress:
The subject property is reached directly from Ocean Boulevard, which fronts on the subject north side.

Ocean Boulevard is a paved, two lane public roadway.

Ocean Boulevard is a central roadway within the Destiny By The Sea SD. It runs in a circle and its north and south paths are intersected by several short roads, identified as cays. Ocean Boulevard leads to the gate of the subdivision and access to Scenic Highway 98, which runs along the north side if the SD on the north side of the SD fence.

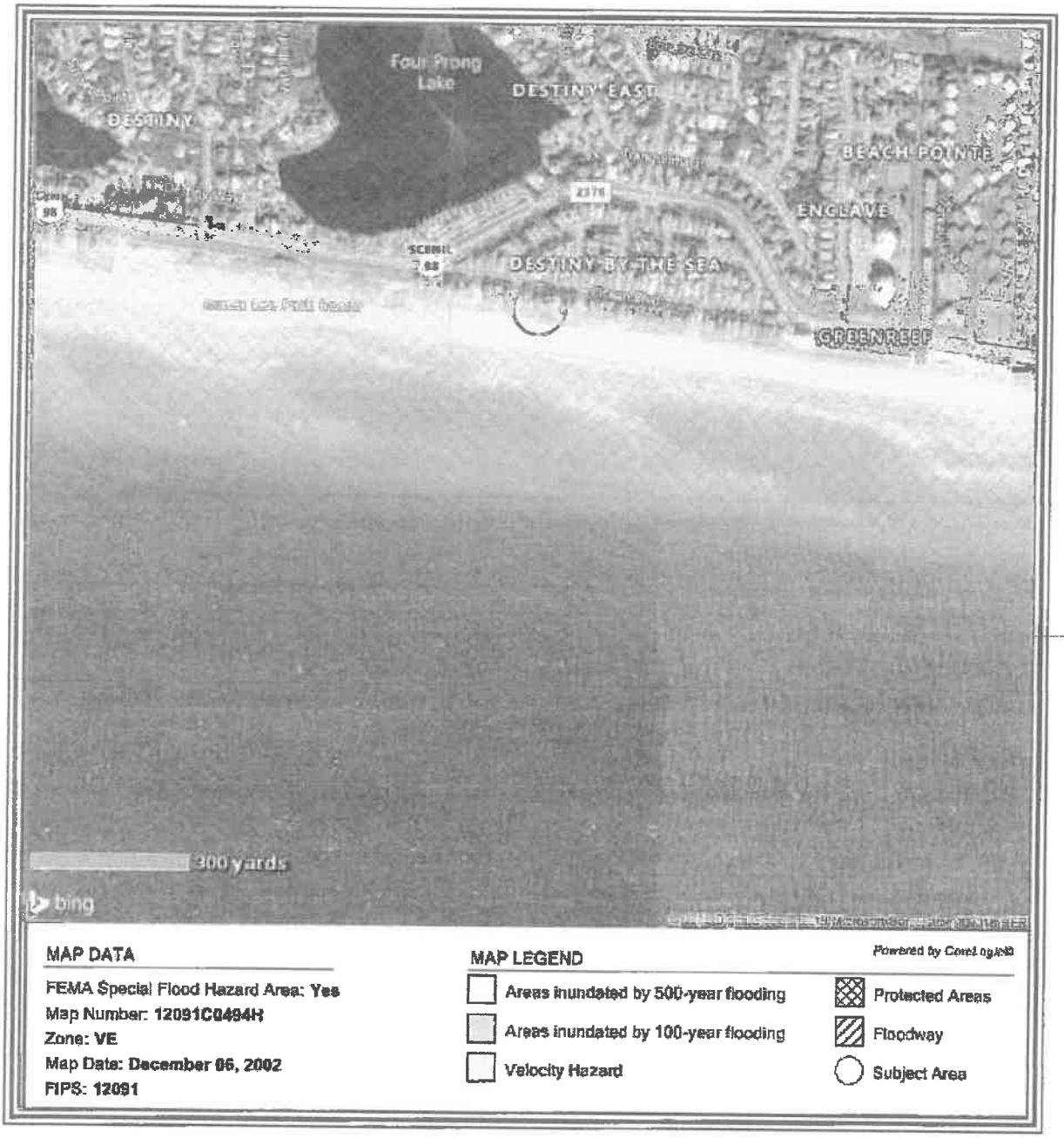
Ingress/egress is viewed as similar to most access typically found in the market.

Parking is viewed as similar to most parking found in the market as the subject features two garage spaces and four driveway spaces.

Flood Risk:

FEMA Map Panel	*Map Area*	*Dated*	*Flood Zone*
12091C 0494H	Okaloosa County	December 6, 2002	"VE"

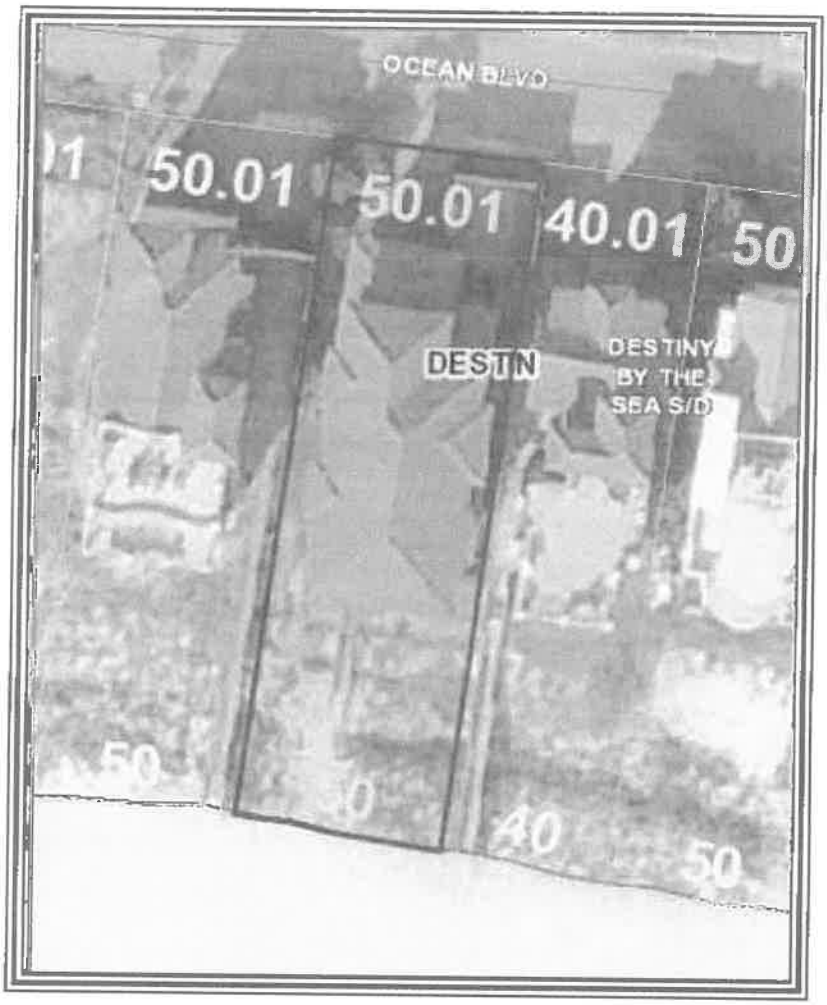
* The client is advised appraisers are not surveyors, and accordingly, any final determination as to flood zone status should only be made by a licensed, adequately insured, Florida surveyor utilizing the latest FEMA flood panels. However, it appears the entire subject area is considered as Flood Zone 'VE', an area of substantial flood risk. The subject is located at the red circle in the following flood map.



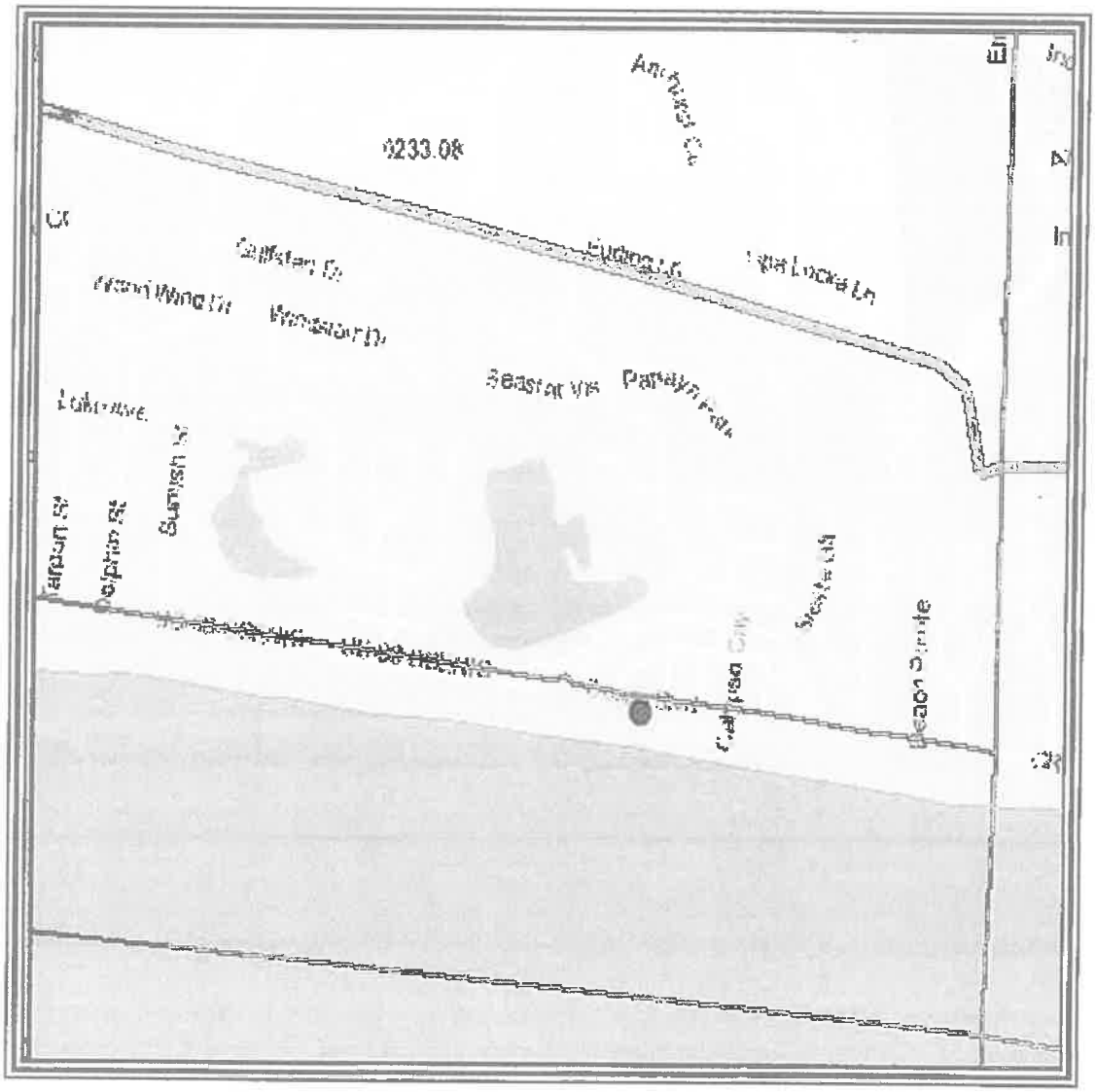
Wetlands:

The subject features no wetlands.

The wetland map is consistent with the flood panel on the previous page.



Census Data:
The subject is located in census tract 0233.08.



IMPROVEMENTS 'AS IS'

Size:
The subject is a single family detached improvement with three living levels.

The subject also features an attached garage on the first level. The subject features substantial exterior balconies and porches, as well as an in ground swimming pool, pool deck/lanai, landscaping, and four open paver parking spaces.

The first living level is the kitchen, living room, dining room and laundry room. There are no sleeping areas on the first level.

The second level sleeps twelve (12) and features two (2) bedrooms with king beds, each sleeping two (2). There is also a bunk room sleeping eight (8), a game room and a second laundry.

The third level sleeps eight (8) and features a bedroom with a king bed, a queen sofa and a day bed, sleeping six (6) as well as a second bedroom with a King bed sleeping two (2).

I note that the second level bunk room must qualify as a bedroom as the Okaloosa County Property Appraiser indicates there are five bedrooms in the subject.

The second and third levels areas sleep 12 and 8, resulting in a total of 20 guests.

Per Okaloosa County public records, the subject is 6,060 total SF with an approximate 4,558 HVAC SF of living area.

Construction Quality:
The quality of construction for the subject improvement is *Class D* good. Details of construction are summarized below:

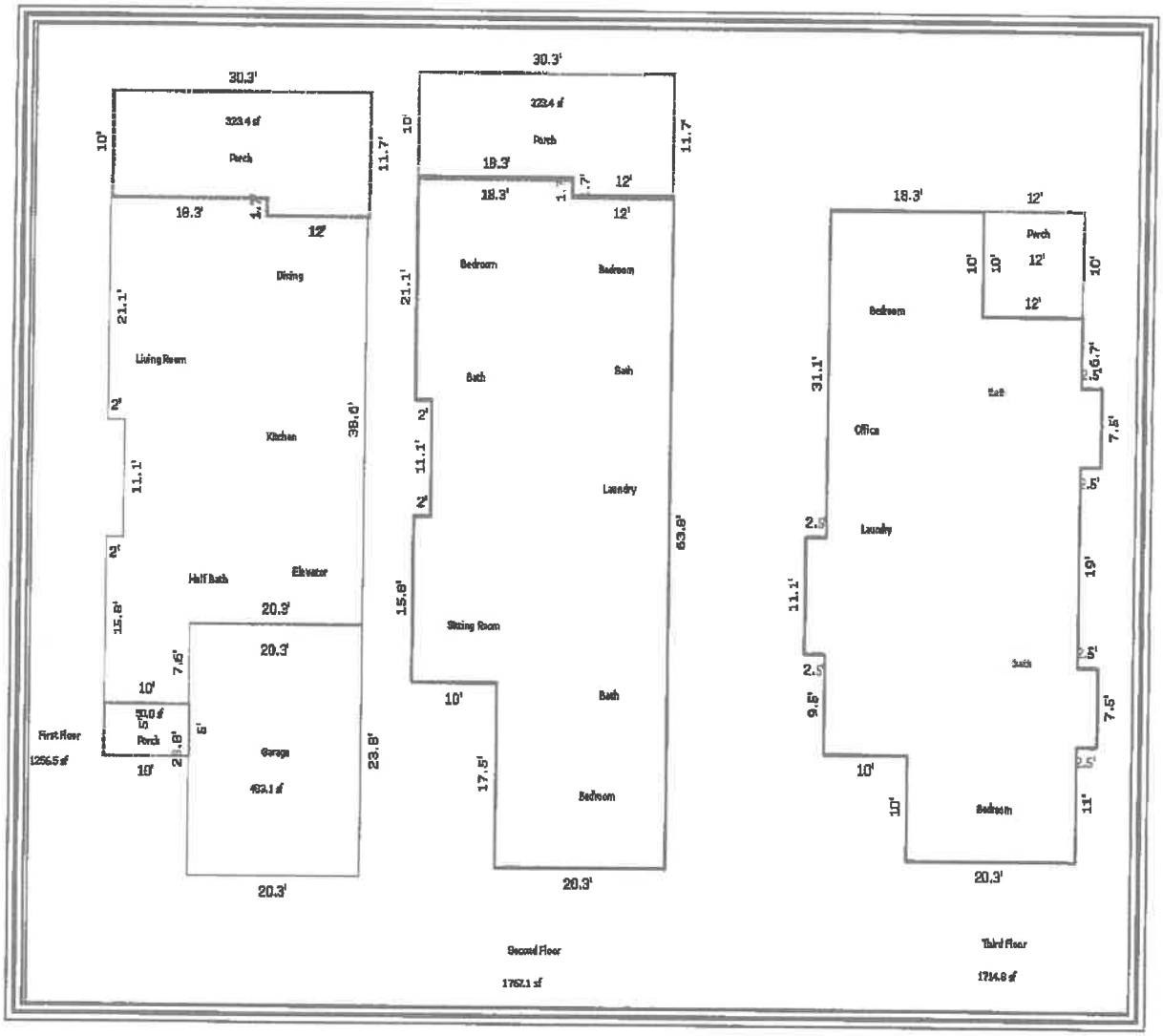
Construction Component	
Foundation	4" Reinforced concrete slab
Exterior walls	Wood frame with stucco
Roof	Concrete Tile
Trim	Base and crown molding
Windows	Double pane aluminum
Exterior doors	Insulated metal with glass
Insulation	Unknown. Assumed to be R38 behind sheet rock
HVAC	Forced Air and Central HVAC
Ceiling	9 and 10 foot with sheet rock and can lights
Interior Walls	Painted sheet rock
Interior flooring	High quality stone, tile and carpet
Interior doors	Six and four panel wood
Restrooms	Five and one half
Lighting	Can lights
Kitchens	One typical residential kitchen
Other	Many porches/swimming pool and lanai/elevator.

Condition of Improvements:
The subject improvement is in good condition.

Age:
Public records indicate this subject improvement was constructed in 2003.

I consider the actual age to be sixteen (16) years and the effective age to be from ten (10 to twelve (12) years. I estimate an economic life of fifty five (55) years and a physical life of seventy five (75) years.

See the following sketch from measurements made by this office.



Exterior Photographs:

FRONT OF SUBJECT

REAR OF SUBJECT

EAST SIDE OF SUBJECT

WEST SIDE OF SUBJECT

SWIMMING POOL

COVERED FIRST LEVEL BALCONY

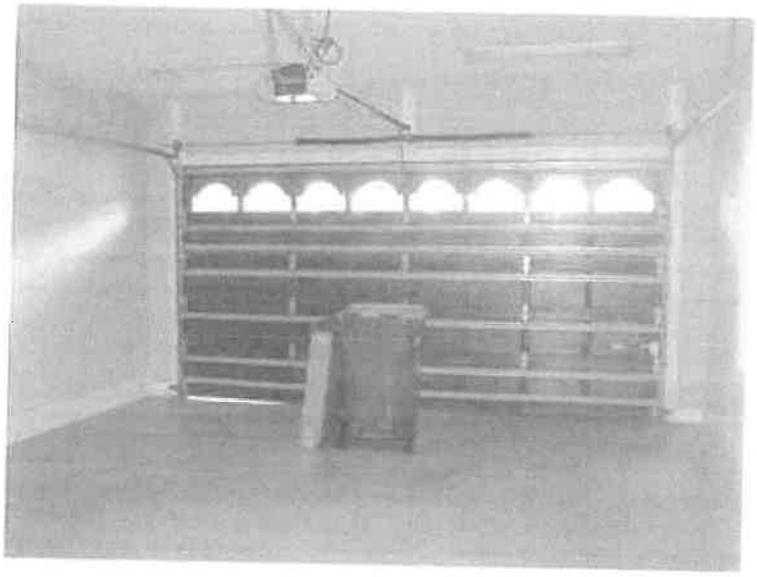
First Level(No sleeping capacity).

KITCHEN

DINING ROOM

LIVING ROOM

WET BAR



ATTACHED TWO (2) CAR GARAGE

HALF BATH SERVICING FIRST LEVEL - BATH # 0.5

Second Level Sleeping Twelve (12)

BEDROOM WITH KING SLEEPING TWO (2) - BR #1

FULL BATH SERVICING BEDROOM #1 - BATH #1.5

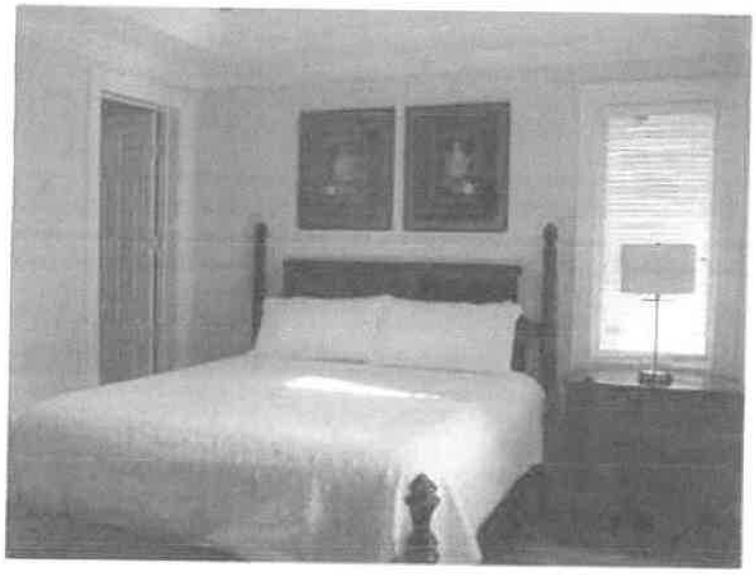
BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #2

FULL BATH SERVICING BEDROOM #2 - BATH # 2.5

BUNK ROOM SLEEPING EIGHT (8) - BEDROOM #3

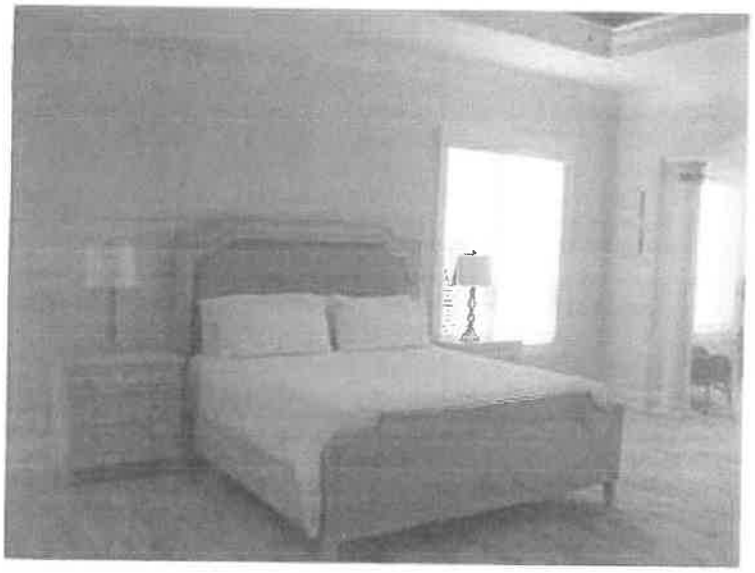
SECOND LEVEL LAUNDRY ROOM

Third Level Sleeping Eight (8).



BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #4

FULL BATH SUPPORTING BEDROOM #4 - BATH #3.5



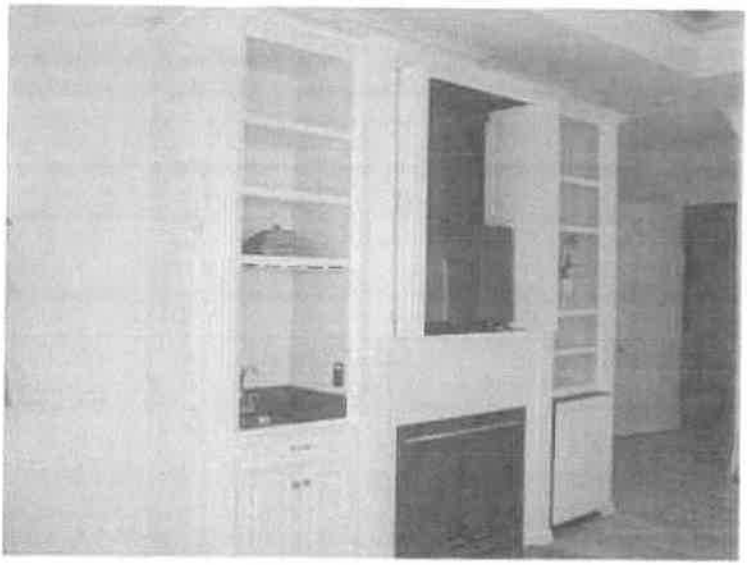
BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #5

DAY BED IN BEDROOM #5 SLEEPING TWO (2)

SOFA IN BEDROOM #5 SLEEPING TWO (2)

FULL MASTER BATH SUPPORTING THE MANY GUESTS IN BEDROOM #5 - BATH # 4.5

THIRD LEVEL LAUNDRY ROOM



THIRD LEVEL ENTERTAINMENT CENTER

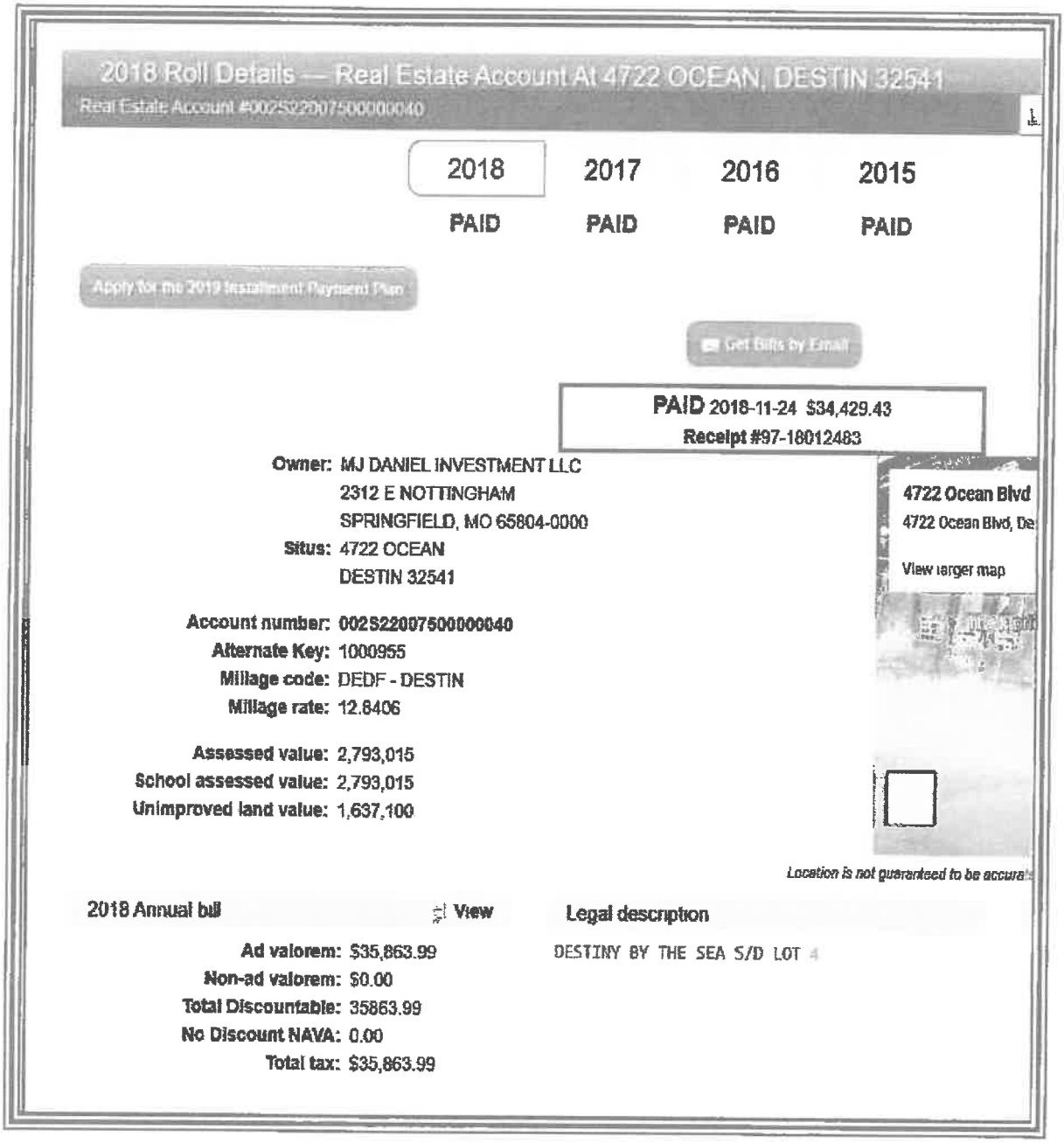
The tax identification number, gross tax amount due, amount paid, and assessed value for the 2018 tax year.

Tax Identification Number	Assessed Value	Gross Tax Amount Due	Amount paid	Amt. Due
00-2S-22-0075-0000-0040	$2,793,015	$35,893.99	$34,429.43	None

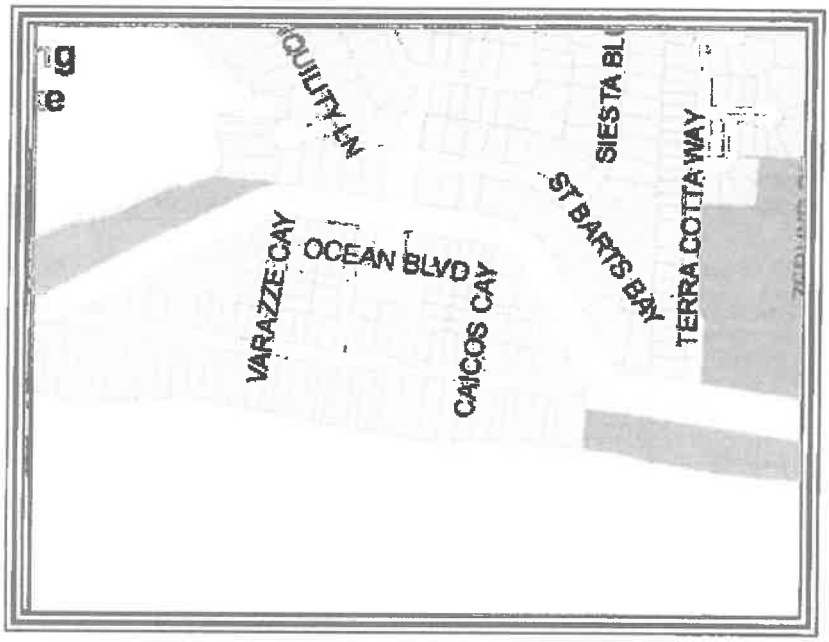
The 2018 taxes were paid early, resulting in a discount.

There are no previous year taxes owing.

It is my experience that assessed value has little correlation with current market value and are typically lower than market value with a few exceptions.



Zoning:
The following map indicates zoning for the subject parcel. The subject is zoned Crystal Beach Neighborhood by Destin. See following pages for detailed identification of allowable uses.



LAND DEVELOPMENT CODE COMMENTS

The following excerpts were taken from the Destin Land Development Code, currently on line.

This first excerpt states that Crystal Beach Neighborhood designates seasonal or short-term residential uses for single-family detached dwellings as a permitted use. I note that this description of the Crystal Beach Neighborhood zoning designation is silent regarding the number of allowable guests and does not limit guest numbers.

Community Development Department
Planning Division
4200 Indian Bayou Trail, Destin, FL 32541
Phone (850) 337-3123 • Fax (850) 837-7949
www.cityofdestin.com/index.aspx?nid=91

ZONING DISTRICT FACTSHEET

The purpose and ment of establishing zoning districts is to ensure that all development is consistent with the goals, objectives and policies of the Comprehensive Plan, by establishing a series of zoning districts that indicate what uses are allowed and site development regulations that control the use of land in each district. All development within each zoning district shall be consistent with the purposes stated for each district. (LDC 7.12.05)

CRYSTAL BEACH NEIGHBORHOOD (CBN)

Purpose and intent: The Crystal Beach Neighborhood zoning district shall apply to areas developed, redeveloped and/or maintained and conserved as permanent or seasonal single-family detached or multi-family attached residential dwelling units. Very limited supportive non-residential uses are allowed and are strictly limited to: places of worship, parks, playgrounds, community buildings and similar public service facilities serving the residents of the area, childcare centers and other ancillary neighborhood commercial uses which are approved as part of a planned unit development (PUD) for the exclusive use of the residents of the PUD. It is the intent of the CBN zoning district to specifically not allow the following uses to be located in the district: commercial hotels, motels, bed and breakfast establishments, or other commercial transient living accommodations.

Table 7-2: Table of Allowable Uses (excerpt from LDC 7.12.06)

PERMITTED USES:

Permanent or long-term residential uses

Single-family detached dwelling
Guest house [1]
Accessory dwelling
Single room occupancy housing
Museums, historical sites, zoos & parks [10]
Religious organizations

Seasonal or short-term residential uses

Single-family detached dwelling

Other residential uses

Community residential home, small (1-6)
Family day care home

CONDITIONAL USES:

Other residential uses

Permanent or long-term Multi-family attached dwelling
Seasonal or short-term Multi-family attached dwelling
Community residential home, large (7-14)
Child day care services

ACCESSORY USES:

Uses and structures which are customarily accessory, clearly incidental and subordinate to permitted uses and structures, including home occupations and off-site businesses.

Footnotes:

1 Guest houses are permitted only if the owner of the subject property occupies the primary dwelling as his/her main residence. However, guest houses shall not be rented out separately from the main residence. (refer to LDC section 7.12.04.M).

10 Zoos are only allowed in the Industrial zoning district.

This second excerpt defines long term rental and short term rental. I again note that the definition of short term rental is silent regarding the number of allowable guests.

Policy 1-2.1.1: Residential Uses Defined. Residential uses shall include several structure types used for housing, including single-family detached dwellings and multiple-family structures including duplex structures units, town homes and other detached single-family structures, apartments, patio homes, atrium homes, and similar multiple-family structures. The specific FLUM designations shall identify where single-family and multiple-family structures may be located. Following are the definitions for long-term residential and short-term residential.

1. Long-Term Residential. Long-term residential uses shall be defined as any residential accommodation that is available for occupancy for 181 days or more. Long-term residential uses shall include lock-out units, as defined in the Glossary.
2. Short-Term Residential. Short-term residential uses shall be defined as any residential accommodation that is available for occupancy for 180 days or less. Short-Term Residential uses shall include lock-out units, as defined in the Glossary.

This third excerpt defines the grandfather clause. This clause states clearly that the grandfather status may be released only by the vested entity

Policy 1-2.1.5: Grandfather Clause. Existing land uses that were lawfully conforming uses prior to the effective date of the Comprehensive Plan, shall continue as lawful uses and shall be regulated through administrative remedies for vested rights issues that shall be included in the LDC. Building heights, density and/or intensity which (a) are actual present and which lawfully existed prior to the effective date of the Comprehensive Plan, or (b) were authorized pursuant to a development order, which development order remained unexpired as of the effective date of the Comprehensive Plan, shall continue to be legal building heights, density and/or intensity (as applicable) after adoption of the Comprehensive Plan. All duly approved and recorded lots, subdivision and condominium plats of record, which existed as legal lots, subdivision and condominium plats of record prior to the adoption of this Comprehensive Plan shall continue to be legal lots, subdivision and condominium plats of record after adoption of the Compre[illegible]n. This grandfather status may only be relinquished voluntarily by the vested entity. All re[illegible]ions, condominium plats and all replats shall comply with the [illegible]hensive Plan objectives and Policies, including maximum density provisions. Similarly, all new dev[illegible] comply with the Comprehensive Plan and LDC unless the development is found to have a vested right in a land use, building height, density or intensity that is in conflict with the Comprehensive Plan and LDC. Under such condition the grandfather clause shall be applicable unless voluntarily relinquished by the vested entity. The intent is to sustain demonstrated private property rights while preserving the public interest, welfare, health, and safety. Notwithstanding, any single-family home that is subject to redevelopment shall be allowed to reconstruct, providing adopted building and construction codes as well as this ordinance and the size and dimension criteria of the LDC are met.

CONCLUSION

Based on these excerpts, I conclude that prior to the first application of Ordinance 18-29-CC, there were no restrictions to the number of allowable guests.

History:
The subject has been owned by the current owner since 3/9/2012 when they purchased it for $2,500,000, per ORB/P 3029/367.

Based on this transfer date outside of three years, there is no requirement to analyze the previous sale.

Active Listings:
The subject is not listed for sale and has not been listed for sale in the previous three years.

Current Use:
The subject is currently a detached single family home used for seasonal rental, catering to large family groups.

Surrounding Uses:
The surrounding use in the Crystal Beach area is a mix of full time occupants and seasonal renters.

MARKET AREA ANALYSIS - SEASONAL RENTAL MARKET

I am restricting this analysis to the seasonal rental market.

Up until perhaps 2000, the great majority of seasonal rentals were condominium units.

However, the growing demand for larger spaces to accommodate extended families in one place led to the conversion of many larger homes to seasonal rentals. It also spurred the construction of homes specifically designed for large rental parties.

Such homes feature typical living areas but emphasize a substantial number of bedrooms and baths. Often bedrooms are equipped with multiple built - in bunks for sleeping children.

Most homes also feature sofa sleepers which can sleep additional children.

Many of these homes, and certainly those recently constructed for this purpose, featured swimming pools and lanai areas as an exterior amenity.

This market has flourished as Destin is nationally recognized as a tourist attraction.

It is common to see Realtors addressing gross rental amounts or gross rental projections in MLS Listings. While the value of homes similar to the subject is partially estimated by a size / value per SF component, the fact that a home generates a substantial amount of income makes it a more attractive and safe purchase than a home which is not rented for seasonal income. In the past few years, income has become as important as selling prices, per SF.

Another factor worthy of discussion is that many owners now self - manage. Typically in the past, management of rentals was performed by one of several large real estate companies, such as Resort Quest, Dale Peterson, Newman Dailey and Southern Resorts. However, in the past 10 years a substantial number of smaller management companies have surfaced.

Management fees for seasonal rentals range from perhaps 15% to 25% of gross revenue.

Entrepreneurial owners have recognized this expense line and many now self - manage with the aid of Vacation Rental By Owner (VRBO) or some similar search engine.

The seasonal rental market is increasing in the Destin/Miramar Beach market as the thriving national economy allows discretionary vacations.

Without the first application of Ordinance 18-29-CC, allowing the planned capacity up to 20 guests, I would consider the seasonal rental market to continue to flourish over the next several years.

With the first application of Ordinance 18-29-CC, limiting the subject to 14 guests, I would project a diminution in value.

HIGHEST AND BEST USE 'AS IS'

Legally Permissible
The subject property is zoned (and designated for future land use) as *Crystal Beach Neighborhood (CBN)* by the City of Destin, Florida.

This zoning and land use designation allows for single-family use and specifically indicates that short term rentals is a permitted use (See page 37). The use of the subject for single-family short-term rentals is therefore allowed in this district.

Physically Possible
The subject property appears to be relatively level and well drained. Soil and subsoil conditions nearby appear compatible with both low-rise, multi-story use and traditional commercial development. All utilities required for commercial or 'mixed use' are presently at the site. The size and dimensions of the site are sufficient to allow a wide variety of legally permissible uses. The shape of the site is rectangular and this shape does not limit utility. Transportation of construction materials or labor to the site is estimated to be relatively simple due to the central location of the site within the overall market. Access to the site is above average.

However, the most compelling substantiation that the subject is physically possible is the fact that it already exists.

Therefore, use of the subject property for single family use as a seasonal rental is physically possible.

Financially Feasible
Value opinions derived in the income approach to value indicate the existing improvement contributes value to the underlying land. There is substantial other ongoing seasonal rental use in the market, suggesting that there is broad appeal for seasonal rental properties.

Therefore, continued use of the subject property for a detached single family residence used for seasonal rental income is financially feasible.

Maximally Productive
The alternatives of addition, demolition, expansion, modernization, or conversion to alternate uses have been considered within the legal, physical, and financially feasible parameters. Several alternatives exist.

Alternatives for use of improvements:

Expansion
The existing subject improvement is 4,558 HVAC SF. The subject is typical of most seasonal rental homes. Thus, there is no need for expansion. Any expansion would come at a cost of parking and/or access. Thus, expansion beyond what is existing, does not appear to be appropriate and feasible.

Renovation
Typically, any existing property could benefit from renovation. However, the subject has been well maintained and is in good condition. Thus, I would not consider imminent renovation to be required or practical.

Downsizing
The existing subject improvements are 4,558 HVAC SF. I see no reason to downsize the subject improvement as it appeared that all of it is usable space. Thus, downsizing beyond what is existing does not appear to be appropriate, physically possible or feasible.

Subdividing
The purpose of the subject is to lease it seasonally to large parties of guests. Subdivision would not be legally approved and does not appear to be financially prudent as the parties of guests would be smaller and grouping smaller parties together in the same pool could prove problematic. I would not consider subdivision to be prudent or feasible.

Demolition
The subject is a recently constructed home in 2003 and is currently in good condition. It features a probable 45 years of remaining economic life and a probable 65-70 years of remaining physical life.

I do not consider demolition and replacement with alternative improvements to be a superior use to the current use as a rental property. No alternative use would be certain to serve the land better. Thus, the subject is not a candidate for demolition.

Utilizing existing improvements
Continued use 'as is' as a seasonal rental, is considered the maximally productive use.

Conclusion of Highest and Best Use 'as is'
Analysis of recent trends and current market supply and demand indicate that the maximally productive highest and best use of the subject property is continued use as a detached single family residence used for seasonal rental income.

Conclusion of Highest and Best User 'as is'
Analysis of recent trends and current market supply and demand strongly indicate the most probable user is an entrepreneurial user who leases the subject for seasonal rental income with a small amount of personal use.

SUMMARY OF ANALYSIS AND VALUATION

Methodology

Site valuation derived from Sales Comparison Analysis involves direct comparisons of the subject property to similar properties selling in the marketplace to derive a comparative value indication for the subject property 'as if vacant,' as of the effective date of value. This approach is also called the 'direct sales comparison approach', or the 'market approach', and tends to be the most reliable approach for developing an opinion of the value of vacant land or sites available for development. Other methods of developing the value of land are available. Allocation, extraction, land residual, ground rent capitalization, and discounted cash flow analysis are all recognized as reasonable method of valuation.

The cost approach is a reliable methodology for new, or nearly new, buildings. I estimate the replacement cost or reproduction cost, in this case replacement construction cost, of the existing or existing improvements and site improvements (including direct and indirect costs as well as an appropriate developer profit), deducting accrued depreciation from physical, functional, and external sources from the total replacement or reproduction cost new. The depreciated replacement or reproduction cost of the improvements is added to the value of the site resulting in a value indication of the fee simple interest in the property.

The sales comparison approach is based on the 'Principle of Substitution' which indicates an informed purchaser would pay no more for a property than the cost of acquiring an equally desirable substitute property with the same or similar utility. This approach is applicable when an active market provides sufficient quantities of reliable data which can be verified from authoritative sources. The Sales Comparison Approach is reliable in an active market or if an opinion of value is related to properties which there are comparable sales available. This approach to value is also relevant when sales data can be verified with the principals to the transaction. Heavy emphasis is usually placed on this approach to value in an active market.

The income approach is recognized as a reliable approach for developing an opinion of the value of 'income producing' property to an investor. The income approach consists of methods, techniques, and mathematical procedures an appraiser uses to analyze a property's capacity to generate income and convert income into an indication of present value either by capitalizing the current income at a market capitalization rate or discounting the future cash flows into a present value estimate using an appropriate yield (discount) rate. The appraisal process emulates the market, and the most probable purchaser would either be an investor or prospective owner occupant. Two (2) techniques associated with the income approach are direct capitalization and discounted cash flow analysis.

Methodology employed and explanation of the exclusion of any of the three (3) approaches to value

I am not performing cost analysis. A buyer and seller in the market would not care what it cost to build the subject. In addition, the problem to be solved is to drive the diminution in value based on the guest restrictions included in Destin Ordinance 18-29-CC. The number of guests would have no impact on the cost to construct.

I am not performing sales comparison analysis. The impact of Destin Ordinance 18-29-CC may not be evident in the market for several years in the selling prices of homes. The ordinance allows a five year grandfather period. Homes sold in this grandfather period may not indicate a decline in selling prices and it would not be reliable to estimate diminution in value based on comparable sales until a larger array of data was available for use in sales comparison analysis.

I am performing income analysis. I will identify probable annual income for the subject based on historical income and projected income from the new manager; and then identify market rents which support the subject contract rent. I will then identify operating expenses and subtract operating expense from gross rent to arrive at a net operating income (NOI). I will then apply a market based capitalization rent to the NOI to arrive at a value for the subject, prior to the first application of Destin Ordinance 18-29-CC.

I will then identify the rental incomes for homes which are allowed only 14 guests. I will then subtract expenses for the rents of 14 guest homes and arrive at their NOI. I will then derive a value by capitalizing this NOI.

Finally I will subtract the value for a 14 guest house from the value of a 20 guest house and this figure will be the diminution in value.

COST ANALYSIS NOT PERFORMED

SALES COMPARISON ANALYSIS NOT PERFORMED

INCOME ANALYSIS
'AS IS'

DESCRIPTION OF INCOME ANALYSIS METHODOLOGY

The income approach to value is based on the principle of anticipation, in that the value of the subject property correlates to the present worth of the future right to receive benefits in the form of income to be received by the owner. The income approach considers the property from an investment interest with the assumption that the amount of income, coupled with the regularity and quality of the income stream, are the basis for valuing the property based on income analysis.

The income approach is applied by identifying the net income by first identifying gross income and then deducting from the gross income the expenses of operating a property to arrive at a net income, generally identified a Net Operating Income (NOI).

The estimated NOI is then converted to a value opinion by utilizing either a Discounted Cash Flow Analysis, or a Direct Capitalization Analysis, or both.

Discounted cash Flow Analysis:
The Discounted Cash Flow Analysis (DCF) is an analysis where a discount rate is applied to a series (typically several years) of income streams with a reversion after typically 7 to 10 years. The appraiser must specify the quantity, variable nature of the income, timing of payments (monthly/quarterly/annually) to a present value at a specified yield rate. The DCF analysis is most applicable when the net income is projected to be variable and when the property is on a sufficient size and investment value to influence market participants to evaluate purchase decisions based on DCF. A large strip retail center would be a good candidate for DCF analysis, as would a project to be constructed in phases, where the income would increase as new construction is added.

I note that I did not perform DCF analysis as it is my opinion that market participants would not use DCF analysis to base decisions to either purchase or sell properties such as the subject.

Direct Capitalization:
The conversion of a net income to a current value is called capitalization. Capitalization is a method which is used to convert the estimate of a single year's net income actual figures and/or expectancy of income into a value opinion by dividing the income by a appropriate rate of capitalization, as estimated by the appraiser. This technique employs capitalization rates derived from the market, using both capitalization rates from recent sales of similar properties, generally augmented by national indices, or other mathematical progressions. This process provides a one year snap shot of the property value. Future yields and values are not directly identified. The direct capitalization analysis is most appropriate for small to medium sized income producing properties, in stable markets with a forecast of generally stable income.

The procedural steps involved in capitalization are as follows:

Develop the probable gross income by identifying historical performance, income projections and market incomes from comparable properties which support the historical or projected subject income.

Estimate vacancy and collection losses to arrive at Effective Gross Income (EGI).

Estimate and subtract operating expenses to arrive at NOI.

Develop a capitalization rate which is supported by the market.

Divide the NOI by the capitalization rate to derive a value opinion.

I am employing the direct capitalization analysis to derive values in this analysis.

I note for the reader that steps #1 and #2 are generally combined in the analysis of seasonal resort properties. Owners and management companies tend to provide actual income which has already accounted for vacancy and collection loss.

ESTIMATE OF CAPITALIZATION RATE

The capitalization rate is a rate which is applied to the Net Operating Income (NOI) to derive a value for a property. As the chart below indicates, you can derive a capitalization rate by dividing the NOI by the purchase price.

The following excerpt will provide some explanation of capitalization rates.

Capitalization rates are used in a formula. As seen below, dividing the net operating income by the purchase price indicates the capitalization rate.

Another variation of the formula is to divide the net operating income by the capitalization rate and this process will indicate the value of the property.

What Is a Cap Rate?

A cap rate is simply a formula. It's the ratio of a rental property's net operating income to its purchase price (including any upfront repairs):

Cap Rate =

Net Operating Income (NOI) ÷ Purchase Price

The formula can be used on the level of an individual property by looking at its net operating income compared to its value. But it can also be used on the level of an entire market by taking *average* cap rates for a large group of properties.

Importantly, the cap rate formula does NOT include any mortgage expenses. As you can see in the formula for net operating income below, the expenses do not include a mortgage or interest payment.

Gross Rental Income
- Vacancy/Credit Loss Reserve
- Property Taxes
- Property Insurance
- Maintenance/Repairs
- Common Utilities (if any)
- Other expenses (ex: license)

= Net Operating Income

MARKET CAPITALIZATION RATE BASED ON NATIONAL INDICE

Capitalization rates range widely in the market. The following table derived from Realty rates.com indicate a wide variety of capitalization rates base on property types. This table contains very recent data from the first quarter 2019.

As can be seen, properties such as restaurants and lodging (motels and hotels) have high capitalization rates. Apartments (residential) have the lowest capitalization rates.

Realty rates does not include a separate category of single family detached homes.

RealtyRates.com INVESTOR SURVEY - 1st Quarter 2019*
CURRENT & HISTORICAL CAP RATE INDICES

Method-Weighted* Property Category Indices

	Apts		Golf		Healthcare Senior Housing		Industrial		Lodging		MH/RV Park		Office		Retail		Restaurant		Self Storage		Special Purpose		Weighted* Composite Indices	
		BP		BP		BP		BP		BP		BP		BP		BP		BP		BP		BP		BP
Year	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg
2019	8.42	26	12.02	30	9.01	14	9.19	23	10.53	25	9.56	30	9.84	10	9.38	20	11.57	15	9.86	29	11.64	40	9.64	22
4th Qtr	8.46	8	12.08	11	9.07	11	9.23	7	10.53	1	9.62	13	9.88	13	9.44	10	11.62	11	9.92	13	11.71	11	9.68	9
3rd Qtr	8.37	-4	11.97	-5	8.96	-2	9.16	-5	10.52	-7	9.59	-5	8.96	-6	9.33	-3	11.51	-4	9.79	-7	11.60	-3	9.59	-5
2nd Qtr	8.41	3	12.02	5	8.99	3	9.21	5	10.59	6	9.55	5	9.00	0	9.36	4	11.58	4	9.86	6	11.63	5	9.64	4
1st Qtr	8.38	23	11.97	28	8.96	13	9.16	22	10.52	31	9.50	28	9.00	5	9.32	17	11.52	26	9.81	25	11.58	34	9.60	21
2017	8.15	4	11.73	-2	8.87	-6	8.96	-12	10.20	5	9.26	11	8.94	-22	9.19	-9	11.42	-15	9.57	-9	11.25	4	9.42	-6
2016	8.13	-2	11.75	6	8.92	12	9.08	15	10.22	0	9.15	15	9.16	16	9.27	12	11.57	-19	9.67	14	11.21	10	9.48	9
2015	8.15	-9	11.69	-14	8.89	-9	8.93	-10	10.22	-20	8.99	-19	9.00	-6	9.05	-11	11.66	-13	9.52	-22	11.11	-12	9.40	-12
2014	8.24	-15	11.83	-9	8.99	-1	9.03	-4	10.43	-17	9.17	-5	9.06	-22	9.26	15	11.79	-6	9.75	-20	11.24	14	9.52	-7
2013	8.39	14	11.92	-14	8.90	5	9.07	-2	10.60	3	9.22	14	9.28	-19	9.11	-4	11.68	9	9.85	-24	11.18	1	9.56	-2
2012	8.25	-35	12.07	8	8.85	-36	9.09	-40	10.57	-24	9.08	-39	9.47	3	9.15	-13	11.77	6	10.19	-49	11.09	-4	9.58	-21
2011	8.60	-29	12.00	-22	9.21	-40	9.49	-11	10.81	-24	9.48	-9	9.44	-10	9.28	-26	11.70	-14	10.69	-3	11.12	-17	9.81	-19
2010	8.89	4	12.22	5	9.62	15	9.60	12	11.05	7	9.56	22	9.54	16	9.54	25	11.84	12	10.72	21	11.39	0	10.00	12
2009	8.85	8	12.17	16	9.47	10	9.48	10	10.99	-7	8.33	1	9.38	29	9.29	20	11.72	15	10.50	37	11.30	8	9.87	14
2008	8.77	-4	12.01	29	9.37	-16	9.38	-14	11.05	56	9.32	-5	9.09	-16	9.09	-11	11.57	-28	10.13	20	11.22	-7	9.74	-4
2007	8.81	-45	11.72	-21	9.53	-65	9.52	-25	10.49	-28	9.37	-26	9.25	-47	9.20	-12	11.85	61	9.93	-38	11.29	-24	9.75	-28
2006	9.26	12	11.93	47	10.18	15	9.77	35	10.77	27	9.53	41	9.72	26	9.32	30	11.24	18	10.31	27	11.53	9	10.03	29
2005	9.14	14	11.46	80	10.03	-16	9.42	-30	10.50	-21	9.22	19	9.46	6	9.02	16	11.06	5	10.04	13	11.44	-30	9.77	2
2004	9.00	-19	10.66	28	10.19	-37	9.72	19	10.71	-98	9.03	-48	9.40	-4	8.86	-19	11.01	-15	9.91	-13	11.74	-30	9.75	-15
2003	9.19	-2	10.38	-32	10.56	64	9.53	33	11.69	56	9.51	-11	9.44	1	9.05	-18	11.16	8	10.04	-53	12.04	105	9.94	12
2002	9.21	-40	10.70	18	9.92	-39	9.20	-81	11.13	26	9.62	-60	9.43	-35	9.23	-62	11.08	-3	10.57	-12	10.99	-177	9.82	-41
2001	9.61	64	10.52	133	10.31	90	9.81	16	10.87	98	10.22	-88	9.78	-35	9.85	-53	11.11	47	10.69	13	12.76	32	10.23	21
2000	8.97		9.18		9.41		9.65		9.89		10.90		10.13		10.38		10.64		10.56		12.44		10.01	

* Weighted by methodology: Band-of-Investment, DCR Technique, Sales Survey

* Further weighted by property category

ADDITIONAL DATA ON CAPITALIZATION RATES

The following chart provides some additional data regarding capitalization rates for apartments in some major metropolitan centers.

These rates are lower than the overall national rate for apartments identified on the previous page. I attribute this to the fact that the cities below are major metropolitan areas with a high density of population which keeps occupancy high and inspires investor confidence. In this regard, the Destin seasonal rental market is similar in its high density and national appeal.

Cap Rates For Stabilized, Class A Multifamily Apartments By City – 2017 (2nd Half)	
San Diego	4.25%
Chicago	4.75%
Atlanta	5.00%
Philadelphia	5.25%
St. Louis	5.75%
Cleveland	6.25%
Pittsburgh	6.50%
Detroit	7.25%

Single family homes are seldom valued via income capitalization. Most homes are owner occupied and the issue of rent and valuation through rent is generally not applicable. However, I identified the following excerpt rom the internet which indicates a range of capitalization rates from 4% to 10% for single family homes. The reader will note in the excerpt immediately above that high demand areas feature lower capitalization rates and lower demand areas feature higher capitalization rates. I would again observe that Destin is a high demand area in the seasonal rental market. Thus, I would consider it probable that capitalization rates for singe family homes in Destin were toward the low side of the 4% to 10% range.

Cap Rate for Single Family Home

Professionals purchasing commercial properties, for example, may buy at a 4% cap rate in high demand areas, or a 10% (or even higher) cap rate in low-demand areas. Generally, 4% to 10% per year is a reasonable range to earn for your investment property. Continuing with our example from above, $17,000/ **5%** = $340,000.

- *Short-Term Rental Cap Rate: 4.9%*

White sandy beaches, clear water, fishing piers, protected nature reserves, hiking trails... what more do you need to be convinced that Panama City Beach is one of the best places around the US to invest in a vacation rental.

Property prices are affordable with a median level of $334,700, while short-term rental income stands around $3,260. The average cap rate for vacation rentals is 4.9%.

2. Destin

- *Median Property Price:* $695,000
- *Airbnb Rental Income:* $2,720
- *Traditional Rental Income:* $1,610
- *Airbnb CoC Return:* 2.3%
- *Traditional CoC Return:* 0.5%
- *Airbnb Cap Rate:* 4.7%
- *Traditional Cap Rate:* 2.8%
- *Airbnb Occupancy Rate:* 58.4%

The second among the best places to buy a vacation home in Florida is Destin, with rental income from Airbnb just a few dollars below St. Augustine. However, this location is significantly more expensive. But it has a very important advantage for all those loving nature and sports – it is very famous for the fishing opportunities that it offers.

Conclusion:

I have provided an array of capitalization rates from national data ranging from a low of 4.7% to a high of 8.42%.

I am selecting a rounded rate of 6.25%, recognizing that there are established capitalization rates both higher than, and lower than, the reconciled 6.25%.

I am confident that a capitalization rate of 6.25% is well supported by national data.

I also note that the most similar rate is the 4.7% Airbnb rate in Destin, which suggests that a 6.25% rate may be conservative.

The following are two excerpts from the internet indicating that Panama City Beach, Florida boasts a very low capitalization rate of 4.9% and that the Destin, Florida market features a 4.7% capitalization rate for Airbnb rentals.

MARKET CAP RATE DATA BASED ON LOCAL SALES OF HOMES USED FOR SEASONAL RENTAL

In addition to the national data provided above, I am also providing some data from actual sales in the local market.

I have some professional acquaintances who specialize in the management of large homes used for seasonal rentals. I have asked them to provide me some actual data from recent sales to help derive a local data base of capitalization rates.

On 7/13/2018, Frangista Beach E16 LLC (Nick Athens - a professional acquaintance well known to me) sold 3491 Scenic Highway 98 to Rich Rentals for $3,000,000. This house is 6,008 HVAC SF and features nine (9) bedrooms and 9.5 baths. It is very similar to the subject and is a very good comparable indicator of capitalization rates. Mr. Athens stated that the net operating income was $172,340. Dividing $172,340 by $3,000,000 indicates a capitalization rate of 5.74%.

On 9/4/2015, Nick and Tina Athens sold 1850 - 1852 Scenic Gulf Drive in Miramar Beach to Forty-Four Holdings for $2,205,000. This was two side by side homes in Frangista Beach which were an aggregate 3,460 HVAC SF and which features Five (5) bedrooms and 7 baths. Mr. Athens stated that the net operating rent was $133,200. Dividing $133,200 by $2,025,000 indicates a capitalization rate of 6.58%. I do not consider it a coincidence that the home with the fewest bedrooms featured the highest capitalization rate.

On 2/10/2016, Destiny Real Estate Ventures LLC (Ben Giles - a professional acquaintance well known to me) sold 3463 Scenic Highway 98 to Charles Barone for $3,615,000. This house is 6,465 HVAC SF and features eight (8) bedrooms and 6.5 baths. It is very similar to the subject and is a very good comparable indicator of capitalization rates. Mr. Giles stated that the net operating income was $222,125. Dividing $222,125 by $3,615,000 indicates a capitalization rate of 6.15%.

On 1/11/2019, Kevin Hense sold 2984 Scenic Highway 98 to Russell and Susan Hancock for $3,000,000. This house is 3,997 HVAC SF and features six (6) bedrooms and 5.5 baths. It is very similar to the subject and is a very good comparable indicator of capitalization rates. Mr. Hense stated that the net operating income was $176,000. Dividing $176,000 by $3,000,000 indicates a capitalization rate of 5.87%.

On May 18, 2018, Sapp Investments LLC sold 4659 Destiny Way to the Lindholm Family Revocable Living Trust for $2,500,000. Mr. Lindholm stated to me that income for 2018 was an aggregate of $293,500. He also stated that expenses were an approximate $115,025, resulting in approximate $178,475 of net operating income (NOI). Dividing $178,475 by $2,500,000 indicates a capitalization rate of 7.14%.

RECAPITULATION OF LOCAL MARKET CAPITALIZATION RATES

The following table summarizes the capitalization rates identified in the narrative above.

Property Address	Capitalization Rate
3491 Scenic Highway 98, Destin	5.74%
1850 Scenic Gulf Drive, Mirimar Beach	6.58%
3463 Scenic Highway 98, Destin	6.15%
2984 Scenic Highway 98, Destin	5.87%
4659 Destiny Way, Destin	7.14%
Average	6.29%
Rounded	6.25%

I consider a rounded capitalization rate of 6.25%, derived from local data, to be a market supported rate which is both credible and reliable, as well as being consistent with national data which brackets the final capitalization rate selection.

For this reason, I am selecting a 6.25% capitalization rate.

ESTIMATE OF VALUE PRIOR TO THE FIRST APPLICATION OF ORDINANCE 18-29-CC

Based on the current zoning and the Destin Land Development Code previously discussed, there is currently no limit to the number of guests allowed in the subject improvement. The subject can accommodate up to twenty (20) guests based on the data provided by the owner and my identification of sleeping capacity previously identified.

CURRENT CONTRACT RENT
I note that seasonal rentals are typically described with annual rental amounts as opposed to more consistent monthly rental rates.

Such rental amounts are generally described using gross income data, and/or projections of gross income data.

Appraisers need to then examine expenses to arrive at a net operating rent to capitalize. Expenses to gross revenue are ad valorem taxes, flood and hazard insurance, HOA dues, maintenance and repairs, utilities, lawn maintenance, pest control, professional fees and reserves. I note that interest/mortgage payments and depreciation are not expenses when capitalizing property for value.

In the case of the subject, it has been managed by a management company. The owner provided me with gross income and expenses from 2018 which indicated gross income of $200,947 and expense of $89,056 which is an approximate 45% expense ratio.

4722 Ocean (Camelot) : Revenues $200,947 vs Expense $89,056

I note that the owner was not satisfied with the performance of the previous management company and has made a move to Destin Luxury Rentals. The new company provided me a projection for 2019 of their expected gross income as follows:

FLORIDA LUXURY VACATION RENTALS

FLVR Rental Pro Forma
4722 Ocean Blvd, Destin, FL 32541
5 Bed | 5.5 Bath | Sleeps 20

Spring Break - $9,000\wk | 4 weeks = $36,000
Spring - $8,000\wk | 4 weeks = $32,000
Summer - $12,500\wk | 12 weeks = $150,000
Late Summer - $10,000\wk | 2 weeks = $20,000
Fall - $8,000\wk | 4 weeks = $32,000
Winter - $5,000\wk | 4 weeks = $20,000
Total Gross Rental - $290,000
Rental Management Fee | Total Net to Owner =

It can be seen that there is quite a difference between $200,947 and $290,000.

I would suspect that a more credible and reasonable (USPAP Standard) would fall between the 2018 actual and the 2019 projection.

To refine the gap between $200,947 and $290,000, I will use market data to estimate a credible and reasonable rent projection.

MARKET SUPPORT FOR GROSS INCOME ESTIMATE

Some of these comparables were provided to me by Ben Giles, an owner of several large homes. Other owners who provided data were Tari Furey, Nick Athens and Kevin Hense.

Address	Gross Income	Guest capacity	Income per guest
42 Miami Street	$463,852	34	$13,643
3487 Scenic Highway 98	$305,393	32	$9,545
3463 Scenic Highway 98	380,000	32	$11,875
3461 Scenic Highway 98	$364,723	36	$10,131
107 Hollywood Street	$289,647	38	$7,622
112 Sandprint Circle	$325,000	30	$10,833
4664 Destiny Way	$275,000	20	$13,750
2984 Scenic Gulf Drive	$263,000	22	$11,954

The average of these eight market comparable rentals is $11,169. The three most similar homes are the last three based on the smaller number of guests as compared to the first five rentals. Two of these sales are gulf front homes and the other rental is a front row home in Destiny with unobstructed gulf views. These three sales are generally similar to the subject.

I am very familiar with the two homes at 112 Sandprint Circle and 4664 Destiny Way. I recently appraised 112 Sandprint Circle for another claim and now know the owner well. While she can physically sleep 30, she typically sleeps a lesser number of guests. Were I to divide her income of $325,000 by 25 guests, I would arrive at $13,000 per guest.

The house at 4664 Destiny Way is owned by Nick Athens, a close personal friend. This home is not gulf front, but is sited on the north side of Scenic Highway 98 with unobstructed gulf views. This home is impeccable. I would consider its superior condition and amenities to offset its lack of gulf frontage.

Based on this data, I consider a value per guest of $13,500 to be a credible and reasonable market based opinion of annual rent.

The subject can accommodate 20 guests. Multiplying 20 by $13,500 per guest results in an annual gross income of $270,000, relatively consistent with the Florida Luxury Vacation Rentals projection of $290,000.

MARKET SUPPORT FOR GROSS TO NET RATIO

RATIO OF GROSS TO NET INCOME

I have attempted to derive gross and net income figures for comparable properties in the market. However, my research indicates that many owners and property managers are unwilling to divulge private financial information, especially the net income.

Thus, I will provide some market examples of properties where clients or close associates did divulge data.

The first example is a detached home located at 112 Sandprint Circle in the Dunes of Destin. The owners, Edward and Tari Furey, provided me with detailed data regarding income and expenses. They indicted annual revenue of $325,000 and annual expense of $100,000. This suggests an expense ratio of $100,000 / $325,000, or 31%, rounded.

I again spoke to Nick Athens who still owns a detached house at 4664 Destiny Way which grossed $275,000 in 2018. The expenses for this property were an approximate $89,000. This suggests an expense ratio of $89,000 / $275,000, or 32% rounded.

As a third indicator, I spoke to Kevin Hense, who sold a detached house at 2984 Scenic Highway 98 for $3,000,000 on 1/11/2019. Mr. Hense indicated that the 2018 gross rent was $263,000 and that the expenses were $87,000. This suggests an expense ratio of $87,000 / $263,000, or 33%, rounded.

I am also providing the following data from the client regarding his six homes in Destin, to include the subject.

4722 Ocean (Camelot) : Revenues $200,947 vs Expense $89,056
4729 Ocean (Vita La Bella): $108,191 vs $ 53,521
4742 Ocean (Tuscany) : $271,198/ $88,722
4782 Ocean (Casa Oceana) : $145,466/ $53,472
3425 Scenic HWY 98 (Commander's Palace) : $165,123/ $63,997
3467 Scenic HWY 98 (Sand Castle By the Sea) : $114,690/ $67,883

These six operating expense ratios in order are 44% / 49% / 33% / 37% / 39% and 59%

I consider the historical operating expense ratios for the six homes owned by the client to be higher than typical in the market. This is because of the low income amounts, which perhaps can be attributed to previous inefficient management. Lower income will lead to high operating expense ratios as the fixed costs of taxes and insurance are constant regardless of the number of guests/gross income.

Adding to the 44% operating expense ratio with the subject at 4722 Ocean Boulevard is the substantial approximate $35,000 annual ad valorem tax. A fixed cost tax amount this high will skew operating expenses higher than typical.

Because I consider that the ad valorem taxes are high with this subject improvement, combined with the probability that it will require at least a season to 'right the ship', I will use an operating expense ratio of 40%, above the market comparables above.

The next step is applying the previously calculated expense ratio to the gross rent to arrive at a net operating income (NOI). Applying a 40% expense ratio to $270,000 results in a net rent of $162,000.

Capitalizing $162,000 with a 6.25% capitalization rate results in a value of $2,592,000, rounded to $2,590,000.

It is my professional opinion that the subject value, prior to the first application of Destin Ordinance 18-29-CC is $2,590,000, based on income analysis.

$2,590,000

ESTIMATE OF VALUE AFTER THE FIRST APPLICATION OF ORDINANCE 18-29-CC

Destin Ordinance 18-29-CC reduces the subject sleeping capacity to 14 guests as the limit is two guests per bedroom, plus four (4) additional guests. There are five (5) bedrooms. Thus, 2 x 5 = 10 + 4 = 14.

I note for the reader that the ordinance states clearly that a bedroom must meet the requirements of the Okaloosa County Property Appraiser who states that a bedroom has a door, a window and a closet. The Okaloosa County Property Appraiser states that the subject is a five bedroom house.

It is my opinion that the limit of 14 guests will have a negative impact on value.

To estimate the difference, I need to research the market for homes which are limited to smaller guest totals

Market research results in the following comparable rentals.

MARKET SUPPORT FOR GROSS INCOME ESTIMATE

Some of these comparables were provided to me by Jordan Shane, Florida Luxury vacation Rentals, Cheryl St.Pe', Destin Comforts and Ben Giles.

Address	Gross Income	Guest capacity	Income per guest
3893 Sandprint Circle	$118,796	20	$5,939
113 Los Angeles Street	$137,308	19	$7,227
1737 Scenic Highway 98	$144,814	20	$7,241
100 Sandprint Circle	$105,000	20	$5,250
84 Woodward Street	$80,560	12	$6,713
212 Kono Way	$74,815	12	$6,235
75 Shirah Street	$79,885	14	$5,706

The average of these seven market comparable rentals is $6,330. However, none of these homes are gulf front homes. The subject is located in a gated, gulf front subdivision. I consider the subject to command a higher rate per guest than the above averages.

Based on this data, I consider a value per guest of $10,000 to be a credible and reasonable market based opinion of annual rent.

Based on the impact of Ordinance 18-29-CC, the subject will be limited to 14 guests.

Multiplying $10,000 per guest by 14 guests results in gross annual rent of $140,000.

The next step is applying the previously calculated expense ratio to the gross rent to arrive at a net operating rent (NOI).

Applying a 40% expense ratio to $140,000 results in a net rent of $84,000.

Capitalizing $84,000 with a 6.25% capitalization rate results in a value of $1,344,000, rounded to $1,345,000.

It is my professional opinion that the subject value, after to the first application of Destin Ordinance 18-29-CC is $1,345,000, based on income analysis.

$1,345,000

ESTIMATE OF THE DIMINUTION OF VALUE

My research and analysis indicates that the value of the subject based on the right to sleep 20 guests is a rounded $2,590,000.

My research and analysis indicates the value of the subject based on the limit to sleep only 14 guests is a rounded $1,345,000.

It is my opinion the first application of Destin Ordinance results in an approximate $1,245,000 diminution of value.

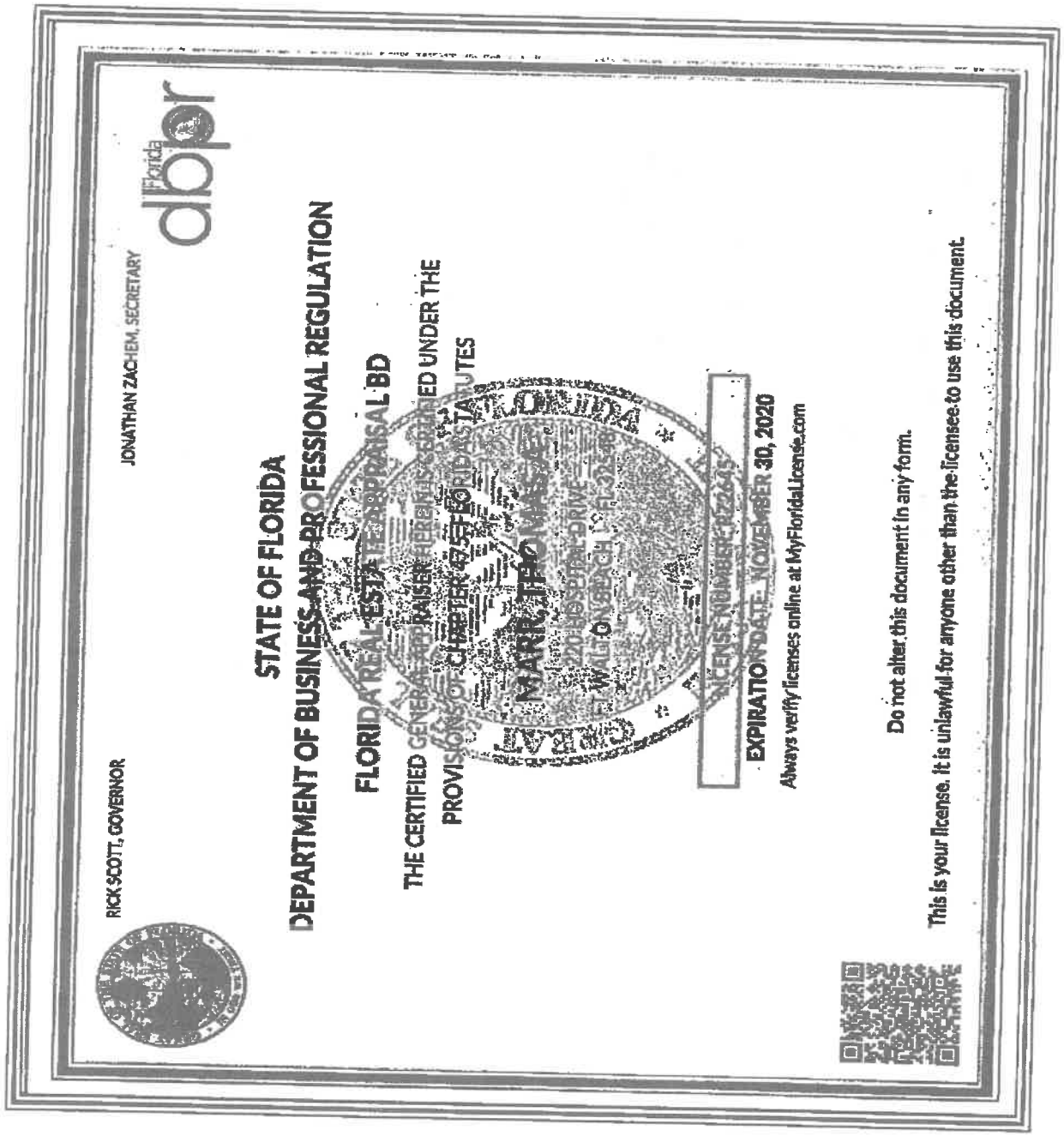
DIMINUTION OF VALUE

$1,245,000

ADDENDA

Appraiser License

APPRAISER LICENSE



THIS INSTRUMENT PREPARED BY
AND AFTER RECORDING RETURN TO:

Kimberly Romano Kopp, Esq.
Romano Kopp Law, P.A.
P.O. Box 445
Destin, Florida 32541

For Recording Purposes Only

SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is entered into this _____day of _____ 2019, ("Effective Date") by and between, MJ Daniel Investment, LLC ("**Owner**") and the City of Destin ("**City**"), collectively referred to as the "Parties."

RECITALS

WHEREAS, on January 22, 2019, the City enacted Ordinance 18-29-CC, the Short-Term Rental Occupancy Ordinance ("Ordinance"), which limits the occupancy of short-term rental homes to two (2) people per bedroom plus an additional four (4) persons; and

WHEREAS, Owner owns the real property and improvements located at 4722 Ocean Boulevard, Destin, FL 32541, as more particularly described in the attached Exhibit "A" (the "Property"); and

WHEREAS, on October 23, 2019, Owner filed a claim with the City, pursuant to the provisions of §70.001, Florida Statutes, the Bert J. Harris, Jr., Private Property Rights Protection Act (the "Harris Act"), alleging that the Property had been inordinately burdened by the adoption of the Ordinance, (the "Claim"); and

WHEREAS, the Harris Act provides for the City to have the ability to enter into a settlement agreement which would have the effect of a modification or variance to the application of a regulation or ordinance as it would otherwise apply to the subject real property, provided the relief granted protects the public interest served by the regulations at issue and is the appropriate relief necessary to prevent the governmental regulatory effort from inordinately burdening the real property; and

WHEREAS, the City has determined that the modifications to the effect of the Ordinance effected by this Agreement protect the public interest served by the Ordinance and are the appropriate relief necessary to prevent the regulatory effect of the Ordinance from inordinately burdening the Property; and

WHEREAS, the Parties now desire to settle and finally resolve all disputes between and among them concerning the Claim.

NOW, THEREFORE, the Parties hereby agree as follows:

1. **Recitals.** The above recitals are true and correct and are incorporated herein by reference.

2. **Occupancy Allowable Under Ordinance.**

(a) Owner is hereby granted a variance from the provisions of the Ordinance so that the Owner shall have the right to apply under the Ordinance for a maximum occupancy of twenty (20) overnight guests at the seven (7) bedroom vacation rental property noted above and the City shall grant such occupancy. The right shall continue in perpetuity, regardless of any future changes in ownership, provided that this right shall expire permanently if the Property were to be voluntarily remodeled or voluntarily rebuilt in such a manner as to change the number of bedrooms that existed at the date of the Claim. The Property remains subject to all other requirements of the City's regulations, including but not limited to regulations for short-term rentals, parking, trash, and noise.

(b) No greater than four (4) vehicles may be parked on the Property. No vehicle may encroach upon the City's right-of way.

(c) Owner shall ensure that at least four (4) outdoor trash receptacles are provided by the applicable trash hauler and available for use by occupants at all times.

(d) Owner agrees that the City shall be permitted to access the property on an annual basis for the purpose of life-safety inspections to ensure code compliance with minimum egress and emergency egress requirements pursuant to the Florida Building Code (Residential) and to ensure the property has adequate and working smoke detectors. Owner shall submit to the City a separate application and fee for such inspection, on a form provided by the City, at the time Owner submits its annual short-term rental registration application to the City.

3. **Development in Accordance with Code.** Notwithstanding any provisions contained herein, the Owner shall at any time have the right and option to remodel, develop, or use the Property in accordance with the applicable ordinances of the City of Destin in effect at the time of application therefor, and this variance shall not be construed as making the Property in any way non-conforming.

4. **Entire Agreement.** The Parties acknowledge that this Agreement constitutes the entire agreement between them regarding the settlement of their dispute and any prior statements, whether oral or written, are merged herein. This Agreement may not be modified or amended without a written instrument signed by the party against whom enforcement is sought.

5. **Duration of Agreement.** This Agreement shall be perpetual and deemed to run with the land, and shall be binding upon and the benefits shall inure to the parties hereto and their respective heirs, devisees, personal representatives, successors and assigns.

6. **Authority.** The signatories to this Agreement are expressly authorized to resolve their dispute as set forth herein and by their signatures here represent and affirm their authority to execute this Agreement.

7. **Governing Law.** The law of the State of Florida shall apply to this Agreement. Any dispute regarding this Agreement shall be litigated exclusively in the courts of Okaloosa County, Florida. The parties expressly consent to such agreed jurisdiction and venue, and waive any objections thereto.

8. **Notices.** Any notice required or permitted to be given hereunder shall be in writing and shall be (i) delivered by hand, (ii) delivered by reputable national or local courier (such as United Parcel Service or Federal Express), (iii) mailed by United States registered or certified mail, return receipt requested and postage prepaid, or (iv) sent by facsimile transmission provided a confirmation of such facsimile transmission is sent the same day by one of the methods of delivery in (i), (ii), or (iii) above. Any notice shall be addressed to each party at its address as set forth below. Any such notice shall be considered given on the date of such hand delivery, deposit with such courier for same day or next business day delivery, upon receipt of return receipt of certified mail, or receipt of facsimile transmissions, as the case may be, and the time period (if any is provided herein) in which to respond to such notice shall commence on the date of receipt. Rejection or other refusal to accept or inability to deliver because of changed address of which no notice was given shall be deemed to be receipt of the notice. By giving to the other party at least ten (10) days' notice thereof, any party shall have the right from time to time to change the addresses thereof and to specify up to two (2) additional addresses within the United States of America to which copies of notices to it shall be sent. Notice may be given on behalf of any party by such party's counsel. In the event the subject property owner changes, notices shall be addressed to the current owner as indicated in the records of the Okaloosa County Property Appraiser. Otherwise, notices shall be sent as follows:

Each notice shall be addressed as follows:

To City: City of Destin, Florida
Attn:
4200 Indian Bayou Trail
Destin, Florida 32541

With a copy to:
City Land Use Attorney
Romano Kopp Law, PA
PO Box 445
Destin, Florida 32541
Attn: Kimberly Romano Kopp, Esq.

To Owner: MJ Daniel Investment, LLC
4722 Ocean Blvd.
Destin, FL 32541

With a copy to: Najmy Thompson, PL
1401 8th Avenue West
Bradenton, Florida 34205
Attention: Aaron M. Thomas, Esq.

Attorney's Fees. In the event of any action, whether pre-suit, mediation, litigation or appellate proceeding to enforce the terms and conditions of this Agreement, each party to the action shall pay its own attorney's fees and costs incurred therein.

(d) Venue over any action to enforce the terms and conditions of this Agreement, including mediation, shall lie solely in Okaloosa County, Florida.

OWNER: MJ Daniel Investment, LLC

_____
Signature of Witness #1

_____
By:
MJ Daniel Investment, LLC

_____
Print or type name

_____
Signature of Witness # 2

_____
Print or type name

STATE OF_____
COUNTY OF_____

The foregoing instrument was acknowledged before me this _____ day of _____ 2019, by _____ _____ and _____, who are personal known to me or who have produced _____ as identification and who did not (did) take an oath.

_____
Signature of Notary

(NOTARY SEAL)

_____
Print or type name

CITY OF DESTIN

By:_____
Gary Jarvis, Mayor

Date:_____

ATTEST:

_____
Rey Bailey, City Clerk

Date:_____

STATE OF_____
COUNTY OF_____

The foregoing instrument was acknowledged before me this _____ day of _____ 2019, by _____ _____ and _____, who are personal known to me or who have produced _____ as identification and who did not (did) take an oath.

_____
Signature of Notary

(NOTARY SEAL)

_____
Print or Type Name

Approved as to form and legality for use and reliance
by the City of Destin, Florida, only.

_____
Kimberly Romano Kopp, Esq.
City Land Use Attorney

Exhibit "A"

Legal Description of Property

ITEM # 2019-1908

CITY OF DESTIN

AGENDA ITEM

COUNCIL MEETING DATE: December 9, 2019
TYPE OF AGENDA ITEM: Action Item

TO: City Council

THRU: Lance Johnson, City Manager

FROM: Kimberly Kopp, Land Use Attorney
Louis Zunguze, Community Development Director

DATE: December 5, 2019

SUBJECT: 27) 4659 Destiny Way

I. BACKGROUND:

On January 22, 2019, the City enacted Ordinance 18-29-CC, the Short-Term Rental Occupancy Ordinance ("Ordinance"), which limits the occupancy of short-term rental homes to two (2) people per bedroom plus an additional four (4) persons.

The subject property owner owns the real property and improvements located at 4659 Destiny Way, Destin, FL 32541, as more particularly described in Exhibit "A" (the"Property") to the proposed settlement agreement.

Owner filed a claim with the City, pursuant to the provisions of §70.001, Florida Statutes, the Bert J. Harris Jr., Private Property Rights Protection Act (the "Harris Act"), alleging that the Property had been inordinately burdened by the adoption of the Ordinance, (the "Claim).

The Harris Act provides for the City to have the ability to enter into a settlement agreement which would have the effect of a modification or variance to the application of a regulation or ordinance as it would otherwise apply to the subject real property, provided the relief granted protects the public interest served by the regulations at issue and is the appropriate relief necessary to prevent the governmental regulatory effort from inordinately burdening the real property.

The City Council should settle the claim if the City Council determines that the modifications within the settlement agreement protect the public interest served by the Ordinance and are the appropriate relief necessary to prevent the regulatory effect of the Ordinance from inordinately burdening the Property.

II. DISCUSSION: The property owner has requested a maximum occupancy of twenty-eight (28) occupants. City staff is recommending an occupancy of thirteen (13) occupants based on the square footage of the property. The building official utilized a one-occupant per 200 square feet methodology for recommending the above-stated occupancy.

Additionally, staff is recommending at least three (3) trash cans on the property. This recommendation is based on industry standard (Waste Management) that, on average, one trash can is required for every six occupants in order to ensure adequate garbage disposal. Therefore, if the maximum number of occupants exceeds any multiple of six (6, 12, 18, 24, 30, 36, etc.), then an extra trash can will be needed to accommodate the additional occupants. For example, if thirteen (13) is the maximum occupation, then three (3) trash cans are required. This is because, on average, two (2) trash cans will only accommodate twelve (12) occupants. The third trash can will be needed to accommodate the thirteenth occupant.

Further, the property owner must agree to annual life safety inspections, as provided in the proposed settlement agreement.

Finally, staff is recommending that no greater than six (6) vehicles be parked on this property.

As stated in the agreement, the property owner remains bound by all other provisions of City codes.

A. Link to Strategic Goals / Objectives:

B. Effect on Budget (EOB):

C. Level of Service (LOS):

III. CONCLUSION:

IV. RECOMMENDED MOTION: 1. I move to approve the settlement agreement prepared by the City Land Use Attorney and Staff.

or

2. I move to approve the settlement agreement prepared by the City Land Use Attorney and Staff with the following modifications:_____.

or

3. I move to direct the City Land Use Attorney to negotiate in good faith with the property owner and to bring back an alternate settlement proposal to the City

Council for consideration.

or

4. I move to deny settlement of the subject claim at this time.

Attachments:

1. Burt Harris Case - 4659 Destiny Way
2. 4659 Destiny Way Settlement Agt 11_11_2019 (2)

NAJMY | THOMPSON PL.
ATTORNEYS AT LAW

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Bradenton, FL 34205

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WWW.NAJMYTHOMPSON.COM

October 23, 2019
Via Hand Delivery

City of Destin
c/o Major Gary Jarvis
4200 Indian Bayou Trail
Destin, FL 32541

Re: 4659 Destiny Way, Destin, FL 32541
Bert J. Harris Claim, §70.001, *Fla. Stat.*, July 1, 2012

Dear Mayor Jarvis,

This firm represents Bradley L. Lindholm as trustee for the Lindholm Family Revocable Living Trust dated June 4, 2010, owner of an improved property described as 4659 Destiny Way, Destin, FL 32541. My client has been utilizing and operating the house as a short-term rental property within the City of Destin for over one (1) year. The City of Destin has authorized the use of this property as a short-term vacation rental.

The "before" condition of the subject property is a eleven-bedroom, three-story residence able to accommodate twenty-eight (28) guests as part of the authorized and approved short-term rental use of this property and others within the City.

By the City of Destin's passage on January 22, 2019 of Ordinance 18-29-CC and application of Ordinance 18-29-CC to the subject property on September 18, 2019 (when the City of Destin denied my client's request for a variance), this property is now restricted to an occupancy of twenty-four (24) guests.

The Florida Legislature has passed Section 70.001, *Fla. Stat.*, known as the "Bert J. Harris Jr. Private Property Rights Protection Act as Amended."

Chapter 70.001, *Fla. Stat.*, "*inter alia*", created a separate and district cause of action which provides for relief or payment of compensation when a new law, rule, regulation or ordinance of the state or a political entity in the state, as applied, unfairly affects real property. "When a specific

NT

action of a governmental entity has inordinately burdened an existing use of real property or a vested right to a specific use of real property, the property owners of that real property are entitled to relief, which may include compensation for the actual loss to the fair market value of the real property caused by the action of government, as provided in this section." *Fla Stat.* §70.001(2).

The owner of the subject property asserts that his actual and existing use of said real property has been inordinately burdened by the City of Destin's adoption and application of Ordinance 18-29-CC by restricting its occupancy to twenty-four (24) occupants.

To that end, this letter should serve as a formal, written claim pursuant to §70.001, *Fla. Stat.*, the Bert J. Harris Jr. Private Property Rights Protection Act as Amended. Attached to this letter is a bona fide, valid appraisal that supports the claim and demonstrates the loss in value to the real property. This appraisal establishes the loss in value of the subject property, as a result of the application of the occupancy limitation of Ordinance 18-29-CC, to be $400,000.00.

Pursuant to §70.001(4)(c), *Fla. Stat.*, the City of Destin has 150 days to respond to this claim with a written settlement offer. You should consult your counsel as to any other obligations and settlement opportunities contained within this statute.

PLEASE BE GOVERNED ACCORDINGLY.

Sincerely,

NAJMY THOMPSON, P.L.

Aaron M. Thomas
athomas@najmythompson.com

Enclosure: Appraisal

cc:

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Romano Kopp Law, P.A.
P.O. Box 622562
Oviedo, Florida 32762-2562
kopp@romanokopplaw.com

AMT/kls

Appraisal Report

Detached Single Family Residential Home

7,041 ± HVAC SF Existing Structure

4659 Destiny Way
Destin, FL 32541

DIMINUTION IN VALUE ANALYSIS
4659 DESTINY WAY
DESTIN, FL 32541

FOR
LINDHOLM FAMILY REVOCABLE LIVING TRUST
AND
DESIGNATED ATTORNEYS

RETROSPECTIVE TO SEPTEMBER 18, 2019

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APPRAISAL REPORT

SUBJECT PROPERTY

7,041 ± HVAC SF Existing Detached Residential Improvement

Eleven Bedrooms and Nine Full Bathrooms and Two Half Bathrooms - Hereafter referred to as Ten Bathrooms

4659 Destiny Way
Destin, FL 32541

EFFECTIVE DATE OF APPRAISAL

Retrospective to September 18, 2019

REPORT DATE

October 4, 2019

VIEWING DATE

April 6, 2019 and September 25, 2019

CLIENT/INTENDED USER

Lindholm Family Revocable Living Trust
4659 Destiny Way
Destin, FL 32541

File № 190339A

PREPARED BY:

Thomas A. Marr

State-certified General Real Estate Appraiser № RZ 2645 (FL)
tom@panappraisal.com

Panhandle Appraisal Group
220 Hospital Drive
Fort Walton Beach, Florida 32548
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PANHANDLE APPRAISAL GROUP

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Fort Walton Beach, Florida

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October 4, 2019

Lindholm Family Revocable Living Trust/Brad Lindholm
4659 Destiny Way
Destin, FL 32541

Re: Diminution in value appraisal of an approximate 7,041 HVAC SF detached residential improvement, 'as is', identified as 4659 Destiny Way in Destin, FL 32541. **Panhandle Appraisal Group File № 190339.**

Dear Mr. Lindholm:

I have completed the requisite personal viewing, research, and analysis necessary to determine if a diminution in value has occurred for the subject parcel.

The subject property is a three level, detached single family residential structure with an approximate aggregate 7,041 HVAC SF, eleven bedrooms and nine bathrooms. The current sleeping capacity of the subject is twenty eight (28) guests.

The purpose of the appraisal analysis was to develop an opinion of the market value of the subject property prior to the first application of the city of Destin Ordinance No. 18-29-CC, to the subject on September 18, 2019 when twenty eight (28) guests were allowed, and then derive a value after the first application of Ordinance 18-29-CC, which limited the subject to twenty four (24) guests, based on the overall limit of 24 guests total. I note that the designation as a bedroom is based on the Okaloosa County Property Appraiser web site.

The authorized user is the client at the address above. The understood intended use of the appraisal report will be for reference in determining if the first application of Ordinance No. 18-29-CC resulted in a diminution of value. No other use of this report by any other entity or person is authorized.

Subject to the above and the assumptions, limiting conditions, and certification set forth herein, it is my professional opinion the retrospective market value of the fee simple interest in the subject property, 'as is', as of September 18, 2019, prior to the first application of Ordinance No. 18-29-CC, was:

THREE MILLION FOUR HUNDRED FORTY THOUSAND DOLLARS
$3,440,000

Subject to the above and the assumptions, limiting conditions, and certification set forth herein, it is my professional opinion the current market value of the fee simple interest in the subject property, 'as is', after the first application of Ordinance No. 18-29-CC is:

THREE MILLION FORTY THOUSAND DOLLARS
$3,040,000

The diminution of value is a rounded $400,000

Exposure Time
The exposure time linked to the final value opinion is a range to nine (9) to twelve (12) months based on market sales of similar properties and current market activity.

Analysis of recent trends and current market supply and demand strongly indicate the highest and best use of the subject property, is continued use as a seasonal rental home.

I hereby certify I possess no interest, present or contemplated, in the appraised property. The undersigned appraiser is competent or has taken the necessary steps to become competent for the property type being appraised. This appraisal has been prepared utilizing all of the requirements set forth as standards for real estate appraisals established for federally related transactions by the Comptroller of the Currency, the Federal Reserve Board, the Federal Deposit Insurance Corporation, and the State of Florida. The appraisal is in conformity with the standards for real estate appraisals as established by the Appraisal Foundation and its Appraisal Standards Board. The appraisal also conforms to *the 2018/2019 edition of the Uniform Standards of Professional Appraisal Practice (USPAP)* and your instructions. The fee for this appraisal was not based on value, nor was the assignment undertaken based on a predetermined value, a trend in value, or a minimum or maximum value.

Respectfully submitted,

Thomas A. Marr

Thomas A. Marr
State-Certified General Real Estate Appraiser № RZ 2645 (Florida)

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APPRAISAL REPORT

This is an Appraisal Report which is intended to comply with the reporting requirements in accordance with the 2018/2019 edition of the Uniform Standards of Professional Appraisal Practice (USPAP) for an Appraisal Report. As such, it represents summary discussions of the data, reasoning, and analyses used in the appraisal process to develop the appraisers' opinion of value. Supporting documentation concerning the data, reasoning, and analyses may be retained in the appraiser's files. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated below. The appraisers are not responsible for unauthorized use of this report.

CLIENT:

Lindholm Family Revocable Living Trust
4659 Destiny Way
Destin, FL 32541

APPRAISERS:

Thomas A. Marr
State-certified General Real Estate Appraiser № RZ 2645 (Florida)

Panhandle Appraisal Group
220 Hospital Drive
Fort Walton Beach, Florida 32548

SUBJECT PROPERTY:

Legal Description
Lot 26, Destiny Subdivision

Tax ID №: 00-2S-22-0400-0000-0260.

PURPOSE OF THE APPRAISAL:

The purpose of this appraisal was to develop an estimate of the diminution in value prior to the first application of City of Destin Ordinance No. 18-29-CC and after the first application of the ordinance on September 18, 2019.

INTENDED USE OF REPORT:

The understood intended use of the appraisal report will be for client use for legal proceedings to restore maximum occupancy property rights.

INTENDED USER:

The intended user is the client stated above, the client's attorneys, and regulatory authorities. This report is not intended or authorized for any other user or audience.

PROPERTY RIGHTS APPRAISED:

Fee Simple, one hundred percent (100%) ownership interest in the subject property.

EFFECTIVE DATE OF VALUE:

Retrospective to September 18, 2019.

DATE OF REPORT:

October 4, 2019.

DATE OF INSPECTION:

Thomas A. Marr viewed the subject property on April 6, 2019 and September 25, 2019.

SCOPE OF WORK:

I note you have not requested an appraisal report format. Based on the Scope of Work requirements included in the 2018/2019 version of USPAP, which indicates the appraiser is responsible to coordinate the scope of work with the client, I am informing you I will perform an appraisal report. **It is my opinion this process of work meets all applicable 2018/2019 USPAP standards.**

DEFINITIONS:

The definitions, commencing on the page following, are provided to assist the reader in understanding this appraisal report.

Market Value[1]

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

- Purchaser and seller are typically motivated;
- Both parties are well informed or well advised and each acting in what they consider their best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

The four (4) time differential values on the graph which may be considered in the appraisal of existing developments are defined as follows:

(1) **'As Is'** means an estimate of the market value of a property in the condition observed upon inspection and as it physically and legally exists without hypothetical conditions, assumptions, or qualifications as of the date of appraisal.

(2) **'Value Upon Completion'** means the market value of a property with all existing construction, conversion, or rehabilitation hypothetically completed, or under other specified hypothetical conditions as of the date of appraisal. With regard to properties wherein anticipated market conditions indicate stabilized occupancy is not likely as of the date of completion, this estimate of value shall reflect the market value of the property as if complete and prepared for occupancy by tenants.

(3) **'Prospective Future Value Upon Completion'** means the prospective future value of a property on the date construction is completed, based upon market conditions forecast to exist as of completion date.

(4) **'Prospective Future Value Upon Achievement of Stabilized Occupancy'** means the prospective future value of a property at a point in time when all improvements have been physically constructed and the property has been leased to its optimum level of long term occupancy.

Fee Simple Estate[2]

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.

Leased Fee Interest[3]

An ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the lessee are specified by contract terms contained within the lease.

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1 Title XI. Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), [Pub. L. No. 101-73, 103 Stat. 183 (1989)], 12 U.S.C. 3310, 3331-3351, and section 5(b) of the Bank Holding Company Act, 12 U.S.C. 1844(b); Part 225, Subpart G: Appraisals; Paragraph 225.62 (f).
Uniform Standards of Professional Appraisal Practice, 2003 Edition, Page 3
Federal Reserve System, 12 CFR Parts 208 and 225, Sec. 225.62
Office of the Comptroller of the Currency, 12 CFR Part 34, Sec. 34.42 (g)
FDIC, 12 CFR Part 323, Sec. 323.2 (g) (2000)
Office of Thrift Supervision, 12 CFR Part 564, Sec. 564.2
NCUA, 12 CFR Part 722, Sec. 722.2

2 The Dictionary of Real Estate Appraisal, Appraisal Institute, Fourth Edition, 2002, Page 113.

3 Ibid., Page 161.

Leasehold Interest[4]
The interest held by the lessee (the tenant or renter) through a lease transferring the rights of use and occupancy for a stated term under certain conditions.

Condominium[5]
A multi-unit structure or property in which persons hold fee simple title to individual units and an undivided interest in common areas.

Highest and Best Use[6]
The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and which results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability.

...of land or a site as though vacant:

Among all reasonable, alternative uses, the use yielding the highest present land value, after payments are made for labor, capital, and coordination. The use of property based on the assumption the parcel of land is vacant or can be made vacant by demolishing any improvements.

...of property as improved:

The use which should be made of a property as it exists. An existing improvement should be renovated or retained as is so long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing building and constructing a new one.

Marketing Time[7]
The time it takes an interest in real property to sell on the market subsequent to the date of an appraisal.

Exposure Time[8]
A retrospective estimate based on an analysis of past events assuming a competitive and open market.

Advocacy[9]
Representing the cause or interest of another, even if cause or interest does not necessarily coincide with one's own beliefs, opinions, conclusions, or recommendations.

Appraisal[10]
(Noun) The act or process of developing an opinion of value; an opinion of value. (Adjective) of, or pertaining to appraising and related functions such as appraisal practice or appraisal services.

Appraisal Practice[11]
Valuation services performed by an individual acting as an appraiser, including, but not limited to appraisal, appraisal review, or appraisal consulting.

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4 Ibid., Page 162.

5 Ibid., Page 59.

6 Ibid., Page 135.

8 Ibid., Page 175

9 Ibid., Page 105

9 2018/2019 edition, *Uniform Standards of Professional Appraisal Practice (USPAP)*, Page 1

10 Ibid, Page 1

11 Ibid, Page 1

Appraisal Review[12]
The act or process of developing and communicating an opinion about the quality of another appraiser's work was performed as part of an appraisal, appraisal review, or appraisal consulting assignment.

Appraiser[13]
One who is expected to perform valuation services competently, and in a manner, is independent, impartial, and objective.

Appraiser's Peers[14]
Other appraisers who possess expertise and competency in a similar type of assignment.

Assignment[15]
A valuation service provided as a consequence if an agreement between an appraiser and a client.

Assignment Results[16]
An appraiser's opinions and conclusions developed specific to an assignment.

Assumption[17]
An occurrence which is taken to be true.

Bias[18]
A preference or inclination which precludes an appraiser's impartiality, independence, or objectivity in an assignment.

Business Enterprise[19]
An entity pursuing an economic entity.

Business Equity[20]
The interests, benefits, and rights inherent in the ownership of a business enterprise or a part thereof in any form (including, but not necessarily limited to, capital stock, partnership interests, cooperatives, sole proprietorships, options, and warrants).

Client[21]
The party or parties who engage an appraiser (by employment or contract) in a specific assignment.

Confidential Information[22]
Information is either:

- identified by the Client as confidential when providing it to an appraiser and is not available from any other source; or,
- classified as confidential or private by applicable law or regulation.

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12 Ibid, Page 1

13 Ibid, Page 1

14 Ibid, Page 2

15 Ibid, Page 2

16 Ibid, Page 2

17 Ibid, Page 2

18 Ibid, Page 2

19 2018/2019 edition, USPAP, Page 2

20 Ibid, Page 2

21 Ibid, Page 2

22 Ibid, Page 2

Cost[23]
The amount required to create, produce, or obtain a property.

'Credible'[24]
Worthy of belief.

Extraordinary Assumption[25]
An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions.

Feasibility Analysis[26]
A study of the cost-benefit relationship of an economic endeavor.

Hypothetical Condition[27]
An assertion which is contrary to what exists but is supposed for the purpose of analysis.

---

23 Ibid, Page 2

24 Ibid, Page 3

25 Ibid, Page 3

26 Ibid, Page 3

27 Ibid, Page 3

Intangible Property[28]
(Intangible Assets) Nonphysical assets, including, but not limited to, franchises, trademarks, patents, copyrights, goodwill, equities, securities, and contracts as distinguished from physical assets such as facilities and equipment.

Intended Use[29]
The use or uses of an appraiser's reported appraisal, appraisal review, or appraisal consulting assignment opinions and conclusions, as identified by the appraiser based on communication with the Client at the time of the assignment.

Intended User[30]
The Client and any other party as identified, by name or type, as users of the appraisal, appraisal review, or appraisal consulting report by the appraiser on the basis of communication with the Client at the time of the assignment.

Jurisdictional Exception[31]
...an assignment condition which voids the force of a part or parts of *USPAP*, when compliance with part or parts of *USPAP* is contrary to law or public policy applicable to the assignment.

IDENTIFY THE PROBLEM TO BE SOLVED
The problem to be solved in this appraisal analysis was to develop an opinion of the market value of the subject property, both prior to the first application of the city of Destin Ordinance No. 18-29-CC to the subject on September 18, 2019 when twenty eight (28) guest occupancy was allowed and after the first application of the Destin Ordinance N0. 18-29-CC on September 18, 2019, which limited the subject to twenty four (24) guests, based on the overall limit of 24 guests total. Utilizing the before and after values, I derived a diminution of value to the subject property.

EXTENT OF THE PROCESS OF COLLECTING, CONFIRMING, AND REPORTING DATA:

Preparation of this appraisal included the following scope of work:

- The subject site, improvements, and parking improvements were inspected by the appraiser, the property was photographed. File data for similar properties was reviewed.
- The public records were reviewed.
- The appraiser examined the economic, social, governmental, and environmental forces affecting value in the subject neighborhood and the entire market area as a whole.
- The appraiser identified recent and projected actual rents for the subject, based on occupancy of up to 28 guests. The appraiser then identified the annual rentals of other comparable properties which accommodated up to or beyond 28 guests. This data was used to verify or support the historical performance and the projected rents for the subject. These comparable rentals provided market support for the subject actual and projected gross rental income.
- The appraiser identified market rental comparables for properties limited to 24 guests.
- The appraiser then reduced gross rent to net operating rent and capitalized the net operating rent to identify value for the subject as a 28 guest rental and an 24 guest rental. The difference between these two values is the diminution in value.

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28 Ibid, Page 3

29 Ibid, Page 3

30 Ibid, Page 3

31 2018 edition, *USPAP*, Page 3

IDENTIFICATION OF THE TYPE OF APPRAISAL AND APPRAISAL REPORT FORMAT:
I have provided an **Appraisal Report**, as defined by the *2018/2019 edition of the Uniform Standards of Professional Appraisal Practice*, containing a summary of all relevant conclusions, data, and analyses used in the report.

TERMS OF THE FINAL VALUE OPINION:
The final opinion of the current market values of the subject property, 'as is' is expressed in terms of cash or financing terms equivalent to cash.

POLICY STATEMENT OF THE APPRAISAL INSTITUTE:
It is improper to base a conclusion or opinion of value upon the premise the racial, ethnic, or religious homogeneity of the inhabitants of an area or of a property is necessary for maximum value.

Racial, religious, and ethnic factors are deemed unreliable predictors of value trends or price variance.

It is improper to base a conclusion or opinion of value, or a conclusion with respect to neighborhood trends, upon stereotyped, biased presumptions relating to the effective age or remaining life of the property being appraised or the life expectancy of the neighborhood in which it is located.

GENERAL ASSUMPTIONS:

1. No responsibility is assumed for the legal description provided or for matters relevant to legal or title considerations. Title to the property is assumed to be marketable unless otherwise stated. The legal description used in this report is assumed to be correct.

2. The subject property is appraised free and clear of any or all liens, leases, or encumbrances unless otherwise stated. All mortgages, liens, encumbrances, leases, and servitudes have been disregarded unless so specified within the report.

3. No survey of the property has been made by the appraisers and no responsibility is assumed in connection with such matters. Sketches, plot plans, or illustrative material presented in this report are included only to assist the reader in visualizing the property.

4. Information and data furnished by others is usually assumed to be true, correct and reliable. When such information and data appears to be dubious and when it is critical to the appraisal, a reasonable effort has been made to verify all such information; however, no responsibility for its accuracy is assumed by the appraiser.

5. Responsible ownership and competent property management are assumed unless otherwise stated in this report.

6. It is assumed there are no hidden or unapparent conditions of the property, subsoil or structures which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.

7. It is assumed 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.

8. It is assumed the subject property is in compliance with all applicable zoning and land use regulations, unless a nonconformity has been stated, defined and considered in the appraisal report.

9. It is assumed all required licenses, consents or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use which the value estimate contained in this report is based.

10. It is assumed the utilization of the land and improvements is within the boundaries or property lines of the property described and there is no encroachment or trespass unless noted within the report.

EXTRAORDINARY ASSUMPTIONS:

I am using data provided to me by the client and other vacation home owners.

I am also using rental projections from the current property manager.

I am making the extraordinary assumption that the data provided is accurate, credible and reliable.

If, for any reason, the data provided is not accurate, credible and reliable, the values derived in the analysis is subject to review.

GENERAL LIMITING CONDITIONS:

1. This is an Appraisal Report which is intended to comply with the reporting requirements set forth in accordance with the *2018/2019 edition of the Uniform Standards of Professional Appraisal Practice* for an Appraisal Report. As such, it includes summarized discussions of the data, reasoning, and analyses used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses may be retained in the appraiser's files. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraiser is not responsible for unauthorized use of this report.

2. Appraisers are not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraisers suggesting the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert in the field of environmental assessment. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The appraiser's value estimate is predicated on the assumption there exists no such material on or in the property causing a loss in value unless otherwise stated in this report. No responsibility is assumed for any environmental conditions, or for any expertise or engineering knowledge required to discover them. The appraisers' descriptions and resulting comments are the result of the routine observations made during the appraisal process.

3. The subject property is appraised without a specific compliance survey having been conducted to determine if the property is or is not in conformance with the requirements of *The Americans with Disabilities Act*. The presence of architectural and communications barriers which are structural in nature which would otherwise restrict access by disabled individuals may adversely affect the property's value, marketability, or utility.

4. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event, only with proper written qualification and only in its entirety.

5. Neither all nor any part of the contents of this report shall be conveyed to any person or entity, other than the appraiser's or firm's client, through advertising, solicitation materials, public relations, news, sales, or other media without the written consent and approval of the authors, particularly as to valuation conclusions, the identity of the appraiser or firm with which the appraiser is connected, or any reference to affiliation with any professional appraisal organization. Further, the appraiser or firm assumes no obligation, liability, or accountability to any third party. If this report is placed in the hands of anyone but the client, client shall make party aware of all the assumptions and limiting conditions of the assignment.

6. The appraiser affixing his signatures to this appraisal report will not be required to give testimony or appear in court because of having made this appraisal, with reference to the property in question, unless arrangements have been previously made thereof.

7. No environmental impact studies were either requested or made in conjunction with this appraisal, and the appraiser hereby reserves the right to alter, amend, revise, or rescind any of the value opinions based upon any subsequent environmental impact studies, research, or investigation.

8. The appraiser has not been supplied with a report of the subsoil conditions indicating the exact capacity of the subsoil. I do not have the benefit of subsoil test results of the properties and detection of possible soil defects would be beyond my realm of expertise. However, there appear to be no hidden or apparent conditions of the subject sites or subsoil structures which would render them more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.

9. Acceptance of and/or use of this appraisal report constitutes acceptance of the foregoing General Assumptions, Special Assumptions, General Limiting Conditions, and Special Limiting Conditions.

EXTRAORDINARY LIMITING CONDITIONS AND HYPOTHETICAL CONDITIONS:

I note that the ordinance in question allows a five (5) year 'grandfather' period. I considered if this 'grandfather' status should receive some analysis in the discussion of diminution of value. After consideration, I concluded that a potential market participant, aware that the grandfather status will be eliminated , would be very wary to enter into a financial arrangement where he may have to liquidate in an unknown market within a time line that may not be available . Thus, I am not considering any impact of the 'grandfather' status.

CERTIFICATION:

I certify, to the best of my knowledge and belief:

1. The statements of fact contained in this report are true and correct.

2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions and conclusions.

3. I possess no present or prospective interest in the property which is the subject of this report and no personal interest with respect to the parties involved.

4. I possess no bias with respect to the property which is the subject of this report or to the parties involved with this assignment.

5. The engagement in this assignment was not contingent upon developing or reporting predetermined results.

6. The compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value favoring the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

7. The analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *2018/2019 edition of the Uniform Standards of Professional Appraisal Practice*.

8. Thomas A. Marr has made a personal viewing of the property which is the subject of this report. No one else has rendered significant real estate appraisal knowledge and input to the compilation of this report.

9. I have not performed any services, to include appraisal services, regarding the subject in the previous three years.

10. The opinion of market value 'as is' of the one hundred percent (100%) fee simple ownership interest in the subject property, 'as is' is prior to the first application of Destin Ordinance 18-29-CC is THREE MILLION FOUR HUNDRED FORTY THOUSAND DOLLARS ($3,440,000) and the value after the first application of Destin Ordinance 18-29-CC is THREE MILLION FORTY THOUSAND DOLLARS ($3,040,000). The diminution of value is estimated as FOUR HUNDRED THOUSAND DOLLARS ($400,000).

Thomas A. Marr
State-certified General Real Estate Appraiser № RZ 2645 (Florida)

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DESCRIPTION OF THE SUBJECT PROPERTY
Ownership:

The current owner is the Lindholm Family Revocable Living Trust

FILE #3207858 RCD: 5/18/2018 9:00 AM. BK: 3350 PG: 3709. RECORDING: $10.50 RECORDING ARTICLE V: $8.00
D Doc Stmp: $15,400.00 DEPUTY CLERK ASECRIST
JD PEACOCK II CLERK OF COURTS, OKALOOSA COUNTY, FLORIDA

This Document Prepared By and Return to:
Valerie Ditthardt
EquiTrust Title Company
495 Grand Blvd., Suite 206
Miramar Beach, Florida 32550

Parcel ID Number: 00-2S-22-0400-0000-0260

Warranty Deed

This Indenture, Made this 18th day of May, 2018 A.D., Between SAPP INVESTMENTS, LLC, an Arkansas limited liability company, registered as a foreign limited liability company to transact business in the State of Florida as SAPP FLORIDA INVESTMENTS, LLC of the County of Greene, State of Arkansas, grantor, and LINDHOLM FAMILY REVOCABLE LIVING TRUST dated June 4, 2010

whose address is: 3158 Chatham Court, Westlake, OH 44145

of the County of Cuyahoga, State of Ohio, grantee.

Witnesseth that the GRANTOR, for and in consideration of the sum of TEN DOLLARS ($10) DOLLARS, and other good and valuable consideration to GRANTOR in hand paid by GRANTEE, the receipt whereof is hereby acknowledged, has granted, bargained and sold to the said GRANTEE and GRANTEE'S heirs, successors and assigns forever, the following described land, situate, lying and being in the County of Okaloosa State of Florida to wit:

Lot 26, DESTINY, a Planned Unit Development, according to the plat thereof, as recorded in Plat Book 14, at Pages 60 - 63, of the Public Records of Okaloosa County, Florida.

Subject to restrictions, reservations and easements of record, if any, and taxes subsequent to 2017.

Pursuant to Section 689.071(1), Fla. Stat., the trustees shall have the power and authority either to protect, conserve and to sell, or to lease, convey, or to encumber, or otherwise to manage and dispose of the real property described herein.

Site:

Location:
The subject is located on the north side of Scenic Highway 98 in the Destiny Subdivision. Despite the fact that the entire subdivision is the Destiny Subdivision, this side of the subdivision is commonly referred to as Destiny West.

It is sited on an interior street to the subdivision, Destiny Way.

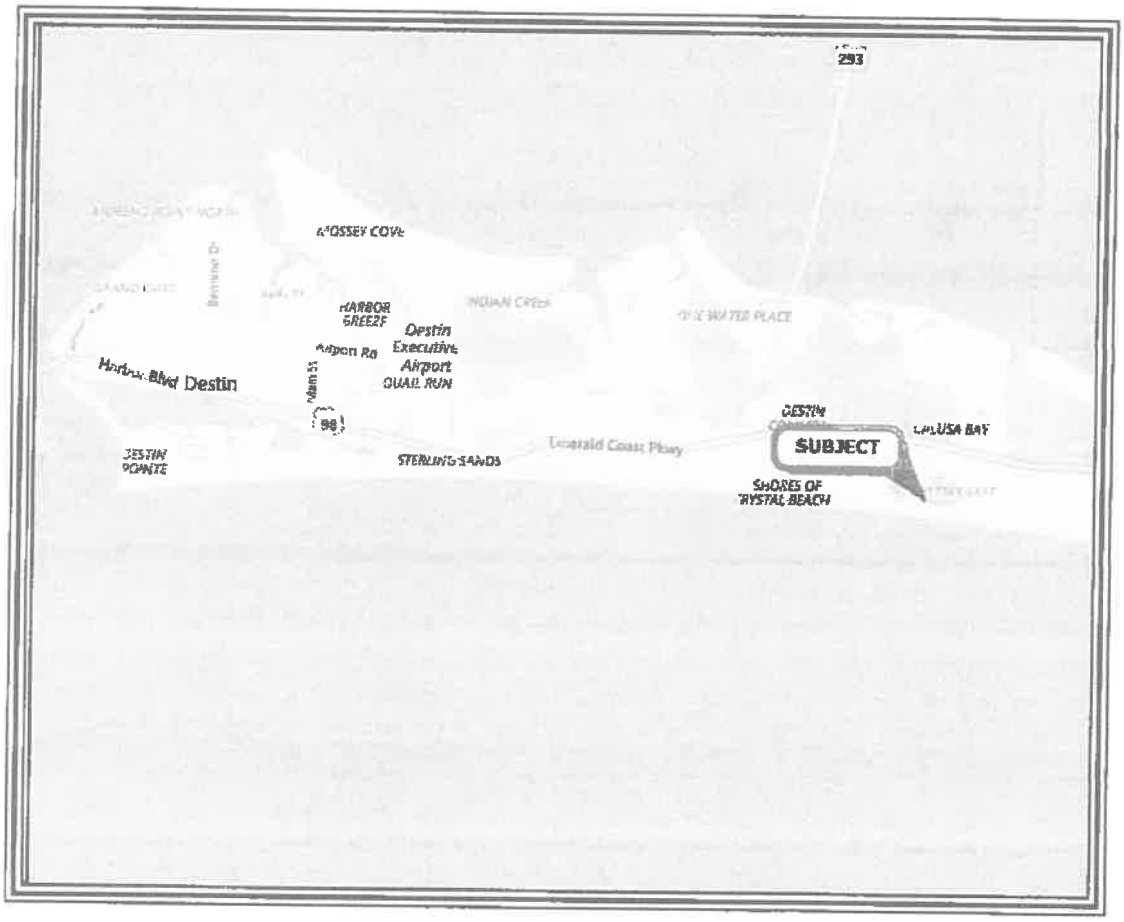
This area is east of the communities of Crystal Beach and Grand Palms and west of the Destiny/Destiny By The Sea communities.

Along the south side of Scenic Highway 98 are many condominium projects, individual homes and some commercial use, typically restaurants, which cater to the tourist industry.

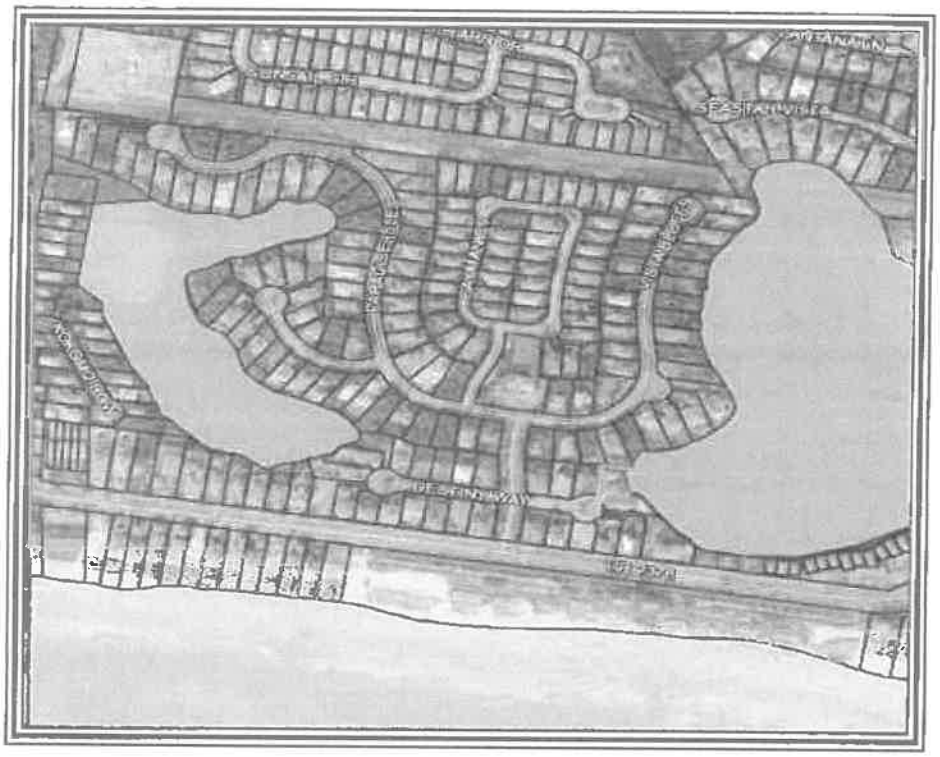
Along Scenic Highway 98 to the north are other residential uses, primarily detached homes with a interspersion of condominium and town home projects, which are a mix of owner occupant and seasonal rental use.

This entire area of Destin, in close proximity to the Gulf of Mexico, is a desired location and well considered by the market.

See the following map for the subject location in the broad Destin market.



See the following map for the subject location in the subject subdivision and immediate surrounding area.



The following aerial photograph indicates the subject lot.

Land Size:

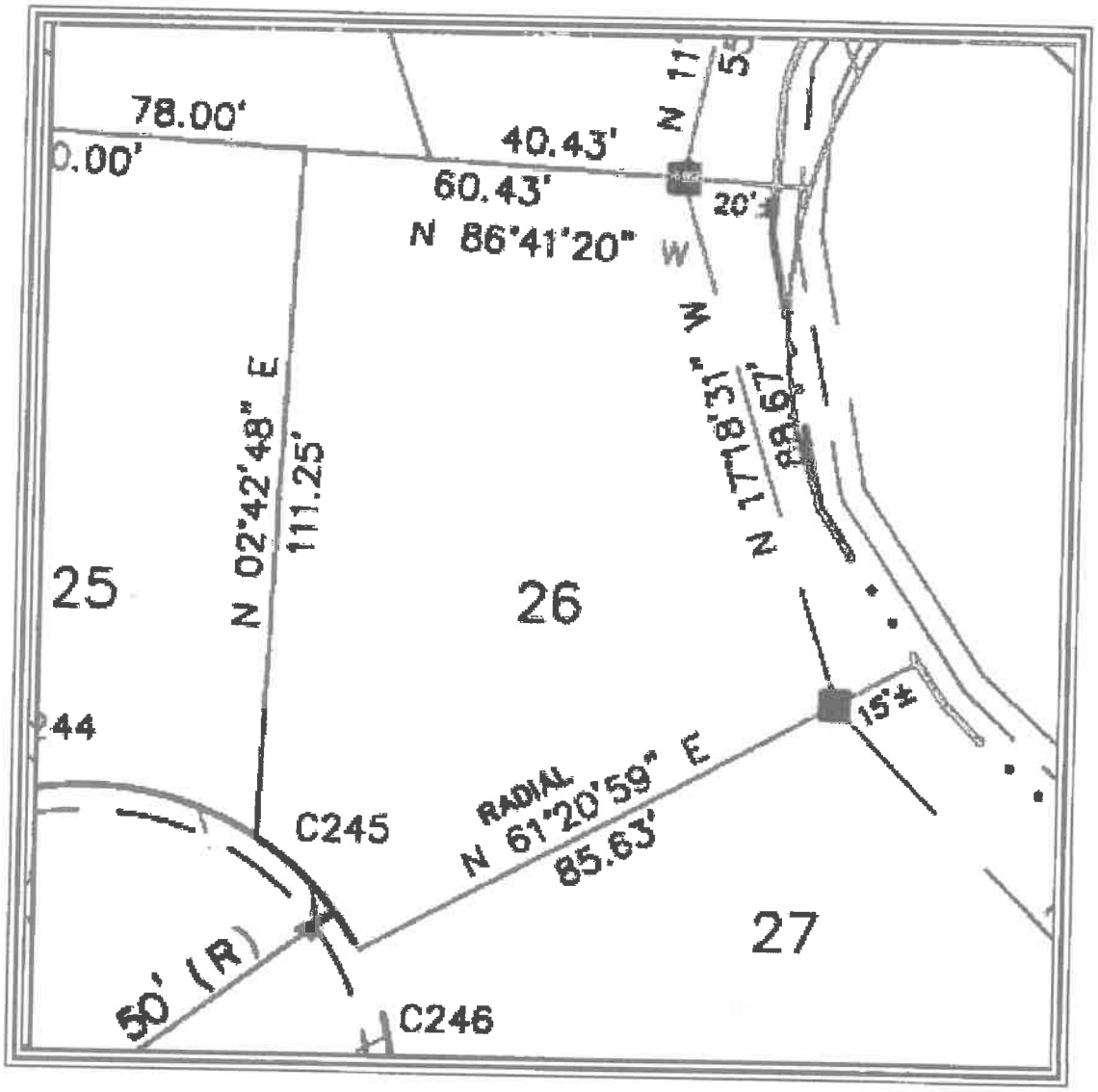
The subject is a single residential lot.

The rounded dimensions are as follows:

111.25 feet on the west side,
31.55 feet on the south west side, fronting Destiny Way,
85.63 feet on the south side,
88.67 feet on the east side, fronting Four Prong Lake, and
80.43 feet on the north side.

These dimensions result in a land size of an approximate 0.22 acres, or 9,583 SF. This land size is typical of lots in the Destiny Subdivision.

See the following excerpt from the recorded plat map.



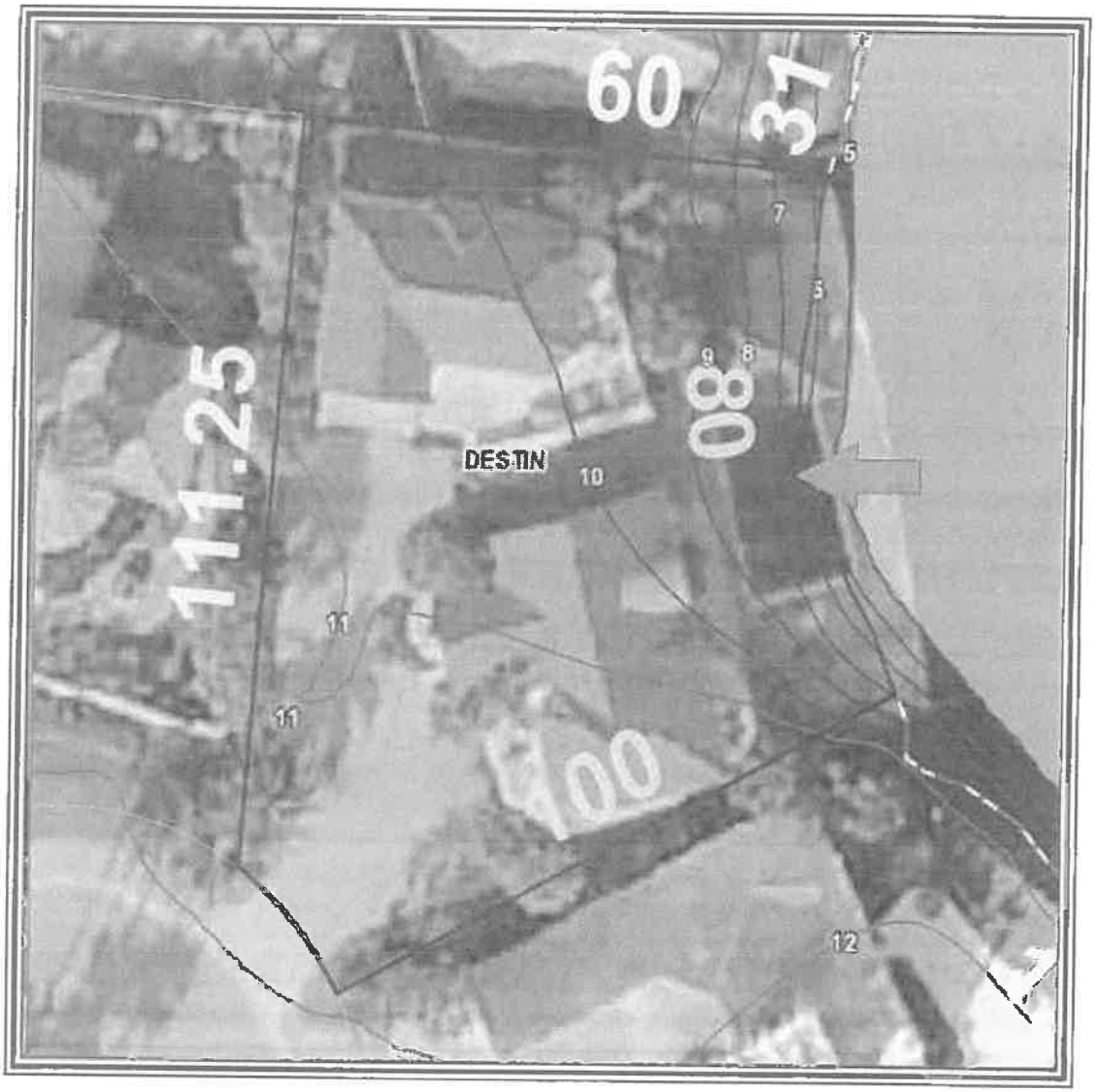
Site Topography:

The subject is at the grade of Destiny Way.

The subject lot is level on the west side. The lot then slopes downward as it approaches Four Prong Lake where there is a gradual slope downward toward the lake.

The subject lot contour is typical for most parcels in the Destiny Subdivision.

I am providing the following contour map extracted from the Okaloosa County Property Appraiser web site.



Utilities:

Utility	*Provider*	*Utility*	*Provider*
Electricity	Gulf Power	Stormwater Drainage	Destin
Water and Sewer	Okaloosa County	Fire Department	Destin
Natural Gas	Okaloosa Gas	Police Department	Contract with the Okaloosa County Sheriff
Telephone	Verizon	Refuse Removal	By contract
Cable Television	Cox Cable		

The utilities for the subject site are considered as typical in the market.

Easements/Encroachments:
I was not furnished a copy of a recent survey of the subject property. A review of the site plan, deed, various maps and my personal viewing did not indicate any easements or encroachments.

I assume there are utility easements of record.

It is my opinion that there are no easements or encroachments which would affect value or transferability.

Ingress/Egress:
The subject property is reached directly from Destiny Way, which fronts on the south west side of the subject lot.

Destiny Way is a paved, two lane public roadway.

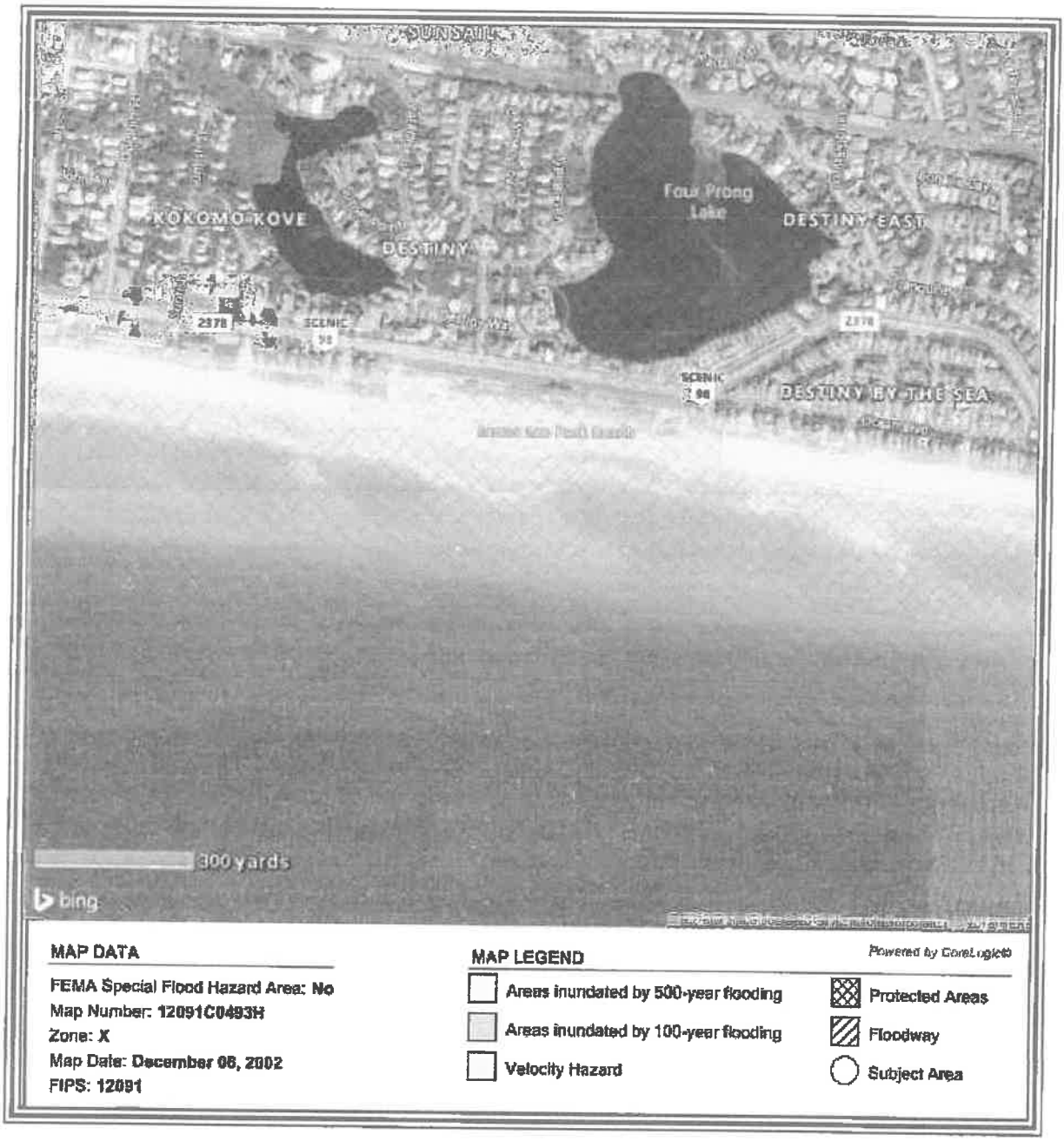
Ingress/egress is viewed as similar to most access typically found in the market.

Parking is viewed as similar to most parking found in the market as the subject features two garage spaces and six driveway spaces.

Flood Risk:

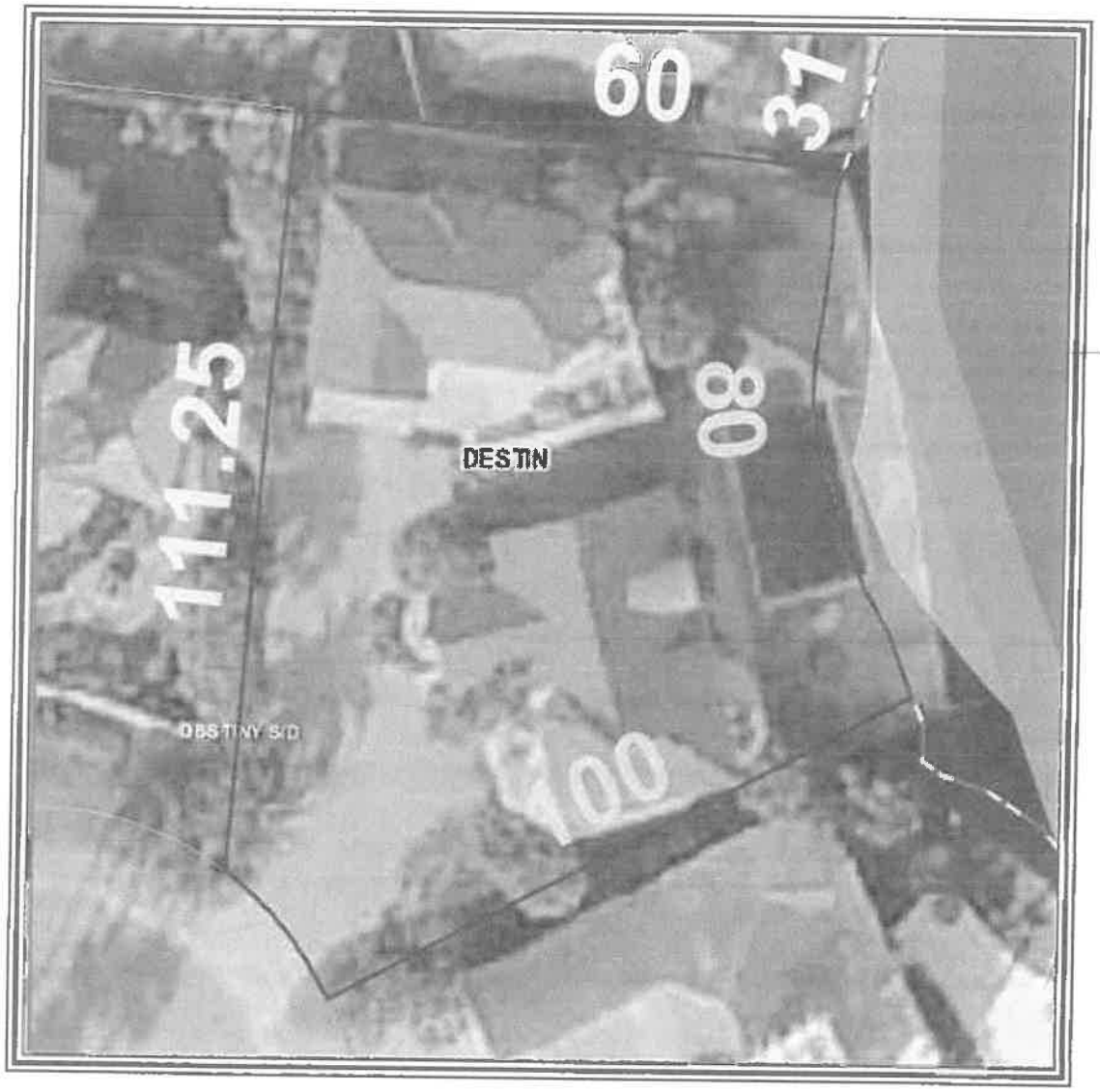
FEMA Map Panel	*Map Area*	*Dated*	*Flood Zone*
12091C 0493H	Okaloosa County	December 6, 2002	"X"

* The client is advised appraisers are not surveyors, and accordingly, any final determination as to flood zone status should only be made by a licensed, adequately insured, Florida surveyor utilizing the latest FEMA flood panels. However, it appears the entire subject area is considered as Flood Zone 'X', an area of minimal flood risk. The subject is located at the red circle in the following flood map.

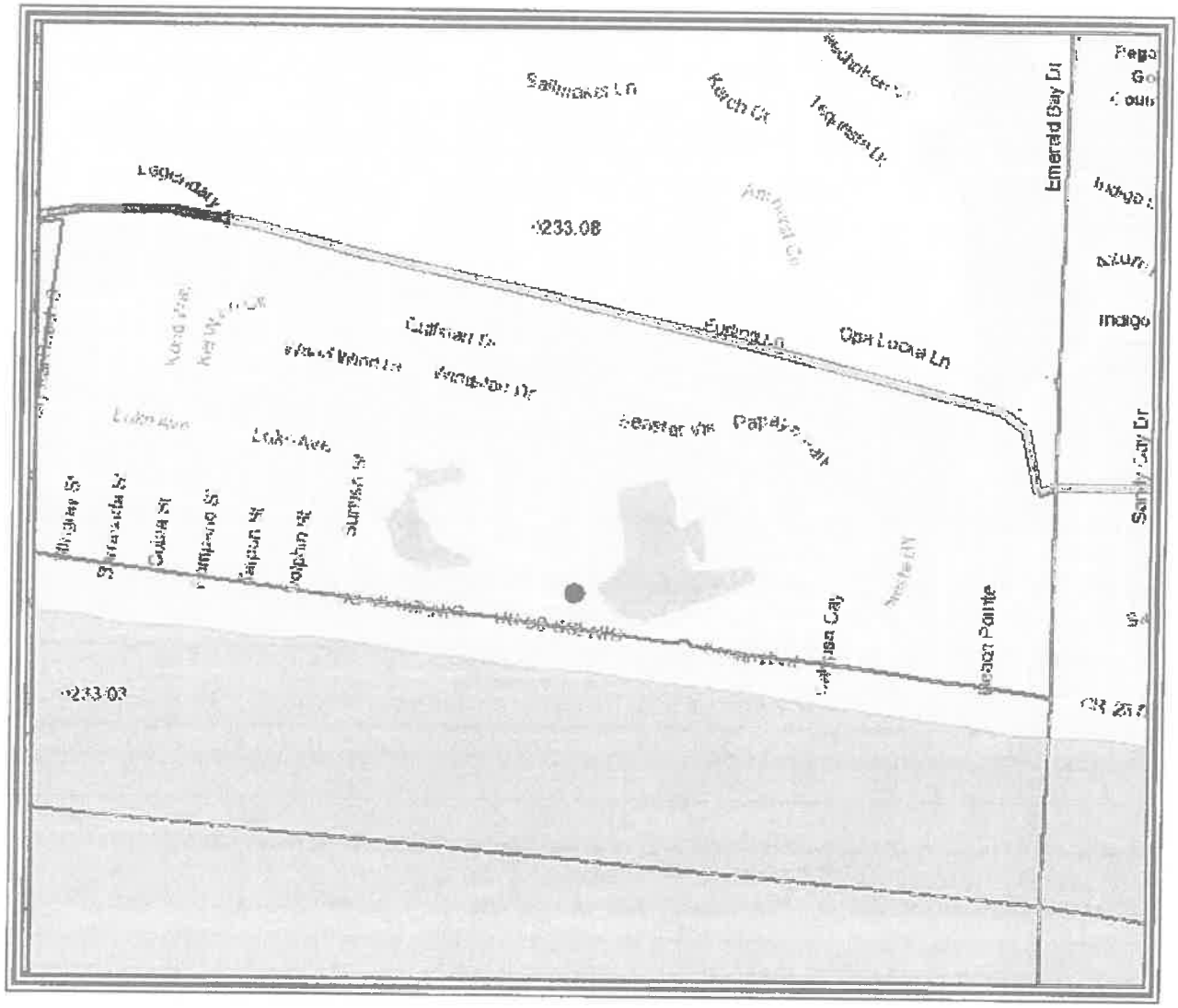


Wetlands:

None, per the Okaloosa County GIS site.



Census Data:
The subject is located in census tract 0233.08.



IMPROVEMENTS 'AS IS'

Size:
The subject lot features two improvements, both of three levels, which are attached by a walkway on the second level. One home is the main home of an approximate 4,406 HVAC SF and the second home is an approximate 2,635 HVAC SF, per the Okaloosa County Property Appraiser web site.

The main home first level features two bedrooms with kings sleeping four (4) and a bunk room sleeping two (2). There is a total of six (6) guests on the first level.

The main home second level features two bedrooms with kings sleeping four (4). There is a total of four (4) guests on the second level.

The main home third level features a bedroom with a king sleeping two (2). There is a total of two (2) guests on the third level.

The guest home first level features a bedroom with a king sleeping two (2) and a bunk room sleeping eight (8). This is a total of ten (10) on the first level.

The guest home second level features one bedroom with a king sleeping two (2). This is a total of two (2) guests on the second level.

The guest home third level features two bedrooms with kings sleeping four (4). This is a total of four (4) guests on the third level.

These six levels of sleeping total twenty eight (28) guests.

Construction Quality:
The quality of construction for the subject improvement is *Class D* good. Details of construction are summarized below:

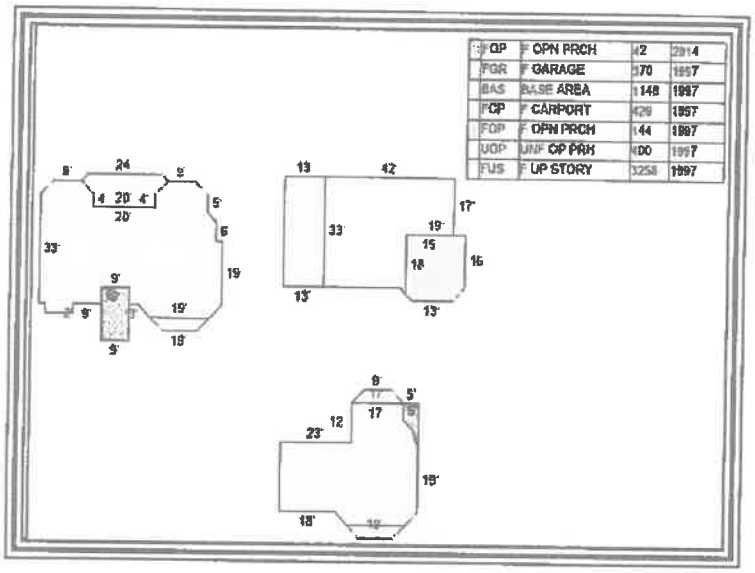
Construction Component	
Foundation	4" Reinforced concrete slab
Exterior walls	Wood frame with stucco
Roof	Ceramic /clay tile
Trim	Base and crown molding
Windows	Double pane aluminum
Exterior doors	Insulated metal with glass
Insulation	Unknown. Assumed to be R38 behind sheet rock
HVAC	Forced Air and Central HVAC
Ceiling	9 and 10 foot with sheet rock and can lights
Interior Walls	Painted sheet rock
Interior flooring	Good tile and carpet
Interior doors	Six and four panel wood
Restrooms	Six and one half with good fixtures
Lighting	Can lights
Kitchens	Two typical residential kitchen with good cabinetry
Other	Many porches/swimming pool and lanai

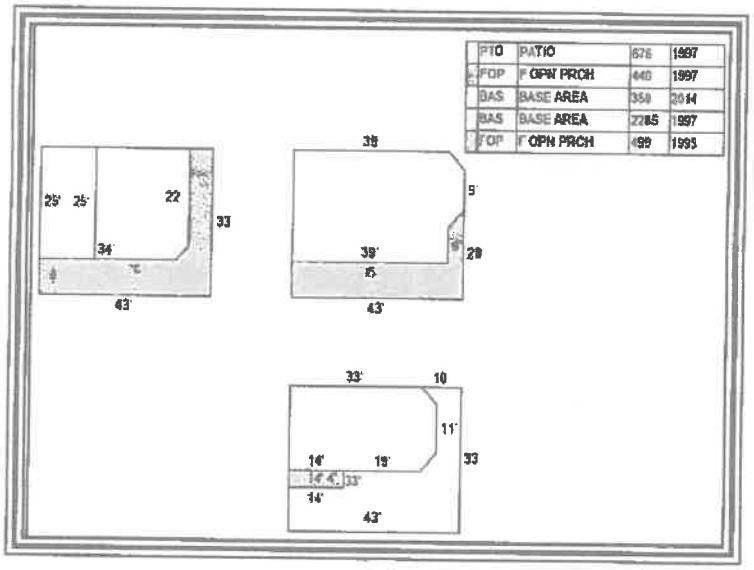
Condition of Improvements:
The subject improvement is in average to good condition.

Age:
Public records indicate this subject improvement was constructed in 1997.

I consider the actual age to be twenty two (22) years and the effective age to be an approximate twenty (20) years. I estimate an economic life of fifty five (55) years and a physical life of seventy five (75) years.

See the following sizes indicated for the subject in the Okaloosa County Property Appraiser web site.





Exterior Photographs:

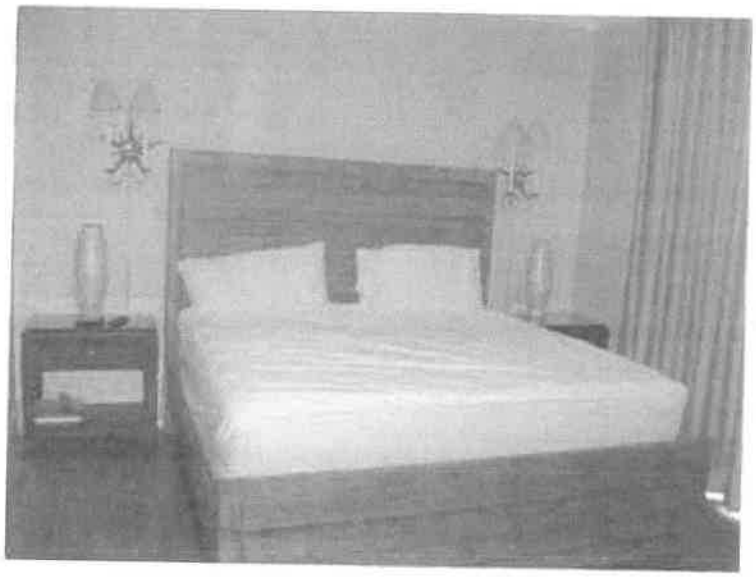
FRONT OF SUBJECT

REAR OF SUBJECT

SWIMMING POOL AND LANAI

LAKE VIEW FROM POOL DECK

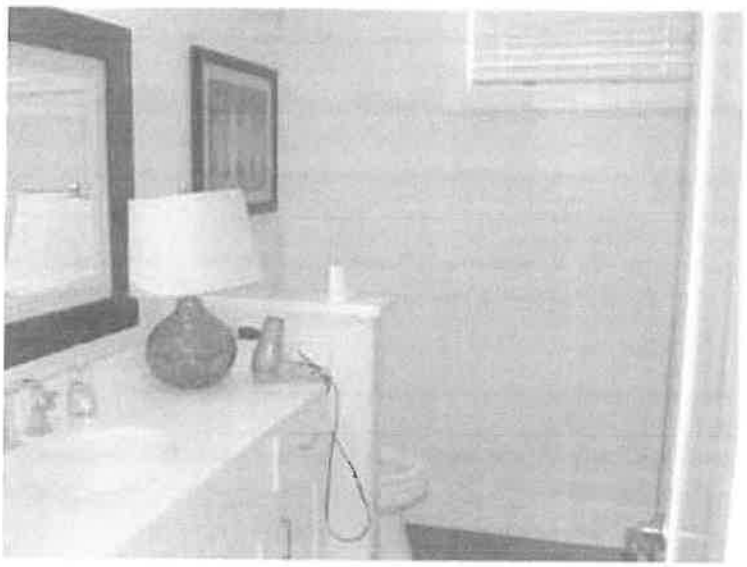
Main House First Level Sleeping Six (6).



BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #1

BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #2

BEDROOM WITH BUNKS SLEEPING TWO (2) - BEDROOM #3



FULL BATH SUPPORTING BEDROOMS #1 -#3 - BATH #1

LAUNDRY ROOM

GARAGE

Main Home Second Level Sleeping Four (4)

KITCHEN

LIVING ROOM

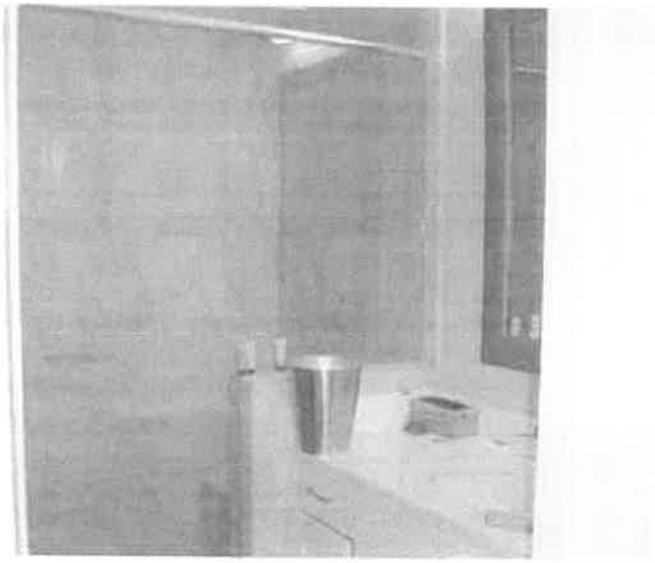
DINING ROOM

HALF BATH IN HALL - BATH #1.5

BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #4

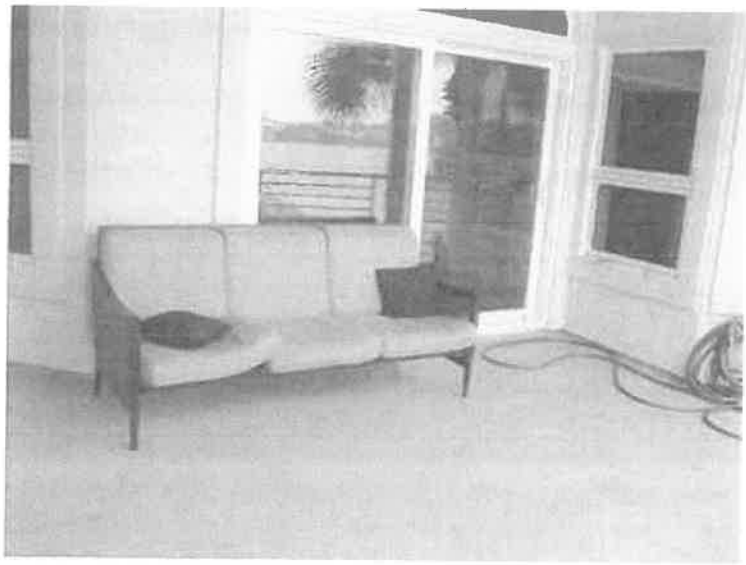
FULL BATH SUPPORTING BEDROOM #4 - BATH #2.5

BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #5



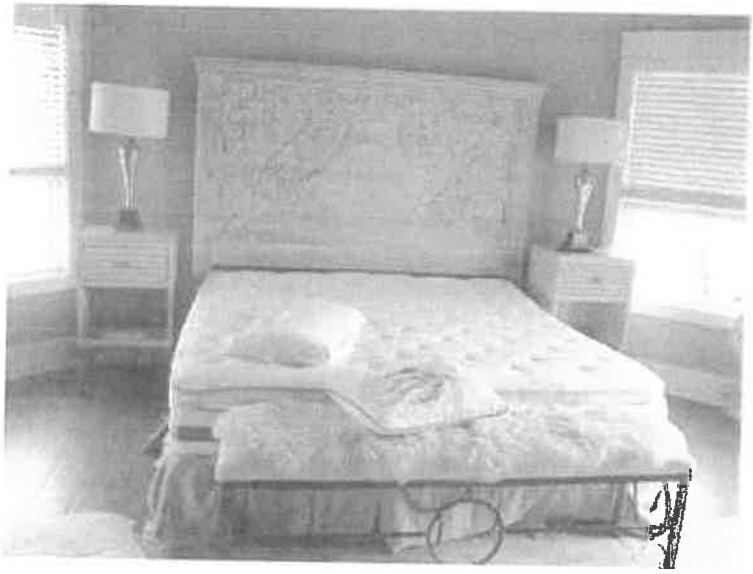
FULL BATH SUPPORTING BEDROOM #5 - BATH #3.5

WET BAR



COVERED BALCONY

Main House Third Level Sleeping Two (2)



BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #6

FULL BATH SUPPORTING BEDROOM #6 - BATH # 4.5

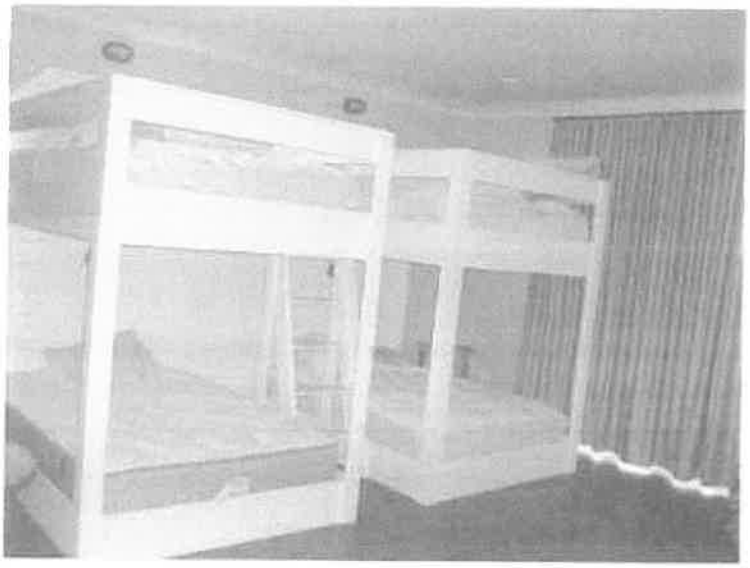
THIRD LEVEL WALKWAY

WET BAR

Guest House First Level Sleeping Ten (10)

BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #7

FULL BATH SUPPORTING BEDROOM #7 - BATH #5.5



BEDROOM WITH BUNKS SLEEPING EIGHT (8) - BEDROOM #8

FULL BATH SUPPORTING BEDROOM #8 - BATH #6.5

Guest House Second Level Sleeping Two (2)

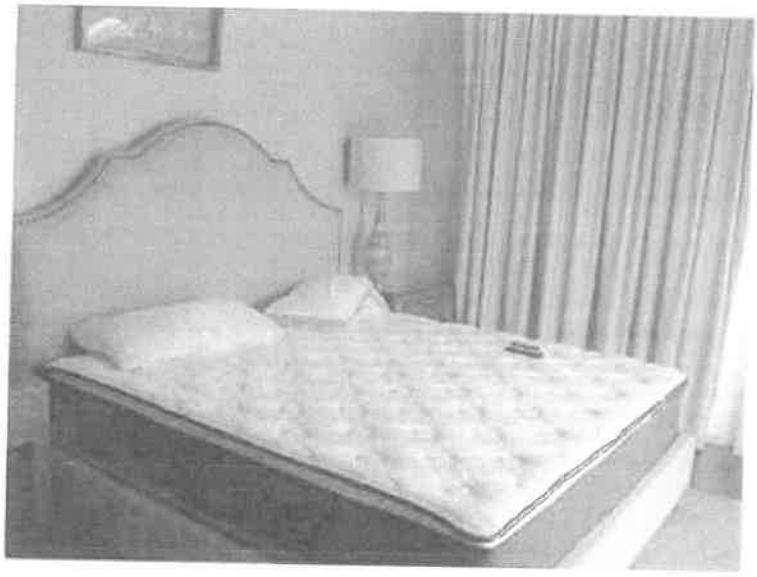
KITCHEN AND GAME ROOM

HALF BATH - BATH #7

BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #9

FULL BATH SUPPORTING BEDROOM #9 - BATH #8

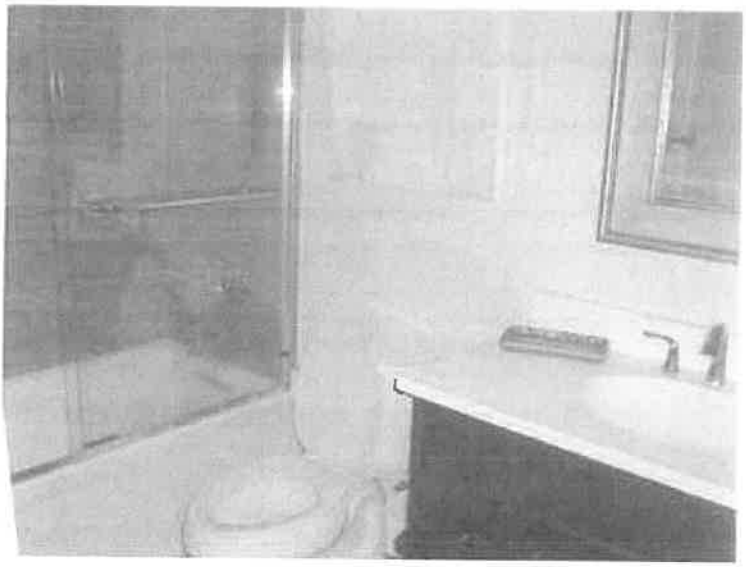
Guest House Third Level Sleeping Four (4)



BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #10

FULL BATH SUPPORTING BEDROOM #10 - BATH #9

BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #11



FULL BATH SUPPORTING BEDROOM #11 - BATH #10

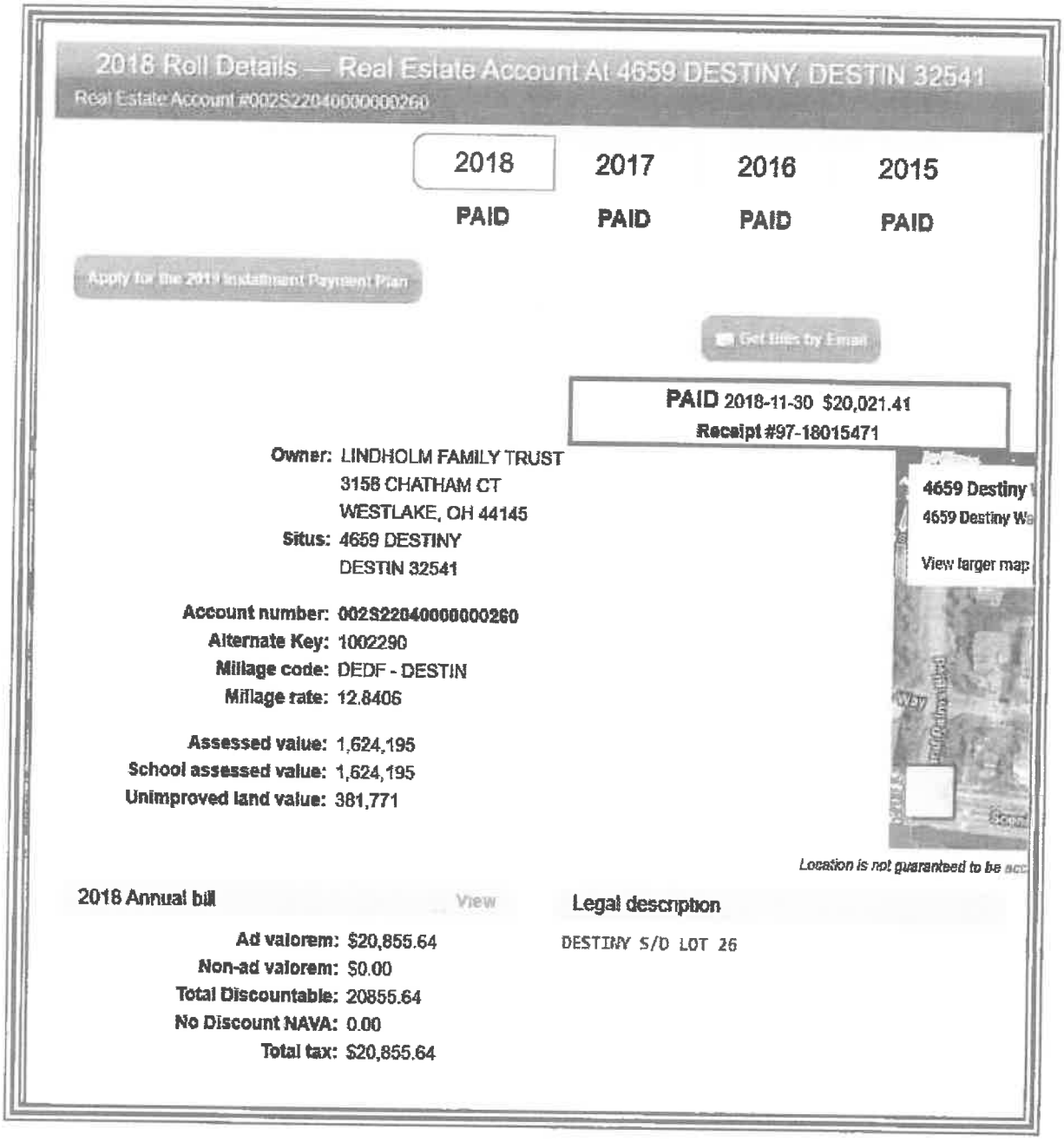
The tax identification number, gross tax amount due, amount paid, and assessed value for the 2018 tax year.

Tax Identification Number	Assessed Value	Gross Tax Amount Due	Amount paid	Amt. Due
00-2S-22-0400-0000-0260	$1,624,195	$20,855.64	$20,021.41	None

The 2018 taxes were paid early, resulting in a discount.

There are no previous year taxes owing.

It is my experience that assessed value has little correlation with current market value and are typically lower than market value with a few exceptions.



2018 Roll Details — Real Estate Account At 4659 DESTINY, DESTIN 32541

Real Estate Account #002S22040000000260

2018	2017	2016	2015
PAID	PAID	PAID	PAID

Apply for the 2019 Installment Payment Plan

Get bills by Email

PAID 2018-11-30 $20,021.41
Receipt #97-18015471

Owner: LINDHOLM FAMILY TRUST
3158 CHATHAM CT
WESTLAKE, OH 44145
Situs: 4659 DESTINY
DESTIN 32541

Account number: 002S22040000000260
Alternate Key: 1002290
Millage code: DEDF - DESTIN
Millage rate: 12.8406

Assessed value: 1,624,195
School assessed value: 1,624,195
Unimproved land value: 381,771

4659 Destiny
4659 Destiny W
View larger map

Location is not guaranteed to be acc

2018 Annual bill — View

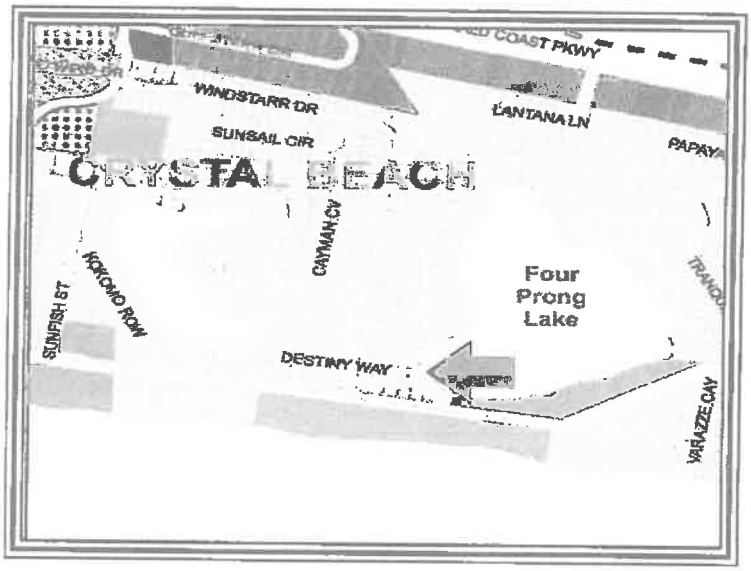
Ad valorem: $20,855.64
Non-ad valorem: $0.00
Total Discountable: 20855.64
No Discount NAVA: 0.00
Total tax: $20,855.64

Legal description

DESTINY S/D LOT 26

Zoning:

The following map indicates zoning for the subject parcel. The subject is zoned Crystal Beach Neighborhood by Destin. See following pages for detailed identification of allowable uses.



LAND DEVELOPMENT CODE COMMENTS

The following excerpts were taken from the Destin Land Development Code, currently on line.

This first excerpt states that Crystal Beach Neighborhood designates seasonal or short-term residential uses for single-family detached dwellings as a permitted use. I note that this description of the Crystal Beach Neighborhood zoning designation is silent regarding the number of allowable guests and does not limit guest numbers.

Community Development Department
Planning Division
4200 Indian Bayou Trail, Destin, FL 32541
Phone (850) 337-3123 • Fax (850) 837-7949
www.cityofdestin.com/index.aspx?nid=91

ZONING DISTRICT FACTSHEET

The purpose and intent of establishing zoning districts is to ensure that all development is consistent with the goals, objectives and policies of the Comprehensive Plan, by establishing a series of zoning districts that indicate what uses are allowed and site development regulations that control the use of land in each district. All development within each zoning district shall be consistent with the purposes stated for each district. (LDC 7.12.05)

CRYSTAL BEACH NEIGHBORHOOD (CBN)

Purpose and intent: The Crystal Beach Neighborhood zoning district shall apply to areas developed, redeveloped and/or maintained and conserved as permanent or seasonal single-family detached or multi-family attached residential dwelling units. Very limited supportive non-residential uses are allowed and are strictly limited to: places of worship, parks, playgrounds, community buildings and similar public service facilities serving the residents of the area, childcare centers and other ancillary neighborhood commercial uses which are approved as part of a planned unit development (PUD) for the exclusive use of the residents of the PUD. It is the intent of the CBN zoning district to specifically not allow the following uses to be located in the district: commercial hotels, motels, bed and breakfast establishments, or other commercial transient living accommodations.

Table 7-2: Table of Allowable Uses (excerpt from LDC 7.12.06)

PERMITTED USES:

Permanent or long-term residential uses

Single-family detached dwelling
Guest house [1]
Accessory dwelling
Single room occupancy housing
Museums, historical sites, zoos & parks [10]
Religious organizations

Seasonal or short-term residential uses

Single-family detached dwelling

Other residential uses

Community residential home, small (1-6)
Family day care home

CONDITIONAL USES:

Other residential uses

Permanent or long-term Multi-family attached dwelling
Seasonal or short-term Multi-family attached dwelling
Community residential home, large (7-14)
Child day care services

ACCESSORY USES:

Uses and structures which are customarily accessory, clearly incidental and subordinate to permitted uses and structures, including home occupations and off-site businesses.

Footnotes:

1 Guest houses are permitted only if the owner of the subject property occupies the primary dwelling as his/her main residence. However, guest houses shall not be rented out separately from the main residence. (refer to LDC section 7.12.04.M).

10 Zoos are only allowed in the Industrial zoning district.

This second excerpt defines long term rental and short term rental. I again note that the definition of short term rental is silent regarding the number of allowable guests.

Policy 1-2.1.1: Residential Uses Defined. Residential uses shall include several structure types used for housing, including single-family detached dwellings and multiple-family structures including duplex structures units, town homes and other detached single-family structures, apartments, patio homes, atrium homes, and similar multiple-family structures. The specific FLUM designations shall identify where single-family and multiple-family structures may be located. Following are the definitions for long-term residential and short-term residential.

1. Long-Term Residential. Long-term residential uses shall be defined as any residential accommodation that is available for occupancy for 181 days or more. Long-term residential uses shall include lock-out units, as defined in the Glossary.
2. Short-Term Residential. Short-term residential uses shall be defined as any residential accommodation that is available for occupancy for 180 days or less. Short-Term Residential uses shall include lock-out units, as defined in the Glossary.

This third excerpt defines the grandfather clause. This clause states clearly that the grandfather status may be released only by the vested entity

Policy 1-2.1.5: Grandfather Clause. Existing land uses that were lawfully conforming uses prior to the effective date of the Comprehensive Plan, shall continue as lawful uses and shall be regulated through administrative remedies for vested rights issues that shall be included in the LDC. Building heights, density and/or intensity which (a) are actual present and which lawfully existed prior to the effective date of the Comprehensive Plan, or (b) were authorized pursuant to a development order, which development order remained unexpired as of the effective date of the Comprehensive Plan, shall continue to be legal building heights, density and/or intensity (as applicable) after adoption of the Comprehensive Plan. All duly approved and recorded lots, subdivision and condominium plats of record, which existed as legal lots, subdivision and condominium plats of record prior to the adoption of this Comprehensive Plan shall continue to be legal lots, subdivision and condominium plats of record after adoption of the Comprehensive Plan. This grandfather status may only be relinquished voluntarily by the vested entity. All subdivisions, condominium plats and all replats shall comply with the Comprehensive Plan objectives and Policies, including maximum density provisions. Similarly, all new development shall comply with the Comprehensive Plan and LDC unless the development is found to have a vested right in a land use, building height, density or intensity that is in conflict with the Comprehensive Plan and LDC. Under such condition the grandfather clause shall be applicable unless voluntarily relinquished by the vested entity. The intent is to sustain demonstrated private property rights while preserving the public interest, welfare, health, and safety. Notwithstanding, any single-family home that is subject to redevelopment shall be allowed to reconstruct, providing adopted building and construction codes as well as this ordinance and the size and dimension criteria of the LDC are met.

CONCLUSION

Based on these excerpts, I conclude that prior to the first application of Ordinance 18-29-CC, there were no restrictions to the number of allowable guests.

History:
The subject has been owned by the current owner since 5/18/2018 when the trust purchased it for $2,200,000, per ORB/P 3350/3709.

This sale occurred via MLS and the MLS number was 769375. The subject was on the market for 444 days.

I note that the MLS listing states " THIS IS NOT A GOOD COMP. This home was sold as part of a package deal involving other real estate, which affected the price of this home. Without it, this home price would have been MUCH higher".

Assuming that the realtor is accurate with this statement, the selling price of $2,200,000 may have been below market value.

Active Listings:
None.

Current Use:
The subject is currently a detached single family home used for seasonal rental, catering to large family groups.

Surrounding Uses:
The surrounding use in the Crystal Beach area is a mix of full time occupants and seasonal renters.

MARKET AREA ANALYSIS - SEASONAL RENTAL MARKET

I am restricting this analysis to the seasonal rental market.

Up until perhaps 2000, the great majority of seasonal rentals were condominium units.

However, the growing demand for larger spaces to accommodate extended families in one place led to the conversion of many larger homes to seasonal rentals. It also spurred the construction of homes specifically designed for large rental parties.

Such homes feature typical living areas but emphasize a substantial number of bedrooms and baths. Often bedrooms are equipped with multiple built - in bunks for sleeping children.

Most homes also feature sofa sleepers which can sleep additional children.

Many of these homes, and certainly those recently constructed for this purpose, featured swimming pools and lanai areas as an exterior amenity.

This market has flourished as Destin is nationally recognized as a tourist attraction.

It is common to see Realtors addressing gross rental amounts or gross rental projections in MLS Listings. While the value of homes similar to the subject is partially estimated by a size / value per SF component, the fact that a home generates a substantial amount of income makes it a more attractive and safe purchase than a home which is not rented for seasonal income. In the past few years, income has become as important as selling prices, per SF.

Another factor worthy of discussion is that many owners now self - manage. Typically in the past, management of rentals was performed by one of several large real estate companies, such as Resort Quest, Dale Peterson, Newman Dailey and Southern Resorts. However, in the past 10 years a substantial number of smaller management companies have surfaced.

Management fees for seasonal rentals range from perhaps 15% to 25% of gross revenue.

Entrepreneurial owners have recognized this expense line and many now self - manage with the aid of Vacation Rental By Owner (VRBO) or some similar search engine.

The seasonal rental market is increasing in the Destin/Miramar Beach market as the thriving national economy allows discretionary vacations.

Without the first application of Ordinance 18-29-CC, allowing the existing capacity up to 28 guests, I would consider the seasonal rental market to continue to flourish over the next several years.

With the first application of Ordinance 18-29-CC, limiting the subject to 24 guests, I would project a diminution in value.

I note that the subject has eleven (11) bedrooms. Calculating two guests per bedroom, plus four (4), would suggest 26 guests.

However, the ordinance indicates that a total of twenty four (24) guests is the maximally permissible number of guests regardless of bedroom count as seen in the excerpt on the following page.

Sec. 13-117. – Maximum occupancy based on site capacity/Grandfathering.

(a) The maximum overnight occupancy of a short-term rental shall be stated in the short-term rental registration form, and shall be limited to the lesser occupancy of the following two options:

i. Two (2) persons for each bedroom, plus four (4) additional persons. The number of bedrooms shall be based upon the Property Appraiser's residential profile of the property, and other documents of record, as needed. In no case shall the maximum total occupancy for any dwelling unit exceed the occupancy limits permitted by the Florida Fire Prevention Code or Florida Building Code.

or

ii. A total of twenty-four (24) persons per short-term rental. In the event that there is more than one building or dwelling on one platted lot, the maximum occupancy shall be capped at twenty-four (24) occupants per lot or structure, whichever is less.

HIGHEST AND BEST USE 'AS IS'

Legally Permissible
The subject property is zoned (and designated for future land use) as *Crystal Beach Neighborhood (CBN)* by the City of Destin, Florida.

This zoning and land use designation allows for single-family use and specifically indicates that short term rentals is a permitted use (See page 36). The use of the subject for single-family short-term rentals is therefore allowed in this district.

Physically Possible
The subject property appears to be relatively level and well drained. Soil and subsoil conditions nearby appear compatible with both low-rise, multi-story use and traditional commercial development. All utilities required for commercial or 'mixed use' are presently at the site. The size and dimensions of the site are sufficient to allow a wide variety of legally permissible uses. The shape of the site is rectangular and this shape does not limit utility. Transportation of construction materials or labor to the site is estimated to be relatively simple due to the central location of the site within the overall market. Access to the site is above average.

However, the most compelling substantiation that the subject is physically possible is the fact that it already exists.

Therefore, use of the subject property for single family use as a seasonal rental is physically possible.

Financially Feasible
Value opinions derived in the income approach to value indicate the existing improvement contributes value to the underlying land. There is substantial other ongoing seasonal rental use in the market, suggesting that there is broad appeal for seasonal rental properties.

Therefore, continued use of the subject property for a detached single family residence used for seasonal rental income is financially feasible.

Maximally Productive
The alternatives of addition, demolition, expansion, modernization, or conversion to alternate uses have been considered within the legal, physical, and financially feasible parameters. Several alternatives exist.

Alternatives for use of improvements:

Expansion
The existing subject improvement is 7,041 HVAC SF. The subject is typical of most seasonal rental homes. Thus, there is no need for expansion. Any expansion would come at a cost of parking and/or access. Thus, expansion beyond what is existing, does not appear to be appropriate and feasible.

Renovation
Typically, any existing property could benefit from renovation. However, the subject has been well maintained and is in good condition. Thus, I would not consider imminent renovation to be required or practical.

Downsizing
The existing subject improvements are 7,041 HVAC SF. I see no reason to downsize the subject improvement as it appeared that all of it is usable space. Thus, downsizing beyond what is existing does not appear to be appropriate, physically possible or feasible.

Subdividing
The purpose of the subject is to lease it seasonally to large parties of guests. Subdivision would not be legally approved and does not appear to be financially prudent as the parties of guests would be smaller and grouping smaller parties together in the same pool could prove problematic. I would not consider subdivision to be prudent or feasible.

Demolition
The subject was constructed in 1997, and is currently in average to good condition. It features a probable 30 years of remaining economic life and a probable 50-55 years of remaining physical life.

I do not consider demolition and replacement with alternative improvements to be a superior use to the current use as a rental property. No alternative use would be certain to serve the land better. Thus, the subject is not a candidate for demolition.

Utilizing existing improvements
Continued use 'as is' as a seasonal rental, is considered the maximally productive use.

Conclusion of Highest and Best Use 'as is'
Analysis of recent trends and current market supply and demand indicate that the maximally productive highest and best use of the subject property is continued use as a detached single family residence used for seasonal rental income.

Conclusion of Highest and Best User 'as is'
Analysis of recent trends and current market supply and demand strongly indicate the most probable user is an entrepreneurial user who leases the subject for seasonal rental income with a small amount of personal use.

SUMMARY OF ANALYSIS AND VALUATION

Methodology

Site valuation derived from Sales Comparison Analysis involves direct comparisons of the subject property to similar properties selling in the marketplace to derive a comparative value indication for the subject property 'as if vacant,' as of the effective date of value. This approach is also called the 'direct sales comparison approach', or the 'market approach', and tends to be the most reliable approach for developing an opinion of the value of vacant land or sites available for development. Other methods of developing the value of land are available. Allocation, extraction, land residual, ground rent capitalization, and discounted cash flow analysis are all recognized as reasonable methods of valuation.

The cost approach is a reliable methodology for new, or nearly new, buildings. I estimate the replacement cost or reproduction cost, in this case replacement construction cost, of the existing or existing improvements and site improvements (including direct and indirect costs as well as an appropriate developer profit), deducting accrued depreciation from physical, functional, and external sources from the total replacement or reproduction cost new. The depreciated replacement or reproduction cost of the improvements is added to the value of the site resulting in a value indication of the fee simple interest in the property.

The sales comparison approach is based on the 'Principle of Substitution' which indicates an informed purchaser would pay no more for a property than the cost of acquiring an equally desirable substitute property with the same or similar utility. This approach is applicable when an active market provides sufficient quantities of reliable data which can be verified from authoritative sources. The Sales Comparison Approach is reliable in an active market or if an opinion of value is related to properties which there are comparable sales available. This approach to value is also relevant when sales data can be verified with the principals to the transaction. Heavy emphasis is usually placed on this approach to value in an active market.

The income approach is recognized as a reliable approach for developing an opinion of the value of 'income producing' property to an investor. The income approach consists of methods, techniques, and mathematical procedures an appraiser uses to analyze a property's capacity to generate income and convert income into an indication of present value either by capitalizing the current income at a market capitalization rate or discounting the future cash flows into a present value estimate using an appropriate yield (discount) rate. The appraisal process emulates the market, and the most probable purchaser would either be an investor or prospective owner occupant. Two (2) techniques associated with the income approach are direct capitalization and discounted cash flow analysis.

Methodology employed and explanation of the exclusion of any of the three (3) approaches to value

I am not performing cost analysis. A buyer and seller in the market would not care what it cost to build the subject. In addition, the problem to be solved is to drive the diminution in value based on the guest restrictions included in Destin Ordinance 18-29-CC. The number of guests would have no impact on the cost to construct.

I am not performing sales comparison analysis. The impact of Destin Ordinance 18-29-CC may not be evident in the market for several years in the selling prices of homes. The ordinance allows a five year grandfather period. Homes sold in this grandfather period may not indicate a decline in selling prices and it would not be reliable to estimate diminution in value based on comparable sales until a larger array of data was available for use in sales comparison analysis.

I am performing income analysis. I will identify probable annual income for the subject with twenty eight (28) guests, based on historical income and projected income from the manager; and then identify market rents which support the subject contract rent. I will then identify operating expenses and subtract operating expense from gross rent to arrive at a net operating income (NOI). I will then apply a market based capitalization rent to the NOI to arrive at a value for the subject, prior to the first application of Destin Ordinance 18-29-CC.

I will then identify the rental incomes for homes which are allowed only 24 guests. I will then subtract expenses for the rents of 24 guest homes and arrive at their NOI. I will then derive a value by capitalizing this NOI.

Finally I will subtract the value for a 24 guest house from the value of a 28 guest house and this figure will be the diminution in value.

COST ANALYSIS
NOT PERFORMED

SALES COMPARISON ANALYSIS
NOT PERFORMED

INCOME ANALYSIS
'AS IS'

DESCRIPTION OF INCOME ANALYSIS METHODOLOGY

The income approach to value is based on the principle of anticipation, in that the value of the subject property correlates to the present worth of the future right to receive benefits in the form of income to be received by the owner. The income approach considers the property from an investment interest with the assumption that the amount of income, coupled with the regularity and quality of the income stream, are the basis for valuing the property based on income analysis.

The income approach is applied by identifying the net income by first identifying gross income and then deducting from the gross income the expenses of operating a property to arrive at a net income, generally identified a Net Operating Income (NOI).

The estimated NOI is then converted to a value opinion by utilizing either a Discounted Cash Flow Analysis, or a Direct Capitalization Analysis, or both.

Discounted cash Flow Analysis:
The Discounted Cash Flow Analysis (DCF) is an analysis where a discount rate is applied to a series (typically several years) of income streams with a reversion after typically 7 to 10 years. The appraiser must specify the quantity, variable nature of the income, timing of payments (monthly/quarterly/annually) to a present value at a specified yield rate. The DCF analysis is most applicable when the net income is projected to be variable and when the property is on a sufficient size and investment value to influence market participants to evaluate purchase decisions based on DCF. A large strip retail center would be a good candidate for DCF analysis, as would a project to be constructed in phases, where the income would increase as new construction is added.

I note that I did not perform DCF analysis as it is my opinion that market participants would not use DCF analysis to base decisions to either purchase or sell properties such as the subject.

Direct Capitalization:
The conversion of a net income to a current value is called capitalization. Capitalization is a method which is used to convert the estimate of a single year's net income actual figures and/or expectancy of income into a value opinion by dividing the income by a appropriate rate of capitalization, as estimated by the appraiser. This technique employs capitalization rates derived from the market, using both capitalization rates from recent sales of similar properties, generally augmented by national indices, or other mathematical progressions. This process provides a one year snap shot of the property value. Future yields and values are not directly identified. The direct capitalization analysis is most appropriate for small to medium sized income producing properties, in stable markets with a forecast of generally stable income.

The procedural steps involved in capitalization are as follows:

Develop the probable gross income by identifying historical performance, income projections and market incomes from comparable properties which support the historical or projected subject income.

Estimate vacancy and collection losses to arrive at Effective Gross Income (EGI).

Estimate and subtract operating expenses to arrive at NOI.

Develop a capitalization rate which is supported by the market.

Divide the NOI by the capitalization rate to derive a value opinion.

I am employing the direct capitalization analysis to derive values in this analysis.

I note for the reader that steps #1 and #2 are generally combined in the analysis of seasonal resort properties. Owners and management companies tend to provide actual income which has already accounted for vacancy and collection loss.

ESTIMATE OF CAPITALIZATION RATE

The capitalization rate is a rate which is applied to the Net Operating Income (NOI) to derive a value for a property. As the chart below indicates, you can derive a capitalization rate by dividing the NOI by the purchase price.

The following excerpt will provide some explanation of capitalization rates.

Capitalization rates are used in a formula. As seen below, dividing the net operating income by the purchase price indicates the capitalization rate.

Another variation of the formula is to divide the net operating income by the capitalization rate and this process will indicate the value of the property.

What Is a Cap Rate?

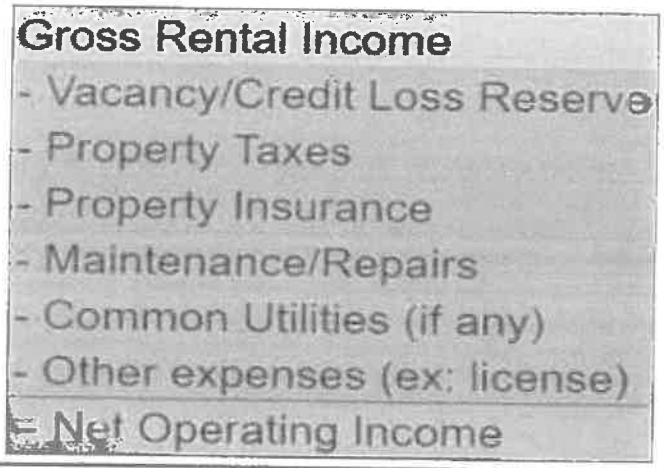
A cap rate is simply a formula. It's the ratio of a rental property's net operating income to its purchase price (including any upfront repairs):

Cap Rate =

Net Operating Income (NOI) ÷ Purchase Price

The formula can be used on the level of an individual property by looking at its net operating income compared to its value. But it can also be used on the level of an entire market by taking *average* cap rates for a large group of properties.

Importantly, the cap rate formula does NOT include any mortgage expenses. As you can see in the formula for net operating income below, the expenses do not include a mortgage or interest payment.



MARKET CAPITALIZATION RATE BASED ON NATIONAL INDICE

Capitalization rates range widely in the market. The following table derived from Realty rates.com indicate a wide variety of capitalization rates base on property types. This table contains very recent data from the first quarter 2019.

As can be seen, properties such as restaurants and lodging (motels and hotels) have high capitalization rates. Apartments (residential) have the lowest capitalization rates.

Realty rates does not include a separate category of single family detached homes.

RealtyRates.com INVESTOR SURVEY - 1st Quarter 2019*

CURRENT & HISTORICAL CAP RATE INDICES

Method-Weighted* Property Category Indices

	Apts		Golf		Healthcare Senior Housing		Industrial		Lodging		MH/RV Park		Office		Retail		Restaurant		Self Storage		Special Purpose		Weighted* Composite Indices	
		BP		BP		BP		BP		BP		BP		BP		BP		BP		BP		BP		BP
Year	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg
2018	8.42	26	12.02	30	9.01	14	9.19	23	10.53	25	9.56	30	9.04	10	9.39	20	11.57	15	9.66	29	11.64	40	9.64	22
4th Qtr	8.46	8	12.08	11	9.07	11	9.23	7	10.53	1	9.62	13	9.08	13	9.44	10	11.62	11	9.92	13	11.71	11	9.68	9
3rd Qtr	8.37	-4	11.97	-5	8.96	-2	9.16	-5	10.52	-7	9.50	-5	8.95	-8	9.33	-3	11.51	-4	9.79	-7	11.60	-3	9.59	-5
2nd Qtr	8.41	3	12.02	5	8.99	3	9.21	5	10.59	5	9.55	5	9.00	0	9.36	4	11.56	4	9.86	6	11.63	5	9.64	4
1st Qtr	8.38	23	11.97	28	8.96	13	9.16	22	10.52	31	9.50	28	9.00	5	9.32	17	11.52	26	9.81	25	11.58	34	9.60	21
2017	8.15	4	11.73	-2	8.87	-6	8.95	-12	10.20	5	9.26	11	8.84	-22	9.19	-8	11.42	-15	9.57	-9	11.25	4	9.42	-6
2016	8.13	-2	11.75	6	8.92	12	9.08	15	10.22	0	9.15	15	9.16	16	9.27	12	11.57	-10	9.67	14	11.21	10	9.48	9
2015	8.15	-9	11.69	-14	8.80	-9	8.93	-10	10.22	-20	8.99	-18	9.00	-6	9.15	-11	11.68	-13	9.52	-22	11.11	-12	9.40	-12
2014	8.24	-15	11.83	-9	8.89	-1	9.03	-4	10.43	-17	9.17	-5	9.06	-22	9.28	15	11.79	-6	9.75	-20	11.24	14	9.52	-7
2013	8.39	14	11.92	-14	8.90	5	9.07	-2	10.60	3	9.22	14	9.28	-19	9.11	-4	11.86	9	9.95	-24	11.10	1	9.59	-2
2012	8.25	-35	12.07	6	8.85	-36	9.09	-40	10.57	-24	9.08	-39	9.47	3	9.15	-13	11.77	6	10.19	-49	11.09	-4	9.60	-21
2011	8.60	-29	12.00	-22	9.21	-40	9.49	-11	10.81	-24	9.48	-8	9.44	-10	9.28	-26	11.70	-14	10.68	-3	11.12	-17	9.81	-19
2010	8.89	4	12.22	5	9.62	15	9.60	12	11.05	7	9.55	22	9.54	16	9.54	25	11.84	12	10.72	21	11.30	0	10.00	13
2009	8.85	8	12.17	16	9.47	10	9.48	10	10.98	-7	9.33	1	9.38	29	9.23	20	11.72	15	10.50	37	11.30	8	9.87	14
2008	8.77	-4	12.01	28	9.37	-16	9.38	-14	11.05	56	9.32	-5	9.09	-16	9.09	-11	11.57	-28	10.13	20	11.22	-7	9.74	-1
2007	8.81	-45	11.72	-21	9.53	-65	9.62	-25	10.49	-28	9.37	-28	9.25	-47	9.20	-12	11.85	61	9.93	-38	11.29	-24	9.75	-28
2006	9.26	12	11.93	47	10.18	15	9.77	35	10.77	27	9.63	41	9.72	26	9.32	30	11.24	18	10.31	27	11.53	9	10.03	28
2005	9.14	14	11.46	90	10.03	-16	9.42	-30	10.50	-21	9.22	19	9.46	6	9.02	16	11.05	5	10.04	13	11.44	-30	9.77	2
2004	9.00	-19	10.66	28	10.19	-37	9.72	19	10.71	-38	9.03	-48	9.40	-4	8.86	-19	11.01	-15	9.91	-13	11.74	-30	9.75	-19
2003	9.19	-2	10.38	-32	10.56	64	9.53	33	11.09	56	9.51	-11	9.44	1	9.05	-18	11.16	9	10.04	-53	12.04	105	9.94	12
2002	9.21	-40	10.70	18	9.92	-39	9.20	-61	11.13	26	9.62	-60	9.43	-35	9.23	-62	11.09	-3	10.57	-12	10.99	-197	9.82	-41
2001	9.61	64	10.52	123	10.31	90	9.81	16	10.97	99	10.22	-68	9.78	-36	9.86	-53	11.11	47	10.69	13	12.76	32	10.23	21
2000	8.97		9.19		9.41		9.65		9.89		10.90		10.13		10.38		10.64		10.56		12.44		10.01	

* Weighted by methodology: Band-of-Investment, DCR Technique, Sales Survey

* Further weighted by property category

ADDITIONAL DATA ON CAPITALIZATION RATES

The following chart provides some additional data regarding capitalization rates for apartments in some major metropolitan centers.

These rates are lower than the overall national rate for apartments identified on the previous page. I attribute this to the fact that the cities below are major metropolitan areas with a high density of population which keeps occupancy high and inspires investor confidence. In this regard, the Destin seasonal rental market is similar in its high density and national appeal.

Cap Rates For Stabilized, Class A Multifamily Apartments By City – 2017 (2nd Half)	
San Diego	4.25%
Chicago	4.75%
Atlanta	5.00%
Philadelphia	5.25%
St. Louis	5.75%
Cleveland	6.25%
Pittsburgh	6.50%
Detroit	7.25%

Single family homes are seldom valued via income capitalization. Most homes are owner occupied and the issue of rent and valuation through rent is generally not applicable. However, I identified the following excerpt rom the internet which indicates a range of capitalization rates from 4% to 10% for single family homes. The reader will note in the excerpt immediately above that high demand areas feature lower capitalization rates and lower demand areas feature higher capitalization rates. I would again observe that Destin is a high demand area in the seasonal rental market. Thus, I would consider it probable that capitalization rates for singe family homes in Destin were toward the low side of the 4% to 10% range.

Cap Rate for Single Family Home

Professionals purchasing commercial properties, for example, may buy at a 4% cap rate in high demand areas, or a 10% (or even higher) cap rate in low-demand areas. Generally, 4% to 10% per year is a reasonable range to earn for your investment property. Continuing with our example from above, $17,000/ 5% = $340,000.

The following are two excerpts from the internet indicating that Panama City Beach, Florida boasts a very low capitalization rate of 4.9% and that the Destin, Florida market features a 4.7% capitalization rate for Airbnb rentals.

9. PANAMA CITY BEACH, FL

- *Short-Term Rental Cap Rate: 4.9%*

White sandy beaches, clear water, fishing piers, protected nature reserves, hiking trails... what more do you need to be convinced that Panama City Beach is one of the best places around the US to invest in a vacation rental.

Property prices are affordable with a median level of $334,700, while short-term rental income stands around $3,260. The average cap rate for vacation rentals is 4.9%.

2. Destin

- *Median Property Price:* $695,000
- *Airbnb Rental Income:* $2,720
- *Traditional Rental Income:* $1,610
- *Airbnb CoC Return:* 2.3%
- *Traditional CoC Return:* 0.5%
- *Airbnb Cap Rate:* 4.7%
- *Traditional Cap Rate:* 2.8%
- *Airbnb Occupancy Rate:* 58.4%

The second among the best places to buy a vacation home in Florida is Destin, with rental income from Airbnb just a few dollars below St. Augustine. However, this location is significantly more expensive. But it has a very important advantage for all those loving nature and sports – it is very famous for the fishing opportunities that it offers.

Conclusion:

I have provided an array of capitalization rates from national data ranging from a low of 4.7% to a high of 8.42%.

I am selecting a rounded rate of 6.25%, recognizing that there are established capitalization rates both higher than, and lower than, the reconciled 6.25%.

I am confident that a capitalization rate of 6.25% is well supported by national data.

I also note that the most similar rate is the 4.7% Airbnb rate in Destin, which suggests that a 6.25% rate may be conservative.

MARKET CAP RATE DATA BASED ON LOCAL SALES OF HOMES USED FOR SEASONAL RENTAL

In addition to the national data provided above, I am also providing some data from actual sales in the local market.

I have some professional acquaintances who specialize in the management of large homes used for seasonal rentals. I have asked them to provide me some actual data from recent sales to help derive a local data base of capitalization rates.

On 7/13/2018, Frangista Beach E16 LLC (Nick Athens - a professional acquaintance well known to me) sold 3491 Scenic Highway 98 to Rich Rentals for $3,000,000. This house is 6,008 HVAC SF and features nine (9) bedrooms and 9.5 baths. It is very similar to the subject and is a very good comparable indicator of capitalization rates. Mr. Athens stated that the net operating income was $172,340. Dividing $172,340 by $3,000,000 indicates a capitalization rate of 5.74%.

On 9/4/2015, Nick and Tina Athens sold 1850 - 1852 Scenic Gulf Drive in Miramar Beach to Forty-Four Holdings for $2,205,000. This was two side by side homes in Frangista Beach which were an aggregate 3,460 HVAC SF and which features Five (5) bedrooms and 7 baths. Mr. Athens stated that the net operating rent was $133,200. Dividing $133,200 by $2,025,000 indicates a capitalization rate of 6.58%. I do not consider it a coincidence that the home with the fewest bedrooms featured the highest capitalization rate.

On 2/10/2016, Destiny Real Estate Ventures LLC (Ben Giles - a professional acquaintance well known to me) sold 3463 Scenic Highway 98 to Charles Barone for $3,615,000. This house is 6,465 HVAC SF and features eight (8) bedrooms and 6.5 baths. It is very similar to the subject and is a very good comparable indicator of capitalization rates. Mr. Giles stated that the net operating income was $222,125. Dividing $222,125 by $3,615,000 indicates a capitalization rate of 6.15%.

On 1/11/2019, Kevin Hense sold 2984 Scenic Highway 98 to Russell and Susan Hancock for $3,000,000. This house is 3,997 HVAC SF and features six (6) bedrooms and 5.5 baths. It is very similar to the subject and is a very good comparable indicator of capitalization rates. Mr. Hense stated that the net operating income was $176,000. Dividing $176,000 by $3,000,000 indicates a capitalization rate of 5.87%.

On May 18, 2018, Sapp Investments LLC sold 4659 Destiny Way to the Lindholm Family Revocable Living Trust for $2,500,000. Mr. Lindholm stated to me that income for 2018 was an aggregate of $293,500. He also stated that expenses were an approximate $115,025, resulting in approximate $178,475 of net operating income (NOI). Dividing $178,475 by $2,500,000 indicates a capitalization rate of 7.14%.

RECAPITULATION OF LOCAL MARKET CAPITALIZATION RATES

The following table summarizes the capitalization rates identified in the narrative above.

Property Address	Capitalization Rate
3491 Scenic Highway 98, Destin	5.74%
1850 Scenic Gulf Drive, Mirimar Beach	6.58%
3463 Scenic Highway 98, Destin	6.15%
2984 Scenic Highway 98, Destin	5.87%
4659 Destiny Way, Destin	7.14%
Average	6.29%
Rounded	6.25%

I consider a rounded capitalization rate of 6.25%, derived from local data, to be a market supported rate which is both credible and reliable, as well as being consistent with national data which brackets the final capitalization rate selection.

For this reason, I am selecting a 6.25% capitalization rate.

ESTIMATE OF VALUE PRIOR TO THE FIRST APPLICATION OF DESTIN ORDINANCE 18-29-CC

Based on the current zoning and the Destin Land Development Code previously discussed, there is currently no limit to the number of guests allowed in the subject improvement. The subject can accommodate up to thirty (30) guests based on the data provided by the owner and my identification of sleeping capacity previously identified.

CURRENT CONTRACT RENT

I note that seasonal rentals are typically described with annual rental amounts as opposed to more consistent monthly rental rates.

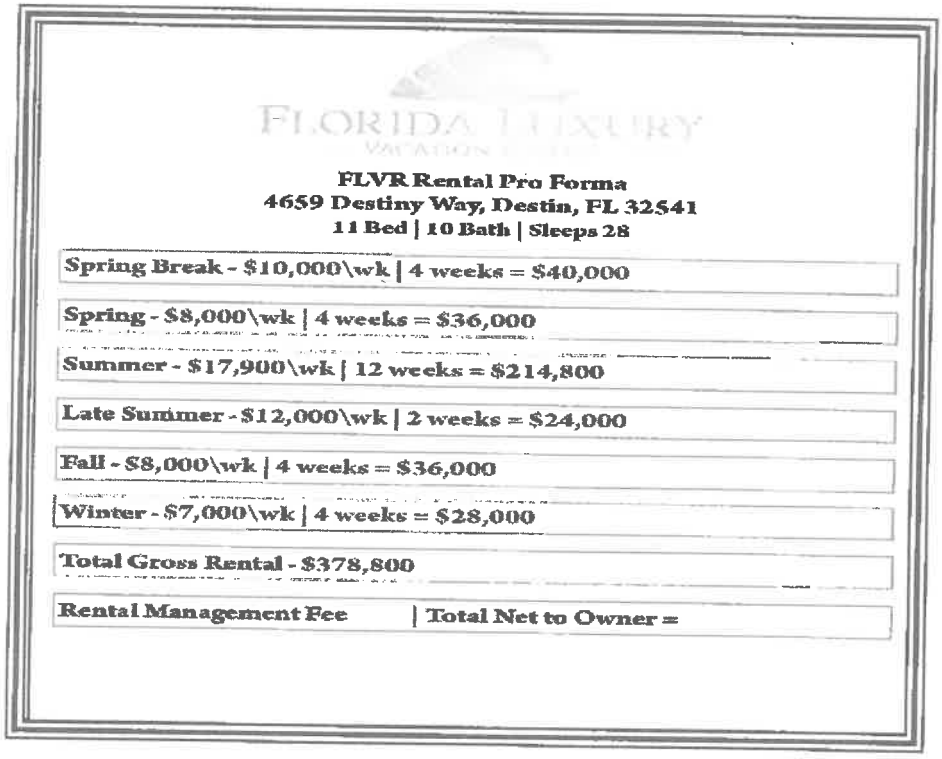
Such rental amounts are generally described using gross income data, and/or projections of gross income data.

Appraisers need to then examine expenses to arrive at a net operating rent to capitalize. Expenses to gross revenue are ad valorem taxes, flood and hazard insurance, HOA dues, maintenance and repairs, utilities, lawn maintenance, pest control, professional fees and reserves. I note that interest/mortgage payments and depreciation are not expenses when capitalizing property for value.

In the case of the subject, I corresponded with the owner, Brad Lindholm, via email and phone exchanges to identify 2018 actual incomes and expenses, as well as his projection for 2019 income.

Mr. Lindholm stated that he had purchased the subject in May 2018. There had been $60,500 of income prior to the purchase and $233,000 after the purchase for a total of $293,500 total income in 2018. He also stated that he considered expenses to be an approximate $66,000 per year, not to include management fees.

The property is managed by Florida Luxury Vacation Rentals and I obtained this projection for 2019 from that company.



FLORIDA LUXURY VACATION RENTALS

FLVR Rental Pro Forma
4659 Destiny Way, Destin, FL 32541
11 Bed | 10 Bath | Sleeps 28

Spring Break - $10,000\wk | 4 weeks = $40,000
Spring - $8,000\wk | 4 weeks = $36,000
Summer - $17,900\wk | 12 weeks = $214,800
Late Summer - $12,000\wk | 2 weeks = $24,000
Fall - $8,000\wk | 4 weeks = $36,000
Winter - $7,000\wk | 4 weeks = $28,000
Total Gross Rental - $378,800
Rental Management Fee | Total Net to Owner =

I will now research market comparables to estimate a probable gross income for 2019 and to provide support for the management company projection. See the following page.

MARKET SUPPORT FOR GROSS INCOME ESTIMATE

Some of these comparables were provided to me by Ben Giles, an owner of several large homes. Other owners who provided data were Tari Furey, Nick Athens, Kevin Hense, Doris Reel, Brad Lindholm, and Andrea Farrell.

Number	Address	Gross Income	Guest capacity	Annual Income per Guest
1	42 Miami Street	$463,852	34	$13,643
2	3587 Scenic Highway 98	$305,393	32	$9,545
3	3463 Scenic Highway 98	380,000	32	$11,875
4	3461 Scenic Highway 98	$364,723	36	$10,131
5	107 Hollywood Street	$289,647	38	$7,622
6	112 Sandprint Circle	$325,000	30	$10,833
7	4659 Destiny Way	$293,500	28	$10,482
8	3485 Scenic Highway 98	$145,100	22	$6,595
9	3489 Scenic Highway 98	$160,900	20	$8,045
10	4664 Destiny Way	$275,000	20	$13,750
11	2984 Scenic Gulf Drive	$263,000	22	$11,954

The average of these eleven market comparable rentals is $10,407.

The subject is comparable #7. It grossed an approximate $10,482 per guest in 2018.

The most similar homes based on location is #10. I have been in this home and it is in substantially better condition than the subject, however, is not sited on a lake.

Comparable #2 is also a newer home and is sited on a lake.

The property manager estimate of $378,800 suggests a $13,529 per guest annually.

Given a combination of the 2018 actual income, the per guest averages of the three most similar sales and the property manager's reasonable estimate of increase from 2018 to 2019, I estimate a rounded $12,000 per guest annually.

The subject can accommodate 28 guests. Multiplying 28 by $12,000 per guest results in an annual gross income of $336,000.

MARKET SUPPORT FOR GROSS TO NET RATIO

I have attempted to derive gross and net income figures for comparable properties in the market. However, my research indicates that many owners and property managers are unwilling to divulge private financial information, especially the net income.

Thus, I will provide some market examples of properties where clients or close associates did divulge data.

The first example is a detached home located at 112 Sandprint Circle in the Dunes of Destin. The owners, Edward and Tari Furey, provided me with detailed data regarding income and expenses. They indicted annual revenue of $325,000 and annual expense of $100,000. This suggests an expense ratio of $100,000 / $325,000, or 31%, rounded.

I again spoke to Nick Athens who still owns a detached house at 4664 Destiny Way which grossed $275,000 in 2018. The expenses for this property were an approximate $89,000. This suggests an expense ratio of $89,000 / $275,000, or 32% rounded.

As a third indicator, I spoke to Kevin Hense, who sold a detached house at 2984 Scenic Highway 98 for $3,000,000 on 1/11/2019. Mr. Hense indicated that the 2018 gross rent was $263,000 and that the expenses were $87,000. This suggests an expense ratio of $87,000 / $263,000, or 33%, rounded.

As a fourth indicator, I spoke to Doris Reel who owns 3485 Scenic Gulf Drive. She stated she had gross income of $145,100 in 2018 and expenses of $48,858. This is an expense ratio of 35%.

The subject features projected income of $350,000 and expenses of $118,500, per the client. This is an expense ratio of 33.8%, rounded to 34%.

I consider the subject to be consistent with the market comparable identified above and I will use the actual expense ratio of 34% in the analysis.

The next step is applying the previously calculated expense ratio to the gross rent to arrive at a net operating income (NOI). Applying a 34% expense ratio to $336,000 results in a net rent of $215,040.

Capitalizing $231,000 with a 6.25% capitalization rate results in a value of $3,440,640, rounded to $3,440,000.

It is my professional opinion that the subject value, prior to the first application of Destin Ordinance 18-29-CC is $3,440,000, based on income analysis.

$3,440,000

ESTIMATE OF VALUE AFTER THE FIRST APPLICATION OF ORDINANCE 18-29-CC
Destin Ordinance 18-29-CC reduces the subject sleeping capacity to 24 guests.

To estimate the difference, I need to research the market for homes which are limited to smaller guest totals.

MARKET SUPPORT FOR GROSS INCOME ESTIMATE
Some of these comparables were provided to me by Jordan Shane, Florida Luxury Vacation Rentals, Cheryl St.Pe', Destin Comforts and Ben Giles.

#	Address	Gross Income	Guest capacity	Income per guest annually
1	3489 Scenic Highway 98	$160,900	20	$8,045
2	3893 Sandprint Circle	$118,796	20	$5,939
3	113 Los Angeles Street	$137,308	19	$7,227
4	1737 Scenic Highway 98	$144,814	20	$7,241
5	100 Sandprint Circle	$105,000	20	$5,250
6	84 Woodward Street	$80,560	12	$6,713
7	212 Kono Way	$74,815	12	$6,235
8	75 Shirah Street	$79,885	14	$5,706

The average of these eight market comparable rentals is $6,544 per guest annually. None of these homes are gulf front homes.

The subject is almost certainly more similar to the rental comparables found on the previous page.

Based on my research, homes which can sleep less do not attract the same customer as the larger homes which cater to extended families. In addition, there is substantially more competition at the lower capacities as there are substantially more homes which sleep 15 to 20 as opposed to 30+ guests.

However, in this case, I would still consider a per guest rate of $12,000 per year to be credible.

Based on the impact of Ordinance 18-29-CC, the subject will be limited to 24 guests.

Multiplying $12,000 per guest by 24 guests results in gross annual rent of $288,000.

Applying a 34% expense ratio to $288,000 results in a net rent of $190,080.

Capitalizing $190,080 with a 6.25% capitalization rate results in a value of $3,041,280, rounded to $3,040,000.

It is my professional opinion that the subject value, after to the first application of Destin Ordinance 18-29-CC is $3,040,000, based on income analysis.

$3,040,000

ESTIMATE OF THE DIMINUTION OF VALUE

My research and analysis indicates that the value of the subject based on the right to sleep 28 guests is a rounded $3,440,000.

My research and analysis indicates the value of the subject based on the limit to sleep only 24 guests is a rounded $3,040,000.

It is my opinion the first application of Destin Ordinance 18-29-CC results in an approximate $400,000 diminution of value.

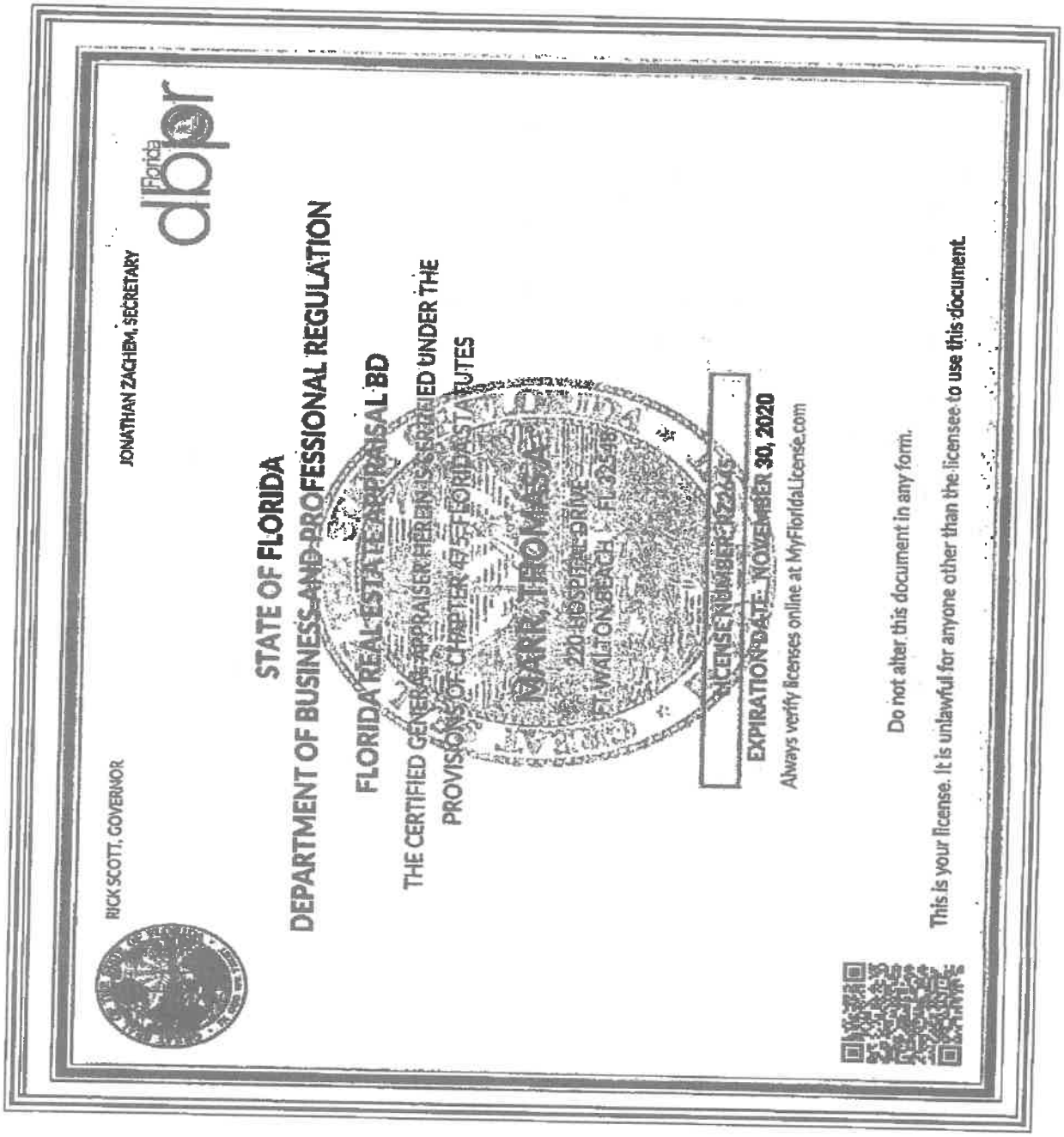
DIMINUTION OF VALUE

$400,000

ADDENDA

Appraiser License

APPRAISER LICENSE



THIS INSTRUMENT PREPARED BY
AND AFTER RECORDING RETURN TO:

Kimberly Romano Kopp, Esq.
Romano Kopp Law, P.A.
P.O. Box 445
Destin, Florida 32541

For Recording Purposes Only

SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is entered into this _____day of _____ 2019, ("Effective Date") by and between, Bradley L. Lindholm, Trustee for the Lindholm Family Revocable Living Trust dated June 4, 2010 ("**Owner**") and the City of Destin ("**City**"), collectively referred to as the "Parties."

RECITALS

WHEREAS, on January 22, 2019, the City enacted Ordinance 18-29-CC, the Short-Term Rental Occupancy Ordinance ("Ordinance"), which limits the occupancy of short-term rental homes to two (2) people per bedroom plus an additional four (4) persons; and

WHEREAS, Owner owns the real property and improvements located at 4659 Destiny Way, Destin, Florida, 32541, as more particularly described in the attached Exhibit "A" (the "Property"); and

WHEREAS, on October 23, 2019, Owner filed a claim with the City, pursuant to the provisions of §70.001, Florida Statutes, the Bert J. Harris, Jr., Private Property Rights Protection Act (the "Harris Act"), alleging that the Property had been inordinately burdened by the adoption of the Ordinance, (the "Claim"); and

WHEREAS, the Harris Act provides for the City to have the ability to enter into a settlement agreement which would have the effect of a modification or variance to the application of a regulation or ordinance as it would otherwise apply to the subject real property, provided the relief granted protects the public interest served by the regulations at issue and is the appropriate relief necessary to prevent the governmental regulatory effort from inordinately burdening the real property; and

WHEREAS, the City has determined that the modifications to the effect of the Ordinance effected by this Agreement protect the public interest served by the Ordinance and are the appropriate relief necessary to prevent the regulatory effect of the Ordinance from inordinately burdening the Property; and

WHEREAS, the Parties now desire to settle and finally resolve all disputes between and among them concerning the Claim.

NOW, THEREFORE, the Parties hereby agree as follows:

1. **Recitals.** The above recitals are true and correct and are incorporated herein by reference.

2. **Occupancy Allowable Under Ordinance.**

(a) Owner is hereby granted a variance from the provisions of the Ordinance so that the Owner shall have the right to apply under the Ordinance for a maximum occupancy of thirteen (13) overnight guests at the eleven (11) bedroom vacation rental property noted above and the City shall grant such occupancy. The right shall continue in perpetuity, regardless of any future changes in ownership, provided that this right shall expire permanently if the Property were to be voluntarily remodeled or voluntarily rebuilt in such a manner as to change the number of bedrooms that existed at the date of the Claim. The Property remains subject to all other requirements of the City's regulations, including but not limited to regulations for short-term rentals, parking, trash, and noise.

(b) No greater than six (6) vehicles may be parked on the Property. No vehicle may encroach upon the City's right-of way.

(c) Owner shall ensure that at least three (3) outdoor trash receptacles are provided by the applicable trash hauler and available for use by occupants at all times.

(d) Owner agrees that the City shall be permitted to access the property on an annual basis for the purpose of life-safety inspections to ensure code compliance with minimum egress and emergency egress requirements pursuant to the Florida Building Code (Residential) and to ensure the property has adequate and working smoke detectors. Owner shall submit to the City a separate application and fee for such inspection, on a form provided by the City, at the time Owner submits its annual short-term rental registration application to the City

3. **Development in Accordance with Code.** Notwithstanding any provisions contained herein, the Owner shall at any time have the right and option to remodel, develop, or use the Property in accordance with the applicable ordinances of the City of Destin in effect at the time of application therefor, and this variance shall not be construed as making the Property in any way non-conforming.

4. **Entire Agreement.** The Parties acknowledge that this Agreement constitutes the entire agreement between them regarding the settlement of their dispute and any prior statements, whether oral or written, are merged herein. This Agreement may not be modified or amended without a written instrument signed by the party against whom enforcement is sought.

5. **Duration of Agreement.** This Agreement shall be perpetual and deemed to run with the land, and shall be binding upon and the benefits shall inure to the parties hereto and their respective heirs, devisees, personal representatives, successors and assigns.

6. **Authority.** The signatories to this Agreement are expressly authorized to resolve their dispute as set forth herein and by their signatures here represent and affirm their authority to execute this Agreement.

7. **Governing Law.** The law of the State of Florida shall apply to this Agreement. Any dispute regarding this Agreement shall be litigated exclusively in the courts of Okaloosa County, Florida. The parties expressly consent to such agreed jurisdiction and venue, and waive any objections thereto.

8. **Notices.** Any notice required or permitted to be given hereunder shall be in writing and shall be (i) delivered by hand, (ii) delivered by reputable national or local courier (such as United Parcel Service or Federal Express), (iii) mailed by United States registered or certified mail, return receipt requested and postage prepaid, or (iv) sent by facsimile transmission provided a confirmation of such facsimile transmission is sent the same day by one of the methods of delivery in (i), (ii), or (iii) above. Any notice shall be addressed to each party at its address as set forth below. Any such notice shall be considered given on the date of such hand delivery, deposit with such courier for same day or next business day delivery, upon receipt of return receipt of certified mail, or receipt of facsimile transmissions, as the case may be, and the time period (if any is provided herein) in which to respond to such notice shall commence on the date of receipt. Rejection or other refusal to accept or inability to deliver because of changed address of which no notice was given shall be deemed to be receipt of the notice. By giving to the other party at least ten (10) days' notice thereof, any party shall have the right from time to time to change the addresses thereof and to specify up to two (2) additional addresses within the United States of America to which copies of notices to it shall be sent. Notice may be given on behalf of any party by such party's counsel. In the event the subject property owner changes, notices shall be addressed to the current owner as indicated in the records of the Okaloosa County Property Appraiser. Otherwise, notices shall be sent as follows:

Each notice shall be addressed as follows:

To City: City of Destin, Florida
Attn:
4200 Indian Bayou Trail
Destin, Florida 32541

With a copy to:
City Land Use Attorney
Romano Kopp Law, PA
PO Box 445
Destin, Florida 32541
Attn: Kimberly Romano Kopp, Esq.

To Owner: Bradley L. Lindholm, Trustee
4659 Destiny Way
Destin, FL 32541

With a copy to: Najmy Thompson, PL
1401 8th Avenue West
Bradenton, Florida 34205
Attention: Aaron M. Thomas, Esq.

Attorney's Fees. In the event of any action, whether pre-suit, mediation, litigation or appellate proceeding to enforce the terms and conditions of this Agreement, each party to the action shall pay its own attorney's fees and costs incurred therein.

(d) Venue over any action to enforce the terms and conditions of this Agreement, including mediation, shall lie solely in Okaloosa County, Florida.

OWNER: Bradley L. Lindholm, Trustee for the Lindholm Family Revocable Living Trust dated June 4, 2010

_____
Signature of Witness #1

_____
Bradley L. Lindholm, Trustee

_____
Print or type name

_____
Date

_____
Signature of Witness # 2

_____
Print or type name

STATE OF_____
COUNTY OF_____

The foregoing instrument was acknowledged before me this _____ day of _____ 2019, by _____ _____ and _____, who are personal known to me or who have produced _____ as identification and who did not (did) take an oath.

_____
Signature of Notary

(NOTARY SEAL)

_____
Print or type name

CITY OF DESTIN

By:_____
Gary Jarvis, Mayor

Date:_____

ATTEST:

_____
Rey Bailey, City Clerk

Date:_____

STATE OF_____
COUNTY OF_____

The foregoing instrument was acknowledged before me this _____ day of _____ 2019, by _____ _____ and _____, who are personal known to me or who have produced _____ as identification and who did not (did) take an oath.

_____
Signature of Notary

(NOTARY SEAL)

_____
Print or Type Name

Approved as to form and legality for use and reliance
by the City of Destin, Florida, only.

_____
Kimberly Romano Kopp, Esq.
City Land Use Attorney

Exhibit "A"

Legal Description of Property

ITEM # 2019-1909

CITY OF DESTIN

AGENDA ITEM

COUNCIL MEETING DATE: December 9, 2019
TYPE OF AGENDA ITEM: Action Item

TO: City Council

THRU: Lance Johnson, City Manager

FROM: Kimberly Kopp, Land Use Attorney
Louis Zunguze, Community Development Director

DATE: December 5, 2019

SUBJECT: 28) 4646 Destiny Way

I. BACKGROUND:

On January 22, 2019, the City enacted Ordinance 18-29-CC, the Short-Term Rental Occupancy Ordinance ("Ordinance"), which limits the occupancy of short-term rental homes to two (2) people per bedroom plus an additional four (4) persons.

The subject property owner owns the real property and improvements located at 4646 Destiny Way, Destin, FL 32541, as more particularly described in Exhibit "A" (the"Property") to the proposed settlement agreement.

Owner filed a claim with the City, pursuant to the provisions of §70.001, Florida Statutes, the Bert J. Harris Jr., Private Property Rights Protection Act (the "Harris Act"), alleging that the Property had been inordinately burdened by the adoption of the Ordinance, (the "Claim).

The Harris Act provides for the City to have the ability to enter into a settlement agreement which would have the effect of a modification or variance to the application of a regulation or ordinance as it would otherwise apply to the subject real property, provided the relief granted protects the public interest served by the regulations at issue and is the appropriate relief necessary to prevent the governmental regulatory effort from inordinately burdening the real property.

The City Council should settle the claim if the City Council determines that the modifications within the settlement agreement protect the public interest served by the Ordinance and are the appropriate relief necessary to prevent the regulatory effect of the Ordinance from inordinately burdening the Property.

II. DISCUSSION: The property owner has requested a maximum occupancy of thirty (30) occupants. City staff is recommending an occupancy of twenty-six (26) occupants based on the square footage of the property. The building official utilized a one-occupant per 200 square feet methodology for recommending the above-stated occupancy.

Additionally, staff is recommending at least five (5) trash cans on the property. This recommendation is based on industry standard (Waste Management) that, on average, one trash can is required for every six occupants in order to ensure adequate garbage disposal. Therefore, if the maximum number of occupants exceeds any multiple of six (6, 12, 18, 24, 30, 36, etc.), then an extra trash can will be needed to accommodate the additional occupants. For example, if thirteen (13) is the maximum occupation, then three (3) trash cans are required. This is because, on average, two (2) trash cans will only accommodate twelve (12) occupants. The third trash can will be needed to accommodate the thirteenth occupant.

Further, the property owner must agree to annual life safety inspections, as provided in the proposed settlement agreement.

Finally, staff is recommending that no greater than two (2) vehicles be parked on this property

As stated in the agreement, the property owner remains bound by all other provisions of City codes.

A. **Link to Strategic Goals / Objectives:**
B. **Effect on Budget (EOB):**
C. **Level of Service (LOS):**

III. CONCLUSION:

IV. RECOMMENDED MOTION: 1. I move to approve the settlement agreement prepared by the City Land Use Attorney and Staff.

or

2. I move to approve the settlement agreement prepared by the City Land Use Attorney and Staff with the following modifications:_____.

or

3. I move to direct the City Land Use Attorney to negotiate in good faith with the property owner and to bring back an alternate settlement proposal to the City

Council for consideration.

or

4. I move to deny settlement of the subject claim at this time.

Attachments:

1. Burt Harris Case - 4646 Destiny Way
2. 4646 Destiny Way Settlement Agt 11_11_2019

NAJMY | THOMPSON PL
ATTORNEYS AT LAW

1401 8th Avenue West
Bradenton, FL 34205

PHONE: (941) 748 - 2216
FAX: (941) 748 - 2218

OTHER OFFICES:
Lakewood Ranch (941) 907 - 3999
Sarasota (941) 907 - 3999
New York (212) 220 - 6616

WWW.NAJMYTHOMPSON.COM

October 23, 2019
Via Hand Delivery

City of Destin
c/o Major Gary Jarvis
4200 Indian Bayou Trail
Destin, Fl 32541

Re: 4646 Destiny Way, Destin, FL 32541
Bert J. Harris Claim, §70.001, *Fla. Stat.*, July 1, 2012

Dear Jarvis,

This firm represents Bradley L. Lindholm as trustee for the Lindholm Family Revocable Living Trust dated June 4, 2010, owner of an improved property described as 4646 Destiny Way, Destin, FL 32541. My client has been utilizing and operating the house as a short-term rental property within the City of Destin for one (1) year. The City of Destin has authorized the use of this property as a short-term vacation rental.

The "before" condition of the subject property is a six-bedroom, three-story residence able to accommodate thirty (30) guests as part of the authorized and approved short-term rental use of this property and others within the City.

By the City of Destin's passage on January 22, 2019 of Ordinance 18-29-CC and application of Ordinance 18-29-CC to the subject property on September 18, 2019 (when the City of Destin denied my client's request for a variance), this property is now restricted to an occupancy of sixteen (16) guests. [1]

The Florida Legislature has passed Section 70.001, *Fla. Stat.*, known as the "Bert J. Harris Jr. Private Property Rights Protection Act as Amended."

[1] The subject property was issued a grandfather certificate on August 6, 2019, permitting the property to rent to twenty-four (24) occupants until August 6, 2024.

NT

Chapter 70.001, *Fla. Stat.*, "*inter alia*", created a separate and district cause of action which provides for relief or payment of compensation when a new law, rule, regulation or ordinance of the state or a political entity in the state, as applied, unfairly affects real property. "When a specific action of a governmental entity has inordinately burdened an existing use of real property or a vested right to a specific use of real property, the property owners of that real property are entitled to relief, which may include compensation for the actual loss to the fair market value of the real property caused by the action of government, as provided in this section." *Fla Stat.* §70.001(2).

The owner of the subject property asserts that his actual and existing use of said real property has been inordinately burdened by the City of Destin's adoption and application of Ordinance 18-29-CC by restricting its occupancy to only two (2) persons per bedroom plus four (4).

To that end, this letter should serve as a formal, written claim pursuant to §70.001, *Fla. Stat.*, the Bert J. Harris Jr. Private Property Rights Protection Act as Amended. Attached to this letter is a bona fide, valid appraisal that supports the claim and demonstrates the loss in value to the real property. This appraisal establishes the loss in value of the subject property, as a result of the application of the occupancy limitation of Ordinance 18-29-CC, to be $1,235,000.00.

Pursuant to §70.001(4)(c), *Fla. Stat.*, the City of Destin has 150 days to respond to this claim with a written settlement offer. You should consult your counsel as to any other obligations and settlement opportunities contained within this statute.

PLEASE BE GOVERNED ACCORDINGLY.

Sincerely,

NAJMY THOMPSON, P.L.

Aaron M. Thomas
athomas@najmythompson.com

Enclosure: Appraisal

cc:

Kyle Bauman
Anchors Smith Grimsley, PLC
909 Mar Walt Drive, Suite 1014
Fort Walton Beach, Fl 32547-6711
kbauman@asglegal.com

Kimberly Kopp
Romano Kopp Law, P.A.
P.O. Box 622562
Oviedo, Florida 32762-2562
kopp@romanokopplaw.com

AMT/kls

Appraisal Report

Detached Single Family Residential Home

5,323 ± HVAC SF Existing Structure

4646 Destiny Way
Destin, FL 32541

DIMINUTION IN VALUE ANALYSIS
4646 DESTINY WAY
DESTIN, FL 32541

FOR
LINDHOLM FAMILY REVOCABLE LIVING TRUST
AND
DESIGNATED ATTORNEYS

RETROSPECTIVE TO SEPTEMBER 18, 2019

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APPRAISAL REPORT

SUBJECT PROPERTY

5,323 ± HVAC SF Existing Detached Residential Improvement

Six Bedrooms and Six and One Half Bathrooms

4646 Destiny Way
Destin, FL 32541

EFFECTIVE DATE OF APPRAISAL

Retrospective to September 18, 2019

REPORT DATE

October 4, 2019

VIEWING DATE

April 6, 2019 and September25, 2019

CLIENT/INTENDED USER

Lindholm Family Revocable Living Trust
4646 Destiny Way
Destin, FL 32541

File № 190338A

PREPARED BY:

Thomas A. Marr

State-certified General Real Estate Appraiser № RZ 2645 (FL)
tom@panappraisal.com

Panhandle Appraisal Group
220 Hospital Drive
Fort Walton Beach, Florida 32548
Telephone: (850) 243-0958
Facsimile: (850) 226-8462

PANHANDLE APPRAISAL GROUP

REAL ESTATE VALUATION AND RESEARCH
Specializing in Residential and Commercial Valuation Support
Fort Walton Beach, Florida

Thomas A. Marr
State-certified General Real Estate Appraiser № RZ2645 (FL)

220 Hospital Drive
Fort Walton Beach, Florida 32548

Telephone: (850) 243-0958
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October 4, 2019

Lindholm Family Revocable Living Trust/Brad Lindholm
4646 Destiny Way
Destin, FL 32541

Re: Diminution in value appraisal of an approximate 5,323 HVAC SF detached residential improvement, 'as is', identified as 4646 Destiny Way in Destin, FL 32541. **Panhandle Appraisal Group File № 190338.**

Dear Mr. Lindholm:

I have completed the requisite personal viewing, research, and analysis necessary to determine if a diminution in value has occurred for the subject parcel.

The subject property is a three level, detached single family residential structure with an approximate 5,323 HVAC SF, six bedrooms and six and one half baths. The current sleeping capacity of the subject is thirty (30) guests.

The purpose of the appraisal analysis was to develop an opinion of the market value of the subject property prior to the first application of Destin Ordinance No. 18-29-CC, to the subject on September 18, 2019 when thirty (30) guest occupancy was allowed, and then derive a value after the first application of the ordinance on September 18, 2019 which limited the subject to sixteen (16) guests, based on two guests per bedroom, plus four. I note that the designation as a bedroom is based on data in the Okaloosa County Property Appraiser web site. However, I note that the Okaloosa County Property Appraiser counted five (5) bedrooms and I counted six (6) bedrooms.

The authorized user is the client at the address above. The understood intended use of the appraisal report will be for reference in determining if the first application of Ordinance No. 18-29-CC resulted in a diminution of value. No other use of this report by any other entity or person is authorized.

Subject to the above and the assumptions, limiting conditions, and certification set forth herein, it is my professional opinion the retrospective market value of the fee simple interest in the subject property, 'as is', as of September 18, 2019, prior to the first application of Ordinance No. 18-29-CC, was:

TWO MILLION SIX HUNDRED FIFTY THOUSAND DOLLARS
$2,650,000

Subject to the above and the assumptions, limiting conditions, and certification set forth herein, it is my professional opinion the current market value of the fee simple interest in the subject property, 'as is', after the first application of Ordinance No. 18-29-CC is:

ONE MILLION FOUR HUNDRED FIFTEEN THOUSAND DOLLARS
$1,415,000

The diminution of value is a rounded $1,235,000

Exposure Time
The exposure time linked to the final value opinion is a range to nine (9) to twelve (12) months based on market sales of similar properties and current market activity.

Analysis of recent trends and current market supply and demand strongly indicate the highest and best use of the subject property, is continued use as a seasonal rental home.

I hereby certify I possess no interest, present or contemplated, in the appraised property. The undersigned appraiser is competent or has taken the necessary steps to become competent for the property type being appraised. This appraisal has been prepared utilizing all of the requirements set forth as standards for real estate appraisals established for federally related transactions by the Comptroller of the Currency, the Federal Reserve Board, the Federal Deposit Insurance Corporation, and the State of Florida. The appraisal is in conformity with the standards for real estate appraisals as established by the Appraisal Foundation and its Appraisal Standards Board. The appraisal also conforms to *the 2018/2019 edition of the Uniform Standards of Professional Appraisal Practice (USPAP)* and your instructions. The fee for this appraisal was not based on value, nor was the assignment undertaken based on a predetermined value, a trend in value, or a minimum or maximum value.

Respectfully submitted,

Thomas A. Marr

Thomas A. Marr
State-Certified General Real Estate Appraiser № RZ 2645 (Florida)

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APPRAISAL REPORT

This is an Appraisal Report which is intended to comply with the reporting requirements in accordance with the 2018/2019 edition of the Uniform Standards of Professional Appraisal Practice (USPAP) for an Appraisal Report. As such, it represents summary discussions of the data, reasoning, and analyses used in the appraisal process to develop the appraisers' opinion of value. Supporting documentation concerning the data, reasoning, and analyses may be retained in the appraiser's files. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated below. The appraisers are not responsible for unauthorized use of this report.

CLIENT:

Lindholm Family Revocable Living Trust
4646 Destiny Way
Destin, FL 32541

APPRAISERS:

Thomas A. Marr
State-certified General Real Estate Appraiser № RZ 2645 (Florida)

Panhandle Appraisal Group
220 Hospital Drive
Fort Walton Beach, Florida 32548

SUBJECT PROPERTY:

Legal Description
Lot 10, Destiny Subdivision

Tax ID №: 00-2S-22-0400-0000-0100.

PURPOSE OF THE APPRAISAL:

The purpose of this appraisal was to develop an estimate of the diminution in value from prior to the first application of City of Destin Ordinance No. 18-29-CC and after the first application of the ordinance on September 18, 2019.

INTENDED USE OF REPORT:

The understood intended use of the appraisal report will be for client use for legal proceedings to restore maximum occupancy property rights.

INTENDED USER:

The intended user is the client stated above, the client's attorneys, and regulatory authorities. This report is not intended or authorized for any other user or audience.

PROPERTY RIGHTS APPRAISED:

Fee Simple, one hundred percent (100%) ownership interest in the subject property.

EFFECTIVE DATE OF VALUE:

Retrospective to September 18, 2019.

DATE OF REPORT:

October 4, 2019.

DATE OF INSPECTION:

Thomas A. Marr viewed the subject property on April 6, 2019 and September 25, 2019.

SCOPE OF WORK:

I note you have not requested an appraisal report format. Based on the Scope of Work requirements included in the 2018/2019 version of USPAP, which indicates the appraiser is responsible to coordinate the scope of work with the client, I am informing you I will perform an appraisal report. **It is my opinion this process of work meets all applicable 2018/2019 USPAP standards.**

DEFINITIONS:

The definitions, commencing on the page following, are provided to assist the reader in understanding this appraisal report.

Market Value[1]

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

- Purchaser and seller are typically motivated;
- Both parties are well informed or well advised and each acting in what they consider their best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

The four (4) time differential values on the graph which may be considered in the appraisal of existing developments are defined as follows:

(1) **'As Is'** means an estimate of the market value of a property in the condition observed upon inspection and as it physically and legally exists without hypothetical conditions, assumptions, or qualifications as of the date of appraisal.

(2) **'Value Upon Completion'** means the market value of a property with all existing construction, conversion, or rehabilitation hypothetically completed, or under other specified hypothetical conditions as of the date of appraisal. With regard to properties wherein anticipated market conditions indicate stabilized occupancy is not likely as of the date of completion, this estimate of value shall reflect the market value of the property as if complete and prepared for occupancy by tenants.

(3) **'Prospective Future Value Upon Completion'** means the prospective future value of a property on the date construction is completed, based upon market conditions forecast to exist as of completion date.

(4) **'Prospective Future Value Upon Achievement of Stabilized Occupancy'** means the prospective future value of a property at a point in time when all improvements have been physically constructed and the property has been leased to its optimum level of long term occupancy.

Fee Simple Estate[2]

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.

Leased Fee Interest[3]

An ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the lessee are specified by contract terms contained within the lease.

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1 Title XI, Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), [Pub. L. No. 101-73, 103 Stat. 183 (1989)], 12 U.S.C. 3310, 3331-3351, and section 5(b) of the Bank Holding Company Act, 12 U.S.C. 1844(b); Part 225, Subpart G: Appraisals; Paragraph 225.62 (f).
Uniform Standards of Professional Appraisal Practice, 2003 Edition, Page 3
Federal Reserve System, 12 CFR Parts 208 and 225, Sec. 225.62
Office of the Comptroller of the Currency, 12 CFR Part 34, Sec. 34.42 (g)
FDIC, 12 CFR Part 323, Sec. 323.2 (g) (2000)
Office of Thrift Supervision, 12 CFR Part 564, Sec. 564.2
NCUA, 12 CFR Part 722, Sec. 722.2

2 The Dictionary of Real Estate Appraisal, Appraisal Institute, Fourth Edition, 2002, Page 113.

Ibid., Page 161.

Leasehold Interest[4]
The interest held by the lessee (the tenant or renter) through a lease transferring the rights of use and occupancy for a stated term under certain conditions.

Condominium[5]
A multi-unit structure or property in which persons hold fee simple title to individual units and an undivided interest in common areas.

Highest and Best Use[6]
The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and which results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability.

...of land or a site as though vacant:

Among all reasonable, alternative uses, the use yielding the highest present land value, after payments are made for labor, capital, and coordination. The use of property based on the assumption the parcel of land is vacant or can be made vacant by demolishing any improvements.

...of property as improved:

The use which should be made of a property as it exists. An existing improvement should be renovated or retained as is so long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing building and constructing a new one.

Marketing Time[7]
The time it takes an interest in real property to sell on the market subsequent to the date of an appraisal.

Exposure Time[8]
A retrospective estimate based on an analysis of past events assuming a competitive and open market.

Advocacy[9]
Representing the cause or interest of another, even if cause or interest does not necessarily coincide with one's own beliefs, opinions, conclusions, or recommendations.

Appraisal[10]
(Noun) The act or process of developing an opinion of value; an opinion of value. (Adjective) of, or pertaining to appraising and related functions such as appraisal practice or appraisal services.

Appraisal Practice[11]
Valuation services performed by an individual acting as an appraiser, including, but not limited to appraisal, appraisal review, or appraisal consulting.

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4 Ibid., Page 162.

5 Ibid., Page 59.

6 Ibid., Page 135.

7 Ibid., Page 175

9 Ibid., Page 105

9 2018/2019 edition, *Uniform Standards of Professional Appraisal Practice (USPAP)*, Page 1

10 Ibid, Page 1

11 Ibid, Page 1

Appraisal Review[12]
The act or process of developing and communicating an opinion about the quality of another appraiser's work was performed as part of an appraisal, appraisal review, or appraisal consulting assignment.

Appraiser[13]
One who is expected to perform valuation services competently, and in a manner, is independent, impartial, and objective.

Appraiser's Peers[14]
Other appraisers who possess expertise and competency in a similar type of assignment.

Assignment[15]
A valuation service provided as a consequence if an agreement between an appraiser and a client.

Assignment Results[16]
An appraiser's opinions and conclusions developed specific to an assignment.

Assumption[17]
An occurrence which is taken to be true.

Bias[18]
A preference or inclination which precludes an appraiser's impartiality, independence, or objectivity in an assignment.

Business Enterprise[19]
An entity pursuing an economic entity.

Business Equity[20]
The interests, benefits, and rights inherent in the ownership of a business enterprise or a part thereof in any form (including, but not necessarily limited to, capital stock, partnership interests, cooperatives, sole proprietorships, options, and warrants).

Client[21]
The party or parties who engage an appraiser (by employment or contract) in a specific assignment.

Confidential Information[22]
Information is either:

- identified by the Client as confidential when providing it to an appraiser and is not available from any other source; or,
- classified as confidential or private by applicable law or regulation.

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12 Ibid, Page 1

13 Ibid, Page 1

14 Ibid, Page 2

15 Ibid, Page 2

16 Ibid, Page 2

17 Ibid, Page 2

18 Ibid, Page 2

19 2018/2019 edition, USPAP, Page 2

20 Ibid, Page 2

21 Ibid, Page 2

22 Ibid, Page 2

Cost[23]
The amount required to create, produce, or obtain a property.

'Credible'[24]
Worthy of belief.

Extraordinary Assumption[25]
An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions.

Feasibility Analysis[26]
A study of the cost-benefit relationship of an economic endeavor.

Hypothetical Condition[27]
An assertion which is contrary to what exists but is supposed for the purpose of analysis.

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23 Ibid, Page 2

24 Ibid, Page 3

25 Ibid, Page 3

26 Ibid, Page 3

27 Ibid, Page 3

Intangible Property[28]
(Intangible Assets) Nonphysical assets, including, but not limited to, franchises, trademarks, patents, copyrights, goodwill, equities, securities, and contracts as distinguished from physical assets such as facilities and equipment.

Intended Use[29]
The use or uses of an appraiser's reported appraisal, appraisal review, or appraisal consulting assignment opinions and conclusions, as identified by the appraiser based on communication with the Client at the time of the assignment.

Intended User[30]
The Client and any other party as identified, by name or type, as users of the appraisal, appraisal review, or appraisal consulting report by the appraiser on the basis of communication with the Client at the time of the assignment.

Jurisdictional Exception[31]
...an assignment condition which voids the force of a part or parts of *USPAP*, when compliance with part or parts of *USPAP* is contrary to law or public policy applicable to the assignment.

IDENTIFY THE PROBLEM TO BE SOLVED
The problem to be solved in this appraisal analysis was to develop an opinion of the market value of the subject property, both prior to the first application of the city of Destin Ordinance No. 18-29-CC to the subject on September 18, 2019 when thirty (30) guest occupancy was allowed and after the first application of the Destin Ordinance No. 18-29-CC on September 18, 2019, which limited the subject to sixteen (16) guests, based on two guests per bedroom, plus four. Utilizing the before and after values, I derived a diminution of value to the subject property.

EXTENT OF THE PROCESS OF COLLECTING, CONFIRMING, AND REPORTING DATA:

Preparation of this appraisal included the following scope of work:

- The subject site, improvements, and parking improvements were inspected by the appraiser, the property was photographed. File data for similar properties was reviewed.
- The public records were reviewed.
- The appraiser examined the economic, social, governmental, and environmental forces affecting value in the subject neighborhood and the entire market area as a whole.
- The appraiser identified recent and projected actual rents for the subject, based on occupancy of up to 30 guests. The appraiser then identified the annual rentals of other comparable properties which accommodated up to or beyond 30 guests. This data was used to verify or support the historical performance and the projected rents for the subject. These comparable rentals provided market support for the subject actual and projected gross rental income.
- The appraiser identified market rental comparables for properties limited to 16 guests.
- The appraiser then reduced gross rent to net operating rent and capitalized the net operating rent to identify value for the subject as a 30 guest rental and an 16 guest rental. The difference between these two values is the diminution in value.

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28 Ibid, Page 3

29 Ibid, Page 3

30 Ibid, Page 3

31 2018 edition, *USPAP*, Page 3

IDENTIFICATION OF THE TYPE OF APPRAISAL AND APPRAISAL REPORT FORMAT:
I have provided an **Appraisal Report**, as defined by the *2018/2019 edition of the Uniform Standards of Professional Appraisal Practice*, containing a summary of all relevant conclusions, data, and analyses used in the report.

TERMS OF THE FINAL VALUE OPINION:
The final opinion of the current market values of the subject property, 'as is' is expressed in terms of cash or financing terms equivalent to cash.

POLICY STATEMENT OF THE APPRAISAL INSTITUTE:
It is improper to base a conclusion or opinion of value upon the premise the racial, ethnic, or religious homogeneity of the inhabitants of an area or of a property is necessary for maximum value.

Racial, religious, and ethnic factors are deemed unreliable predictors of value trends or price variance.

It is improper to base a conclusion or opinion of value, or a conclusion with respect to neighborhood trends, upon stereotyped, biased presumptions relating to the effective age or remaining life of the property being appraised or the life expectancy of the neighborhood in which it is located.

GENERAL ASSUMPTIONS:

1. No responsibility is assumed for the legal description provided or for matters relevant to legal or title considerations. Title to the property is assumed to be marketable unless otherwise stated. The legal description used in this report is assumed to be correct.

2. The subject property is appraised free and clear of any or all liens, leases, or encumbrances unless otherwise stated. All mortgages, liens, encumbrances, leases, and servitudes have been disregarded unless so specified within the report.

3. No survey of the property has been made by the appraisers and no responsibility is assumed in connection with such matters. Sketches, plot plans, or illustrative material presented in this report are included only to assist the reader in visualizing the property.

4. Information and data furnished by others is usually assumed to be true, correct and reliable. When such information and data appears to be dubious and when it is critical to the appraisal, a reasonable effort has been made to verify all such information; however, no responsibility for its accuracy is assumed by the appraiser.

5. Responsible ownership and competent property management are assumed unless otherwise stated in this report.

6. It is assumed there are no hidden or unapparent conditions of the property, subsoil or structures which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.

7. It is assumed 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.

8. It is assumed the subject property is in compliance with all applicable zoning and land use regulations, unless a nonconformity has been stated, defined and considered in the appraisal report.

9. It is assumed all required licenses, consents or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use which the value estimate contained in this report is based.

10. It is assumed the utilization of the land and improvements is within the boundaries or property lines of the property described and there is no encroachment or trespass unless noted within the report.

EXTRAORDINARY ASSUMPTIONS:

I am using data provided to me by the client and other vacation home owners.

I am also using rental projections from the current property manager.

I am making the extraordinary assumption that the data provided is accurate, credible and reliable.

If, for any reason, the data provided is not accurate, credible and reliable, the values derived in the analysis is subject to review.

GENERAL LIMITING CONDITIONS:

1. This is an Appraisal Report which is intended to comply with the reporting requirements set forth in accordance with the *2018/2019 edition of the Uniform Standards of Professional Appraisal Practice* for an Appraisal Report. As such, it includes summarized discussions of the data, reasoning, and analyses used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses may be retained in the appraiser's files. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraiser is not responsible for unauthorized use of this report.

2. Appraisers are not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraisers suggesting the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert in the field of environmental assessment. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The appraiser's value estimate is predicated on the assumption there exists no such material on or in the property causing a loss in value unless otherwise stated in this report. No responsibility is assumed for any environmental conditions, or for any expertise or engineering knowledge required to discover them. The appraisers' descriptions and resulting comments are the result of the routine observations made during the appraisal process.

3. The subject property is appraised without a specific compliance survey having been conducted to determine if the property is or is not in conformance with the requirements of *The Americans with Disabilities Act*. The presence of architectural and communications barriers which are structural in nature which would otherwise restrict access by disabled individuals may adversely affect the property's value, marketability, or utility.

4. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event, only with proper written qualification and only in its entirety.

5. Neither all nor any part of the contents of this report shall be conveyed to any person or entity, other than the appraiser's or firm's client, through advertising, solicitation materials, public relations, news, sales, or other media without the written consent and approval of the authors, particularly as to valuation conclusions, the identity of the appraiser or firm with which the appraiser is connected, or any reference to affiliation with any professional appraisal organization. Further, the appraiser or firm assumes no obligation, liability, or accountability to any third party. If this report is placed in the hands of anyone but the client, client shall make party aware of all the assumptions and limiting conditions of the assignment.

6. The appraiser affixing his signatures to this appraisal report will not be required to give testimony or appear in court because of having made this appraisal, with reference to the property in question, unless arrangements have been previously made thereof.

7. No environmental impact studies were either requested or made in conjunction with this appraisal, and the appraiser hereby reserves the right to alter, amend, revise, or rescind any of the value opinions based upon any subsequent environmental impact studies, research, or investigation.

8. The appraiser has not been supplied with a report of the subsoil conditions indicating the exact capacity of the subsoil. I do not have the benefit of subsoil test results of the properties and detection of possible soil defects would be beyond my realm of expertise. However, there appear to be no hidden or apparent conditions of the subject sites or subsoil structures which would render them more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.

9. Acceptance of and/or use of this appraisal report constitutes acceptance of the foregoing General Assumptions, Special Assumptions, General Limiting Conditions, and Special Limiting Conditions.

EXTRAORDINARY LIMITING CONDITIONS AND HYPOTHETICAL CONDITIONS:

I note that the ordinance in question allows a five (5) year 'grandfather' period. I considered if this 'grandfather' status should receive some analysis in the discussion of diminution of value. After consideration, I concluded that a potential market participant, aware that the grandfather status will be eliminated , would be very wary to enter into a financial arrangement where he may have to liquidate in an unknown market within a time line that may not be available . Thus, I am not considering any impact of the 'grandfather' status.

CERTIFICATION:

I certify, to the best of my knowledge and belief:

1. The statements of fact contained in this report are true and correct.

2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions and conclusions.

3. I possess no present or prospective interest in the property which is the subject of this report and no personal interest with respect to the parties involved.

4. I possess no bias with respect to the property which is the subject of this report or to the parties involved with this assignment.

5. The engagement in this assignment was not contingent upon developing or reporting predetermined results.

6. The compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value favoring the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

7. The analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *2018/2019 edition of the Uniform Standards of Professional Appraisal Practice.*

8. Thomas A. Marr has made a personal viewing of the property which is the subject of this report. No one else has rendered significant real estate appraisal knowledge and input to the compilation of this report.

9. I have not performed any services, to include appraisal services, regarding the subject in the previous three years.

10. The opinion of market value 'as is' of the one hundred percent (100%) fee simple ownership interest in the subject property,'as is' is prior to the first application of Destin Ordinance 18-29-CC is TWO MILLION SIX HUNDRED FIFTY THOUSAND DOLLARS ($2,650,000) and the value after the first application of Destin Ordinance 18-29-CC is ONE MILLION FOUR HUNDRED FIFTEEN THOUSAND DOLLARS ($1,415,000). The diminution of value is estimated as ONE MILLION TWO HUNDRED THIRTY FIVE THOUSAND DOLLARS ($1,235,000).

Thomas A Marr

Thomas A. Marr
State-certified General Real Estate Appraiser № RZ 2645 (Florida)

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DESCRIPTION OF THE SUBJECT PROPERTY

Ownership:

The current owner is the Lindholm Family Revocable Living Trust

FILE #3239431 RCD: 10/24/2018 10:31 AM, BK: 3372 PG: 1469, RECORDING: $6.00 RECORDING ARTICLE V: $4.00
D Doc Stmp: $13,370.00 DEPUTY CLERK ASECRIST
JD PEACOCK II CLERK OF COURTS, OKALOOSA COUNTY, FLORIDA

Prepared by:
Sara Brown
H & S Title and Escrow, Inc.
151 Regions Way, Bldg. 5, Ste. A
Destin, Florida 32541

File Number: HS18-0364

General Warranty Deed

Made this October 24, 2018 A.D. By John C. Foy and T. Dawn Foy husband and wife, whose address is: 4501 Sawgrass Way, Destin, Florida 32541, hereinafter called the grantor, to Bradley L. Lindholm, as trustee of The Lindholm Family Revocable Living Trust, dated June 4th 2018, whose post office address is: 3158 Chatham Ct., Cleveland, Ohio 44145, hereinafter called the grantee:

(Whenever used herein the terms "grantor" and "grantee" include all the parties to this instrument and the heirs, legal representatives and assigns of individuals, and the successors and assigns of corporations)

Witnesseth, that the grantor, for and in consideration of the sum of Ten Dollars, ($10.00) and other valuable considerations, receipt whereof is hereby acknowledged, hereby grants, bargains, sells, aliens, remises, releases, conveys and confirms unto the grantee, all that certain land situate in Okaloosa County, Florida, viz:

Lot Ten (10), Destiny, a Subdivision according to the plat thereof recorded in Plat Book 14, Page(s) 60, 61, 62 and 63, in the Public Records of Okaloosa County, Florida.

Parcel ID Number: 00282304800000100

Together with all the tenements, hereditaments and appurtenances thereto belonging or in anywise appertaining.

To Have and to Hold, the same in fee simple forever.

And the grantor hereby covenants with said grantee that the grantor is lawfully seized of said land in fee simple; that the grantor has good right and lawful authority to sell and convey said land; that the grantor hereby fully warrants the title to said land and will defend the same against the lawful claims of all persons whomsoever; and that said land is free of all encumbrances except taxes accruing subsequent to December 31, 2018.

In Witness Whereof, the said grantor has signed and sealed these presents the day and year first above written.

Signed, sealed and delivered in our presence:

Witness Printed Name

Witness Printed Name

John C. Foy (Seal)
Address: 4501 Sawgrass Way, Destin, Florida 32541

T. Dawn Foy (Seal)
Address: 4501 Sawgrass Way, Destin, Florida 32541

State of Florida

Location:
The subject is located on the north side of Scenic Highway 98 in the Destiny Subdivision. Despite the fact that the entire subdivision is the Destiny Subdivision, this side of the subdivision is commonly referred to as Destiny West.

It is sited on an interior street to the subdivision, Destiny Way.

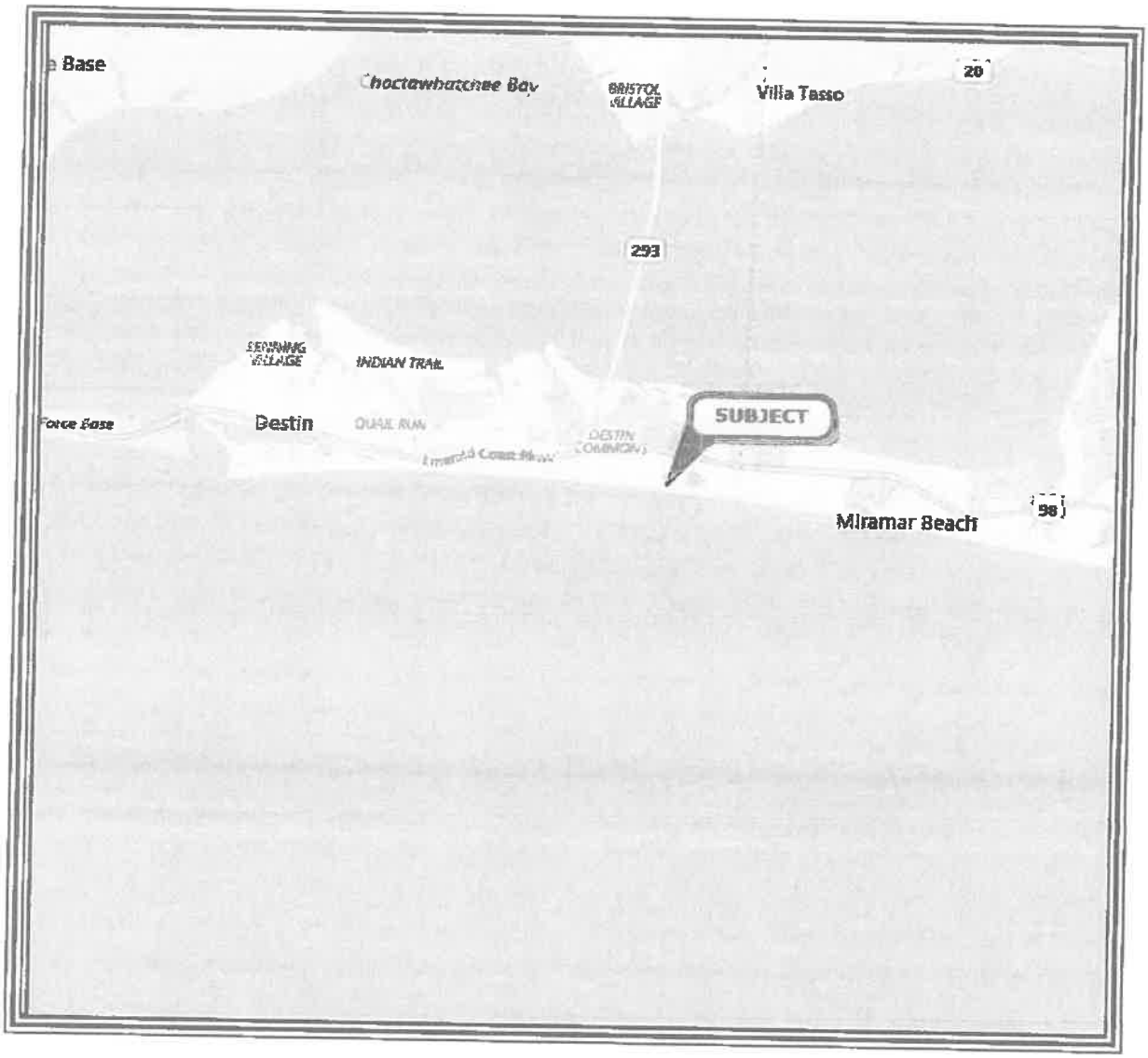
This area is east of the communities of Crystal Beach and Grand Palms and west of the Destiny/Destiny By The Sea communities.

Along the south side of Scenic Highway 98 are many condominium projects, individual homes and some commercial use, typically restaurants, which cater to the tourist industry.

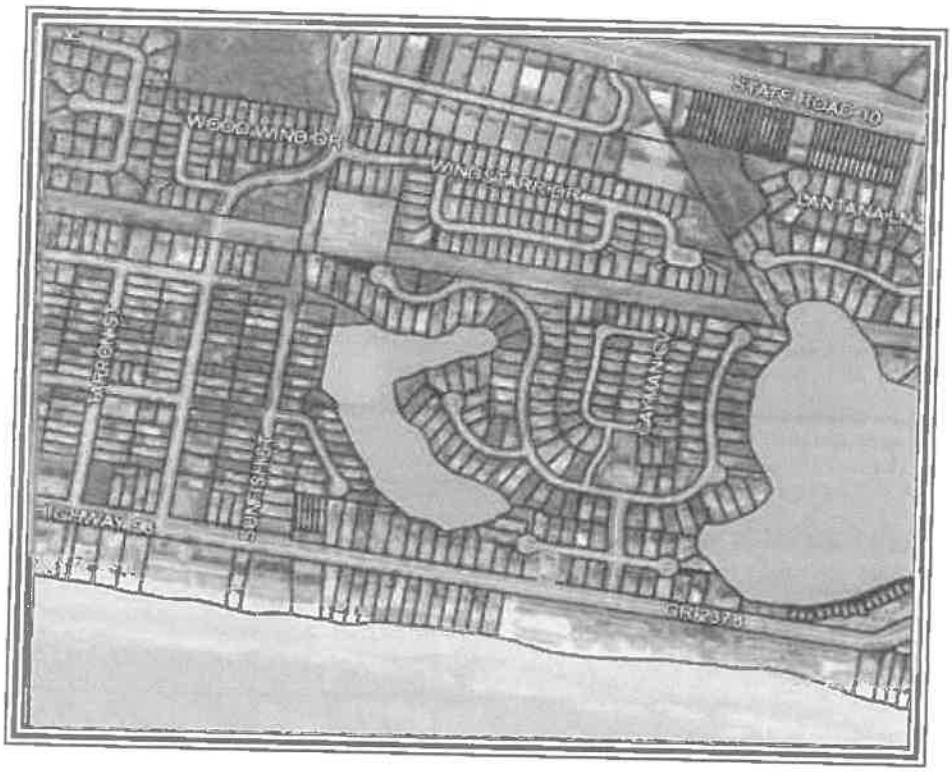
Along Scenic Highway 98 to the north are other residential uses, primarily detached homes with a interspersion of condominium and town home projects, which are a mix of owner occupant and seasonal rental use.

This entire area of Destin, in close proximity to the Gulf of Mexico, is a desired location and well considered by the market.

See the following map for the subject location in the broad Destin market.



See the following map for the subject location in the subject subdivision and immediate surrounding area.



The following aerial photograph indicates the subject lot.

Land Size:

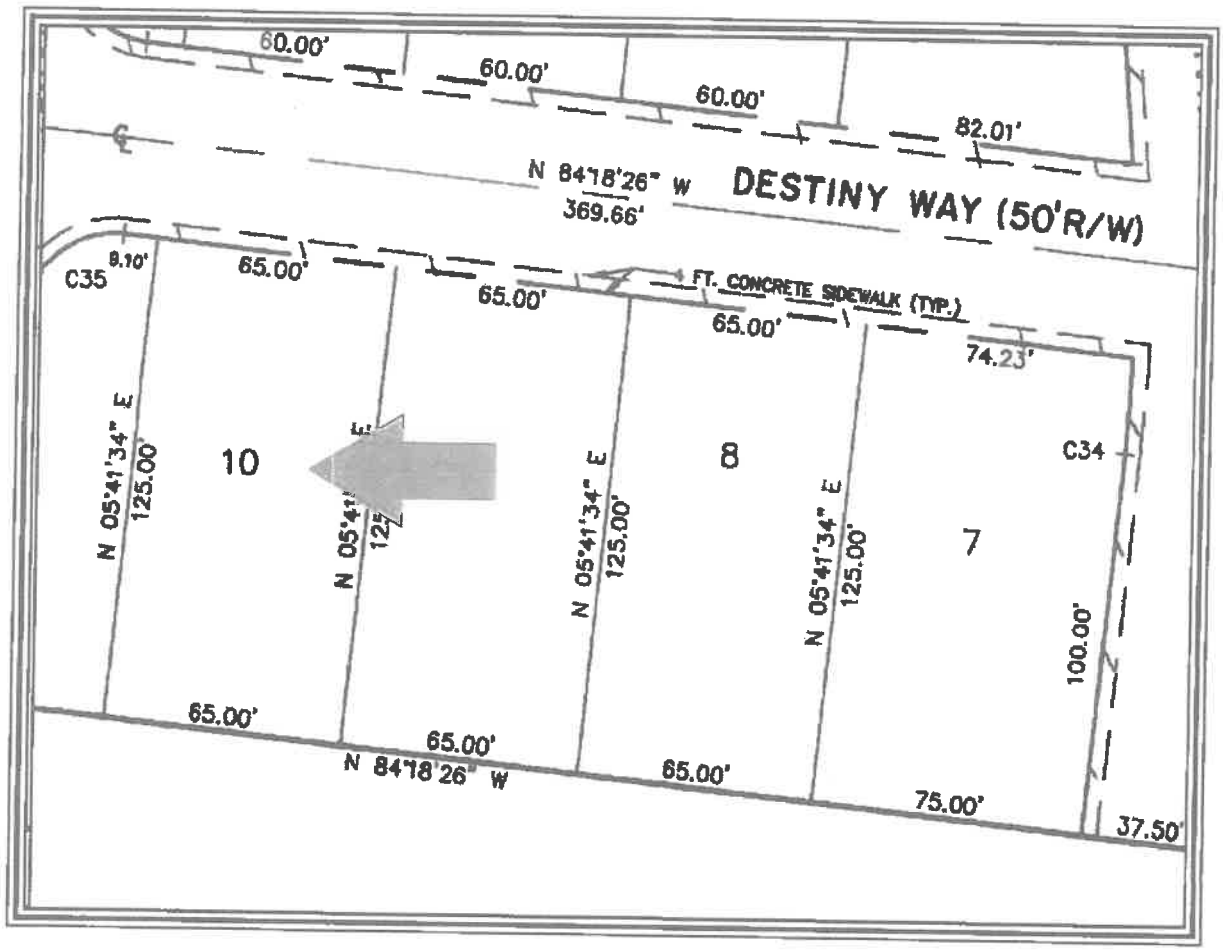
The subject is a single residential lot.

The rounded dimensions are as follows:

125.00 feet on the west side,
65.00 feet on the south side,
125.00 feet on the east side,
65.00 feet on the north side, fronting Destiny Way.

These dimensions result in a land size of an approximate 0.185 acres, or 8,125 SF. This land size is typical of lots in the Destiny Subdivision.

See the following excerpt from the recorded plat map.



Site Topography:

The subject lot is almost entirely level.

The subject is at the grade of Destiny Way.

The subject lot contour is typical for most parcels in the Destiny Subdivision.

I am providing the following contour map extracted from the Okaloosa County Property Appraiser web site.

Utilities:

Utility	*Provider*	*Utility*	*Provider*
Electricity	Gulf Power	Stormwater Drainage	Destin
Water and Sewer	Okaloosa County	Fire Department	Destin
Natural Gas	Okaloosa Gas	Police Department	Contract with the Okaloosa County Sheriff
Telephone	Verizon	Refuse Removal	By contract
Cable Television	Cox Cable		

The utilities for the subject site are considered as typical in the market.

Easements/Encroachments:
I was not furnished a copy of a recent survey of the subject property. A review of the site plan, deed, various maps and my personal viewing did not indicate any easements or encroachments.

I assume there are utility easements of record.

It is my opinion that there are no easements or encroachments which would affect value or transferability.

Ingress/Egress:
The subject property is reached directly from Destiny Way, which fronts on the entire north side of the subject lot.

Destiny Way is a paved, two lane public roadway.

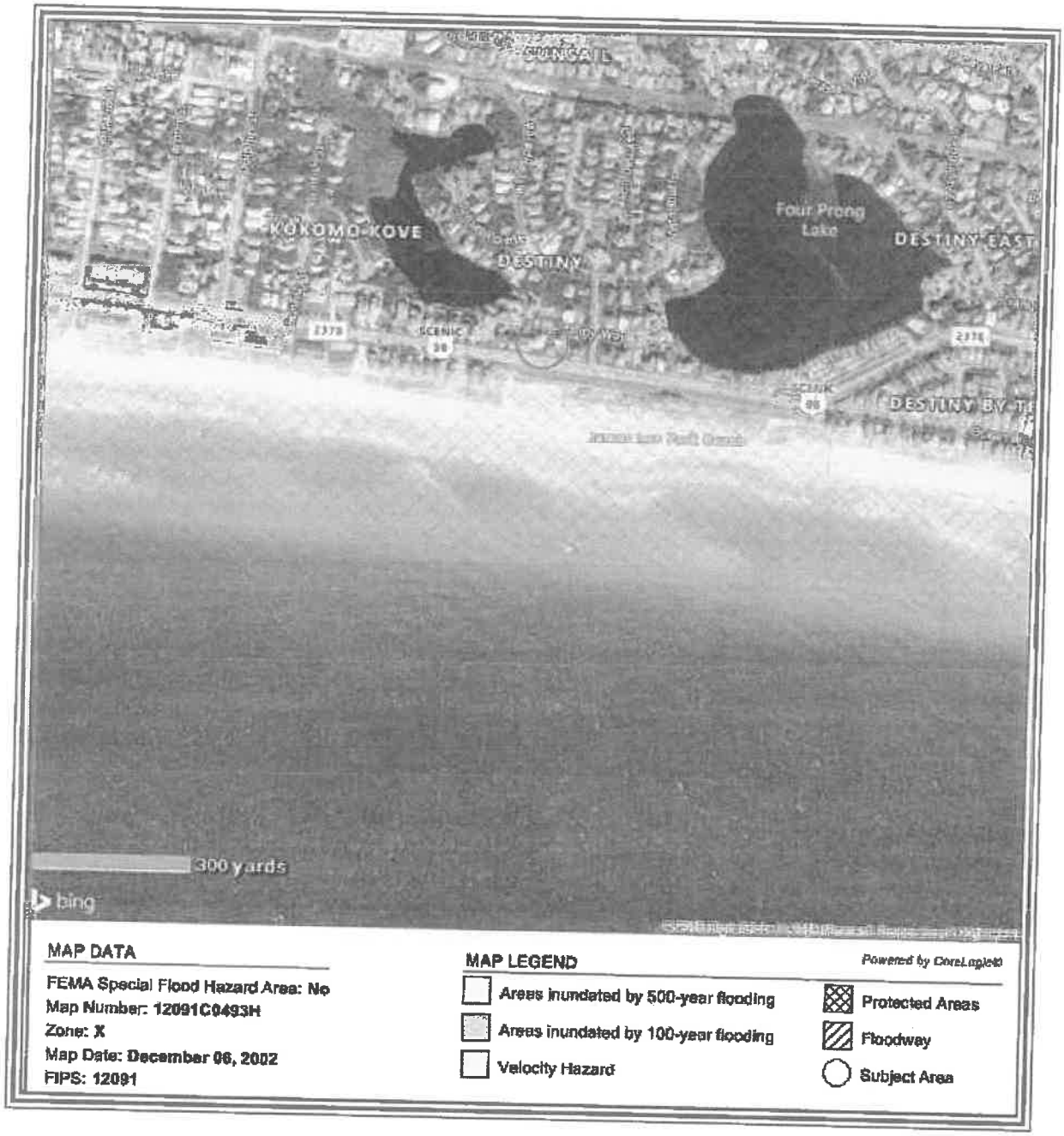
Ingress/egress is viewed as similar to most access typically found in the market.

Parking is viewed as similar to most parking found in the market as the subject features two garage spaces and four driveway spaces.

Flood Risk:

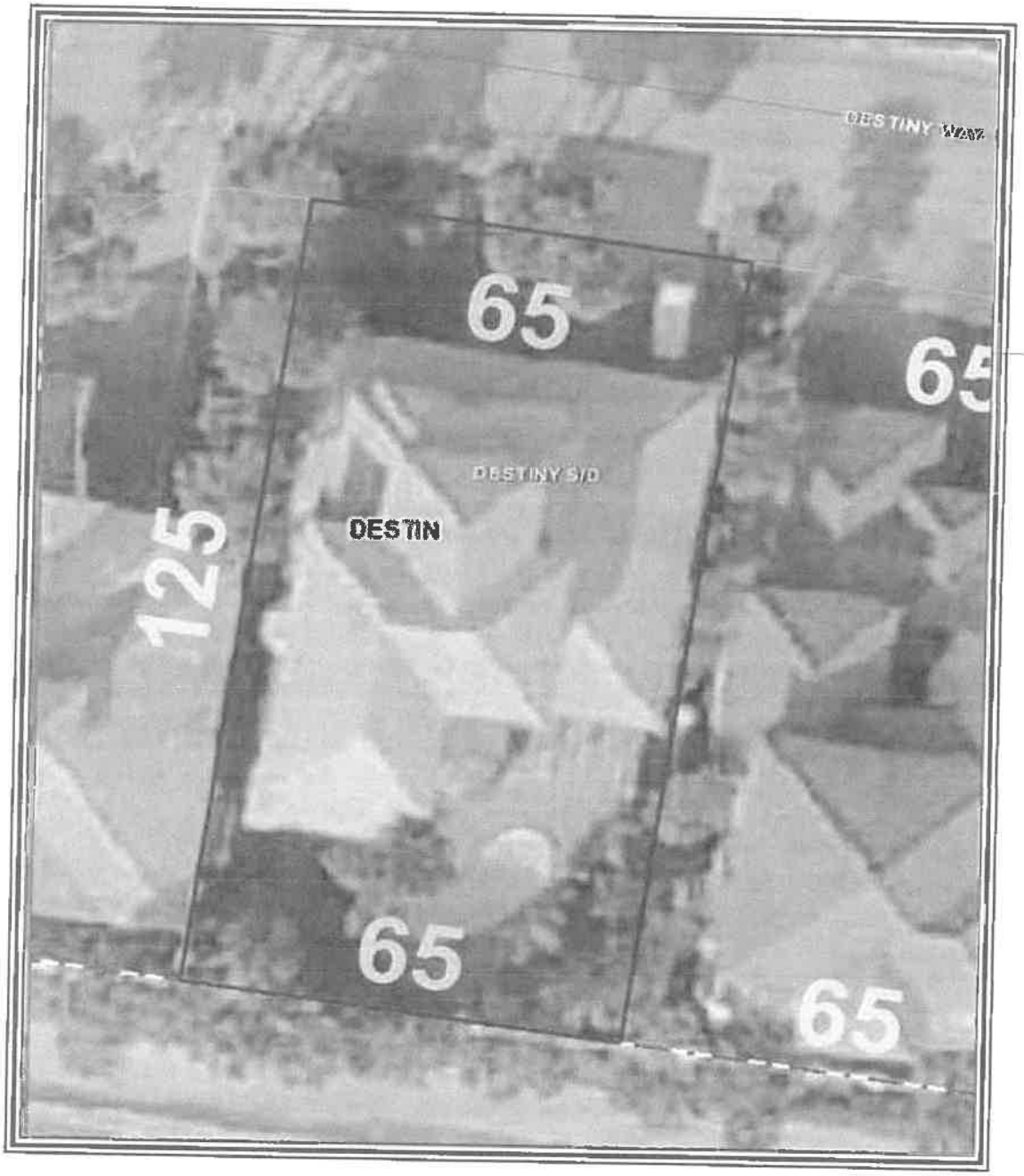
FEMA Map Panel	*Map Area*	*Dated*	*Flood Zone*
12091C 0493H	Okaloosa County	December 6, 2002	"X"

* The client is advised appraisers are not surveyors, and accordingly, any final determination as to flood zone status should only be made by a licensed, adequately insured, Florida surveyor utilizing the latest FEMA flood panels. However, it appears the entire subject area is considered as Flood Zone 'X', an area of minimal flood risk. The subject is located at the red circle in the following flood map.

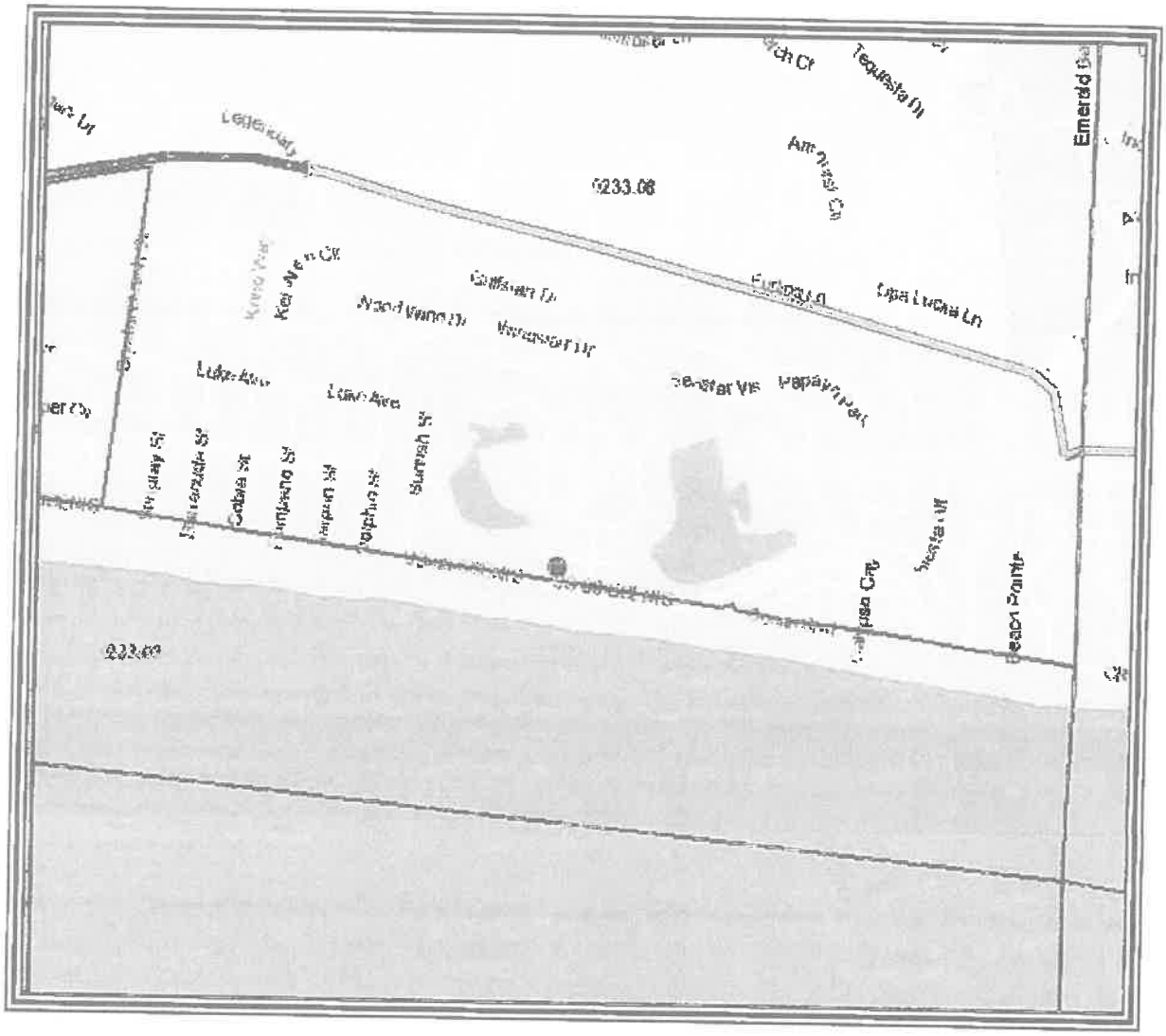


Wetlands:

None, per the Okaloosa County GIS site.



Census Data:
The subject is located in census tract 0233.08.



IMPROVEMENTS 'AS IS'

Size:
The subject is a single family detached improvement with three living levels.

The subject also features an attached two car garage. The subject features substantial exterior balconies and porches, as well as a large in ground swimming pool, pool deck/lanai and landscaping. These features total 7,281 SF and 5,323 HVAC SF, per the Okaloosa County Property Appraiser.

The first level features the kitchen, living room, dining room and half bath. It also features a bedroom with a king sleeping two (2) as well as a bedroom with a king and a trundle sleeping four (4). There is a total of six (6) guests on the first level.

The second living level features two bedrooms with kings sleeping four (4), a bedroom with a king and trundle sleeping four (4) and a bunk room, sleeping eight (8). This is a total of sixteen (16) on the second level.

The third level is a second full kitchen, a game room and a room with bunks sleeping eight (8). This is a total of eight (8) guests on the third level.

The first level sleeps six (6), the second level sleeps sixteen (16) and the third level sleeps eight (8) for a total of thirty (30) guests.

Construction Quality:
The quality of construction for the subject improvement is *Class D* good. Details of construction are summarized below:

Construction Component	
Foundation	4" Reinforced concrete slab
Exterior walls	Wood frame with stucco
Roof	Ceramic /clay tile
Trim	Base and crown molding
Windows	Double pane aluminum
Exterior doors	Insulated metal with glass
Insulation	Unknown. Assumed to be R38 behind sheet rock
HVAC	Forced Air and Central HVAC
Ceiling	9 and 10 foot with sheet rock and can lights
Interior Walls	Painted sheet rock
Interior flooring	Good tile and carpet
Interior doors	Six and four panel wood
Restrooms	Six and one half with good fixtures
Lighting	Can lights
Kitchens	One typical residential kitchen with good cabinetry
Other	Many porches/swimming pool and lanai with summer kitchen.

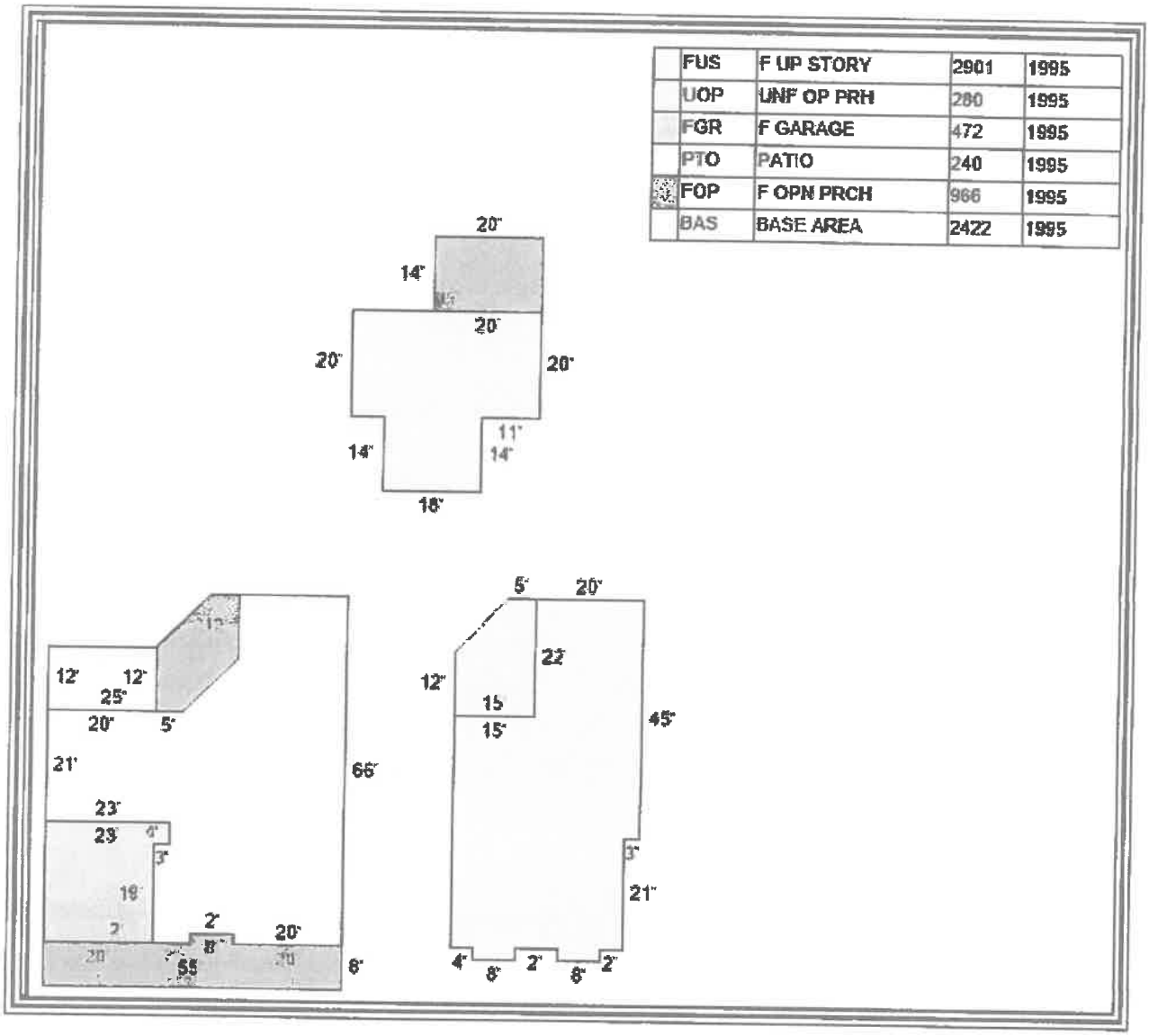
Condition of Improvements:
The subject improvement is in average condition.

Age:
Public records indicate this subject improvement was constructed in 1995.

I consider the actual age to be twenty four (24) years and the effective age to be an approximate twenty (20) years. I estimate an economic life of fifty five (55) years and a physical life of seventy five (75) years.

See the following sizes indicated for the subject in the Okaloosa County Property Appraiser web site.

	FUS	F UP STORY	2901	1995
	UOP	UNF OP PRH	280	1995
	FGR	F GARAGE	472	1995
	PTO	PATIO	240	1995
	FOP	F OPN PRCH	966	1995
	BAS	BASE AREA	2422	1995



Exterior Photographs:

FRONT OF SUBJECT

REAR OF SUBJECT

SWIMMING POOL

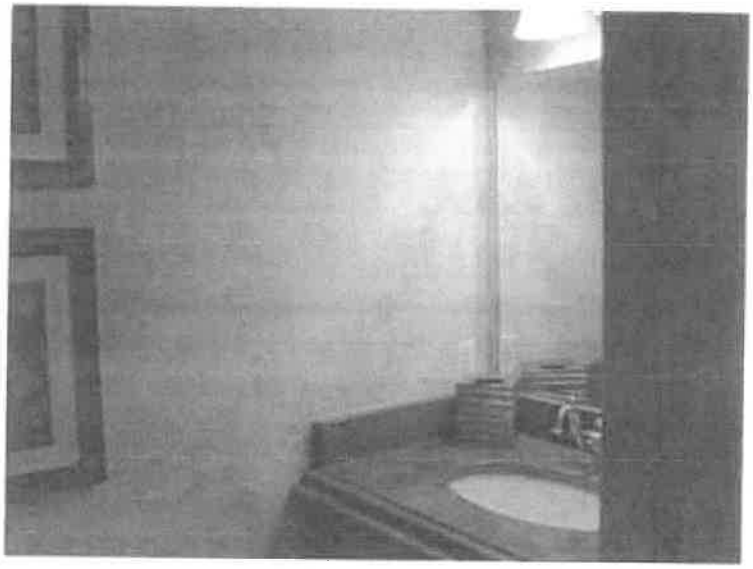
LANAI

First Level Sleeping Six (6).

KITCHEN

LIVING ROOM

LIVING ROOM

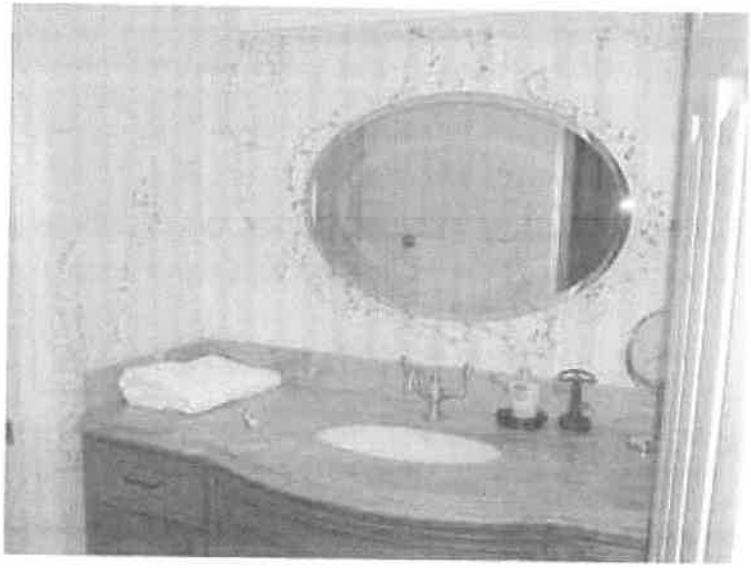


HALF BATH - BATH #0.5

BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #1

FULL BATH SUPPORTING BEDROOM #1 - BATH #1.5

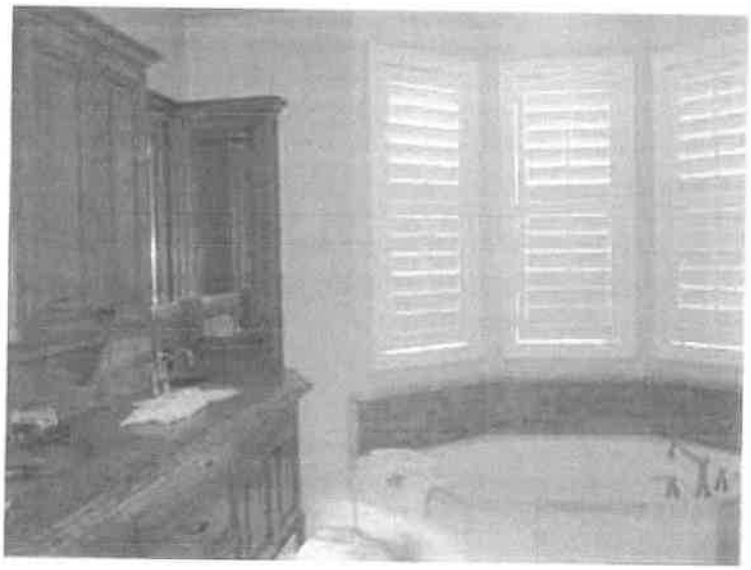
BEDROOM WITH KING AND TRUNDLE SLEEPING FOUR (4) - BEDROOM #2



FULL BATH SUPPORTING BEDROOM #2 - BATH #2.5

Second Level Sleeping Sixteen (16)

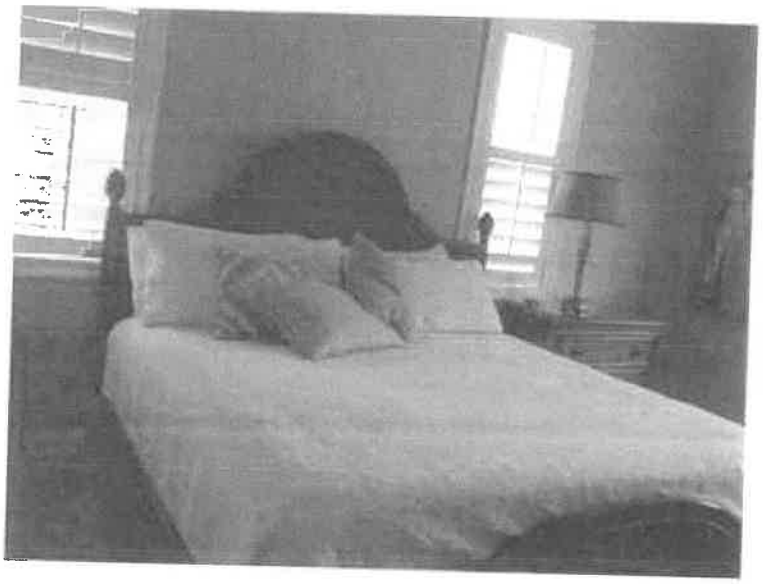
BEDROOM WITH KING AND TRUNDLE SLEEPING FOUR (4) - BEDROOM #3



FULL BATH SUPPORTING BEDROOM #3 - BATH #3.5

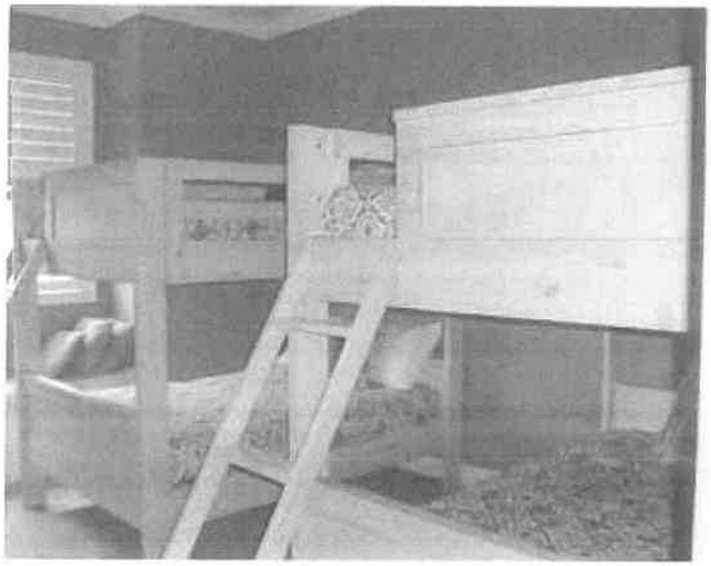
BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #4

FULL BATH SUPPORTING BEDROOM #4 - BATH #4.5



BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #5

FULL BATH SUPPORTING BEDROOM #5 AND BUNKS - BATH #5.5



BEDROOM WITH BUNKS SLEEPING EIGHT (8) - BEDROOM #6

COVERED BALCONY

Third Level Sleeping Eight (8)

SECOND FULL KITCHEN

LIVING ROOM/GAME ROOM

BUNK ROOM SLEEPING EIGHT (8) - NOT A BEDROOM - NO CLOSET

FULL BATH SUPPORTING THIRD LEVEL - BATH # 6.5

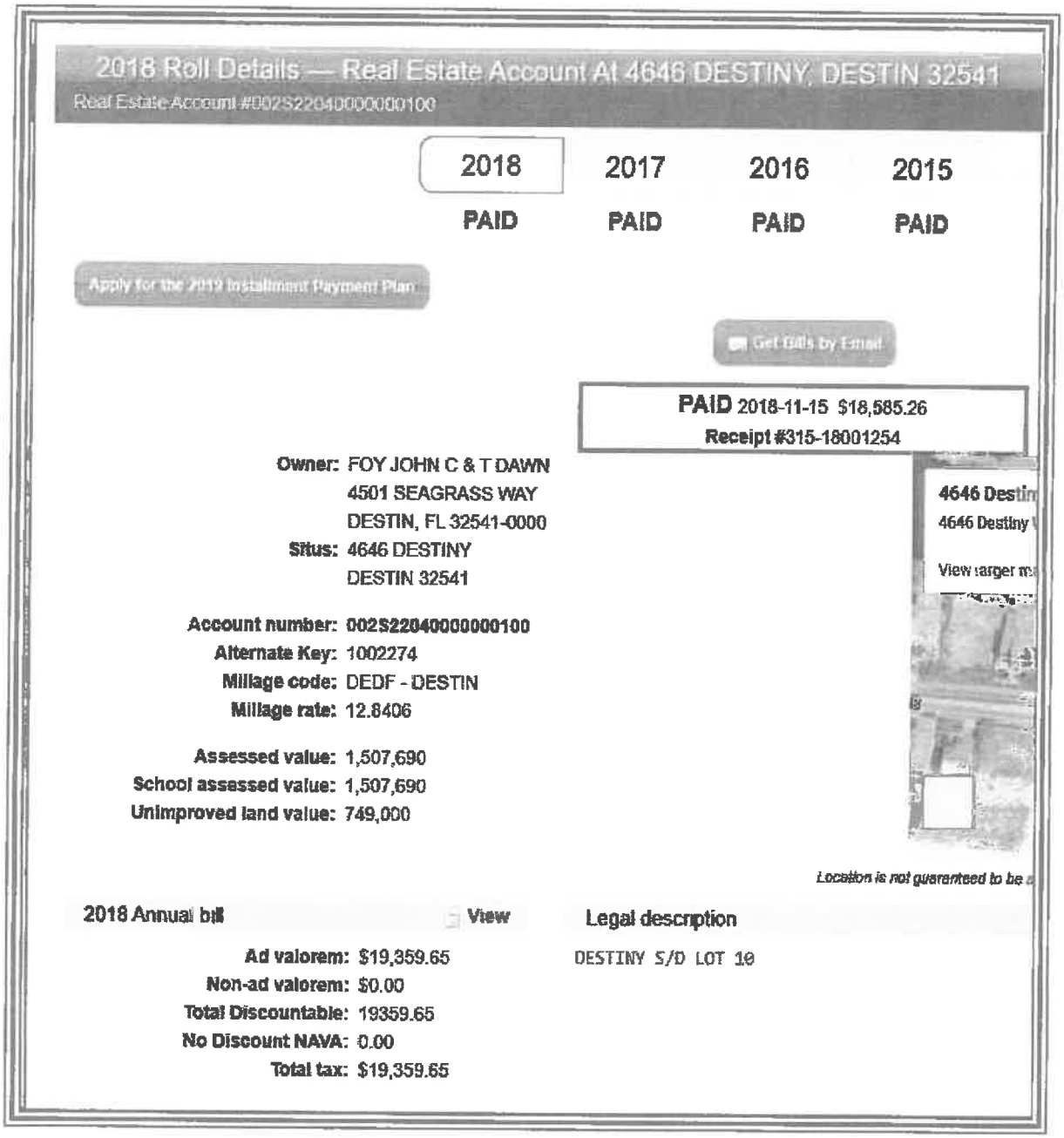
The tax identification number, gross tax amount due, amount paid, and assessed value for the 2018 tax year.

Tax Identification Number	Assessed Value	Gross Tax Amount Due	Amount paid	Amt. Due
00-2S-22-0400-0000-0100	$1,507,690	$19,359.65	$18,585.26	None

The 2018 taxes were paid early, resulting in a discount.

There are no previous year taxes owing.

It is my experience that assessed value has little correlation with current market value and are typically lower than market value with a few exceptions.



2018 Roll Details — Real Estate Account At 4646 DESTINY, DESTIN 32541

Real Estate Account #002S22040000000100

2018	2017	2016	2015
PAID	PAID	PAID	PAID

Apply for the 2019 Installment Payment Plan

Get Bills by Email

PAID 2018-11-15 $18,585.26
Receipt #315-18001254

Owner: FOY JOHN C & T DAWN
4501 SEAGRASS WAY
DESTIN, FL 32541-0000
Situs: 4646 DESTINY
DESTIN 32541

Account number: 002S22040000000100
Alternate Key: 1002274
Millage code: DEDF - DESTIN
Millage rate: 12.8406

Assessed value: 1,507,690
School assessed value: 1,507,690
Unimproved land value: 749,000

4646 Destin
4646 Destiny
View larger m

Location is not guaranteed to be a

2018 Annual bill — View

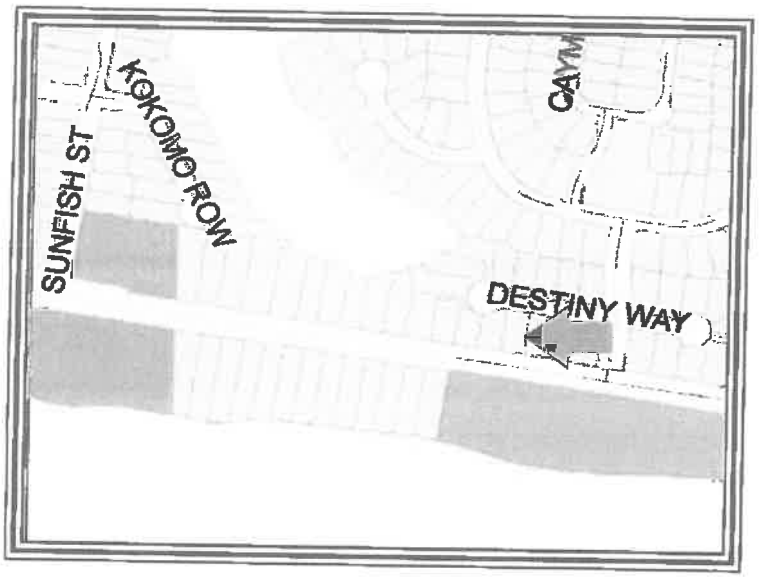
Ad valorem: $19,359.65
Non-ad valorem: $0.00
Total Discountable: 19359.65
No Discount NAVA: 0.00
Total tax: $19,359.65

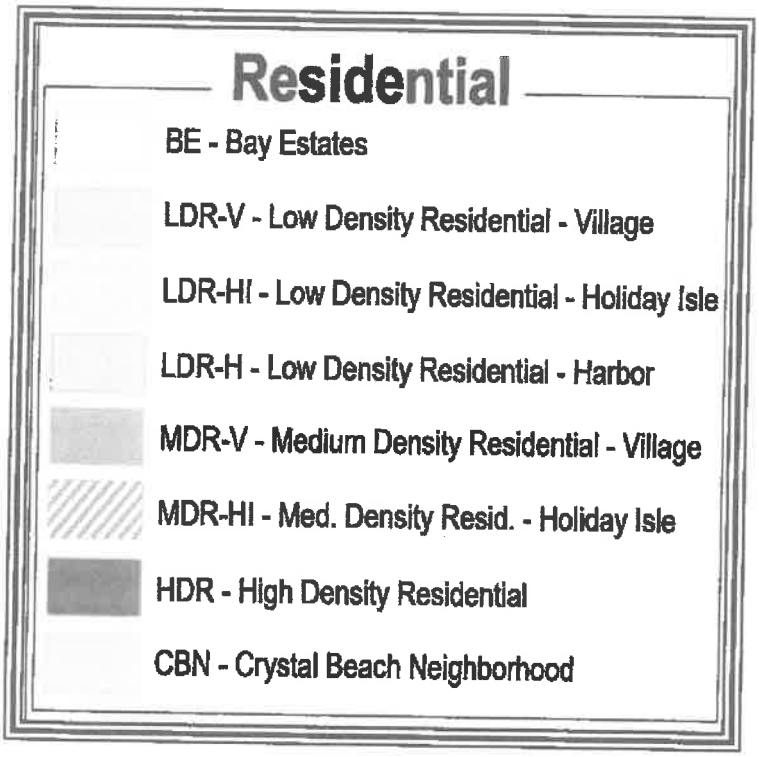
Legal description

DESTINY S/D LOT 10

Zoning:

The following map indicates zoning for the subject parcel. The subject is zoned Crystal Beach Neighborhood by Destin. See following pages for detailed identification of allowable uses.





LAND DEVELOPMENT CODE COMMENTS

The following excerpts were taken from the Destin Land Development Code, currently on line.

This first excerpt states that Crystal Beach Neighborhood designates seasonal or short-term residential uses for single-family detached dwellings as a permitted use. I note that this description of the Crystal Beach Neighborhood zoning designation is silent regarding the number of allowable guests and does not limit guest numbers.

Community Development Department
Planning Division
4200 Indian Bayou Trail, Destin, FL 32541
Phone (850) 337-3123 • Fax (850) 837-7949
www.cityofdestin.com/index.aspx?nid=91

ZONING DISTRICT FACTSHEET

The purpose and intent of establishing zoning districts is to ensure that all development is consistent with the goals, objectives and policies of the Comprehensive Plan, by establishing a series of zoning districts that indicate what uses are allowed and site development regulations that control the use of land in each district. All development within each zoning district shall be consistent with the purposes stated for each district. (LDC 7.12.05)

CRYSTAL BEACH NEIGHBORHOOD (CBN)

Purpose and intent: The Crystal Beach Neighborhood zoning district shall apply to areas developed, redeveloped and/or maintained and conserved as permanent or seasonal single-family detached or multi-family attached residential dwelling units. Very limited supportive non-residential uses are allowed and are strictly limited to: places of worship, parks, playgrounds, community buildings and similar public service facilities serving the residents of the area, childcare centers and other ancillary neighborhood commercial uses which are approved as part of a planned unit development (PUD) for the exclusive use of the residents of the PUD. It is the intent of the CBN zoning district to specifically not allow the following uses to be located in the district: commercial hotels, motels, bed and breakfast establishments, or other commercial transient living accommodations.

Table 7-2: Table of Allowable Uses (excerpt from LDC 7.12.06)

PERMITTED USES:

Permanent or long-term residential uses

Single-family detached dwelling
Guest house [1]
Accessory dwelling
Single room occupancy housing
Museums, historical sites, zoos & parks [10]
Religious organizations

Seasonal or short-term residential uses

Single-family detached dwelling

Other residential uses

Community residential home, small (1-6)
Family day care home

CONDITIONAL USES:

Other residential uses

Permanent or long-term Multi-family attached dwelling
Seasonal or short-term Multi-family attached dwelling
Community residential home, large (7-14)
Child day care services

ACCESSORY USES:

Uses and structures which are customarily accessory, clearly incidental and subordinate to permitted uses and structures, including home occupations and off-site businesses.

Footnotes:

1 Guest houses are permitted only if the owner of the subject property occupies the primary dwelling as his/her main residence. However, guest houses shall not be rented out separately from the main residence. (refer to LDC section 7.12.04.M).

10 Zoos are only allowed in the Industrial zoning district.

This second excerpt defines long term rental and short term rental. I again note that the definition of short term rental is silent regarding the number of allowable guests.

Policy 1-2.1.1: Residential Uses Defined. Residential uses shall include several structure types used for housing, including single-family detached dwellings and multiple-family structures including duplex structures units, town homes and other detached single-family structures, apartments, patio homes, atrium homes, and similar multiple-family structures. The specific FLUM designations shall identify where single-family and multiple-family structures may be located. Following are the definitions for long-term residential and short-term residential.

1. Long-Term Residential. Long-term residential uses shall be defined as any residential accommodation that is available for occupancy for 181 days or more. Long-term residential uses shall include lock-out units, as defined in the Glossary.
2. Short-Term Residential. Short-term residential uses shall be defined as any residential accommodation that is available for occupancy for 180 days or less. Short-Term Residential uses shall include lock-out units, as defined in the Glossary.

This third excerpt defines the grandfather clause. This clause states clearly that the grandfather status may be released only by the vested entity

Policy 1-2.1.5: Grandfather Clause. Existing land uses that were lawfully conforming uses prior to the effective date of the Comprehensive Plan, shall continue as lawful uses and shall be regulated through administrative remedies for vested rights issues that shall be included in the LDC. Building heights, density and/or intensity which (a) are actual present and which lawfully existed prior to the effective date of the Comprehensive Plan, or (b) were authorized pursuant to a development order, which development order remained unexpired as of the effective date of the Comprehensive Plan, shall continue to be legal building heights, density and/or intensity (as applicable) after adoption of the Comprehensive Plan. All duly approved and recorded lots, subdivision and condominium plats of record, which existed as legal lots, subdivision and condominium plats of record prior to the adoption of this Comprehensive Plan shall continue to be legal lots, subdivision and condominium plats of record after adoption of the Comprehensive Plan. This grandfather status may only be relinquished voluntarily by the vested entity. All subdivisions, condominium plats and all replats shall comply with the Comprehensive Plan objectives and Policies, including maximum density provisions. Similarly, all new development shall comply with the Comprehensive Plan and LDC unless the development is found to have a vested right in a land use, building height, density or intensity that is in conflict with the Comprehensive Plan and LDC. Under such condition the grandfather clause shall be applicable unless voluntarily relinquished by the vested entity. The intent is to sustain demonstrated private property rights while preserving the public interest, welfare, health, and safety. Notwithstanding, any single-family home that is subject to redevelopment shall be allowed to reconstruct, providing adopted building and construction codes as well as this ordinance and the size and dimension criteria of the LDC are met.

CONCLUSION

Based on these excerpts, I conclude that prior to the first application of Ordinance 18-29-CC, there were no restrictions to the number of allowable guests.

History:
The subject has been owned by the current owner since 10/24/2018 when the trust purchased it for $1,910,000, per ORB/P 3372/1469.

This sale occurred outside of MLS as I was unable to identify any record of a listing in the ECAR MLS.

I spoke to the owner who stated that the subject was in fair to average condition at the time of sale. This condition may have contributed to the selling price.

Active Listings:
None.

Current Use:
The subject is currently a detached single family home used for seasonal rental, catering to large family groups.

Surrounding Uses:
The surrounding use in the Dunes of Destin Subdivision is a mix of full time occupants and seasonal renters.

MARKET AREA ANALYSIS - SEASONAL RENTAL MARKET

I am restricting this analysis to the seasonal rental market.

Up until perhaps 2000, the great majority of seasonal rentals were condominium units.

However, the growing demand for larger spaces to accommodate extended families in one place led to the conversion of many larger homes to seasonal rentals. It also spurred the construction of homes specifically designed for large rental parties.

Such homes feature typical living areas but emphasize a substantial number of bedrooms and baths. Often bedrooms are equipped with multiple built - in bunks for sleeping children.

Most homes also feature sofa sleepers which can sleep additional children.

Many of these homes, and certainly those recently constructed for this purpose, featured swimming pools and lanai areas as an exterior amenity.

This market has flourished as Destin is nationally recognized as a tourist attraction.

It is common to see Realtors addressing gross rental amounts or gross rental projections in MLS Listings. While the value of homes similar to the subject is partially estimated by a size / value per SF component, the fact that a home generates a substantial amount of income makes it a more attractive and safe purchase than a home which is not rented for seasonal income. In the past few years, income has become as important as selling prices, per SF.

Another factor worthy of discussion is that many owners now self - manage. Typically in the past, management of rentals was performed by one of several large real estate companies, such as Resort Quest, Dale Peterson, Newman Dailey and Southern Resorts. However, in the past 10 years a substantial number of smaller management companies have surfaced.

Management fees for seasonal rentals range from perhaps 15% to 25% of gross revenue.

Entrepreneurial owners have recognized this expense line and many now self - manage with the aid of Vacation Rental By Owner (VRBO) or some similar search engine.

The seasonal rental market is increasing in the Destin/Miramar Beach market as the thriving national economy allows discretionary vacations.

Without the first application of Ordinance 18-29-CC, allowing the existing capacity up to 30 guests, I would consider the seasonal rental market to continue to flourish over the next several years.

With the first application of Ordinance 18-29-CC, limiting the subject to 16 guests, I would project a diminution in value.

HIGHEST AND BEST USE 'AS IS'

Legally Permissible
The subject property is zoned (and designated for future land use) as *Crystal Beach Neighborhood (CBN)* by the City of Destin, Florida.

This zoning and land use designation allows for single-family use and specifically indicates that short term rentals is a permitted use (See page 36). The use of the subject for single-family short-term rentals is therefore allowed in this district.

Physically Possible
The subject property appears to be relatively level and well drained. Soil and subsoil conditions nearby appear compatible with both low-rise, multi-story use and traditional commercial development. All utilities required for commercial or 'mixed use' are presently at the site. The size and dimensions of the site are sufficient to allow a wide variety of legally permissible uses. The shape of the site is rectangular and this shape does not limit utility. Transportation of construction materials or labor to the site is estimated to be relatively simple due to the central location of the site within the overall market. Access to the site is above average.

However, the most compelling substantiation that the subject is physically possible is the fact that it already exists.

Therefore, use of the subject property for single family use as a seasonal rental is physically possible.

Financially Feasible
Value opinions derived in the income approach to value indicate the existing improvement contributes value to the underlying land. There is substantial other ongoing seasonal rental use in the market, suggesting that there is broad appeal for seasonal rental properties.

Therefore, continued use of the subject property for a detached single family residence used for seasonal rental income is financially feasible.

Maximally Productive
The alternatives of addition, demolition, expansion, modernization, or conversion to alternate uses have been considered within the legal, physical, and financially feasible parameters. Several alternatives exist.

Alternatives for use of improvements:

Expansion
The existing subject improvement is 5,323 HVAC SF. The subject is typical of most seasonal rental homes. Thus, there is no need for expansion. Any expansion would come at a cost of parking and/or access. Thus, expansion beyond what is existing, does not appear to be appropriate and feasible.

Renovation
Typically, any existing property could benefit from renovation. However, the subject has been well maintained and is in good condition. Thus, I would not consider imminent renovation to be required or practical.

Downsizing
The existing subject improvements are 5,323 HVAC SF. I see no reason to downsize the subject improvement as it appeared that all of it is usable space. Thus, downsizing beyond what is existing does not appear to be appropriate, physically possible or feasible.

Subdividing
The purpose of the subject is to lease it seasonally to large parties of guests. Subdivision would not be legally approved and does not appear to be financially prudent as the parties of guests would be smaller and grouping smaller parties together in the same pool could prove problematic. I would not consider subdivision to be prudent or feasible.

Demolition
The subject was constructed in 1995, and is currently in average condition. It features a probable 20 years of remaining economic life and a probable 50-55 years of remaining physical life.

I do not consider demolition and replacement with alternative improvements to be a superior use to the current use as a rental property. No alternative use would be certain to serve the land better. Thus, the subject is not a candidate for demolition.

Utilizing existing improvements
Continued use 'as is' as a seasonal rental, is considered the maximally productive use.

Conclusion of Highest and Best Use 'as is'
Analysis of recent trends and current market supply and demand indicate that the maximally productive highest and best use of the subject property is continued use as a detached single family residence used for seasonal rental income.

Conclusion of Highest and Best User 'as is'
Analysis of recent trends and current market supply and demand strongly indicate the most probable user is an entrepreneurial user who leases the subject for seasonal rental income with a small amount of personal use.

SUMMARY OF ANALYSIS AND VALUATION

Methodology

Site valuation derived from Sales Comparison Analysis involves direct comparisons of the subject property to similar properties selling in the marketplace to derive a comparative value indication for the subject property 'as if vacant,' as of the effective date of value. This approach is also called the 'direct sales comparison approach', or the 'market approach', and tends to be the most reliable approach for developing an opinion of the value of vacant land or sites available for development. Other methods of developing the value of land are available. Allocation, extraction, land residual, ground rent capitalization, and discounted cash flow analysis are all recognized as reasonable method of valuation.

The cost approach is a reliable methodology for new, or nearly new, buildings. I estimate the replacement cost or reproduction cost, in this case replacement construction cost, of the existing or existing improvements and site improvements (including direct and indirect costs as well as an appropriate developer profit), deducting accrued depreciation from physical, functional, and external sources from the total replacement or reproduction cost new. The depreciated replacement or reproduction cost of the improvements is added to the value of the site resulting in a value indication of the fee simple interest in the property.

The sales comparison approach is based on the 'Principle of Substitution' which indicates an informed purchaser would pay no more for a property than the cost of acquiring an equally desirable substitute property with the same or similar utility. This approach is applicable when an active market provides sufficient quantities of reliable data which can be verified from authoritative sources. The Sales Comparison Approach is reliable in an active market or if an opinion of value is related to properties which there are comparable sales available. This approach to value is also relevant when sales data can be verified with the principals to the transaction. Heavy emphasis is usually placed on this approach to value in an active market.

The income approach is recognized as a reliable approach for developing an opinion of the value of 'income producing' property to an investor. The income approach consists of methods, techniques, and mathematical procedures an appraiser uses to analyze a property's capacity to generate income and convert income into an indication of present value either by capitalizing the current income at a market capitalization rate or discounting the future cash flows into a present value estimate using an appropriate yield (discount) rate. The appraisal process emulates the market, and the most probable purchaser would either be an investor or prospective owner occupant. Two (2) techniques associated with the income approach are direct capitalization and discounted cash flow analysis.

Methodology employed and explanation of the exclusion of any of the three (3) approaches to value

I am not performing cost analysis. A buyer and seller in the market would not care what it cost to build the subject. In addition, the problem to be solved is to drive the diminution in value based on the guest restrictions included in Destin Ordinance 18-29-CC. The number of guests would have no impact on the cost to construct.

I am not performing sales comparison analysis. The impact of Destin Ordinance 18-29-CC may not be evident in the market for several years in the selling prices of homes. The ordinance allows a five year grandfather period. Homes sold in this grandfather period may not indicate a decline in selling prices and it would not be reliable to estimate diminution in value based on comparable sales until a larger array of data was available for use in sales comparison analysis.

I am performing income analysis. I will identify probable annual income for the subject with thirty (30) guests, based on historical income and projected income from the manager; and then identify market rents which support the subject contract rent. I will then identify operating expenses and subtract operating expense from gross rent to arrive at a net operating income (NOI). I will then apply a market based capitalization rent to the NOI to arrive at a value for the subject, prior to the first application of Destin Ordinance 18-29-CC.

I will then identify the rental incomes for homes which are allowed only 16 guests. I will then subtract expenses for the rents of 16 guest homes and arrive at their NOI. I will then derive a value by capitalizing this NOI.

Finally I will subtract the value for a 16 guest house from the value of a 30 guest house and this figure will be the diminution in value.

COST ANALYSIS
NOT PERFORMED

SALES COMPARISON ANALYSIS
NOT PERFORMED

INCOME ANALYSIS
'AS IS'

DESCRIPTION OF INCOME ANALYSIS METHODOLOGY

The income approach to value is based on the principle of anticipation, in that the value of the subject property correlates to the present worth of the future right to receive benefits in the form of income to be received by the owner. The income approach considers the property from an investment interest with the assumption that the amount of income, coupled with the regularity and quality of the income stream, are the basis for valuing the property based on income analysis.

The income approach is applied by identifying the net income by first identifying gross income and then deducting from the gross income the expenses of operating a property to arrive at a net income, generally identified a Net Operating Income (NOI).

The estimated NOI is then converted to a value opinion by utilizing either a Discounted Cash Flow Analysis, or a Direct Capitalization Analysis, or both.

Discounted cash Flow Analysis:
The Discounted Cash Flow Analysis (DCF) is an analysis where a discount rate is applied to a series (typically several years) of income streams with a reversion after typically 7 to 10 years. The appraiser must specify the quantity, variable nature of the income, timing of payments (monthly/quarterly/annually) to a present value at a specified yield rate. The DCF analysis is most applicable when the net income is projected to be variable and when the property is on a sufficient size and investment value to influence market participants to evaluate purchase decisions based on DCF. A large strip retail center would be a good candidate for DCF analysis, as would a project to be constructed in phases, where the income would increase as new construction is added.

I note that I did not perform DCF analysis as it is my opinion that market participants would not use DCF analysis to base decisions to either purchase or sell properties such as the subject.

Direct Capitalization:
The conversion of a net income to a current value is called capitalization. Capitalization is a method which is used to convert the estimate of a single year's net income actual figures and/or expectancy of income into a value opinion by dividing the income by a appropriate rate of capitalization, as estimated by the appraiser. This technique employs capitalization rates derived from the market, using both capitalization rates from recent sales of similar properties, generally augmented by national indices, or other mathematical progressions. This process provides a one year snap shot of the property value. Future yields and values are not directly identified. The direct capitalization analysis is most appropriate for small to medium sized income producing properties, in stable markets with a forecast of generally stable income.

The procedural steps involved in capitalization are as follows:

Develop the probable gross income by identifying historical performance, income projections and market incomes from comparable properties which support the historical or projected subject income.

Estimate vacancy and collection losses to arrive at Effective Gross Income (EGI).

Estimate and subtract operating expenses to arrive at NOI.

Develop a capitalization rate which is supported by the market.

Divide the NOI by the capitalization rate to derive a value opinion.

I am employing the direct capitalization analysis to derive values in this analysis.

I note for the reader that steps #1 and #2 are generally combined in the analysis of seasonal resort properties. Owners and management companies tend to provide actual income which has already accounted for vacancy and collection loss.

ESTIMATE OF CAPITALIZATION RATE

The capitalization rate is a rate which is applied to the Net Operating Income (NOI) to derive a value for a property. As the chart below indicates, you can derive a capitalization rate by dividing the NOI by the purchase price.

The following excerpt will provide some explanation of capitalization rates.

Capitalization rates are used in a formula. As seen below, dividing the net operating income by the purchase price indicates the capitalization rate.

Another variation of the formula is to divide the net operating income by the capitalization rate and this process will indicate the value of the property.

What Is a Cap Rate?

A cap rate is simply a formula. It's the ratio of a rental property's net operating income to its purchase price (including any upfront repairs):

Cap Rate =

Net Operating Income (NOI) ÷ Purchase Price

The formula can be used on the level of an individual property by looking at its net operating income compared to its value. But it can also be used on the level of an entire market by taking *average* cap rates for a large group of properties.

Importantly, the cap rate formula does NOT include any mortgage expenses. As you can see in the formula for net operating income below, the expenses do not include a mortgage or interest payment.

Gross Rental Income
- Vacancy/Credit Loss Reserve
- Property Taxes
- Property Insurance
- Maintenance/Repairs
- Common Utilities (if any)
- Other expenses (ex: license)

= Net Operating Income

MARKET CAPITALIZATION RATE BASED ON NATIONAL INDICE

Capitalization rates range widely in the market. The following table derived from Realty rates.com indicate a wide variety of capitalization rates base on property types. This table contains very recent data from the first quarter 2019.

As can be seen, properties such as restaurants and lodging (motels and hotels) have high capitalization rates. Apartments (residential) have the lowest capitalization rates.

Realty rates does not include a separate category of single family detached homes.

RealtyRates.com INVESTOR SURVEY - 1st Quarter 2019*
CURRENT & HISTORICAL CAP RATE INDICES

Method-Weighted* Property Category Indices

	Apts		Golf		Healthcare Senior Housing		Industrial		Lodging		MH/RV Park		Office		Retail		Restaurant		Self Storage		Special Purpose		Weighted* Composite Indices	
Year	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg
2018	8.42	26	12.02	30	9.01	14	9.19	23	10.53	25	9.56	30	9.04	10	9.38	20	11.57	15	9.86	29	11.64	40	9.64	22
4th Qtr	8.46	8	12.08	11	9.07	11	9.23	7	10.53	1	9.62	13	9.09	13	9.44	10	11.62	N	9.92	13	11.71	11	9.69	9
3rd Qtr	8.37	-4	11.97	-5	8.96	-2	9.16	-5	10.52	-7	9.50	-5	8.95	-6	9.33	-3	11.51	-4	9.78	-7	11.60	-3	9.59	-5
2nd Qtr	8.41	3	12.02	6	8.99	3	9.21	5	10.59	6	9.55	5	9.00	0	9.36	4	11.56	4	9.86	6	11.63	5	9.64	4
1st Qtr	8.38	23	11.97	28	8.96	13	9.16	22	10.52	31	9.50	28	9.00	5	9.32	17	11.52	26	9.81	25	11.58	34	9.60	21
2017	8.16	4	11.73	-2	8.87	-6	8.96	-12	10.29	5	9.26	11	8.94	-22	9.19	-8	11.42	-15	9.57	-8	11.25	4	9.42	-6
2016	8.13	-2	11.75	6	8.92	12	9.08	15	10.22	0	9.15	15	9.16	16	9.27	12	11.57	-10	9.67	14	11.21	10	9.48	9
2015	8.15	-9	11.69	-14	8.90	-9	8.93	-10	10.22	-20	8.99	-18	9.00	-6	9.15	-11	11.66	-13	9.52	-22	11.11	-12	9.40	-12
2014	8.24	-15	11.83	-9	8.99	-1	9.03	-4	10.43	-17	8.17	-5	9.06	-22	9.26	15	11.79	-6	9.75	-20	11.24	14	9.52	-7
2013	8.39	14	11.92	-14	8.90	5	9.07	-2	10.60	3	9.22	14	9.28	-19	9.11	-4	11.86	9	9.95	-24	11.10	1	9.59	-2
2012	8.25	-35	12.07	6	8.85	-36	9.09	-40	10.57	-24	9.08	-39	9.47	3	9.15	-13	11.77	6	10.19	-49	11.09	-4	9.60	-21
2011	8.60	-29	12.00	-22	9.21	-48	9.49	-11	10.81	-24	9.46	-8	9.44	-10	9.29	-26	11.70	-14	10.69	-3	11.12	-17	9.81	-19
2010	8.89	4	12.22	5	9.62	15	9.60	12	11.05	7	9.55	22	9.54	16	9.54	25	11.84	12	10.72	21	11.30	0	10.00	13
2009	8.85	8	12.17	16	9.47	10	9.48	10	10.98	-7	9.33	1	9.39	29	9.29	20	11.72	15	10.50	37	11.30	8	9.87	14
2008	8.77	-4	12.01	29	9.37	-18	9.38	-14	11.05	56	9.32	-5	9.09	-16	9.09	-11	11.57	-28	10.13	20	11.22	-7	9.74	-1
2007	8.81	-45	11.72	-21	9.53	-65	9.52	-25	10.49	-28	9.37	-26	9.25	-47	9.20	-12	11.85	61	9.83	-38	11.29	-24	9.75	-26
2006	9.26	12	11.93	47	10.18	15	9.77	35	10.77	27	9.63	41	9.72	26	9.32	30	11.24	19	10.31	27	11.53	9	10.03	26
2005	9.14	14	11.46	80	10.03	-16	9.42	-30	10.50	-21	9.22	19	9.46	6	9.02	16	11.06	5	10.04	13	11.44	-30	9.77	2
2004	9.00	-19	10.66	29	10.19	-37	9.72	19	10.71	-38	9.03	-48	9.40	-4	8.86	-19	11.01	-15	9.91	-13	11.74	-30	9.75	-19
2003	9.19	-2	10.39	-32	10.56	64	9.53	33	11.09	56	9.51	-11	9.44	1	9.05	-18	11.16	8	10.04	-53	12.04	105	9.94	12
2002	9.21	-40	10.70	16	9.92	-39	9.20	-61	11.13	26	9.62	-60	9.43	-35	9.23	-62	11.09	-3	10.57	-12	10.99	-177	9.82	-41
2001	9.61	64	10.52	133	10.31	90	9.81	16	10.97	98	10.22	-68	9.78	-35	9.85	-53	11.17	47	10.69	13	12.76	32	10.23	21
2000	8.97		9.19		9.41		9.65		9.88		10.90		10.13		10.38		10.64		10.56		12.44		10.01	

*Weighted by methodology: Band-of-Investment, DCR Technique, Sales Survey

*Further weighted by property category

ADDITIONAL DATA ON CAPITALIZATION RATES

The following chart provides some additional data regarding capitalization rates for apartments in some major metropolitan centers.

These rates are lower than the overall national rate for apartments identified on the previous page. I attribute this to the fact that the cities below are major metropolitan areas with a high density of population which keeps occupancy high and inspires investor confidence. In this regard, the Destin seasonal rental market is similar in its high density and national appeal.

Cap Rates For Stabilized, Class A Multifamily Apartments By City – 2017 (2nd Half)	
San Diego	4.25%
Chicago	4.75%
Atlanta	5.00%
Philadelphia	5.25%
St. Louis	5.75%
Cleveland	6.25%
Pittsburgh	6.50%
Detroit	7.25%

Single family homes are seldom valued via income capitalization. Most homes are owner occupied and the issue of rent and valuation through rent is generally not applicable. However, I identified the following excerpt rom the internet which indicates a range of capitalization rates from 4% to 10% for single family homes. The reader will note in the excerpt immediately above that high demand areas feature lower capitalization rates and lower demand areas feature higher capitalization rates. I would again observe that Destin is a high demand area in the seasonal rental market. Thus, I would consider it probable that capitalization rates for singe family homes in Destin were toward the low side of the 4% to 10% range.

Cap Rate for Single Family Home

Professionals purchasing commercial properties, for example, may buy at a 4% cap rate in high demand areas, or a 10% (or even higher) cap rate in low-demand areas. Generally, 4% to 10% per year is a reasonable range to earn for your investment property. Continuing with our example from above, $17,000/ 5% = $340,000.

The following are two excerpts from the internet indicating that Panama City Beach, Florida boasts a very low capitalization rate of 4.9% and that the Destin, Florida market features a 4.7% capitalization rate for Airbnb rentals.

9. PANAMA CITY BEACH, FL

Short-Term Rental Cap Rate: 4.9%

White sandy beaches, clear water, fishing piers, protected nature reserves, hiking trails... what more do you need to be convinced that Panama City Beach is one of the best places around the US to invest in a vacation rental.

Property prices are affordable with a median level of $334,700, while short-term rental income stands around $3,260. The average cap rate for vacation rentals is 4.9%.

2. Destin

- *Median Property Price:* $695,000
- *Airbnb Rental Income:* $2,720
- *Traditional Rental Income:* $1,610
- *Airbnb CoC Return:* 2.3%
- *Traditional CoC Return:* 0.5%
- *Airbnb Cap Rate:* 4.7%
- *Traditional Cap Rate:* 2.8%
- *Airbnb Occupancy Rate:* 58.4%

The second among the best places to buy a vacation home in Florida is Destin, with rental income from Airbnb just a few dollars below St. Augustine. However, this location is significantly more expensive. But it has a very important advantage for all those loving nature and sports – it is very famous for the fishing opportunities that it offers.

Conclusion:
I have provided an array of capitalization rates from national data ranging from a low of 4.7% to a high of 8.42%.

I am selecting a rounded rate of 6.25%, recognizing that there are established capitalization rates both higher than, and lower than, the reconciled 6.25%.

I am confident that a capitalization rate of 6.25% is well supported by national data.

I also note that the most similar rate is the 4.7% Airbnb rate in Destin, which suggests that a 6.25% rate may be conservative.

MARKET CAP RATE DATA BASED ON LOCAL SALES OF HOMES USED FOR SEASONAL RENTAL

In addition to the national data provided above, I am also providing some data from actual sales in the local market.

I have some professional acquaintances who specialize in the management of large homes used for seasonal rentals. I have asked them to provide me some actual data from recent sales to help derive a local data base of capitalization rates.

On 7/13/2018, Frangista Beach E16 LLC (Nick Athens - a professional acquaintance well known to me) sold 3491 Scenic Highway 98 to Rich Rentals for $3,000,000. This house is 6,008 HVAC SF and features nine (9) bedrooms and 9.5 baths. It is very similar to the subject and is a very good comparable indicator of capitalization rates. Mr. Athens stated that the net operating income was $172,340. Dividing $172,340 by $3,000,000 indicates a capitalization rate of 5.74%.

On 9/4/2015, Nick and Tina Athens sold 1850 - 1852 Scenic Gulf Drive in Miramar Beach to Forty-Four Holdings for $2,205,000. This was two side by side homes in Frangista Beach which were an aggregate 3,460 HVAC SF and which features Five (5) bedrooms and 7 baths. Mr. Athens stated that the net operating rent was $133,200. Dividing $133,200 by $2,025,000 indicates a capitalization rate of 6.58%. I do not consider it a coincidence that the home with the fewest bedrooms featured the highest capitalization rate.

On 2/10/2016, Destiny Real Estate Ventures LLC (Ben Giles - a professional acquaintance well known to me) sold 3463 Scenic Highway 98 to Charles Barone for $3,615,000. This house is 6,465 HVAC SF and features eight (8) bedrooms and 6.5 baths. It is very similar to the subject and is a very good comparable indicator of capitalization rates. Mr. Giles stated that the net operating income was $222,125. Dividing $222,125 by $3,615,000 indicates a capitalization rate of 6.15%.

On 1/11/2019, Kevin Hense sold 2984 Scenic Highway 98 to Russell and Susan Hancock for $3,000,000. This house is 3,997 HVAC SF and features six (6) bedrooms and 5.5 baths. It is very similar to the subject and is a very good comparable indicator of capitalization rates. Mr. Hense stated that the net operating income was $176,000. Dividing $176,000 by $3,000,000 indicates a capitalization rate of 5.87%.

On May 18, 2018, Sapp Investments LLC sold 4659 Destiny Way to the Lindholm Family Revocable Living Trust for $2,500,000. Mr. Lindholm stated to me that income for 2018 was an aggregate of $293,500. He also stated that expenses were an approximate $115,025, resulting in approximate $178,475 of net operating income (NOI). Dividing $178,475 by $2,500,000 indicates a capitalization rate of 7.14%.

RECAPITULATION OF LOCAL MARKET CAPITALIZATION RATES

The following table summarizes the capitalization rates identified in the narrative above.

Property Address	Capitalization Rate
3491 Scenic Highway 98, Destin	5.74%
1850 Scenic Gulf Drive, Mirimar Beach	6.58%
3463 Scenic Highway 98, Destin	6.15%
2984 Scenic Highway 98, Destin	5.87%
4659 Destiny Way, Destin	7.14%
Average	6.29%
Rounded	6.25%

I consider a rounded capitalization rate of 6.25%, derived from local data, to be a market supported rate which is both credible and reliable, as well as being consistent with national data which brackets the final capitalization rate selection.

For this reason, I am selecting a 6.25% capitalization rate.

ESTIMATE OF VALUE PRIOR TO FIRST APPLICATION OF DESTIN ORDINANCE 18-29-CC

Based on the current zoning and the Destin Land Development Code previously discussed, and prior to the first application of Destin Ordinance 18-29-CC there was no limit to the number of guests allowed in the subject improvement. The subject can accommodate up to thirty (30) guests based on the data provided by the owner and my identification of sleeping capacity previously identified.

CURRENT CONTRACT RENT

I note that seasonal rentals are typically described with annual rental amounts as opposed to more consistent monthly rental rates.

Such rental amounts are generally described using gross income data, and/or projections of gross income data.

Appraisers need to then examine expenses to arrive at a net operating rent to capitalize. Expenses to gross revenue are ad valorem taxes, flood and hazard insurance, HOA dues, maintenance and repairs, utilities, lawn maintenance, pest control, professional fees and reserves. I note that interest/mortgage payments and depreciation are not expenses when capitalizing property for value.

In the case of the subject, I corresponded with the owner, Brad Lindholm, via email and phone exchanges to identify 2018 actual incomes and expenses, as well as his projection for 2019 income.

Mr. Lindholm stated that he had purchased the subject in October 2018 and had no 2018 income history as the seller had been living in the home. He also stated that he considered expenses to be an approximate $50,000 per year, not to include management fees.

The property is managed by Florida Luxury Vacation Rentals and I obtained this projection for 2019 from that company.

FLORIDA LUXURY
RENTALS

FLVR Rental Pro Forma
4646 Destiny Way, Destin, FL 32541
7 Bed | 6.5 Bath | Sleeps 30

Spring Break - $8,000\wk | 4 weeks = $36,000
Spring - $6,000\wk | 4 weeks = $24,000
Summer - $12,900\wk | 12 weeks = $154,800
Late Summer - $9,000\wk | 2 weeks = $18,000
Fall - $6,000\wk | 4 weeks = $24,000
Winter - $5,000\wk | 4 weeks = $20,000
Total Gross Rental - $276,800
Rental Management Fee | Total Net to Owner =

I will now research market comparables to estimate a probable gross income for 2019 and to provide support for the management company projection. See the following page.

MARKET SUPPORT FOR GROSS INCOME ESTIMATE

Some of these comparables were provided to me by Ben Giles, an owner of several large homes. Other owners who provided data were Tari Furey, Nick Athens, Kevin Hense, Doris Reel, Brad Lindholm, and Andrea Farrell.

Number	Address	Gross Income	Guest capacity	Annual Income per Guest
1	42 Miami Street	$463,852	34	$13,643
2	3587 Scenic Highway 98	$305,393	32	$9,545
3	3463 Scenic Highway 98	380,000	32	$11,875
4	3461 Scenic Highway 98	$364,723	36	$10,131
5	107 Hollywood Street	$289,647	38	$7,622
6	112 Sandprint Circle	$325,000	30	$10,833
7	4659 Destiny Way	$293,500	28	$10,482
8	3485 Scenic Highway 98	$145,100	22	$6,595
9	3489 Scenic Highway 98	$160,900	20	$8,045
10	4664 Destiny Way	$275,000	20	$13,750
11	2984 Scenic Gulf Drive	$263,000	22	$11,954

The average of these eleven market comparable rentals is $10,407.

The most similar homes based on location is #10. I have been in this home and it is in substantially better condition than the subject. It will lease for more than the subject.

Comparable #7 is a new home, also owned by the client. It is sited on a lake and is thus slightly superior.

Comparable #2 is also a newer home and is sited on a lake.

Given a combination of the 2018 actual income, the per guest averages of the three most similar sales and the property manager's reasonable estimate of increase from 2018 to 2019, I estimate a rounded $8,500 per guest annually.

The subject can accommodate 30 guests. Multiplying 30 by $8,500 per guest results in an annual gross income of $255,000.

MARKET SUPPORT FOR GROSS TO NET RATIO

I have attempted to derive gross and net income figures for comparable properties in the market. However, my research indicates that many owners and property managers are unwilling to divulge private financial information, especially the net income.

Thus, I will provide some market examples of properties where clients or close associates did divulge data.

The first example is a detached home located at 112 Sandprint Circle in the Dunes of Destin. The owners, Edward and Tari Furey, provided me with detailed data regarding income and expenses. They indicted annual revenue of $325,000 and annual expense of $100,000. This suggests an expense ratio of $100,000 / $325,000, or 31%, rounded.

I again spoke to Nick Athens who still owns a detached house at 4664 Destiny Way which grossed $275,000 in 2018. The expenses for this property were an approximate $89,000. This suggests an expense ratio of $89,000 / $275,000, or 32% rounded.

As a third indicator, I spoke to Kevin Hense, who sold a detached house at 2984 Scenic Highway 98 for $3,000,000 on 1/11/2019. Mr. Hense indicated that the 2018 gross rent was $263,000 and that the expenses were $87,000. This suggests an expense ratio of $87,000 / $263,000, or 33%, rounded.

As a fourth indicator, I spoke to Doris Reel who owns 3485 Scenic Gulf Drive. She stated she had gross income of $145,100 in 2018 and expenses of $48,858. This is an expense ration of 35%.

The subject features projected income of $255,000 and expenses of $88,250, per the client. This is an expense ratio of 34.6%, rounded to 35%.

I consider the subject to be consistent with the market comparable identified above and I will use the actual expense ratio of 35% in the analysis.

The next step is applying the previously calculated expense ratio to the gross rent to arrive at a net operating income (NOI). Applying a 35% expense ratio to $255,000 results in a net rent of $165,750.

Capitalizing $165,750 with a 6.25% capitalization rate results in a value of $2,652,000, rounded to $2,650,000.

It is my professional opinion that the subject value, prior to the first application of Destin Ordinance 18-29-CC is $2,650,000, based on income analysis.

$2,650,000

ESTIMATE OF VALUE AFTER THE FIRST APPLICATION OF DESTIN ORDINANCE 18-29-CC

The first application of Destin Ordinance 18-29-CC reduces the subject sleeping capacity to 16 guests as the limit is two guests per bedroom, plus four (4) additional guests. There are six (6) bedrooms. Thus, 2 x 6 = 12 + 4 = 16.

I note for the reader that the ordinance states clearly that a bedroom must meet the requirements of the Okaloosa County Property Appraiser who states that a bedroom has a door, a window and a closet. The Okaloosa County Property Appraiser states that the subject is a five (5) bedroom house, however, I counted and took photographs of six (6) bedrooms, each of which contained a closet, meeting the requirements of a bedroom per the Okaloosa County Property Appraiser. It is my opinion that the limit of sixteen (16) guests will have a negative impact on value.

To estimate the difference, I need to research the market for homes which are limited to smaller guest totals.

MARKET SUPPORT FOR GROSS INCOME ESTIMATE

Some of these comparables were provided to me by Jordan Shane, Florida Luxury Vacation Rentals, Cheryl St.Pe', Destin Comforts and Ben Giles.

#	Address	Gross Income	Guest capacity	Income per guest annually
1	3489 Scenic Highway 98	$160,900	20	$8,045
2	3893 Sandprint Circle	$118,796	20	$5,939
3	113 Los Angeles Street	$137,308	19	$7,227
4	1737 Scenic Highway 98	$144,814	20	$7,241
5	100 Sandprint Circle	$105,000	20	$5,250
6	84 Woodward Street	$80,560	12	$6,713
7	212 Kono Way	$74,815	12	$6,235
8	75 Shirah Street	$79,885	14	$5,706

The average of these eight market comparable rentals is $6,544 per guest annually. None of these homes are gulf front homes.

The subject is a also not gulf front, and is an older home, constructed in 1995. However, I consider the subject to command a slightly higher rate per guest than the above averages.

Based on my research, homes which can sleep less do not attract the same customer as the larger homes which cater to extended families. In addition, there is substantially more competition at the lower capacities as there are substantially more homes which sleep 15 to 20 as opposed to 30+ guests.

However, I would still consider a per guest rate of $8,500 per year to be credible.

Based on the first application of Ordinance 18-29-CC, the subject will be limited to 16 guests.

Multiplying $8,500 per guest by 16 guests results in gross annual rent of $136,000.

Applying a 35% expense ratio to $136,000 results in a net rent of $88,400.

Capitalizing $88,400 with a 6.25% capitalization rate results in a value of $1,414,400, rounded to $1,415,000.

It is my professional opinion that the subject value, after to the first application of Destin Ordinance 18-29-CC is $1,415,000, based on income analysis.

$1,415,000

ESTIMATE OF THE DIMINUTION OF VALUE

My research and analysis indicates that the value of the subject based on the right to sleep 30 guests is a rounded $2,650,000.

My research and analysis indicates the value of the subject based on the limit to sleep only 16 guests is a rounded $1,415,000.

It is my opinion the first application of Destin Ordinance 18-29-CC results in an approximate $1,235,000 diminution of value.

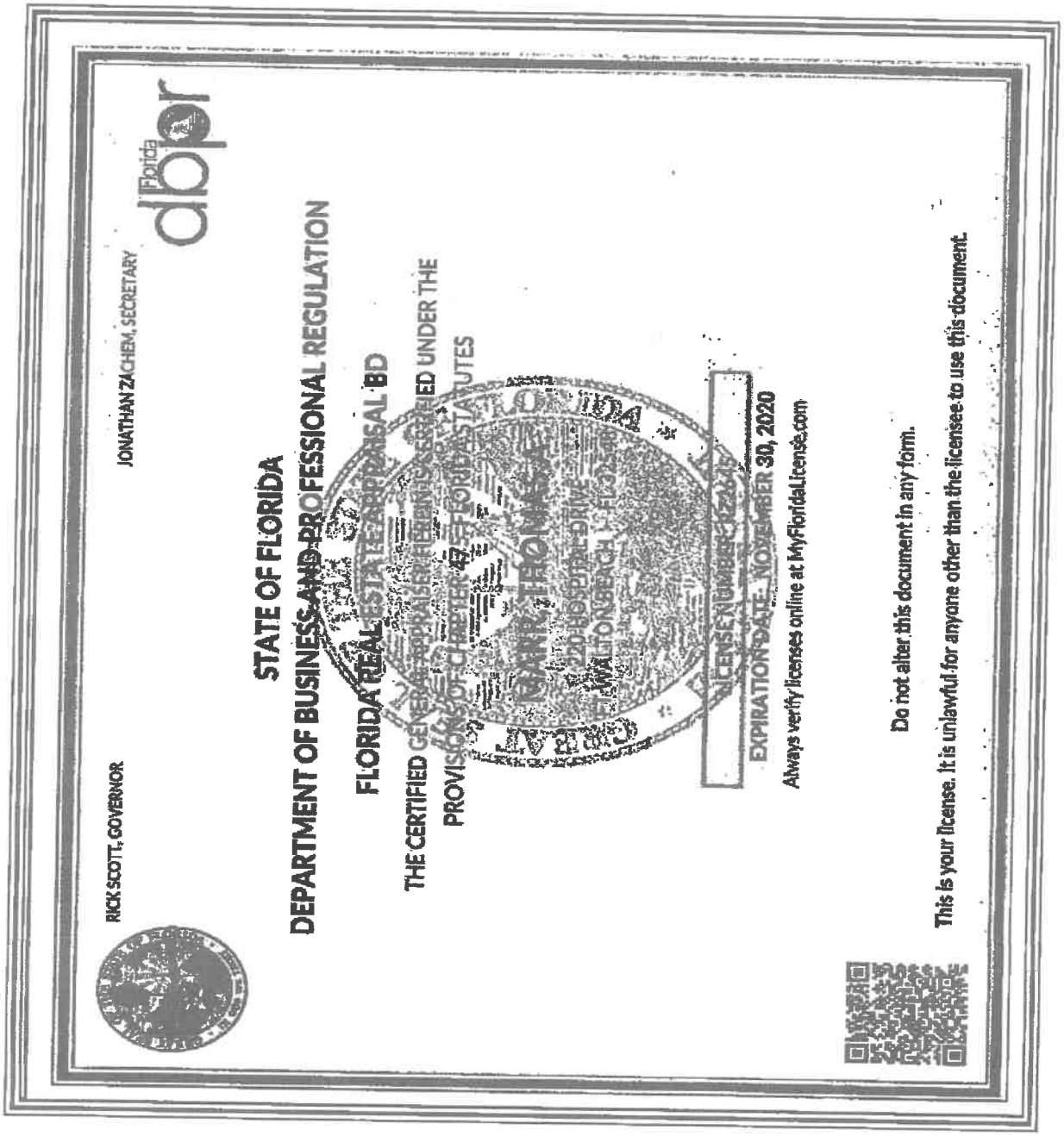
DIMINUTION OF VALUE

$1,235,000

ADDENDA

Appraiser License

APPRAISER LICENSE



THIS INSTRUMENT PREPARED BY
AND AFTER RECORDING RETURN TO:

Kimberly Romano Kopp, Esq.
Romano Kopp Law, P.A.
P.O. Box 445
Destin, Florida 32541

For Recording Purposes Only

SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is entered into this _____day of _____ 2019, ("Effective Date") by and between, Bradley L. Lindholm, Trustee for the Lindholm Family Revocable Living Trust dated June 4, 2010 ("**Owner**") and the City of Destin ("**City**"), collectively referred to as the "Parties."

RECITALS

WHEREAS, on January 22, 2019, the City enacted Ordinance 18-29-CC, the Short-Term Rental Occupancy Ordinance ("Ordinance"), which limits the occupancy of short-term rental homes to two (2) people per bedroom plus an additional four (4) persons; and

WHEREAS, Owner owns the real property and improvements located at 4646 Destiny Way, Destin, Florida, 32541, as more particularly described in the attached Exhibit "A" (the "Property"); and

WHEREAS, on October 23, 2019, Owner filed a claim with the City, pursuant to the provisions of §70.001, Florida Statutes, the Bert J. Harris, Jr., Private Property Rights Protection Act (the "Harris Act"), alleging that the Property had been inordinately burdened by the adoption of the Ordinance, (the "Claim"); and

WHEREAS, the Harris Act provides for the City to have the ability to enter into a settlement agreement which would have the effect of a modification or variance to the application of a regulation or ordinance as it would otherwise apply to the subject real property, provided the relief granted protects the public interest served by the regulations at issue and is the appropriate relief necessary to prevent the governmental regulatory effort from inordinately burdening the real property; and

WHEREAS, the City has determined that the modifications to the effect of the Ordinance effected by this Agreement protect the public interest served by the Ordinance and are the appropriate relief necessary to prevent the regulatory effect of the Ordinance from inordinately burdening the Property; and

WHEREAS, the Parties now desire to settle and finally resolve all disputes between and among them concerning the Claim.

NOW, THEREFORE, the Parties hereby agree as follows:

1. **Recitals.** The above recitals are true and correct and are incorporated herein by reference.

2. **Occupancy Allowable Under Ordinance.**

(a) Owner is hereby granted a variance from the provisions of the Ordinance so that the Owner shall have the right to apply under the Ordinance for a maximum occupancy of twenty-six (26) overnight guests at the six (6) bedroom vacation rental property noted above and the City shall grant such occupancy. The right shall continue in perpetuity, regardless of any future changes in ownership, provided that this right shall expire permanently if the Property were to be voluntarily remodeled or voluntarily rebuilt in such a manner as to change the number of bedrooms that existed at the date of the Claim. The Property remains subject to all other requirements of the City's regulations, including but not limited to regulations for short-term rentals, parking, trash, and noise.

(b) No greater than two (2) vehicles may be parked on the Property. No vehicle may encroach upon the City's right-of way.

(c) Owner shall ensure that at least five (5) outdoor trash receptacles are provided by the applicable trash hauler and available for use by occupants at all times.

(d) Owner agrees that the City shall be permitted to access the property on an annual basis for the purpose of life-safety inspections to ensure code compliance with minimum egress and emergency egress requirements pursuant to the Florida Building Code (Residential) and to ensure the property has adequate and working smoke detectors. Owner shall submit to the City a separate application and fee for such inspection, on a form provided by the City, at the time Owner submits its annual short-term rental registration application to the City

3. **Development in Accordance with Code.** Notwithstanding any provisions contained herein, the Owner shall at any time have the right and option to remodel, develop, or use the Property in accordance with the applicable ordinances of the City of Destin in effect at the time of application therefor, and this variance shall not be construed as making the Property in any way non-conforming.

4. **Entire Agreement.** The Parties acknowledge that this Agreement constitutes the entire agreement between them regarding the settlement of their dispute and any prior statements, whether oral or written, are merged herein. This Agreement may not be modified or amended without a written instrument signed by the party against whom enforcement is sought.

5. **Duration of Agreement.** This Agreement shall be perpetual and deemed to run with the land, and shall be binding upon and the benefits shall inure to the parties hereto and their respective heirs, devisees, personal representatives, successors and assigns.

6. **Authority.** The signatories to this Agreement are expressly authorized to resolve their dispute as set forth herein and by their signatures here represent and affirm their authority to execute this Agreement.

7. **Governing Law.** The law of the State of Florida shall apply to this Agreement. Any dispute regarding this Agreement shall be litigated exclusively in the courts of Okaloosa County, Florida. The parties expressly consent to such agreed jurisdiction and venue, and waive any objections thereto.

8. **Notices.** Any notice required or permitted to be given hereunder shall be in writing and shall be (i) delivered by hand, (ii) delivered by reputable national or local courier (such as United Parcel Service or Federal Express), (iii) mailed by United States registered or certified mail, return receipt requested and postage prepaid, or (iv) sent by facsimile transmission provided a confirmation of such facsimile transmission is sent the same day by one of the methods of delivery in (i), (ii), or (iii) above. Any notice shall be addressed to each party at its address as set forth below. Any such notice shall be considered given on the date of such hand delivery, deposit with such courier for same day or next business day delivery, upon receipt of return receipt of certified mail, or receipt of facsimile transmissions, as the case may be, and the time period (if any is provided herein) in which to respond to such notice shall commence on the date of receipt. Rejection or other refusal to accept or inability to deliver because of changed address of which no notice was given shall be deemed to be receipt of the notice. By giving to the other party at least ten (10) days' notice thereof, any party shall have the right from time to time to change the addresses thereof and to specify up to two (2) additional addresses within the United States of America to which copies of notices to it shall be sent. Notice may be given on behalf of any party by such party's counsel. In the event the subject property owner changes, notices shall be addressed to the current owner as indicated in the records of the Okaloosa County Property Appraiser. Otherwise, notices shall be sent as follows:

Each notice shall be addressed as follows:

To City: City of Destin, Florida
Attn:
4200 Indian Bayou Trail
Destin, Florida 32541

With a copy to:
City Land Use Attorney
Romano Kopp Law, PA
PO Box 445
Destin, Florida 32541
Attn: Kimberly Romano Kopp, Esq.

To Owner: Bradley L. Lindholm, Trustee
4646 Destiny Way
Destin, FL 32541

With a copy to: Najmy Thompson, PL
1401 8th Avenue West
Bradenton, Florida 34205
Attention: Aaron M. Thomas, Esq.

Attorney's Fees. In the event of any action, whether pre-suit, mediation, litigation or appellate proceeding to enforce the terms and conditions of this Agreement, each party to the action shall pay its own attorney's fees and costs incurred therein.

(d) Venue over any action to enforce the terms and conditions of this Agreement, including mediation, shall lie solely in Okaloosa County, Florida.

OWNER: Bradley L. Lindholm, Trustee for the Lindholm Family Revocable Living Trust dated June 4, 2010

_____
Signature of Witness #1

_____
Bradley L. Lindholm, Trustee

_____
Print or type name

_____
Date

_____
Signature of Witness # 2

_____
Print or type name

STATE OF_____
COUNTY OF_____

The foregoing instrument was acknowledged before me this _____ day of _____ 2019, by _____ _____ and _____, who are personal known to me or who have produced _____ as identification and who did not (did) take an oath.

_____
Signature of Notary

(NOTARY SEAL)

_____
Print or type name

CITY OF DESTIN

By:_____
Gary Jarvis, Mayor

Date:_____

ATTEST:

_____
Rey Bailey, City Clerk

Date:_____

STATE OF_____
COUNTY OF_____

The foregoing instrument was acknowledged before me this _____ day of _____ 2019, by _____ _____ and _____, who are personal known to me or who have produced _____ as identification and who did not (did) take an oath.

_____
Signature of Notary

(NOTARY SEAL)

_____
Print or Type Name

Approved as to form and legality for use and reliance
by the City of Destin, Florida, only.

_____
Kimberly Romano Kopp, Esq.
City Land Use Attorney

Exhibit "A"

Legal Description of Property

ITEM # 2019-1910

CITY OF DESTIN

AGENDA ITEM

COUNCIL MEETING DATE: December 9, 2019
TYPE OF AGENDA ITEM: Action Item

TO: City Council

THRU: Lance Johnson, City Manager

FROM: Kimberly Kopp, Land Use Attorney
Louis Zunguze, Community Development Director

DATE: December 5, 2019

SUBJECT: 29) 3892 Sandprint Drive

I. BACKGROUND:

On January 22, 2019, the City enacted Ordinance 18-29-CC, the Short-Term Rental Occupancy Ordinance ("Ordinance"), which limits the occupancy of short-term rental homes to two (2) people per bedroom plus an additional four (4) persons.

The subject property owner owns the real property and improvements located at 3892 Sandprint Drive, Destin, FL 32541, as more particularly described in Exhibit "A" (the"Property") to the proposed settlement agreement.

Owner filed a claim with the City, pursuant to the provisions of §70.001, Florida Statutes, the Bert J. Harris Jr., Private Property Rights Protection Act (the "Harris Act"), alleging that the Property had been inordinately burdened by the adoption of the Ordinance, (the "Claim).

The Harris Act provides for the City to have the ability to enter into a settlement agreement which would have the effect of a modification or variance to the application of a regulation or ordinance as it would otherwise apply to the subject real property, provided the relief granted protects the public interest served by the regulations at issue and is the appropriate relief necessary to prevent the governmental regulatory effort from inordinately burdening the real property.

The City Council should settle the claim if the City Council determines that the modifications within the settlement agreement protect the public interest served by the Ordinance and are the appropriate relief necessary to prevent the regulatory effect of the Ordinance from inordinately burdening the Property.

II. DISCUSSION: The property owner has requested a maximum occupancy of thirty (30) occupants. City staff is recommending an occupancy of twenty-eight (28) occupants based on the square footage of the property. The building official utilized a one-occupant per 200 square feet methodology for recommending the above-stated occupancy.

Additionally, staff is recommending at least five (5) trash cans on the property. This recommendation is based on industry standard (Waste Management) that, on average, one trash can is required for every six occupants in order to ensure adequate garbage disposal. Therefore, if the maximum number of occupants exceeds any multiple of six (6, 12, 18, 24, 30, 36, etc.), then an extra trash can will be needed to accommodate the additional occupants. For example, if thirteen (13) is the maximum occupation, then three (3) trash cans are required. This is because, on average, two (2) trash cans will only accommodate twelve (12) occupants. The third trash can will be needed to accommodate the thirteenth occupant. .

Further, the property owner must agree to annual life safety inspections, as provided in the proposed settlement agreement.

Finally, staff is recommending that no greater than six (6) vehicles be parked on this property

As stated in the agreement, the property owner remains bound by all other provisions of City codes.

A. Link to Strategic Goals / Objectives:

B. Effect on Budget (EOB):

C. Level of Service (LOS):

III. CONCLUSION:

IV. RECOMMENDED MOTION: 1. I move to approve the settlement agreement prepared by the City Land Use Attorney and Staff.

or

2. I move to approve the settlement agreement prepared by the City Land Use Attorney and Staff with the following modifications:_____.

or

3. I move to direct the City Land Use Attorney to negotiate in good faith with the property owner and to bring back an alternate settlement proposal to the City

Council for consideration.

or

4. I move to deny settlement of the subject claim at this time.

Attachments:

1. Burt Harris Case - 3892 Sandprint Drive
2. 3892 Sandprint Dr_Bert Harris Proposed Settlement Draft 11_11_2019

NAJMY | THOMPSON PL
ATTORNEYS AT LAW

1401 8th Avenue West
Bradenton, FL 34205

PHONE: (941) 748 - 2216
FAX: (941) 748 - 2218

OTHER OFFICES:
Lakewood Ranch (941) 907 - 3999
Sarasota (941) 907 - 3999
New York (212) 220 - 6616

WWW.NAJMYTHOMPSON.COM

October 23, 2019
Via Hand Delivery

City of Destin
c/o Major Gary Jarvis
4200 Indian Bayou Trail
Destin, FL 32541

Re: 3892 Sandprint Drive, Destin, FL 32541
Bert J. Harris Claim, §70.001, *Fla. Stat.*, July 1, 2012

Dear Mayor Jarvis,

This firm represents Bradley L. Lindholm as trustee for the Lindholm Family Revocable Living Trust dated June 4, 2010, owner of an improved property described as 3892 Sandprint Drive, Destin, FL 32541. My client has been utilizing and operating as a short-term rental property within the City of Destin for one (1) year. The City of Destin has authorized the use of this property as a short-term vacation rental.

The "before" condition of the subject property is a seven-bedroom, three-story residence able to accommodate thirty (30) guests as part of the authorized and approved short-term rental use of this property and others within the City.

By the City of Destin's passage on January 22, 2019 of Ordinance 18-29-CC and application of Ordinance 18-29-CC to the subject property on September 18, 2019 (when the City of Destin denied my client's request for a variance), this property is now restricted to an occupancy of eighteen (18) guests.[1]

The Florida Legislature has passed Section 70.001, *Fla. Stat.*, known as the "Bert J. Harris Jr. Private Property Rights Protection Act as Amended."

[1] The subject property was issued a grandfather certificate on August 16, 2019, permitting the property to rent to twenty-four (24) occupants until August 16, 2024.

NT

Chapter 70.001, *Fla. Stat.*, "*inter alia*", created a separate and district cause of action which provides for relief or payment of compensation when a new law, rule, regulation or ordinance of the state or a political entity in the state, as applied, unfairly affects real property. "When a specific action of a governmental entity has inordinately burdened an existing use of real property or a vested right to a specific use of real property, the property owners of that real property are entitled to relief, which may include compensation for the actual loss to the fair market value of the real property caused by the action of government, as provided in this section." *Fla Stat.* §70.001(2).

The owner of the subject property asserts that his actual and existing use of said real property has been inordinately burdened by the City of Destin's adoption and application of Ordinance 18-29-CC by restricting its occupancy to only two (2) persons per bedroom plus four (4).

To that end, this letter should serve as a formal, written claim pursuant to §70.001, *Fla. Stat.*, the Bert J. Harris Jr. Private Property Rights Protection Act as Amended. Attached to this letter is a bona fide, valid appraisal that supports the claim and demonstrates the loss in value to the real property. This appraisal establishes the loss in value of the subject property, as a result of the application of the occupancy limitation of Ordinance 18-29-CC, to be $1,045,000.00.

Pursuant to §70.001(4)(c), *Fla. Stat.*, the City of Destin has 150 days to respond to this claim with a written settlement offer. You should consult your counsel as to any other obligations and settlement opportunities contained within this statute.

PLEASE BE GOVERNED ACCORDINGLY.

Sincerely,

NAJMY THOMPSON, P.L.

Aaron M. Thomas
athomas@najmythompson.com

Enclosure: Appraisal

cc:

Kyle Bauman
Anchors Smith Grimsley, PLC
909 Mar Walt Drive, Suite 1014
Fort Walton Beach, Fl 32547-6711
kbauman@asglegal.com

Kimberly Kopp
Romano Kopp Law, P.A.
P.O. Box 622562
Oviedo, Florida 32762-2562
kopp@romanokopplaw.com

AMT/kls

Appraisal Report

Detached Single Family Residential Home

5,643 ± HVAC SF Existing Structure

3892 Sandprint Drive
Destin, FL 32541

DIMINUTION IN VALUE ANALYSIS
3892 SANDPRINT DRIVE
DESTIN, FL 32541

FOR
LINDHOLM FAMILY REVOCABLE LIVING TRUST
AND
DESIGNATED ATTORNEYS

RETROSPECTIVE TO SEPTEMBER 18, 2019

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APPRAISAL REPORT

SUBJECT PROPERTY

5,643 ± HVAC SF Existing Detached Residential Improvement

Seven Bedrooms and Eight and One Half Bathrooms

3892 Sandprint Drive
Destin, FL 32541

EFFECTIVE DATE OF APPRAISAL

Retrospective to September 18, 2019

REPORT DATE

October 8, 2019

VIEWING DATE

April 6, 2019 and September 25, 2019

CLIENT/INTENDED USER

Lindholm Family Revocable Living Trust
3892 Sandprint Drive
Destin, FL 32541

File № 190340A

PREPARED BY:

Thomas A. Marr

State-certified General Real Estate Appraiser № RZ 2645 (FL)
tom@panappraisal.com

Panhandle Appraisal Group
220 Hospital Drive
Fort Walton Beach, Florida 32548
Telephone: (850) 243-0958
Facsimile: (850) 226-8462

PANHANDLE APPRAISAL GROUP

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Fort Walton Beach, Florida

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Fort Walton Beach, Florida 32548

Telephone: (850) 243-0958
Facsimile: (850) 226-8462

October 8, 2019

Lindholm Family Revocable Living Trust/Brad Lindholm
3892 Sandprint Drive
Destin, FL 32541

Re: Diminution in value appraisal of an approximate 5,643 HVAC SF detached residential improvement, 'as is', identified as 3892 Sandprint Drive in Destin, FL 32541. **Panhandle Appraisal Group File № 190340A.**

Dear Mr. Lindholm:

I have completed the requisite personal viewing, research, and analysis necessary to determine if a diminution in value has occurred for the subject parcel.

The subject property is a three level, detached single family residential structure with an approximate 5,643 HVAC SF, seven bedrooms and eight and one half baths. The current sleeping capacity of the subject is thirty (30) guests.

The purpose of the appraisal analysis was to develop an opinion of the market value of the subject property prior to the first application of the city of Destin Ordinance No. 18-29-CC to the subject on September 18, 2019 when thirty (30) guest occupancy was allowed, and then derive a value after the first application of Destin Ordinance 18-29-CC on September 18, 2019 which limited the subject to eighteen (18) guests, based on two guests per bedroom, plus four. I note that the designation as a bedroom is based on data in the Okaloosa County Property Appraiser web site. However, I note that the Okaloosa County Property Appraiser indicates six (6) bedroom s and I counted seven (7) bedrooms.

The authorized user is the client at the address above. The understood intended use of the appraisal report will be for reference in determining if the first application of Ordinance No. 18-29-CC resulted in a diminution of value. No other use of this report by any other entity or person is authorized.

Subject to the above and the assumptions, limiting conditions, and certification set forth herein, it is my professional opinion the retrospective market value of the fee simple interest in the subject property, 'as is', as of September 18, 2019, prior to the first application of Ordinance No. 18-29-CC, was:

TWO MILLION SIX HUNDRED TEN THOUSAND DOLLARS
$2,610,000

Subject to the above and the assumptions, limiting conditions, and certification set forth herein, it is my professional opinion the current market value of the fee simple interest in the subject property, 'as is', after the first application of Ordinance No. 18-29-CC on September 18, 2019 is:

ONE MILLION FIVE HUNDRED SIXTY FIVE THOUSAND DOLLARS
$1,565,000

The diminution of value is a rounded $1,045,000

Exposure Time
The exposure time linked to the final value opinion is a range to nine (9) to twelve (12) months based on market sales of similar properties and current market activity.

Analysis of recent trends and current market supply and demand strongly indicate the highest and best use of the subject property, is continued use as a seasonal rental home.

I hereby certify I possess no interest, present or contemplated, in the appraised property. The undersigned appraiser is competent or has taken the necessary steps to become competent for the property type being appraised. This appraisal has been prepared utilizing all of the requirements set forth as standards for real estate appraisals established for federally related transactions by the Comptroller of the Currency, the Federal Reserve Board, the Federal Deposit Insurance Corporation, and the State of Florida. The appraisal is in conformity with the standards for real estate appraisals as established by the Appraisal Foundation and its Appraisal Standards Board. The appraisal also conforms to *the 2018/2019 edition of the Uniform Standards of Professional Appraisal Practice (USPAP)* and your instructions. The fee for this appraisal was not based on value, nor was the assignment undertaken based on a predetermined value, a trend in value, or a minimum or maximum value.

Respectfully submitted,

Thomas A. Marr

Thomas A. Marr
State-Certified General Real Estate Appraiser № RZ 2645 (Florida)

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APPRAISAL REPORT

This is an Appraisal Report which is intended to comply with the reporting requirements in accordance with the 2018/2019 edition of the Uniform Standards of Professional Appraisal Practice (USPAP) for an Appraisal Report. As such, it represents summary discussions of the data, reasoning, and analyses used in the appraisal process to develop the appraisers' opinion of value. Supporting documentation concerning the data, reasoning, and analyses may be retained in the appraiser's files. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated below. The appraisers are not responsible for unauthorized use of this report.

CLIENT:

Lindholm Family Revocable Living Trust
3892 Sandprint Drive
Destin, FL 32541

APPRAISERS:

Thomas A. Marr
State-certified General Real Estate Appraiser № RZ 2645 (Florida)

Panhandle Appraisal Group
220 Hospital Drive
Fort Walton Beach, Florida 32548

SUBJECT PROPERTY:

Legal Description
Lot 3, Block D, Dunes of Destin

Tax ID №: 00-2S-22-067A-000D-0030.

PURPOSE OF THE APPRAISAL:

The purpose of this appraisal was to develop an estimate of the diminution in value from prior to the first application of City of Destin Ordinance No. 18-29-CC and after the first application of the ordinance on September 18, 2019.

INTENDED USE OF REPORT:

The understood intended use of the appraisal report will be for client use for legal proceedings to restore maximum occupancy property rights.

INTENDED USER:

The intended user is the client stated above, the client's attorneys, and regulatory authorities. This report is not intended or authorized for any other user or audience.

PROPERTY RIGHTS APPRAISED:

Fee Simple, one hundred percent (100%) ownership interest in the subject property.

EFFECTIVE DATE OF VALUE:

Retrospective to September 18, 2019.

DATE OF REPORT:

October 8, 2019.

DATE OF INSPECTION:

Thomas A. Marr viewed the subject property on April 6, 2019 and September 25, 2019.

SCOPE OF WORK:

I note you have not requested an appraisal report format. Based on the Scope of Work requirements included in the 2018/2019 version of USPAP, which indicates the appraiser is responsible to coordinate the scope of work with the client, I am informing you I will perform an appraisal report. **It is my opinion this process of work meets all applicable 2018/2019 USPAP standards.**

DEFINITIONS:

The definitions, commencing on the page following, are provided to assist the reader in understanding this appraisal report.

Market Value[1]

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

- Purchaser and seller are typically motivated;
- Both parties are well informed or well advised and each acting in what they consider their best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

The four (4) time differential values on the graph which may be considered in the appraisal of existing developments are defined as follows:

(1) **'As Is'** means an estimate of the market value of a property in the condition observed upon inspection and as it physically and legally exists without hypothetical conditions, assumptions, or qualifications as of the date of appraisal.

(2) **'Value Upon Completion'** means the market value of a property with all existing construction, conversion, or rehabilitation hypothetically completed, or under other specified hypothetical conditions as of the date of appraisal. With regard to properties wherein anticipated market conditions indicate stabilized occupancy is not likely as of the date of completion, this estimate of value shall reflect the market value of the property as if complete and prepared for occupancy by tenants.

(3) **'Prospective Future Value Upon Completion'** means the prospective future value of a property on the date construction is completed, based upon market conditions forecast to exist as of completion date.

(4) **'Prospective Future Value Upon Achievement of Stabilized Occupancy'** means the prospective future value of a property at a point in time when all improvements have been physically constructed and the property has been leased to its optimum level of long term occupancy.

Fee Simple Estate[2]

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.

Leased Fee Interest[3]

An ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the lessee are specified by contract terms contained within the lease.

---

1 Title XI, Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), [Pub. L. No. 101-73, 103 Stat. 183 (1989)], 12 U.S.C. 3310, 3331-3351, and section 5(b) of the Bank Holding Company Act, 12 U.S.C. 1844(b); Part 225, Subpart G: Appraisals; Paragraph 225.62 (f).
Uniform Standards of Professional Appraisal Practice, 2003 Edition, Page 3
Federal Reserve System, 12 CFR Parts 208 and 225, Sec. 225.62
Office of the Comptroller of the Currency, 12 CFR Part 34, Sec. 34.42 (g)
FDIC, 12 CFR Part 323, Sec. 323.2 (g) (2000)
Office of Thrift Supervision, 12 CFR Part 564, Sec. 564.2
NCUA, 12 CFR Part 722, Sec. 722.2

2 The Dictionary of Real Estate Appraisal, Appraisal Institute, Fourth Edition, 2002, Page 113.

3 Ibid., Page 161.

Leasehold Interest[4]
The interest held by the lessee (the tenant or renter) through a lease transferring the rights of use and occupancy for a stated term under certain conditions.

Condominium[5]
A multi-unit structure or property in which persons hold fee simple title to individual units and an undivided interest in common areas.

Highest and Best Use[6]
The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and which results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability.

...of land or a site as though vacant:

Among all reasonable, alternative uses, the use yielding the highest present land value, after payments are made for labor, capital, and coordination. The use of property based on the assumption the parcel of land is vacant or can be made vacant by demolishing any improvements.

...of property as improved:

The use which should be made of a property as it exists. An existing improvement should be renovated or retained as is so long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing building and constructing a new one.

Marketing Time[7]
The time it takes an interest in real property to sell on the market subsequent to the date of an appraisal.

Exposure Time[8]
A retrospective estimate based on an analysis of past events assuming a competitive and open market.

Advocacy[9]
Representing the cause or interest of another, even if cause or interest does not necessarily coincide with one's own beliefs, opinions, conclusions, or recommendations.

Appraisal[10]
(Noun) The act or process of developing an opinion of value; an opinion of value. (Adjective) of, or pertaining to appraising and related functions such as appraisal practice or appraisal services.

Appraisal Practice[11]
Valuation services performed by an individual acting as an appraiser, including, but not limited to appraisal, appraisal review, or appraisal consulting.

---

4 Ibid., Page 162.

5 Ibid., Page 59.

6 Ibid., Page 135.

7 Ibid., Page 175

8 Ibid., Page 105

9 2018/2019 edition, *Uniform Standards of Professional Appraisal Practice (USPAP)*, Page 1

10 Ibid, Page 1

11 Ibid, Page 1

Appraisal Review[12]
The act or process of developing and communicating an opinion about the quality of another appraiser's work was performed as part of an appraisal, appraisal review, or appraisal consulting assignment.

Appraiser[13]
One who is expected to perform valuation services competently, and in a manner, is independent, impartial, and objective.

Appraiser's Peers[14]
Other appraisers who possess expertise and competency in a similar type of assignment.

Assignment[15]
A valuation service provided as a consequence if an agreement between an appraiser and a client.

Assignment Results[16]
An appraiser's opinions and conclusions developed specific to an assignment.

Assumption[17]
An occurrence which is taken to be true.

Bias[18]
A preference or inclination which precludes an appraiser's impartiality, independence, or objectivity in an assignment.

Business Enterprise[19]
An entity pursuing an economic entity.

Business Equity[20]
The interests, benefits, and rights inherent in the ownership of a business enterprise or a part thereof in any form (including, but not necessarily limited to, capital stock, partnership interests, cooperatives, sole proprietorships, options, and warrants).

Client[21]
The party or parties who engage an appraiser (by employment or contract) in a specific assignment.

Confidential Information[22]
Information is either:

- identified by the Client as confidential when providing it to an appraiser and is not available from any other source; or,
- classified as confidential or private by applicable law or regulation.

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12 Ibid, Page 1

13 Ibid, Page 1

14 Ibid, Page 2

15 Ibid, Page 2

16 Ibid, Page 2

17 Ibid, Page 2

18 Ibid, Page 2

19 2018/2019 edition, USPAP, Page 2

20 Ibid, Page 2

21 Ibid, Page 2

22 Ibid, Page 2

Cost[23]
The amount required to create, produce, or obtain a property.

'Credible'[24]
Worthy of belief.

Extraordinary Assumption[25]
An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions.

Feasibility Analysis[26]
A study of the cost-benefit relationship of an economic endeavor.

Hypothetical Condition[27]
An assertion which is contrary to what exists but is supposed for the purpose of analysis.

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23 Ibid, Page 2

24 Ibid, Page 3

25 Ibid, Page 3

26 Ibid, Page 3

27 Ibid, Page 3

Intangible Property[28]
(Intangible Assets) Nonphysical assets, including, but not limited to, franchises, trademarks, patents, copyrights, goodwill, equities, securities, and contracts as distinguished from physical assets such as facilities and equipment.

Intended Use[29]
The use or uses of an appraiser's reported appraisal, appraisal review, or appraisal consulting assignment opinions and conclusions, as identified by the appraiser based on communication with the Client at the time of the assignment.

Intended User[30]
The Client and any other party as identified, by name or type, as users of the appraisal, appraisal review, or appraisal consulting report by the appraiser on the basis of communication with the Client at the time of the assignment.

Jurisdictional Exception[31]
...an assignment condition which voids the force of a part or parts of *USPAP*, when compliance with part or parts of *USPAP* is contrary to law or public policy applicable to the assignment.

IDENTIFY THE PROBLEM TO BE SOLVED

The problem to be solved in this appraisal analysis was to develop an opinion of the market value of the subject property, both prior to the first application of the city of Destin Ordinance No. 18-29-CC to the subject on September 18, 2019 when thirty (30) guest occupancy was allowed and after the first application of the Destin Ordinance No. 18-29-CC on September 18, 2019, which limited the subject to eighteen (18) guests, based on two guests per bedroom, plus four. Utilizing the before and after values, I derived a diminution of value to the subject property.

EXTENT OF THE PROCESS OF COLLECTING, CONFIRMING, AND REPORTING DATA:

Preparation of this appraisal included the following scope of work:

- The subject site, improvements, and parking improvements were inspected by the appraiser, the property was photographed. File data for similar properties was reviewed.
- The public records were reviewed.
- The appraiser examined the economic, social, governmental, and environmental forces affecting value in the subject neighborhood and the entire market area as a whole.
- The appraiser identified recent and projected actual rents for the subject, based on occupancy of up to 30 guests. The appraiser then identified the annual rentals of other comparable properties which accommodated up to or beyond 30 guests. This data was used to verify or support the historical performance and the projected rents for the subject. These comparable rentals provided market support for the subject actual and projected gross rental income.
- The appraiser identified market rental comparables for properties limited to 18 guests.
- The appraiser then reduced gross rent to net operating rent and capitalized the net operating rent to identify value for the subject as a 30 guest rental and an 18 guest rental. The difference between these two values is the diminution in value.

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28 Ibid, Page 3

29 Ibid, Page 3

30 Ibid, Page 3

31 2018 edition, *USPAP*, Page 3

IDENTIFICATION OF THE TYPE OF APPRAISAL AND APPRAISAL REPORT FORMAT:
I have provided an **Appraisal Report**, as defined by the *2018/2019 edition of the Uniform Standards of Professional Appraisal Practice*, containing a summary of all relevant conclusions, data, and analyses used in the report.

TERMS OF THE FINAL VALUE OPINION:
The final opinion of the current market values of the subject property, 'as is' is expressed in terms of cash or financing terms equivalent to cash.

POLICY STATEMENT OF THE APPRAISAL INSTITUTE:
It is improper to base a conclusion or opinion of value upon the premise the racial, ethnic, or religious homogeneity of the inhabitants of an area or of a property is necessary for maximum value.

Racial, religious, and ethnic factors are deemed unreliable predictors of value trends or price variance.

It is improper to base a conclusion or opinion of value, or a conclusion with respect to neighborhood trends, upon stereotyped, biased presumptions relating to the effective age or remaining life of the property being appraised or the life expectancy of the neighborhood in which it is located.

GENERAL ASSUMPTIONS:

1. No responsibility is assumed for the legal description provided or for matters relevant to legal or title considerations. Title to the property is assumed to be marketable unless otherwise stated. The legal description used in this report is assumed to be correct.

2. The subject property is appraised free and clear of any or all liens, leases, or encumbrances unless otherwise stated. All mortgages, liens, encumbrances, leases, and servitudes have been disregarded unless so specified within the report.

3. No survey of the property has been made by the appraisers and no responsibility is assumed in connection with such matters. Sketches, plot plans, or illustrative material presented in this report are included only to assist the reader in visualizing the property.

4. Information and data furnished by others is usually assumed to be true, correct and reliable. When such information and data appears to be dubious and when it is critical to the appraisal, a reasonable effort has been made to verify all such information; however, no responsibility for its accuracy is assumed by the appraiser.

5. Responsible ownership and competent property management are assumed unless otherwise stated in this report.

6. It is assumed there are no hidden or unapparent conditions of the property, subsoil or structures which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.

7. It is assumed 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.

8. It is assumed the subject property is in compliance with all applicable zoning and land use regulations, unless a nonconformity has been stated, defined and considered in the appraisal report.

9. It is assumed all required licenses, consents or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use which the value estimate contained in this report is based.

10. It is assumed the utilization of the land and improvements is within the boundaries or property lines of the property described and there is no encroachment or trespass unless noted within the report.

EXTRAORDINARY ASSUMPTIONS:

I am using data provided to me by the client and other vacation home owners.

I am also using rental projections from the current property manager.

I am making the extraordinary assumption that the data provided is accurate, credible and reliable.

If, for any reason, the data provided is not accurate, credible and reliable, the values derived in the analysis is subject to review.

GENERAL LIMITING CONDITIONS:

1. This is an Appraisal Report which is intended to comply with the reporting requirements set forth in accordance with the *2018/2019 edition of the Uniform Standards of Professional Appraisal Practice* for an Appraisal Report. As such, it includes summarized discussions of the data, reasoning, and analyses used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses may be retained in the appraiser's files. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraiser is not responsible for unauthorized use of this report.

2. Appraisers are not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraisers suggesting the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert in the field of environmental assessment. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The appraiser's value estimate is predicated on the assumption there exists no such material on or in the property causing a loss in value unless otherwise stated in this report. No responsibility is assumed for any environmental conditions, or for any expertise or engineering knowledge required to discover them. The appraisers' descriptions and resulting comments are the result of the routine observations made during the appraisal process.

3. The subject property is appraised without a specific compliance survey having been conducted to determine if the property is or is not in conformance with the requirements of *The Americans with Disabilities Act*. The presence of architectural and communications barriers which are structural in nature which would otherwise restrict access by disabled individuals may adversely affect the property's value, marketability, or utility.

4. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event, only with proper written qualification and only in its entirety.

5. Neither all nor any part of the contents of this report shall be conveyed to any person or entity, other than the appraiser's or firm's client, through advertising, solicitation materials, public relations, news, sales, or other media without the written consent and approval of the authors, particularly as to valuation conclusions, the identity of the appraiser or firm with which the appraiser is connected, or any reference to affiliation with any professional appraisal organization. Further, the appraiser or firm assumes no obligation, liability, or accountability to any third party. If this report is placed in the hands of anyone but the client, client shall make party aware of all the assumptions and limiting conditions of the assignment.

6. The appraiser affixing his signatures to this appraisal report will not be required to give testimony or appear in court because of having made this appraisal, with reference to the property in question, unless arrangements have been previously made thereof.

7. No environmental impact studies were either requested or made in conjunction with this appraisal, and the appraiser hereby reserves the right to alter, amend, revise, or rescind any of the value opinions based upon any subsequent environmental impact studies, research, or investigation.

8. The appraiser has not been supplied with a report of the subsoil conditions indicating the exact capacity of the subsoil. I do not have the benefit of subsoil test results of the properties and detection of possible soil defects would be beyond my realm of expertise. However, there appear to be no hidden or apparent conditions of the subject sites or subsoil structures which would render them more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.

9. Acceptance of and/or use of this appraisal report constitutes acceptance of the foregoing General Assumptions, Special Assumptions, General Limiting Conditions, and Special Limiting Conditions.

EXTRAORDINARY LIMITING CONDITIONS AND HYPOTHETICAL CONDITIONS:

I note that the ordinance in question allows a five (5) year 'grandfather' period. I considered if this 'grandfather' status should receive some analysis in the discussion of diminution of value. After consideration, I concluded that a potential market participant, aware that the grandfather status will be eliminated , would be very wary to enter into a financial arrangement where he may have to liquidate in an unknown market within a time line that may not be available . Thus, I am not considering any impact of the 'grandfather' status.

CERTIFICATION:

I certify, to the best of my knowledge and belief:

1. The statements of fact contained in this report are true and correct.

2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions and conclusions.

3. I possess no present or prospective interest in the property which is the subject of this report and no personal interest with respect to the parties involved.

4. I possess no bias with respect to the property which is the subject of this report or to the parties involved with this assignment.

5. The engagement in this assignment was not contingent upon developing or reporting predetermined results.

6. The compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value favoring the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

7. The analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *2018/2019 edition of the Uniform Standards of Professional Appraisal Practice.*

8. Thomas A. Marr has made a personal viewing of the property which is the subject of this report. No one else has rendered significant real estate appraisal knowledge and input to the compilation of this report.

9. I have not performed any services, to include appraisal services, regarding the subject in the previous three years.

10. The opinion of market value 'as is' of the one hundred percent (100%) fee simple ownership interest in the subject property, 'as is' prior to the first application of Destin Ordinance 18-29-CC is TWO MILLION SIX HUNDRED TEN THOUSAND DOLLARS ($2,610,000) and the value after the first application of Destin Ordinance 18-29-CC is ONE MILLION FIVE HUNDRED SIXTY FIVE THOUSAND DOLLARS ($1,565,000). The diminution of value is estimated as ONE MILLION FORTY FIVE THOUSAND DOLLARS ($1,045,000).

Thomas A Marr

Thomas A. Marr
State-certified General Real Estate Appraiser № RZ 2645 (Florida)

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DESCRIPTION OF THE SUBJECT PROPERTY
Ownership:

The current owner is the Lindholm Family Revocable Living Trust

FILE #3207869 RCD: 5/18/2018 9:10 AM, BK: 3350 PG: 3723, RECORDING: $10.50 RECORDING ARTICLE V: $8.00
D Doc Stmp: $17,500.00 DEPUTY CLERK ASECRIST
JD PEACOCK II CLERK OF COURTS, OKALOOSA COUNTY, FLORIDA

This Document Prepared By and Return to:
Valerie Ditthardt
EQUITRUST TITLE COMPANY
495 Grand Blvd., Suite 206
Miramar Beach, FL 32550

Parcel ID Number: 00-2S-22-067A-000D-0030

Warranty Deed

This Indenture, Made this 18th day of May , 2018 A.D., Between SAPP INVESTMENTS, LLC, an Arkansas limited liability company to transact business in the State of Florida as SAPP FLORIDA INVESTMENTS, LLC of the County of Greene , State of Arkansas , grantor, and LINDHOLM FAMILY REVOCABLE LIVING TRUST dated June 4, 2010

whose address is: 3158 Chatham Court, Westlake, OH 44145

of the County of Cuyahoga , State of Ohio , grantee.

Witnesseth that the GRANTOR, for and in consideration of the sum of TEN DOLLARS ($10) DOLLARS, and other good and valuable consideration to GRANTOR in hand paid by GRANTEE, the receipt whereof is hereby acknowledged, has granted, bargained and sold to the said GRANTEE and GRANTEE'S heirs, successors and assigns forever, the following described land, situate, lying and being in the County of Okaloosa State of Florida to wit:

Lot 3, Block D, THE DUNES OF DESTIN, a Planned Unit Development, as recorded in Plat Book 13, Page 38, of the Public Records of Okaloosa County, Florida.

Subject to restrictions, reservations and easements of record, if any, and taxes subsequent to 2017.

Pursuant to Section 689.071(1), Fla. Stat., the trustees shall have the power and authority either to protect, conserve and to sell, or to lease, convey, or to encumber, or otherwise to manage and dispose of the real property described herein.

Location:
The subject is an interior parcel, located in the Dunes of Destin Subdivision in urban Destin, Florida 32541.

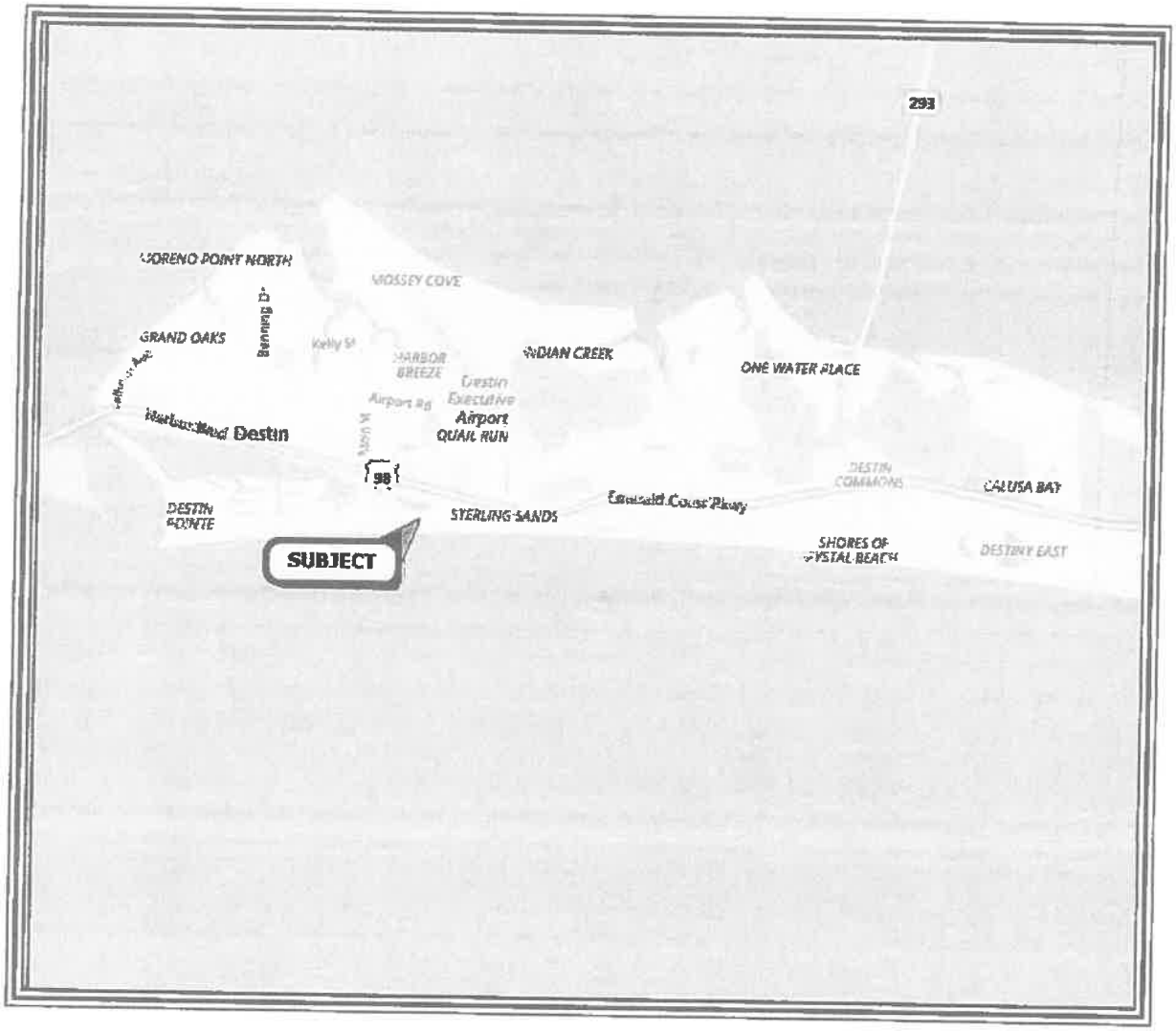
The surrounding Dunes of Destin SD is exclusively gulf front and interior detached homes.

To the east and west along the gulf are primarily multi-family developments, predominantly condominiums.

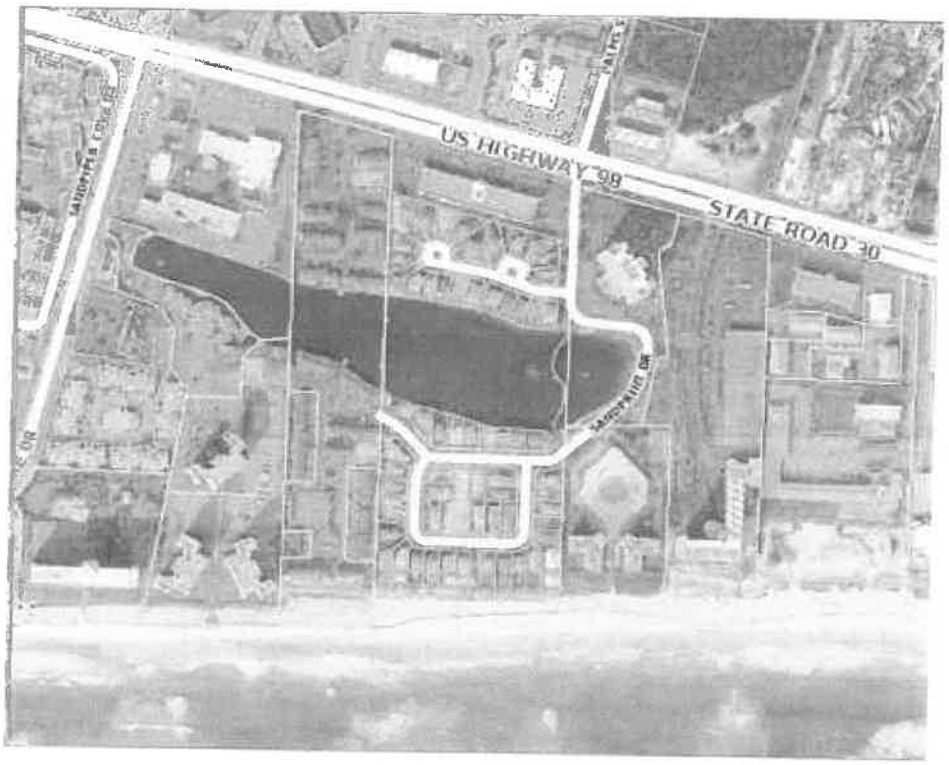
To the north, along Harbor Boulevard (U. S. Highway 98) are commercial uses and further north are mature, residential subdivisions.

This entire area of Destin, in close proximity to the Gulf of Mexico, is a desired location and well considered by the market.

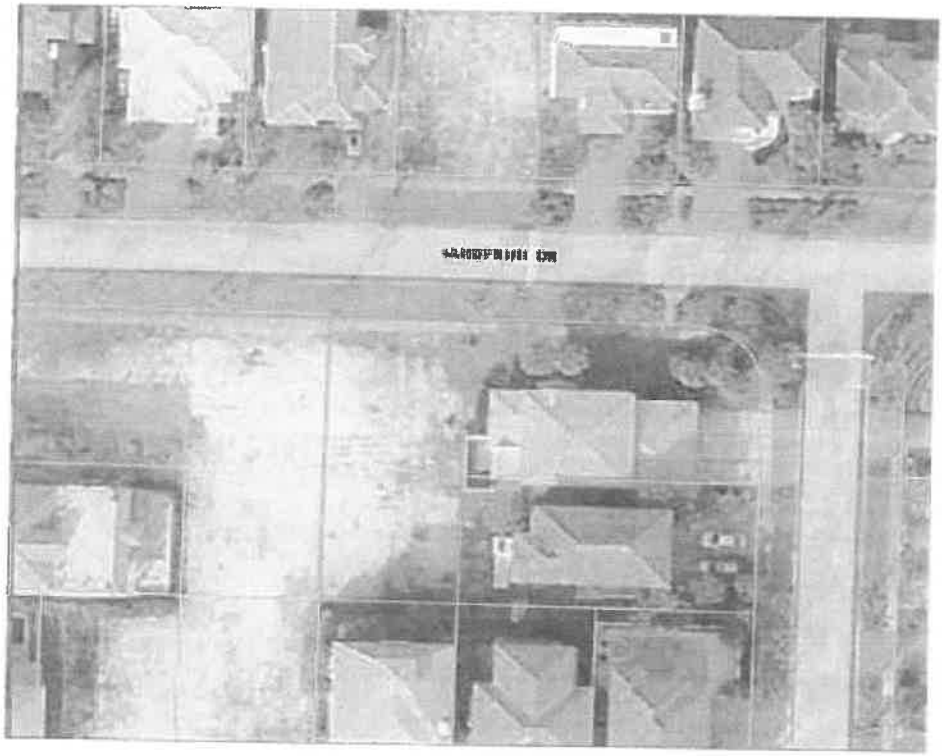
See the following map for the subject location in the broad Destin market.



See the following map for the subject location in the subject subdivision and immediate surrounding area.



The following aerial photograph indicates the subject lot.



Land Size:

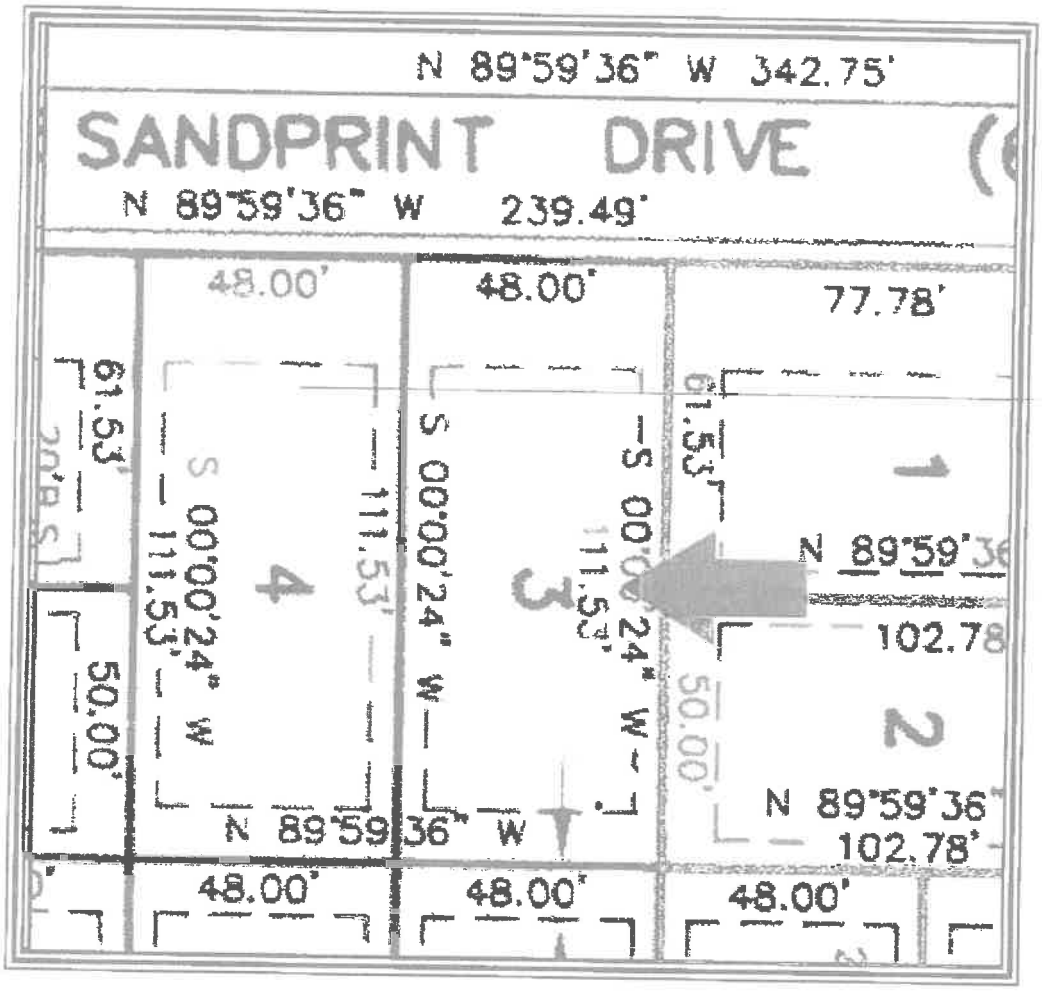
The subject is a single residential lot.

The rounded dimensions are as follows:

111.53 feet on the west side,
48.00 feet on the south side,
111.53 feet on the east side,
48.00 feet on the north side, fronting Sandprint Drive.

These dimensions result in a land size of an approximate 0.12 acres, or 5,353 SF. This land size is typical of lots in the Dunes of Destin Subdivision.

See the following excerpt from the recorded plat map.



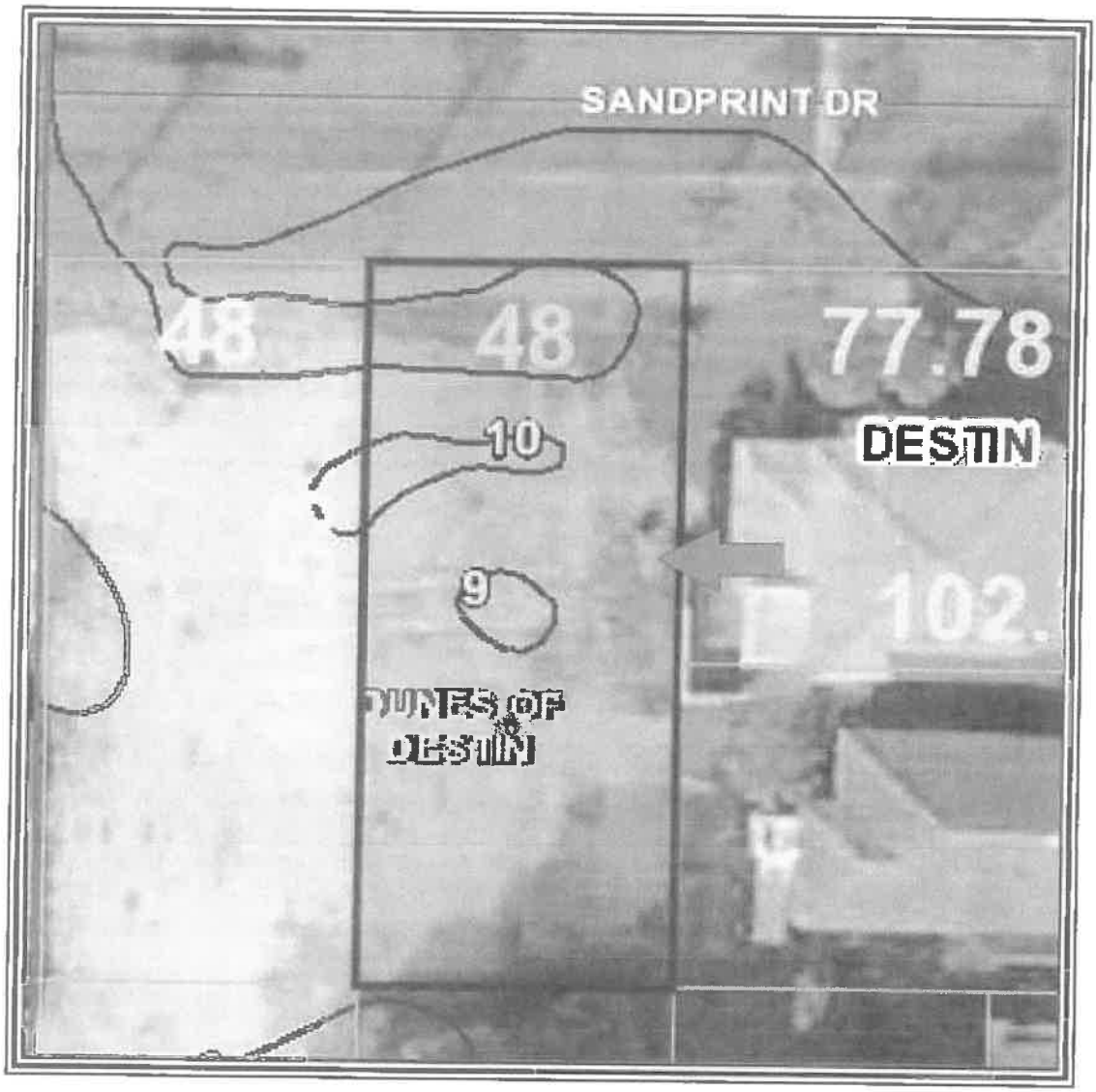
Site Topography:

Per the Okaloosa County GIS site and my viewing, the subject is at, or slightly above, the road grade of Sandprint Drive.

The subject lot is almost entirely level.

The subject lot contour is typical for most parcels in the Dunes of Destin Subdivision.

I am providing the following contour map extracted from the Okaloosa County Property Appraiser web site.



Utilities:

Utility	*Provider*	*Utility*	*Provider*
Electricity	Gulf Power	Stormwater Drainage	Destin
Water and Sewer	Okaloosa County	Fire Department	Destin
Natural Gas	Okaloosa Gas	Police Department	Contract with the Okaloosa County Sheriff
Telephone	Verizon	Refuse Removal	By contract
Cable Television	Cox Cable		

The utilities for the subject site are considered as typical in the market.

Easements/Encroachments:
I was not furnished a copy of a recent survey of the subject property. A review of the site plan, deed, various maps and my personal viewing did not indicate any easements or encroachments.

I assume there are utility easements of record.

It is my opinion that there are no easements or encroachments which would affect value or transferability.

Ingress/Egress:
The subject property is reached directly from Sandprint Drive, which fronts on the entire north side of the subject lot.

Sandprint Drive is a paved, two lane public roadway.

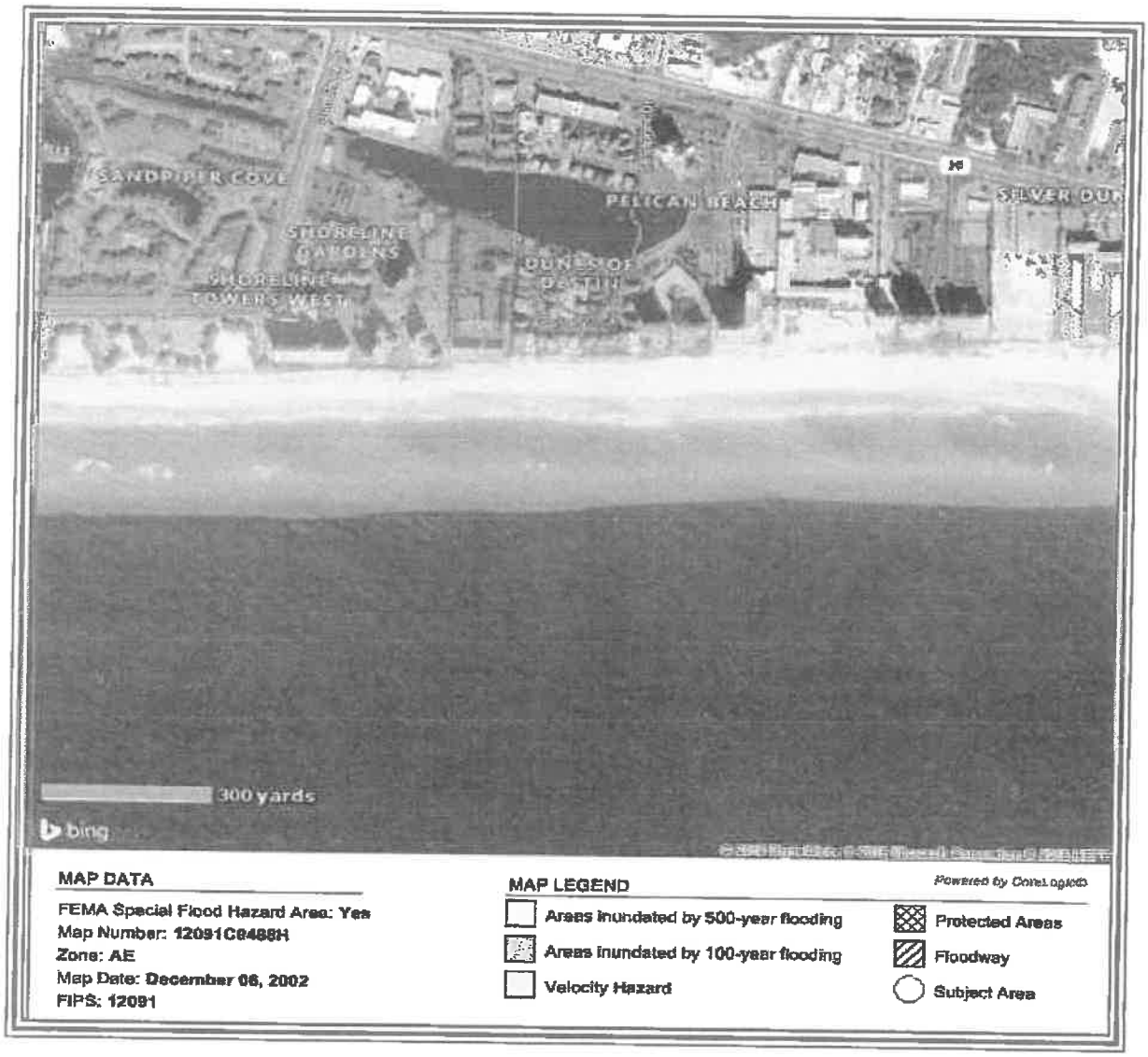
Ingress/egress is viewed as similar to most access typically found in the market.

Parking is viewed as superior to most parking found in the market as the subject features two garage spaces and six driveway spaces.

Flood Risk:

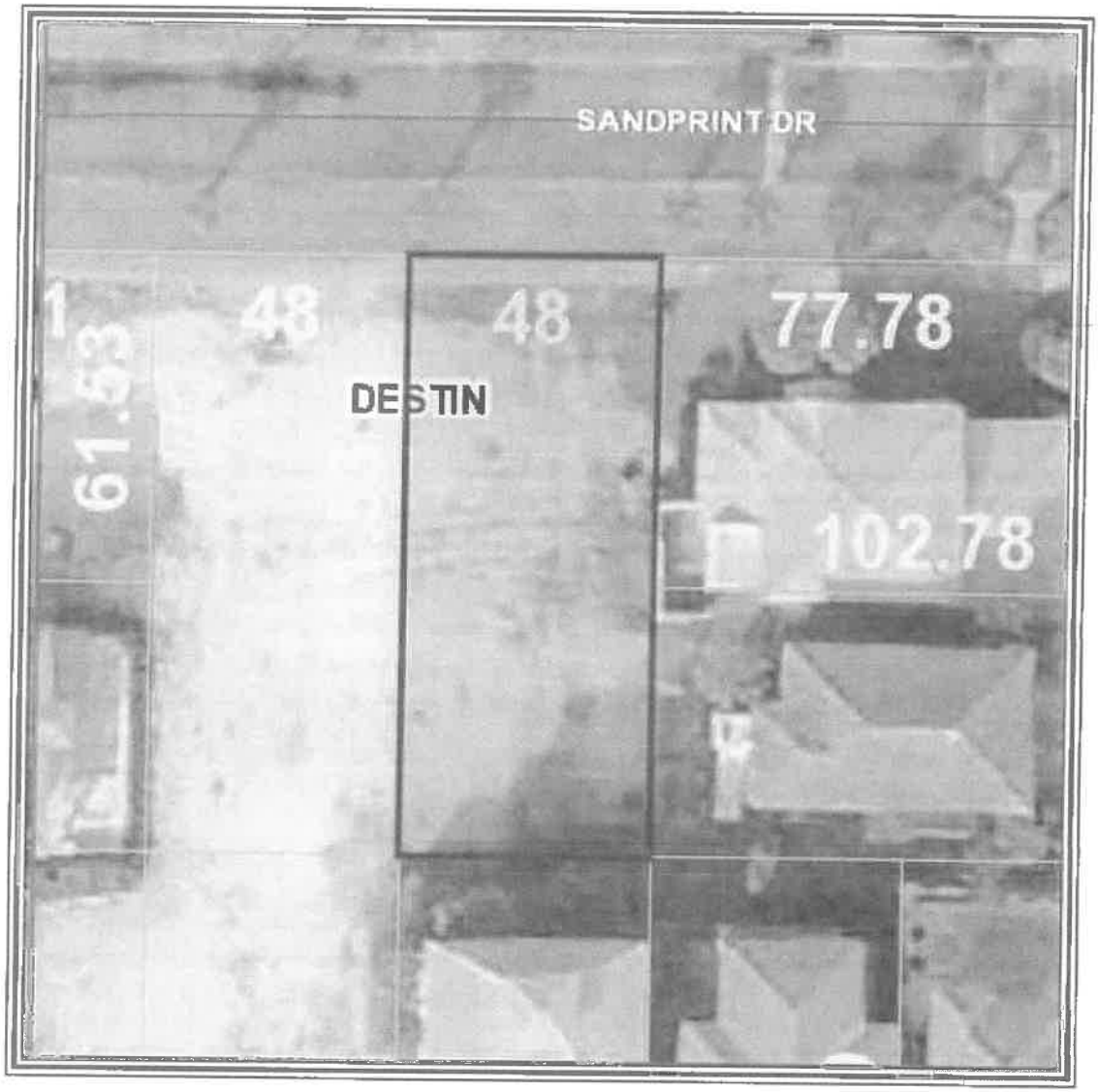
FEMA Map Panel	*Map Area*	*Dated*	*Flood Zone*
12091C 0488H	Okaloosa County	December 6, 2002	"AE"

* The client is advised appraisers are not surveyors, and accordingly, any final determination as to flood zone status should only be made by a licensed, adequately insured, Florida surveyor utilizing the latest FEMA flood panels. However, it appears the entire subject area is considered as Flood Zone 'AE', an area of substantial flood risk. The subject is located at the red circle in the following flood map.

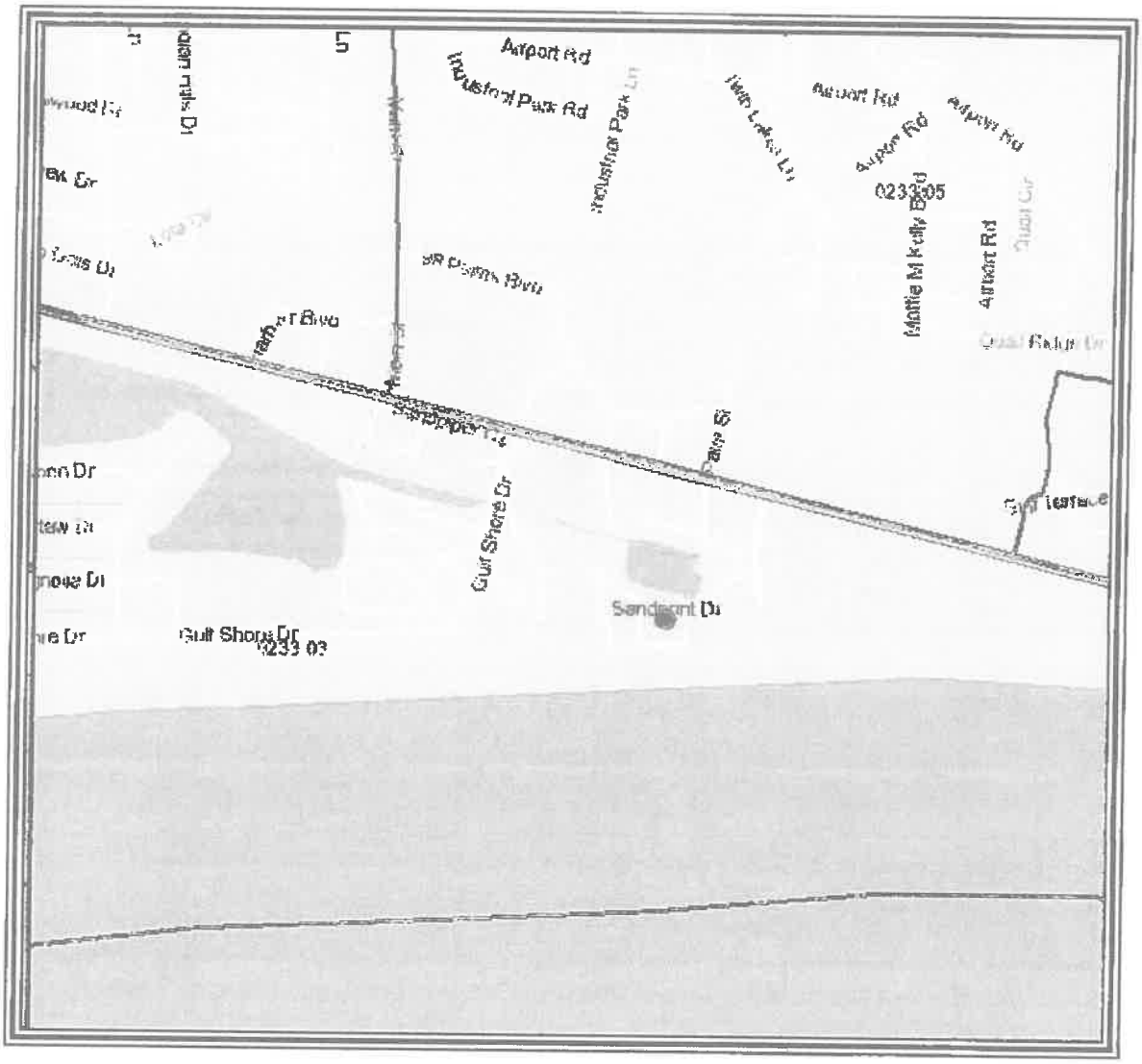


Wetlands:

None, per the Okaloosa County GIS site.



Census Data:
The subject is located in census tract 0233.03.



IMPROVEMENTS 'AS IS'

Size:
The subject is a single family detached improvement with three living levels.

The subject also features an attached two car garage. The subject features substantial exterior balconies and porches, as well as a large in ground swimming pool, pool deck/lanai, landscaping, and a lake view on the north side of the subject. These features results in a total size of 6,443 SF and 5,543 HVAC SF.

The first level features a game room and sleeping spaces in the form of bunks in the hall sleeping two (2) and a bedroom with a king sleeping two. There is a total of six (6) guests on the first level.

The second living level is the kitchen, living room, dining room, a half bath and two bedrooms with kings sleeping a total of four (4). This is a total of four (4) on the second level.

The third level is three bedrooms with kings sleeping six (6), a bedroom with bunks sleeping twelve (12) and a bunk/game room sleeping two (2). This is a total of twenty (20) on the third level.

The first level sleeps six (6), the second level sleeps four (4) and the third level sleeps twenty (20) for a total of thirty (30) guests.

Construction Quality:
The quality of construction for the subject improvement is *Class D* good. Details of construction are summarized below:

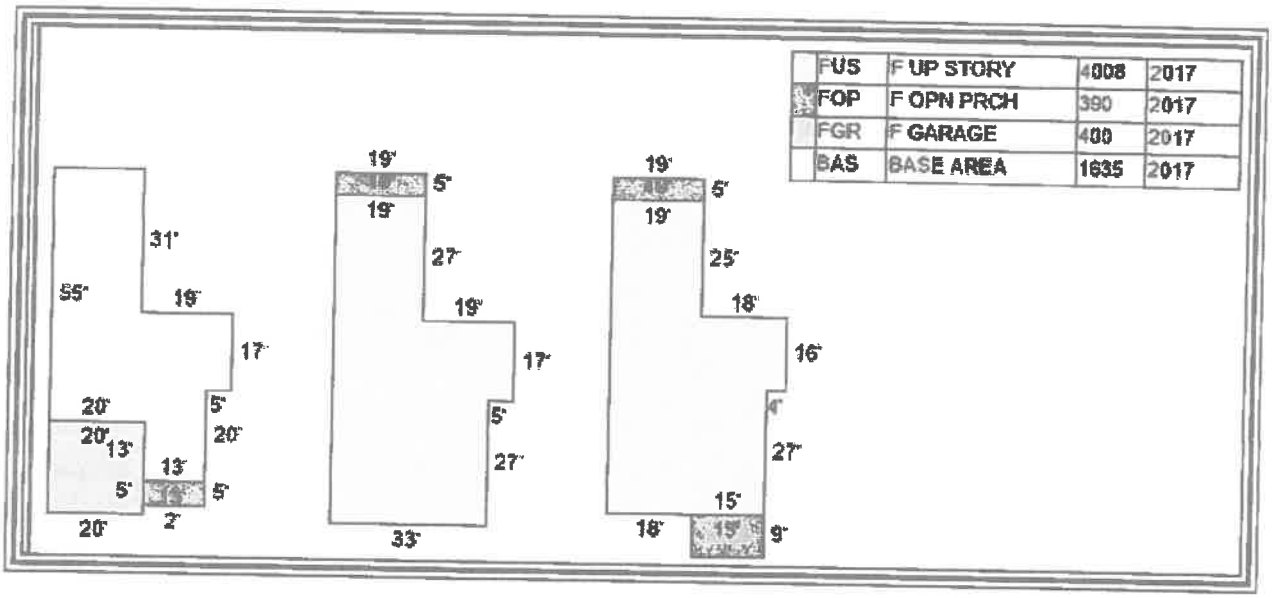
Construction Component	
Foundation	4" Reinforced concrete slab
Exterior walls	Wood frame with stucco
Roof	Ceramic /clay tile
Trim	Base and crown molding
Windows	Double pane aluminum
Exterior doors	Insulated metal with glass
Insulation	Unknown. Assumed to be R38 behind sheet rock
HVAC	Forced Air and Central HVAC
Ceiling	9 and 10 foot with sheet rock and can lights
Interior Walls	Painted sheet rock
Interior flooring	Good tile and carpet
Interior doors	Six and four panel wood
Restrooms	Eight and one half with good fixtures
Lighting	Can lights
Kitchens	One typical residential kitchen with good cabinetry
Other	Many porches/swimming pool and lanai with summer kitchen.

Condition of Improvements:
The subject improvement is in good condition.

Age:
Public records indicate this subject improvement was constructed in 2017.

I consider the actual age to be two (2) years and the effective age to be similar. I estimate an economic life of fifty five (55) years and a physical life of seventy five (75) years.

See the following sizes indicated for the subject in the Okaloosa County Property Appraiser web site.



Exterior Photographs:

FRONT OF SUBJECT

REAR OF SUBJECT

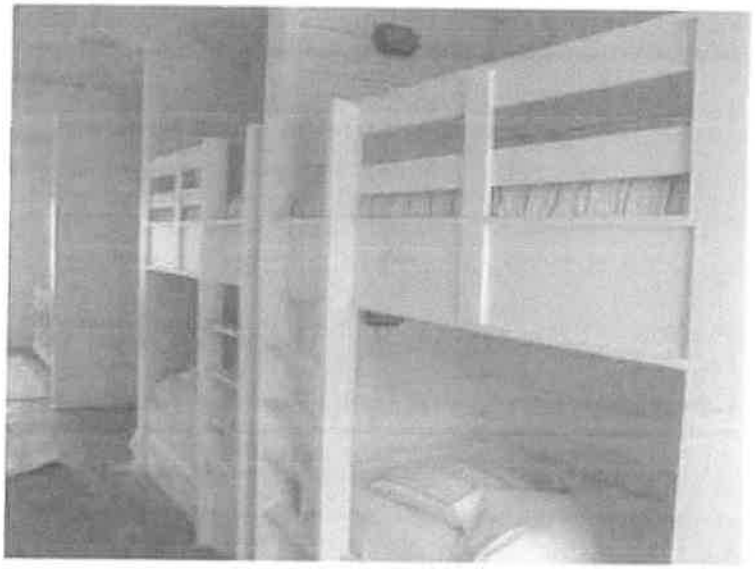
SWIMMING POOL AND DECK

FIRST LEVEL PATIO AND SUMMER KITCHEN

First Level Sleeping Six (6).

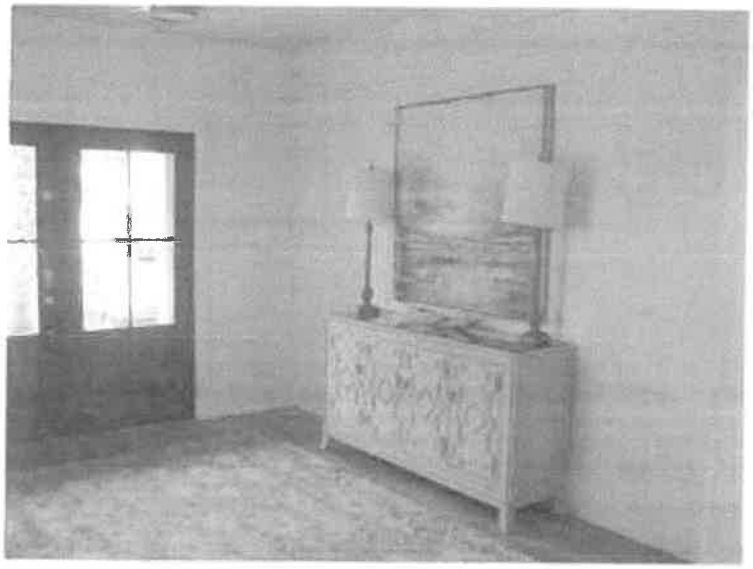
BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #1

FULL BATH SUPPORTING BEDROOM #1 - BATH #1

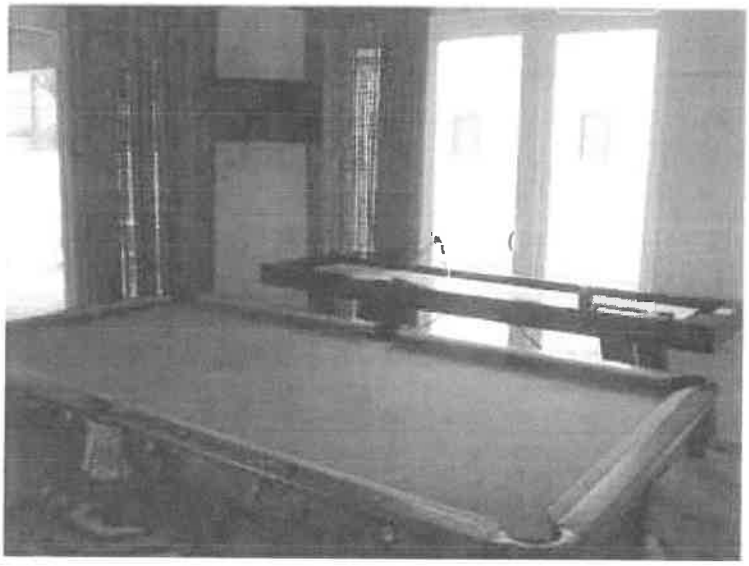


BUNKS IN HALL SLEEPING FOUR (4)

FULL HALL BATH SUPPORTING BUNKS AND COMMON AREA - BATH #2



FOYER



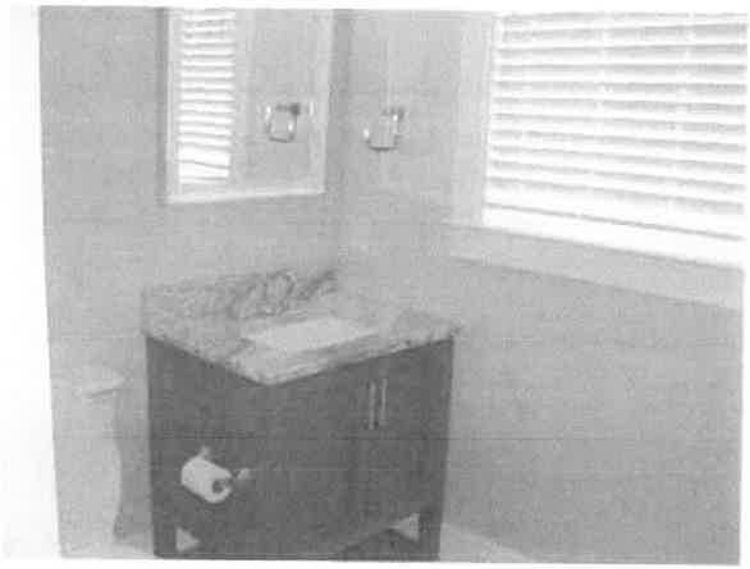
GAME ROOM

Second Level Sleeping Four (4)

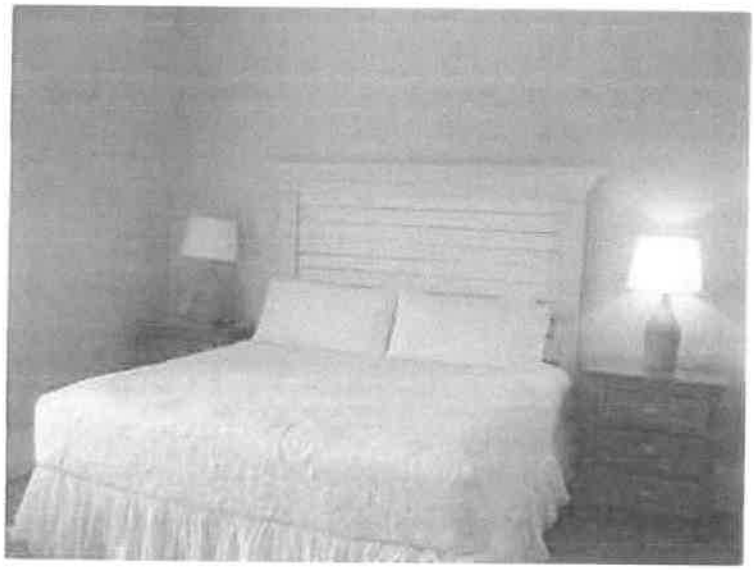
KITCHEN

LIVING ROOM

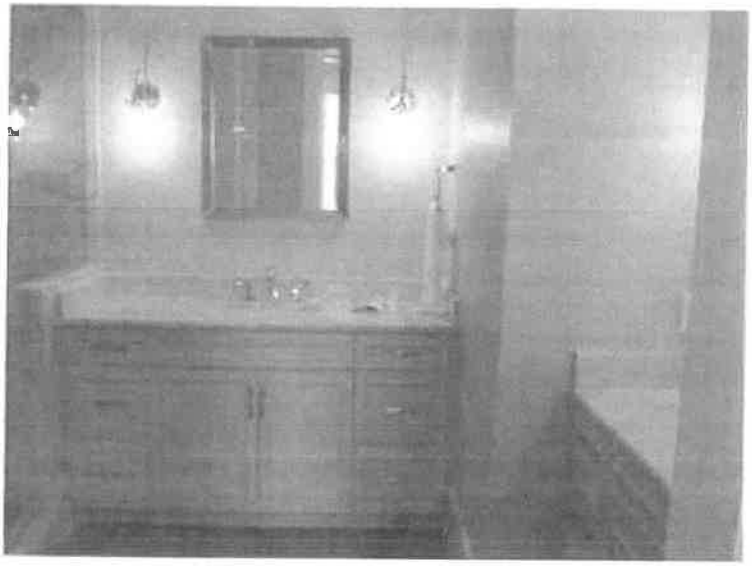
DINING ROOM



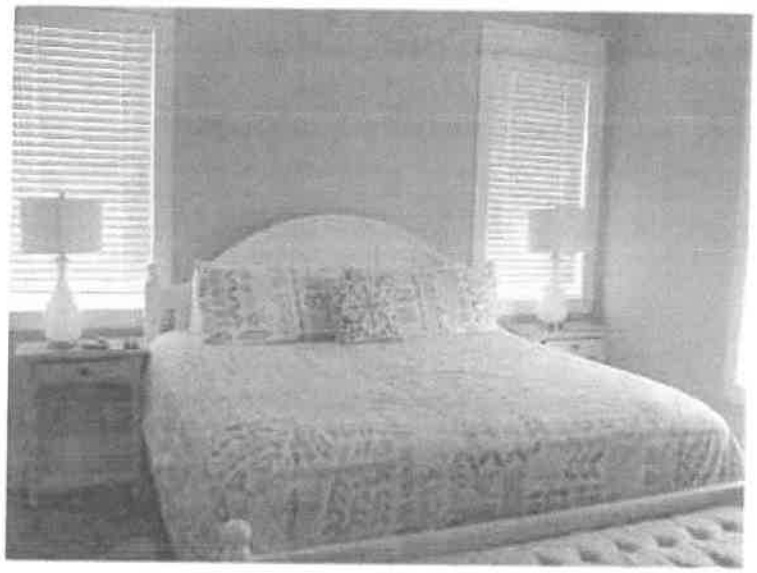
HALF BATH IN HALL - BATH #2.5



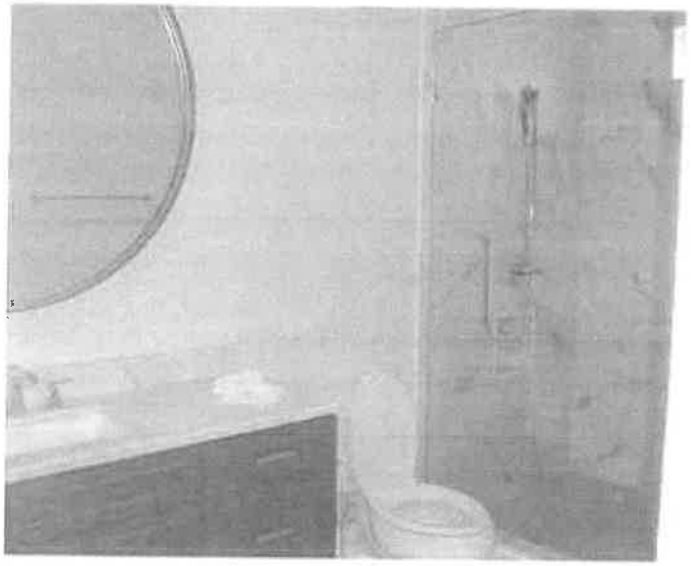
BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #2



FULL BATH SUPPORTING BEDROOM #2 - BATH #3.5

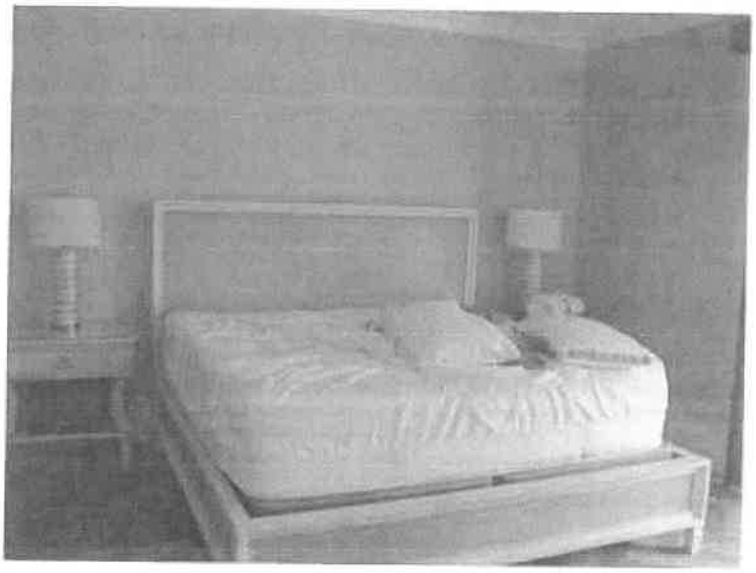


BEDROOM WITH KING SLEEPING TWO (2) - BR #3

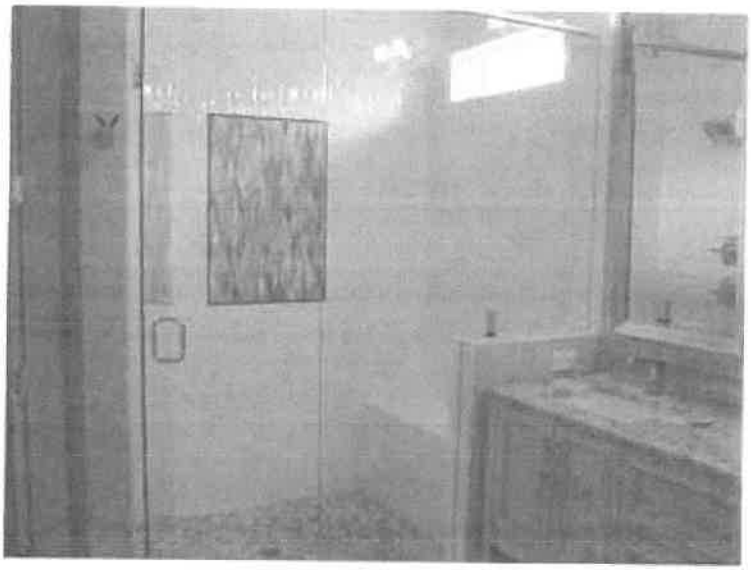


FULL BATH SERVICING BEDROOM #3 - BATH #4.5

Third Level Sleeping Twenty (20)

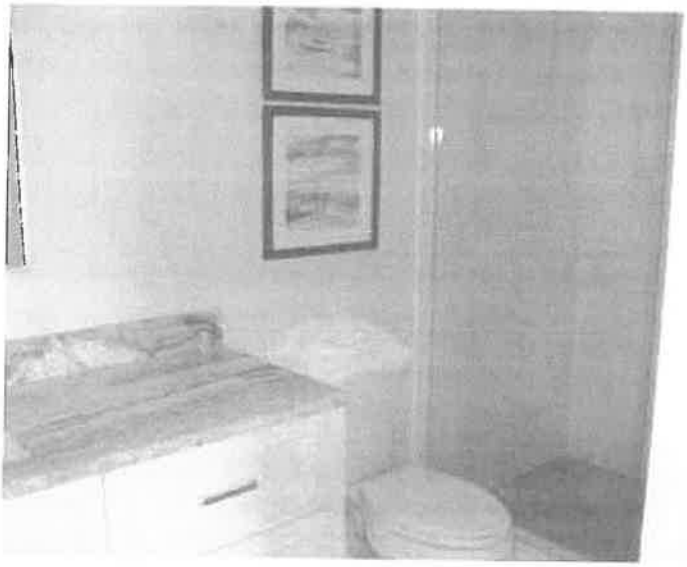


BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #4



FULL BATH SUPPORTING BEDROOM #4 - BATH # 5.5

BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #5

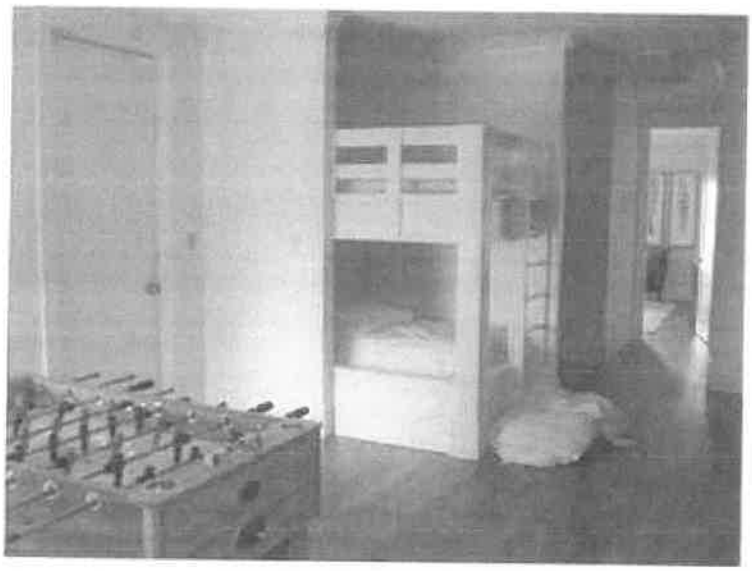


FULL BATH SUPPORTING BEDROOM #5 - BATH # 6.5

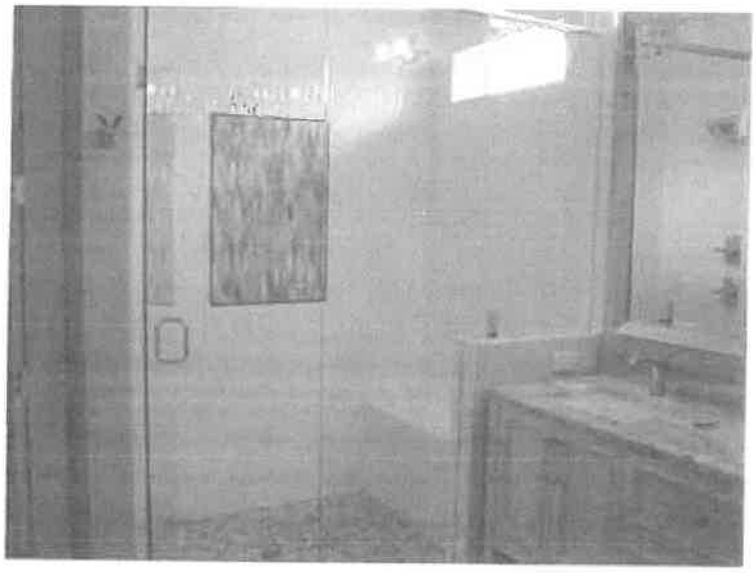
BEDROOM WITH KING SLEEPING TWO - BEDROOM #6

FULL BATH SUPPORTING BEDROOM #6 - BATH #7.5

BUNKS SLEEPING TWELVE (12) - BEDROOM #7



BUNKS SLEEPING TWO (2)



FULL BATH IN HALL SUPPORTING THE BUNK ROOM AND HALL BUNKS - BATH #8.5

LAUNDRY ROOM

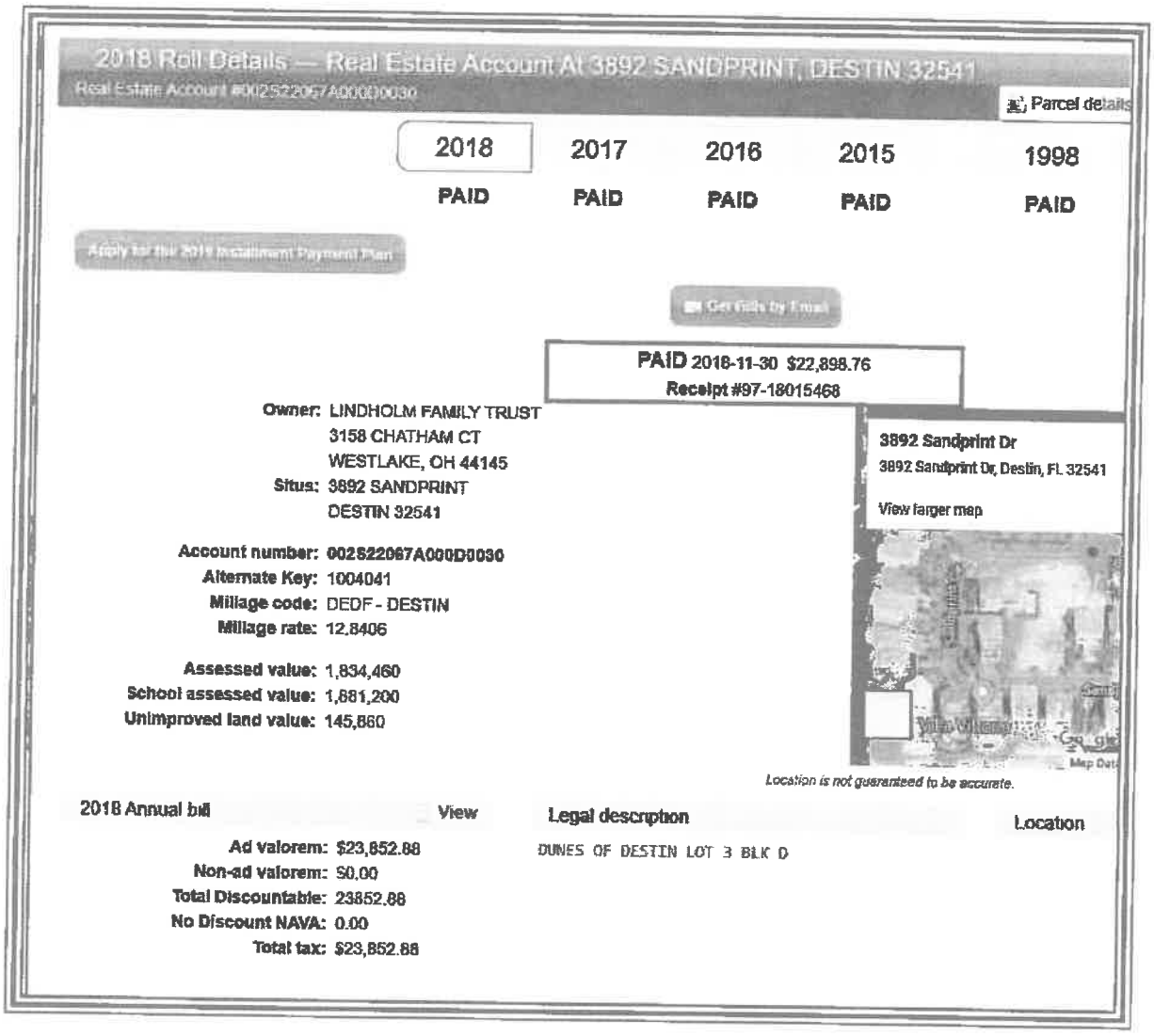
The tax identification number, gross tax amount due, amount paid, and assessed value for the 2018 tax year.

Tax Identification Number	Assessed Value	Gross Tax Amount Due	Amount paid	Amt. Due
00-2S-22-067A-000D-0030	$1,834,360	$23,852.88	$22,898.76	None

The 2018 taxes were paid early, resulting in a discount.

There are no previous year taxes owing.

It is my experience that assessed value has little correlation with current market value and are typically lower than market value with a few exceptions.



2018 Roll Details — Real Estate Account At 3892 SANDPRINT, DESTIN 32541

Real Estate Account #002522067A000D0030

Parcel details

2018	2017	2016	2015	1998
PAID	PAID	PAID	PAID	PAID

Apply for the 2019 Installment Payment Plan

Get bills by E-mail

PAID 2018-11-30 $22,898.76
Receipt #97-18015468

Owner: LINDHOLM FAMILY TRUST
3158 CHATHAM CT
WESTLAKE, OH 44145
Situs: 3892 SANDPRINT
DESTIN 32541

Account number: 002522067A000D0030
Alternate Key: 1004041
Millage code: DEDF - DESTIN
Millage rate: 12.8406

Assessed value: 1,834,460
School assessed value: 1,881,200
Unimproved land value: 145,860

3892 Sandprint Dr
3892 Sandprint Dr, Destin, FL 32541
View larger map

Location is not guaranteed to be accurate.

2018 Annual bill View

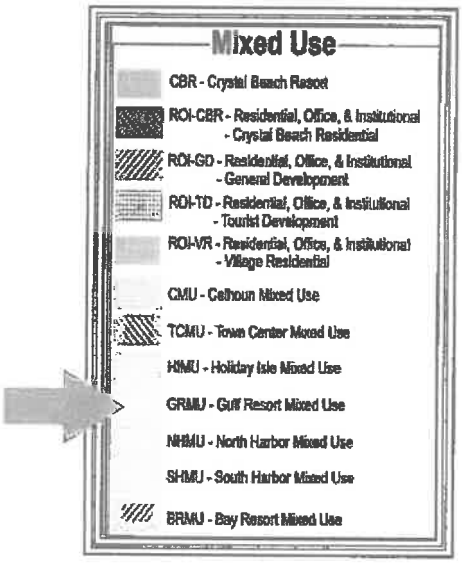
Ad valorem: $23,852.88
Non-ad valorem: $0.00
Total Discountable: 23852.88
No Discount NAVA: 0.00
Total tax: $23,852.88

Legal description

DUNES OF DESTIN LOT 3 BLK D

Location

Zoning:
The following map indicates zoning for the subject parcel. The subject is zoned *Gulf Resort Mixed Use* by Destin. See following pages for detailed identification of allowable uses.



GRMU Permitted Uses.

City of Destin
Community Development Department
Planning Division
4200 Indian Bayou Trail, Destin, FL 32541
Phone (850) 837-4242 • Fax (850) 650-0693

ZONING DISTRICT FACTSHEET

The purpose and intent of establishing zoning districts is to ensure that all development is consistent with the goals, objectives and policies of the Comprehensive Plan, by establishing a series of zoning districts that indicate what uses are allowed and site development regulations that control the use of land in each district. All development within each zoning district shall be consistent with the purposes stated for each district. (LDC 7.12.05)

GULF RESORT MIXED USE (GRMU)

Purpose and Intent: The Gulf Resort Mixed Use zoning district is intended to provide the city with its major mixed use resort destination by providing for the most intensely developed area for commercial transient accommodations (commercial hotel, motel, bed and breakfast establishments and other commercial transient living accommodations) and seasonal residential single-family detached and multi-family attached uses. Permanent single-family detached and multi-family attached residential uses; retail; service; restaurant; office; and similar commercial uses are also allowed in this zoning district.

Table 7-2: Table of Allowable Uses (excerpt from LDC 7.12.06)

PERMITTED USES:

Permanent or long-term residential uses	
Single-family detached dwelling	P
Multi-family attached dwelling	P
Single room occupancy housing	P
Seasonal or short-term residential uses	
Single-family detached dwelling	P
Luxury motor home resort	P
Multi-family attached dwelling	P
Other residential uses	
Community residential home, small (1-6)	P
Family day care home	P

NAICS Use Designations		
323	Printing and related support activities	P
4452	Specialty food stores	P
4453	Beer, wine, and liquor stores	P
446	Health and personal care stores	P
447	Gasoline stations	P
448	Clothing and clothing accessories stores	P
4511	Sporting goods and musical instrument stores	P
4512	Book, periodical, and music stores	P
4529	Other general merchandise stores	P
4531	Florists	P
4532	Office supplies, stationery, and gift stores	P
4539	Other miscellaneous store retailers	P
4851	Urban transit systems	P
4853	Interurban and rural bus transportation	P
4871	Scenic and sightseeing transportation, land	P
4872	Scenic and sightseeing transportation, water	P
512131	Motion picture theaters	P
516	Internet publishing and broadcasting	P
518	ISPs, search portals, and data processing	P
519	Other information services	P
52	Finance and Insurance	P
531	Real Estate services	P
531120	Conference/convention center	P
5322	Consumer goods rental	P
541	Professional and technical services	P
[illegible]	Veterinary services	P
[illegible]	Management of companies and enterprises	P
561	Administrative and support services	P
561720	Janitorial services	P
6116	Other schools and instruction	P
6117	Educational support services	P
621	Ambulatory health care services	P
6244	Child day care services	P
711	Performing arts and spectator sports	P
713120	Amusement arcades	P
713940	Fitness and recreational sports centers	P
713950	Bowling centers	P
713990	All other amusement and recreation industries	P
721110	Hotels and motels	P
721191	Bed-and-breakfast inns	P
721199	Other traveler accommodation, C.T.L.A. [12]	P
7213	Rooming and boarding houses	P
722	Food services and drinking places	P
722110	Full-service restaurants	P
722111	Limited-service restaurants	P
7224	Drinking places, alcoholic beverages	P [5]
81149	Other personal and household goods repair	P
812	Personal and laundry services	P
8123	Dry cleaning and laundry services	P
812910	Pet care (except veterinary) services	P
813	Membership associations and organizations	P
8131	Religious organizations	P

LAND DEVELOPMENT CODE COMMENTS

The following excerpts were taken from the Destin Land Development Code, currently on line.

> 5. **Gulf Resort Mixed Use Area (Map 1-1a).** The Gulf Resort Mixed Use area is a major mixed use tourist destination that is the City's most intensely developed area for short and long term residential, commercial transient living accommodations, and commercial uses. The area is largely built out and in the future this area is anticipated to undergo infill and redevelopment. Incentives shall be developed to encourage provision of public beach access where possible (See Policy 1-3.2.5).

This first excerpt states that Gulf Resort Mixed Use is the City's most intensely developed area for short and long term rentals. I note that this description of the Gulf Resort Mixed Use zoning designation is silent regarding the number of allowable guests and does not limit guest numbers.

> **Policy 1-2.1.1: Residential Uses Defined.** Residential uses shall include several structure types used for housing, including single-family detached dwellings and multiple-family structures including duplex structures units, town homes and other detached single-family structures, apartments, patio homes, atrium homes, and similar multiple-family structures. The specific FLUM designations shall identify where single-family and multiple-family structures may be located. Following are the definitions for long-term residential and short-term residential.
>
> 1. **Long-Term Residential.** Long-term residential uses shall be defined as any residential accommodation that is available for occupancy for 181 days or more. Long-term residential uses shall include lock-out units, as defined in the Glossary.
> 2. **Short-Term Residential.** Short-term residential uses shall be defined as any residential accommodation that is available for occupancy for 180 days or less. Short-Term Residential uses shall include lock-out units, as defined in the Glossary.

This second excerpt defines long term rental and short term rental. I again note that the definition of short term rental is silent regarding the number of allowable guests.

> **Policy 1-2.1.5: Grandfather Clause.** Existing land uses that were lawfully conforming uses prior to the effective date of the Comprehensive Plan, shall continue as lawful uses and shall be regulated through administrative remedies for vested rights issues that shall be included in the LDC. Building heights, density and/or intensity which (a) are actual present and which lawfully existed prior to the effective date of the Comprehensive Plan, or (b) were authorized pursuant to a development order, which development order remained unexpired as of the effective date of the Comprehensive Plan, shall continue to be legal building heights, density and/or intensity (as applicable) after adoption of the Comprehensive Plan. All duly approved and recorded lots, subdivision and condominium plats of record, which existed as legal lots, subdivision and condominium plats of record prior to the adoption of this Comprehensive Plan shall continue to be legal lots, subdivision and condominium plats of record after adoption of the Compre[illegible]. This grandfather status may only be relinquished voluntarily by the vested entity. All [illegible]sions, condominium plats and all replats shall comply with the Comprehensive Plan objectives and Policies, including maximum density provisions. Similarly, all new development shall comply with the Comprehensive Plan and LDC unless the development is found to have a vested right in a land use, building height, density or intensity that is in conflict with the Comprehensive Plan and LDC. Under such condition the grandfather clause shall be applicable unless voluntarily relinquished by the vested entity. The intent is to sustain demonstrated private property rights while preserving the public interest, welfare, health, and safety. Notwithstanding, any single-family home that is subject to redevelopment shall be allowed to reconstruct, providing adopted building and construction codes as well as this ordinance and the size and dimension criteria of the LDC are met.

This third excerpt defines the grandfather clause. This clause states clearly that the grandfather status may be released only by the vested entity.

CONCLUSION

Based on these excerpts, I conclude that prior to the first application of Ordinance 18-29-CC, there were no restrictions to the number of allowable guests.

History:
The subject has been owned by the current owner since 5/18/2018 when the trust purchased it for $2,500,000, per ORB/P 3350/3723.

This sale occurred in MLS 785865, with the subject being on the market for 186 days before going under contract.

I assume that the extended days on the market suggests that there was adequate market exposure and that the sales price of $2,500,000 is a market based price.

Active Listings:
None.

Current Use:
The subject is currently a detached single family home used for seasonal rental, catering to large family groups.

Surrounding Uses:
The surrounding use in the Dunes of Destin Subdivision is a mix of full time occupants and seasonal renters.

MARKET AREA ANALYSIS - SEASONAL RENTAL MARKET

I am restricting this analysis to the seasonal rental market.

Up until perhaps 2000, the great majority of seasonal rentals were condominium units.

However, the growing demand for larger spaces to accommodate extended families in one place led to the conversion of many larger homes to seasonal rentals. It also spurred the construction of homes specifically designed for large rental parties.

Such homes feature typical living areas but emphasize a substantial number of bedrooms and baths. Often bedrooms are equipped with multiple built - in bunks for sleeping children.

Most homes also feature sofa sleepers which can sleep additional children.

Many of these homes, and certainly those recently constructed for this purpose, featured swimming pools and lanai areas as an exterior amenity.

This market has flourished as Destin is nationally recognized as a tourist attraction.

It is common to see Realtors addressing gross rental amounts or gross rental projections in MLS Listings. While the value of homes similar to the subject is partially estimated by a size / value per SF component, the fact that a home generates a substantial amount of income makes it a more attractive and safe purchase than a home which is not rented for seasonal income. In the past few years, income has become as important as selling prices, per SF.

Another factor worthy of discussion is that many owners now self - manage. Typically in the past, management of rentals was performed by one of several large real estate companies, such as Resort Quest, Dale Peterson, Newman Dailey and Southern Resorts. However, in the past 10 years a substantial number of smaller management companies have surfaced.

Management fees for seasonal rentals range from perhaps 15% to 25% of gross revenue.

Entrepreneurial owners have recognized this expense line and many now self - manage with the aid of Vacation Rental By Owner (VRBO) or some similar search engine.

The seasonal rental market is increasing in the Destin/Miramar Beach market as the thriving national economy allows discretionary vacations.

Without the first application of Ordinance 18-29-CC, allowing the existing capacity up to 30 guests, I would consider the seasonal rental market to continue to flourish over the next several years.

With the first application of Ordinance 18-29-CC, limiting the subject to 18 guests, I would project a diminution in value.

HIGHEST AND BEST USE 'AS IS'

Legally Permissible
The subject property is zoned (and designated for future land use) as *Gulf Resort Mixed Use (GRMU)* by the City of Destin, Florida.

This zoning and land use designation allows for single-family use and specifically indicates that short term rentals is a permitted use (See page 38). The use of the subject for single-family short-term rentals is therefore allowed in this district.

Physically Possible
The subject property appears to be relatively level and well drained. Soil and subsoil conditions nearby appear compatible with both low-rise, multi-story use and traditional commercial development. All utilities required for commercial or 'mixed use' are presently at the site. The size and dimensions of the site are sufficient to allow a wide variety of legally permissible uses. The shape of the site is rectangular and this shape does not limit utility. Transportation of construction materials or labor to the site is estimated to be relatively simple due to the central location of the site within the overall market. Access to the site is above average.

However, the most compelling substantiation that the subject is physically possible is the fact that it already exists.

Therefore, use of the subject property for single family use as a seasonal rental is physically possible.

Financially Feasible
Value opinions derived in the income approach to value indicate the existing improvement contributes value to the underlying land. There is substantial other ongoing seasonal rental use in the market, suggesting that there is broad appeal for seasonal rental properties.

Therefore, continued use of the subject property for a detached single family residence used for seasonal rental income is financially feasible.

Maximally Productive
The alternatives of addition, demolition, expansion, modernization, or conversion to alternate uses have been considered within the legal, physical, and financially feasible parameters. Several alternatives exist.

Alternatives for use of improvements:

Expansion
The existing subject improvement is 5,643 HVAC SF. The subject is typical of most seasonal rental homes. Thus, there is no need for expansion. Any expansion would come at a cost of parking and/or access. Thus, expansion beyond what is existing, does not appear to be appropriate and feasible.

Renovation
Typically, any existing property could benefit from renovation. However, the subject has been well maintained and is in good condition. Thus, I would not consider imminent renovation to be required or practical.

Downsizing
The existing subject improvements are 5,643 HVAC SF. I see no reason to downsize the subject improvement as it appeared that all of it is usable space. Thus, downsizing beyond what is existing does not appear to be appropriate, physically possible or feasible.

Subdividing
The purpose of the subject is to lease it seasonally to large parties of guests. Subdivision would not be legally approved and does not appear to be financially prudent as the parties of guests would be smaller and grouping smaller parties together in the same pool could prove problematic. I would not consider subdivision to be prudent or feasible.

Demolition
The subject is a recently constructed home in 2017, and is currently in good condition. It features a probable 55 years of remaining economic life and a probable 70-75 years of remaining physical life.

I do not consider demolition and replacement with alternative improvements to be a superior use to the current use as a rental property. No alternative use would be certain to serve the land better. Thus, the subject is not a candidate for demolition.

Utilizing existing improvements
Continued use 'as is' as a seasonal rental, is considered the maximally productive use.

Conclusion of Highest and Best Use 'as is'
Analysis of recent trends and current market supply and demand indicate that the maximally productive highest and best use of the subject property is continued use as a detached single family residence used for seasonal rental income.

Conclusion of Highest and Best User 'as is'
Analysis of recent trends and current market supply and demand strongly indicate the most probable user is an entrepreneurial user who leases the subject for seasonal rental income with a small amount of personal use.

SUMMARY OF ANALYSIS AND VALUATION

Methodology

Site valuation derived from Sales Comparison Analysis involves direct comparisons of the subject property to similar properties selling in the marketplace to derive a comparative value indication for the subject property 'as if vacant,' as of the effective date of value. This approach is also called the 'direct sales comparison approach', or the 'market approach', and tends to be the most reliable approach for developing an opinion of the value of vacant land or sites available for development. Other methods of developing the value of land are available. Allocation, extraction, land residual, ground rent capitalization, and discounted cash flow analysis are all recognized as reasonable methods of valuation.

The cost approach is a reliable methodology for new, or nearly new, buildings. I estimate the replacement cost or reproduction cost, in this case replacement construction cost, of the existing or existing improvements and site improvements (including direct and indirect costs as well as an appropriate developer profit), deducting accrued depreciation from physical, functional, and external sources from the total replacement or reproduction cost new. The depreciated replacement or reproduction cost of the improvements is added to the value of the site resulting in a value indication of the fee simple interest in the property.

The sales comparison approach is based on the 'Principle of Substitution' which indicates an informed purchaser would pay no more for a property than the cost of acquiring an equally desirable substitute property with the same or similar utility. This approach is applicable when an active market provides sufficient quantities of reliable data which can be verified from authoritative sources. The Sales Comparison Approach is reliable in an active market or if an opinion of value is related to properties which there are comparable sales available. This approach to value is also relevant when sales data can be verified with the principals to the transaction. Heavy emphasis is usually placed on this approach to value in an active market.

The income approach is recognized as a reliable approach for developing an opinion of the value of 'income producing' property to an investor. The income approach consists of methods, techniques, and mathematical procedures an appraiser uses to analyze a property's capacity to generate income and convert income into an indication of present value either by capitalizing the current income at a market capitalization rate or discounting the future cash flows into a present value estimate using an appropriate yield (discount) rate. The appraisal process emulates the market, and the most probable purchaser would either be an investor or prospective owner occupant. Two (2) techniques associated with the income approach are direct capitalization and discounted cash flow analysis.

Methodology employed and explanation of the exclusion of any of the three (3) approaches to value

I am not performing cost analysis. A buyer and seller in the market would not care what it cost to build the subject. In addition, the problem to be solved is to drive the diminution in value based on the guest restrictions included in Destin Ordinance 18-29-CC. The number of guests would have no impact on the cost to construct.

I am not performing sales comparison analysis. The impact of Destin Ordinance 18-29-CC may not be evident in the market for several years in the selling prices of homes. The ordinance allows a five year grandfather period. Homes sold in this grandfather period may not indicate a decline in selling prices and it would not be reliable to estimate diminution in value based on comparable sales until a larger array of data was available for use in sales comparison analysis.

I am performing income analysis. I will identify probable annual income for the subject with thirty (30) guests, based on historical income and projected income from the manager; and then identify market rents which support the subject contract rent. I will then identify operating expenses and subtract operating expense from gross rent to arrive at a net operating income (NOI). I will then apply a market based capitalization rent to the NOI to arrive at a value for the subject, prior to the first application of Destin Ordinance 18-29-CC.

I will then identify the rental incomes for homes which are allowed only 18 guests. I will then subtract expenses for the rents of 18 guest homes and arrive at their NOI. I will then derive a value by capitalizing this NOI.

Finally I will subtract the value for a 18 guest house from the value of a 30 guest house and this figure will be the diminution in value.

COST ANALYSIS
NOT PERFORMED

SALES COMPARISON ANALYSIS NOT PERFORMED

INCOME ANALYSIS
'AS IS'

DESCRIPTION OF INCOME ANALYSIS METHODOLOGY

The income approach to value is based on the principle of anticipation, in that the value of the subject property correlates to the present worth of the future right to receive benefits in the form of income to be received by the owner. The income approach considers the property from an investment interest with the assumption that the amount of income, coupled with the regularity and quality of the income stream, are the basis for valuing the property based on income analysis.

The income approach is applied by identifying the net income by first identifying gross income and then deducting from the gross income the expenses of operating a property to arrive at a net income, generally identified a Net Operating Income (NOI).

The estimated NOI is then converted to a value opinion by utilizing either a Discounted Cash Flow Analysis, or a Direct Capitalization Analysis, or both.

Discounted cash Flow Analysis:
The Discounted Cash Flow Analysis (DCF) is an analysis where a discount rate is applied to a series (typically several years) of income streams with a reversion after typically 7 to 10 years. The appraiser must specify the quantity, variable nature of the income, timing of payments (monthly/quarterly/annually) to a present value at a specified yield rate. The DCF analysis is most applicable when the net income is projected to be variable and when the property is on a sufficient size and investment value to influence market participants to evaluate purchase decisions based on DCF. A large strip retail center would be a good candidate for DCF analysis, as would a project to be constructed in phases, where the income would increase as new construction is added.

I note that I did not perform DCF analysis as it is my opinion that market participants would not use DCF analysis to base decisions to either purchase or sell properties such as the subject.

Direct Capitalization:
The conversion of a net income to a current value is called capitalization. Capitalization is a method which is used to convert the estimate of a single year's net income actual figures and/or expectancy of income into a value opinion by dividing the income by a appropriate rate of capitalization, as estimated by the appraiser. This technique employs capitalization rates derived from the market, using both capitalization rates from recent sales of similar properties, generally augmented by national indices, or other mathematical progressions. This process provides a one year snap shot of the property value. Future yields and values are not directly identified. The direct capitalization analysis is most appropriate for small to medium sized income producing properties, in stable markets with a forecast of generally stable income.

The procedural steps involved in capitalization are as follows:

Develop the probable gross income by identifying historical performance, income projections and market incomes from comparable properties which support the historical or projected subject income.

Estimate vacancy and collection losses to arrive at Effective Gross Income (EGI).

Estimate and subtract operating expenses to arrive at NOI.

Develop a capitalization rate which is supported by the market.

Divide the NOI by the capitalization rate to derive a value opinion.

I am employing the direct capitalization analysis to derive values in this analysis.

I note for the reader that steps #1 and #2 are generally combined in the analysis of seasonal resort properties. Owners and management companies tend to provide actual income which has already accounted for vacancy and collection loss.

ESTIMATE OF CAPITALIZATION RATE

The capitalization rate is a rate which is applied to the Net Operating Income (NOI) to derive a value for a property. As the chart below indicates, you can derive a capitalization rate by dividing the NOI by the purchase price.

The following excerpt will provide some explanation of capitalization rates.

Capitalization rates are used in a formula. As seen below, dividing the net operating income by the purchase price indicates the capitalization rate.

Another variation of the formula is to divide the net operating income by the capitalization rate and this process will indicate the value of the property.

What Is a Cap Rate?

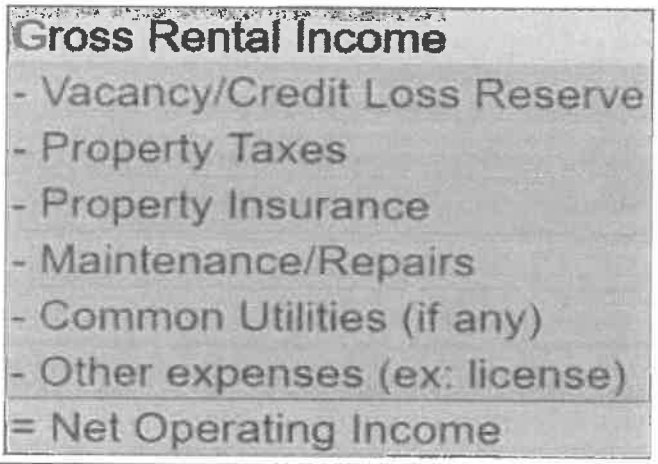
A cap rate is simply a formula. It's the ratio of a rental property's net operating income to its purchase price (including any upfront repairs):

Cap **Rate** =

Net Operating Income (NOI) ÷ Purchase **Price**

The formula can be used on the level of an individual property by looking at its net operating income compared to its value. But it can also be used on the level of an entire market by taking *average* cap rates for a large group of properties.

Importantly, the cap rate formula does NOT include any mortgage expenses. As you can see in the formula for net operating income below, the expenses do not include a mortgage or interest payment.



MARKET CAPITALIZATION RATE BASED ON NATIONAL INDICE

Capitalization rates range widely in the market. The following table derived from Realty rates.com indicate a wide variety of capitalization rates base on property types. This table contains very recent data from the first quarter 2019.

As can be seen, properties such as restaurants and lodging (motels and hotels) have high capitalization rates. Apartments (residential) have the lowest capitalization rates.

Realty rates does not include a separate category of single family detached homes.

RealtyRates.com INVESTOR SURVEY - 1st Quarter 2019*

CURRENT & HISTORICAL CAP RATE INDICES

Method-Weighted* Property Category Indices

	Apts		Golf		Healthcare Senior Housing		Industrial		Lodging		MH/RV Park		Office		Retail		Restaurant		Self Storage		Special Purpose		Weighted* Composite Indices	
		BP		BP		BP		BP		BP		BP		BP		BP		BP		BP		BP		BP
Year	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg
2018	9.42	26	12.02	30	9.01	14	9.19	23	10.53	25	9.56	30	9.04	10	9.38	20	11.57	15	9.86	23	11.64	40	9.64	22
4th Qtr	9.46	8	12.09	11	9.07	11	9.23	7	10.53	1	9.62	13	9.08	13	9.44	10	11.62	11	9.92	13	11.75	11	9.69	9
3rd Qtr	9.37	-4	11.87	-5	8.96	-2	9.16	-5	10.52	-7	9.50	-5	8.95	-6	9.33	-3	11.51	-4	9.79	-7	11.60	-3	9.59	-5
2nd Qtr	9.41	3	12.02	5	8.93	3	9.21	5	10.59	6	9.55	5	9.00	0	9.35	4	11.56	4	9.86	6	11.63	5	9.64	4
1st Qtr	9.38	23	11.97	28	8.96	13	9.16	22	10.52	31	9.50	26	9.00	5	9.32	17	11.52	26	9.81	25	11.58	34	9.60	21
2017	9.16	4	11.73	-2	8.87	-6	8.96	-12	10.28	5	9.25	11	8.94	-22	9.19	-9	11.42	-15	9.57	-9	11.25	4	9.42	-6
2016	9.13	-2	11.75	6	8.92	12	9.08	15	10.22	0	9.15	15	9.16	16	9.27	12	11.57	-10	9.67	14	11.21	10	9.48	9
2015	9.15	-9	11.69	-14	8.80	-9	8.93	-10	10.22	-20	8.99	-18	9.00	-6	9.15	-11	11.66	-13	9.52	-22	11.11	-12	9.40	-12
2014	9.24	-15	11.83	-9	8.89	-1	9.03	-4	10.43	-17	9.17	-5	9.06	-22	9.26	15	11.78	-6	9.75	-20	11.24	14	9.52	-7
2013	9.39	14	11.92	-14	8.90	5	9.07	-2	10.60	3	9.22	14	9.28	-19	9.11	-4	11.86	9	9.95	-24	11.10	1	9.59	-2
2012	9.25	-35	12.07	6	8.85	-36	8.89	-40	10.57	-24	9.08	-39	9.47	3	9.15	-13	11.77	6	10.19	-49	11.09	-9	9.60	-21
2011	9.60	-29	12.00	-22	9.21	-40	9.49	-11	10.81	-24	9.49	-8	9.44	-10	9.29	-26	11.70	-14	10.69	-3	11.12	-17	9.81	-19
2010	9.89	4	12.22	5	9.62	15	9.60	12	11.05	7	9.56	22	9.54	16	9.54	25	11.94	12	10.72	21	11.30	0	10.00	13
2009	9.85	8	12.17	16	9.47	10	9.48	10	10.98	-7	9.33	1	9.38	28	9.29	20	11.72	15	10.50	37	11.30	8	9.87	14
2008	9.77	-4	12.01	29	9.37	-16	9.39	-14	11.05	56	9.32	-5	9.09	-16	9.09	-11	11.57	-28	10.13	20	11.22	-7	9.74	-1
2007	8.81	-45	11.72	-21	9.53	-65	9.52	-25	10.49	-29	9.37	-26	9.25	-47	9.20	-12	11.85	61	8.53	-38	11.29	-24	9.75	-26
2006	9.26	12	11.93	47	10.19	15	9.77	35	10.77	27	9.63	41	9.72	26	9.32	30	11.24	19	10.31	27	11.53	9	10.03	26
2005	9.14	14	11.46	60	10.03	-18	9.42	-30	10.50	-21	9.22	19	9.48	6	9.02	16	11.06	5	10.04	13	11.44	-30	9.77	2
2004	9.00	-19	10.86	26	10.19	-37	9.72	19	10.71	-98	9.03	-48	9.40	-4	8.86	-19	11.01	-15	9.91	-13	11.74	-30	9.75	-19
2003	9.19	-2	10.38	-32	10.56	64	9.53	33	11.69	52	9.51	-11	9.44	1	9.05	-19	11.16	6	10.04	-53	12.84	105	9.94	12
2002	9.21	-40	10.70	18	9.92	-39	9.20	-61	11.13	26	9.62	-60	9.43	-35	9.23	-62	11.08	-3	10.57	-12	10.99	-177	9.82	-41
2001	9.61	64	10.52	133	10.31	90	9.81	16	10.87	99	10.22	-68	9.78	-35	9.85	-53	11.11	47	10.69	13	12.76	32	10.23	21
2000	8.97		9.19		9.41		9.65		9.89		10.90		10.13		10.38		10.64		10.56		12.44		10.01	

* Weighted by methodology: Band-of-Investment, DCR Technique, Sales Survey

* Further weighted by property category

ADDITIONAL DATA ON CAPITALIZATION RATES

The following chart provides some additional data regarding capitalization rates for apartments in some major metropolitan centers.

These rates are lower than the overall national rate for apartments identified on the previous page. I attribute this to the fact that the cities below are major metropolitan areas with a high density of population which keeps occupancy high and inspires investor confidence. In this regard, the Destin seasonal rental market is similar in its high density and national appeal.

Cap Rates For Stabilized, Class A Multifamily Apartments By City – 2017 (2nd Half)	
San Diego	4.25%
Chicago	4.75%
Atlanta	5.00%
Philadelphia	5.25%
St. Louis	5.75%
Cleveland	6.25%
Pittsburgh	6.50%
Detroit	7.25%

Single family homes are seldom valued via income capitalization. Most homes are owner occupied and the issue of rent and valuation through rent is generally not applicable. However, I identified the following excerpt rom the internet which indicates a range of capitalization rates from 4% to 10% for single family homes. The reader will note in the excerpt immediately above that high demand areas feature lower capitalization rates and lower demand areas feature higher capitalization rates. I would again observe that Destin is a high demand area in the seasonal rental market. Thus, I would consider it probable that capitalization rates for singe family homes in Destin were toward the low side of the 4% to 10% range.

Cap Rate for Single Family Home

Professionals purchasing commercial properties, for example, may buy at a 4% cap rate in high demand areas, or a 10% (or even higher) cap rate in low-demand areas. Generally, 4% to 10% per year is a reasonable range to earn for your investment property. Continuing with our example from above, $17,000/ 5% = $340,000.

The following are two excerpts from the internet indicating that Panama City Beach, Florida boasts a very low capitalization rate of 4.9% and that the Destin, Florida market features a 4.7% capitalization rate for Airbnb rentals.

9. PANAMA CITY BEACH, FL

Short-Term Rental Cap Rate: 4.9%

White sandy beaches, clear water, fishing piers, protected nature reserves, hiking trails.. what more do you need to be convinced that Panama City Beach is one of the best places around the US to invest in a vacation rental.

Property prices are affordable with a median level of $334,700, while short-term rental income stands around $3,260. The average cap rate for vacation rentals is 4.9%.

2. Destin

- *Median Property Price:* $695,000
- *Airbnb Rental Income:* $2,720
- *Traditional Rental Income:* $1,610
- *Airbnb CoC Return:* 2.3%
- *Traditional CoC Return:* 0.5%
- *Airbnb Cap Rate:* 4.7%
- *Traditional Cap Rate:* 2.8%
- *Airbnb Occupancy Rate:* 58.4%

The second among the best places to buy a vacation home in Florida is Destin, with rental income from Airbnb just a few dollars below St. Augustine. However, this location is significantly more expensive. But it has a very important advantage for all those loving nature and sports – it is very famous for the fishing opportunities that it offers.

I have provided an array of capitalization rates from national data ranging from a low of 4.7% to a high of 8.42%.

I am selecting a rounded rate of 6.25%, recognizing that there are established capitalization rates both higher than, and lower than, the reconciled 6.25%.

I am confident that a capitalization rate of 6.25% is well supported by national data.

I also note that the most similar rate is the 4.7% Airbnb rate in Destin, which suggests that a 6.25% rate may be conservative.

MARKET DATA BASED ON LOCAL SALES OF DETACHED HOMES USED FOR SEASONAL RENTAL

In addition to the national data provided above, I am also providing some data from actual sales in the local market.

I have some professional acquaintances who specialize in the management of large homes used for seasonal rentals. I have asked them to provide me some actual data from recent sales to help derive a local data base of capitalization rates.

On 7/13/2018, Frangista Beach E16 LLC (Nick Athens - a professional acquaintance well known to me) sold 3491 Scenic Highway 98 to Rich Rentals for $3,000,000. This house is 6,008 HVAC SF and features nine (9) bedrooms and 9.5 baths. It is very similar to the subject and is a very good comparable indicator of capitalization rates. Mr. Athens stated that the net operating income was $172,340. Dividing $172,340 by $3,000,000 indicates a capitalization rate of 5.74%.

On 9/4/2015, Nick and Tina Athens sold 1850 - 1852 Scenic Gulf Drive in Miramar Beach to Forty-Four Holdings for $2,205,000. This was two side by side homes in Frangista Beach which were an aggregate 3,460 HVAC SF and which features Five (5) bedrooms and 7 baths. Mr. Athens stated that the net operating rent was $133,200. Dividing $133,200 by $2,025,000 indicates a capitalization rate of 6.58%. I do not consider it a coincidence that the home with the fewest bedrooms featured the highest capitalization rate.

On 2/10/2016, Destiny Real Estate Ventures LLC (Ben Giles - a professional acquaintance well known to me) sold 3463 Scenic Highway 98 to Charles Barone for $3,615,000. This house is 6,465 HVAC SF and features eight (8) bedrooms and 6.5 baths. It is very similar to the subject and is a very good comparable indicator of capitalization rates. Mr. Giles stated that the net operating income was $222,125. Dividing $222,125 by $3,615,000 indicates a capitalization rate of 6.15%.

On 1/11/2019, Kevin Hense sold 2984 Scenic Highway 98 to Russell and Susan Hancock for $3,000,000. This house is 3,997 HVAC SF and features six (6) bedrooms and 5.5 baths. It is very similar to the subject and is a very good comparable indicator of capitalization rates. Mr. Hense stated that the net operating income was $176,000. Dividing $176,000 by $3,000,000 indicates a capitalization rate of 5.87%.

On May 18, 2018, Sapp Investments LLC sold 4659 Destiny Way to the Lindholm Family Revocable Living Trust for $2,500,000. Mr. Lindholm stated to me that income for 2018 was an aggregate of $293,500. He also stated that expenses were an approximate $115,025, resulting in approximate $178,475 of net operating income (NOI). Dividing $178,475 by $2,500,000 indicates a capitalization rate of 7.14%.

RECAPITULATION OF LOCAL MARKET CAPITALIZATION RATES

The following table summarizes the capitalization rates identified in the narrative above.

Property Address	Capitalization Rate
3491 Scenic Highway 98, Destin	5.74%
1850 Scenic Gulf Drive, Mirimar Beach	6.58%
3463 Scenic Highway 98, Destin	6.15%
2984 Scenic Highway 98, Destin	5.87%
4659 Destiny Way, Destin	7.14%
Average	6.29%
Rounded	6.25%

I consider a rounded capitalization rate of 6.25%, derived from local data, to be a market supported rate which is both credible and reliable, as well as being consistent with national data which brackets the final capitalization rate selection.

For this reason, I am selecting a 6.25% capitalization rate.

ESTIMATE OF VALUE PRIOR TO THE FIRST APPLICATION OF DESTIN ORDINANCE 18-29-CC

Based on the current zoning and the Destin Land Development Code previously discussed, and prior to the first application of Destin Ordinance 18-29-CC, there was no limit to the number of guests allowed in the subject improvement. The subject can accommodate up to thirty (30) guests based on the data provided by the owner and my identification of sleeping capacity previously identified.

CURRENT CONTRACT RENT
I note that seasonal rentals are typically described with annual rental amounts as opposed to more consistent monthly rental rates.

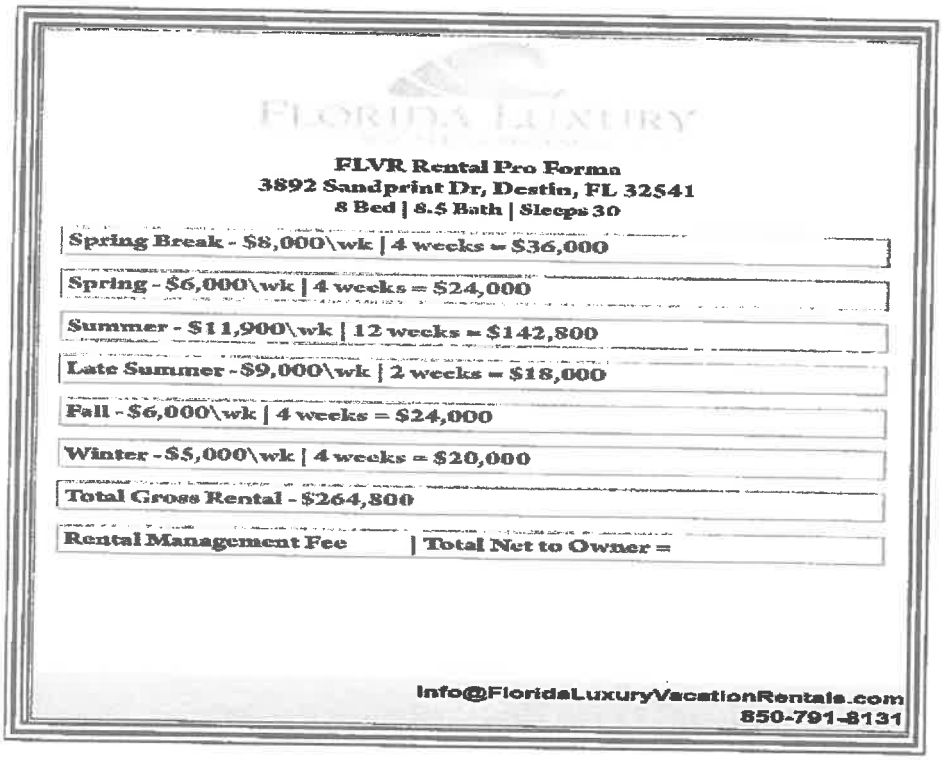
Such rental amounts are generally described using gross income data, and/or projections of gross income data.

Appraisers need to then examine expenses to arrive at a net operating rent to capitalize. Expenses to gross revenue are ad valorem taxes, flood and hazard insurance, HOA dues, maintenance and repairs, utilities, lawn maintenance, pest control, professional fees and reserves. I note that interest/mortgage payments and depreciation are not expenses when capitalizing property for value.

In the case of the subject, I corresponded with the owner, Brad Lindholm, via email and phone exchanges to identify 2018 actual incomes and expenses, as well as his projection for 2019 income.

Mr. Lindholm stated that he had purchased the subject in May 2018 and that there was $28,000 of income prior to purchase and $148,500 after purchase for an aggregate of $176,500. He also stated that he considered expenses to be an approximate $54,000 per year, not to include management fees.

The property is managed by Florida Luxury Vacation Rentals and I obtained this projection for 2019 from that company.



FLORIDA LUXURY

FLVR Rental Pro Forma
3892 Sandprint Dr, Destin, FL 32541
8 Bed | 8.5 Bath | Sleeps 30

Spring Break - $8,000\wk	4 weeks = $36,000
Spring - $6,000\wk	4 weeks = $24,000
Summer - $11,900\wk	12 weeks = $142,800
Late Summer - $9,000\wk	2 weeks = $18,000
Fall - $6,000\wk	4 weeks = $24,000
Winter - $5,000\wk	4 weeks = $20,000
Total Gross Rental - $264,800	
Rental Management Fee	Total Net to Owner =

Info@FloridaLuxuryVacationRentals.com
850-791-8131

There is a difference between $176,500 and $264,800. I will now research market comparables to estimate a probable gross income for 2019. See the following page.

MARKET SUPPORT FOR GROSS INCOME ESTIMATE

Some of these comparables were provided to me by Ben Giles, an owner of several large homes. Other owners who provided data were Tari Furey, Nick Athens, Kevin Hense, Doris Reel, Brad Lindholm, and Andrea Farrell.

Number	Address	Gross Income	Guest capacity	Annual Income per Guest
1	42 Miami Street	$463,852	34	$13,643
2	3587 Scenic Highway 98	$305,393	32	$9,545
3	3463 Scenic Highway 98	380,000	32	$11,875
4	3461 Scenic Highway 98	$364,723	36	$10,131
5	107 Hollywood Street	$289,647	38	$7,622
6	112 Sandprint Circle	$325,000	30	$10,833
7	4659 Destiny Way	$293,500	28	$10,482
8	3485 Scenic Highway 98	$145,100	22	$6,595
9	3489 Scenic Highway 98	$160,900	20	$8,045
10	4664 Destiny Way	$275,000	20	$13,750
11	2984 Scenic Gulf Drive	$263,000	22	$11,954

The average of these eleven market comparable rentals is $10,407.

The most similar home based on location is #6. I have appraised this home for a Burt Harris claim. It is direct gulf front and is thus superior to the subject.

Comparable #7 is a new home, also owned by the client. It is sited on a lake and is thus slightly superior.

Comparable #2 is also a newer home and is sited on a lake.

Given a combination of the 2018 actual income, the per guest averages of the three most similar sales and the property manager's reasonable estimate of increase from 2018 to 2019, I estimate a rounded $8,500 per guest annually.

The subject can accommodate 30 guests. Multiplying 30 by $8,500 per guest results in an annual gross income of $255,000.

MARKET SUPPORT FOR GROSS TO NET RATIO

I have attempted to derive gross and net income figures for comparable properties in the market. However, my research indicates that many owners and property managers are unwilling to divulge private financial information, especially the net income.

Thus, I will provide some market examples of properties where clients or close associates did divulge data.

The first example is a detached home located at 112 Sandprint Circle in the Dunes of Destin. The owners, Edward and Tari Furey, provided me with detailed data regarding income and expenses. They indicted annual revenue of $325,000 and annual expense of $100,000. This suggests an expense ratio of $100,000 / $325,000, or 31%, rounded.

I again spoke to Nick Athens who still owns a detached house at 4664 Destiny Way which grossed $275,000 in 2018. The expenses for this property were an approximate $89,000. This suggests an expense ratio of $89,000 / $275,000, or 32% rounded.

As a third indicator, I spoke to Kevin Hense, who sold a detached house at 2984 Scenic Highway 98 for $3,000,000 on 1/11/2019. Mr. Hense indicated that the 2018 gross rent was $263,000 and that the expenses were $87,000. This suggests an expense ratio of $87,000 / $263,000, or 33%, rounded.

As a fourth indicator, I spoke to Doris Reel who owns 3485 Scenic Gulf Drive. She stated she had gross income of $145,100 in 2018 and expenses of $48,858. This is an expense ration of 35%.

The subject features projected income of $255,000 and expenses of $92,250, per the client. This is an expense ratio of 36%.

I consider the subject to be consistent with the market comparable identified above and I will use the actual expense ratio of 36% in the analysis.

The next step is applying the previously calculated expense ratio to the gross rent to arrive at a net operating income (NOI). Applying a 36% expense ratio to $255,000 results in a net rent of $163,200.

Capitalizing $163,200 with a 6.25% capitalization rate results in a value of $2,611,200, rounded to $2,610,000.

It is my professional opinion that the subject value, prior to the first application of Destin Ordinance 18-29-CC is $2,610,000, based on income analysis.

$2,610,000

ESTIMATE OF VALUE AFTER THE FIRST APPLICATION OF DESTIN ORDINANCE 18-29-CC

Destin Ordinance 18-29-CC reduces the subject sleeping capacity to 16 guests as the limit is two guests per bedroom, plus four (4) additional guests. There are seven (7) bedrooms. Thus, 2 x 7 = 14 + 4 = 18.

I note for the reader that the ordinance states clearly that a bedroom must meet the requirements of the Okaloosa County Property Appraiser who states that a bedroom has a door, a window and a closet. The Okaloosa County Property Appraiser states that the subject is a six (6) bedroom house, however, I counted and took photographs of seven (7) bedrooms, each of which contained a closet, meeting the requirements of a bedroom per the Okaloosa County Property Appraiser. It is my opinion that the limit of eighteen (18) guests will have a negative impact on value.

To estimate the difference, I need to research the market for homes which are limited to smaller guest totals.

MARKET SUPPORT FOR GROSS INCOME ESTIMATE

Some of these comparables were provided to me by Jordan Shane, Florida Luxury Vacation Rentals, Cheryl St.Pe', Destin Comforts and Ben Giles.

#	Address	Gross Income	Guest capacity	Income per guest annually
1	3489 Scenic Highway 98	$160,900	20	$8,045
2	3893 Sandprint Circle	$118,796	20	$5,939
3	113 Los Angeles Street	$137,308	19	$7,227
4	1737 Scenic Highway 98	$144,814	20	$7,241
5	100 Sandprint Circle	$105,000	20	$5,250
6	84 Woodward Street	$80,560	12	$6,713
7	212 Kono Way	$74,815	12	$6,235
8	75 Shirah Street	$79,885	14	$5,706

The average of these eight market comparable rentals is $6,544 per guest annually. None of these homes are gulf front homes. The subject is a also not gulf front, but is almost new and features distant lake views. I consider the subject to command a slightly higher rate per guest than the above averages.

Based on my research, homes which can sleep less do not attract the same customer as the larger homes which cater to extended families. In addition, there is substantially more competition at the lower capacities as there are substantially more homes which sleep 15 to 20 as opposed to 30+ guests.

However, I would still consider a per guest rate of $8,500 per year to be credible.

Based on the impact of Ordinance 18-20-CC, the subject will be limited to 18 guests.

Multiplying $8,500 per guest by 18 guests results in gross annual rent of $153,000.

The next step is applying the previously calculated expense ratio to the gross rent to arrive at a net operating rent (NOI).

Applying a 36% expense ratio to $153,000 results in a net rent of $97,920.

Capitalizing $97,920 with a 6.25% capitalization rate results in a value of $1,566,720, rounded to $1,565,000.

It is my professional opinion that the subject value, after to the first application of Destin Ordinance 18-29-CC is $1,565,000, based on income analysis.

$1,565,000

ESTIMATE OF THE DIMINUTION OF VALUE

My research and analysis indicates that the value of the subject based on the right to sleep 30 guests is a rounded $2,610,000.

My research and analysis indicates the value of the subject based on the limit to sleep only 18 guests is a rounded $1,565,000.

It is my opinion the first application of Destin Ordinance results in an approximate $1,045,000 diminution of value.

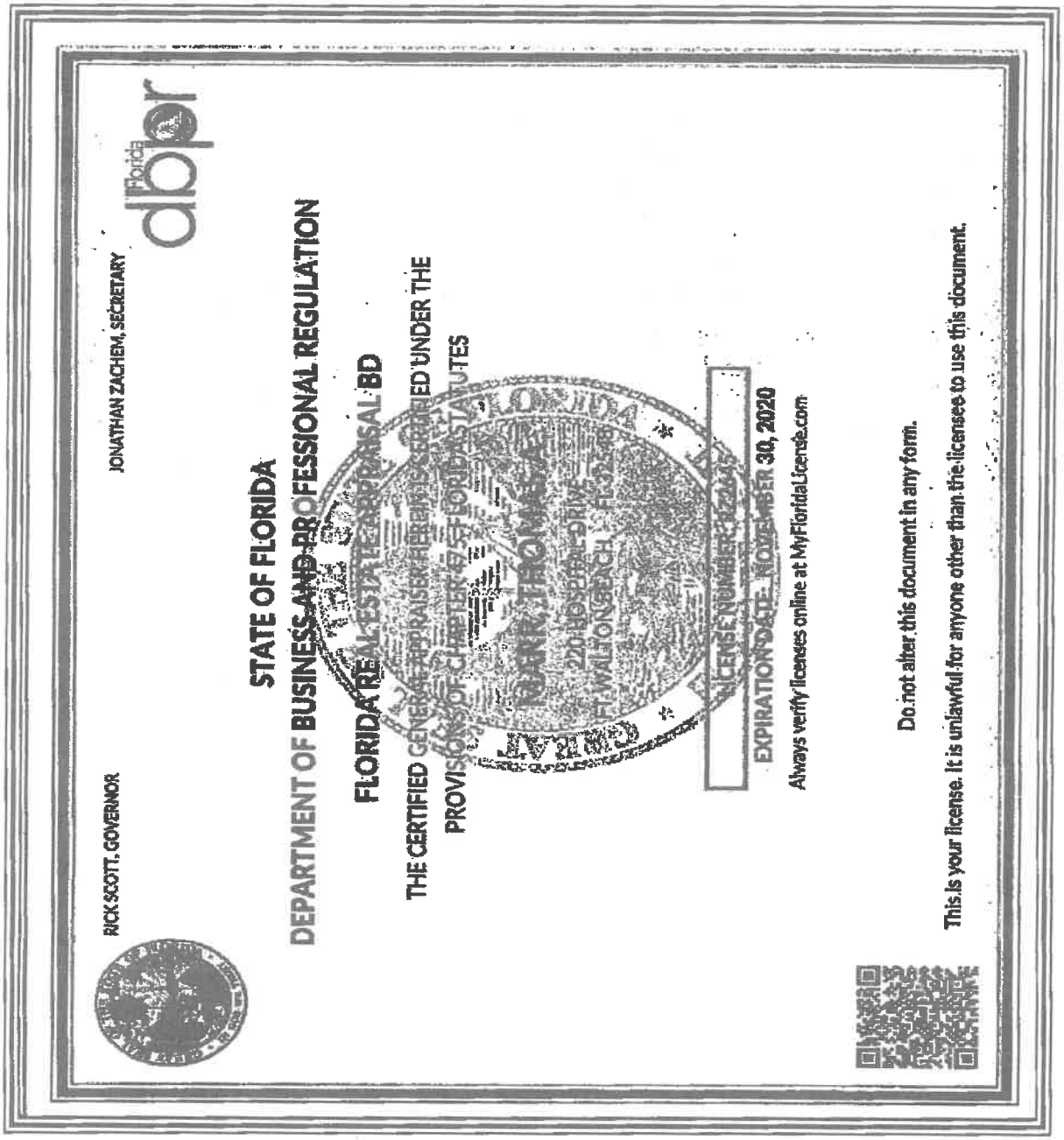
DIMINUTION OF VALUE

$1,045,000

ADDENDA

Appraiser License

APPRAISER LICENSE



THIS INSTRUMENT PREPARED BY
AND AFTER RECORDING RETURN TO:

Kimberly Romano Kopp, Esq.
Romano Kopp Law, P.A.
P.O. Box 445
Destin, Florida 32541

For Recording Purposes Only

SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is entered into this _____day of _____ 2019, ("Effective Date") by and between, Bradley L. Lindholm, Trustee for the Lindholm Family Revocable Living Trust dated June 4, 2010 ("**Owner**") and the City of Destin ("**City**"), collectively referred to as the "Parties."

RECITALS

WHEREAS, on January 22, 2019, the City enacted Ordinance 18-29-CC, the Short-Term Rental Occupancy Ordinance ("Ordinance"), which limits the occupancy of short-term rental homes to two (2) people per bedroom plus an additional four (4) persons; and

WHEREAS, Owner owns the real property and improvements located at 3892 Sandprint Drive, Destin, Florida, 32541, as more particularly described in the attached Exhibit "A" (the "Property"); and

WHEREAS, on October 23, 2019, Owner filed a claim with the City, pursuant to the provisions of §70.001, Florida Statutes, the Bert J. Harris, Jr., Private Property Rights Protection Act (the "Harris Act"), alleging that the Property had been inordinately burdened by the adoption of the Ordinance, (the "Claim"); and

WHEREAS, the Harris Act provides for the City to have the ability to enter into a settlement agreement which would have the effect of a modification or variance to the application of a regulation or ordinance as it would otherwise apply to the subject real property, provided the relief granted protects the public interest served by the regulations at issue and is the appropriate relief necessary to prevent the governmental regulatory effort from inordinately burdening the real property; and

WHEREAS, the City has determined that the modifications to the effect of the Ordinance effected by this Agreement protect the public interest served by the Ordinance and are the appropriate relief necessary to prevent the regulatory effect of the Ordinance from inordinately burdening the Property; and

WHEREAS, the Parties now desire to settle and finally resolve all disputes between and among them concerning the Claim.

NOW, THEREFORE, the Parties hereby agree as follows:

1. **Recitals.** The above recitals are true and correct and are incorporated herein by reference.

2. **Occupancy Allowable Under Ordinance.**

(a) Owner is hereby granted a variance from the provisions of the Ordinance so that the Owner shall have the right to apply under the Ordinance for a maximum occupancy of twenty-eight (28) overnight guests at the eight (8) bedroom vacation rental property noted above and the City shall grant such occupancy. The right shall continue in perpetuity, regardless of any future changes in ownership, provided that this right shall expire permanently if the Property were to be voluntarily remodeled or voluntarily rebuilt in such a manner as to change the number of bedrooms that existed at the date of the Claim. The Property remains subject to all other requirements of the City's regulations, including but not limited to regulations for short-term rentals, parking, trash, and noise.

(b) No greater than six (6) vehicles may be parked on the Property. No vehicle may encroach upon the City's right-of way.

(c) Owner shall ensure that at least five (5) outdoor trash receptacles are provided by the applicable trash hauler and available for use by occupants at all times.

(d) Owner agrees that the City shall be permitted to access the property on an annual basis for the purpose of life-safety inspections to ensure code compliance with minimum egress and emergency egress requirements pursuant to the Florida Building Code (Residential) and to ensure the property has adequate and working smoke detectors. Owner shall submit to the City a separate application and fee for such inspection, on a form provided by the City, at the time Owner submits its annual short-term rental registration application to the City.

3. **Development in Accordance with Code.** Notwithstanding any provisions contained herein, the Owner shall at any time have the right and option to remodel, develop, or use the Property in accordance with the applicable ordinances of the City of Destin in effect at the time of application therefor, and this variance shall not be construed as making the Property in any way non-conforming.

4. **Entire Agreement.** The Parties acknowledge that this Agreement constitutes the entire agreement between them regarding the settlement of their dispute and any prior statements, whether oral or written, are merged herein. This Agreement may not be modified or amended without a written instrument signed by the party against whom enforcement is sought.

5. **Duration of Agreement.** This Agreement shall be perpetual and deemed to run with the land, and shall be binding upon and the benefits shall inure to the parties hereto and their respective heirs, devisees, personal representatives, successors and assigns.

6. **Authority.** The signatories to this Agreement are expressly authorized to resolve their dispute as set forth herein and by their signatures here represent and affirm their authority to execute this Agreement.

7. **Governing Law.** The law of the State of Florida shall apply to this Agreement. Any dispute regarding this Agreement shall be litigated exclusively in the courts of Okaloosa County, Florida. The parties expressly consent to such agreed jurisdiction and venue, and waive any objections thereto.

8. **Notices.** Any notice required or permitted to be given hereunder shall be in writing and shall be (i) delivered by hand, (ii) delivered by reputable national or local courier (such as United Parcel Service or Federal Express), (iii) mailed by United States registered or certified mail, return receipt requested and postage prepaid, or (iv) sent by facsimile transmission provided a confirmation of such facsimile transmission is sent the same day by one of the methods of delivery in (i), (ii), or (iii) above. Any notice shall be addressed to each party at its address as set forth below. Any such notice shall be considered given on the date of such hand delivery, deposit with such courier for same day or next business day delivery, upon receipt of return receipt of certified mail, or receipt of facsimile transmissions, as the case may be, and the time period (if any is provided herein) in which to respond to such notice shall commence on the date of receipt. Rejection or other refusal to accept or inability to deliver because of changed address of which no notice was given shall be deemed to be receipt of the notice. By giving to the other party at least ten (10) days' notice thereof, any party shall have the right from time to time to change the addresses thereof and to specify up to two (2) additional addresses within the United States of America to which copies of notices to it shall be sent. Notice may be given on behalf of any party by such party's counsel. In the event the subject property owner changes, notices shall be addressed to the current owner as indicated in the records of the Okaloosa County Property Appraiser. Otherwise, notices shall be sent as follows:

Each notice shall be addressed as follows:

To City: City of Destin, Florida
Attn:
4200 Indian Bayou Trail
Destin, Florida 32541

With a copy to:
City Land Use Attorney
Romano Kopp Law, PA
PO Box 445
Destin, Florida 32541
Attn: Kimberly Romano Kopp, Esq.

To Owner: Bradley L. Lindholm, Trustee
3892 Sandprint Drive
Destin, FL 32541

With a copy to: Najmy Thompson, PL
1401 8th Avenue West
Bradenton, Florida 34205
Attention: Aaron M. Thomas, Esq.

Attorney's Fees. In the event of any action, whether pre-suit, mediation, litigation or appellate proceeding to enforce the terms and conditions of this Agreement, each party to the action shall pay its own attorney's fees and costs incurred therein.

(d) Venue over any action to enforce the terms and conditions of this Agreement, including mediation, shall lie solely in Okaloosa County, Florida.

OWNER: Bradley L. Lindholm, Trustee for the Lindholm Family Revocable Living Trust dated June 4, 2010

_____
Signature of Witness #1

_____
Bradley L. Lindholm, Trustee

_____
Print or type name

_____
Date

_____
Signature of Witness # 2

_____
Print or type name

STATE OF_____
COUNTY OF_____

The foregoing instrument was acknowledged before me this _____ day of _____ 2019, by _____ _____ and _____, who are personal known to me or who have produced _____ as identification and who did not (did) take an oath.

_____
Signature of Notary

(NOTARY SEAL)

_____
Print or type name

CITY OF DESTIN

By:_____
Gary Jarvis, Mayor

Date:_____

ATTEST:

_____
Rey Bailey, City Clerk

Date:_____

STATE OF_____
COUNTY OF_____

The foregoing instrument was acknowledged before me this _____ day of _____ 2019, by _____ _____ and _____, who are personal known to me or who have produced _____ as identification and who did not (did) take an oath.

_____
Signature of Notary

(NOTARY SEAL)

_____
Print or Type Name

Approved as to form and legality for use and reliance
by the City of Destin, Florida, only.

_____
Kimberly Romano Kopp, Esq.
City Land Use Attorney

Exhibit "A"

Legal Description of Property

ITEM # 2019-1911

CITY OF DESTIN

AGENDA ITEM

COUNCIL MEETING DATE: December 9, 2019
TYPE OF AGENDA ITEM: Action Item

TO: City Council

THRU: Lance Johnson, City Manager

FROM: Kimberly Kopp, Land Use Attorney
Louis Zunguze, Community Development Director

DATE: December 5, 2019

SUBJECT: 30) 3485 Scenic Highway

I. BACKGROUND:

On January 22, 2019, the City enacted Ordinance 18-29-CC, the Short-Term Rental Occupancy Ordinance ("Ordinance"), which limits the occupancy of short-term rental homes to two (2) people per bedroom plus an additional four (4) persons.

The subject property owner owns the real property and improvements located at 3485 Scenic Highway 98, Destin, FL 32541, as more particularly described in Exhibit "A" (the"Property") to the proposed settlement agreement.

Owner filed a claim with the City, pursuant to the provisions of §70.001, Florida Statutes, the Bert J. Harris Jr., Private Property Rights Protection Act (the "Harris Act"), alleging that the Property had been inordinately burdened by the adoption of the Ordinance, (the "Claim).

The Harris Act provides for the City to have the ability to enter into a settlement agreement which would have the effect of a modification or variance to the application of a regulation or ordinance as it would otherwise apply to the subject real property, provided the relief granted protects the public interest served by the regulations at issue and is the appropriate relief necessary to prevent the governmental regulatory effort from inordinately burdening the real property.

The City Council should settle the claim if the City Council determines that the modifications within the settlement agreement protect the public interest served by the Ordinance and are the appropriate relief necessary to prevent the regulatory effect of the Ordinance from inordinately burdening the Property.

II. DISCUSSION: The property owner has requested a maximum occupancy of twenty-two (22) occupants. City staff is recommending an occupancy of twenty-two (22) occupants based on the square footage of the property. The building official utilized a one-occupant per 200 square feet methodology for recommending the above-stated occupancy.

Additionally, staff is recommending at least four (4) trash cans on the property. This recommendation is based on industry standard (Waste Management) that, on average, one trash can is required for every six occupants in order to ensure adequate garbage disposal. Therefore, if the maximum number of occupants exceeds any multiple of six (6, 12, 18, 24, 30, 36, etc.), then an extra trash can will be needed to accommodate the additional occupants. For example, if thirteen (13) is the maximum occupation, then three (3) trash cans are required. This is because, on average, two (2) trash cans will only accommodate twelve (12) occupants. The third trash can will be needed to accommodate the thirteenth occupant.

Further, the property owner must agree to annual life safety inspections, as provided in the proposed settlement agreement.

Finally, staff is recommending that no greater than five (5) vehicles be parked on this property. Note that the Settlement Agreement will be amended to reflect this parking number.

As stated in the agreement, the property owner remains bound by all other provisions of City codes.

A. **Link to Strategic Goals / Objectives:**
B. **Effect on Budget (EOB):**
C. **Level of Service (LOS):**

III. CONCLUSION:

IV. RECOMMENDED MOTION: 1. I move to approve the settlement agreement prepared by the City Land Use Attorney and Staff.

or

2. I move to approve the settlement agreement prepared by the City Land Use Attorney and Staff with the following modifications:_____.

or

3. I move to direct the City Land Use Attorney to negotiate in good faith with the

property owner and to bring back an alternate settlement proposal to the City Council for consideration.

or

4. I move to deny settlement of the subject claim at this time.

Attachments:

1. Burt Harris Case - 3485 Scenic Hightway 98
2. _3485 Scenic_Bert Harris Proposed Settlement Draft 11_1_2019

NAJMY | THOMPSON PL
ATTORNEYS AT LAW

1401 8th Avenue West
Bradenton, FL 34205

PHONE: (941) 748 - 2216
FAX: (941) 748 - 2218

OTHER OFFICES:
Lakewood Ranch (941) 907 - 3999
Sarasota (941) 907 - 3999
New York (212) 220 - 6616

WWW.NAJMYTHOMPSON.COM

October 24, 2019
Via Hand Delivery

City of Destin
c/o Major Gary Jarvis
4200 Indian Bayou Trail
Destin, FL 32541

Re: 3485 Scenic Highway 98, Destin, FL 32541
Bert J. Harris Claim, §70.001, *Fla. Stat.*, July 1, 2012

Dear Mayor Jarvis,

This firm represents Doris M. Reel, owner of an improved property described as 3485 Scenic Highway 98, Destin, FL 32541. My client has been utilizing and operating the house as a short-term rental property within the City of Destin for over four (4) years. The City of Destin has authorized the use of this property as a short-term vacation rental.

The "before" condition of the subject property is a six-bedroom, three-story residence able to accommodate twenty-two (22) guests as part of the authorized and approved short-term rental use of this property and others within the City.

By the City of Destin's passage on January 22, 2019 of Ordinance 18-29-CC and application of Ordinance 18-29-CC to the subject property on September 18, 2019 (when the City of Destin denied my client's request for a variance), this property is now restricted to an occupancy of sixteen (16) guests.[1]

The Florida Legislature has passed Section 70.001, *Fla. Stat.*, known as the "Bert J. Harris Jr. Private Property Rights Protection Act as Amended."

Chapter 70.001, *Fla. Stat.*, "*inter alia*", created a separate and district cause of action which provides for relief or payment of compensation when a new law, rule, regulation or ordinance of

[1] The subject property was issued a grandfather certificate on May 28, 2019, permitting the subject property to rent to twenty-two (22) occupants until May 28, 2024.

NT

the state or a political entity in the state, as applied, unfairly affects real property. "When a specific action of a governmental entity has inordinately burdened an existing use of real property or a vested right to a specific use of real property, the property owners of that real property are entitled to relief, which may include compensation for the actual loss to the fair market value of the real property caused by the action of government, as provided in this section." *Fla Stat.* §70.001(2).

The owner of the subject property asserts that her actual and existing use of said real property has been inordinately burdened by the City of Destin's adoption and application of Ordinance 18-29-CC by restricting its occupancy to only two (2) persons per bedroom plus four (4).

To that end, this letter should serve as a formal, written claim pursuant to §70.001, *Fla. Stat.*, the Bert J. Harris Jr. Private Property Rights Protection Act as Amended. Attached to this letter is a bona fide, valid appraisal that supports the claim and demonstrates the loss in value to the real property. This appraisal establishes the loss in value of the subject property, as a result of the application of the occupancy limitation of Ordinance 18-29-CC, to be $465,000.00.

Pursuant to §70.001(4)(c), *Fla. Stat.*, the City of Destin has 150 days to respond to this claim with a written settlement offer. You should consult your counsel as to any other obligations and settlement opportunities contained within this statute.

PLEASE BE GOVERNED ACCORDINGLY.

Sincerely,

NAJMY THOMPSON, P.L.

Aaron M. Thomas
athomas@najmythompson.com

Enclosure: Appraisal

cc:

Kyle Bauman
Anchors Smith Grimsley, PLC
909 Mar Walt Drive, Suite 1014
Fort Walton Beach, Fl 32547-6711
kbauman@asglegal.com

Kimberly Kopp
Romano Kopp Law, P.A.
P.O. Box 622562
Oviedo, Florida 32762-2562
kkopp@romanokopplaw.com

AMT/kls

Appraisal Report

Detached Single Family Residential Home

4,919 ± HVAC SF Existing Structure

3485 Scenic Highway 98
Destin, FL 32541

DIMINUTION IN VALUE ANALYSIS
3485 SCENIC HIGHWAY 98
DESTIN, FL 32541

FOR
DORIS M. REEL
AND
DESIGNATED ATTORNEYS

RETROSPECTIVE TO SEPTEMBER 18, 2019

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APPRAISAL REPORT

SUBJECT PROPERTY

4,919 ± HVAC SF Existing Detached Residential Improvement

Six Bedrooms and Six and One Half Bathrooms

3485 Scenic Highway 98
Destin, FL 32541

EFFECTIVE DATE OF APPRAISAL

Retrospective to September 18, 2019

REPORT DATE

October 4, 2019

VIEWING DATE

March 30, 2019 and September 25, 2019

CLIENT/INTENDED USER

Doris M. Reel
3485 Scenic Highway 98
Destin, FL 32541

File № 190287A

PREPARED BY:

Thomas A. Marr

State-certified General Real Estate Appraiser № RZ 2645 (FL)
tom@panappraisal.com

Panhandle Appraisal Group
220 Hospital Drive
Fort Walton Beach, Florida 32548
Telephone: (850) 243-0958
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PANHANDLE APPRAISAL GROUP

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Fort Walton Beach, Florida 32548

Telephone: (850) 243-0958
Facsimile: (850) 226-8462

October 4, 2019

Doris M. Reel
3485 Scenic Highway 98
Destin, FL 32541

Re: Diminution in value appraisal of an approximate 4,919 HVAC SF detached residential improvement, 'as is', identified as 3485 Scenic Highway 98 in Destin, FL 32541. **Panhandle Appraisal Group File № 190287.**

Dear Ms. Reel:

I have completed the requisite personal viewing, research, and analysis necessary to determine if a diminution in value has occurred for the subject parcel.

The subject property is a three level, detached single family residential structure with an approximate 4,919 HVAC SF, six bedrooms and six and one half baths. The current sleeping capacity of the subject is twenty two (22) guests.

The purpose of the appraisal analysis was to develop an opinion of the market value of the subject property prior to the first application of the city of Destin Ordinance No. 18-29-CC on September 18, 2019, when the twenty two (22) guest occupancy was allowed, and then derive a value after the first application of Destin Ordinance 18-29-CC on September 18, 2019 when Destin Ordinance No. 18-29-CC limited the subject to sixteen (16) guests, based on two guests per bedroom, plus four. I note that the designation as a bedroom is based on data in the Okaloosa County Property Appraiser web site.

The authorized user is the client at the address above. The understood intended use of the appraisal report will be for reference in determining if the first application of Ordinance No. 18-29-CC resulted in a diminution of value. No other use of this report by any other entity or person is authorized.

Subject to the above and the assumptions, limiting conditions, and certification set forth herein, it is my professional opinion the retrospective market value of the fee simple interest in the subject property, 'as is', as of September 18, 2019, prior to the first application of Ordinance No. 18-29-CC, was:

ONE MILLION SEVEN HUNDRED FIFTEEN THOUSAND DOLLARS
$1,715,000

Subject to the above and the assumptions, limiting conditions, and certification set forth herein, it is my professional opinion the current market value of the fee simple interest in the subject property, 'as is', after the first application of Ordinance No. 18-29-CC is:

ONE MILLION TWO HUNDRED FIFTY THOUSAND DOLLARS
$1,250,000

The diminution of value is a rounded $465,000.

Exposure Time
The exposure time linked to the final value opinion is a range to nine (9) to twelve (12) months based on market sales of similar properties and current market activity.

Analysis of recent trends and current market supply and demand strongly indicate the highest and best use of the subject property, is continued use as a seasonal rental home.

I hereby certify I possess no interest, present or contemplated, in the appraised property. The undersigned appraiser is competent or has taken the necessary steps to become competent for the property type being appraised. This appraisal has been prepared utilizing all of the requirements set forth as standards for real estate appraisals established for federally related transactions by the Comptroller of the Currency, the Federal Reserve Board, the Federal Deposit Insurance Corporation, and the State of Florida. The appraisal is in conformity with the standards for real estate appraisals as established by the Appraisal Foundation and its Appraisal Standards Board. The appraisal also conforms to *the 2018/2019 edition of the Uniform Standards of Professional Appraisal Practice (USPAP)* and your instructions. The fee for this appraisal was not based on value, nor was the assignment undertaken based on a predetermined value, a trend in value, or a minimum or maximum value.

Respectfully submitted,

Thomas A. Marr

Thomas A. Marr
State-Certified General Real Estate Appraiser № RZ 2645 (Florida)

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APPRAISAL REPORT

This is an Appraisal Report which is intended to comply with the reporting requirements in accordance with the 2018/2019 edition of the Uniform Standards of Professional Appraisal Practice (USPAP) for an Appraisal Report. As such, it represents summary discussions of the data, reasoning, and analyses used in the appraisal process to develop the appraisers' opinion of value. Supporting documentation concerning the data, reasoning, and analyses may be retained in the appraiser's files. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated below. The appraisers are not responsible for unauthorized use of this report.

CLIENT:

Doris M. Reel
3485 Scenic Highway 98
Destin, FL 32541

APPRAISERS:

Thomas A. Marr
State-certified General Real Estate Appraiser № RZ 2645 (Florida)

Panhandle Appraisal Group
220 Hospital Drive
Fort Walton Beach, Florida 32548

SUBJECT PROPERTY:

Legal Description
Lot 7, Grand Palms SD

Tax ID №: 00-2S-22-0541-0000-0070.

PURPOSE OF THE APPRAISAL:

The purpose of this appraisal was to develop an estimate of the diminution in value from prior to the first application of City of Destin Ordinance No. 18-29-CC and after the first application of the ordinance on September 18, 2019.

INTENDED USE OF REPORT:

The understood intended use of the appraisal report will be for client use for legal proceedings to restore maximum occupancy property rights.

INTENDED USER:

The intended user is the client stated above, the client's attorneys, and regulatory authorities. This report is not intended or authorized for any other user or audience.

PROPERTY RIGHTS APPRAISED:

Fee Simple, one hundred percent (100%) ownership interest in the subject property.

EFFECTIVE DATE OF VALUE:

Retrospective to September 18, 2019.

DATE OF REPORT:

October 4, 2019.

DATE OF INSPECTION:

Thomas A. Marr viewed the subject property on March 30, 2019 and September 25, 2019.

SCOPE OF WORK:

I note you have not requested an appraisal report format. Based on the Scope of Work requirements included in the 2018/2019 version of USPAP, which indicates the appraiser is responsible to coordinate the scope of work with the client, I am informing you I will perform an appraisal report. **It is my opinion this process of work meets all applicable 2018/2019 USPAP standards.**

DEFINITIONS:

The definitions, commencing on the page following, are provided to assist the reader in understanding this appraisal report.

Market Value[1]

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

- Purchaser and seller are typically motivated;
- Both parties are well informed or well advised and each acting in what they consider their best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

The four (4) time differential values on the graph which may be considered in the appraisal of existing developments are defined as follows:

(1) **'As Is'** means an estimate of the market value of a property in the condition observed upon inspection and as it physically and legally exists without hypothetical conditions, assumptions, or qualifications as of the date of appraisal.

(2) **'Value Upon Completion'** means the market value of a property with all existing construction, conversion, or rehabilitation hypothetically completed, or under other specified hypothetical conditions as of the date of appraisal. With regard to properties wherein anticipated market conditions indicate stabilized occupancy is not likely as of the date of completion, this estimate of value shall reflect the market value of the property as if complete and prepared for occupancy by tenants.

(3) **'Prospective Future Value Upon Completion'** means the prospective future value of a property on the date construction is completed, based upon market conditions forecast to exist as of completion date.

(4) **'Prospective Future Value Upon Achievement of Stabilized Occupancy'** means the prospective future value of a property at a point in time when all improvements have been physically constructed and the property has been leased to its optimum level of long term occupancy.

Fee Simple Estate[2]

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.

Leased Fee Interest[3]

An ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the lessee are specified by contract terms contained within the lease.

---

1 Title XI, Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), [Pub. L. No. 101-73, 103 Stat. 183 (1989)], 12 U.S.C. 3310, 3331-3351, and section 5(b) of the Bank Holding Company Act, 12 U.S.C. 1844(b); Part 225, Subpart G: Appraisals; Paragraph 225.62 (f).
Uniform Standards of Professional Appraisal Practice, 2003 Edition, Page 3
Federal Reserve System, 12 CFR Parts 208 and 225, Sec. 225.62
Office of the Comptroller of the Currency, 12 CFR Part 34, Sec. 34.42 (g)
FDIC, 12 CFR Part 323, Sec. 323.2 (g) (2000)
Office of Thrift Supervision, 12 CFR Part 564, Sec. 564.2
NCUA, 12 CFR Part 722, Sec. 722.2

2 The Dictionary of Real Estate Appraisal, Appraisal Institute, Fourth Edition, 2002, Page 113.

3 Ibid., Page 161.

Leasehold Interest[4]
The interest held by the lessee (the tenant or renter) through a lease transferring the rights of use and occupancy for a stated term under certain conditions.

Condominium[5]
A multi-unit structure or property in which persons hold fee simple title to individual units and an undivided interest in common areas.

Highest and Best Use[6]
The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and which results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability.

...of land or a site as though vacant:

Among all reasonable, alternative uses, the use yielding the highest present land value, after payments are made for labor, capital, and coordination. The use of property based on the assumption the parcel of land is vacant or can be made vacant by demolishing any improvements.

...of property as improved:

The use which should be made of a property as it exists. An existing improvement should be renovated or retained as is so long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing building and constructing a new one.

Marketing Time[7]
The time it takes an interest in real property to sell on the market subsequent to the date of an appraisal.

Exposure Time[8]
A retrospective estimate based on an analysis of past events assuming a competitive and open market.

Advocacy[9]
Representing the cause or interest of another, even if cause or interest does not necessarily coincide with one's own beliefs, opinions, conclusions, or recommendations.

Appraisal[10]
(Noun) The act or process of developing an opinion of value; an opinion of value. (Adjective) of, or pertaining to appraising and related functions such as appraisal practice or appraisal services.

Appraisal Practice[11]
Valuation services performed by an individual acting as an appraiser, including, but not limited to appraisal, appraisal review, or appraisal consulting.

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4 Ibid., Page 162.

5 Ibid., Page 59.

6 Ibid., Page 135.

7 Ibid., Page 175

8 Ibid., Page 105

9 2018/2019 edition, *Uniform Standards of Professional Appraisal Practice (USPAP)*, Page 1

10 Ibid, Page 1

11 Ibid, Page 1

Appraisal Review[12]
The act or process of developing and communicating an opinion about the quality of another appraiser's work was performed as part of an appraisal, appraisal review, or appraisal consulting assignment.

Appraiser[13]
One who is expected to perform valuation services competently, and in a manner, is independent, impartial, and objective.

Appraiser's Peers[14]
Other appraisers who possess expertise and competency in a similar type of assignment.

Assignment[15]
A valuation service provided as a consequence if an agreement between an appraiser and a client.

Assignment Results[16]
An appraiser's opinions and conclusions developed specific to an assignment.

Assumption[17]
An occurrence which is taken to be true.

Bias[18]
A preference or inclination which precludes an appraiser's impartiality, independence, or objectivity in an assignment.

Business Enterprise[19]
An entity pursuing an economic entity.

Business Equity[20]
The interests, benefits, and rights inherent in the ownership of a business enterprise or a part thereof in any form (including, but not necessarily limited to, capital stock, partnership interests, cooperatives, sole proprietorships, options, and warrants).

Client[21]
The party or parties who engage an appraiser (by employment or contract) in a specific assignment.

Confidential Information[22]
Information is either:

- identified by the Client as confidential when providing it to an appraiser and is not available from any other source; or,

---

12 Ibid, Page 1

13 Ibid, Page 1

14 Ibid, Page 2

15 Ibid, Page 2

16 Ibid, Page 2

17 Ibid, Page 2

18 Ibid, Page 2

19 2018/2019 edition, USPAP, Page 2

20 Ibid, Page 2

21 Ibid, Page 2

22 Ibid, Page 2

- classified as confidential or private by applicable law or regulation.

Cost[23]
The amount required to create, produce, or obtain a property.

'Credible'[24]
Worthy of belief.

Extraordinary Assumption[25]
An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions.

Feasibility Analysis[26]
A study of the cost-benefit relationship of an economic endeavor.

Hypothetical Condition[27]
An assertion which is contrary to what exists but is supposed for the purpose of analysis.

Intangible Property[28]
(Intangible Assets) Nonphysical assets, including, but not limited to, franchises, trademarks, patents, copyrights, goodwill, equities, securities, and contracts as distinguished from physical assets such as facilities and equipment.

Intended Use[29]
The use or uses of an appraiser's reported appraisal, appraisal review, or appraisal consulting assignment opinions and conclusions, as identified by the appraiser based on communication with the Client at the time of the assignment.

Intended User[30]
The Client and any other party as identified, by name or type, as users of the appraisal, appraisal review, or appraisal consulting report by the appraiser on the basis of communication with the Client at the time of the assignment.

Jurisdictional Exception[31]
...an assignment condition which voids the force of a part or parts of *USPAP*, when compliance with part or parts of *USPAP* is contrary to law or public policy applicable to the assignment.

IDENTIFY THE PROBLEM TO BE SOLVED
The problem to be solved in this appraisal analysis was to develop an opinion of the market value of the subject property, both prior to the first application of the city of Destin Ordinance No. 18-29-CC to the subject on September 18, 2019 when twenty two (22) guest occupancy was allowed and after the first application of the Destin Ordinance No. 18-29-CC on September 18, 2019, which limited the subject to sixteen (16) guests, based on two guests per bedroom, plus four. Utilizing the before and after values, I derived a diminution of value to the subject property.

---

23 Ibid, Page 2

24 Ibid, Page 3

25 Ibid, Page 3

26 Ibid, Page 3

27 Ibid, Page 3

28 Ibid, Page 3

29 Ibid, Page 3

30 Ibid, Page 3

31 2018 edition, *USPAP*, Page 3

EXTENT OF THE PROCESS OF COLLECTING, CONFIRMING, AND REPORTING DATA:

Preparation of this appraisal included the following scope of work:

- The subject site, improvements, and parking improvements were inspected by the appraiser, the property was photographed. File data for similar properties was reviewed.
- The public records were reviewed.
- The appraiser examined the economic, social, governmental, and environmental forces affecting value in the subject neighborhood and the entire market area as a whole.
- The appraiser identified recent and projected actual rents for the subject, based on occupancy of up to 22 guests. The appraiser then identified the annual rentals of other comparable properties which accommodated up to or beyond 22 guests. This data was used to verify or support the historical performance and the projected rents for the subject. These comparable rentals provided market support for the subject actual and projected gross rental income.
- The appraiser identified market rental comparables for properties limited to 16 guests.
- The appraiser then reduced gross rent to net operating rent and capitalized the net operating rent to identify value for the subject as a 22 guest rental and a 16 guest rental. The difference between these two values is the diminution in value.

IDENTIFICATION OF THE TYPE OF APPRAISAL AND APPRAISAL REPORT FORMAT:
I have provided an **Appraisal Report**, as defined by the *2018/2019 edition of the Uniform Standards of Professional Appraisal Practice*, containing a summary of all relevant conclusions, data, and analyses used in the report.

TERMS OF THE FINAL VALUE OPINION:
The final opinion of the current market values of the subject property, 'as is' is expressed in terms of cash or financing terms equivalent to cash.

POLICY STATEMENT OF THE APPRAISAL INSTITUTE:
It is improper to base a conclusion or opinion of value upon the premise the racial, ethnic, or religious homogeneity of the inhabitants of an area or of a property is necessary for maximum value.

Racial, religious, and ethnic factors are deemed unreliable predictors of value trends or price variance.

It is improper to base a conclusion or opinion of value, or a conclusion with respect to neighborhood trends, upon stereotyped, biased presumptions relating to the effective age or remaining life of the property being appraised or the life expectancy of the neighborhood in which it is located.

The undersigned appraiser is not a member of the Appraisal Institute.

GENERAL ASSUMPTIONS:

1. No responsibility is assumed for the legal description provided or for matters relevant to legal or title considerations. Title to the property is assumed to be marketable unless otherwise stated. The legal description used in this report is assumed to be correct.

2. The subject property is appraised free and clear of any or all liens, leases, or encumbrances unless otherwise stated. All mortgages, liens, encumbrances, leases, and servitudes have been disregarded unless so specified within the report.

3. No survey of the property has been made by the appraisers and no responsibility is assumed in connection with such matters. Sketches, plot plans, or illustrative material presented in this report are included only to assist the reader in visualizing the property.

4. Information and data furnished by others is usually assumed to be true, correct and reliable. When such information and data appears to be dubious and when it is critical to the appraisal, a reasonable effort has been made to verify all such information; however, no responsibility for its accuracy is assumed by the appraiser.

5. Responsible ownership and competent property management are assumed unless otherwise stated in this report.

6. It is assumed there are no hidden or unapparent conditions of the property, subsoil or structures which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.

7. It is assumed 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.

8. It is assumed the subject property is in compliance with all applicable zoning and land use regulations, unless a nonconformity has been stated, defined and considered in the appraisal report.

9. It is assumed all required licenses, consents or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use which the value estimate contained in this report is based.

10. It is assumed the utilization of the land and improvements is within the boundaries or property lines of the property described and there is no encroachment or trespass unless noted within the report.

EXTRAORDINARY ASSUMPTIONS:

I am using data provided to me by the client and other vacation home owners.

I am also using rental projections from the current property manager.

I am making the extraordinary assumption that the data provided is accurate, credible and reliable.

If, for any reason, the data provided is not accurate, credible and reliable, the values derived in the analysis is subject to review.

GENERAL LIMITING CONDITIONS:

1. This is an Appraisal Report which is intended to comply with the reporting requirements set forth in accordance with the *2018/2019 edition of the Uniform Standards of Professional Appraisal Practice* for an Appraisal Report. As such, it includes summarized discussions of the data, reasoning, and analyses used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses may be retained in the appraiser's files. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraiser is not responsible for unauthorized use of this report.

2. Appraisers are not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraisers suggesting the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert in the field of environmental assessment. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The appraiser's value estimate is predicated on the assumption there exists no such material on or in the property causing a loss in value unless otherwise stated in this report. No responsibility is assumed for any environmental conditions, or for any expertise or engineering knowledge required to discover them. The appraisers' descriptions and resulting comments are the result of the routine observations made during the appraisal process.

3. The subject property is appraised without a specific compliance survey having been conducted to determine if the property is or is not in conformance with the requirements of *The Americans with Disabilities Act*. The presence of architectural and communications barriers which are structural in nature which would otherwise restrict access by disabled individuals may adversely affect the property's value, marketability, or utility.

4. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event, only with proper written qualification and only in its entirety.

5. Neither all nor any part of the contents of this report shall be conveyed to any person or entity, other than the appraiser's or firm's client, through advertising, solicitation materials, public relations, news, sales, or other media without the written consent and approval of the authors, particularly as to valuation conclusions, the identity of the appraiser or firm with which the appraiser is connected, or any reference to affiliation with any professional appraisal organization. Further, the appraiser or firm assumes no obligation, liability, or accountability to any third party. If this report is placed in the hands of anyone but the client, client shall make party aware of all the assumptions and limiting conditions of the assignment.

6. The appraiser affixing his signatures to this appraisal report will not be required to give testimony or appear in court because of having made this appraisal, with reference to the property in question, unless arrangements have been previously made thereof.

7. No environmental impact studies were either requested or made in conjunction with this appraisal, and the appraiser hereby reserves the right to alter, amend, revise, or rescind any of the value opinions based upon any subsequent environmental impact studies, research, or investigation.

8. The appraiser has not been supplied with a report of the subsoil conditions indicating the exact capacity of the subsoil. I do not have the benefit of subsoil test results of the properties and detection of possible soil defects would be beyond my realm of expertise. However, there appear to be no hidden or apparent conditions of the subject sites or subsoil structures which would render them more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.

9. Acceptance of and/or use of this appraisal report constitutes acceptance of the foregoing General Assumptions, Special Assumptions, General Limiting Conditions, and Special Limiting Conditions.

EXTRAORDINARY LIMITING CONDITIONS AND HYPOTHETICAL CONDITIONS:

I note that the ordinance in question allows a five (5) year 'grandfather' period. I considered if this 'grandfather' status should receive some analysis in the discussion of diminution of value. After consideration, I concluded that a potential market participant, aware that the grandfather status will be eliminated, would be very wary to enter into a financial arrangement where he may have to liquidate in an unknown market within a time line that may not be available . Thus, I am not considering any impact of the 'grandfather' status.

CERTIFICATION:

I certify, to the best of my knowledge and belief:

1. The statements of fact contained in this report are true and correct.

2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions and conclusions.

3. I possess no present or prospective interest in the property which is the subject of this report and no personal interest with respect to the parties involved.

4. I possess no bias with respect to the property which is the subject of this report or to the parties involved with this assignment.

5. The engagement in this assignment was not contingent upon developing or reporting predetermined results.

6. The compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value favoring the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

7. The analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *2018/2019 edition of the Uniform Standards of Professional Appraisal Practice*.

8. Thomas A. Marr has made a personal viewing of the property which is the subject of this report. No one else has rendered significant real estate appraisal knowledge and input to the compilation of this report.

9. I have not performed any services, to include appraisal services, regarding the subject in the previous three years.

10. The opinion of market value 'as is' of the one hundred percent (100%) fee simple ownership interest in the subject property, prior to the first application of Destin Ordinance 18-29-CC is ONE MILLION SEVEN HUNDRED FIFTEEN THOUSAND DOLLARS ($1,715,000) and the value after the first application of Destin Ordinance 18-29-CC is ONE MILLION TWO HUNDRED FIFTY THOUSAND DOLLARS ($1,250,000). The diminution of value is estimated as FOUR HUNDRED SIXTY FIVE THOUSAND DOLLARS ($465,000).

Thomas A Marr

Thomas A. Marr
State-certified General Real Estate Appraiser № RZ 2645 (Florida)

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DESCRIPTION OF THE SUBJECT PROPERTY
Ownership:

The current owner is Doris M. Reel.

FILE # 2974454 RCD: 01/23/2015 @ 03:37 PM, BK: 3181 PG: 2450 RECORDING: $10.50 RECORDING ARTICLE V: $8.00 DEED DOCSTAMPS $10745.00 DEPUTY CLERK CWEAVER JD PEACOCK II, CLERK OF COURTS, OKALOOSA CO, FL

Prepared by and return to:
Kathy Paul
McNeese Title, LLC
36468 Emerald Coast Parkway, Suite 1201
Destin, Florida 32541

File Number: 14-0671KP

Warranty Deed

Made this January 21, 2015 A.D. By **Grand Palms, LP, a Dissolved Pennsylvania Limited Partnership and Joseph A. Bellinghieri, individually**, whose address is: 50 Rose Lane, Glen Mills, PA 19342, hereinafter called the grantor, to **Doris M. Reel**, whose post office address is: 5809 Dogwood Circle, McCalla, AL 35111, hereinafter called the grantee:

(Whenever used herein the term "grantor" and "grantee" include all the parties to this instrument and the heirs, legal representatives and assigns of individuals, and the successors and assigns of corporations)

Witnesseth, that the grantor, for and in consideration of the sum of Ten Dollars, ($10.00) and other valuable considerations, receipt whereof is hereby acknowledged, hereby grants, bargains, sells, aliens, remises, releases, conveys and confirms unto the grantee, all that certain land situate in Okaloosa County, Florida, viz:

Lot 7, GRAND PALMS, according to the Plat thereof as recorded in Plat Book 15, Pages 38 and 39, of the Public Records of Okaloosa County, Florida.

The sole surviving partner executing this deed is doing so to wind up the affairs of the partnership.

Being and intended to be the same premises conveyed to the Grantor herein by deed recorded September 12, 2012, in Official Records Book 3054, Page 72, Public Records of Okaloosa County, Florida.

Parcel ID Number: **00-2S-22-0541-0000-0070**

Said property IS NOT the homestead property of the Grantor as defined by the Constitution of the State of Florida.

Together with all the tenements, hereditaments and appurtenances thereto belonging or in anywise appertaining.

To Have and to Hold, the same in fee simple forever.

Location:
The subject is located on the north side of Scenic Highway 98 in the Grand Palms Subdivision. It is located an approximate 700 feet east of the Scenic Highway 98 and Sunfish Street intersection.

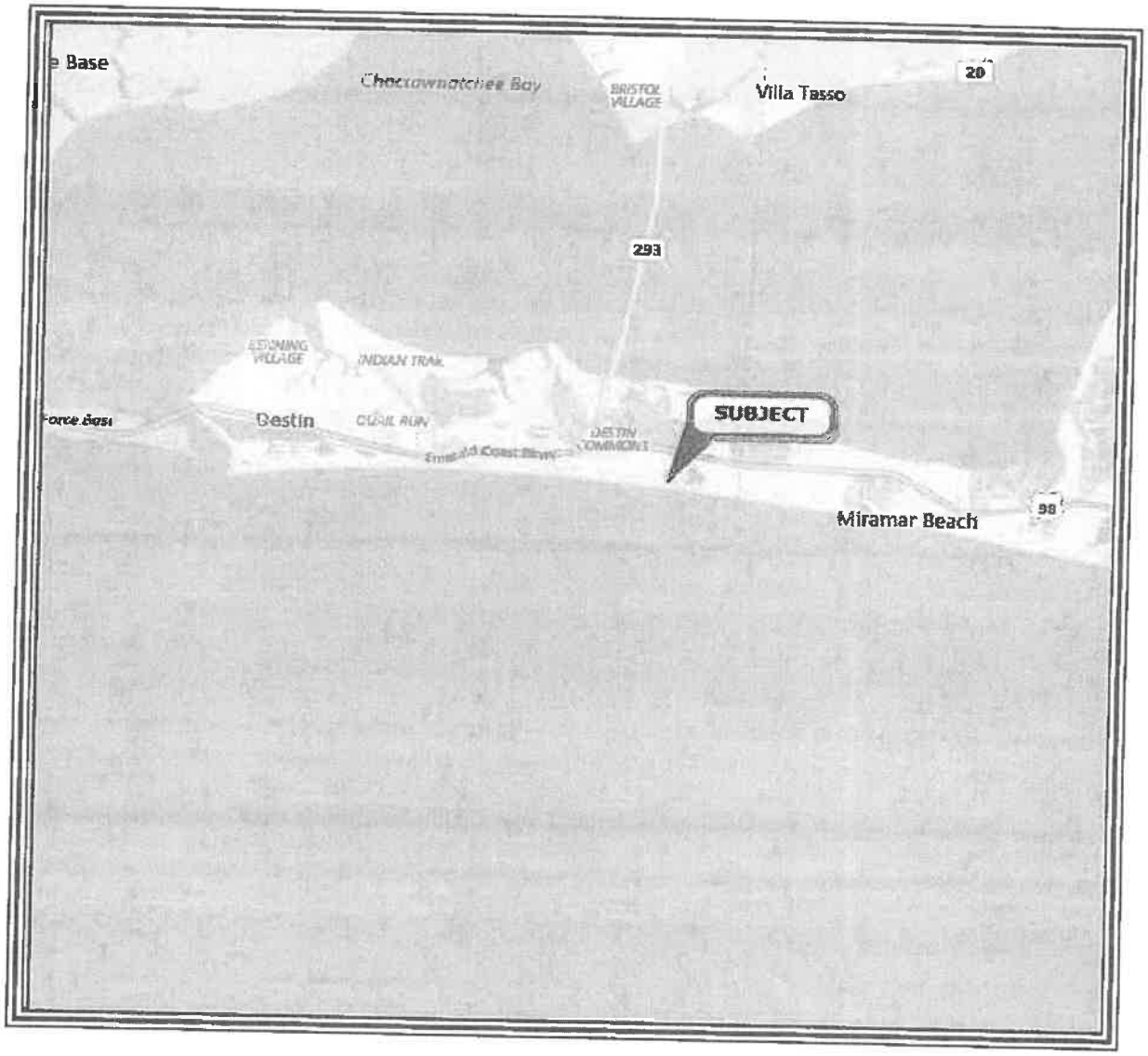
This area is east of the community of Crystal Beach and west of the Destiny/Destiny West/Destiny By The Sea communities.

Along the south side of Scenic Highway 98 are many condominium projects, individual homes and some commercial use, typically restaurants, which cater to the tourist industry.

Along Scenic Highway 98 to the north are other residential uses, primarily detached homes with a interspersion of condominium and town home projects, which are a mix of owner occupant and seasonal rental use.

This entire area of Destin, in close proximity to the Gulf of Mexico, is a desired location and well considered by the market.

See the following map for the subject location in the broad Destin market.



The following map indicates the local market area surrounding the subject.

The following aerial photograph indicates the subject parcel.

Land Size:

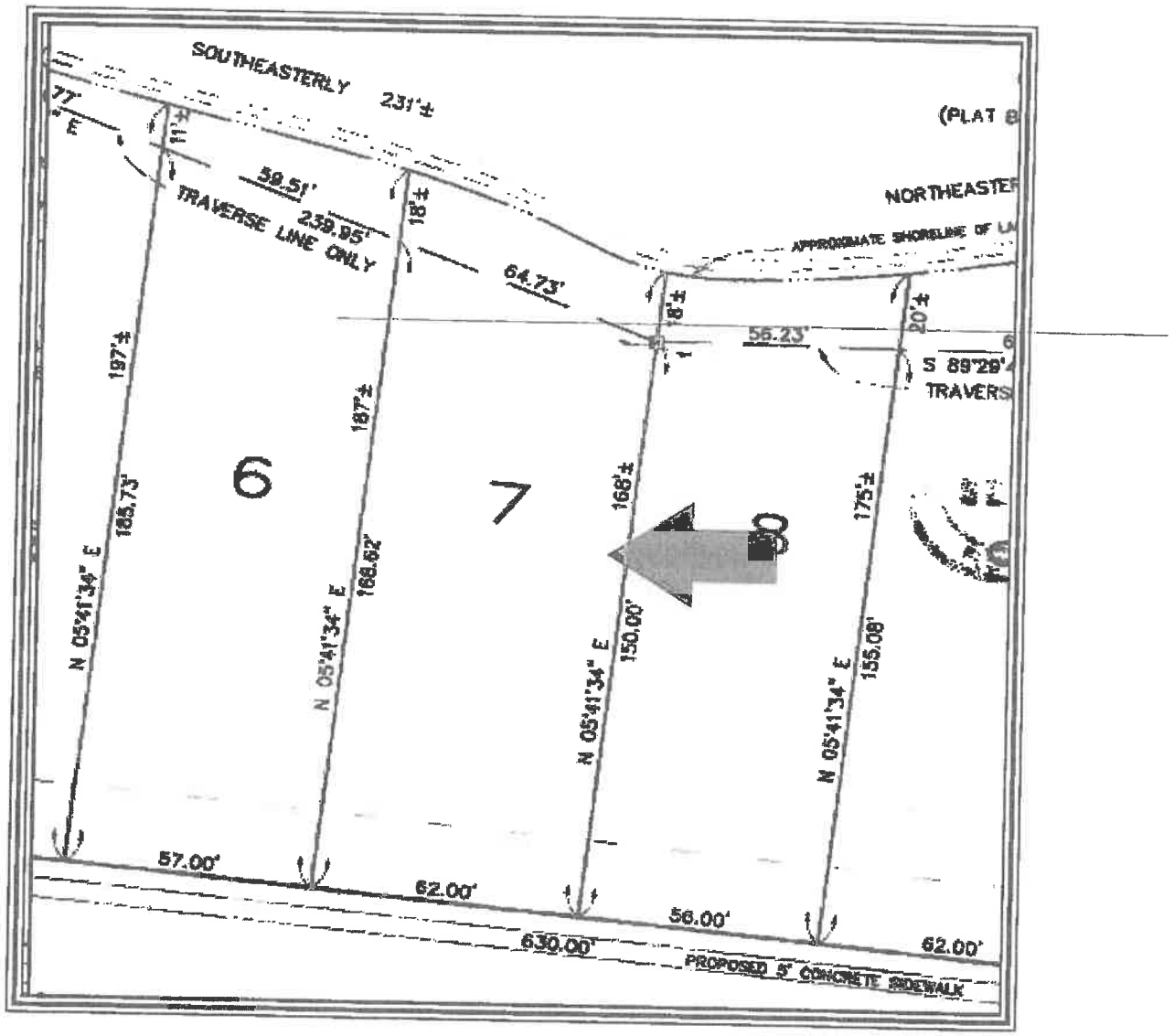
The subject is a single residential lot.

The rounded dimensions are as follows:

186.00 feet on the west side,
65.00 feet on the north side, fronting a small lake,
168.00 feet on the east side,
62.00 feet on the south side, fronting Scenic Highway 98.

These dimensions result in a land size of an approximate 0.25 acres, or 11,125 SF. This land size is typical of lots in the Grand Palms Subdivision.

See the following excerpt from the recorded plat map.



Site Topography:

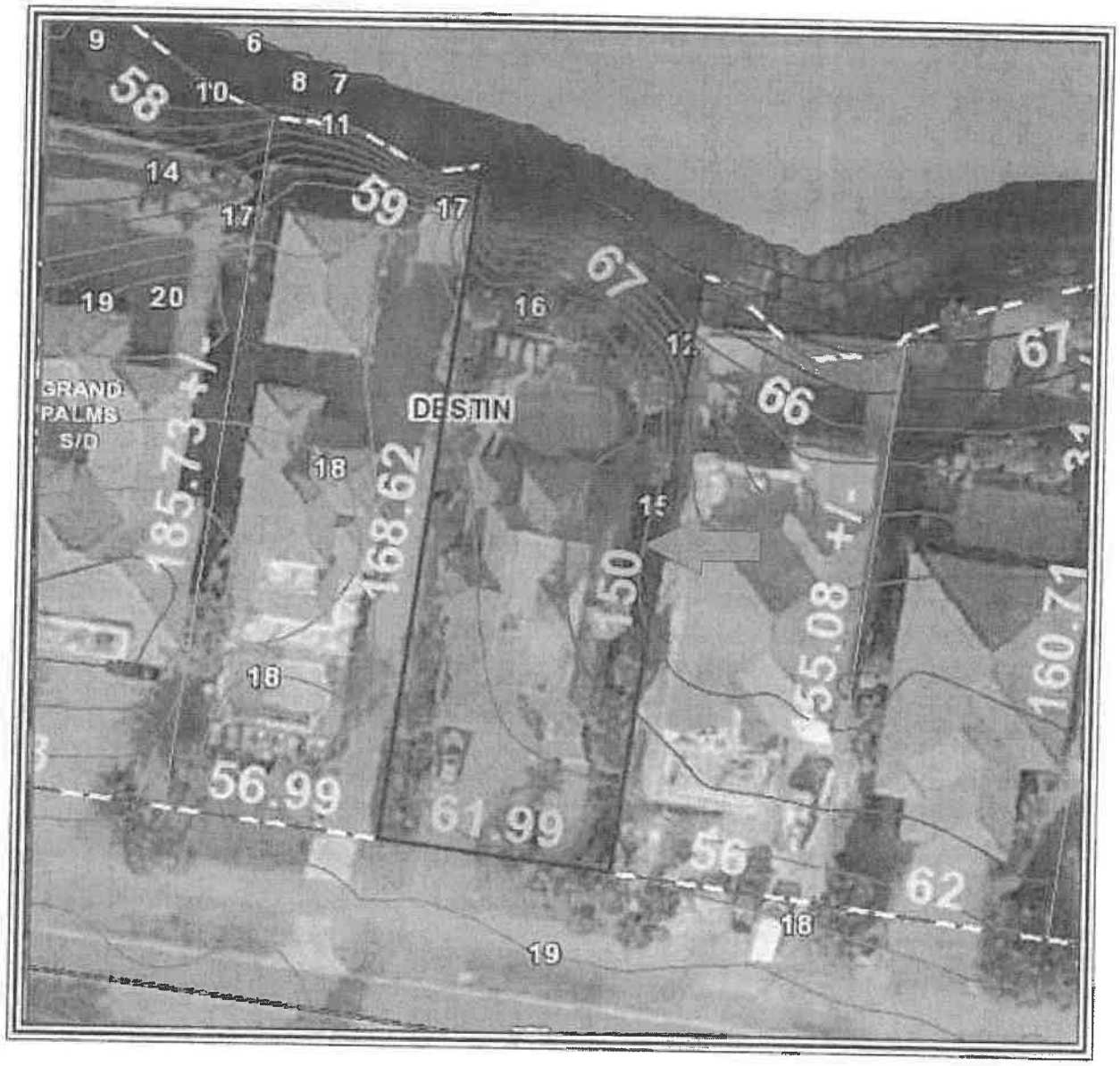
Per the Okaloosa County GIS site and my viewing, the subject is at the road grade of Scenic Highway 98.

The subject is level an approximate 2/3 way through lot and then slopes downward substantially on the north side toward the lake.

This slope is perceptible when standing at the rear of the improvement, however, the slope was accounted for in the construction of the home and has no negative connotation.

The subject lot contour is typical for many water front parcels.

I am providing the following contour map extracted from the Okaloosa County Property Appraiser web site.



Utilities:

Utility	*Provider*	*Utility*	*Provider*
Electricity	Gulf Power	Stormwater Drainage	Destin
Water and Sewer	Okaloosa County	Fire Department	Destin
Natural Gas	Okaloosa Gas	Police Department	Contract with the Okaloosa County Sheriff
Telephone	Verizon	Refuse Removal	By contract
Cable Television	Cox Cable		

The utilities for the subject site are considered as typical in the market.

Easements/Encroachments:
I was not furnished a copy of a recent survey of the subject property. A review of the site plan, various maps and my personal viewing did not indicate any easements or encroachments.

I assume there are utility easements of record.

It is my opinion that there are no easements or encroachments which would affect value or transferability.

Ingress/Egress:
The subject property is reached directly from Scenic Highway 98, which fronts on the entire subject south side.

Scenic Highway 98 is a paved, two lane public roadway.

Scenic Highway 98 is the original U. S. Highway 98 which was the main east/west arterial in the Destin market. Now that the six lane U. S. Highway 98 has been developed to the north, Scenic Highway 98 is now a coastal road running parallel to and just north of the Gulf of Mexico.

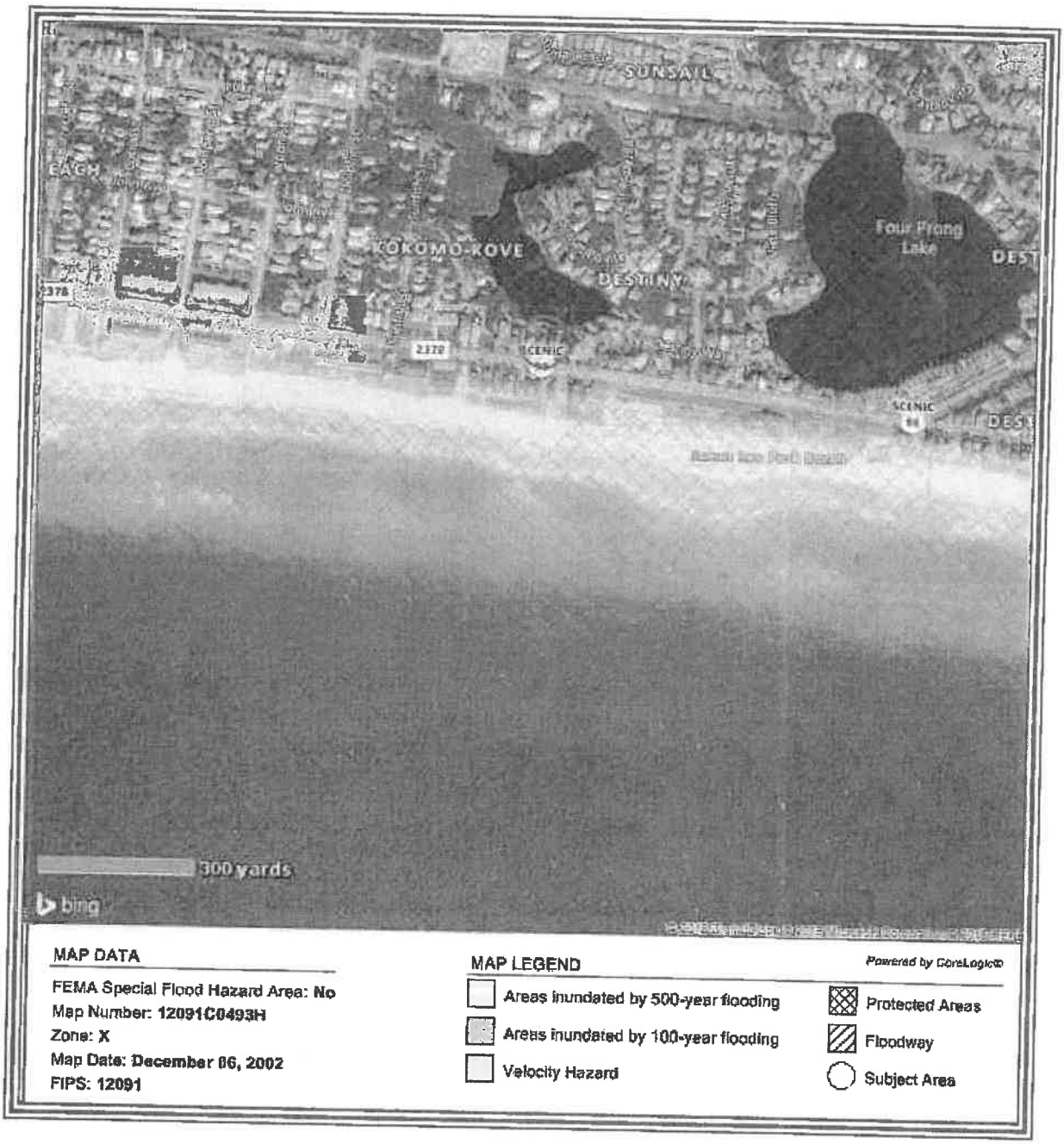
Ingress/egress is viewed as similar to most access typically found in the market.

Parking is viewed as superior to most parking found in the market as the subject features two garage spaces and five driveway spaces.

Flood Risk:

FEMA Map Panel	*Map Area*	*Dated*	*Flood Zone*
12091C 0493H	Okaloosa County	December 6, 2002	"X"

* The client is advised appraisers are not surveyors, and accordingly, any final determination as to flood zone status should only be made by a licensed, adequately insured, Florida surveyor utilizing the latest FEMA flood panels. However, it appears the entire subject area is considered as Flood Zone 'X', an area of substantial flood risk. The subject is located at the red circle in the following flood map.

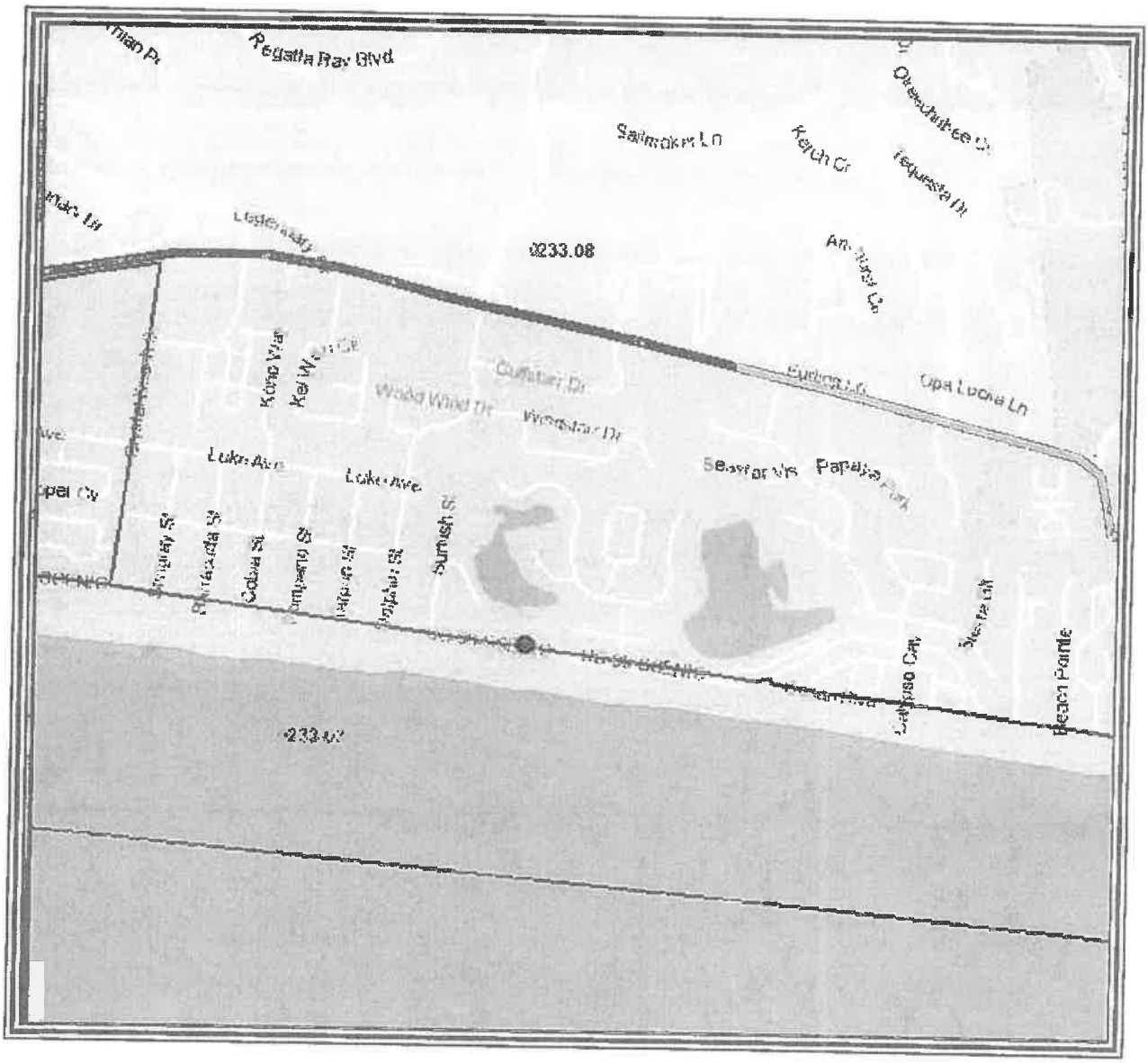


Wetlands:

None, per the Okaloosa County GIS site.

The wetland map is consistent with the flood panel on the previous page.

Census Data:
The subject is located in census tract 0233.08.



IMPROVEMENTS 'AS IS'

Size:
The subject is a single family detached improvement with three living levels.

The subject also features an attached two car garage. The subject features substantial exterior balconies and porches, as well as a large in ground swimming pool, pool deck/lanai, landscaping, and a lake view. These features result in a total size of 7,669 SF and 4,919 HVAC SF, per the Okaloosa County Property Appraiser.

The first living level is a bedroom with a queen bed sleeping two (2), a bedroom with a queen and two bunks sleeping four (4) and a bunk room sleeping eight (8). This is a total of fourteen (14) on the first level.

The second level features typical living areas in the form of the kitchen, living room, dining room and a common half bath. This level also features a bedroom with a queen sleeping two (2). There is a total of two (2) guests on the second level.

The third level features a game room and two queen bedroom sleeping two (2) each and a sofa sleeper in the game room sleeping two (2). There is a total of six (6) sleeping capacity on the third level.

The bunk rooms quality as bedrooms as they feature doors, windows and closets.

The first level sleeps fourteen (14); the second level sleeps two (2) and the third level sleeps six (6) for a total of twenty two (22).

Construction Quality:
The quality of construction for the subject improvement is *Class D* average. Details of construction are summarized below:

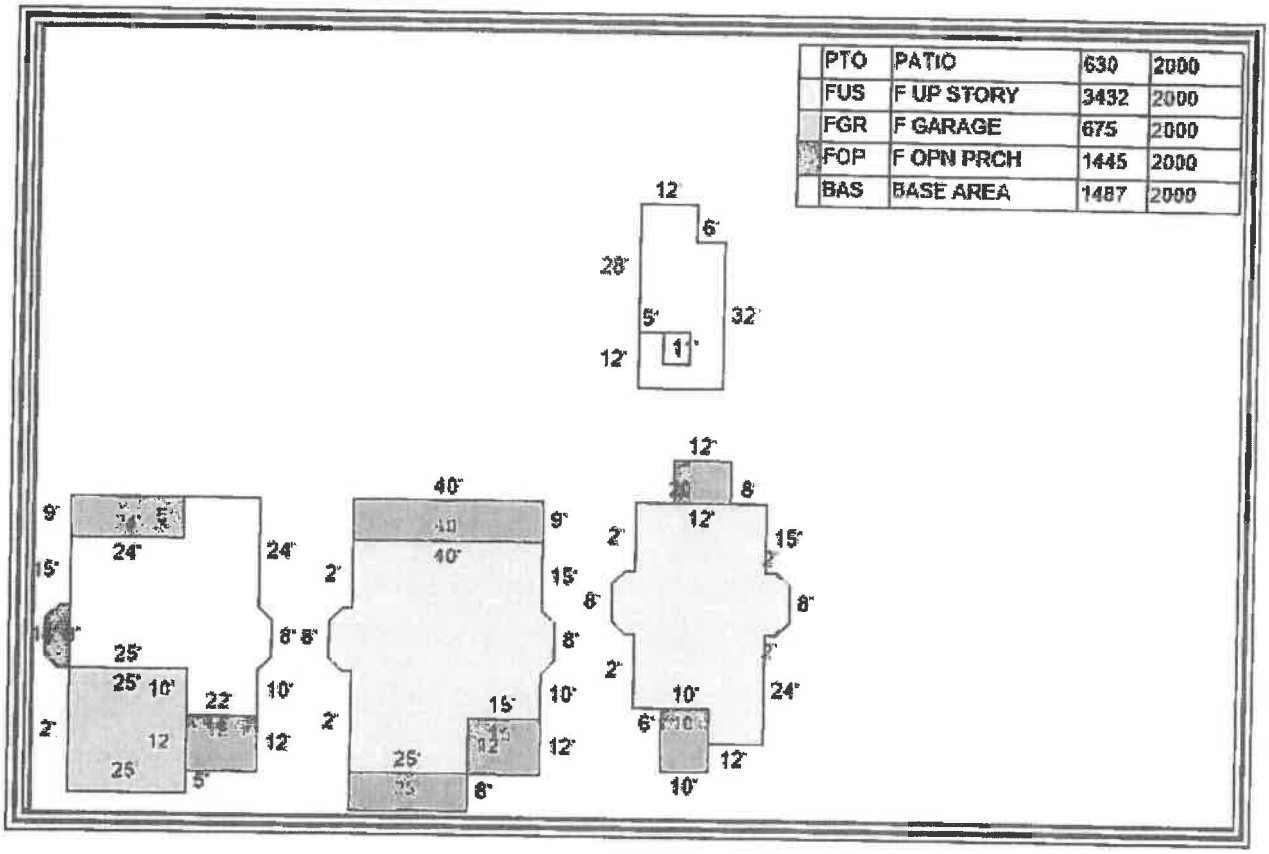
Construction Component	
Foundation	4" Reinforced concrete slab
Exterior walls	Wood frame with stucco
Roof	Metal
Trim	Base and crown molding
Windows	Double pane aluminum
Exterior doors	Insulated metal with glass
Insulation	Unknown. Assumed to be R38 behind sheet rock
HVAC	Forced Air and Central HVAC
Ceiling	9 and 10 foot with sheet rock and can lights
Interior Walls	Painted sheet rock
Interior flooring	Average tile and carpet
Interior doors	Six and four panel wood
Restrooms	Six and one half with average fixtures
Lighting	Can lights
Kitchens	One typical residential kitchen with average cabinetry
Other	Many porches/swimming pool and lanai

Condition of Improvements:
The subject improvement is in good condition.

Age:
Public records indicate this subject improvement was constructed in 2000.

I consider the actual age to be nineteen (19) years and the effective age to be fifteen (15) years. I estimate an economic life of fifty five (55) years and a physical life of seventy five (75) years.

See the following sizes indicated for the subject in the Okaloosa County Property Appraiser web site.



Exterior Photographs:

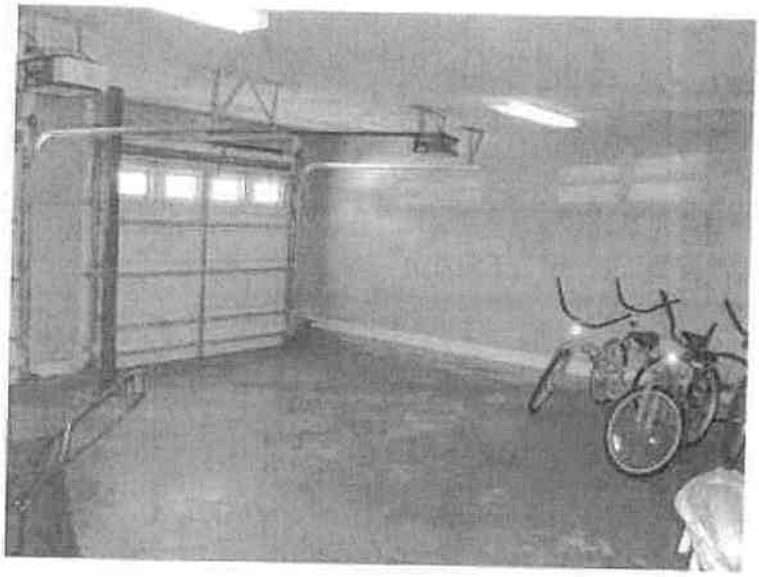
FRONT OF SUBJECT

REAR OF SUBJECT

SWIMMING POOL AND DECK

FIRST LEVEL PATIO

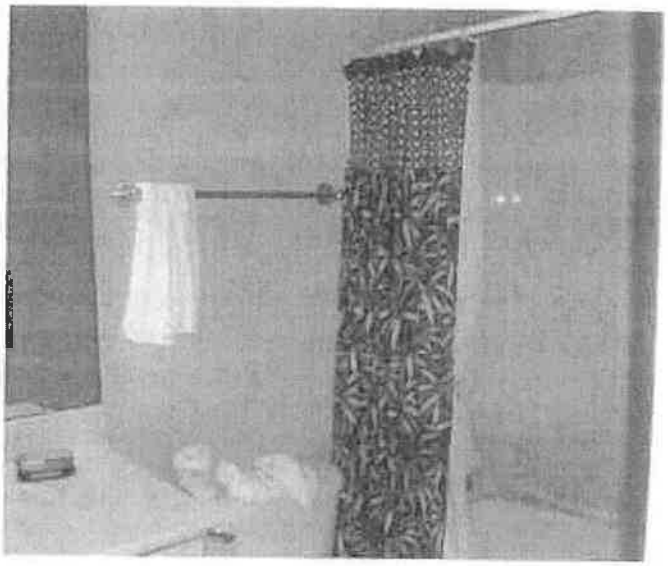
First Level Sleeping Fourteen (14).



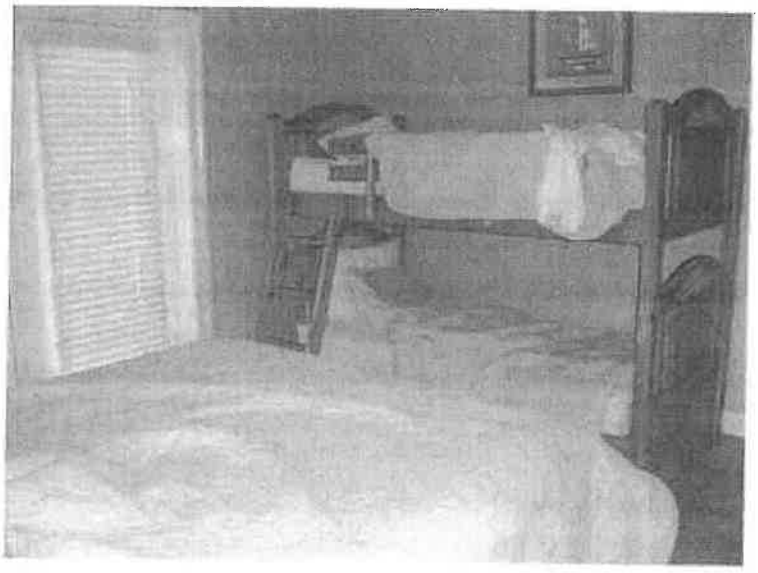
ATTACHED TWO CAR GARAGE

LAUNDRY ROOM

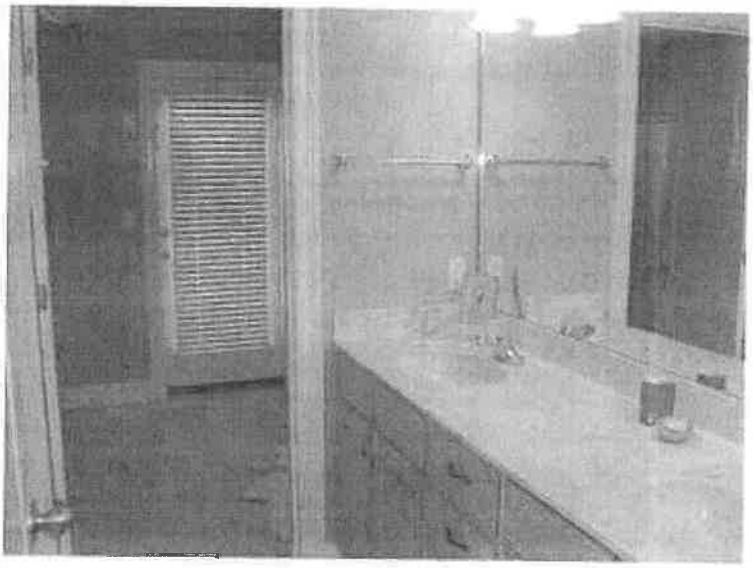
BEDROOM WITH QUEEN SLEEPING TWO (2) - BEDROOM #1



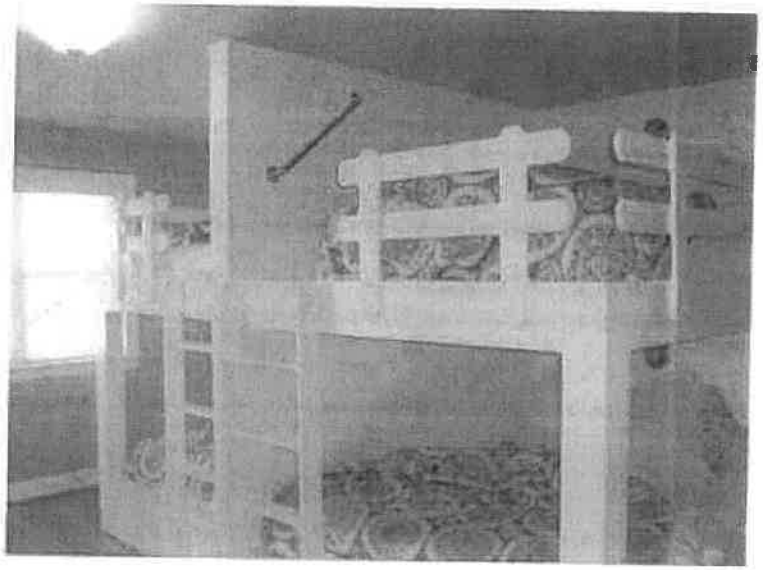
FULL BATH SUPPORTING BEDROOM #1 - BATH #1



BEDROOM WITH QUEEN AND BUNKS SLEEPING FOUR (4) - BEDROOM #2



FULL BATH SUPPORTING BEDROOM #2 - BATH #2



BUNK ROOM SLEEPING EIGHT (8) - BEDROOM #3

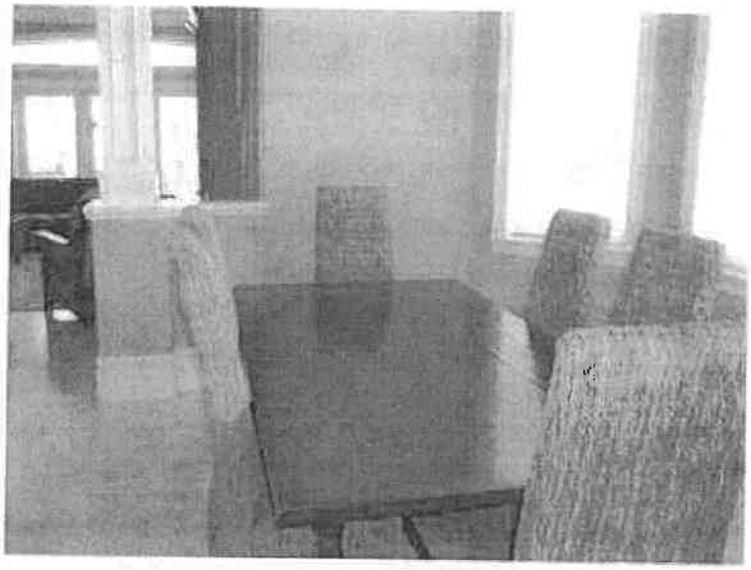
FULL BATH SUPPORTING BEDROOM #3 - BATH #3

Second Level Sleeping Two (2)

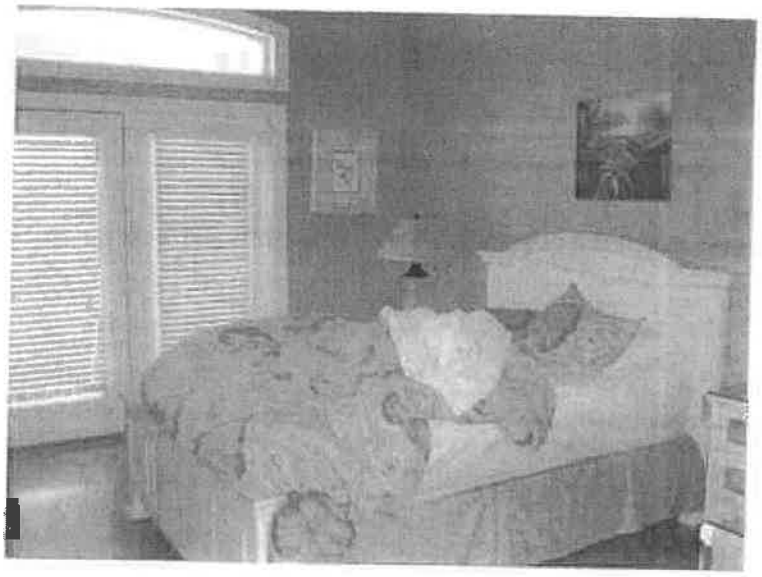
KITCHEN

LIVING ROOM

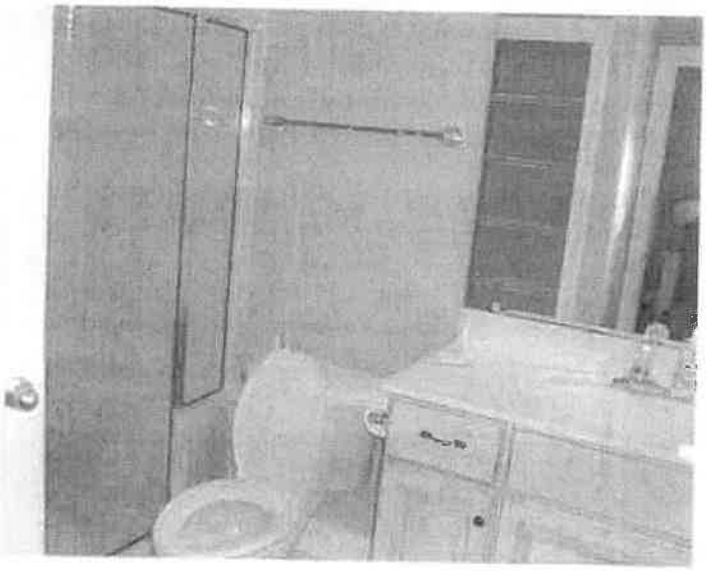
DINING ROOM #1



DINING ROOM #2



BEDROOM WITH QUEEN SLEEPING TWO (2) - BR #4



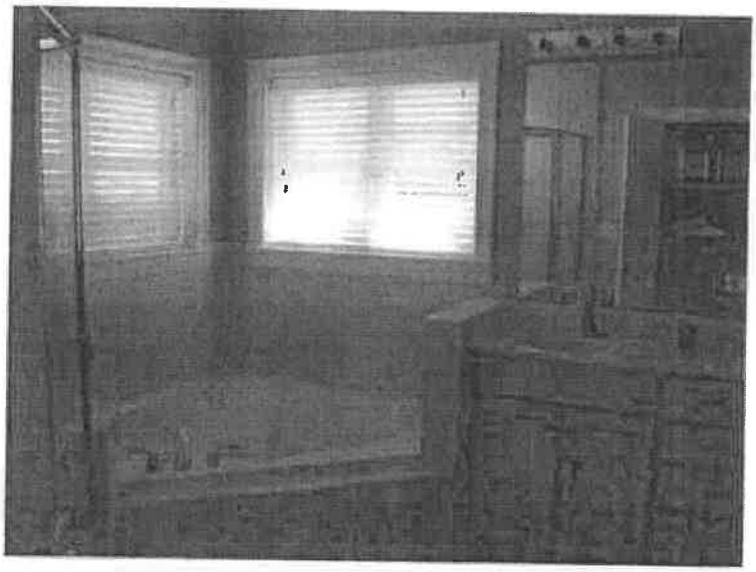
FULL BATH SERVICING BEDROOM #4 - BATH #4

HALL HALF BATH - BATH #4.5

SECOND LEVEL BALCONY

Third Level Sleeping Six (6)

BEDROOM WITH QUEEN SLEEPING TWO (2) - BEDROOM #5



FULL HALL BATH SERVICING BEDROOM #5 - BATH #5.5

BEDROOM WITH QUEEN SLEEPING TWO (2) - BEDROOM #6

FULL BATH SUPPORTING BEDROOM #6 - BATH #6.5

GAME ROOM WITH SOFA SLEEPER SLEEPING TWO (2)

THIRD LEVEL BALCONY

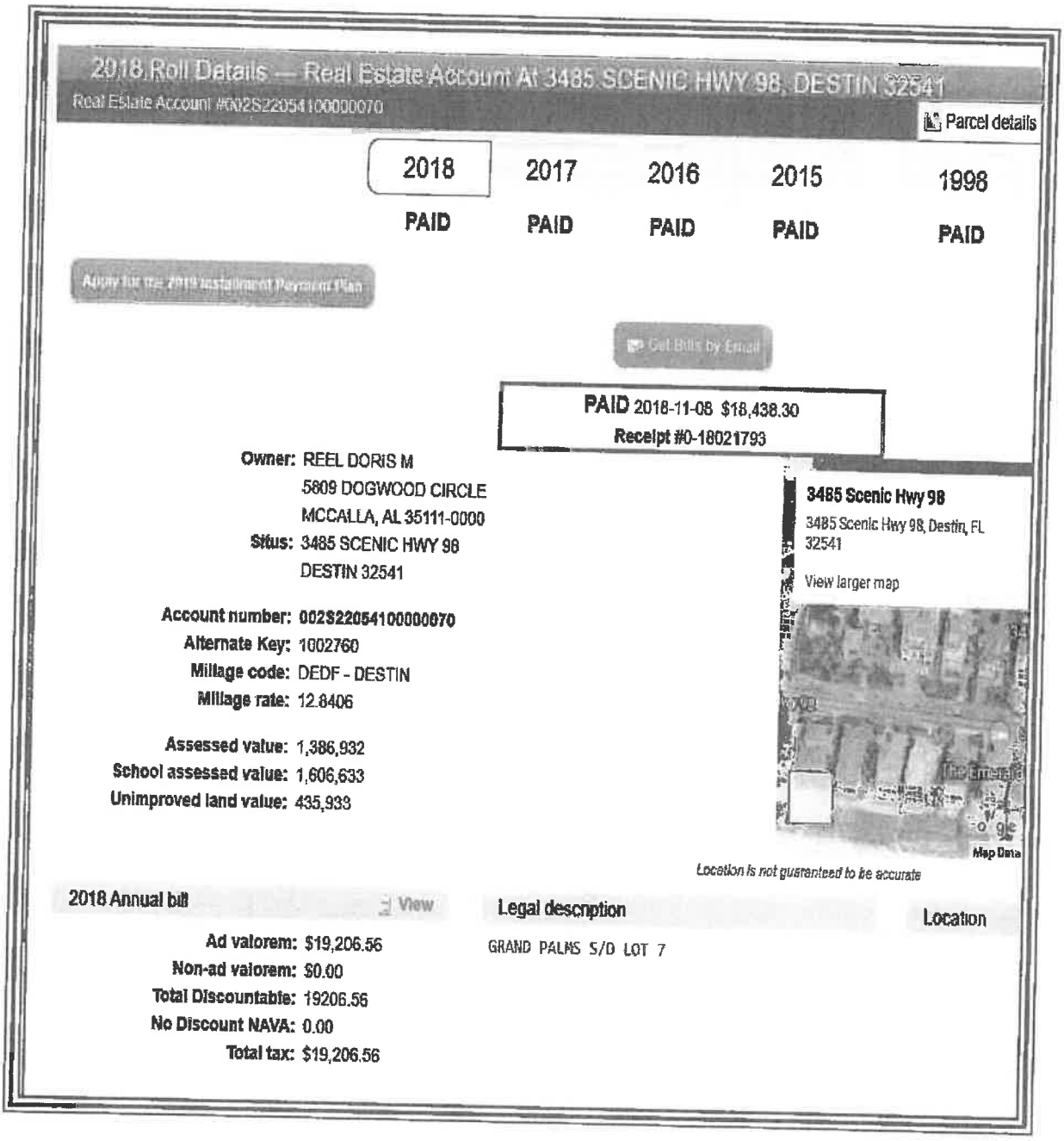
The tax identification number, gross tax amount due, amount paid, and assessed value for the 2018 tax year.

Tax Identification Number	Assessed Value	Gross Tax Amount Due	Amount paid	Amt. Due
00-2S-22-0541-0000-0070	$1,386,932	$19,206.56	$18,438.30	None

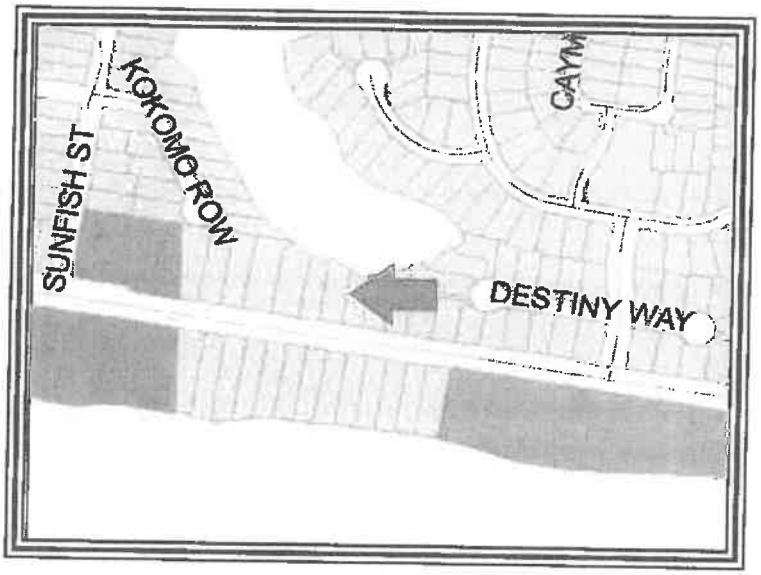
The 2018 taxes were paid early, resulting in a discount.

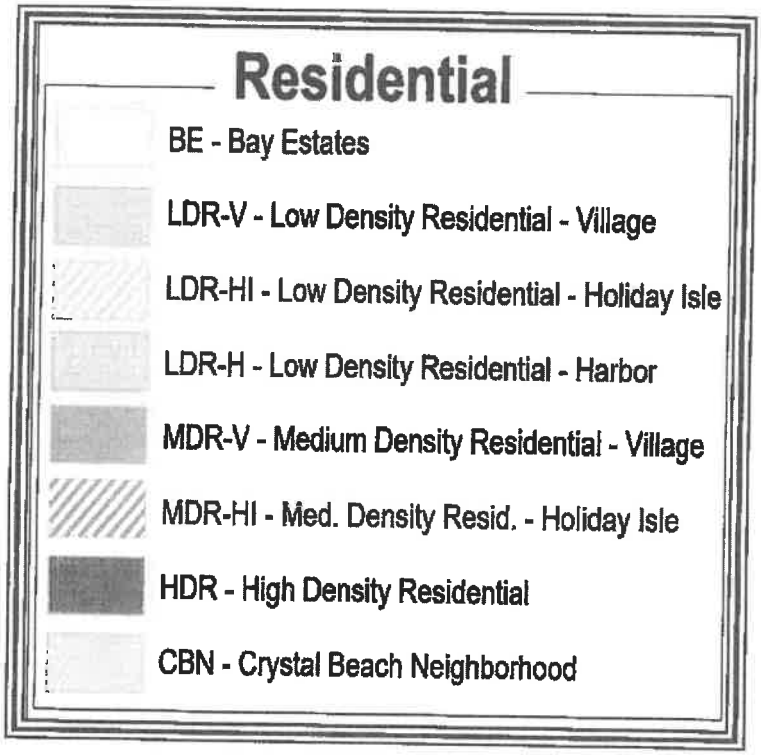
There are no previous year taxes owing.

It is my experience that assessed value has little correlation with current market value and are typically lower than market value with a few exceptions.



Zoning:
The following map indicates zoning for the subject parcel. The subject is zoned Crystal Beach Neighborhood by Destin. See following pages for detailed identification of allowable uses.





LAND DEVELOPMENT CODE COMMENTS

The following excerpts were taken from the Destin Land Development Code, currently on line.

This first excerpt states that Crystal Beach Neighborhood designates seasonal or short-term residential uses for single-family detached dwellings as a permitted use. I note that this description of the Crystal Beach Neighborhood zoning designation is silent regarding the number of allowable guests and does not limit guest numbers.

Community Development Department
Planning Division
4200 Indian Bayou Trail, Destin, FL 32541
Phone (850) 337-3123 • Fax (850) 837-7949
www.cityofdestin.com/index.aspx?nid=91

ZONING DISTRICT FACTSHEET

The purpose and intent of establishing zoning districts is to ensure that all development is consistent with the goals, objectives and policies of the Comprehensive Plan, by establishing a series of zoning districts that indicate what uses are allowed and site development regulations that control the use of land in each district. All development within each zoning district shall be consistent with the purposes stated for each district. (LDC 7.12.05)

CRYSTAL BEACH NEIGHBORHOOD (CBN)

Purpose and intent: The Crystal Beach Neighborhood zoning district shall apply to areas developed, redeveloped and/or maintained and conserved as permanent or seasonal single-family detached or multi-family attached residential dwelling units. Very limited supportive non-residential uses are allowed and are strictly limited to: places of worship, parks, playgrounds, community buildings and similar public service facilities serving the residents of the area, childcare centers and other ancillary neighborhood commercial uses which are approved as part of a planned unit development (PUD) for the exclusive use of the residents of the PUD. It is the intent of the CBN zoning district to specifically not allow the following uses to be located in the district: commercial hotels, motels, bed and breakfast establishments, or other commercial transient living accommodations.

Table 7-2: Table of Allowable Uses (excerpt from LDC 7.12.06)

PERMITTED USES:

Permanent or long-term residential uses

Single-family detached dwelling
Guest house [1]
Accessory dwelling
Single room occupancy housing
Museums, historical sites, zoos & parks [10]
Religious organizations

Seasonal or short-term residential uses

Single-family detached dwelling

Other residential uses

Community residential home, small (1-6)
Family day care home

CONDITIONAL USES:

Other residential uses

Permanent or long-term Multi-family attached dwelling
Seasonal or short-term Multi-family attached dwelling
Community residential home, large (7-14)
Child day care services

ACCESSORY USES:

Uses and structures which are customarily accessory, clearly incidental and subordinate to permitted uses and structures, including home occupations and off-site businesses.

Footnotes:

1 Guest houses are permitted only if the owner of the subject property occupies the primary dwelling as his/her main residence. However, guest houses shall not be rented out separately from the main residence. (refer to LDC section 7.12.04.M).

10 Zoos are only allowed in the Industrial zoning district.

This second excerpt defines long term rental and short term rental. I again note that the definition of short term rental is silent regarding the number of allowable guests.

Policy 1-2.1.1: Residential Uses Defined. Residential uses shall include several structure types used for housing, including single-family detached dwellings and multiple-family structures including duplex structures units, town homes and other detached single-family structures, apartments, patio homes, atrium homes, and similar multiple-family structures. The specific FLUM designations shall identify where single-family and multiple-family structures may be located. Following are the definitions for long-term residential and short-term residential.

1. Long-Term Residential. Long-term residential uses shall be defined as any residential accommodation that is available for occupancy for 181 days or more. Long-term residential uses shall include lock-out units, as defined in the Glossary.
2. Short-Term Residential. Short-term residential uses shall be defined as any residential accommodation that is available for occupancy for 180 days or less. Short-Term Residential uses shall include lock-out units, as defined in the Glossary.

This third excerpt defines the grandfather clause. This clause states clearly that the grandfather status may be released only by the vested entity

Policy 1-2.1.5: Grandfather Clause. Existing land uses that were lawfully conforming uses prior to the effective date of the Comprehensive Plan, shall continue as lawful uses and shall be regulated through administrative remedies for vested rights issues that shall be included in the LDC. Building heights, density and/or intensity which (a) are actual present and which lawfully existed prior to the effective date of the Comprehensive Plan, or (b) were authorized pursuant to a development order, which development order remained unexpired as of the effective date of the Comprehensive Plan, shall continue to be legal building heights, density and/or intensity (as applicable) after adoption of the Comprehensive Plan. All duly approved and recorded lots, subdivision and condominium plats of record, which existed as legal lots, subdivision and condominium plats of record prior to the adoption of this Comprehensive Plan shall continue to be legal lots, subdivision and condominium plats of record after adoption of the Comprehensive Plan. This grandfather status may only be relinquished voluntarily by the vested entity. All subdivisions, condominium plats and all replats shall comply with the Comprehensive Plan objectives and Policies, including maximum density provisions. Similarly, all new development shall comply with the Comprehensive Plan and LDC unless the development is found to have a vested right in a land use, building height, density or intensity that is in conflict with the Comprehensive Plan and LDC. Under such condition the grandfather clause shall be applicable unless voluntarily relinquished by the vested entity. The intent is to sustain demonstrated private property rights while preserving the public interest, welfare, health, and safety. Notwithstanding, any single-family home that is subject to redevelopment shall be allowed to reconstruct, providing adopted building and construction codes as well as this ordinance and the size and dimension criteria of the LDC are met.

CONCLUSION

Based on these excerpts, I conclude that prior to the first application of Ordinance 18-29-CC, there were no restrictions to the number of allowable guests.

History:
The subject has been owned by the current owner since 1/21/2015 when she purchased it for $1,535,000, per ORB/P 3181/2450

Based on this transfer date outside of three years, there is no requirement to analyze the previous sale.

Active Listings:
None.

Current Use:
The subject is currently a detached single family home used for seasonal rental, catering to large family groups.

Surrounding Uses:
The surrounding use in the Crystal Beach/Destiny/Destiny By The Sea area is a mix of full time occupants and seasonal renters.

MARKET AREA ANALYSIS - SEASONAL RENTAL MARKET

I am restricting this analysis to the seasonal rental market.

Up until perhaps 2000, the great majority of seasonal rentals were condominium units.

However, the growing demand for larger spaces to accommodate extended families in one place led to the conversion of many larger homes to seasonal rentals. It also spurred the construction of homes specifically designed for large rental parties.

Such homes feature typical living areas but emphasize a substantial number of bedrooms and baths. Often bedrooms are equipped with multiple built - in bunks for sleeping children.

Most homes also feature sofa sleepers which can sleep additional children.

Many of these homes, and certainly those recently constructed for this purpose, featured swimming pools and lanai areas as an exterior amenity.

This market has flourished as Destin is nationally recognized as a tourist attraction.

It is common to see Realtors addressing gross rental amounts or gross rental projections in MLS Listings. While the value of homes similar to the subject is partially estimated by a size / value per SF component, the fact that a home generates a substantial amount of income makes it a more attractive and safe purchase than a home which is not rented for seasonal income. In the past few years, income has become as important as selling prices, per SF.

Another factor worthy of discussion is that many owners now self - manage. Typically in the past, management of rentals was performed by one of several large real estate companies, such as Resort Quest, Dale Peterson, Newman Dailey and Southern Resorts. However, in the past 10 years a substantial number of smaller management companies have surfaced.

Management fees for seasonal rentals range from perhaps 15% to 25% of gross revenue.

Entrepreneurial owners have recognized this expense line and many now self - manage with the aid of Vacation Rental By Owner (VRBO) or some similar search engine.

The seasonal rental market is increasing in the Destin/Miramar Beach market as the thriving national economy allows discretionary vacations.

Without the first application of Ordinance 18-29-CC, allowing the planned capacity up to 22 guests, I would consider the seasonal rental market to continue to flourish over the next several years.

With the first application of Ordinance 18-29-CC, limiting the subject to 16 guests, I would project a diminution in value.

HIGHEST AND BEST USE 'AS IS'

Legally Permissible
The subject property is zoned (and designated for future land use) as *Crystal Beach Neighborhood (CBN)* by the City of Destin, Florida.

This zoning and land use designation allows for single-family use and specifically indicates that short term rentals is a permitted use (See page 37). The use of the subject for single-family short-term rentals is therefore allowed in this district.

Physically Possible
The subject property appears to be relatively level and well drained. Soil and subsoil conditions nearby appear compatible with both low-rise, multi-story use and traditional commercial development. All utilities required for commercial or 'mixed use' are presently at the site. The size and dimensions of the site are sufficient to allow a wide variety of legally permissible uses. The shape of the site is rectangular and this shape does not limit utility. Transportation of construction materials or labor to the site is estimated to be relatively simple due to the central location of the site within the overall market. Access to the site is above average.

However, the most compelling substantiation that the subject is physically possible is the fact that it already exists.

Therefore, use of the subject property for single family use as a seasonal rental is physically possible.

Financially Feasible
Value opinions derived in the income approach to value indicate the existing improvement contributes value to the underlying land. There is substantial other ongoing seasonal rental use in the market, suggesting that there is broad appeal for seasonal rental properties.

Therefore, continued use of the subject property for a detached single family residence used for seasonal rental income is financially feasible.

Maximally Productive
The alternatives of addition, demolition, expansion, modernization, or conversion to alternate uses have been considered within the legal, physical, and financially feasible parameters. Several alternatives exist.

Alternatives for use of improvements:

Expansion
The existing subject improvement is 4,919 HVAC SF. The subject is typical of most seasonal rental homes. Thus, there is no need for expansion. Any expansion would come at a cost of parking and/or access. Thus, expansion beyond what is existing, does not appear to be appropriate and feasible.

Renovation
Typically, any existing property could benefit from renovation. However, the subject has been well maintained and is in good condition. Thus, I would not consider imminent renovation to be required or practical.

Downsizing
The existing subject improvements are 4,919 HVAC SF. I see no reason to downsize the subject improvement as it appeared that all of it is usable space. Thus, downsizing beyond what is existing does not appear to be appropriate, physically possible or feasible.

Subdividing
The purpose of the subject is to lease it seasonally to large parties of guests. Subdivision would not be legally approved and does not appear to be financially prudent as the parties of guests would be smaller and grouping smaller parties together in the same pool could prove problematic. I would not consider subdivision to be prudent or feasible.

Demolition
The subject is a recently constructed home in 2000 and is currently in good condition. It features a probable 40 years of remaining economic life and a probable 60-65 years of remaining physical life.

I do not consider demolition and replacement with alternative improvements to be a superior use to the current use as a rental property. No alternative use would be certain to serve the land better. Thus, the subject is not a candidate for demolition.

Utilizing existing improvements
Continued use 'as is' as a seasonal rental, is considered the maximally productive use.

Conclusion of Highest and Best Use 'as is'
Analysis of recent trends and current market supply and demand indicate that the maximally productive highest and best use of the subject property is continued use as a detached single family residence used for seasonal rental income.

Conclusion of Highest and Best User 'as is'
Analysis of recent trends and current market supply and demand strongly indicate the most probable user is an entrepreneurial user who leases the subject for seasonal rental income with a small amount of personal use.

SUMMARY OF ANALYSIS AND VALUATION

Methodology

Site valuation derived from Sales Comparison Analysis involves direct comparisons of the subject property to similar properties selling in the marketplace to derive a comparative value indication for the subject property 'as if vacant,' as of the effective date of value. This approach is also called the 'direct sales comparison approach', or the 'market approach', and tends to be the most reliable approach for developing an opinion of the value of vacant land or sites available for development. Other methods of developing the value of land are available. Allocation, extraction, land residual, ground rent capitalization, and discounted cash flow analysis are all recognized as reasonable methods of valuation.

The cost approach is a reliable methodology for new, or nearly new, buildings. I estimate the replacement cost or reproduction cost, in this case replacement construction cost, of the existing or existing improvements and site improvements (including direct and indirect costs as well as an appropriate developer profit), deducting accrued depreciation from physical, functional, and external sources from the total replacement or reproduction cost new. The depreciated replacement or reproduction cost of the improvements is added to the value of the site resulting in a value indication of the fee simple interest in the property.

The sales comparison approach is based on the 'Principle of Substitution' which indicates an informed purchaser would pay no more for a property than the cost of acquiring an equally desirable substitute property with the same or similar utility. This approach is applicable when an active market provides sufficient quantities of reliable data which can be verified from authoritative sources. The Sales Comparison Approach is reliable in an active market or if an opinion of value is related to properties which there are comparable sales available. This approach to value is also relevant when sales data can be verified with the principals to the transaction. Heavy emphasis is usually placed on this approach to value in an active market.

The income approach is recognized as a reliable approach for developing an opinion of the value of 'income producing' property to an investor. The income approach consists of methods, techniques, and mathematical procedures an appraiser uses to analyze a property's capacity to generate income and convert income into an indication of present value either by capitalizing the current income at a market capitalization rate or discounting the future cash flows into a present value estimate using an appropriate yield (discount) rate. The appraisal process emulates the market, and the most probable purchaser would either be an investor or prospective owner occupant. Two (2) techniques associated with the income approach are direct capitalization and discounted cash flow analysis.

Methodology employed and explanation of the exclusion of any of the three (3) approaches to value

I am not performing cost analysis. A buyer and seller in the market would not care what it cost to build the subject. In addition, the problem to be solved is to drive the diminution in value based on the guest restrictions included in Destin Ordinance 18-29-CC. The number of guests would have no impact on the cost to construct.

I am not performing sales comparison analysis. The impact of Destin Ordinance 18-29-CC may not be evident in the market for several years in the selling prices of homes. The ordinance allows a five year grandfather period. Homes sold in this grandfather period may not indicate a decline in selling prices and it would not be reliable to estimate diminution in value based on comparable sales until a larger array of data was available for use in sales comparison analysis.

I am performing income analysis. I will identify probable annual income for the subject with twenty two (22) guests, based on historical income and projected income from the manager; and then identify market rents which support the subject contract rent. I will then identify operating expenses and subtract operating expense from gross rent to arrive at a net operating income (NOI). I will then apply a market based capitalization rent to the NOI to arrive at a value for the subject, prior to the first application of Destin Ordinance 18-29-CC.

I will then identify the rental incomes for homes which are allowed only 16 guests. I will then subtract expenses for the rents of 16 guest homes and arrive at their NOI. I will then derive a value by capitalizing this NOI.

Finally I will subtract the value for a 16 guest house from the value of a 22 guest house and this figure will be the diminution in value.

COST ANALYSIS
NOT PERFORMED

SALES COMPARISON ANALYSIS
NOT PERFORMED

INCOME ANALYSIS
'AS IS'

DESCRIPTION OF INCOME ANALYSIS METHODOLOGY

The income approach to value is based on the principle of anticipation, in that the value of the subject property correlates to the present worth of the future right to receive benefits in the form of income to be received by the owner. The income approach considers the property from an investment interest with the assumption that the amount of income, coupled with the regularity and quality of the income stream, are the basis for valuing the property based on income analysis.

The income approach is applied by identifying the net income by first identifying gross income and then deducting from the gross income the expenses of operating a property to arrive at a net income, generally identified a Net Operating Income (NOI).

The estimated NOI is then converted to a value opinion by utilizing either a Discounted Cash Flow Analysis, or a Direct Capitalization Analysis, or both.

Discounted cash Flow Analysis:
The Discounted Cash Flow Analysis (DCF) is an analysis where a discount rate is applied to a series (typically several years) of income streams with a reversion after typically 7 to 10 years. The appraiser must specify the quantity, variable nature of the income, timing of payments (monthly/quarterly/annually) to a present value at a specified yield rate. The DCF analysis is most applicable when the net income is projected to be variable and when the property is on a sufficient size and investment value to influence market participants to evaluate purchase decisions based on DCF. A large strip retail center would be a good candidate for DCF analysis, as would a project to be constructed in phases, where the income would increase as new construction is added.

I note that I did not perform DCF analysis as it is my opinion that market participants would not use DCF analysis to base decisions to either purchase or sell properties such as the subject.

Direct Capitalization:
The conversion of a net income to a current value is called capitalization. Capitalization is a method which is used to convert the estimate of a single year's net income actual figures and/or expectancy of income into a value opinion by dividing the income by a appropriate rate of capitalization, as estimated by the appraiser. This technique employs capitalization rates derived from the market, using both capitalization rates from recent sales of similar properties, generally augmented by national indices, or other mathematical progressions. This process provides a one year snap shot of the property value. Future yields and values are not directly identified. The direct capitalization analysis is most appropriate for small to medium sized income producing properties, in stable markets with a forecast of generally stable income.

The procedural steps involved in capitalization are as follows:

Develop the probable gross income by identifying historical performance, income projections and market incomes from comparable properties which support the historical or projected subject income.

Estimate vacancy and collection losses to arrive at Effective Gross Income (EGI).

Estimate and subtract operating expenses to arrive at NOI.

Develop a capitalization rate which is supported by the market.

Divide the NOI by the capitalization rate to derive a value opinion.

I am employing the direct capitalization analysis to derive values in this analysis.

I note for the reader that steps #1 and #2 are generally combined in the analysis of seasonal resort properties. Owners and management companies tend to provide actual income which has already accounted for vacancy and collection loss.

INCOME ANALYSIS - ESTIMATE OF CAPITALIZATION RATE

The capitalization rate is a rate which is applied to the Net Operating Income (NOI) to derive a value for a property. As the chart below indicates, you can derive a capitalization rate by dividing the NOI by the purchase price.

The following excerpt will provide some explanation of capitalization rates.

Capitalization rates are used in a formula. As seen below, dividing the net operating income by the purchase price indicates the capitalization rate.

Another variation of the formula is to divide the net operating income by the capitalization rate and this process will indicate the value of the property.

What Is a Cap Rate?

A cap rate is simply a formula. It's the ratio of a rental property's net operating income to its purchase price (including any upfront repairs):

Cap Rate =

Net Operating Income (NOI) ÷ Purchase Price

The formula can be used on the level of an individual property by looking at its net operating income compared to its value. But it can also be used on the level of an entire market by taking *average* cap rates for a large group of properties.

Importantly, the cap rate formula does NOT include any mortgage expenses. As you can see in the formula for net operating income below, the expenses do not include a mortgage or interest payment.

Gross Rental Income
- Vacancy/Credit Loss Reserve
- Property Taxes
- Property Insurance
- Maintenance/Repairs
- Common Utilities (if any)
- Other expenses (ex: license)

= Net Operating Income

MARKET DATA BASED ON TYPICAL INDICES

Capitalization rates range widely in the market. The following table derived from Realty rates.com indicate a wide variety of capitalization rates base on property types. This table contains very recent data from the first quarter 2019.

As can be seen, properties such as restaurants and lodging (motels and hotels) have high capitalization rates. Apartments (residential) have the lowest capitalization rates.

Realty rates does not include a separate category of single family detached homes.

RealtyRates.com INVESTOR SURVEY - 1st Quarter 2019*
CURRENT & HISTORICAL CAP RATE INDICES

Method-Weighted* Property Category Indices

	Apts		Golf		Healthcare Senior Housing		Industrial		Lodging		MH/RV Park		Office		Retail		Restaurant		Self Storage		Special Purpose		Weighted* Composite Indices	
		BP		BP		BP		BP		BP		BP		BP		BP		BP		BP		BP		BP
Year	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg
2018	8.42	26	12.02	30	9.01	14	9.19	23	10.53	25	9.56	30	9.04	10	9.38	20	11.57	15	9.86	29	11.64	40	9.64	22
4th Qtr	8.16	8	12.09	11	9.07	11	9.23	7	10.53	1	9.62	13	9.09	13	9.44	10	11.62	11	9.82	13	11.71	11	9.68	9
3rd Qtr	8.37	-4	11.97	-5	8.96	-2	9.18	-5	10.52	-7	9.60	-5	8.95	-5	9.33	-3	11.61	-4	9.79	-7	11.60	-3	9.59	-5
2nd Qtr	8.41	3	12.02	5	8.99	3	9.21	5	10.59	6	9.55	5	9.00	0	9.36	4	11.56	4	9.86	6	11.63	5	9.64	4
1st Qtr	8.38	23	11.97	28	8.96	13	9.16	22	10.52	31	9.50	28	9.00	5	9.32	17	11.52	26	9.81	25	11.58	34	9.60	21
2017	8.16	4	11.73	-2	8.87	-8	8.96	-12	10.28	5	9.26	11	8.94	-22	9.19	-8	11.42	-15	9.57	-9	11.25	4	9.42	-6
2016	8.13	-2	11.75	6	8.92	12	9.08	15	10.22	0	9.15	15	8.161	16	9.27	12	11.57	-10	9.67	14	11.21	10	9.48	9
2015	8.15	-9	11.69	-14	8.80	-9	8.93	-10	10.22	-20	8.99	-18	9.00	-6	9.15	-11	11.66	-13	9.52	-22	11.11	-12	9.40	-12
2014	8.24	-15	11.63	-9	8.89	-1	9.03	-4	10.43	-17	9.17	-5	9.06	-22	9.26	15	11.78	-6	9.75	-20	11.24	14	9.52	-7
2013	8.39	14	11.92	-14	8.90	5	9.07	-2	10.60	3	9.22	14	9.28	-19	9.11	-4	11.96	9	9.96	-24	11.10	1	9.59	-2
2012	8.25	-35	12.07	6	8.85	-36	9.09	-40	10.57	-24	9.08	-39	9.47	3	9.15	-13	11.77	6	10.19	-49	11.09	-4	9.60	-21
2011	8.60	-29	12.00	-22	9.21	-40	9.49	-11	10.81	-24	9.48	-8	9.44	-10	9.28	-26	11.70	-14	10.69	-3	11.12	-17	9.81	-19
2010	8.89	4	12.22	5	9.62	15	9.60	12	11.05	7	9.55	22	9.54	16	9.54	25	11.94	12	10.72	21	11.30	0	10.00	13
2009	8.85	8	12.17	16	9.47	10	9.48	10	10.98	-7	9.33	1	9.38	29	9.29	20	11.72	15	10.50	37	11.30	8	9.87	14
2008	8.77	-4	12.01	29	9.37	-16	9.39	-14	11.05	56	9.32	-5	9.09	-16	9.09	-11	11.57	-28	10.13	20	11.22	-7	9.74	-1
2007	8.81	-45	11.72	-21	9.53	-65	9.52	-25	10.49	-28	9.37	-26	9.25	-47	9.20	-12	11.85	61	9.93	-38	11.29	-24	9.75	-28
2006	9.26	12	11.93	47	10.18	15	9.77	36	10.77	27	9.63	41	9.72	26	9.32	30	11.24	18	10.31	27	11.53	9	10.03	26
2005	9.14	14	11.46	60	10.03	-16	9.42	-30	10.50	-21	9.22	19	9.46	6	9.02	16	11.06	5	10.04	13	11.44	-30	9.77	2
2004	9.00	-13	10.86	29	10.19	-37	9.72	19	10.71	-59	9.03	-48	9.40	-4	8.86	-12	11.01	-15	9.91	-13	11.74	-30	9.75	-19
2003	9.13	-2	10.38	-32	10.56	64	9.53	33	11.69	56	9.51	-11	9.44	1	9.05	-18	11.16	8	10.04	-53	12.04	105	9.94	12
2002	9.21	-40	10.70	18	9.92	-39	9.20	-61	11.13	26	9.62	-60	9.43	-35	9.23	-62	11.08	-3	10.57	-12	10.99	-177	9.82	-41
2001	9.61	64	10.52	133	10.31	90	9.61	16	10.87	98	10.22	-69	9.78	-35	9.85	-53	11.11	47	10.69	13	12.76	32	10.23	21
2000	8.97		9.19		9.41		9.85		8.89		10.90		10.13		10.39		10.64		10.56		12.44		10.01	

* Weighted by methodology: Band-of-Investment, DCR Technique, Sales Survey

* Further weighted by property category

The following chart provides some additional data regarding capitalization rates for apartments in some major metropolitan centers.

These rates are lower than the overall national rate for apartments identified on the previous page. I attribute this to the fact that the cities below are major metropolitan areas with a high density of population which keeps occupancy high and inspires investor confidence. In this regard, the Destin seasonal rental market is similar in its high density and national appeal.

Cap Rates For Stabilized, Class A Multifamily Apartments By City – 2017 (2nd Half)

San Diego	4.25%
Chicago	4.75%
Atlanta	5.00%
Philadelphia	5.25%
St. Louis	5.75%
Cleveland	6.25%
Pittsburgh	6.50%
Detroit	7.25%

Single family homes are seldom valued via income capitalization. Most homes are owner occupied and the issue of rent and valuation through rent is generally not applicable. However, I identified the following excerpt rom the internet which indicates a range of capitalization rates from 4% to 10% for single family homes. The reader will note in the excerpt immediately above that high demand areas feature lower capitalization rates and lower demand areas feature higher capitalization rates. I would again observe that Destin is a high demand area in the seasonal rental market. Thus, I would consider it probable that capitalization rates for singe family homes in Destin were toward the low side of the 4% to 10% range.

Cap Rate for Single Family Home

Professionals purchasing commercial properties, for example, may buy at a 4% cap rate in high demand areas, or a 10% (or even higher) cap rate in low-demand areas. Generally, 4% to 10% per year is a reasonable range to earn for your investment property. Continuing with our example from above, $17,000/ 5% = $340,000.

The following are two excerpts from the internet indicating that Panama City Beach, Florida boasts a very low capitalization rate of 4.9% and that the Destin, Florida market features a 4.7% capitalization rate for Airbnb rentals.

9. PANAMA CITY BEACH, FL

- *Short-Term Rental Cap Rate: 4.9%*

White sandy beaches, clear water, fishing piers, protected nature reserves, hiking trails... what more do you need to be convinced that Panama City Beach is one of the best places around the US to invest in a vacation rental.

Property prices are affordable with a median level of $334,700, while short-term rental income stands around $3,260. The average cap rate for vacation rentals is 4.9%.

2. Destin

- *Median Property Price: $695,000*
- *Airbnb Rental Income: $2,720*
- *Traditional Rental Income: $1,610*
- *Airbnb CoC Return: 2.3%*
- *Traditional CoC Return: 0.5%*
- *Airbnb Cap Rate: 4.7%*
- *Traditional Cap Rate: 2.8%*
- *Airbnb Occupancy Rate: 58.4%*

The second among the best places to buy a vacation home in Florida is Destin, with rental income from Airbnb just a few dollars below St. Augustine. However, this location is significantly more expensive. But it has a very important advantage for all those loving nature and sports – it is very famous for the fishing opportunities that it offers.

Conclusion:

I have provided an array of capitalization rates from national data ranging from a low of 4.7% to a high of 8.42%.

I am selecting a rounded rate of 6.25%, recognizing that there are established capitalization rates both higher than, and lower than, the reconciled 6.25%.

I am confident that a capitalization rate of 6.25% is well supported by national data.

I also note that the most similar rate is the 4.7% Airbnb rate in Destin, which suggests that a 6.25% rate may be conservative.

MARKET DATA BASED ON LOCAL SALES OF DETACHED HOMES USED FOR SEASONAL RENTAL

MARKET CAP RATE DATA BASED ON LOCAL SALES OF HOMES USED FOR SEASONAL RENTAL

In addition to the national data provided above, I am also providing some data from actual sales in the local market.

I have some professional acquaintances who specialize in the management of large homes used for seasonal rentals. I have asked them to provide me some actual data from recent sales to help derive a local data base of capitalization rates.

On 7/13/2018, Frangista Beach E16 LLC (Nick Athens - a professional acquaintance well known to me) sold 3491 Scenic Highway 98 to Rich Rentals for $3,000,000. This house is 6,008 HVAC SF and features nine (9) bedrooms and 9.5 baths. It is very similar to the subject and is a very good comparable indicator of capitalization rates. Mr. Athens stated that the net operating income was $172,340. Dividing $172,340 by $3,000,000 indicates a capitalization rate of 5.74%.

On 9/4/2015, Nick and Tina Athens sold 1850 - 1852 Scenic Gulf Drive in Miramar Beach to Forty-Four Holdings for $2,205,000. This was two side by side homes in Frangista Beach which were an aggregate 3,460 HVAC SF and which features Five (5) bedrooms and 7 baths. Mr. Athens stated that the net operating rent was $133,200. Dividing $133,200 by $2,025,000 indicates a capitalization rate of 6.58%. I do not consider it a coincidence that the home with the fewest bedrooms featured the highest capitalization rate.

On 2/10/2016, Destiny Real Estate Ventures LLC sold 3463 Scenic Highway 98 to Charles Barone for $3,615,000. This house is 6,465 HVAC SF and features eight (8) bedrooms and 6.5 baths. It is very similar to the subject and is a very good comparable indicator of capitalization rates. Mr. Giles stated that the net operating income was $222,125. Dividing $222,125 by $3,615,000 indicates a capitalization rate of 6.15%.

On 1/11/2019, Kevin Hense sold 2984 Scenic Highway 98 to Russell and Susan Hancock for $3,000,000. This house is 3,997 HVAC SF and features six (6) bedrooms and 5.5 baths. It is very similar to the subject and is a very good comparable indicator of capitalization rates. Mr. Hense stated that the net operating income was $176,000. Dividing $176,000 by $3,000,000 indicates a capitalization rate of 5.87%.

On May 18, 2018, Sapp Investments LLC sold 4659 Destiny Way to the Lindholm Family Revocable Living Trust for $2,500,000. Mr. Lindholm stated to me that income for 2018 was an aggregate of $293,500. He also stated that expenses were an approximate $115,025, resulting in approximate $178,475 of net operating income (NOI). Dividing $178,475 by $2,500,000 indicates a capitalization rate of 7.14%.

RECAPITULATION OF LOCAL MARKET CAPITALIZATION RATES

The following table summarizes the capitalization rates identified in the narrative above.

Property Address	Capitalization Rate
3491 Scenic Highway 98, Destin	5.74%
1850 Scenic Gulf Drive, Mirimar Beach	6.58%
3463 Scenic Highway 98, Destin	6.15%
2984 Scenic Highway 98, Destin	5.87%
4659 Destiny Way, Destin	7.14%
Average	6.29%
Rounded	6.25%

I consider a rounded capitalization rate of 6.25%, derived from local market data, to be a market supported rate which is both credible and reliable, as well as being consistent with national data which brackets the final capitalization rate selection.

For this reason, I am selecting a 6.25% capitalization rate.

ESTIMATE OF VALUE PRIOR TO FIRST APPLICATION OF ORDINANCE 18-29-CC

Based on the current zoning and the Destin Land Development Code previously discussed, there is currently no limit to the number of guests allowed in the subject improvement. The subject can accommodate up to twenty two (22) guests based on the data provided by the owner and my identification of sleeping capacity previously identified.

CURRENT CONTRACT RENT

I note that seasonal rentals are typically described with annual rental amounts as opposed to more consistent monthly rental rates.

Such rental amounts are generally described using gross income data, and/or projections of gross income data.

Appraisers need to then examine expenses to arrive at a net operating rent to capitalize. Expenses to gross revenue are ad valorem taxes, flood and hazard insurance, HOA dues, maintenance and repairs, utilities, lawn maintenance, pest control, professional fees and reserves. I note that interest/mortgage payments and depreciation are not expenses when capitalizing property for value.

In the case of the subject, it has been managed by Southern Resorts. The owner provided me with gross income and expenses from 2018 which indicated gross income of $145,100 and expense of $48,858 which is an approximate 35% expense ratio, rounded.

I spoke to both Leroy Gunning, the current Southern Resorts manager, as well as the client, Ms. Reel. A consensus of projected rent for 2019 was an approximate $175,000.

Thus, I am working with an actual rent of $145,100 in 2018 and a projected rent of $175,000 for 2019.

The difference between $145,100 and $175,000 is not staggering.

However, I would suspect that a more credible and reasonable (USPAP Standard) would fall between the 2018 actual and the 2019 projection.

To refine the gap between $145,100 and $175,000, I will use market data to estimate a credible and reasonable rent projection.

MARKET SUPPORT FOR GROSS INCOME ESTIMATE

Some of these comparables were provided to me by Ben Giles, an owner of several large homes. Other owners who provided data were Tari Furey, Nick Athens and Kevin Hense.

Number	Address	Gross Income	Guest capacity	Income per guest
1	42 Miami Street	$463,852	34	$13,643
2	3487 Scenic Highway 98	$305,393	32	$9,545
3	3463 Scenic Highway 98	380,000	32	$11,875
4	3461 Scenic Highway 98	$364,723	36	$10,131
5	107 Hollywood Street	$289,647	38	$7,622
6	112 Sandprint Circle	$325,000	30	$10,833
7	4664 Destiny Way	$275,000	20	$13,750
8	2984 Scenic Gulf Drive	$263,000	22	$11,954

The average of these eight market comparable rentals is $11,169. The most similar home based on location is #2 as it is the adjoining house to the subject on the subject's east side. The subject is older than most of these homes. I also note that the subject is of a very average construction with inexpensive cabinets and fixtures. These facts will drive the subject to the lower end of he rental chain as tourists will always gravitate to the newest homes with the most upscale features and amenities.

Based on this data, and assuming better management, I consider a value per guest of $7,500 to be a credible and reasonable market based opinion of annual rent.

The subject can accommodate 22 guests. Multiplying 22 by $7,500 per guest results in an annual gross income of $165,000, a figure higher than the 2018 actual income and lower than the 2019 projections.

MARKET SUPPORT FOR GROSS TO NET RATIO

I have attempted to derive gross and net income figures for comparable properties in the market. However, my research indicates that many owners and property managers are unwilling to divulge private financial information, especially the net income.

Thus, I will provide some market examples of properties where clients or close associates did divulge data.

The first example is a detached home located at 112 Sandprint Circle in the Dunes of Destin. The owners, Edward and Tari Furey, provided me with detailed data regarding income and expenses. They indicted annual revenue of $325,000 and annual expense of $100,000. This suggests an expense ratio of $100,000 / $325,000, or 31%, rounded.

I again spoke to Nick Athens who still owns a detached house at 4664 Destiny Way which grossed $275,000 in 2018. The expenses for this property were an approximate $89,000. This suggests an expense ratio of $89,000 / $275,000, or 32% rounded.

As a third indicator, I spoke to Kevin Hense, who sold a detached house at 2984 Scenic Highway 98 for $3,000,000 on 1/11/2019. Mr. Hense indicated that the 2018 gross rent was $263,000 and that the expenses were $87,000. This suggests an expense ratio of $87,000 / $263,000, or 33%, rounded.

The subject features income of $145,100 and expenses of $48,858. This is an expense ratio of 34.62%, rounded to 35%.

Thus, the subject expense ratio is relatively consistent with the market comparables above.

I consider the historical operating expense ratio for the subject to be typical for the market.

I am using a 35% expense ratio in this analysis.

The next step is applying the previously calculated expense ratio to the gross rent to arrive at a net operating income (NOI). Applying a 35% expense ratio to $165,000 results in a net rent of $107,250.

Capitalizing $107,250 with a 6.10% capitalization rate results in a value of $1,716,000, rounded to $1,715,000.

It is my professional opinion that the subject value, prior to the first application of Destin Ordinance 18-29-CC is $1,715,000, based on income analysis.

$1,715,000

ESTIMATE OF VALUE AFTER THE FIRST APPLICATION OF ORDINANCE 18-29-CC

Destin Ordinance 18-29-CC reduces the subject sleeping capacity to 16 guests as the limit is two guests per bedroom, plus four (4) additional guests. There are six (6) bedrooms. Thus, 2 x 6 = 12 + 4 = 16.

I note for the reader that the ordinance states clearly that a bedroom must meet the requirements of the Okaloosa County Property Appraiser who states that a bedroom has a door, a window and a closet. The Okaloosa County Property Appraiser states that the subject is a six bedroom house.

It is my opinion that the limit of 16 guests will have a negative impact on value.

To estimate the difference, I need to research the market for homes which are limited to smaller guest totals

Market research results in the following comparable rentals.

MARKET SUPPORT FOR GROSS INCOME ESTIMATE

Some of these comparables were provided to me by Jordan Shane, Florida Luxury vacation Rentals, Cheryl St.Pe', Destin Comforts and Ben Giles.

#	Address	Gross Income	Guest capacity	Income per guest
1	3893 Sandprint Circle	$118,796	20	$5,939
2	113 Los Angeles Street	$137,308	19	$7,227
3	1737 Scenic Highway 98	$144,814	20	$7,241
4	100 Sandprint Circle	$105,000	20	$5,250
5	84 Woodward Street	$80,560	12	$6,713
6	212 Kono Way	$74,815	12	$6,235
7	75 Shirah Street	$79,885	14	$5,706

The average of these seven market comparable rentals is $6,330. None of these homes are gulf front homes. The subject is a also not gulf front, but features unimpeded gulf views. I consider the subject to command a slightly higher rate per guest than the above averages.

As the difference between twenty two (22) and sixteen (16) guests is minimal, I consider that the owners can continue to market to a similar audience.

I would still consider a per guest rate of $7,500 per year to be credible.

Based on the first application of Ordinance 18-29-CC, the subject will be limited to 16 guests.

Multiplying $7,500 per guest by 16 guests results in gross annual rent of $120,000.

The next step is applying the previously calculated expense ratio to the gross rent to arrive at a net operating rent (NOI).

Applying a 35% expense ratio to $120,000 results in a net rent of $78,000.

Capitalizing $78,000 with a 6.25% capitalization rate results in a value of $1,248,000, rounded to $1,250,000.

It is my professional opinion that the subject value, after the first application of Destin Ordinance 18-29-CC is $1,250,000, based on income analysis.

$1,250,000

ESTIMATE OF THE DIMINUTION OF VALUE

My research and analysis indicates that the value of the subject based on the right to sleep 22 guests is a rounded $1,715,000.

My research and analysis indicates the value of the subject based on the limit to sleep only 16 guests is a rounded $1,250,000.

It is my opinion the first application of Destin Ordinance results in an approximate $465,000 diminution of value.

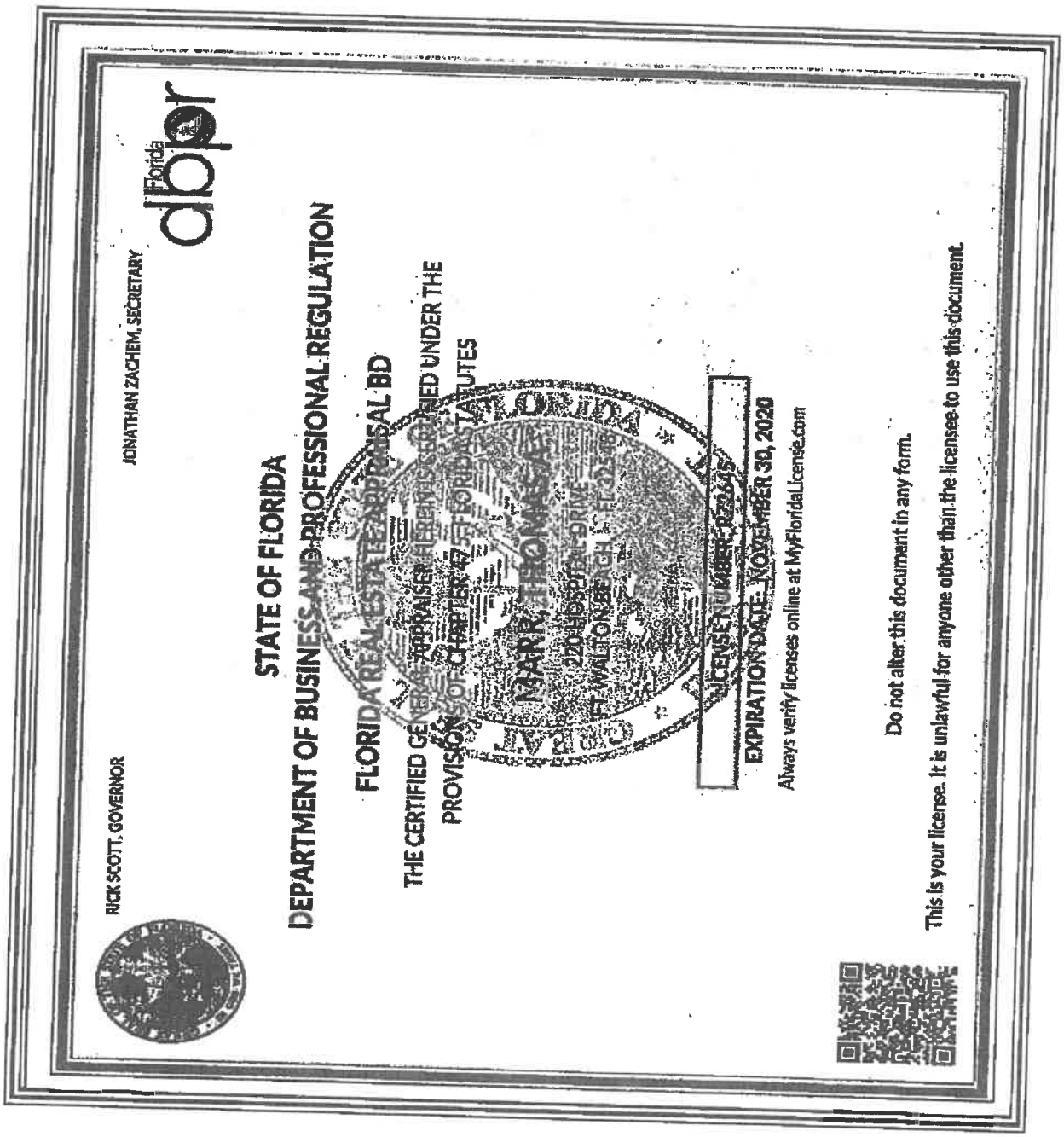
DIMINUTION OF VALUE

$465,000

ADDENDA

Appraiser License

APPRAISER LICENSE



THIS INSTRUMENT PREPARED BY AND AFTER RECORDING RETURN TO:

Kimberly Romano Kopp, Esq.
Romano Kopp Law, P.A.
P.O. Box 445
Destin, Florida 32541

For Recording Purposes Only

SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is entered into this _____day of _____ 2019, ("Effective Date") by and between, Doris M. Reel ("**Owner**") and the City of Destin ("**City**"), collectively referred to as the "Parties."

RECITALS

WHEREAS, on January 22, 2019, the City enacted Ordinance 18-29-CC, the Short-Term Rental Occupancy Ordinance ("Ordinance"), which limits the occupancy of short-term rental homes to two (2) people per bedroom plus an additional four (4) persons; and

WHEREAS, Owner owns the real property and improvements located at 3485 Scenic Highway 98, Destin, FL 32541, as more particularly described in the attached Exhibit "A" (the "Property"); and

WHEREAS, on October 24, 2019, Owner filed a claim with the City, pursuant to the provisions of §70.001, Florida Statutes, the Bert J. Harris, Jr., Private Property Rights Protection Act (the "Harris Act"), alleging that the Property had been inordinately burdened by the adoption of the Ordinance, (the "Claim"); and

WHEREAS, the Harris Act provides for the City to have the ability to enter into a settlement agreement which would have the effect of a modification or variance to the application of a regulation or ordinance as it would otherwise apply to the subject real property, provided the relief granted protects the public interest served by the regulations at issue and is the appropriate relief necessary to prevent the governmental regulatory effort from inordinately burdening the real property; and

WHEREAS, the City has determined that the modifications to the effect of the Ordinance effected by this Agreement protect the public interest served by the Ordinance and are the appropriate relief necessary to prevent the regulatory effect of the Ordinance from inordinately burdening the Property; and

WHEREAS, the Parties now desire to settle and finally resolve all disputes between and among them concerning the Claim.

NOW, THEREFORE, the Parties hereby agree as follows:

1. **Recitals.** The above recitals are true and correct and are incorporated herein by reference.

2. **Occupancy Allowable Under Ordinance.**

(a) Owner is hereby granted a variance from the provisions of the Ordinance so that the Owner shall have the right to apply under the Ordinance for a maximum occupancy of twenty-two (22) overnight guests at the six (6) bedroom vacation rental property noted above and the City shall grant such occupancy. The right shall continue in perpetuity, regardless of any future changes in ownership, provided that this right shall expire permanently if the Property were to be voluntarily remodeled or voluntarily rebuilt in such a manner as to change the number of bedrooms that existed at the date of the Claim. The Property remains subject to all other requirements of the City's regulations, including but not limited to regulations for short-term rentals, parking, trash, and noise.

(b) No greater than four (4) vehicles may be parked on the Property. No vehicle may encroach upon the City's right-of way.

(c) Owner shall ensure that at least four (4) outdoor trash receptacles are provided by the applicable trash hauler and available for use by occupants at all times.

(d) Owner agrees that the City shall be permitted to access the property on an annual basis for the purpose of life-safety inspections to ensure code compliance with minimum egress and emergency egress requirements pursuant to the Florida Building Code (Residential) and to ensure the property has adequate and working smoke detectors. Owner shall submit to the City a separate application and fee for such inspection, on a form provided by the City, at the time Owner submits its annual short-term rental registration application to the City.

3. **Development in Accordance with Code.** Notwithstanding any provisions contained herein, the Owner shall at any time have the right and option to remodel, develop, or use the Property in accordance with the applicable ordinances of the City of Destin in effect at the time of application therefor, and this variance shall not be construed as making the Property in any way non-conforming.

4. **Entire Agreement.** The Parties acknowledge that this Agreement constitutes the entire agreement between them regarding the settlement of their dispute and any prior statements, whether oral or written, are merged herein. This Agreement may not be modified or amended without a written instrument signed by the party against whom enforcement is sought.

5. **Duration of Agreement.** This Agreement shall be perpetual and deemed to run with the land, and shall be binding upon and the benefits shall inure to the parties hereto and their respective heirs, devisees, personal representatives, successors and assigns.

6. **Authority.** The signatories to this Agreement are expressly authorized to resolve their dispute as set forth herein and by their signatures here represent and affirm their authority to execute this Agreement.

7. **Governing Law.** The law of the State of Florida shall apply to this Agreement. Any dispute regarding this Agreement shall be litigated exclusively in the courts of Okaloosa County, Florida. The parties expressly consent to such agreed jurisdiction and venue, and waive any objections thereto.

8. **Notices.** Any notice required or permitted to be given hereunder shall be in writing and shall be (i) delivered by hand, (ii) delivered by reputable national or local courier (such as United Parcel Service or Federal Express), (iii) mailed by United States registered or certified mail, return receipt requested and postage prepaid, or (iv) sent by facsimile transmission provided a confirmation of such facsimile transmission is sent the same day by one of the methods of delivery in (i), (ii), or (iii) above. Any notice shall be addressed to each party at its address as set forth below. Any such notice shall be considered given on the date of such hand delivery, deposit with such courier for same day or next business day delivery, upon receipt of return receipt of certified mail, or receipt of facsimile transmissions, as the case may be, and the time period (if any is provided herein) in which to respond to such notice shall commence on the date of receipt. Rejection or other refusal to accept or inability to deliver because of changed address of which no notice was given shall be deemed to be receipt of the notice. By giving to the other party at least ten (10) days' notice thereof, any party shall have the right from time to time to change the addresses thereof and to specify up to two (2) additional addresses within the United States of America to which copies of notices to it shall be sent. Notice may be given on behalf of any party by such party's counsel. In the event the subject property owner changes, notices shall be addressed to the current owner as indicated in the records of the Okaloosa County Property Appraiser. Otherwise, notices shall be sent as follows:

Each notice shall be addressed as follows:

To City: City of Destin, Florida
Attn:
4200 Indian Bayou Trail
Destin, Florida 32541

With a copy to:
City Land Use Attorney
Romano Kopp Law, PA
PO Box 445
Destin, Florida 32541
Attn: Kimberly Romano Kopp, Esq.

To Owner: Doris M. Reel
3485 Scenic Highway 98
Destin, FL 32541

With a copy to: Najmy Thompson, PL
1401 8th Avenue West
Bradenton, Florida 34205
Attention: Aaron M. Thomas, Esq.

Attorney's Fees. In the event of any action, whether pre-suit, mediation, litigation or appellate proceeding to enforce the terms and conditions of this Agreement, each party to the action shall pay its own attorney's fees and costs incurred therein.

(d) Venue over any action to enforce the terms and conditions of this Agreement, including mediation, shall lie solely in Okaloosa County, Florida.

OWNER: (Name)

_____ _____
Signature of Witness #1 Name

_____ _____
Print or type name

_____
Signature of Witness # 2

_____
Print or type name

STATE OF_____
COUNTY OF_____

The foregoing instrument was acknowledged before me this _____ day of _____ 2019, by _____ _____ and _____, who are personal known to me or who have produced _____ as identification and who did not (did) take an oath.

_____
Signature of Notary

(NOTARY SEAL)

_____
Print or type name

CITY OF DESTIN

By:_____

Gary Jarvis, Mayor

Date:_____

ATTEST:

_____
Rey Bailey, City Clerk

Date:_____

STATE OF_____
COUNTY OF_____

The foregoing instrument was acknowledged before me this _____ day of _____ 2019, by _____ _____ and _____, who are personal known to me or who have produced _____ as identification and who did not (did) take an oath.

_____
Signature of Notary

(NOTARY SEAL)

_____
Print or Type Name

Approved as to form and legality for use and reliance
by the City of Destin, Florida, only.

_____
Kimberly Romano Kopp, Esq.
City Land Use Attorney

Exhibit "A"

Legal Description of Property

ITEM # 2019-1912

CITY OF DESTIN

AGENDA ITEM

COUNCIL MEETING DATE: December 9, 2019
TYPE OF AGENDA ITEM: Action Item

TO: City Council

THRU: Lance Johnson, City Manager

FROM: Kimberly Kopp, Land Use Attorney
Louis Zunguze, Community Development Director

DATE: December 5, 2019

SUBJECT: 31) 3467 Scenic Highway

I. BACKGROUND:

On January 22, 2019, the City enacted Ordinance 18-29-CC, the Short-Term Rental Occupancy Ordinance ("Ordinance"), which limits the occupancy of short-term rental homes to two (2) people per bedroom plus an additional four (4) persons.

The subject property owner owns the real property and improvements located at 3467 Scenic Highway 98, Destin, FL 32541, as more particularly described in Exhibit "A" (the"Property") to the proposed settlement agreement.

Owner filed a claim with the City, pursuant to the provisions of §70.001, Florida Statutes, the Bert J. Harris Jr., Private Property Rights Protection Act (the "Harris Act"), alleging that the Property had been inordinately burdened by the adoption of the Ordinance, (the "Claim).

The Harris Act provides for the City to have the ability to enter into a settlement agreement which would have the effect of a modification or variance to the application of a regulation or ordinance as it would otherwise apply to the subject real property, provided the relief granted protects the public interest served by the regulations at issue and is the appropriate relief necessary to prevent the governmental regulatory effort from inordinately burdening the real property.

The City Council should settle the claim if the City Council determines that the modifications within the settlement agreement protect the public interest served by the Ordinance and are the appropriate relief necessary to prevent the regulatory effect of the Ordinance from inordinately burdening the Property.

II. DISCUSSION: The property owner has requested a maximum occupancy of twenty-two (22) occupants. City staff is recommending an occupancy of twenty-two (22) occupants based on the square footage of the property. The building official utilized a one-occupant per 200 square feet methodology for recommending the above-stated occupancy.

Additionally, staff is recommending at least four (4) trash cans on the property. This recommendation is based on industry standard (Waste Management) that, on average, one trash can is required for every six occupants in order to ensure adequate garbage disposal. Therefore, if the maximum number of occupants exceeds any multiple of six (6, 12, 18, 24, 30, 36, etc.), then an extra trash can will be needed to accommodate the additional occupants. For example, if thirteen (13) is the maximum occupation, then three (3) trash cans are required. This is because, on average, two (2) trash cans will only accommodate twelve (12) occupants. The third trash can will be needed to accommodate the thirteenth occupant.

Further, the property owner must agree to annual life safety inspections, as provided in the proposed settlement agreement.

Finally, staff is recommending that no greater than five (5) vehicles be parked on this property

As stated in the agreement, the property owner remains bound by all other provisions of City codes.

A. **Link to Strategic Goals / Objectives:**
B. **Effect on Budget (EOB):**
C. **Level of Service (LOS):**

III. CONCLUSION:

IV. RECOMMENDED MOTION: 1. I move to approve the settlement agreement prepared by the City Land Use Attorney and Staff.

or

2. I move to approve the settlement agreement prepared by the City Land Use Attorney and Staff with the following modifications:_____.

or

3. I move to direct the City Land Use Attorney to negotiate in good faith with the property owner and to bring back an alternate settlement proposal to the City

Council for consideration.

or

4. I move to deny settlement of the subject claim at this time.

Attachments:

1. Burt Harris Case - 3467 Scenic Highway 98
2. 3467 Scenic Settlement Agt 11_1_1_2019

NAJMY | THOMPSON PL
ATTORNEYS AT LAW

1401 8th Avenue West
Bradenton, FL 34205

PHONE: (941) 748 - 2216
FAX: (941) 748 - 2218

OTHER OFFICES:
Lakewood Ranch (941) 907 - 3999
Sarasota (941) 907 - 3999
New York (212) 220 - 6616

WWW.NAJMYTHOMPSON.COM

October 23, 2019
Via Hand Delivery

City of Destin
c/o Major Gary Jarvis
4200 Indian Bayou Trail
Destin, FL 32541

Re: 3467 Scenic Highway 98, Destin, FL 32541
Bert J. Harris Claim, §70.001, *Fla. Stat.*, July 1, 2012

Dear Mayor Jarvis,

This firm represents Hyewon Kim Trust and the S. Brian Kim Trust, owners of an improved property described as 3467 Scenic Highway 98, Destin, FL 32541. My clients have been utilizing and operating as a short-term rental property within the City of Destin for over eight (8) years. The City of Destin has authorized the use of this property as a short-term vacation rental.

The "before" condition of the subject property is a seven-bedroom, three-story residence able to accommodate twenty-two (22) guests as part of the authorized and approved short-term rental use of this property and others within the City.

By the City of Destin's passage on January 22, 2019 of Ordinance 18-29-CC and application of Ordinance 18-29-CC to the subject property on October 12, 2019 (when the City of Destin denied my clients' request for a variance), this property is now restricted to an occupancy of eighteen (18) guests.[1]

The Florida Legislature has passed Section 70.001, *Fla. Stat.*, known as the "Bert J. Harris Jr. Private Property Rights Protection Act as Amended."

Chapter 70.001, *Fla. Stat.*, "*inter alia*", created a separate and district cause of action which provides for relief or payment of compensation when a new law, rule, regulation or ordinance of

[1] The subject property was issued a grandfather certificate on July 2, 2019, permitting the property to rent to twenty-two (22) occupants until July 2, 2024.

NT

the state or a political entity in the state, as applied, unfairly affects real property. "When a specific action of a governmental entity has inordinately burdened an existing use of real property or a vested right to a specific use of real property, the property owners of that real property are entitled to relief, which may include compensation for the actual loss to the fair market value of the real property caused by the action of government, as provided in this section." *Fla Stat.* §70.001(2).

The owners of the subject property assert that their actual and existing use of said real property has been inordinately burdened by the City of Destin's adoption and application of Ordinance 18-29-CC by restricting its occupancy to only two (2) persons per bedroom plus four (4).

To that end, this letter should serve as a formal, written claim pursuant to §70.001, *Fla. Stat.*, the Bert J. Harris Jr. Private Property Rights Protection Act as Amended. Attached to this letter is a bona fide, valid appraisal that supports the claim and demonstrates the loss in value to the real property. This appraisal establishes the loss in value of the subject property, as a result of the application of the occupancy limitation of Ordinance 18-29-CC, to be $350,000.00.

Pursuant to §70.001(4)(c), *Fla. Stat.*, the City of Destin has 150 days to respond to this claim with a written settlement offer. You should consult your counsel as to any other obligations and settlement opportunities contained within this statute.

PLEASE BE GOVERNED ACCORDINGLY.

Sincerely,

NAJMY THOMPSON, P.L.

Aaron M. Thomas
athomas@najmythompson.com

Enclosure: Appraisal

cc:

Kyle Bauman
Anchors Smith Grimsley, PLC
909 Mar Walt Drive, Suite 1014
Fort Walton Beach, Fl 32547-6711
kbauman@asglegal.com

Kimberly Kopp
Romano Kopp Law, P.A.
P.O. Box 622562
Oviedo, Florida 32762-2562
kopp@romanokopplaw.com

AMT/kls

Appraisal Report

Detached Single Family Residential Home

5,114 ± HVAC SF Existing Structure

3467 Scenic Highway 98
Destin, FL 32541

DIMINUTION IN VALUE ANALYSIS
3467 SCENIC HIGHWAY 98
DESTIN, FL 32541

FOR
BRIAN AND KYEWON KIM
AND
DESIGNATED ATTORNEYS

RETROSPECTIVE TO OCTOBER 12, 2019

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APPRAISAL REPORT

SUBJECT PROPERTY

5,114 ± HVAC SF Existing Detached Residential Improvement

Seven Bedrooms and Six Bathrooms

3467 Scenic Highway 98
Destin, FL 32541

EFFECTIVE DATE OF APPRAISAL

Retrospective to October 12, 2019

REPORT DATE

October 16, 2019

VIEWING DATE

March 22, 2019 and October 15, 2019

CLIENT/INTENDED USER

Brian and Kyewon Kim
3467 Scenic Highway 98
Destin, FL 32541

File № 190236A

PREPARED BY:

Thomas A. Marr

State-certified General Real Estate Appraiser № RZ 2645 (FL)
tom@panappraisal.com

Panhandle Appraisal Group
220 Hospital Drive
Fort Walton Beach, Florida 32548
Telephone: (850) 243-0958
Facsimile: (850) 226-8462

PANHANDLE APPRAISAL GROUP

REAL ESTATE VALUATION AND RESEARCH
Specializing in Residential and Commercial Valuation Support
Fort Walton Beach, Florida

Thomas A. Marr
State-certified General Real Estate Appraiser № RZ2645 (FL)

220 Hospital Drive
Fort Walton Beach, Florida 32548

Telephone: (850) 243-0958
Facsimile: (850) 226-8462

October 16, 2019

Brian and Kyewon Kim
3467 Scenic Highway 98
Destin, FL 32541

Re: Diminution in value appraisal of an approximate 5,114 HVAC SF detached residential improvement, 'as is', identified as 3467 Scenic Highway 98 in Destin, FL 32541. **Panhandle Appraisal Group File № 190236A.**

Dear Mr. Kim:

I have completed the requisite personal viewing, research, and analysis necessary to determine if a diminution in value has occurred for the subject parcel.

The subject property is a three level, detached single family residential structure with an approximate 5,114 HVAC SF, seven bedrooms and six baths. The current sleeping capacity of the subject is twenty two (22) guests.

The purpose of the appraisal analysis was to develop an opinion of the market value of the subject property prior to the first application of the city of Destin Ordinance No. 18-29-CC to the subject on October 12, 2019 when a 22 guest occupancy was allowed and then derive a value after the first application of Destin Ordinance 18-29-CC on October 12, 2019 which limited the subject to eighteen (18) guests, based on two guests per bedroom, plus four. I note that the designation as a bedroom is based on data in the Okaloosa County Property Appraiser web site.

The authorized user is the client at the address above. The understood intended use of the appraisal report will be for reference in determining if the first application of Ordinance No. 18-29-CC resulted in a diminution of value. No other use of this report by any other entity or person is authorized.

Subject to the above and the assumptions, limiting conditions, and certification set forth herein, it is my professional opinion the retrospective market value of the fee simple interest in the subject property, 'as is', as of October 12, 2019, prior to the first application of Ordinance No. 18-29-CC, was:

ONE MILLION NINE HUNDRED THIRTY FIVE THOUSAND DOLLARS
$1,935,000

Subject to the above and the assumptions, limiting conditions, and certification set forth herein, it is my professional opinion the current market value of the fee simple interest in the subject property, 'as is', after the first application of Destin Ordinance No. 18-29-CC on October 12, 2019 is:

ONE MILLION FIVE HUNDRED EIGHTY FIVE THOUSAND DOLLARS
$1,585,000

The diminution of value is a rounded $350,000.

Exposure Time
The exposure time linked to the final value opinion is a range to nine (9) to twelve (12) months based on market sales of similar properties and current market activity.

Analysis of recent trends and current market supply and demand strongly indicate the highest and best use of the subject property, is continued use as a seasonal rental home.

I hereby certify I possess no interest, present or contemplated, in the appraised property. The undersigned appraiser is competent or has taken the necessary steps to become competent for the property type being appraised. This appraisal has been prepared utilizing all of the requirements set forth as standards for real estate appraisals established for federally related transactions by the Comptroller of the Currency, the Federal Reserve Board, the Federal Deposit Insurance Corporation, and the State of Florida. The appraisal is in conformity with the standards for real estate appraisals as established by the Appraisal Foundation and its Appraisal Standards Board. The appraisal also conforms to *the 2018/2019 edition of the Uniform Standards of Professional Appraisal Practice (USPAP)* and your instructions. The fee for this appraisal was not based on value, nor was the assignment undertaken based on a predetermined value, a trend in value, or a minimum or maximum value.

Respectfully submitted,

Thomas A. Marr

Thomas A. Marr
State-Certified General Real Estate Appraiser № RZ 2645 (Florida)

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APPRAISAL REPORT

This is an Appraisal Report which is intended to comply with the reporting requirements in accordance with the 2018/2019 edition of the Uniform Standards of Professional Appraisal Practice (USPAP) for an Appraisal Report. As such, it represents summary discussions of the data, reasoning, and analyses used in the appraisal process to develop the appraisers' opinion of value. Supporting documentation concerning the data, reasoning, and analyses may be retained in the appraiser's files. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated below. The appraisers are not responsible for unauthorized use of this report.

CLIENT:

Brian and Kyewon Kim
3467 Scenic Highway 98
Destin, FL 32541

APPRAISERS:

Thomas A. Marr
State-certified General Real Estate Appraiser № RZ 2645 (Florida)

Panhandle Appraisal Group
220 Hospital Drive
Fort Walton Beach, Florida 32548

SUBJECT PROPERTY:

Legal Description
Lot 4, Grand Palms SD

Tax ID №: 00-2S-22-0541-0000-0040.

PURPOSE OF THE APPRAISAL:

The purpose of this appraisal was to develop an estimate of the diminution in value from prior to the first application of City of Destin Ordinance No. 18-29-CC and after the first application of the ordinance on October 12, 2019.

INTENDED USE OF REPORT:

The understood intended use of the appraisal report will be for client use for legal proceedings to restore maximum occupancy property rights.

INTENDED USER:

The intended user is the client stated above, the client's attorneys, and regulatory authorities. This report is not intended or authorized for any other user or audience.

PROPERTY RIGHTS APPRAISED:

Fee Simple, one hundred percent (100%) ownership interest in the subject property.

EFFECTIVE DATE OF VALUE:

Retrospective to October 12, 2019.

DATE OF REPORT:

October 16, 2019.

DATE OF INSPECTION:

Thomas A. Marr viewed the subject property on March 22, 2019 and on October 15, 2019.

SCOPE OF WORK:

I note you have not requested an appraisal report format. Based on the Scope of Work requirements included in the 2018/2019 version of USPAP, which indicates the appraiser is responsible to coordinate the scope of work with the client, I am informing you I will perform an appraisal report. **It is my opinion this process of work meets all applicable 2018/2019 USPAP standards.**

DEFINITIONS:

The definitions, commencing on the page following, are provided to assist the reader in understanding this appraisal report.

Market Value[1]

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

- Purchaser and seller are typically motivated;
- Both parties are well informed or well advised and each acting in what they consider their best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

The four (4) time differential values on the graph which may be considered in the appraisal of existing developments are defined as follows:

(1) **'As Is'** means an estimate of the market value of a property in the condition observed upon inspection and as it physically and legally exists without hypothetical conditions, assumptions, or qualifications as of the date of appraisal.

(2) **'Value Upon Completion'** means the market value of a property with all existing construction, conversion, or rehabilitation hypothetically completed, or under other specified hypothetical conditions as of the date of appraisal. With regard to properties wherein anticipated market conditions indicate stabilized occupancy is not likely as of the date of completion, this estimate of value shall reflect the market value of the property as if complete and prepared for occupancy by tenants.

(3) **'Prospective Future Value Upon Completion'** means the prospective future value of a property on the date construction is completed, based upon market conditions forecast to exist as of completion date.

(4) **'Prospective Future Value Upon Achievement of Stabilized Occupancy'** means the prospective future value of a property at a point in time when all improvements have been physically constructed and the property has been leased to its optimum level of long term occupancy.

Fee Simple Estate[2]

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.

Leased Fee Interest[3]

An ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the lessee are specified by contract terms contained within the lease.

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1 Title XI, Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), [Pub. L. No. 101-73, 103 Stat. 183 (1989)], 12 U.S.C. 3310, 3331-3351, and section 5(b) of the Bank Holding Company Act, 12 U.S.C. 1844(b); Part 225, Subpart G: Appraisals; Paragraph 225.62 (f).
Uniform Standards of Professional Appraisal Practice, 2003 Edition, Page 3
Federal Reserve System, 12 CFR Parts 208 and 225, Sec. 225.62
Office of the Comptroller of the Currency, 12 CFR Part 34, Sec. 34.42 (g)
FDIC, 12 CFR Part 323, Sec. 323.2 (g) (2000)
Office of Thrift Supervision, 12 CFR Part 564, Sec. 564.2
NCUA, 12 CFR Part 722, Sec. 722.2

2 The Dictionary of Real Estate Appraisal, Appraisal Institute, Fourth Edition, 2002, Page 113.

3 Ibid., Page 161.

Leasehold Interest[4]
The interest held by the lessee (the tenant or renter) through a lease transferring the rights of use and occupancy for a stated term under certain conditions.

Condominium[5]
A multi-unit structure or property in which persons hold fee simple title to individual units and an undivided interest in common areas.

Highest and Best Use[6]
The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and which results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability.

...of land or a site as though vacant:

Among all reasonable, alternative uses, the use yielding the highest present land value, after payments are made for labor, capital, and coordination. The use of property based on the assumption the parcel of land is vacant or can be made vacant by demolishing any improvements.

...of property as improved:

The use which should be made of a property as it exists. An existing improvement should be renovated or retained as is so long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing building and constructing a new one.

Marketing Time[7]
The time it takes an interest in real property to sell on the market subsequent to the date of an appraisal.

Exposure Time[8]
A retrospective estimate based on an analysis of past events assuming a competitive and open market.

Advocacy[9]
Representing the cause or interest of another, even if cause or interest does not necessarily coincide with one's own beliefs, opinions, conclusions, or recommendations.

Appraisal[10]
(Noun) The act or process of developing an opinion of value; an opinion of value. (Adjective) of, or pertaining to appraising and related functions such as appraisal practice or appraisal services.

Appraisal Practice[11]
Valuation services performed by an individual acting as an appraiser, including, but not limited to appraisal, appraisal review, or appraisal consulting.

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4 Ibid., Page 162.

5 Ibid., Page 59.

6 Ibid., Page 135.

8 Ibid., Page 175

9 Ibid., Page 105

9 2018/2019 edition, *Uniform Standards of Professional Appraisal Practice (USPAP)*, Page 1

10 Ibid, Page 1

11 Ibid, Page 1

Appraisal Review[12]
The act or process of developing and communicating an opinion about the quality of another appraiser's work was performed as part of an appraisal, appraisal review, or appraisal consulting assignment.

Appraiser[13]
One who is expected to perform valuation services competently, and in a manner, is independent, impartial, and objective.

Appraiser's Peers[14]
Other appraisers who possess expertise and competency in a similar type of assignment.

Assignment[15]
A valuation service provided as a consequence if an agreement between an appraiser and a client.

Assignment Results[16]
An appraiser's opinions and conclusions developed specific to an assignment.

Assumption[17]
An occurrence which is taken to be true.

Bias[18]
A preference or inclination which precludes an appraiser's impartiality, independence, or objectivity in an assignment.

Business Enterprise[19]
An entity pursuing an economic entity.

Business Equity[20]
The interests, benefits, and rights inherent in the ownership of a business enterprise or a part thereof in any form (including, but not necessarily limited to, capital stock, partnership interests, cooperatives, sole proprietorships, options, and warrants).

Client[21]
The party or parties who engage an appraiser (by employment or contract) in a specific assignment.

Confidential Information[22]
Information is either:

- identified by the Client as confidential when providing it to an appraiser and is not available from any other source; or,
- classified as confidential or private by applicable law or regulation.

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12 Ibid, Page 1

13 Ibid, Page 1

14 Ibid, Page 2

15 Ibid, Page 2

16 Ibid, Page 2

17 Ibid, Page 2

18 Ibid, Page 2

19 2018/2019 edition, USPAP, Page 2

20 Ibid, Page 2

21 Ibid, Page 2

22 Ibid, Page 2

Cost[23]
The amount required to create, produce, or obtain a property.

'Credible'[24]
Worthy of belief.

Extraordinary Assumption[25]
An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions.

Feasibility Analysis[26]
A study of the cost-benefit relationship of an economic endeavor.

Hypothetical Condition[27]
An assertion which is contrary to what exists but is supposed for the purpose of analysis.

Intangible Property[28]
(Intangible Assets) Nonphysical assets, including, but not limited to, franchises, trademarks, patents, copyrights, goodwill, equities, securities, and contracts as distinguished from physical assets such as facilities and equipment.

Intended Use[29]
The use or uses of an appraiser's reported appraisal, appraisal review, or appraisal consulting assignment opinions and conclusions, as identified by the appraiser based on communication with the Client at the time of the assignment.

Intended User[30]
The Client and any other party as identified, by name or type, as users of the appraisal, appraisal review, or appraisal consulting report by the appraiser on the basis of communication with the Client at the time of the assignment.

Jurisdictional Exception[31]
...an assignment condition which voids the force of a part or parts of *USPAP*, when compliance with part or parts of *USPAP* is contrary to law or public policy applicable to the assignment.

IDENTIFY THE PROBLEM TO BE SOLVED
The problem to be solved in this appraisal analysis was to develop an opinion of the market value of the subject property, both prior to the first application of the city of Destin Ordinance No. 18-29-CC to the subject on October 12, 2019 when a twenty two (22) guest occupancy was allowed and after the first application of the Destin Ordinance No. 18-29-CC on October 12, 2019, which limited the subject to eighteen (18) guests, based on two guests per bedroom, plus four. Utilizing the before and after values, I derived a diminution of value to the subject property.

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23 Ibid, Page 2

24 Ibid, Page 3

25 Ibid, Page 3

26 Ibid, Page 3

27 Ibid, Page 3

28 Ibid, Page 3

29 Ibid, Page 3

30 Ibid, Page 3

31 2018 edition, *USPAP*, Page 3

EXTENT OF THE PROCESS OF COLLECTING, CONFIRMING, AND REPORTING DATA:

Preparation of this appraisal included the following scope of work:

- The subject site, improvements, and parking improvements were inspected by the appraiser, the property was photographed. File data for similar properties was reviewed.
- The public records were reviewed.
- The appraiser examined the economic, social, governmental, and environmental forces affecting value in the subject neighborhood and the entire market area as a whole.
- The appraiser identified recent and projected actual rents for the subject, based on occupancy of up to 22 guests. The appraiser then identified the annual rentals of other comparable properties which accommodated up to or beyond 22 guests. This data was used to verify or support the historical performance and the projected rents for the subject. These comparable rentals provided market support for the subject actual and projected gross rental income.
- The appraiser identified market rental comparables for properties limited to 18 guests.
- The appraiser then reduced gross rent to net operating rent and capitalized the net operating rent to identify value for the subject as a 22 guest rental and a 18 guest rental. The difference between these two values is the diminution in value.

IDENTIFICATION OF THE TYPE OF APPRAISAL AND APPRAISAL REPORT FORMAT:
I have provided an **Appraisal Report**, as defined by the *2018/2019 edition of the Uniform Standards of Professional Appraisal Practice*, containing a summary of all relevant conclusions, data, and analyses used in the report.

TERMS OF THE FINAL VALUE OPINION:
The final opinion of the current market values of the subject property, 'as is' is expressed in terms of cash or financing terms equivalent to cash.

POLICY STATEMENT OF THE APPRAISAL INSTITUTE:
It is improper to base a conclusion or opinion of value upon the premise the racial, ethnic, or religious homogeneity of the inhabitants of an area or of a property is necessary for maximum value.

Racial, religious, and ethnic factors are deemed unreliable predictors of value trends or price variance.

It is improper to base a conclusion or opinion of value, or a conclusion with respect to neighborhood trends, upon stereotyped, biased presumptions relating to the effective age or remaining life of the property being appraised or the life expectancy of the neighborhood in which it is located.

The undersigned appraiser is not a member of the Appraisal Institute.

GENERAL ASSUMPTIONS:

1. No responsibility is assumed for the legal description provided or for matters relevant to legal or title considerations. Title to the property is assumed to be marketable unless otherwise stated. The legal description used in this report is assumed to be correct.

2. The subject property is appraised free and clear of any or all liens, leases, or encumbrances unless otherwise stated. All mortgages, liens, encumbrances, leases, and servitudes have been disregarded unless so specified within the report.

3. No survey of the property has been made by the appraisers and no responsibility is assumed in connection with such matters. Sketches, plot plans, or illustrative material presented in this report are included only to assist the reader in visualizing the property.

4. Information and data furnished by others is usually assumed to be true, correct and reliable. When such information and data appears to be dubious and when it is critical to the appraisal, a reasonable effort has been made to verify all such information; however, no responsibility for its accuracy is assumed by the appraiser.

5. Responsible ownership and competent property management are assumed unless otherwise stated in this report.

6. It is assumed there are no hidden or unapparent conditions of the property, subsoil or structures which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.

7. It is assumed 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.

8. It is assumed the subject property is in compliance with all applicable zoning and land use regulations, unless a nonconformity has been stated, defined and considered in the appraisal report.

9. It is assumed all required licenses, consents or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use which the value estimate contained in this report is based.

10. It is assumed the utilization of the land and improvements is within the boundaries or property lines of the property described and there is no encroachment or trespass unless noted within the report.

EXTRAORDINARY ASSUMPTIONS:

I am using data provided to me by the client and other vacation home owners.

I am also using rental projections from the current property manager.

I am making the extraordinary assumption that the data provided is accurate, credible and reliable.

If, for any reason, the data provided is not accurate, credible and reliable, the values derived in the analysis is subject to review.

GENERAL LIMITING CONDITIONS:

1. This is an Appraisal Report which is intended to comply with the reporting requirements set forth in accordance with the *2018/2019 edition of the Uniform Standards of Professional Appraisal Practice* for an Appraisal Report. As such, it includes summarized discussions of the data, reasoning, and analyses used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses may be retained in the appraiser's files. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraiser is not responsible for unauthorized use of this report.

2. Appraisers are not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraisers suggesting the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert in the field of environmental assessment. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The appraiser's value estimate is predicated on the assumption there exists no such material on or in the property causing a loss in value unless otherwise stated in this report. No responsibility is assumed for any environmental conditions, or for any expertise or engineering knowledge required to discover them. The appraisers' descriptions and resulting comments are the result of the routine observations made during the appraisal process.

3. The subject property is appraised without a specific compliance survey having been conducted to determine if the property is or is not in conformance with the requirements of *The Americans with Disabilities Act*. The presence of architectural and communications barriers which are structural in nature which would otherwise restrict access by disabled individuals may adversely affect the property's value, marketability, or utility.

4. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event, only with proper written qualification and only in its entirety.

5. Neither all nor any part of the contents of this report shall be conveyed to any person or entity, other than the appraiser's or firm's client, through advertising, solicitation materials, public relations, news, sales, or other media without the written consent and approval of the authors, particularly as to valuation conclusions, the identity of the appraiser or firm with which the appraiser is connected, or any reference to affiliation with any professional appraisal organization. Further, the appraiser or firm assumes no obligation, liability, or accountability to any third party. If this report is placed in the hands of anyone but the client, client shall make party aware of all the assumptions and limiting conditions of the assignment.

6. The appraiser affixing his signatures to this appraisal report will not be required to give testimony or appear in court because of having made this appraisal, with reference to the property in question, unless arrangements have been previously made thereof.

7. No environmental impact studies were either requested or made in conjunction with this appraisal, and the appraiser hereby reserves the right to alter, amend, revise, or rescind any of the value opinions based upon any subsequent environmental impact studies, research, or investigation.

8. The appraiser has not been supplied with a report of the subsoil conditions indicating the exact capacity of the subsoil. I do not have the benefit of subsoil test results of the properties and detection of possible soil defects would be beyond my realm of expertise. However, there appear to be no hidden or apparent conditions of the subject sites or subsoil structures which would render them more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.

9. Acceptance of and/or use of this appraisal report constitutes acceptance of the foregoing General Assumptions, Special Assumptions, General Limiting Conditions, and Special Limiting Conditions.

EXTRAORDINARY LIMITING CONDITIONS AND HYPOTHETICAL CONDITIONS:

I note that the ordinance in question allows a five (5) year 'grandfather' period. I considered if this 'grandfather' status should receive some analysis in the discussion of diminution of value. After consideration, I concluded that a potential market participant, aware that the grandfather status will be eliminated , would be very wary to enter into a financial arrangement where he may have to liquidate in an unknown market within a time line that may not be available . Thus, I am not considering any impact of the 'grandfather' status.

CERTIFICATION:

I certify, to the best of my knowledge and belief:

1. The statements of fact contained in this report are true and correct.

2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions and conclusions.

3. I possess no present or prospective interest in the property which is the subject of this report and no personal interest with respect to the parties involved.

4. I possess no bias with respect to the property which is the subject of this report or to the parties involved with this assignment.

5. The engagement in this assignment was not contingent upon developing or reporting predetermined results.

6. The compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value favoring the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

7. The analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *2018/2019 edition of the Uniform Standards of Professional Appraisal Practice*.

8. Thomas A. Marr has made a personal viewing of the property which is the subject of this report. No one else has rendered significant real estate appraisal knowledge and input to the compilation of this report.

9. I have not performed any services, to include appraisal services, regarding the subject in the previous three years.

10. The opinion of market value 'as is' of the one hundred percent (100%) fee simple ownership interest in the subject property, 'as is' is prior to the first application of Destin Ordinance 18-29-CC is ONE MILLION NINE HUNDRED THIRTY FIVE THOUSAND DOLLARS ($1,935,000) and the value after the first application of Destin Ordinance 18-29-CC is ONE MILLION FIVE HUNDRED EIGHTY FIVE THOUSAND DOLLARS ($1,585,000). The diminution of value is estimated as THREE HUNDRED FIFTY THOUSAND DOLLARS ($350,000).

Thomas A Marr

Thomas A. Marr
State-certified General Real Estate Appraiser № RZ 2645 (Florida)

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DESCRIPTION OF THE SUBJECT PROPERTY
Ownership:

The current owner is Brian and Kyewon Kim Trusts.

FILE # 2717888 RCD: 07/20/2011 @ 11:38 AM, BK: 2993 PG: 4354 RECORDING: $15.00 RECORDING ARTICLE V: $12.00 DEED DOCSTAMPS $0.70 DEPUTY CLERK PDUNN DON W. HOWARD, CLERK OF COURTS, OKALOOSA COUNTY FL

Prepared by and return to:

S. BRIAN KIM
2312 E. Nottingham Street
Springfield, MO 65804

(Space Above This Line For Recording Data)

Special Warranty Deed

This Special Warranty Deed made this 14th of June, 2011, between **HYEWON KIM** whose post office address is: **2312 E. Nottingham Street, Springfield, MO 65804**, grantor, and **THE HYEWON KIM TRUST and THE S. BRIAN KIM TRUST** whose post office address is **2312 E. Nottingham St, Springfield, MO 65804**, grantee:

(Whenever used herein the terms grantor and grantee include all the parties to this instrument and the heirs, legal representatives, and assigns of individuals, and the successors and assigns of corporations, trusts and trustees)

Witnesseth, that said grantor, for and in consideration of the sum of TEN AND NO/100 DOLLARS ($10.00) and other good and valuable considerations to said grantor in hand paid by said grantee, the receipt whereof is hereby acknowledged, has granted, bargained, and sold to the said grantee, and grantee's heirs and assigns forever, the following described land, situate, lying and being in the Okaloosa County, Florida, to-wit:

Lot 4, Grand Palms, according to the Plat thereof recorded in Plat Book 15 pages 38 and 39, Public Records of Okaloosa County, Florida.

Parcel Identification Number: 00-2S-22-0541-0000-0040

Together with all the tenements, hereditaments and appurtenances thereto belonging or in anywise appertaining.

To Have and to Hold, the same in fee simple forever.

And the grantor hereby covenants with said grantee that the grantor is lawfully seized of said land in fee simple; that the grantor has good right and lawful authority to sell and convey said land; that the grantor hereby fully warrants the title to said land and will defend the same against the lawful claims of all persons claiming by, through or under grantors.

In Witness Whereof, grantor has hereunto set grantor's hand and seal the day and year first above written.

SITE:

Location:
The subject is located on the north side of Scenic Highway 98 in the Grand Palms Subdivision. It is located an approximate 550 feet east of the Scenic Highway 98 and Sunfish Street intersection.

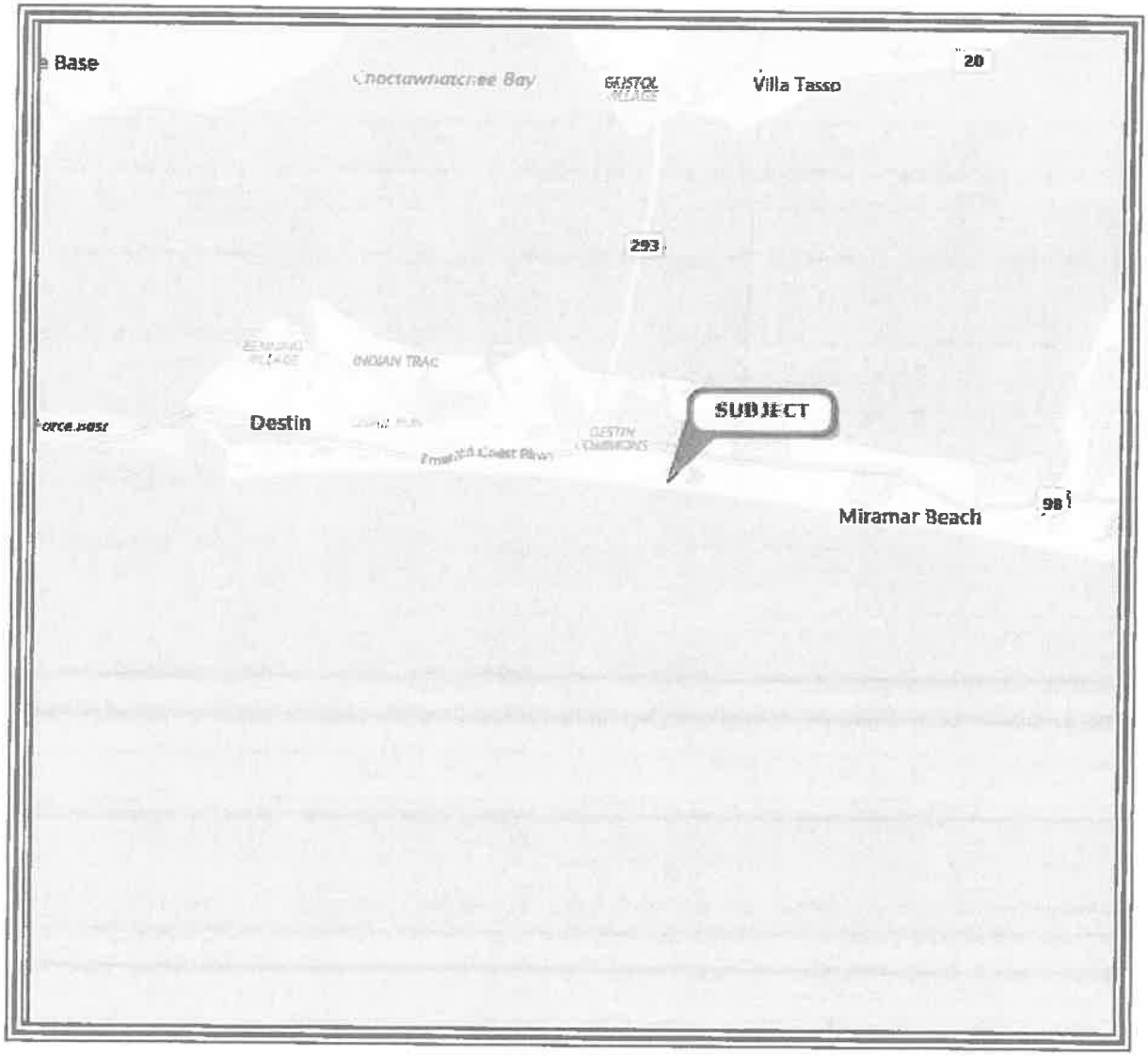
This area is east of the community of Crystal Beach and west of the Destiny/Destiny West/Destiny By The Sea communities.

Along the south side of Scenic Highway 98 are many condominium projects, individual homes and some commercial use, typically restaurants, which cater to the tourist industry.

Along Scenic Highway 98 to the north are other residential uses, primarily detached homes with a interspersion of condominium and town home projects, which are a mix of owner occupant and seasonal rental use.

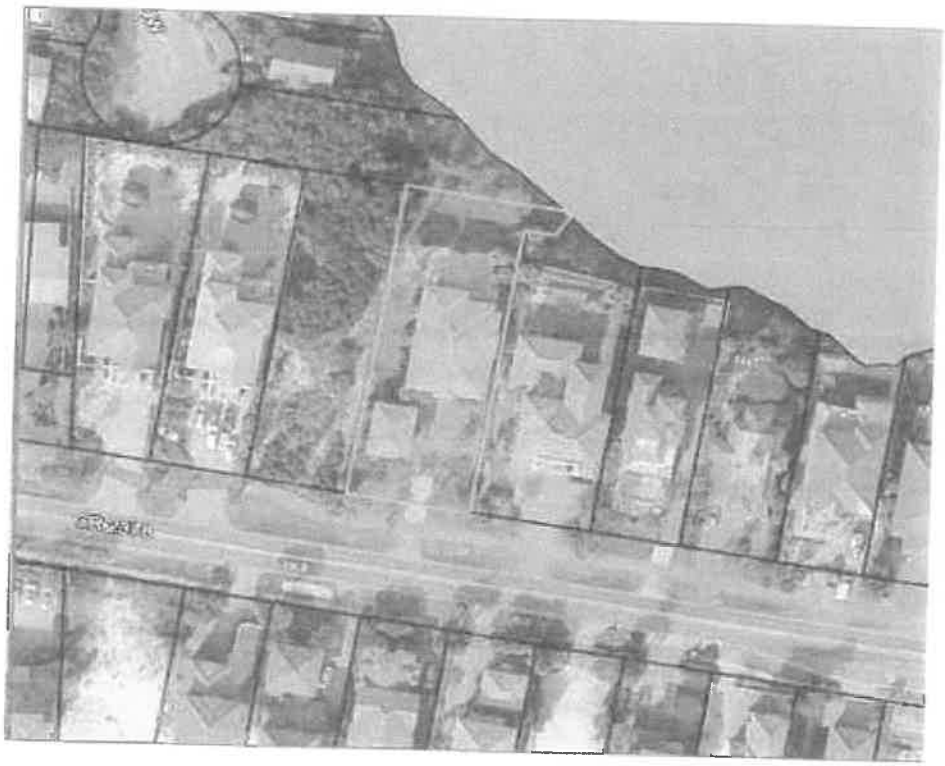
This entire area of Destin, in close proximity to the Gulf of Mexico, is a desired location and well considered by the market.

See the following map for the subject location in the broad Destin market.



The following map indicates the local market area surrounding the subject.

The following aerial photograph indicates the subject parcel.



Land Size:

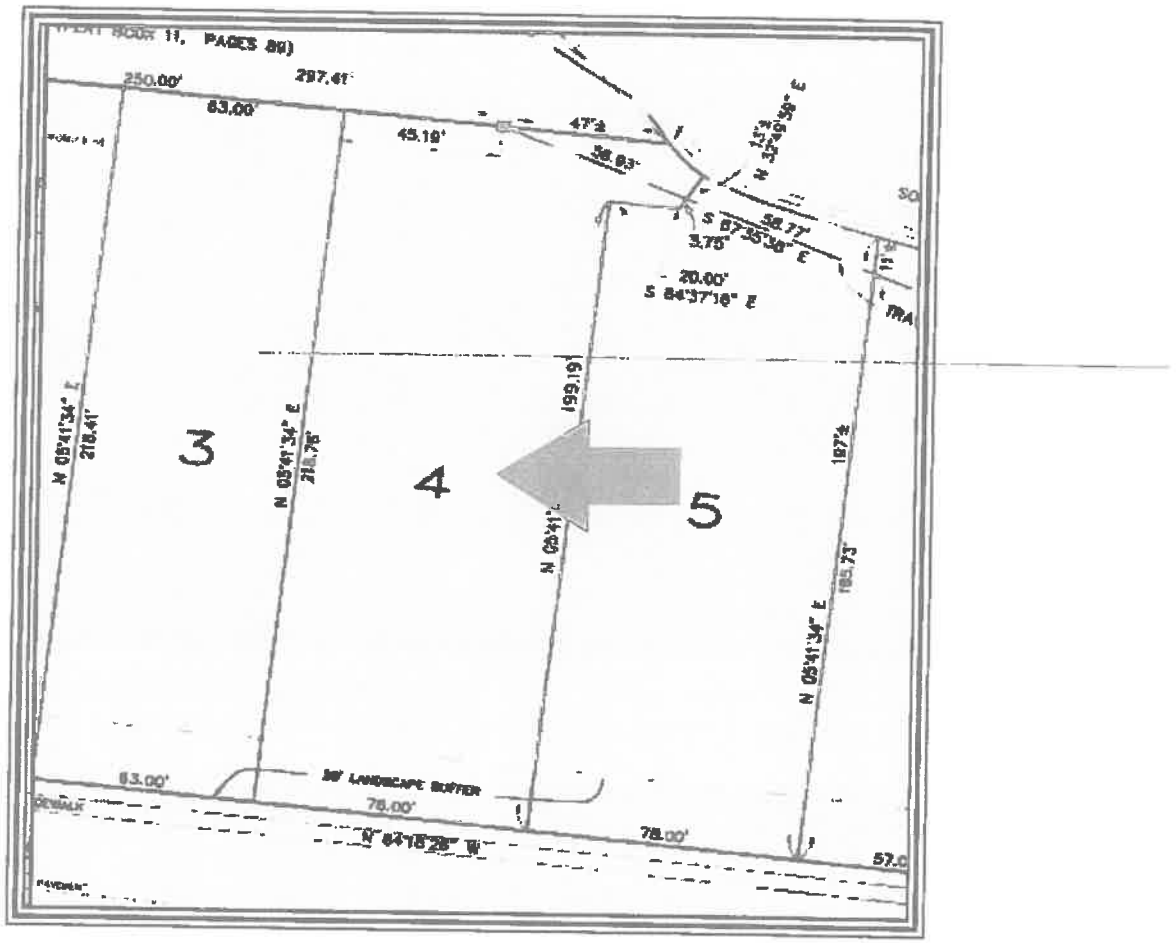
The subject is a single residential lot.

The dimensions are as follows:

219.00 feet on the west side,
92.19 feet on the north side, fronting a small lake,
13.00 feet on the east side,
20.00 feet on the south side,
199.19 feet on the east side, and
78.00 feet on the south side, fronting Scenic Highway 98.

These dimensions result in a land size of an approximate 0.40 acres, or 17,424 SF This land size is typical of lots in the Grand Palms Subdivision.

See the following excerpt from the recorded plat map.



Site Topography:

Per the Okaloosa County GIS site and my viewing, the subject is at the road grade of Scenic Highway 98.

The subject is level an approximate ½ way through lot and then slopes downward on the north side toward the lake.

This slope is perceptible when standing at the rear of the improvement, however, the slope was accounted for in the construction of the home and has no negative connotation.

The subject lot contour is typical for many parcels.

I am providing the following contour map extracted from the Okaloosa County Property Appraiser web site.

Utilities:

Utility	*Provider*	*Utility*	*Provider*
Electricity	Gulf Power	Stormwater Drainage	Destin
Water and Sewer	Okaloosa County	Fire Department	Destin
Natural Gas	Okaloosa Gas	Police Department	Contract with the Okaloosa County Sheriff
Telephone	Verizon	Refuse Removal	By contract
Cable Television	Cox Cable		

The utilities for the subject site are considered as typical in the market.

Easements/Encroachments:
I was not furnished a copy of a recent survey of the subject property. A review of the site plan, various maps and my personal viewing did not indicate any easements or encroachments.

I assume there are utility easements of record.

It is my opinion that there are no easements or encroachments which would affect value or transferability.

Ingress/Egress:
The subject property is reached directly from Scenic Highway 98, which fronts on the entire subject south side.

Scenic Highway 98 is a paved, two lane public roadway.

Scenic Highway 98 is the original U. S. Highway 98 which was the main east/west arterial in the Destin market. Now that the six lane U. S. Highway 98 has been developed to the north, Scenic Highway 98 is now a coastal road running parallel to and just north of the Gulf of Mexico.

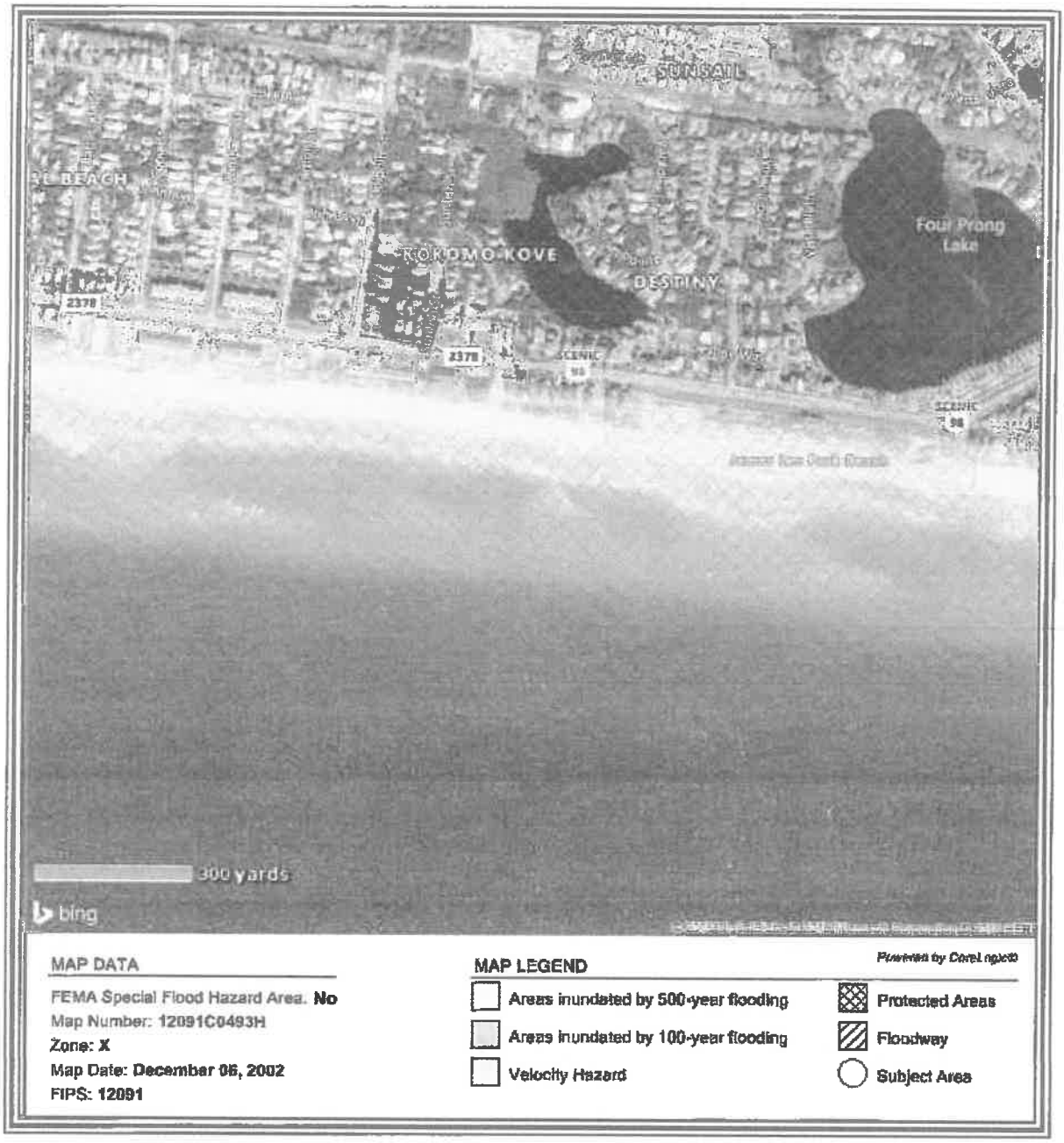
Ingress/egress is viewed as similar to most access typically found in the market.

Parking is viewed as superior to most parking found in the market as the subject features three garage spaces and four driveway spaces.

Flood Risk:

FEMA Map Panel	*Map Area*	*Dated*	*Flood Zone*
12091C 0493H	Okaloosa County	December 6, 2002	"X"

* The client is advised appraisers are not surveyors, and accordingly, any final determination as to flood zone status should only be made by a licensed, adequately insured, Florida surveyor utilizing the latest FEMA flood panels. However, it appears the entire subject area is considered as Flood Zone 'X', an area of substantial flood risk. The subject is located at the red circle in the following flood map.

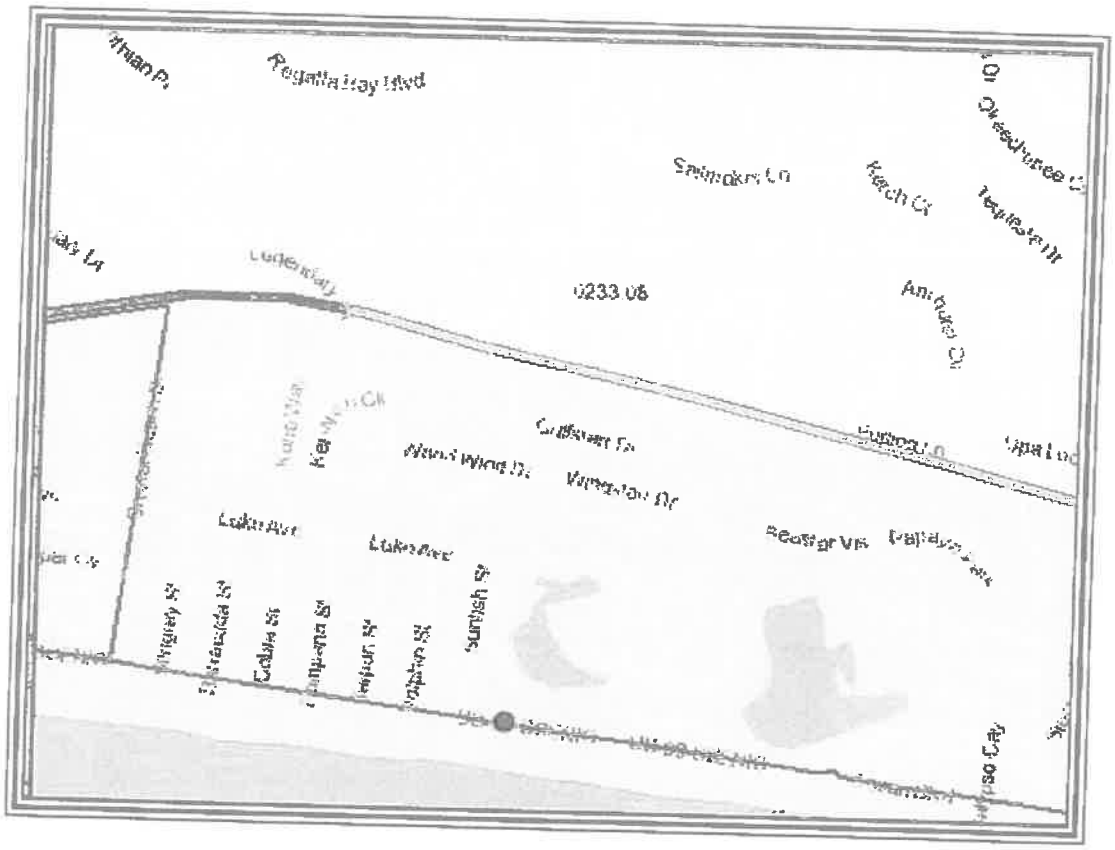


Wetlands:

The subject features a small tip of wetlands on the NE corner. I do not consider that these wetlands to adversely affect value.

The wetland map is consistent with the flood panel on the previous page.

Census Data:
The subject is located in census tract 0233.08.



IMPROVEMENTS 'AS IS'

Size:
The subject is a single family detached improvement with two living levels.

The subject also features a detached three car garage with an additional living area above the garage. The subject features substantial exterior balconies and porches, as well as a large in ground swimming pool, pool deck/lanai, landscaping, and a lake view. The total size is 7,595 SF and the total HVAC area is 5,114 SF.

The first living level is the kitchen, living room, dining room and laundry room. There are also two bedrooms with king beds, each sleeping two (2) as well as a bunk room, sleeping four (4) which results in a total of sleeping eight (8) on the first level.

The second level sleeps twelve (12) and features four (4) bedrooms with king beds, each sleeping two (2). There is also a bunk room sleeping four (4).

The bunk rooms do not qualify as bedrooms.

There is a detached, three car garage with a guest suite above the garage. This guest suite is an approximate 700 SF and features one bedroom with a king size bed, sleeping two (2).

The first level sleeps eight (8); the second level sleeps twelve (12) and the above garage suite sleeps two (2) for a total of twenty two (22).

Construction Quality:
The quality of construction for the subject improvement is *Class D* good. Details of construction are summarized below:

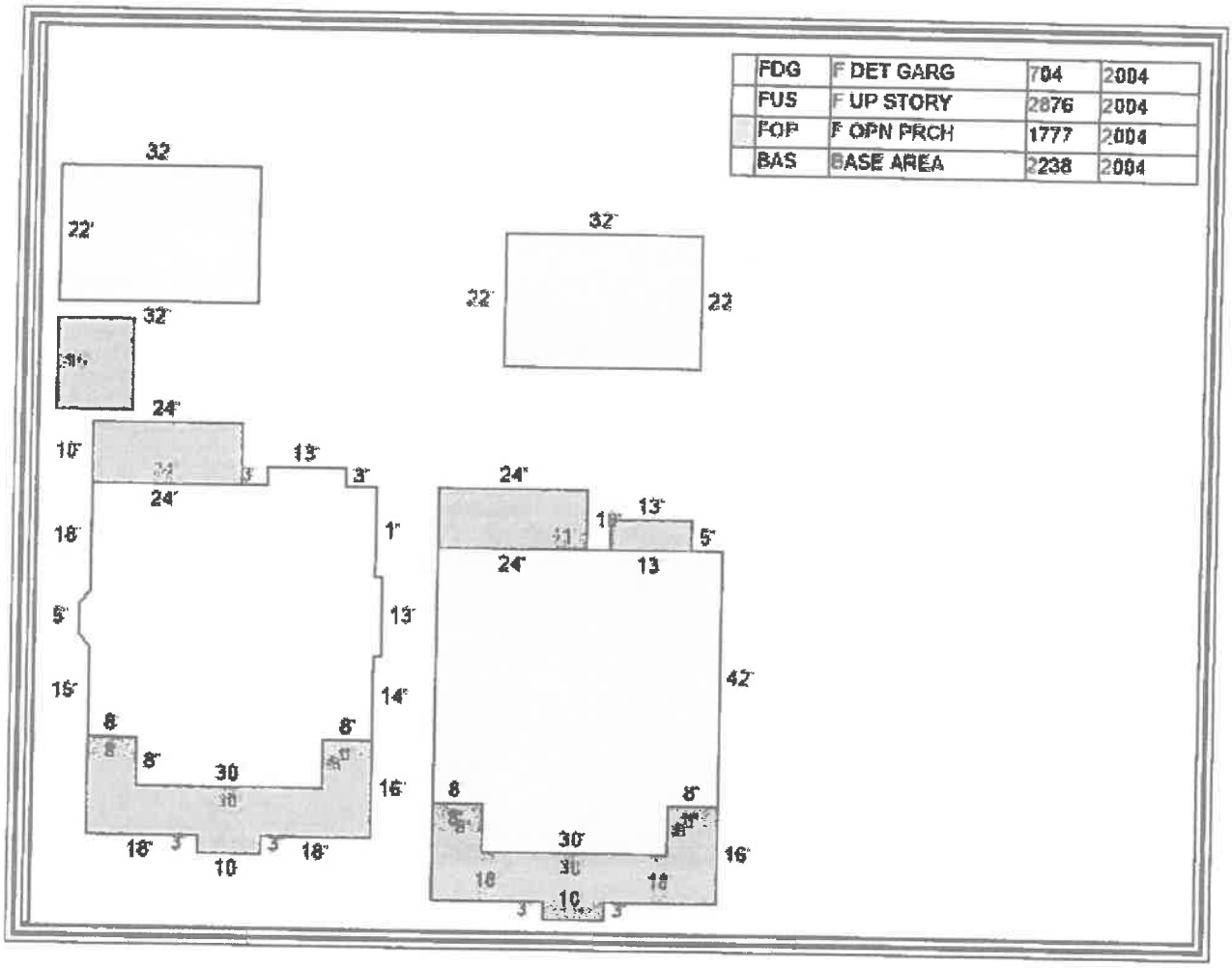
Construction Component	
Foundation	4" Reinforced concrete slab
Exterior walls	Wood frame with stucco
Roof	Concrete Tile
Trim	Base and crown molding
Windows	Double pane aluminum
Exterior doors	Insulated metal with glass
Insulation	Unknown. Assumed to be R38 behind sheet rock
HVAC	Forced Air and Central HVAC
Ceiling	9 and 10 foot with sheet rock and can lights
Interior Walls	Painted sheet rock
Interior flooring	High quality stone, tile and carpet
Interior doors	Six and four panel wood
Restrooms	Six and one half
Lighting	Can lights
Kitchens	One typical residential kitchen and one substantial second kitchen.
Other	Many porches/swimming pool and lanai. Guest quarters over the garage

Condition of Improvements:
The subject improvement is in good condition.

Age:
Public records indicate this subject improvement was constructed in 2004.

I consider the actual age to be fifteen (15) years and the effective age to be from ten (10 to twelve (12) years. I estimate an economic life of fifty five (55) years and a physical life of seventy five (75) years.

See the following sizes indicated for the subject in the Okaloosa County Property Appraiser web site.



Exterior Photographs:

FRONT OF SUBJECT

REAR OF SUBJECT

FRONT OF GARAGE AND GUEST HOUSE

REAR OF GARAGE AND GUEST HOUSE

SWIMMING POOL

LAKE VIEW

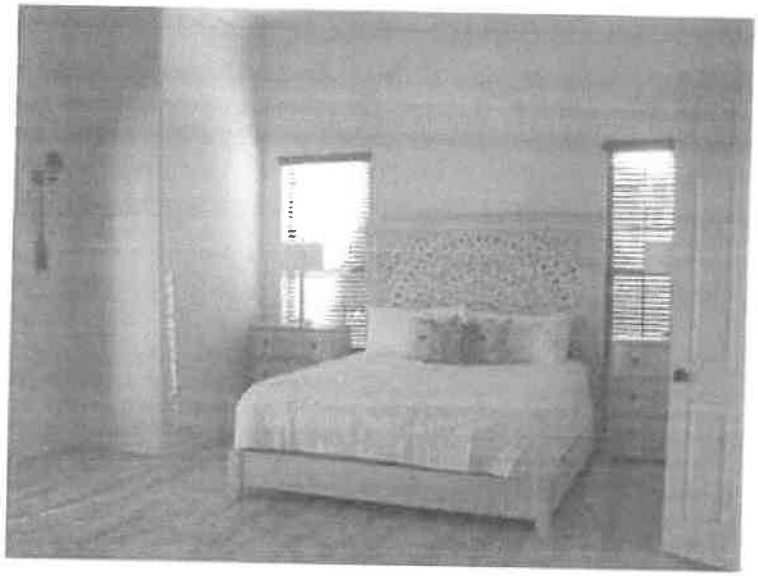
First Level(Sleeps Eight (8).

KITCHEN

LIVING ROOM

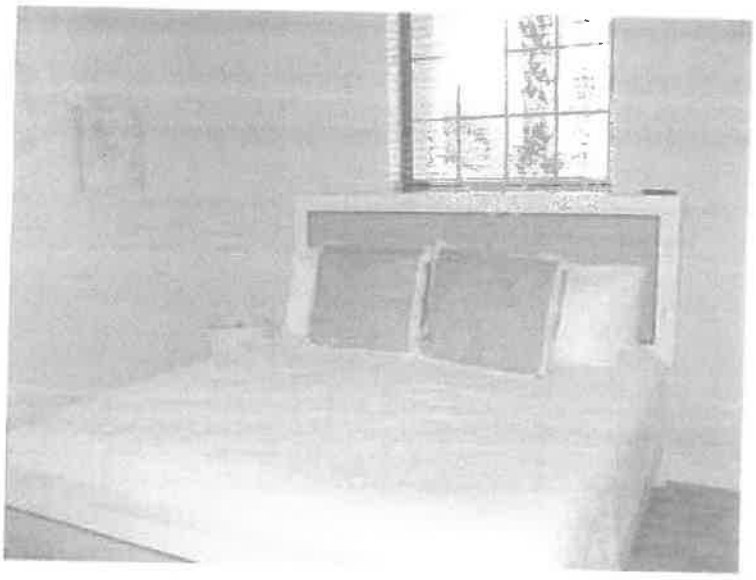
DINING ROOM

REAR PATIO

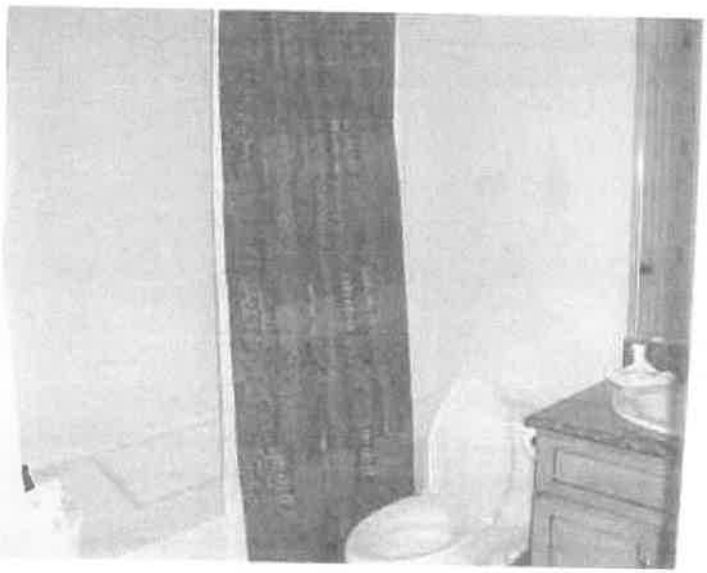


BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #1

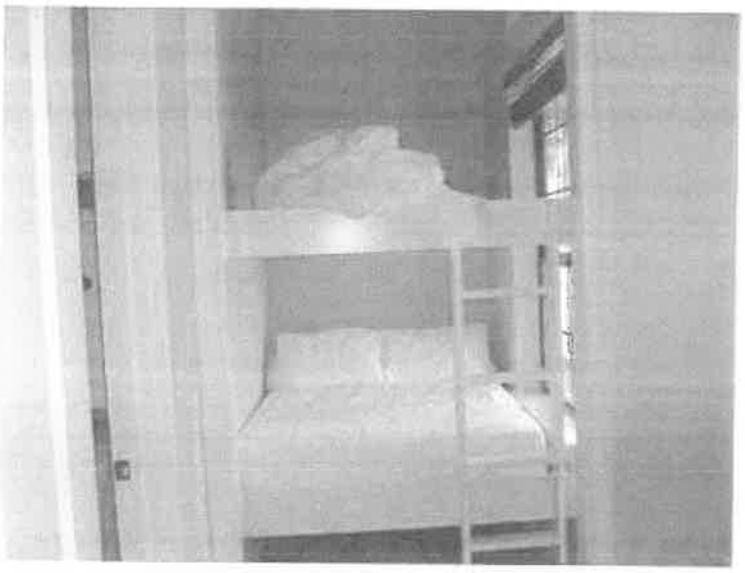
FULL BATH SUPPORTING BEDROOM #1 - BATH #1



BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #2



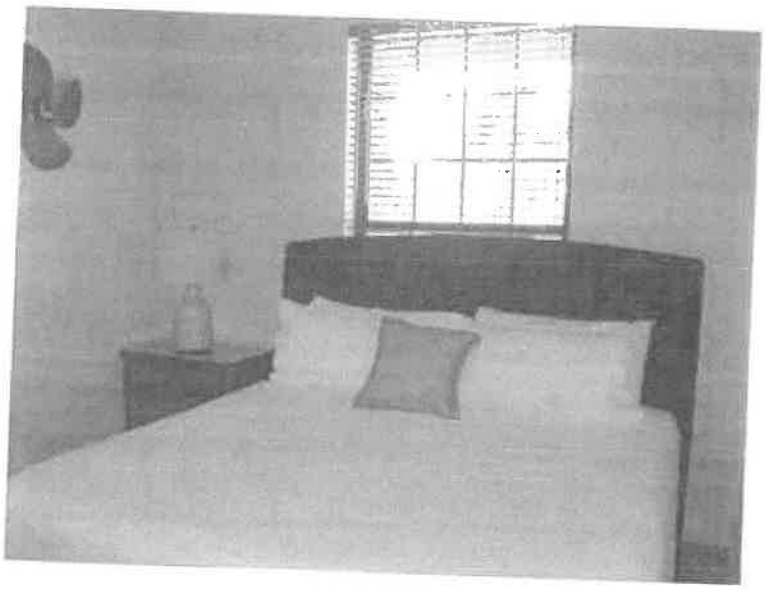
FULL BATH IN HALL SUPPORTING BEDROOM #2 AND BUNKS - BATH #2



BUNK ROOM - SLEEPING FOUR - NOT A BEDROOM

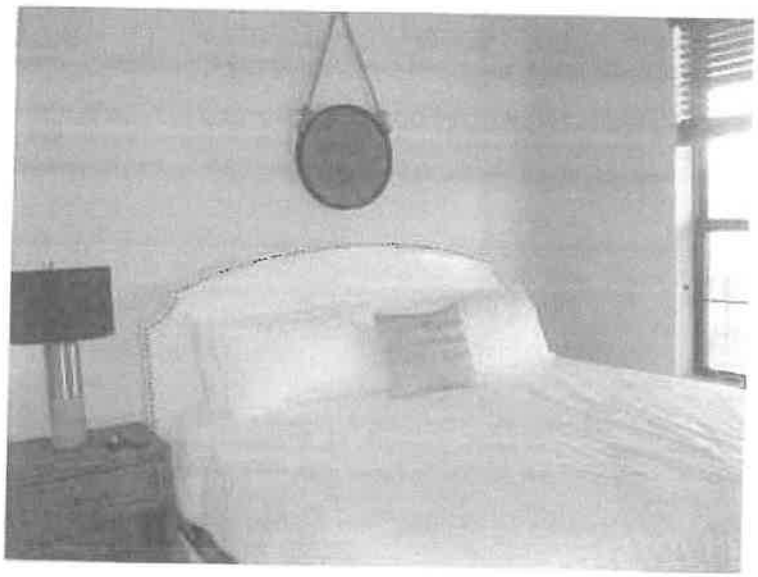
LAUNDRY

Second Level Sleeping Twelve (12)



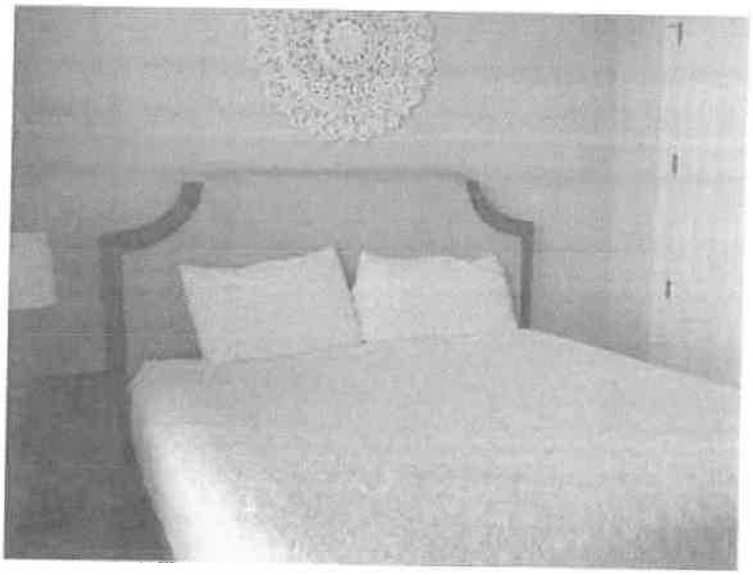
BEDROOM WITH KING SLEEPING TWO (2) - BR #3

FULL BATH SERVICING BEDROOM #3 - BATH #3



BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #4

FULL BATH SERVICING BEDROOM #4 - BATH #4



BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #5

FULL HALL BATH SERVICING BEDROOM #5, #6 and BUNKS - BATH #5

BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #6

BUNKS SLEEPING FOUR (4) - NOT A BEDROOM

Guest room above garage sleeping two (2)

BEDROOM WITH KING IN GUEST SUITE SLEEPING TWO (2) - BEDROOM #7

FULL BATH SUPPORTING BEDROOM #7 - BATH #6

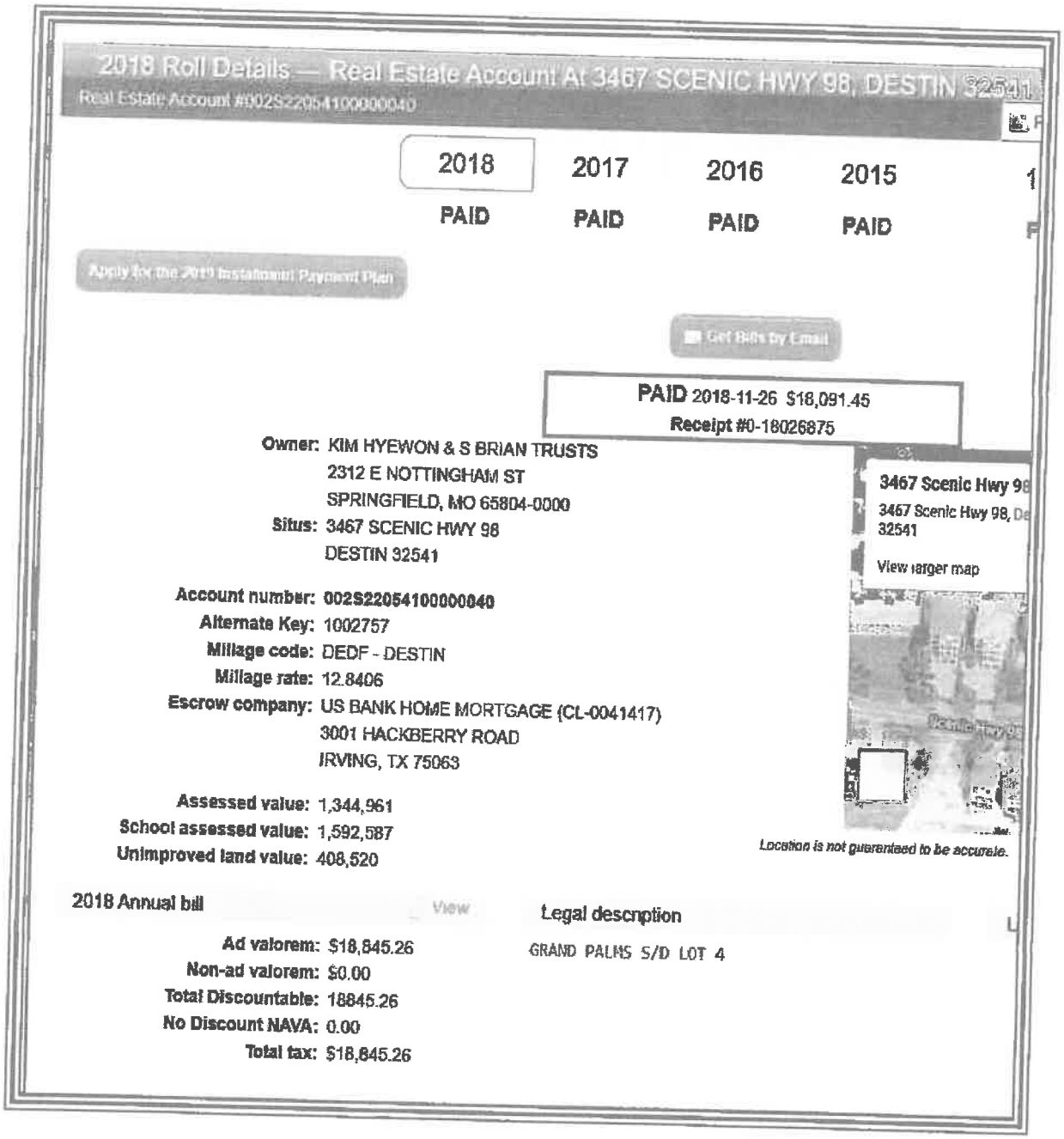
The tax identification number, gross tax amount due, amount paid, and assessed value for the 2018 tax year.

Tax Identification Number	Assessed Value	Gross Tax Amount Due	Amount paid	Amt. Due
00-2S-22-0541-0000-0040	$1,344,961	$18,245.26	$18,091.45	None

The 2018 taxes were paid early, resulting in a discount.

There are no previous year taxes owing.

It is my experience that assessed value has little correlation with current market value and are typically lower than market value with a few exceptions.



2018 Roll Details — Real Estate Account At 3467 SCENIC HWY 98, DESTIN 32541

Real Estate Account #002S22054100000040

2018	2017	2016	2015
PAID	PAID	PAID	PAID

Apply for the 2019 Installment Payment Plan

Get Bills by Email

PAID 2018-11-26 $18,091.45
Receipt #0-18026875

Owner: KIM HYEWON & S BRIAN TRUSTS
2312 E NOTTINGHAM ST
SPRINGFIELD, MO 65804-0000
Situs: 3467 SCENIC HWY 98
DESTIN 32541

Account number: 002S22054100000040
Alternate Key: 1002757
Millage code: DEDF - DESTIN
Millage rate: 12.8406
Escrow company: US BANK HOME MORTGAGE (CL-0041417)
3001 HACKBERRY ROAD
IRVING, TX 75063

Assessed value: 1,344,961
School assessed value: 1,592,587
Unimproved land value: 408,520

3467 Scenic Hwy 98
3467 Scenic Hwy 98, De
32541
View larger map

Location is not guaranteed to be accurate.

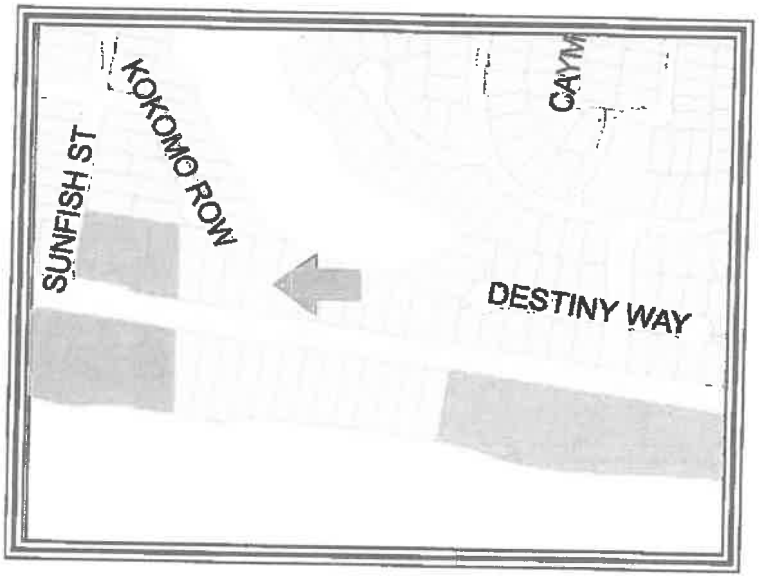
2018 Annual bill View

Ad valorem: $18,845.26
Non-ad valorem: $0.00
Total Discountable: 18845.26
No Discount NAVA: 0.00
Total tax: $18,845.26

Legal description

GRAND PALMS S/D LOT 4

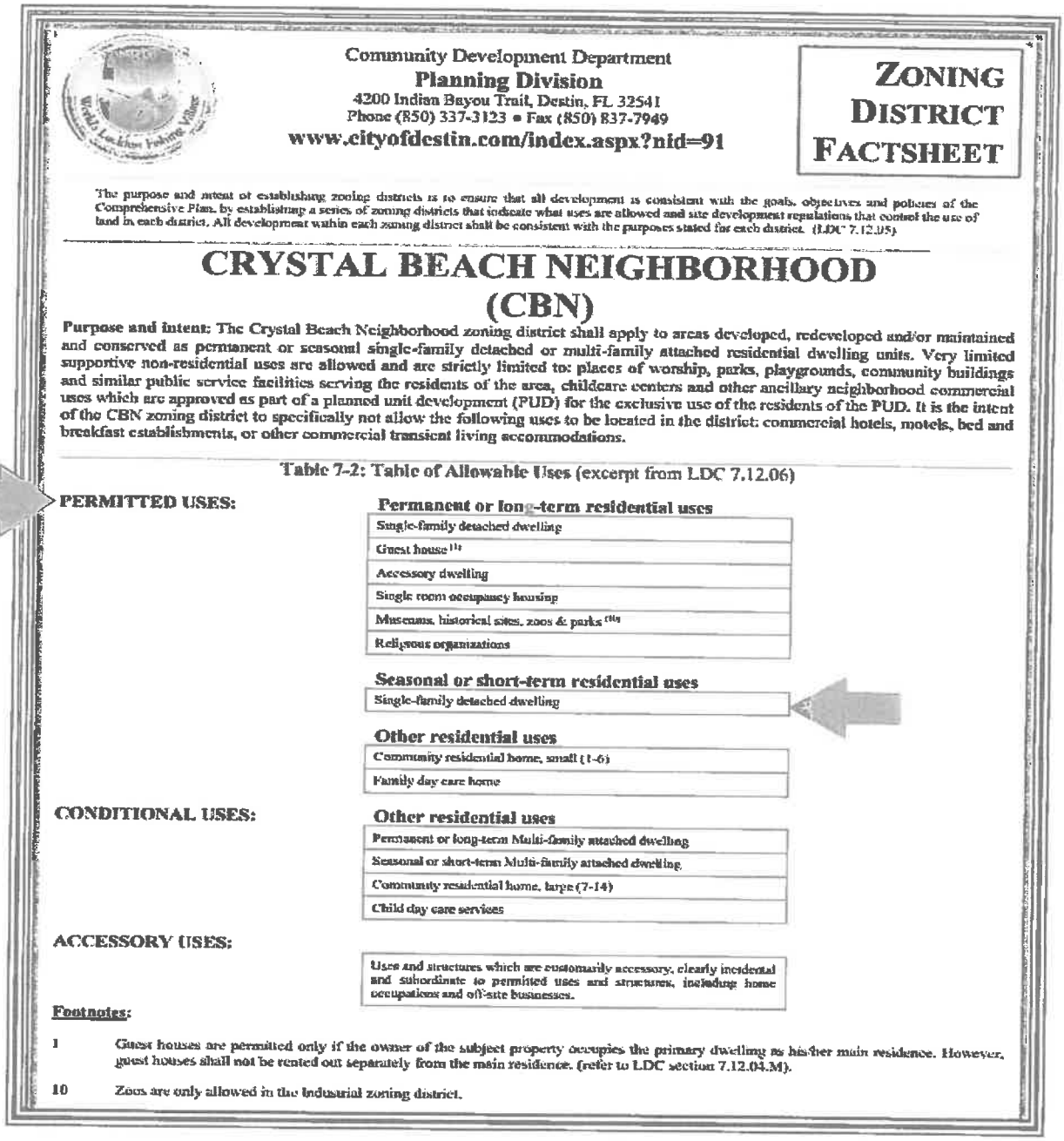
Zoning:
The following map indicates zoning for the subject parcel. The subject is zoned Crystal Beach Neighborhood by Destin. See following pages for detailed identification of allowable uses.



LAND DEVELOPMENT CODE COMMENTS

The following excerpts were taken from the Destin Land Development Code, currently on line.

This first excerpt states that Crystal Beach Neighborhood designates seasonal or short-term residential uses for single-family detached dwellings as a permitted use. I note that this description of the Crystal Beach Neighborhood zoning designation is silent regarding the number of allowable guests and does not limit guest numbers.



Community Development Department
Planning Division
4200 Indian Bayou Trail, Destin, FL 32541
Phone (850) 337-3123 • Fax (850) 837-7949
www.cityofdestin.com/index.aspx?nid=91

ZONING DISTRICT FACTSHEET

The purpose and intent of establishing zoning districts is to ensure that all development is consistent with the goals, objectives and policies of the Comprehensive Plan, by establishing a series of zoning districts that indicate what uses are allowed and site development regulations that control the use of land in each district. All development within each zoning district shall be consistent with the purposes stated for each district. (LDC 7.12.05)

CRYSTAL BEACH NEIGHBORHOOD (CBN)

Purpose and intent: The Crystal Beach Neighborhood zoning district shall apply to areas developed, redeveloped and/or maintained and conserved as permanent or seasonal single-family detached or multi-family attached residential dwelling units. Very limited supportive non-residential uses are allowed and are strictly limited to: places of worship, parks, playgrounds, community buildings and similar public service facilities serving the residents of the area, childcare centers and other ancillary neighborhood commercial uses which are approved as part of a planned unit development (PUD) for the exclusive use of the residents of the PUD. It is the intent of the CBN zoning district to specifically not allow the following uses to be located in the district: commercial hotels, motels, bed and breakfast establishments, or other commercial transient living accommodations.

Table 7-2: Table of Allowable Uses (excerpt from LDC 7.12.06)

PERMITTED USES:

Permanent or long-term residential uses

Single-family detached dwelling
Guest house [1]
Accessory dwelling
Single room occupancy housing
Museums, historical sites, zoos & parks [10]
Religious organizations

Seasonal or short-term residential uses

Single-family detached dwelling

Other residential uses

Community residential home, small (1-6)
Family day care home

CONDITIONAL USES:

Other residential uses

Permanent or long-term Multi-family attached dwelling
Seasonal or short-term Multi-family attached dwelling
Community residential home, large (7-14)
Child day care services

ACCESSORY USES:

Uses and structures which are customarily accessory, clearly incidental and subordinate to permitted uses and structures, including home occupations and off-site businesses.

Footnotes:

1 Guest houses are permitted only if the owner of the subject property occupies the primary dwelling as his/her main residence. However, guest houses shall not be rented out separately from the main residence. (refer to LDC section 7.12.04.M).

10 Zoos are only allowed in the Industrial zoning district.

This second excerpt defines long term rental and short term rental. I again note that the definition of short term rental is silent regarding the number of allowable guests.

Policy 1-2.1.1: Residential Uses Defined. Residential uses shall include several structure types used for housing, including single-family detached dwellings and multiple-family strucoures including duplex structures units, town homes and other detached single-family structures, apartments, patio homes, atrium homes, and similar multiple-family structures. The specific FLUM designations shall identify where single-family and multiple-family structures may be located. Following are the definitions for long-term residential and short-term residential.

1. Long-Term Residential. Long-term residential uses shall be defined as any residential accommodation that is available for occupancy for 181 days or more. Long-term residential uses shall include lock-out units, as defined in the Glossary.
2. Short-Term Residential. Short-term residential uses shall be defined as any residential accommodation that is available for occupancy for 180 days or less. Short-Term Residential uses shall include lock-out units, as defined in the Glossary.

This third excerpt defines the grandfather clause. This clause states clearly that the grandfather status may be released only by the vested entity

Policy 1-2.1.5: Grandfather Clause. Existing land uses that were lawfully conforming uses prior to the effective date of the Comprehensive Plan, shall continue as lawful uses and shall be regulated through administrative remedies for vested rights issues that shall be included in the LDC. Building heights, density and/or intensity which (a) are actual present and which lawfully existed prior to the effective date of the Comprehensive Plan, or (b) were authorized pursuant to a development order, which development order remained unexpired as of the effective date of the Comprehensive Plan, shall continue to be legal building heights, density and/or intensity (as applicable) after adoption of the Comprehensive Plan. All duly approved and recorded lots, subdivision and condominium plats of record, which existed as legal lots, subdivision and condominium plats of record prior to the adoption of this Comprehensive Plan shall continue to be legal lots, subdivision and condominium plats of record after adopdon of the Comprehensive Plan. This grandfather status may only be relinquished voluntarily by the vested entity. All subdivisions, condominium plats and all replats shall comply with the Comprehensive Plan objectives and Policies, including maximum density provisions. Similarly, all new development shall comply with the Comprehensive Plan and LDC unless the development is found to have a vested right in a land use, building height, density or intensity that is in conflict with the Comprehensive Plan and LDC. Under such condition the grandfather clause shall be applicable unless voluntarily relinquished by the vested entity. The intent is to sustain demonstrated private property rights while preserving the public interest, welfare, health, and safety. Notwithstanding, any single-family home that is subject to redevelopment shall be allowed to reconstruct, providing adopted building and construction codes as well as this ordinance and the size and dimension criteria of the LDC are met.

CONCLUSION

Based on these excerpts, I conclude that prior to the first application of Ordinance 18-29-CC, there were no restrictions to the number of allowable guests.

History:
The subject has been owned by the current owner since 4/13/2011 when they purchased it for $1,200,000, per ORB/P 2981/4354

Based on this transfer date outside of three years, there is no requirement to analyze the previous sale.

Active Listings:
The subject is currently listed for sale for $1,950,000, per MLS listing 745027. It has been listed for 1,155 days as of March 29, 2019.

Current Use:
The subject is currently a detached single family home used for seasonal rental, catering to large family groups.

Surrounding Uses:
The surrounding use in the Crystal Beach/Destiny/Destiny By The Sea area is a mix of full time occupants and seasonal renters.

MARKET AREA ANALYSIS - SEASONAL RENTAL MARKET

I am restricting this analysis to the seasonal rental market.

Up until perhaps 2000, the great majority of seasonal rentals were condominium units.

However, the growing demand for larger spaces to accommodate extended families in one place led to the conversion of many larger homes to seasonal rentals. It also spurred the construction of homes specifically designed for large rental parties.

Such homes feature typical living areas but emphasize a substantial number of bedrooms and baths. Often bedrooms are equipped with multiple built - in bunks for sleeping children.

Most homes also feature sofa sleepers which can sleep additional children.

Many of these homes, and certainly those recently constructed for this purpose, featured swimming pools and lanai areas as an exterior amenity.

This market has flourished as Destin is nationally recognized as a tourist attraction.

It is common to see Realtors addressing gross rental amounts or gross rental projections in MLS Listings. While the value of homes similar to the subject is partially estimated by a size / value per SF component, the fact that a home generates a substantial amount of income makes it a more attractive and safe purchase than a home which is not rented for seasonal income. In the past few years, income has become as important as selling prices, per SF.

Another factor worthy of discussion is that many owners now self - manage. Typically in the past, management of rentals was performed by one of several large real estate companies, such as Resort Quest, Dale Peterson, Newman Dailey and Southern Resorts. However, in the past 10 years a substantial number of smaller management companies have surfaced.

Management fees for seasonal rentals range from perhaps 15% to 25% of gross revenue.

Entrepreneurial owners have recognized this expense line and many now self - manage with the aid of Vacation Rental By Owner (VRBO) or some similar search engine.

The seasonal rental market is increasing in the Destin/Miramar Beach market as the thriving national economy allows discretionary vacations.

Without the first application of Ordinance 18-29-CC, allowing the planned capacity up to 22 guests, I would consider the seasonal rental market to continue to flourish over the next several years.

With the first application of Ordinance 18-29-CC, limiting the subject to 18 guests, I would project a diminution in value.

HIGHEST AND BEST USE 'AS IS'

Legally Permissible
The subject property is zoned (and designated for future land use) as *Crystal Beach Neighborhood (CBN)* by the City of Destin, Florida.

This zoning and land use designation allows for single-family use and specifically indicates that short term rentals is a permitted use (See page 37). The use of the subject for single-family short-term rentals is therefore allowed in this district.

Physically Possible
The subject property appears to be relatively level and well drained. Soil and subsoil conditions nearby appear compatible with both low-rise, multi-story use and traditional commercial development. All utilities required for commercial or 'mixed use' are presently at the site. The size and dimensions of the site are sufficient to allow a wide variety of legally permissible uses. The shape of the site is rectangular and this shape does not limit utility. Transportation of construction materials or labor to the site is estimated to be relatively simple due to the central location of the site within the overall market. Access to the site is above average.

However, the most compelling substantiation that the subject is physically possible is the fact that it already exists.

Therefore, use of the subject property for single family use as a seasonal rental is physically possible.

Financially Feasible
Value opinions derived in the income approach to value indicate the existing improvement contributes value to the underlying land. There is substantial other ongoing seasonal rental use in the market, suggesting that there is broad appeal for seasonal rental properties.

Therefore, continued use of the subject property for a detached single family residence used for seasonal rental income is financially feasible.

Maximally Productive
The alternatives of addition, demolition, expansion, modernization, or conversion to alternate uses have been considered within the legal, physical, and financially feasible parameters. Several alternatives exist.

Alternatives for use of improvements:

Expansion
The existing subject improvement is 5,114 HVAC SF. The subject is typical of most seasonal rental homes. Thus, there is no need for expansion. Any expansion would come at a cost of parking and/or access. Thus, expansion beyond what is existing, does not appear to be appropriate and feasible.

Renovation
Typically, any existing property could benefit from renovation. However, the subject has been well maintained and is in good condition. Thus, I would not consider imminent renovation to be required or practical.

Downsizing
The existing subject improvements are 5,114 HVAC SF. I see no reason to downsize the subject improvement as it appeared that all of it is usable space. Thus, downsizing beyond what is existing does not appear to be appropriate, physically possible or feasible.

Subdividing
The purpose of the subject is to lease it seasonally to large parties of guests. Subdivision would not be legally approved and does not appear to be financially prudent as the parties of guests would be smaller and grouping smaller parties together in the same pool could prove problematic. I would not consider subdivision to be prudent or feasible.

Demolition
The subject is a recently constructed home in 2004 and is currently in good condition. It features a probable 45 years of remaining economic life and a probable 65-70 years of remaining physical life.

I do not consider demolition and replacement with alternative improvements to be a superior use to the current use as a rental property. No alternative use would be certain to serve the land better. Thus, the subject is not a candidate for demolition.

Utilizing existing improvements
Continued use 'as is' as a seasonal rental, is considered the maximally productive use.

Conclusion of Highest and Best Use 'as is'
Analysis of recent trends and current market supply and demand indicate that the maximally productive highest and best use of the subject property is continued use as a detached single family residence used for seasonal rental income.

Conclusion of Highest and Best User 'as is'
Analysis of recent trends and current market supply and demand strongly indicate the most probable user is an entrepreneurial user who leases the subject for seasonal rental income with a small amount of personal use.

SUMMARY OF ANALYSIS AND VALUATION

Methodology

Site valuation derived from Sales Comparison Analysis involves direct comparisons of the subject property to similar properties selling in the marketplace to derive a comparative value indication for the subject property 'as if vacant,' as of the effective date of value. This approach is also called the 'direct sales comparison approach', or the 'market approach', and tends to be the most reliable approach for developing an opinion of the value of vacant land or sites available for development. Other methods of developing the value of land are available. Allocation, extraction, land residual, ground rent capitalization, and discounted cash flow analysis are all recognized as reasonable methods of valuation.

The cost approach is a reliable methodology for new, or nearly new, buildings. I estimate the replacement cost or reproduction cost, in this case replacement construction cost, of the existing or existing improvements and site improvements (including direct and indirect costs as well as an appropriate developer profit), deducting accrued depreciation from physical, functional, and external sources from the total replacement or reproduction cost new. The depreciated replacement or reproduction cost of the improvements is added to the value of the site resulting in a value indication of the fee simple interest in the property.

The sales comparison approach is based on the 'Principle of Substitution' which indicates an informed purchaser would pay no more for a property than the cost of acquiring an equally desirable substitute property with the same or similar utility. This approach is applicable when an active market provides sufficient quantities of reliable data which can be verified from authoritative sources. The Sales Comparison Approach is reliable in an active market or if an opinion of value is related to properties which there are comparable sales available. This approach to value is also relevant when sales data can be verified with the principals to the transaction. Heavy emphasis is usually placed on this approach to value in an active market.

The income approach is recognized as a reliable approach for developing an opinion of the value of 'income producing' property to an investor. The income approach consists of methods, techniques, and mathematical procedures an appraiser uses to analyze a property's capacity to generate income and convert income into an indication of present value either by capitalizing the current income at a market capitalization rate or discounting the future cash flows into a present value estimate using an appropriate yield (discount) rate. The appraisal process emulates the market, and the most probable purchaser would either be an investor or prospective owner occupant. Two (2) techniques associated with the income approach are direct capitalization and discounted cash flow analysis.

Methodology employed and explanation of the exclusion of any of the three (3) approaches to value

I am not performing cost analysis. A buyer and seller in the market would not care what it cost to build the subject. In addition, the problem to be solved is to drive the diminution in value based on the guest restrictions included in Destin Ordinance 18-29-CC. The number of guests would have no impact on the cost to construct.

I am not performing sales comparison analysis. The impact of Destin Ordinance 18-29-CC may not be evident in the market for several years in the selling prices of homes. The ordinance allows a five year grandfather period. Homes sold in this grandfather period may not indicate a decline in selling prices and it would not be reliable to estimate diminution in value based on comparable sales until a larger array of data was available for use in sales comparison analysis.

I am performing income analysis. I will identify probable annual income for the subject with twenty two (22) guests, based on historical income and projected income from the new manager; and then identify market rents which support the subject contract rent. I will then identify operating expenses and subtract operating expense from gross rent to arrive at a net operating income (NOI). I will then apply a market based capitalization rent to the NOI to arrive at a value for the subject, prior to the first application of Destin Ordinance 18-29-CC.

I will then identify the rental incomes for homes which are allowed only 18 guests. I will then subtract expenses for the rents of 18 guest homes and arrive at their NOI. I will then derive a value by capitalizing this NOI.

Finally I will subtract the value for a 18 guest house from the value of a 22 guest house and this figure will be the diminution in value.

COST ANALYSIS NOT PERFORMED

SALES COMPARISON ANALYSIS NOT PERFORMED

INCOME ANALYSIS
'AS IS'

DESCRIPTION OF INCOME ANALYSIS METHODOLOGY

The income approach to value is based on the principle of anticipation, in that the value of the subject property correlates to the present worth of the future right to receive benefits in the form of income to be received by the owner. The income approach considers the property from an investment interest with the assumption that the amount of income, coupled with the regularity and quality of the income stream, are the basis for valuing the property based on income analysis.

The income approach is applied by identifying the net income by first identifying gross income and then deducting from the gross income the expenses of operating a property to arrive at a net income, generally identified a Net Operating Income (NOI).

The estimated NOI is then converted to a value opinion by utilizing either a Discounted Cash Flow Analysis, or a Direct Capitalization Analysis, or both.

Discounted cash Flow Analysis:
The Discounted Cash Flow Analysis (DCF) is an analysis where a discount rate is applied to a series (typically several years) of income streams with a reversion after typically 7 to 10 years. The appraiser must specify the quantity, variable nature of the income, timing of payments (monthly/quarterly/annually) to a present value at a specified yield rate. The DCF analysis is most applicable when the net income is projected to be variable and when the property is on a sufficient size and investment value to influence market participants to evaluate purchase decisions based on DCF. A large strip retail center would be a good candidate for DCF analysis, as would a project to be constructed in phases, where the income would increase as new construction is added.

I note that I did not perform DCF analysis as it is my opinion that market participants would not use DCF analysis to base decisions to either purchase or sell properties such as the subject.

Direct Capitalization:
The conversion of a net income to a current value is called capitalization. Capitalization is a method which is used to convert the estimate of a single year's net income actual figures and/or expectancy of income into a value opinion by dividing the income by a appropriate rate of capitalization, as estimated by the appraiser. This technique employs capitalization rates derived from the market, using both capitalization rates from recent sales of similar properties, generally augmented by national indices, or other mathematical progressions. This process provides a one year snap shot of the property value. Future yields and values are not directly identified. The direct capitalization analysis is most appropriate for small to medium sized income producing properties, in stable markets with a forecast of generally stable income.

The procedural steps involved in capitalization are as follows:

Develop the probable gross income by identifying historical performance, income projections and market incomes from comparable properties which support the historical or projected subject income.

Estimate vacancy and collection losses to arrive at Effective Gross Income (EGI).

Estimate and subtract operating expenses to arrive at NOI.

Develop a capitalization rate which is supported by the market.

Divide the NOI by the capitalization rate to derive a value opinion.

I am employing the direct capitalization analysis to derive values in this analysis.

I note for the reader that steps #1 and #2 are generally combined in the analysis of seasonal resort properties. Owners and management companies tend to provide actual income which has already accounted for vacancy and collection loss.

INCOME ANALYSIS - ESTIMATE OF CAPITALIZATION RATE

The capitalization rate is a rate which is applied to the Net Operating Income (NOI) to derive a value for a property. As the chart below indicates, you can derive a capitalization rate by dividing the NOI by the purchase price.

The following excerpt will provide some explanation of capitalization rates.

Capitalization rates are used in a formula. As seen below, dividing the net operating income by the purchase price indicates the capitalization rate.

Another variation of the formula is to divide the net operating income by the capitalization rate and this process will indicate the value of the property.

What Is a Cap Rate?

A cap rate is simply a formula. It's the ratio of a rental property's net operating income to its purchase price (including any upfront repairs):

Cap Rate =

Net Operating Income (NOI) ÷ Purchase Price

The formula can be used on the level of an individual property by looking at its net operating income compared to its value. But it can also be used on the level of an entire market by taking *average* cap rates for a large group of properties.

Importantly, the cap rate formula does NOT include any mortgage expenses. As you can see in the formula for net operating income below, the expenses do not include a mortgage or interest payment.

Gross Rental Income
- Vacancy/Credit Loss Reserve
- Property Taxes
- Property Insurance
- Maintenance/Repairs
- Common Utilities (if any)
- Other expenses (ex: license)

= Net Operating Income

MARKET DATA BASED ON TYPICAL INDICES

Capitalization rates range widely in the market. The following table derived from Realty rates.com indicate a wide variety of capitalization rates base on property types. This table contains very recent data from the first quarter 2019.

As can be seen, properties such as restaurants and lodging (motels and hotels) have high capitalization rates. Apartments (residential) have the lowest capitalization rates.

Realty rates does not include a separate category of single family detached homes.

RealtyRates.com INVESTOR SURVEY - 1st Quarter 2019*

CURRENT & HISTORICAL CAP RATE INDICES

Method-Weighted* Property Category Indices

	Apts		Golf		Healthcare Senior Housing		Industrial		Lodging		MH/RV Park		Office		Retail		Restaurant		Self Storage		Special Purpose		Weighted* Composite Indices	
		BP		BP		BP		BP		BP		BP		BP		BP		BP		BP		BP		BP
Year	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg
2019	8.42	26	12.82	30	9.81	14	9.19	23	10.53	25	9.56	30	9.04	10	9.38	20	11.57	15	9.86	29	11.64	40	9.84	22
4th Qtr	8.46	8	12.68	11	9.67	11	9.23	7	10.53	1	9.62	13	9.09	13	9.44	10	11.62	11	9.92	13	11.71	11	9.88	9
3rd Qtr	8.37	-4	11.97	-5	9.96	-2	9.16	-5	10.52	-7	9.50	-5	8.95	-5	9.33	-3	11.51	-4	9.79	-7	11.60	-3	9.59	-5
2nd Qtr	8.41	3	12.02	5	9.99	3	9.21	5	10.59	6	9.55	6	9.00	0	9.36	4	11.56	4	9.86	6	11.63	5	9.64	4
1st Qtr	8.38	23	11.97	28	9.96	13	9.16	22	10.52	31	9.50	28	9.00	5	9.32	17	11.52	26	9.81	25	11.58	34	9.60	21
2017	8.16	4	11.73	-2	9.87	-6	8.96	-12	10.28	5	9.26	11	8.94	-22	9.19	-8	11.42	-15	9.57	-9	11.25	4	9.42	-6
2016	8.13	-2	11.75	6	9.92	12	9.08	15	10.22	0	9.15	15	9.16	16	9.27	12	11.57	-19	9.67	14	11.21	10	9.48	9
2015	8.15	-9	11.69	-14	9.80	-9	8.93	-10	10.22	-20	8.99	-19	9.80	-6	9.15	-11	11.69	-13	9.52	-22	11.11	-12	9.40	-12
2014	8.24	-15	11.83	-9	9.89	-1	9.03	-4	10.43	-17	9.17	-5	9.06	-22	9.26	15	11.79	-6	9.75	-20	11.24	14	9.52	-7
2013	8.39	14	11.92	-14	9.90	5	9.07	-2	10.60	3	9.22	14	9.28	-19	9.11	-4	11.85	9	9.95	-24	11.10	1	9.59	-2
2012	8.25	-35	12.07	8	9.85	-39	9.09	-40	10.57	-24	9.08	-39	9.47	3	9.35	-13	11.77	6	10.19	-49	11.09	-4	9.60	-21
2011	8.60	-23	12.00	-22	9.21	-40	9.49	-11	10.81	-24	9.48	-9	9.44	-10	9.26	-26	11.70	-14	10.69	-3	11.12	-17	9.81	-13
2010	8.69	4	12.22	5	9.62	15	9.60	12	11.05	7	9.55	22	9.54	16	9.54	25	11.94	12	10.72	21	11.30	0	10.00	13
2009	8.65	8	12.17	16	9.47	10	9.48	10	10.98	-7	9.33	1	9.38	29	9.29	20	11.72	15	10.50	37	11.30	8	9.87	14
2008	8.77	-4	12.01	29	9.37	-16	9.38	-14	11.05	58	9.32	-5	9.09	-16	9.09	-11	11.57	-28	10.13	20	11.22	-7	9.74	-1
2007	8.81	-45	11.72	-21	9.53	-65	9.52	-25	10.49	-28	9.37	-28	9.25	-47	9.20	-12	11.85	61	9.93	-38	11.29	-24	9.75	-26
2006	9.26	12	11.93	47	10.18	15	9.77	35	10.77	27	9.63	41	9.72	26	9.32	30	11.24	18	10.31	27	11.53	9	10.03	26
2005	9.14	14	11.46	80	10.03	-16	9.42	-30	10.60	-21	9.22	19	9.46	6	9.02	16	11.06	5	10.04	13	11.44	-30	9.77	2
2004	9.00	-19	10.66	28	10.19	-37	9.72	19	10.71	-99	9.03	-48	9.40	-4	8.86	-19	11.01	-15	9.91	-13	11.74	-30	9.75	-19
2003	9.19	-2	10.38	-32	10.56	64	9.53	33	11.69	56	9.51	-11	9.44	1	9.05	-13	11.16	8	10.04	-53	12.04	105	9.94	12
2002	9.21	-40	10.70	18	9.32	-39	9.20	-61	11.13	26	9.62	-60	9.43	-35	9.23	-62	11.08	-3	10.57	-12	10.99	-177	9.82	-41
2001	9.61	64	10.52	133	10.31	90	9.81	16	10.97	98	10.22	-69	9.78	-35	9.85	-53	11.11	47	10.69	13	12.76	32	10.23	21
2000	8.97		9.19		9.41		9.65		9.89		10.90		10.13		10.38		10.64		10.56		12.44		10.01	

* Weighted by methodology: Band-of-Investment, DCR Technique, Sales Survey

^ Further weighted by property category

The following chart provides some additional data regarding capitalization rates for apartments in some major metropolitan centers.

These rates are lower than the overall national rate for apartments identified on the previous page. I attribute this to the fact that the cities below are major metropolitan areas with a high density of population which keeps occupancy high and inspires investor confidence. In this regard, the Destin seasonal rental market is similar in its high density and national appeal.

Cap Rates For Stabilized, Class A Multifamily Apartments By City – 2017 (2nd Half)	
San Diego	4.25%
Chicago	4.75%
Atlanta	5.00%
Philadelphia	5.25%
St. Louis	5.75%
Cleveland	6.25%
Pittsburgh	6.50%
Detroit	7.25%

Single family homes are seldom valued via income capitalization. Most homes are owner occupied and the issue of rent and valuation through rent is generally not applicable. However, I identified the following excerpt rom the internet which indicates a range of capitalization rates from 4% to 10% for single family homes. The reader will note in the excerpt immediately above that high demand areas feature lower capitalization rates and lower demand areas feature higher capitalization rates. I would again observe that Destin is a high demand area in the seasonal rental market. Thus, I would consider it probable that capitalization rates for singe family homes in Destin were toward the low side of the 4% to 10% range.

Cap Rate for Single Family Home

Professionals purchasing commercial properties, for example, may buy at a 4% cap rate in high demand areas, or a 10% (or even higher) cap rate in low-demand areas. Generally, 4% to 10% per year is a reasonable range to earn for your investment property. Continuing with our example from above, $17,000/ 5% = $340,000.

The following are two excerpts from the internet indicating that Panama City Beach, Florida boasts a very low capitalization rate of 4.9% and that the Destin, Florida market features a 4.7% capitalization rate for Airbnb rentals.

9. PANAMA CITY BEACH, FL

- *Short-Term Rental Cap Rate: 4.9%*

White sandy beaches, clear water, fishing piers, protected nature reserves, hiking trails... what more do you need to be convinced that Panama City Beach is one of the best places around the US to invest in a vacation rental.

Property prices are affordable with a median level of $334,700, while short-term rental income stands around $3,260. The average cap rate for vacation rentals is 4.9%.

2. Destin

- *Median Property Price:* $695,000
- *Airbnb Rental Income:* $2,720
- *Traditional Rental Income:* $1,610
- *Airbnb CoC Return:* 2.3%
- *Traditional CoC Return:* 0.5%
- *Airbnb Cap Rate:* 4.7%
- *Traditional Cap Rate:* 2.8%
- *Airbnb Occupancy Rate:* 58.4%

The second among the best places to buy a vacation home in Florida is Destin, with rental income from Airbnb just a few dollars below St. Augustine. However, this location is significantly more expensive. But it has a very important advantage for all those loving nature and sports – it is very famous for the fishing opportunities that it offers.

Conclusion:

I have provided an array of capitalization rates from national data ranging from a low of 4.7% to a high of 8.42%.

I am selecting a rounded rate of 6.25%, recognizing that there are established capitalization rates both higher than, and lower than, the reconciled 6.25%.

I am confident that a capitalization rate of 6.25% is well supported by national data.

I also note that the most similar rate is the 4.7% Airbnb rate in Destin, which suggests that a 6.25% rate may be conservative.

MARKET CAP RATE DATA BASED ON LOCAL SALES OF HOMES USED FOR SEASONAL RENTAL

In addition to the national data provided above, I am also providing some data from actual sales in the local market.

I have some professional acquaintances who specialize in the management of large homes used for seasonal rentals. I have asked them to provide me some actual data from recent sales to help derive a local data base of capitalization rates.

On 7/13/2018, Frangista Beach E16 LLC (Nick Athens - a professional acquaintance well known to me) sold 3491 Scenic Highway 98 to Rich Rentals for $3,000,000. This house is 6,008 HVAC SF and features nine (9) bedrooms and 9.5 baths. It is very similar to the subject and is a very good comparable indicator of capitalization rates. Mr. Athens stated that the net operating income was $172,340. Dividing $172,340 by $3,000,000 indicates a capitalization rate of 5.74%.

On 9/4/2015, Nick and Tina Athens sold 1850 - 1852 Scenic Gulf Drive in Miramar Beach to Forty-Four Holdings for $2,205,000. This was two side by side homes in Frangista Beach which were an aggregate 3,460 HVAC SF and which features Five (5) bedrooms and 7 baths. Mr. Athens stated that the net operating rent was $133,200. Dividing $133,200 by $2,025,000 indicates a capitalization rate of 6.58%. I do not consider it a coincidence that the home with the fewest bedrooms featured the highest capitalization rate.

On 2/10/2016, Destiny Real Estate Ventures LLC sold 3463 Scenic Highway 98 to Charles Barone for $3,615,000. This house is 6,465 HVAC SF and features eight (8) bedrooms and 6.5 baths. It is very similar to the subject and is a very good comparable indicator of capitalization rates. Mr. Giles stated that the net operating income was $222,125. Dividing $222,125 by $3,615,000 indicates a capitalization rate of 6.15%.

On 1/11/2019, Kevin Hense sold 2984 Scenic Highway 98 to Russell and Susan Hancock for $3,000,000. This house is 3,997 HVAC SF and features six (6) bedrooms and 5.5 baths. It is very similar to the subject and is a very good comparable indicator of capitalization rates. Mr. Hense stated that the net operating income was $176,000. Dividing $176,000 by $3,000,000 indicates a capitalization rate of 5.87%.

On May 18, 2018, Sapp Investments LLC sold 4659 Destiny Way to the Lindholm Family Revocable Living Trust for $2,500,000. Mr. Lindholm stated to me that income for 2018 was an aggregate of $293,500. He also stated that expenses were an approximate $115,025, resulting in approximate $178,475 of net operating income (NOI). Dividing $178,475 by $2,500,000 indicates a capitalization rate of 7.14%.

RECAPITULATION OF LOCAL MARKET CAPITALIZATION RATES

The following table summarizes the capitalization rates identified in the narrative above.

Property Address	Capitalization Rate
3491 Scenic Highway 98, Destin	5.74%
1850 Scenic Gulf Drive, Mirimar Beach	6.58%
3463 Scenic Highway 98, Destin	6.15%
2984 Scenic Highway 98, Destin	5.87%
4659 Destiny Way, Destin	7.14%
Average	6.29%
Rounded	6.25%

I consider a rounded capitalization rate of 6.25%, derived from local data, to be a market supported rate which is both credible and reliable, as well as being consistent with national data which brackets the final capitalization rate selection.

For this reason, I am selecting a 6.25% capitalization rate.

ESTIMATE OF VALUE PRIOR TO THE FIRST APPLICATION OF DESTIN ORDINANCE 18-29-CC

Based on the current zoning and the Destin Land Development Code previously discussed, there is currently no limit to the number of guests allowed in the subject improvement. The subject can accommodate up to twenty two (22) guests based on the data provided by the owner and my identification of sleeping capacity previously identified.

CURRENT CONTRACT RENT

I note that seasonal rentals are typically described with annual rental amounts as opposed to more consistent monthly rental rates.

Such rental amounts are generally described using gross income data, and/or projections of gross income data.

Appraisers need to then examine expenses to arrive at a net operating rent to capitalize. Expenses to gross revenue are ad valorem taxes, flood and hazard insurance, HOA dues, maintenance and repairs, utilities, lawn maintenance, pest control, professional fees and reserves. I note that interest/mortgage payments and depreciation are not expenses when capitalizing property for value.

In the case of the subject, it has been managed by a management company. The owner provided me with gross income and expenses from 2018 which indicated gross income of $114,690 and expense of $67,883 which is an approximate 59% expense ratio.

3467 Scenic HWY 98 (Sand Castle By the Sea) : $114,690/ $67,883

I note that the owner was not satisfied with the performance of the previous management company and has made a move to Destin Luxury Rentals. The new company provided me a projection for 2019 of their expected gross income as follows:

FLORIDA LUXURY

FLVR Rental Pro Forma
3467 Scenic 98, Destin, FL 32541
7 Bed | 6.5 Bath | Sleeps 22

Spring Break - $7,500\wk | 4 weeks = $30,000
Spring - $5,000\wk | 4 weeks = $20,000
Summer - $10,900\wk | 12 weeks = $130,800
Late Summer - $7,000\wk | 2 weeks = $14,000
Fall - $5,000\wk | 4 weeks = $20,000
Winter - $4,000\wk | 4 weeks = $16,000
Total Gross Rental - $230,800
Rental Management Fee | Total Net to Owner =

Info@FloridaLuxuryVacationRentals.com
850-791-8131

It can be seen that there is quite a difference between $114,690 and $230,800.

I would suspect that a more credible and reasonable (USPAP Standard) would fall between the 2018 actual and the 2019 projection.

To refine the gap between $114,690 and $230,800, I will use market data to estimate a credible and reasonable rent projection.

MARKET SUPPORT FOR GROSS INCOME ESTIMATE

Some of these comparables were provided to me by Ben Giles, an owner of several large homes. Other owners who provided data were Tari Furey, Nick Athens and Kevin Hense.

Address	Gross Income	Guest capacity	Income per guest
42 Miami Street	$463,852	34	$13,643
3487 Scenic Highway 98	$305,393	32	$9,545
3463 Scenic Highway 98	380,000	32	$11,875
3461 Scenic Highway 98	$364,723	36	$10,131
107 Hollywood Street	$289,647	38	$7,622
112 Sandprint Circle	$325,000	30	$10,833
4664 Destiny Way	$275,000	20	$13,750
2984 Scenic Gulf Drive	$263,000	22	$11,954

The average of these eight market comparable rentals is $11,169. The three most similar homes are the last three based on the smaller number of guests as compared to the first five rentals. Two of these sales are gulf front homes and the other rental is a front row home in Destiny with unobstructed gulf views. These gulf front sales are superior to the subject and the home at 4664 Destiny Way is in better condition.

The house at 4664 Destiny Way is owned by Nick Athens, a close personal friend. This home is not gulf front, but is sited on the north side of Scenic Highway 98 with unobstructed gulf views. This home is impeccable. I would consider its superior condition and amenities to offset its lack of gulf frontage.

The subject is an attractive home, however, as I stated above, the area over the garage has limited efficiency and/or utility. ratio.

Based on this data, and assuming better management, I consider a value per guest of $10,000 to be a credible and reasonable market based opinion of annual rent.

The subject can accommodate 22 guests. Multiplying 22 by $10,000 per guest results in an annual gross income of $220,000, close to the projected income of the new management company.

MARKET SUPPORT FOR GROSS TO NET RATIO

I have attempted to derive gross and net income figures for comparable properties in the market. However, my research indicates that many owners and property managers are unwilling to divulge private financial information, especially the net income.

Thus, I will provide some market examples of properties where clients or close associates did divulge data.

The first example is a detached home located at 112 Sandprint Circle in the Dunes of Destin. The owners, Edward and Tari Furey, provided me with detailed data regarding income and expenses. They indicted annual revenue of $325,000 and annual expense of $100,000. This suggests an expense ratio of $100,000 / $325,000, or 31%, rounded.

I again spoke to Nick Athens who still owns a detached house at 4664 Destiny Way which grossed $275,000 in 2018. The expenses for this property were an approximate $89,000. This suggests an expense ratio of $89,000 / $275,000, or 32% rounded.

As a third indicator, I spoke to Kevin Hense, who sold a detached house at 2984 Scenic Highway 98 for $3,000,000 on 1/11/2019. Mr. Hense indicated that the 2018 gross rent was $263,000 and that the expenses were $87,000. This suggests an expense ratio of $87,000 / $263,000, or 33%, rounded.

I am also providing the following data from the client regarding his six homes in Destin, to include the subject.

4722 Ocean (Camelot) : Revenues $200,947 vs Expense $89,056
4729 Ocean (Vita La Bella): $108,191 vs $ 53,521
4742 Ocean (Tuscany) : $271,198/ $88,722
4782 Ocean (Casa Oceana) : $145,466/ $53,472
3425 Scenic HWY 98 (Commander's Palace) : $165,123/ $63,997
3467 Scenic HWY 98 (Sand Castle By the Sea) : $114,690/ $67,883

These six operating expense ratios in order are 44% / 49% / 33% / 37% / 39% and 59% with the subject 59% being the highest expense ratio among the six client homes.

I consider the historical operating expense ratios for the six homes owned by the client to be higher than typical in the market. This is because of the low income amounts, which perhaps can be attributed to previous inefficient management. Lower income will lead to high operating expense ratios as the fixed costs of taxes and insurance are constant regardless of the number of guests/gross income.

The subject is located in a row of homes in Grand Palms, all of which are seasonal rentals. Thus, there is a lot of immediate competition. This fact, combined with the probability that it will require at least a season to 'right the ship', I will use an operating expense ratio of 45%, above the market comparables above.

The next step is applying the previously calculated expense ratio to the gross rent to arrive at a net operating income (NOI). Applying a 45% expense ratio to $220,000 results in a net rent of $121,000.

Capitalizing $121,000 with a 6.25% capitalization rate results in a value of $1,936,000, rounded to $1,935,000.

It is my professional opinion that the subject value, prior to the first application of Destin Ordinance 18-29-CC is $1,935,000, based on income analysis.

$1,935,000

ESTIMATE OF VALUE AFTER THE FIRST APPLICATION OF DESTIN ORDINANCE 18-29-CC.

Destin Ordinance 18-29-CC reduces the subject sleeping capacity to 16 guests as the limit is two guests per bedroom, plus four (4) additional guests. There are seven (7) bedrooms. Thus, 2 x 7 = 14 + 4 = 18.

I note for the reader that the ordinance states clearly that a bedroom must meet the requirements of the Okaloosa County Property Appraiser who states that a bedroom has a door, a window and a closet. The Okaloosa County Property Appraiser states that the subject is a seven bedroom house.

It is my opinion that the limit of 18 guests will have a negative impact on value.

To estimate the difference, I need to research the market for homes which are limited to smaller guest totals

Market research results in the following comparable rentals.

MARKET SUPPORT FOR GROSS INCOME ESTIMATE

Some of these comparables were provided to me by Jordan Shane, Florida Luxury vacation Rentals, Cheryl St.Pe', Destin Comforts and Ben Giles.

Address	Gross Income	Guest capacity	Income per guest
3893 Sandprint Circle	$118,796	20	$5,939
113 Los Angeles Street	$137,308	19	$7,227
1737 Scenic Highway 98	$144,814	20	$7,241
100 Sandprint Circle	$105,000	20	$5,250
84 Woodward Street	$80,560	12	$6,713
212 Kono Way	$74,815	12	$6,235
75 Shirah Street	$79,885	14	$5,706

The average of these seven market comparable rentals is $6,330. None of these homes are gulf front homes. The subject is a also not gulf front, but features unimpeded gulf views. I consider the subject to command a higher rate per guest than the above averages.

As the difference between twenty two (22) and eighteen (18) guests is minimal, I consider that the owners can continue to market to a similar audience.

I would still consider a per guest rate of $10,000 per year to be credible.

Based on the impact of Ordinance 18-29-CC, the subject will be limited to 18 guests.

Multiplying $10,000 per guest by 18 guests results in gross annual rent of $180,000.

The next step is applying the previously calculated expense ratio to the gross rent to arrive at a net operating rent (NOI).

Applying a 45% expense ratio to $180,000 results in a net rent of $99,000.

Capitalizing $99,000 with a 6.25% capitalization rate results in a value of $1,584,000, rounded to $1,585,000.

It is my professional opinion that the subject value, after to the first application of Destin Ordinance 18-29-CC is $1,585,000, based on income analysis.

$1,585,000

ESTIMATE OF THE DIMINUTION OF VALUE

My research and analysis indicates that the value of the subject based on the right to sleep 22 guests is a rounded $1,935,000.

My research and analysis indicates the value of the subject based on the limit to sleep only 18 guests is a rounded $1,585,000.

It is my opinion the first application of Destin Ordinance results in an approximate $350,000 diminution of value.

DIMINUTION OF VALUE

$350,000

ADDENDA

Appraiser License

APPRAISER LICENSE

THIS INSTRUMENT PREPARED BY
AND AFTER RECORDING RETURN TO:

Kimberly Romano Kopp, Esq.
Romano Kopp Law, P.A.
P.O. Box 445
Destin, Florida 32541

For Recording Purposes Only

SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is entered into this _____day of _____ 2019, ("Effective Date") by and between, the S. BRIAN KIM TRUST AND the HYEWON KIM TRUST ("**Owners**") and the City of Destin ("**City**"), collectively referred to as the "Parties."

RECITALS

WHEREAS, on January 22, 2019, the City enacted Ordinance 18-29-CC, the Short-Term Rental Occupancy Ordinance ("Ordinance"), which limits the occupancy of short-term rental homes to two (2) people per bedroom plus an additional four (4) persons; and

WHEREAS, Owners own the real property and improvements located at 3467 Scenic Highway 98, Destin, FL, 32541, as more particularly described in the attached Exhibit "A" (the "Property"); and

WHEREAS, on October 23, 2019, Owner filed a claim with the City, pursuant to the provisions of §70.001, Florida Statutes, the Bert J. Harris, Jr., Private Property Rights Protection Act (the "Harris Act"), alleging that the Property had been inordinately burdened by the adoption of the Ordinance, (the "Claim"); and

WHEREAS, the Harris Act provides for the City to have the ability to enter into a settlement agreement which would have the effect of a modification or variance to the application of a regulation or ordinance as it would otherwise apply to the subject real property, provided the relief granted protects the public interest served by the regulations at issue and is the appropriate relief necessary to prevent the governmental regulatory effort from inordinately burdening the real property; and

WHEREAS, the City has determined that the modifications to the effect of the Ordinance effected by this Agreement protect the public interest served by the Ordinance and are the appropriate relief necessary to prevent the regulatory effect of the Ordinance from inordinately burdening the Property; and

WHEREAS, the Parties now desire to settle and finally resolve all disputes between and among them concerning the Claim.

NOW, THEREFORE, the Parties hereby agree as follows:

1. **Recitals.** The above recitals are true and correct and are incorporated herein by reference.

2. **Occupancy Allowable Under Ordinance.**

(a) Owner is hereby granted a variance from the provisions of the Ordinance so that the Owner shall have the right to apply under the Ordinance for a maximum occupancy of twenty-two (22) overnight guests at the seven (7) bedroom vacation rental property noted above and the City shall grant such occupancy. The right shall continue in perpetuity, regardless of any future changes in ownership, provided that this right shall expire permanently if the Property were to be voluntarily remodeled or voluntarily rebuilt in such a manner as to change the number of bedrooms that existed at the date of the Claim. The Property remains subject to all other requirements of the City's regulations, including but not limited to regulations for short-term rentals, parking, trash, and noise.

(b) No greater than five (5) vehicles may be parked on the Property. No vehicle may encroach upon the City's right-of way.

(c) Owner shall ensure that at least four (4) outdoor trash receptacles are provided by the applicable trash hauler and available for use by occupants at all times.

(d) Owner agrees that the City shall be permitted to access the property on an annual basis for the purpose of life-safety inspections to ensure code compliance with minimum egress and emergency egress requirements pursuant to the Florida Building Code (Residential) and to ensure the property has adequate and working smoke detectors. Owner shall submit to the City a separate application and fee for such inspection, on a form provided by the City, at the time Owner submits its annual short-term rental registration application to the City

3. **Development in Accordance with Code.** Notwithstanding any provisions contained herein, the Owner shall at any time have the right and option to remodel, develop, or use the Property in accordance with the applicable ordinances of the City of Destin in effect at the time of application therefor, and this variance shall not be construed as making the Property in any way non-conforming.

4. **Entire Agreement.** The Parties acknowledge that this Agreement constitutes the entire agreement between them regarding the settlement of their dispute and any prior statements, whether oral or written, are merged herein. This Agreement may not be modified or amended without a written instrument signed by the party against whom enforcement is sought.

5. **Duration of Agreement.** This Agreement shall be perpetual and deemed to run with the land, and shall be binding upon and the benefits shall inure to the parties hereto and their respective heirs, devisees, personal representatives, successors and assigns.

6. **Authority.** The signatories to this Agreement are expressly authorized to resolve their dispute as set forth herein and by their signatures here represent and affirm their authority to execute this Agreement.

7. **Governing Law.** The law of the State of Florida shall apply to this Agreement. Any dispute regarding this Agreement shall be litigated exclusively in the courts of Okaloosa County, Florida. The parties expressly consent to such agreed jurisdiction and venue, and waive any objections thereto.

8. **Notices.** Any notice required or permitted to be given hereunder shall be in writing and shall be (i) delivered by hand, (ii) delivered by reputable national or local courier (such as United Parcel Service or Federal Express), (iii) mailed by United States registered or certified mail, return receipt requested and postage prepaid, or (iv) sent by facsimile transmission provided a confirmation of such facsimile transmission is sent the same day by one of the methods of delivery in (i), (ii), or (iii) above. Any notice shall be addressed to each party at its address as set forth below. Any such notice shall be considered given on the date of such hand delivery, deposit with such courier for same day or next business day delivery, upon receipt of return receipt of certified mail, or receipt of facsimile transmissions, as the case may be, and the time period (if any is provided herein) in which to respond to such notice shall commence on the date of receipt. Rejection or other refusal to accept or inability to deliver because of changed address of which no notice was given shall be deemed to be receipt of the notice. By giving to the other party at least ten (10) days' notice thereof, any party shall have the right from time to time to change the addresses thereof and to specify up to two (2) additional addresses within the United States of America to which copies of notices to it shall be sent. Notice may be given on behalf of any party by such party's counsel. In the event the subject property owner changes, notices shall be addressed to the current owner as indicated in the records of the Okaloosa County Property Appraiser. Otherwise, notices shall be sent as follows:

Each notice shall be addressed as follows:

To City: City of Destin, Florida
Attn:
4200 Indian Bayou Trail
Destin, Florida 32541

With a copy to:
City Land Use Attorney
Romano Kopp Law, PA
PO Box 445
Destin, Florida 32541
Attn: Kimberly Romano Kopp, Esq.

To Owners: S. Brian Trust & Hyewon Kim Trust
3467 Scenic Highway 98
Destin, FL 32541

With a copy to: Najmy Thompson, PL
1401 8th Avenue West
Bradenton, Florida 34205
Attention: Aaron M. Thomas, Esq.

Attorney's Fees. In the event of any action, whether pre-suit, mediation, litigation or appellate proceeding to enforce the terms and conditions of this Agreement, each party to the action shall pay its own attorney's fees and costs incurred therein.

(d) Venue over any action to enforce the terms and conditions of this Agreement, including mediation, shall lie solely in Okaloosa County, Florida.

OWNERS: S. BRIAN KIM TRUST AND HYEWON KIM TRUST

_____ _____
Signature of Witness #1 S. BRIAN KIM TRUST
BY:

_____ _____
Print or type name Date

_____
Signature of Witness # 2

_____
Print or type name

_____ _____
Signature of Witness #1 HYEWON KIM TRUST
BY:

_____ _____
Print or type name Date

_____
Signature of Witness # 2

_____
Print or type name

STATE OF_____
COUNTY OF_____

The foregoing instrument was acknowledged before me this _____ day of _____ 2019, by _____ _____ and _____, who are personal known to me or who have produced

_____ as identification and who did not (did) take an oath.

_____
Signature of Notary

(NOTARY SEAL)

_____
Print or type name

STATE OF_____
COUNTY OF_____

The foregoing instrument was acknowledged before me this _____ day of _____ 2019, by _____ _____ and _____, who are personal known to me or who have produced _____ as identification and who did not (did) take an oath.

_____
Signature of Notary

(NOTARY SEAL)

_____
Print or type name

CITY OF DESTIN

By:_____
Gary Jarvis, Mayor

Date:_____

ATTEST:

_____
Rey Bailey, City Clerk

Date:_____

STATE OF_____
COUNTY OF_____

The foregoing instrument was acknowledged before me this _____ day of _____ 2019, by _____ _____ and _____, who are personal known to me or who have produced _____ as identification and who did not (did) take an oath.

_____
Signature of Notary

(NOTARY SEAL)

_____
Print or Type Name

Approved as to form and legality for use and reliance
by the City of Destin, Florida, only.

_____
Kimberly Romano Kopp, Esq.
City Land Use Attorney

Exhibit "A"

Legal Description of Property

ITEM # 2019-1913

CITY OF DESTIN

AGENDA ITEM

COUNCIL MEETING DATE: December 9, 2019
TYPE OF AGENDA ITEM: Action Item

TO: City Council

THRU: Lance Johnson, City Manager

FROM: Kimberly Kopp, Land Use Attorney
Louis Zunguze, Community Development Director

DATE: December 5, 2019

SUBJECT: 32) 3425 Scenic Highway

I. BACKGROUND:

On January 22, 2019, the City enacted Ordinance 18-29-CC, the Short-Term Rental Occupancy Ordinance ("Ordinance"), which limits the occupancy of short-term rental homes to two (2) people per bedroom plus an additional four (4) persons.

The subject property owner owns 3425 Scenic Highway 98, Destin, FL 32541, as more particularly described in Exhibit "A" (the"Property") to the proposed settlement agreement.

Owner filed a claim with the City, pursuant to the provisions of §70.001, Florida Statutes, the Bert J. Harris Jr., Private Property Rights Protection Act (the "Harris Act"), alleging that the Property had been inordinately burdened by the adoption of the Ordinance, (the "Claim).

The Harris Act provides for the City to have the ability to enter into a settlement agreement which would have the effect of a modification or variance to the application of a regulation or ordinance as it would otherwise apply to the subject real property, provided the relief granted protects the public interest served by the regulations at issue and is the appropriate relief necessary to prevent the governmental regulatory effort from inordinately burdening the real property.

The City Council should settle the claim if the City Council determines that the modifications within the settlement agreement protect the public interest served by the Ordinance and are the appropriate relief necessary to prevent the regulatory effect of the Ordinance from inordinately burdening the Property.

II. DISCUSSION: The property owner has requested a maximum occupancy of thirty-two (32) occupants. City staff is recommending an occupancy of thirty (30) occupants based on the square footage of the property. The building official utilized a one-occupant per 200 square feet methodology for recommending the above-stated occupancy.

Additionally, staff is recommending at least five (5) trash cans on the property. This recommendation is based on industry standard (Waste Management) that, on average, one trash can is required for every six occupants in order to ensure adequate garbage disposal. Therefore, if the maximum number of occupants exceeds any multiple of six (6, 12, 18, 24, 30, 36, etc.), then an extra trash can will be needed to accommodate the additional occupants. For example, if thirteen (13) is the maximum occupation, then three (3) trash cans are required. This is because, on average, two (2) trash cans will only accommodate twelve (12) occupants. The third trash can will be needed to accommodate the thirteenth occupant.

Further, the property owner must agree to annual life safety inspections, as provided in the proposed settlement agreement.

Finally, staff is recommending that no greater than five (5) vehicles be parked on this property

As stated in the agreement, the property owner remains bound by all other provisions of City codes.

A. **Link to Strategic Goals / Objectives:**
B. **Effect on Budget (EOB):**
C. **Level of Service (LOS):**

III. CONCLUSION:

IV. RECOMMENDED MOTION: 1. I move to approve the settlement agreement prepared by the City Land Use Attorney and Staff.

or

2. I move to approve the settlement agreement prepared by the City Land Use Attorney and Staff with the following modifications:_____.

or

3. I move to direct the City Land Use Attorney to negotiate in good faith with the property owner and to bring back an alternate settlement proposal to the City

Council for consideration.

or

4. I move to deny settlement of the subject claim at this time.

Attachments:

1. Burt Harris Case - 3425 Scenic Highway 98
2. 3425 Scenic Settlement Agt 11_1_1_2019

NAJMY | THOMPSON P.L.
ATTORNEYS AT LAW

1401 8th Avenue West
Bradenton, FL 34205

PHONE: (941) 748 - 2216
FAX: (941) 748 - 2218

OTHER OFFICES:
Lakewood Ranch (941) 907 - 3999
Sarasota (941) 907 - 3999
New York (212) 220 - 6616

WWW.NAJMYTHOMPSON.COM

October 23, 2019
Via Hand Delivery

City of Destin
c/o Major Gary Jarvis
4200 Indian Bayou Trail
Destin, FL 32541

Re: 3425 Scenic Highway 98, Destin, FL 32541
Bert J. Harris Claim, §70.001, *Fla. Stat.*, July 1, 2012

Dear Mayor Jarvis,

This firm represents S. Brian and Hyewon Kim, owners of an improved property described as 3425 Scenic Highway 98, Destin, FL 32541. My clients constructed and have been operating the house as a short-term rental property within the City of Destin for over seven (7) years. The City of Destin has authorized the use of this property as a short-term vacation rental.

The "before" condition of the subject property is a ten-bedroom, three-story residence able to accommodate thirty-two (32) guests as part of the authorized and approved short-term rental use of this property and others within the City.

By the City of Destin's passage on January 22, 2019 of Ordinance 18-29-CC and application of Ordinance 18-29-CC to the subject property on October 12, 2019 (when the City of Destin denied my clients' request for a variance), this property is now restricted to an occupancy of twenty-four (24) guests.[1]

The Florida Legislature has passed Section 70.001, *Fla. Stat.*, known as the "Bert J. Harris Jr. Private Property Rights Protection Act as Amended."

Chapter 70.001, *Fla. Stat.*, "*inter alia*", created a separate and district cause of action which provides for relief or payment of compensation when a new law, rule, regulation or ordinance of

[1] The subject property was issued a grandfather certificate on July 2, 2019, permitting the property to rent to twenty-four (24) occupants until July 2, 2024.

NT

the state or a political entity in the state, as applied, unfairly affects real property. "When a specific action of a governmental entity has inordinately burdened an existing use of real property or a vested right to a specific use of real property, the property owners of that real property are entitled to relief, which may include compensation for the actual loss to the fair market value of the real property caused by the action of government, as provided in this section." *Fla Stat.* §70.001(2).

The owners of the subject property assert that their actual and existing use of said real property has been inordinately burdened by the City of Destin's adoption and application of Ordinance 18-29-CC by restricting its occupancy to only two (2) persons per bedroom plus four (4).

To that end, this letter should serve as a formal, written claim pursuant to §70.001, *Fla. Stat.*, the Bert J. Harris Jr. Private Property Rights Protection Act as Amended. Attached to this letter is a bona fide, valid appraisal that supports the claim and demonstrates the loss in value to the real property. This appraisal establishes the loss in value of the subject property, as a result of the application of the occupancy limitation of Ordinance 18-29-CC, to be $765,000.00.

Pursuant to §70.001(4)(c), *Fla. Stat.*, the City of Destin has 150 days to respond to this claim with a written settlement offer. You should consult your counsel as to any other obligations and settlement opportunities contained within this statute.

PLEASE BE GOVERNED ACCORDINGLY.

Sincerely,

NAJMY THOMPSON, P.L.

Aaron M. Thomas
athomas@najmythompson.com

Enclosure: Appraisal

cc:

Kyle Bauman
Anchors Smith Grimsley, PLC
909 Mar Walt Drive, Suite 1014
Fort Walton Beach, Fl 32547-6711
kbauman@asglegal.com

Kimberly Kopp
Romano Kopp Law, P.A.
P.O. Box 622562
Oviedo, Florida 32762-2562
kopp@romanokopplaw.com

AMT/kls

Appraisal Report

Detached Single Family Residential Home

6,039 ± HVAC SF Existing Structure

3425 Scenic Highway 98
Destin, FL 32541

DIMINUTION IN VALUE ANALYSIS
3425 SCENIC HIGHWAY 98
DESTIN, FL 32541

FOR
BRIAN AND KYEWON KIM
AND
DESIGNATED ATTORNEYS

RETROSPECTIVE TO OCTOBER 12, 2019

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APPRAISAL REPORT

SUBJECT PROPERTY

6,039 ± HVAC SF Existing Detached Residential Improvement

Ten Bedrooms with Ten Full Baths and Two Half Baths - Considered as Eleven Full Baths

3425 Scenic Highway 98
Destin, FL 32541

EFFECTIVE DATE OF APPRAISAL

Retrospective to October 12, 2019

REPORT DATE

October 17, 2019

VIEWING DATE

March 22, 2019 and October 15, 2019

CLIENT/INTENDED USER

Brian and Kyewon Kim
3425 Scenic Highway 98
Destin, FL 32541

File № 190237A

PREPARED BY:

Thomas A. Marr

State-certified General Real Estate Appraiser № RZ 2645 (FL)
tom@panappraisal.com

Panhandle Appraisal Group
220 Hospital Drive
Fort Walton Beach, Florida 32548
Telephone: (850) 243-0958
Facsimile: (850) 226-8462

PANHANDLE APPRAISAL GROUP

REAL ESTATE VALUATION AND RESEARCH
Specializing in Residential and Commercial Valuation Support
Fort Walton Beach, Florida

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Fort Walton Beach, Florida 32548

Telephone: (850) 243-0958
Facsimile: (850) 226-8462

October 17, 2019

Brian and Kyewon Kim
3425 Scenic Highway 98
Destin, FL 32541

Re: Diminution in value appraisal of an approximate 6,039 HVAC SF detached residential improvement, 'as is' identified as 3425 Scenic Highway 98 in Destin, FL 32541. **Panhandle Appraisal Group File № 190237A.**

Dear Mr. Kim:

I have completed the requisite personal viewing, research, and analysis necessary to determine if a diminution in value has occurred for the subject parcel.

The subject property is a three level, detached single family residential structure with an approximate 6,039 HVAC SF, ten bedrooms and eleven baths. The current sleeping capacity of the subject is thirty two (32) guests.

The purpose of the appraisal analysis was to develop an opinion of the market value of the subject property prior to the first application of the city of Destin Ordinance 18-29-CC to the subject on October 12,2019 when 32 guest occupancy was allowed, and then derive a value after the first application on October 12, 2019 which limited the subject to twenty four (24) guests, based on two guests per bedroom, plus four. I note that the designation as a bedroom is based on data in the Okaloosa County Property Appraiser web site.

The authorized user is the client at the address above. The understood intended use of the appraisal report will be for reference in determining if the first application of Ordinance No. 18-29-CC resulted in a diminution of value. No other use of this report by any other entity or person is authorized.

Subject to the above and the assumptions, limiting conditions, and certification set forth herein, it is my professional opinion the retrospective market value of the fee simple interest in the subject property, 'as is', as of October 12, 2019, prior to the first application of Ordinance No. 18-29-CC, was:

THREE MILLION SEVENTY THOUSAND DOLLARS
$3,070,000

Subject to the above and the assumptions, limiting conditions, and certification set forth herein, it is my professional opinion the current market value of the fee simple interest in the subject property, 'as is', after the first application of Ordinance No. 18-29-CC on October 12, 2019 is:

TWO MILLION THREE HUNDRED FIVE THOUSAND DOLLARS
$2,305,000

The diminution of value is a rounded $765,000.

Exposure Time
The exposure time linked to the final value opinion is a range to nine (9) to twelve (12) months based on market sales of similar properties and current market activity.

Analysis of recent trends and current market supply and demand strongly indicate the highest and best use of the subject property, is continued use as a seasonal rental home.

I hereby certify I possess no interest, present or contemplated, in the appraised property. The undersigned appraiser is competent or has taken the necessary steps to become competent for the property type being appraised. This appraisal has been prepared utilizing all of the requirements set forth as standards for real estate appraisals established for federally related transactions by the Comptroller of the Currency, the Federal Reserve Board, the Federal Deposit Insurance Corporation, and the State of Florida. The appraisal is in conformity with the standards for real estate appraisals as established by the Appraisal Foundation and its Appraisal Standards Board. The appraisal also conforms to *the 2018/2019 edition of the Uniform Standards of Professional Appraisal Practice (USPAP)* and your instructions. The fee for this appraisal was not based on value, nor was the assignment undertaken based on a predetermined value, a trend in value, or a minimum or maximum value.

Respectfully submitted,

Thomas A Marr

Thomas A. Marr
State-Certified General Real Estate Appraiser № RZ 2645 (Florida)

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APPRAISAL REPORT

This is an Appraisal Report which is intended to comply with the reporting requirements in accordance with the 2018/2019 edition of the Uniform Standards of Professional Appraisal Practice (USPAP) for an Appraisal Report. As such, it represents summary discussions of the data, reasoning, and analyses used in the appraisal process to develop the appraisers' opinion of value. Supporting documentation concerning the data, reasoning, and analyses may be retained in the appraiser's files. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated below. The appraisers are not responsible for unauthorized use of this report.

CLIENT:

Brian and Kyewon Kim
3425 Scenic Highway 98
Destin, FL 32541

APPRAISERS:

Thomas A. Marr
State-certified General Real Estate Appraiser № RZ 2645 (Florida)

Panhandle Appraisal Group
220 Hospital Drive
Fort Walton Beach, Florida 32548

SUBJECT PROPERTY:

Legal Description
Lot 6 and the east 50 feet of Lot 7, Block 3, Crystal Beach SD

Tax ID №: 00-2S-22-0580-0003-0060.

PURPOSE OF THE APPRAISAL:

The purpose of this appraisal was to develop an estimate of the diminution in value from prior to the first application of City of Destin Ordinance No. 18-29-CC and after the first application of the ordinance on October 12, 2019.

INTENDED USE OF REPORT:

The understood intended use of the appraisal report will be for client use for legal proceedings to restore maximum occupancy property rights.

INTENDED USER:

The intended user is the client stated above, the client's attorneys, and regulatory authorities. This report is not intended or authorized for any other user or audience.

PROPERTY RIGHTS APPRAISED:

Fee Simple, one hundred percent (100%) ownership interest in the subject property.

EFFECTIVE DATE OF VALUE:

Retrospective to October 12, 2019.

DATE OF REPORT:

October 17, 2019

DATE OF INSPECTION:

Thomas A. Marr viewed the subject property on March 22, 2019 and October 15, 2019.

SCOPE OF WORK:

I note you have not requested an appraisal report format. Based on the Scope of Work requirements included in the 2018/2019 version of USPAP, which indicates the appraiser is responsible to coordinate the scope of work with the client, I am informing you I will perform an appraisal report. **It is my opinion this process of work meets all applicable 2018/2019 USPAP standards.**

DEFINITIONS:

The definitions, commencing on the page following, are provided to assist the reader in understanding this appraisal report.

Market Value[1]

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

- Purchaser and seller are typically motivated;
- Both parties are well informed or well advised and each acting in what they consider their best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

The four (4) time differential values on the graph which may be considered in the appraisal of existing developments are defined as follows:

(1) **'As Is'** means an estimate of the market value of a property in the condition observed upon inspection and as it physically and legally exists without hypothetical conditions, assumptions, or qualifications as of the date of appraisal.

(2) **'Value Upon Completion'** means the market value of a property with all existing construction, conversion, or rehabilitation hypothetically completed, or under other specified hypothetical conditions as of the date of appraisal. With regard to properties wherein anticipated market conditions indicate stabilized occupancy is not likely as of the date of completion, this estimate of value shall reflect the market value of the property as if complete and prepared for occupancy by tenants.

(3) **'Prospective Future Value Upon Completion'** means the prospective future value of a property on the date construction is completed, based upon market conditions forecast to exist as of completion date.

(4) **'Prospective Future Value Upon Achievement of Stabilized Occupancy'** means the prospective future value of a property at a point in time when all improvements have been physically constructed and the property has been leased to its optimum level of long term occupancy.

Fee Simple Estate[2]

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.

Leased Fee Interest[3]

An ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the lessee are specified by contract terms contained within the lease.

Title XI, Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), [Pub. L. No. 101-73, 103 Stat. 183 (1989)], 12 U.S.C. 3310, 3331-3351, and section 5(b) of the Bank Holding Company Act, 12 U.S.C. 1844(b); Part 225, Subpart G: Appraisals; Paragraph 225.62 (f).
Uniform Standards of Professional Appraisal Practice, 2003 Edition, Page 3
Federal Reserve System, 12 CFR Parts 208 and 225, Sec. 225.62
Office of the Comptroller of the Currency, 12 CFR Part 34, Sec. 34.42 (g)
FDIC, 12 CFR Part 323, Sec. 323.2 (g) (2000)
Office of Thrift Supervision, 12 CFR Part 564, Sec. 564.2
NCUA, 12 CFR Part 722, Sec. 722.2

2 The Dictionary of Real Estate Appraisal, Appraisal Institute, Fourth Edition, 2002, Page 113.

3 Ibid., Page 161.

Leasehold Interest[4]
The interest held by the lessee (the tenant or renter) through a lease transferring the rights of use and occupancy for a stated term under certain conditions.

Condominium[5]
A multi-unit structure or property in which persons hold fee simple title to individual units and an undivided interest in common areas.

Highest and Best Use[6]
The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and which results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability.

...of land or a site as though vacant:

Among all reasonable, alternative uses, the use yielding the highest present land value, after payments are made for labor, capital, and coordination. The use of property based on the assumption the parcel of land is vacant or can be made vacant by demolishing any improvements.

...of property as improved:

The use which should be made of a property as it exists. An existing improvement should be renovated or retained as is so long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing building and constructing a new one.

Marketing Time[7]
The time it takes an interest in real property to sell on the market subsequent to the date of an appraisal.

Exposure Time[8]
A retrospective estimate based on an analysis of past events assuming a competitive and open market.

Advocacy[9]
Representing the cause or interest of another, even if cause or interest does not necessarily coincide with one's own beliefs, opinions, conclusions, or recommendations.

Appraisal[10]
(Noun) The act or process of developing an opinion of value; an opinion of value. (Adjective) of, or pertaining to appraising and related functions such as appraisal practice or appraisal services.

Appraisal Practice[11]
Valuation services performed by an individual acting as an appraiser, including, but not limited to appraisal, appraisal review, or appraisal consulting.

---

4 Ibid., Page 162.

5 Ibid., Page 59.

6 Ibid., Page 135.

8 Ibid., Page 175

9 Ibid., Page 105

9 2018/2019 edition, *Uniform Standards of Professional Appraisal Practice (USPAP)*, Page 1

10 Ibid, Page 1

11 Ibid, Page 1

Appraisal Review[12]
The act or process of developing and communicating an opinion about the quality of another appraiser's work was performed as part of an appraisal, appraisal review, or appraisal consulting assignment.

Appraiser[13]
One who is expected to perform valuation services competently, and in a manner, is independent, impartial, and objective.

Appraiser's Peers[14]
Other appraisers who possess expertise and competency in a similar type of assignment.

Assignment[15]
A valuation service provided as a consequence if an agreement between an appraiser and a client.

Assignment Results[16]
An appraiser's opinions and conclusions developed specific to an assignment.

Assumption[17]
An occurrence which is taken to be true.

Bias[18]
A preference or inclination which precludes an appraiser's impartiality, independence, or objectivity in an assignment.

Business Enterprise[19]
An entity pursuing an economic entity.

Business Equity[20]
The interests, benefits, and rights inherent in the ownership of a business enterprise or a part thereof in any form (including, but not necessarily limited to, capital stock, partnership interests, cooperatives, sole proprietorships, options, and warrants).

Client[21]
The party or parties who engage an appraiser (by employment or contract) in a specific assignment.

Confidential Information[22]
Information is either:

- identified by the Client as confidential when providing it to an appraiser and is not available from any other source; or,
- classified as confidential or private by applicable law or regulation.

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12 Ibid, Page 1

13 Ibid, Page 1

14 Ibid, Page 2

15 Ibid, Page 2

16 Ibid, Page 2

17 Ibid, Page 2

18 Ibid, Page 2

19 2018/2019 edition, USPAP, Page 2

20 Ibid, Page 2

21 Ibid, Page 2

22 Ibid, Page 2

Cost[23]
The amount required to create, produce, or obtain a property.

'Credible'[24]
Worthy of belief.

Extraordinary Assumption[25]
An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions.

Feasibility Analysis[26]
A study of the cost-benefit relationship of an economic endeavor.

Hypothetical Condition[27]
An assertion which is contrary to what exists but is supposed for the purpose of analysis.

Intangible Property[28]
(Intangible Assets) Nonphysical assets, including, but not limited to, franchises, trademarks, patents, copyrights, goodwill, equities, securities, and contracts as distinguished from physical assets such as facilities and equipment.

Intended Use[29]
The use or uses of an appraiser's reported appraisal, appraisal review, or appraisal consulting assignment opinions and conclusions, as identified by the appraiser based on communication with the Client at the time of the assignment.

Intended User[30]
The Client and any other party as identified, by name or type, as users of the appraisal, appraisal review, or appraisal consulting report by the appraiser on the basis of communication with the Client at the time of the assignment.

Jurisdictional Exception[31]
...an assignment condition which voids the force of a part or parts of *USPAP*, when compliance with part or parts of *USPAP* is contrary to law or public policy applicable to the assignment.

IDENTIFY THE PROBLEM TO BE SOLVED
The problem to be solved in this appraisal analysis was to develop an opinion of the market value of the subject property, both prior to the first application of the city of Destin Ordinance No. 18-29-CC to the subject on October 12,2019 when a 32 guest occupancy was allowed and after the first application of the Destin Ordinance No. 18-29-CC on October 12, 2019, which limited the subject to 24 guests, based on two guests per bedroom, plus four. Utilizing the before and after values, I derived a diminution of value to the subject property.

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23 Ibid, Page 2

24 Ibid, Page 3

25 Ibid, Page 3

26 Ibid, Page 3

27 Ibid, Page 3

28 Ibid, Page 3

29 Ibid, Page 3

30 Ibid, Page 3

31 2018 edition, *USPAP*, Page 3

EXTENT OF THE PROCESS OF COLLECTING, CONFIRMING, AND REPORTING DATA:

Preparation of this appraisal included the following scope of work:

- The subject site, improvements, and parking improvements were inspected by the appraiser, the property was photographed. File data for similar properties was reviewed.
- The public records were reviewed.
- The appraiser examined the economic, social, governmental, and environmental forces affecting value in the subject neighborhood and the entire market area as a whole.
- The appraiser identified recent and projected actual rents for the subject, based on occupancy of up to 32 guests. The appraiser then identified the annual rentals of other comparable properties which accommodated up to or beyond 32 guests. This data was used to verify or support the historical performance and the projected rents for the subject. These comparable rentals provided market support for the subject actual and projected gross rental income.
- The appraiser identified market rental comparables for properties limited to 24 guests.
- The appraiser then reduced gross rent to net operating rent and capitalized the net operating rent to identify value for the subject as a 32 guest rental and a 24 guest rental. The difference between these two values is the diminution in value.

IDENTIFICATION OF THE TYPE OF APPRAISAL AND APPRAISAL REPORT FORMAT:
I have provided an **Appraisal Report**, as defined by the *2018/2019 edition of the Uniform Standards of Professional Appraisal Practice*, containing a summary of all relevant conclusions, data, and analyses used in the report.

TERMS OF THE FINAL VALUE OPINION:
The final opinion of the current market values of the subject property, 'as is' is expressed in terms of cash or financing terms equivalent to cash.

POLICY STATEMENT OF THE APPRAISAL INSTITUTE:
It is improper to base a conclusion or opinion of value upon the premise the racial, ethnic, or religious homogeneity of the inhabitants of an area or of a property is necessary for maximum value.

Racial, religious, and ethnic factors are deemed unreliable predictors of value trends or price variance.

It is improper to base a conclusion or opinion of value, or a conclusion with respect to neighborhood trends, upon stereotyped, biased presumptions relating to the effective age or remaining life of the property being appraised or the life expectancy of the neighborhood in which it is located.

The undersigned appraiser is not a member of the Appraisal Institute.

GENERAL ASSUMPTIONS:

1. No responsibility is assumed for the legal description provided or for matters relevant to legal or title considerations. Title to the property is assumed to be marketable unless otherwise stated. The legal description used in this report is assumed to be correct.

2. The subject property is appraised free and clear of any or all liens, leases, or encumbrances unless otherwise stated. All mortgages, liens, encumbrances, leases, and servitudes have been disregarded unless so specified within the report.

3. No survey of the property has been made by the appraisers and no responsibility is assumed in connection with such matters. Sketches, plot plans, or illustrative material presented in this report are included only to assist the reader in visualizing the property.

4. Information and data furnished by others is usually assumed to be true, correct and reliable. When such information and data appears to be dubious and when it is critical to the appraisal, a reasonable effort has been made to verify all such information; however, no responsibility for its accuracy is assumed by the appraiser.

5. Responsible ownership and competent property management are assumed unless otherwise stated in this report.

6. It is assumed there are no hidden or unapparent conditions of the property, subsoil or structures which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.

7. It is assumed 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.

8. It is assumed the subject property is in compliance with all applicable zoning and land use regulations, unless a nonconformity has been stated, defined and considered in the appraisal report.

9. It is assumed all required licenses, consents or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use which the value estimate contained in this report is based.

10. It is assumed the utilization of the land and improvements is within the boundaries or property lines of the property described and there is no encroachment or trespass unless noted within the report.

EXTRAORDINARY ASSUMPTIONS:

I am using data provided to me by the client and other vacation home owners.

I am also using rental projections from the current property manager.

I am making the extraordinary assumption that the data provided is accurate, credible and reliable.

If, for any reason, the data provided is not accurate, credible and reliable, the values derived in the analysis is subject to review.

GENERAL LIMITING CONDITIONS:

1. This is an Appraisal Report which is intended to comply with the reporting requirements set forth in accordance with the *2018/2019 edition of the Uniform Standards of Professional Appraisal Practice* for an Appraisal Report. As such, it includes summarized discussions of the data, reasoning, and analyses used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses may be retained in the appraiser's files. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraiser is not responsible for unauthorized use of this report.

2. Appraisers are not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraisers suggesting the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert in the field of environmental assessment. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The appraiser's value estimate is predicated on the assumption there exists no such material on or in the property causing a loss in value unless otherwise stated in this report. No responsibility is assumed for any environmental conditions, or for any expertise or engineering knowledge required to discover them. The appraisers' descriptions and resulting comments are the result of the routine observations made during the appraisal process.

3. The subject property is appraised without a specific compliance survey having been conducted to determine if the property is or is not in conformance with the requirements of *The Americans with Disabilities Act*. The presence of architectural and communications barriers which are structural in nature which would otherwise restrict access by disabled individuals may adversely affect the property's value, marketability, or utility.

4. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event, only with proper written qualification and only in its entirety.

5. Neither all nor any part of the contents of this report shall be conveyed to any person or entity, other than the appraiser's or firm's client, through advertising, solicitation materials, public relations, news, sales, or other media without the written consent and approval of the authors, particularly as to valuation conclusions, the identity of the appraiser or firm with which the appraiser is connected, or any reference to affiliation with any professional appraisal organization. Further, the appraiser or firm assumes no obligation, liability, or accountability to any third party. If this report is placed in the hands of anyone but the client, client shall make party aware of all the assumptions and limiting conditions of the assignment.

6. The appraiser affixing his signatures to this appraisal report will not be required to give testimony or appear in court because of having made this appraisal, with reference to the property in question, unless arrangements have been previously made thereof.

7. No environmental impact studies were either requested or made in conjunction with this appraisal, and the appraiser hereby reserves the right to alter, amend, revise, or rescind any of the value opinions based upon any subsequent environmental impact studies, research, or investigation.

8. The appraiser has not been supplied with a report of the subsoil conditions indicating the exact capacity of the subsoil. I do not have the benefit of subsoil test results of the properties and detection of possible soil defects would be beyond my realm of expertise. However, there appear to be no hidden or apparent conditions of the subject sites or subsoil structures which would render them more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.

9. Acceptance of and/or use of this appraisal report constitutes acceptance of the foregoing General Assumptions, Special Assumptions, General Limiting Conditions, and Special Limiting Conditions.

EXTRAORDINARY LIMITING CONDITIONS AND HYPOTHETICAL CONDITIONS:

I note that the ordinance in question allows a five (5) year 'grandfather' period. I considered if this 'grandfather' status should receive some analysis in the discussion of diminution of value. After consideration, I concluded that a potential market participant, aware that the grandfather status will be eliminated, would be very wary to enter into a financial arrangement where he may have to liquidate in an unknown market within a time line that may not be available . Thus, I am not considering any impact of the 'grandfather' status.

CERTIFICATION:

I certify, to the best of my knowledge and belief:

1. The statements of fact contained in this report are true and correct.

2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions and conclusions.

3. I possess no present or prospective interest in the property which is the subject of this report and no personal interest with respect to the parties involved.

4. I possess no bias with respect to the property which is the subject of this report or to the parties involved with this assignment.

5. The engagement in this assignment was not contingent upon developing or reporting predetermined results.

6. The compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value favoring the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

7. The analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *2018/2019 edition of the Uniform Standards of Professional Appraisal Practice.*

8. Thomas A. Marr has made a personal viewing of the property which is the subject of this report. No one else has rendered significant real estate appraisal knowledge and input to the compilation of this report.

9. I have not performed any services, to include appraisal services, regarding the subject in the previous three years.

10. The opinion of market value 'as is' of the one hundred percent (100%) fee simple ownership interest in the subject property, 'as is' prior to the first application of Destin Ordinance 18-29-CC is THREE MILLION SEVENTY THOUSAND DOLLARS ($3,070,000) and the value after the first application of Destin Ordinance 18-29-CC is TWO MILLION THREE HUNDRED FIVE THOUSAND DOLLARS ($2,305,000). The diminution of value is estimated as SEVEN HUNDRED SIXTY FIVE THOUSAND DOLLARS ($765,000).

Thomas A Marr

Thomas A. Marr
State-certified General Real Estate Appraiser № RZ 2645 (Florida)

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DESCRIPTION OF THE SUBJECT PROPERTY

Ownership:

The current owner is Brian and Kyewon Kim.

FILE # 2704306 RCD: 05/16/2011 @ 04:16 PM, BK: 2984 PG: 4505 RECORDING: $10.50 RECORDING ARTICLE V: $8.00 DEED DOCSTAMPS $1715.00 DEPUTY CLERK SCOPE DON W. HOWARD, CLERK OF COURTS, OKALOOSA COUNTY FL

Rec - 18.50
MIS 00

Prepared By and Return To:
Law Offices of John F. Colowich
225 Main Street, Suite 7C
Destin, FL 32541

File No. 11.0847

Property Appraiser's Parcel I.D. (folio) Number(s)
002S22058000030060

WARRANTY DEED

THIS WARRANTY DEED dated May 10, 2011, by Lorene LeGrand, an unremarried widow, whose post office address is 2141 Highway 29, Oneonta, AL 35121, hereinafter called the grantor, to S. Brian Kim and Hyewon Kim, husband and wife, whose post office address is 2312 E. Nottingham Street, Springfield, MO 65804, hereinafter called the grantee:

(Wherever used herein the terms "grantor" and "grantee" include all the parties to this instrument and the heirs, legal representatives and assigns of individuals, and the successors and assigns of corporations)

WITNESSETH: That the grantor, for and in consideration of the sum of $10.00 and other valuable consideration, receipt whereof is hereby acknowledged, hereby grants, bargains, sells, aliens, remises, releases, conveys, and confirms unto the grantee, all the certain land situated in Okaloosa County, Florida, to wit:

Lot 6, Block 3, and the East 50 feet of Lot 7, Block 3, CRYSTAL BEACH, a subdivision of a portion of Township 2 South, Range 22 West according to the map or plat thereof by C.H. Overman, C.E., as recorded in Plat Book 1, Page 17, Public Records of Okaloosa County, Florida

Subject to easements, restrictions, reservations and limitations of record, if any.

TO HAVE AND TO HOLD the same in Fee Simple forever.

AND the grantor hereby covenants with said grantee that the grantor is lawfully seized of said land in fee simple; that the grantor has good right and lawful authority to sell and convey said land; that the grantor hereby fully warrants the title to said land and will defend the same against the lawful claims of all persons whomsoever; and that said land is free of all encumbrances, except taxes accruing subsequent to: December 31, 2010

SITE:

Location:
The subject is located on the north side of Scenic Highway 98 on the NW corner of Scenic Highway 98 and Dolphin Street in the well established Crystal Beach Subdivision.

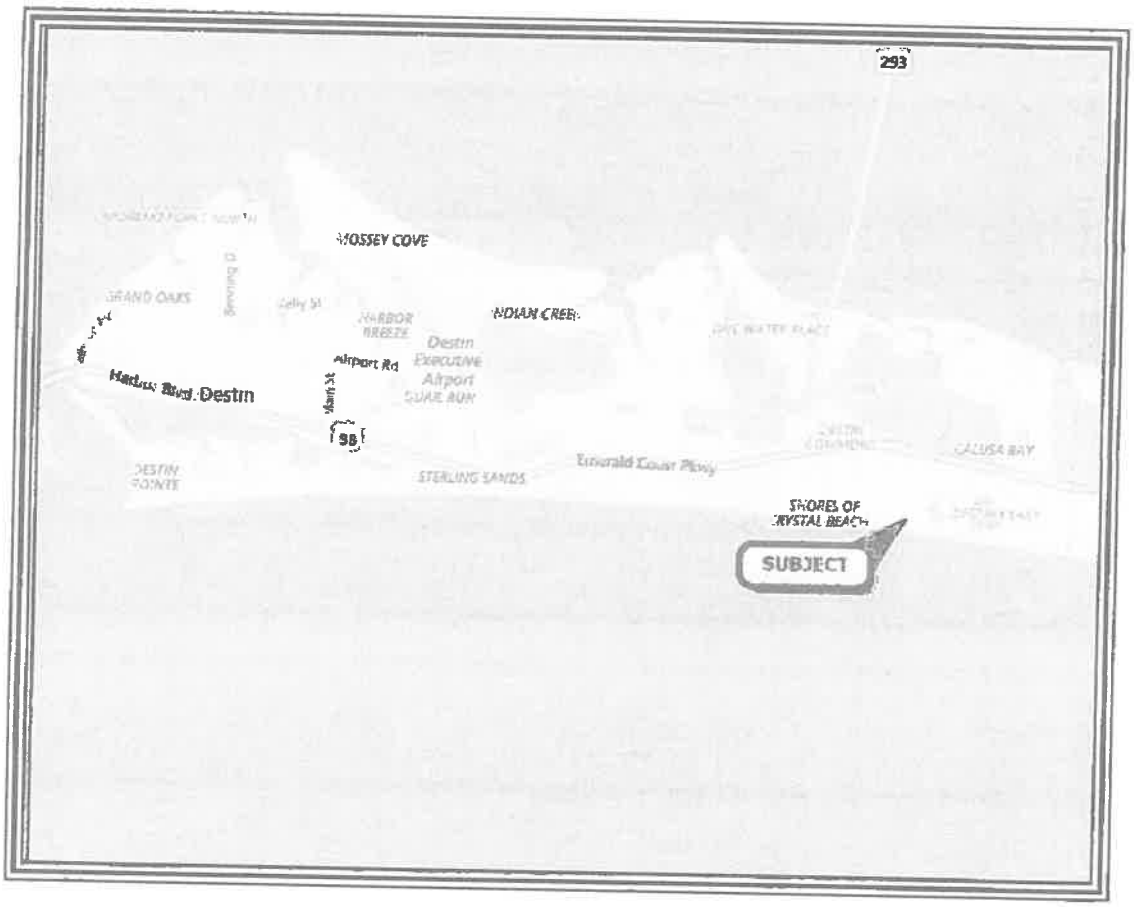
The Crystal Beach area is east of the large Henderson Beach complex and west of the Destiny/Destiny West/Destiny By The Sea communities.

Along the south side of Scenic Highway 98 are many condominium projects, individual homes and some commercial use, typically restaurants, which cater to the tourist industry.

Along Scenic Highway 98 to the north are other residential uses, primarily detached homes with a interspersion of condominium and town home projects, which are a mix of owner occupant and seasonal rental use.

This entire area of Destin, in close proximity to the Gulf of Mexico, is a desired location and well considered by the market.

See the following map for the subject location in the broad Destin market.



The following map indicates the local market area surrounding the subject.

The following aerial photograph indicates the subject parcel.

Land Size:

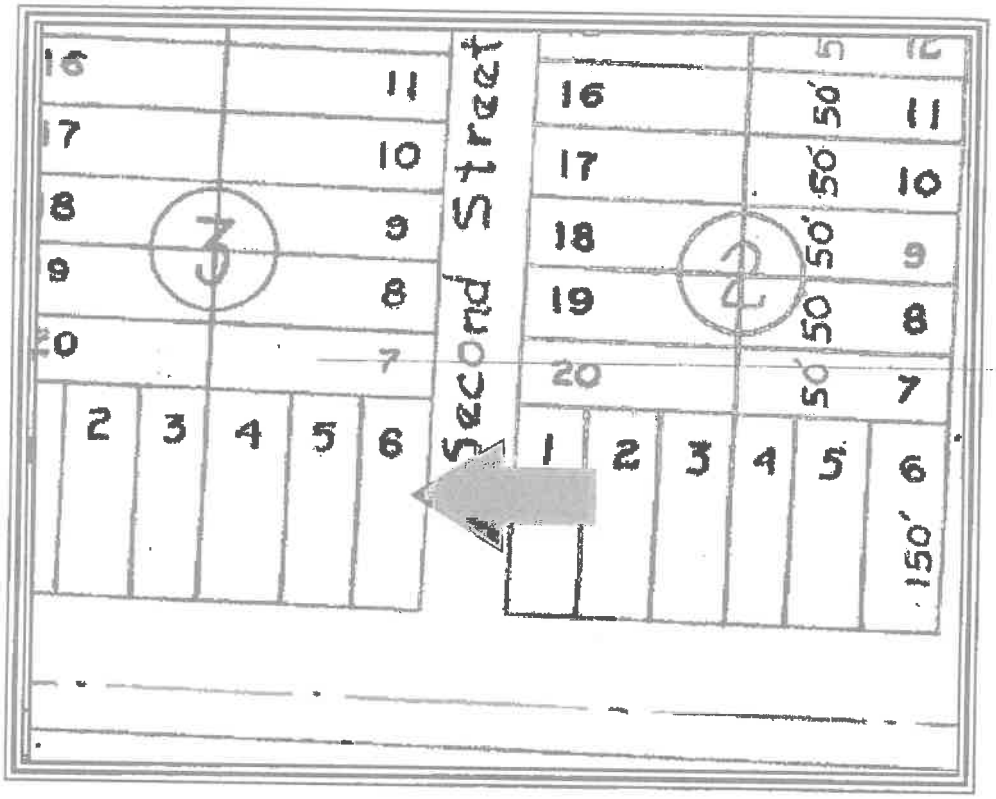
The subject is a part of two lots which is now one parcel.

The dimensions are as follows:

200.00 feet on the west side,
50.00 feet on the north side,
200.00 feet on the east side, fronting Dolphin Street, and
50.00 feet on the south side, fronting Scenic Highway 98.

These dimensions result in a land size of an approximate 0.23 acres, or 10,000 SF. This land size is larger than typical than most lots in Crystal Beach, where most lots are 50 feet by 150 feet.

See the following excerpt from the recorded plat map. I note that the Second Street, identified in the plat map, is now Dolphin Street.



Site Topography:

Per the Okaloosa County GIS site and my viewing, the subject is at the road grade of both Scenic Highway 98 and Dolphin Street.

The subject is generally level over the entire surface of the subject lot.

The subject lot contour is typical for of most parcel in Crystal Beach.

I am providing the following contour map extracted from the Okaloosa County Property Appraiser web site.

Utilities:

Utility	*Provider*	*Utility*	*Provider*
Electricity	Gulf Power	Stormwater Drainage	Destin
Water and Sewer	Okaloosa County	Fire Department	Destin
Natural Gas	Okaloosa Gas	Police Department	Contract with the Okaloosa County Sheriff
Telephone	Verizon	Refuse Removal	By contract
Cable Television	Cox Cable		

The utilities for the subject site are considered as typical in the market.

Easements/Encroachments:
I was not furnished a copy of a recent survey of the subject property. A review of the site plan, various maps and my personal viewing did not indicate any easements or encroachments.

I assume there are utility easements of record.

It is my opinion that there are no easements or encroachments which would affect value or transferability.

Ingress/Egress:
The subject property is reached directly from Scenic Highway 98, which fronts on the entire subject south side.

Scenic Highway 98 is a paved, two lane public roadway.

Scenic Highway 98 is the original U. S. Highway 98 which was the main east/west arterial in the Destin market. Now that the six lane U. S. Highway 98 has been developed to the north, Scenic Highway 98 is now a coastal road running parallel to and just north of the Gulf of Mexico.

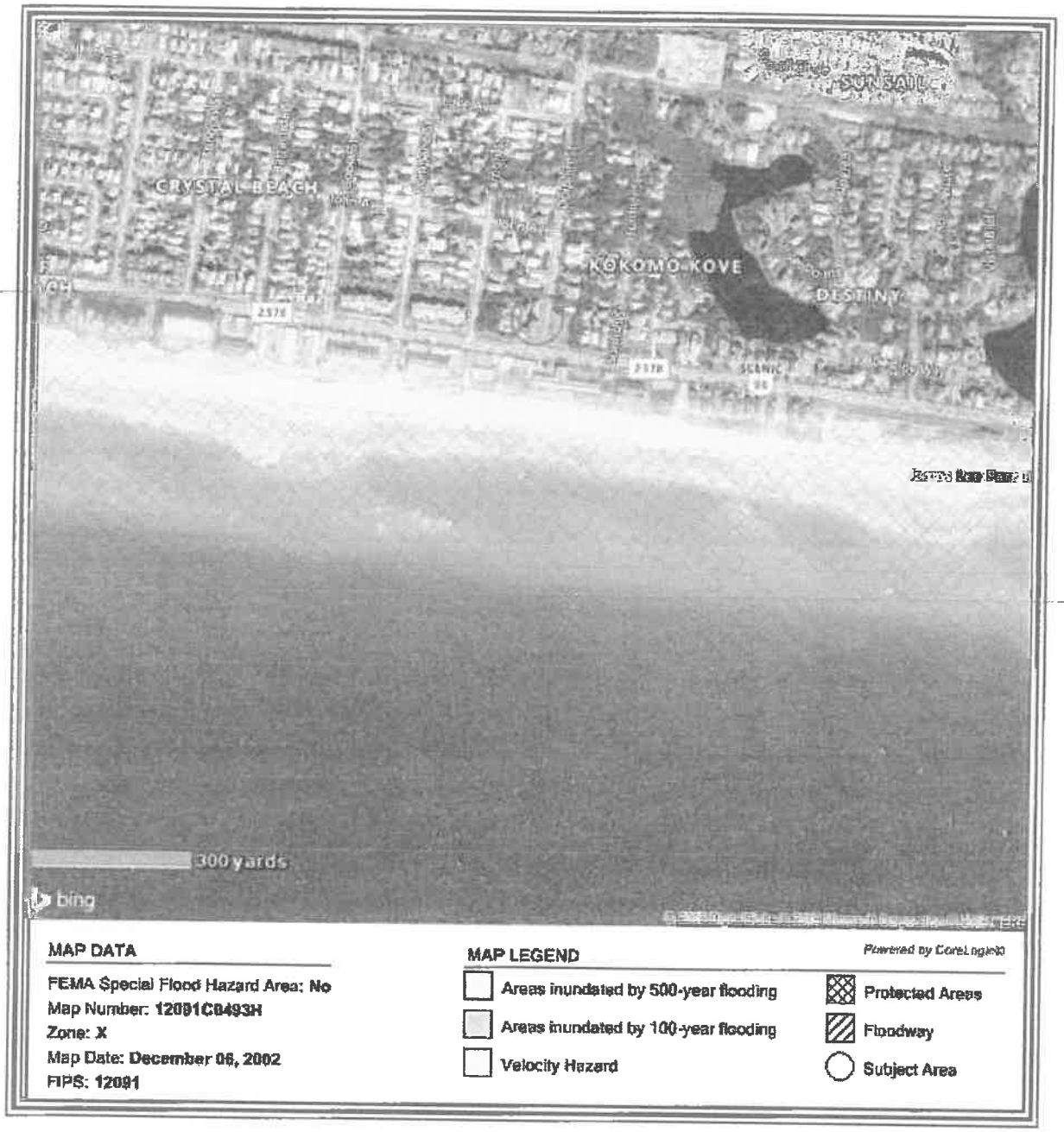
Ingress/egress is viewed as similar to most access typically found in the market.

Parking is viewed as superior to most parking found in the market as the subject features three garage spaces and four driveway spaces.

Flood Risk:

FEMA Map Panel	*Map Area*	*Dated*	*Flood Zone*
12091C 0493H	Okaloosa County	December 6, 2002	"X"

* The client is advised appraisers are not surveyors, and accordingly, any final determination as to flood zone status should only be made by a licensed, adequately insured, Florida surveyor utilizing the latest FEMA flood panels. However, it appears the entire subject area is considered as Flood Zone 'X', an area of substantial flood risk. The subject is located at the red circle in the following flood map.

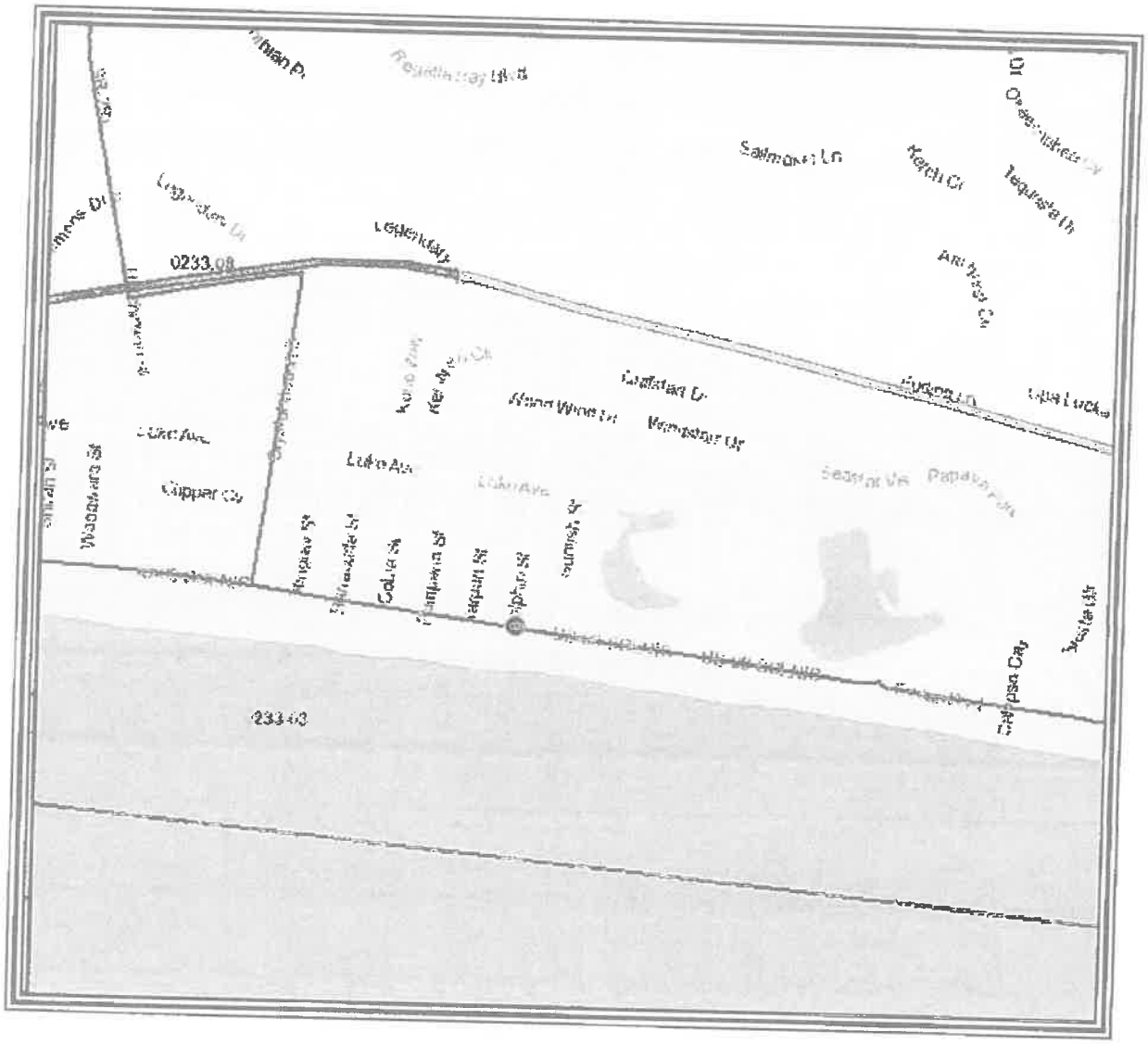


Wetlands:

The subject features no wetlands, per the Okaloosa County GIS system.

The wetland map is consistent with the flood panel on the previous page.

Census Data:
The subject is located in census tract 0233.08.



IMPROVEMENTS 'AS IS'

Size:
The subject is a single family detached improvement with three living levels.

The subject also features a detached three car garage with an additional living area above the garage. The subject features substantial exterior balconies and porches, as well as a large in ground swimming pool, pool deck/lanai, landscaping, and an elevator. These features result in a total size of 8,877 SF and an HVAC size of 6,039 SF, per the okaloosa County Property Appraiser.

The first living level is the kitchen, living room, dining room and laundry room and a half bath. There are also one bedrooms with a king bed, sleeping two (2) as well as a bunk room, sleeping six (6) which results in a total of sleeping eight (8) on the first level.

The second level sleeps twelve (12) and features two (2) bedrooms with king beds, each sleeping two (2). There is also a bunk room sleeping eight (8).

The third level features three bedrooms, each sleeping two (2), for a total of six (6).

There is a detached, three car garage with a guest suite above the garage. This guest suite features a bedroom sleeping two () and a second bedroom with bunks, sleeping six (6).

The bunk rooms qualify as bedrooms as they feature doors, windows and closets.

The first level sleeps eight (8); the second level sleeps twelve (12), the third level sleeps six (6) and the above garage suite sleeps six (6) for a total of thirty two (32).

Construction Quality:
The quality of construction for the subject improvement is *Class D* good. Details of construction are summarized below:

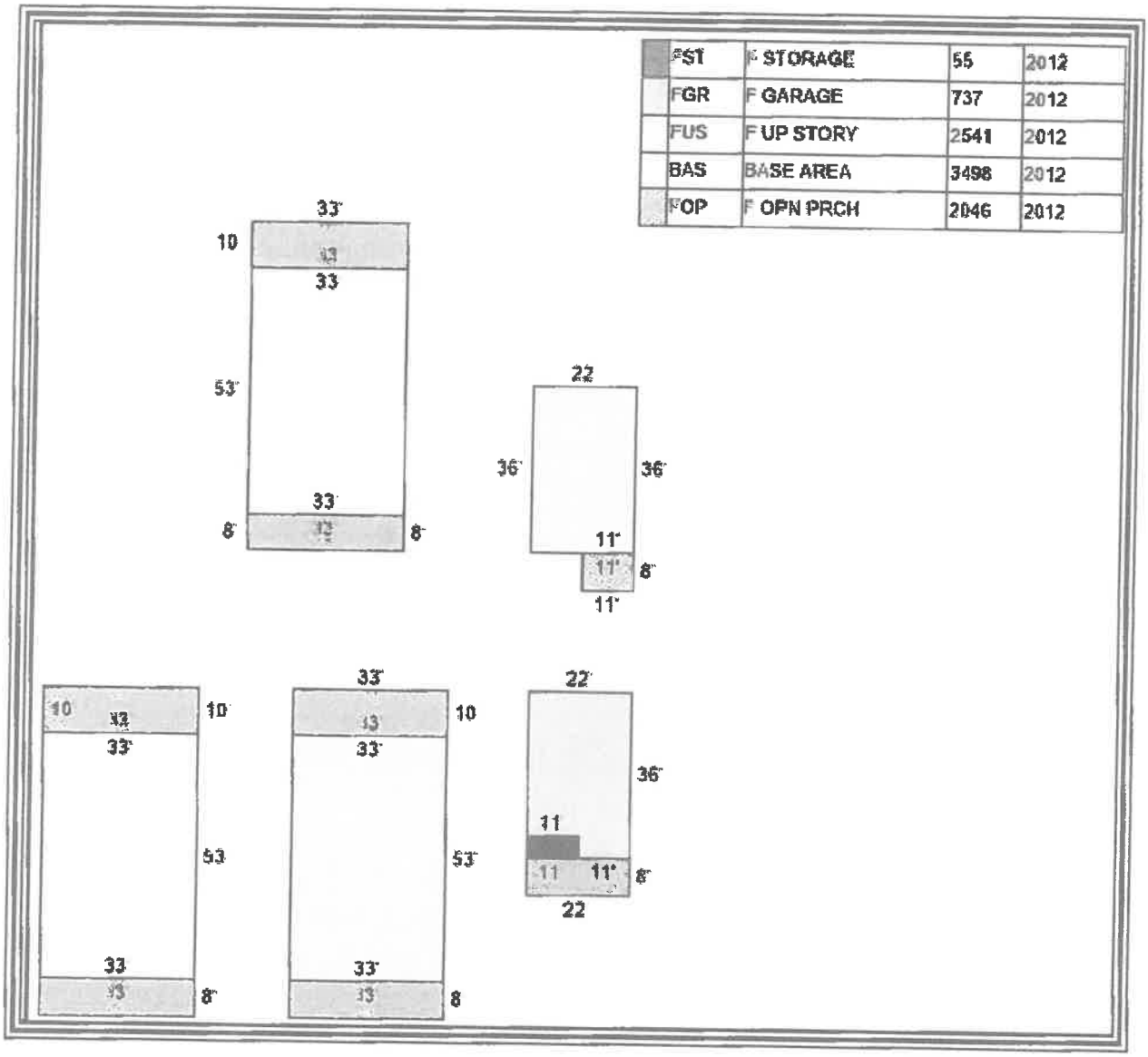
Construction Component	
Foundation	4" Reinforced concrete slab
Exterior walls	Wood frame with stucco
Roof	Concrete Tile
Trim	Base and crown molding
Windows	Double pane aluminum
Exterior doors	Insulated metal with glass
Insulation	Unknown. Assumed to be R38 behind sheet rock
HVAC	Forced Air and Central HVAC
Ceiling	9 and 10 foot with sheet rock and can lights
Interior Walls	Painted sheet rock
Interior flooring	High quality stone, tile and carpet
Interior doors	Six and four panel wood
Restrooms	Six and one half
Lighting	Can lights
Kitchens	One typical residential kitchen and one substantial second kitchen.
Other	Many porches/swimming pool and lanai. Elevator and guest quarters over the garage.

Condition of Improvements:
The subject improvement is in good condition.

Age:
Public records indicate this subject improvement was constructed in 2012.

I consider the actual age to be six (6) years and the effective age to be five (5) years. I estimate an economic life of fifty five (55) years and a physical life of seventy five (75) years.

See the following sizes indicated for the subject in the Okaloosa County Property Appraiser web site.



Exterior Photographs:

FRONT OF SUBJECT

REAR OF SUBJECT

FRONT OF GARAGE AND GUEST HOUSE

SIDE OF GARAGE AND GUEST HOUSE

SWIMMING POOL

SWIMMING POOL

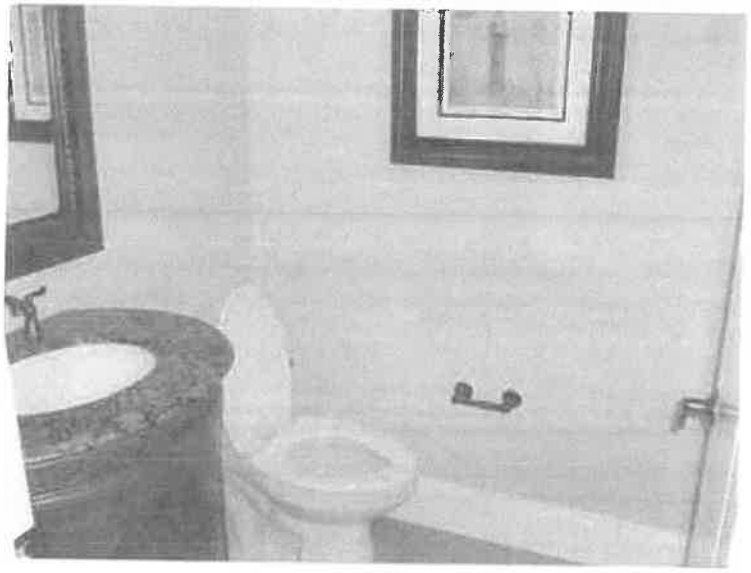
First Level Sleeping Eight (8).

KITCHEN

LIVING ROOM

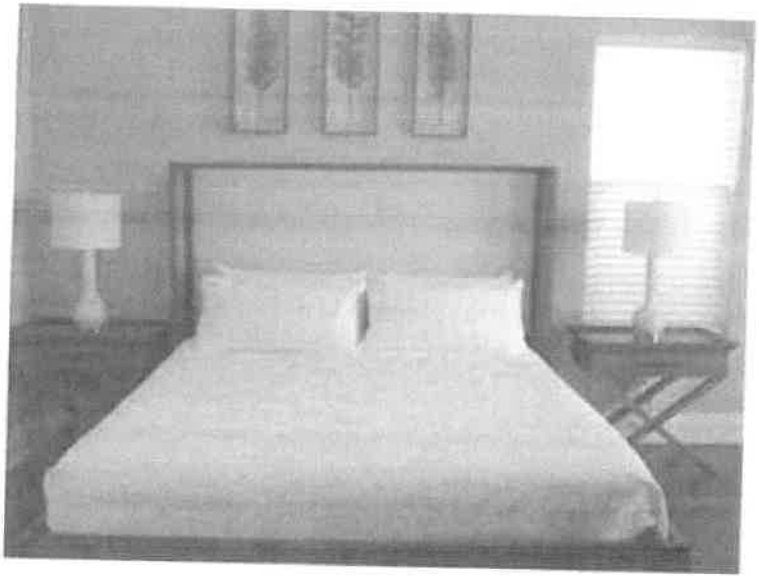
DINING ROOM

REAR PATIO



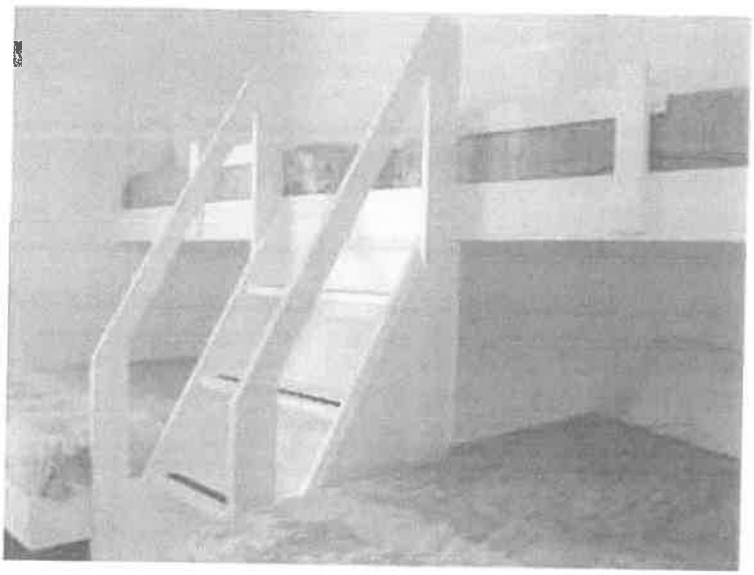
HALF BATH - BATH # 0.5

LAUNDRY



BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #1

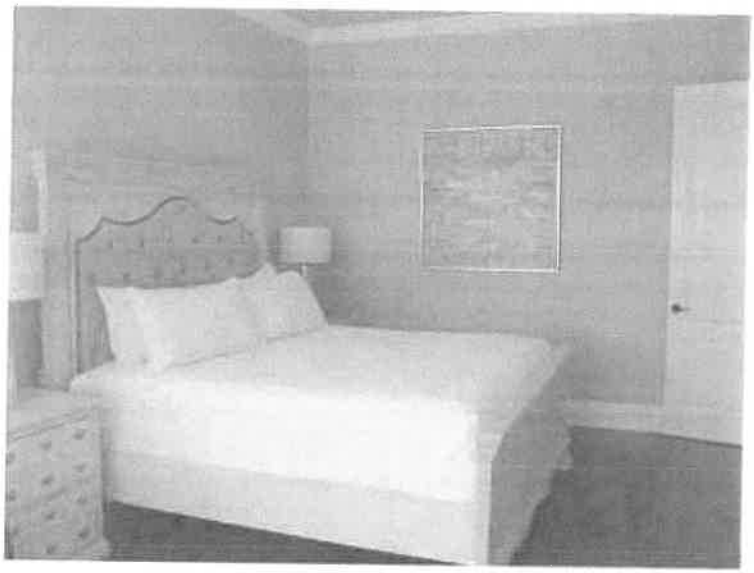
FULL BATH SUPPORTING BEDROOM #1 - BATH #1.5



BUNK ROOM - SLEEPING SIX - BEDROOM #2

FULL BATH SUPPORTING THE BUNK ROOM - BATH # 2.5

Second Level Sleeping Twelve (12)

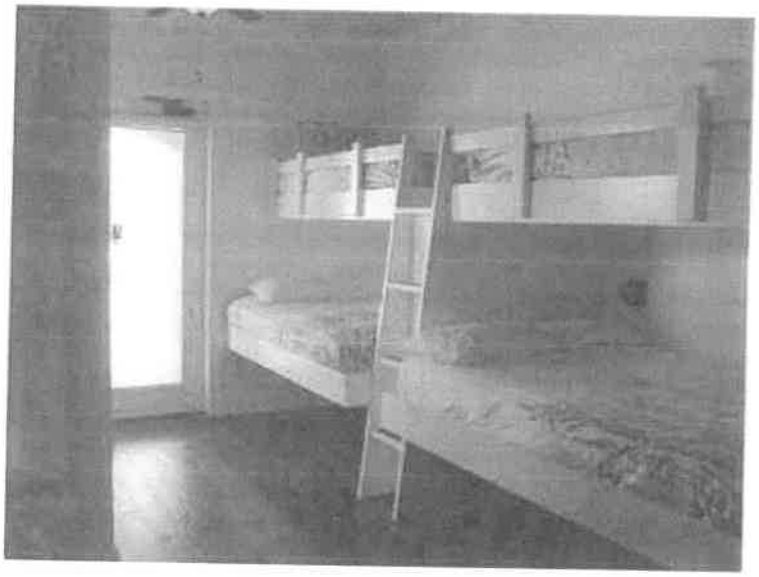


BEDROOM WITH KING SLEEPING TWO (2) - BR #3

FULL BATH SERVICING BEDROOM #3 - BATH #3.5

BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #4

FULL BATH SERVICING BEDROOM #4 - BATH #4.5



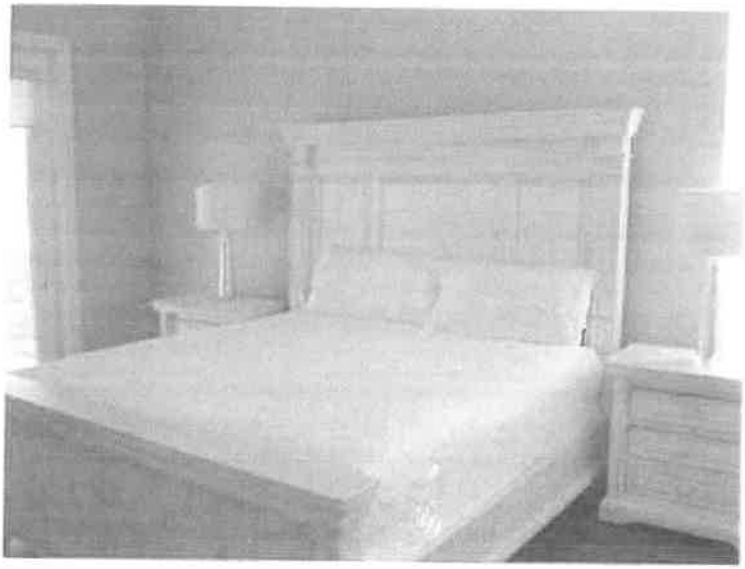
BUNK ROOM SLEEPING EIGHT (8) - BEDROOM #5.5

FULL HALL BATH SERVICING BUNK ROOM - BATH #5.5

Third Level Sleeping Six (6)

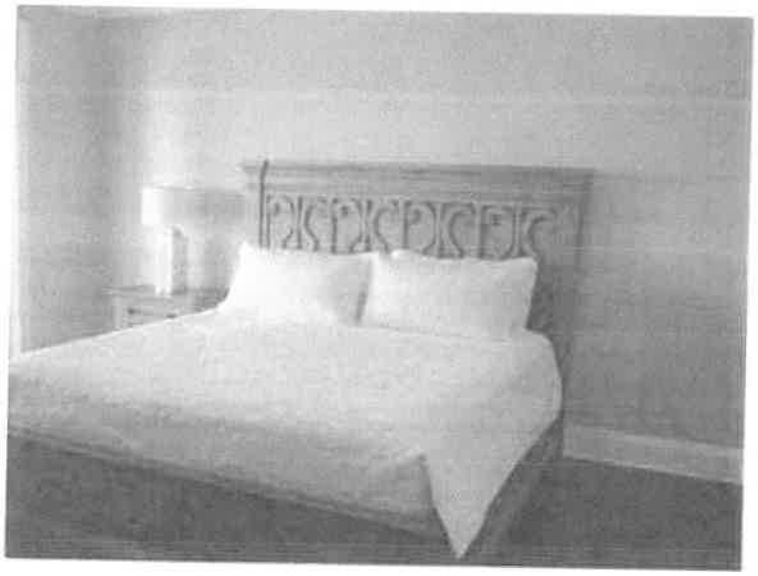
BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #6

FULL BATH SUPPORTING BEDROOM #6 - BATH #6.5



BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #7

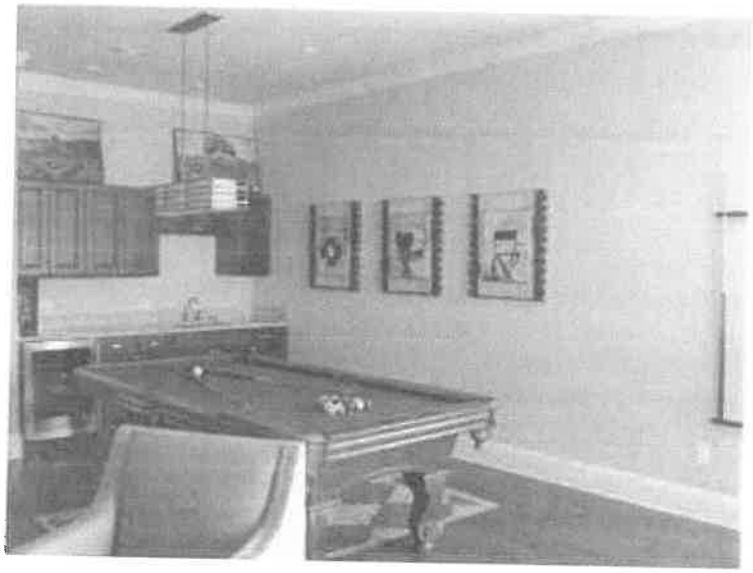
FULL BATH SUPPORTING BEDROOM #7 - BATH #7.5



BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #8

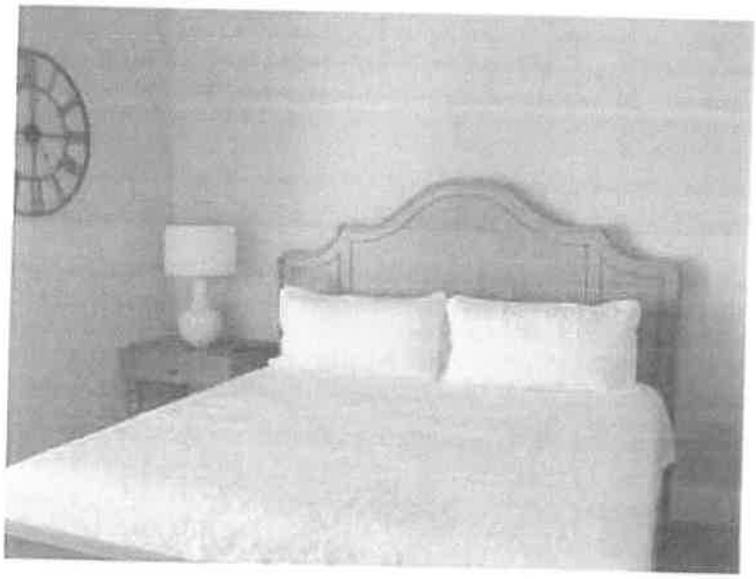
FULL BATH SUPPORTING BEDROOM #8 - BATH #8.5

HALF BATH SUPPORTING GAME ROOM - BATH #9

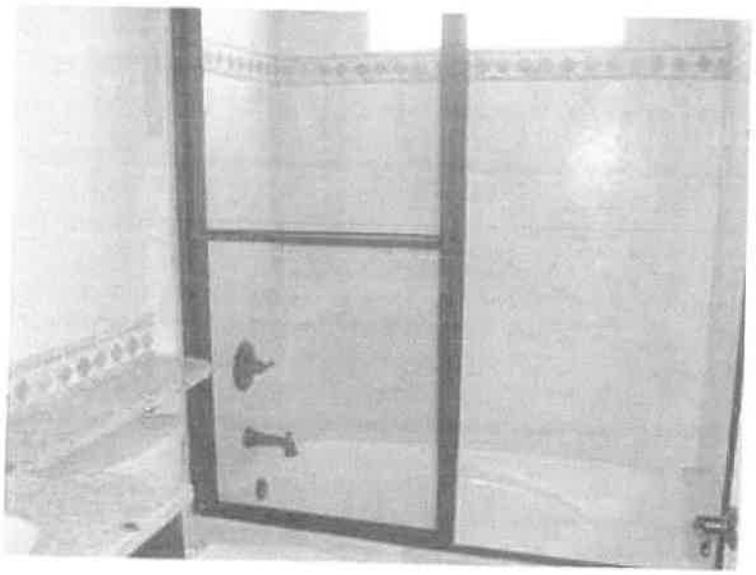


GAME ROOM

Guest room above garage sleeping six (6)



BEDROOM WITH KING IN GUEST SUITE SLEEPING TWO (2) - BEDROOM #9



FULL BATH SUPPORTING BEDROOM #9 - BATH #10

BUNK ROOM SLEEPING FOUR (4) - BEDROOM #10

FULL BATH SUPPORTING BEDROOM #10 - BATH #11

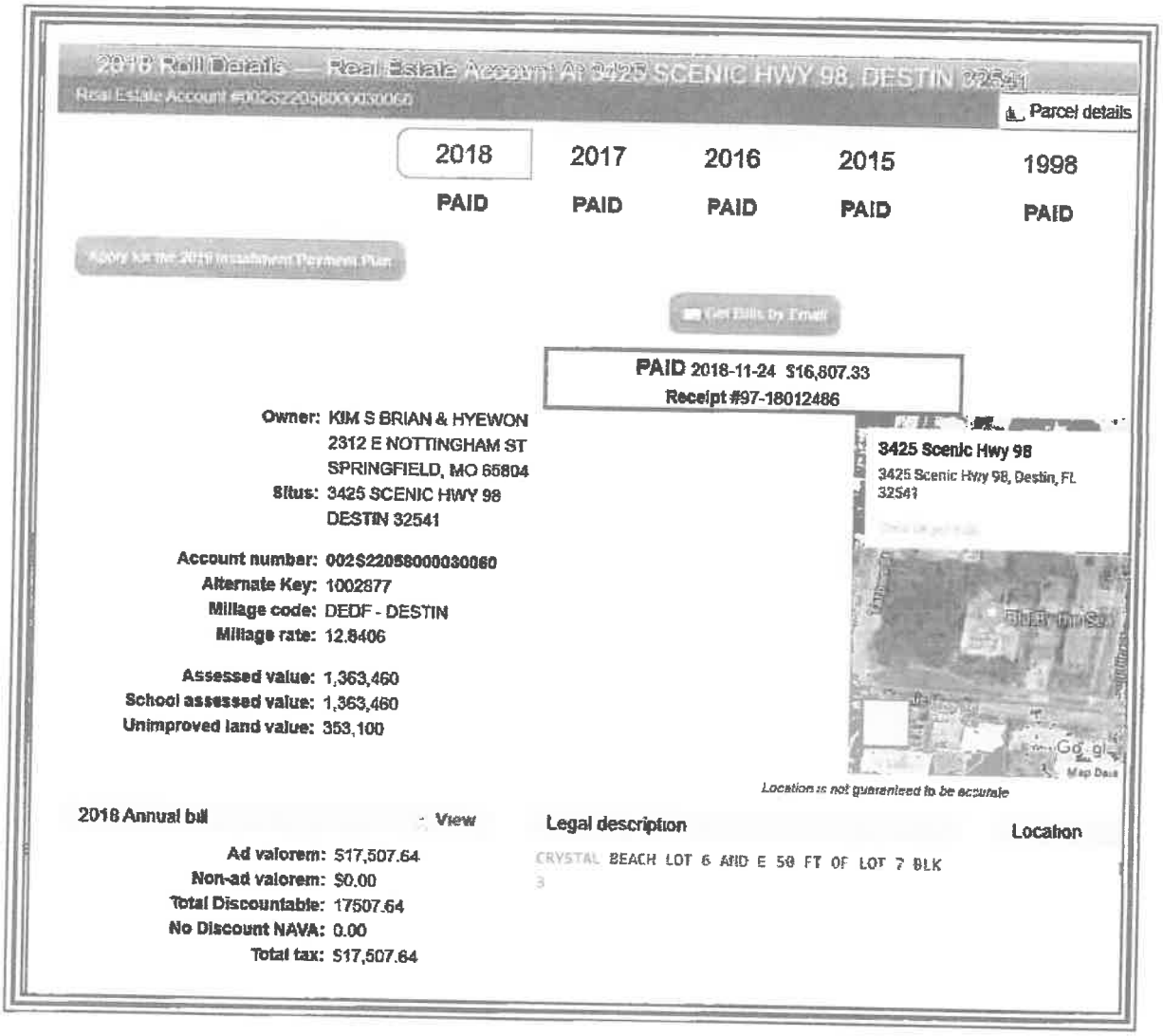
The tax identification number, gross tax amount due, amount paid, and assessed value for the 2018 tax year.

Tax Identification Number	Assessed Value	Gross Tax Amount Due	Amount paid	Amt. Due
00-2S-22-0580-0003-0060	$1,363,460	$17,507.64	$16,807.33	None

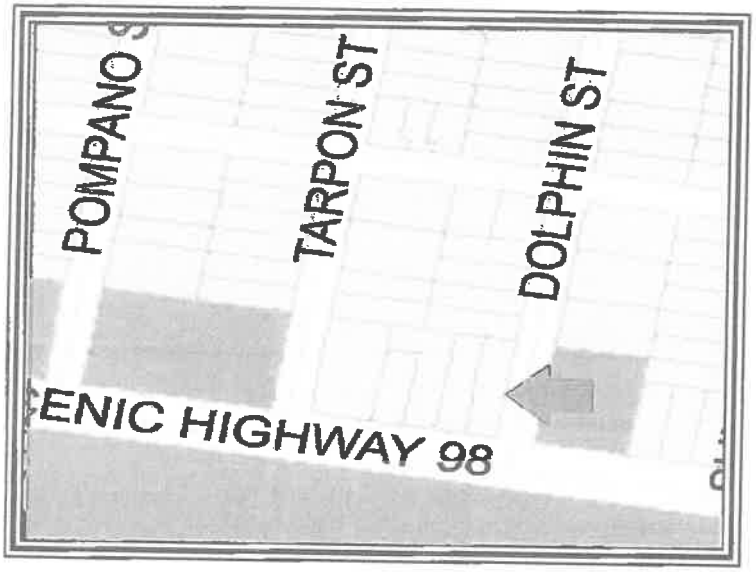
The 2018 taxes were paid early, resulting in a discount.

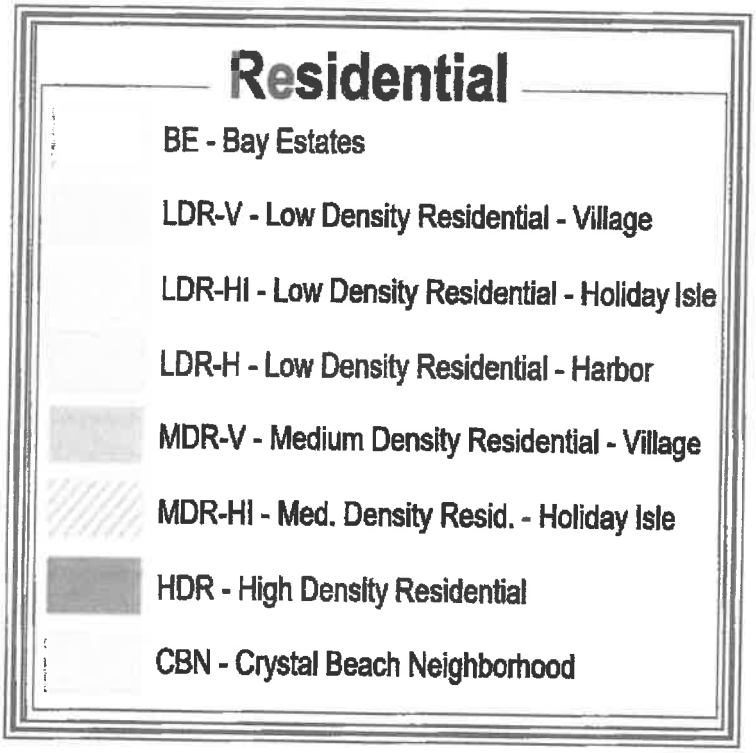
There are no previous year taxes owing.

It is my experience that assessed value has little correlation with current market value and are typically lower than market value with a few exceptions.



Zoning:
The following map indicates zoning for the subject parcel. The subject is zoned Crystal Beach Neighborhood by Destin. See following pages for detailed identification of allowable uses.





LAND DEVELOPMENT CODE COMMENTS

The following excerpts were taken from the Destin Land Development Code, currently on line.

This first excerpt states that Crystal Beach Neighborhood designates seasonal or short-term residential uses for single-family detached dwellings as a permitted use. I note that this description of the Crystal Beach Neighborhood zoning designation is silent regarding the number of allowable guests and does not limit guest numbers.

Community Development Department
Planning Division
4200 Indian Bayou Trail, Destin, FL 32541
Phone (850) 337-3123 • Fax (850) 837-7949
www.cityofdestin.com/index.aspx?nid=91

ZONING DISTRICT FACTSHEET

The purpose and intent of establishing zoning districts is to ensure that all development is consistent with the goals, objectives and policies of the Comprehensive Plan, by establishing a series of zoning districts that indicate what uses are allowed and site development regulations that control the use of land in each district. All development within each zoning district shall be consistent with the purposes stated for each district. (LDC 7.12.05)

CRYSTAL BEACH NEIGHBORHOOD (CBN)

Purpose and intent: The Crystal Beach Neighborhood zoning district shall apply to areas developed, redeveloped and/or maintained and conserved as permanent or seasonal single-family detached or multi-family attached residential dwelling units. Very limited supportive non-residential uses are allowed and are strictly limited to: places of worship, parks, playgrounds, community buildings and similar public service facilities serving the residents of the area, childcare centers and other ancillary neighborhood commercial uses which are approved as part of a planned unit development (PUD) for the exclusive use of the residents of the PUD. It is the intent of the CBN zoning district to specifically not allow the following uses to be located in the district: commercial hotels, motels, bed and breakfast establishments, or other commercial transient living accommodations.

Table 7-2: Table of Allowable Uses (excerpt from LDC 7.12.06)

PERMITTED USES:

Permanent or long-term residential uses

Single-family detached dwelling
Guest house [1]
Accessory dwelling
Single room occupancy housing
Museums, historical sites, zoos & parks [10]
Religious organizations

Seasonal or short-term residential uses

Single-family detached dwelling

Other residential uses

Community residential home, small (1-6)
Family day care home

CONDITIONAL USES:

Other residential uses

Permanent or long-term Multi-family attached dwelling
Seasonal or short-term Multi-family attached dwelling
Community residential home, large (7-14)
Child day care services

ACCESSORY USES:

Uses and structures which are customarily accessory, clearly incidental and subordinate to permitted uses and structures, including home occupations and off-site businesses.

Footnotes:

1 Guest houses are permitted only if the owner of the subject property occupies the primary dwelling as his/her main residence. However, guest houses shall not be rented out separately from the main residence. (refer to LDC section 7.12.04.M).

10 Zoos are only allowed in the Industrial zoning district.

This second excerpt defines long term rental and short term rental. I again note that the definition of short term rental is silent regarding the number of allowable guests.

Policy 1-2.1.1: Residential Uses Defined. Residential uses shall include several structure types used for housing, including single-family detached dwellings and multiple-family structures including duplex structures units, town homes and other detached single-family structures, apartments, patio homes, atrium homes, and similar multiple-family structures. The specific FLUM designations shall identify where single-family and multiple-family structures may be located. Following are the definitions for long-term residential and short-term residential.

1. Long-Term Residential. Long-term residential uses shall be defined as any residential accommodation that is available for occupancy for 181 days or more. Long-term residential uses shall include lock-out units, as defined in the Glossary.
2. Short-Term Residential. Short-term residential uses shall be defined as any residential accommodation that is available for occupancy for 180 days or less. Short-Term Residential uses shall include lock-out units, as defined in the Glossary.

This third excerpt defines the grandfather clause. This clause states clearly that the grandfather status may be released only by the vested entity

Policy 1-2.1.5: Grandfather Clause. Existing land uses that were lawfully conforming uses prior to the effective date of the Comprehensive Plan, shall continue as lawful uses and shall be regulated through administrative remedies for vested rights issues that shall be included in the LDC. Building heights, density and/or intensity which (a) are actual present and which lawfully existed prior to the effective date of the Comprehensive Plan, or (b) were authorized pursuant to a development order, which development order remained unexpired as of the effective date of the Comprehensive Plan, shall continue to be legal building heights, density and/or intensity (as applicable) after adoption of the Comprehensive Plan. All duly approved and recorded lots, subdivision and condominium plats of record, which existed as legal lots, subdivision and condominium plats of record prior to the adoption of this Comprehensive Plan shall continue to be legal lots, subdivision and condominium plats of record after adoption of the Comprehensive Plan. This grandfather status may only be relinquished voluntarily by the vested entity. All subdivisions, condominium plats and all replats shall comply with the Comprehensive Plan objectives and Policies, including maximum density provisions. Similarly, all new development shall comply with the Comprehensive Plan and LDC unless the development is found to have a vested right in a land use, building height, density or intensity that is in conflict with the Comprehensive Plan and LDC. Under such condition the grandfather clause shall be applicable unless voluntarily relinquished by the vested entity. The intent is to sustain demonstrated private property rights while preserving the public interest, welfare, health, and safety. Notwithstanding, any single-family home that is subject to redevelopment shall be allowed to reconstruct providing adopted building and construction codes as well as this ordinance and the size and dimension criteria of the LDC are met.

CONCLUSION

Based on these excerpts, I conclude that prior to the first application of Ordinance 18-29-CC, there were no restrictions to the number of allowable guests.

History:
The subject has been owned by the current owner since 5/10/2011 when they purchased the subject lot for $245,000 per ORB/P 2984/4505.

The owners then constructed the subject improvement in 2012.

Based on this transfer date outside of three years, there is no requirement to analyze the previous sale.

Active Listings:
None.

Current Use:
The subject is currently a detached single family home used for seasonal rental, catering to large family groups.

Surrounding Uses:
The surrounding use in the Crystal Beach/Destiny/Destiny By The Sea area is a mix of full time occupants and seasonal renters.

MARKET AREA ANALYSIS - SEASONAL RENTAL MARKET

I am restricting this analysis to the seasonal rental market.

Up until perhaps 2000, the great majority of seasonal rentals were condominium units.

However, the growing demand for larger spaces to accommodate extended families in one place led to the conversion of many larger homes to seasonal rentals. It also spurred the construction of homes specifically designed for large rental parties.

Such homes feature typical living areas but emphasize a substantial number of bedrooms and baths. Often bedrooms are equipped with multiple built - in bunks for sleeping children.

Most homes also feature sofa sleepers which can sleep additional children.

Many of these homes, and certainly those recently constructed for this purpose, featured swimming pools and lanai areas as an exterior amenity.

This market has flourished as Destin is nationally recognized as a tourist attraction.

It is common to see Realtors addressing gross rental amounts or gross rental projections in MLS Listings. While the value of homes similar to the subject is partially estimated by a size / value per SF component, the fact that a home generates a substantial amount of income makes it a more attractive and safe purchase than a home which is not rented for seasonal income. In the past few years, income has become as important as selling prices, per SF.

Another factor worthy of discussion is that many owners now self - manage. Typically in the past, management of rentals was performed by one of several large real estate companies, such as Resort Quest, Dale Peterson, Newman Dailey and Southern Resorts. However, in the past 10 years a substantial number of smaller management companies have surfaced.

Management fees for seasonal rentals range from perhaps 15% to 25% of gross revenue.

Entrepreneurial owners have recognized this expense line and many now self - manage with the aid of Vacation Rental By Owner (VRBO) or some similar search engine.

The seasonal rental market is increasing in the Destin/Miramar Beach market as the thriving national economy allows discretionary vacations.

Without the first application of Ordinance 18-29-CC, allowing the existing capacity up to 32 guests, I would consider the seasonal rental market to continue to flourish over the next several years.

With the first application of Ordinance 18-29-CC, limiting the subject to 24 guests, I would project a diminution in value.

HIGHEST AND BEST USE 'AS IS'

Legally Permissible
The subject property is zoned (and designated for future land use) as *Crystal Beach Neighborhood (CBN)* by the City of Destin, Florida.

This zoning and land use designation allows for single-family use and specifically indicates that short term rentals is a permitted use (See page 41). The use of the subject for single-family short-term rentals is therefore allowed in this district.

Physically Possible
The subject property appears to be relatively level and well drained. Soil and subsoil conditions nearby appear compatible with both low-rise, multi-story use and traditional commercial development. All utilities required for commercial or 'mixed use' are presently at the site. The size and dimensions of the site are sufficient to allow a wide variety of legally permissible uses. The shape of the site is rectangular and this shape does not limit utility. Transportation of construction materials or labor to the site is estimated to be relatively simple due to the central location of the site within the overall market. Access to the site is above average.

However, the most compelling substantiation that the subject is physically possible is the fact that it already exists.

Therefore, use of the subject property for single family use as a seasonal rental is physically possible.

Financially Feasible
Value opinions derived in the income approach to value indicate the existing improvement contributes value to the underlying land. There is substantial other ongoing seasonal rental use in the market, suggesting that there is broad appeal for seasonal rental properties.

Therefore, continued use of the subject property for a detached single family residence used for seasonal rental income is financially feasible.

Maximally Productive
The alternatives of addition, demolition, expansion, modernization, or conversion to alternate uses have been considered within the legal, physical, and financially feasible parameters. Several alternatives exist.

Alternatives for use of improvements:

Expansion
The existing subject improvement is 6,039 HVAC SF. The subject is typical of most seasonal rental homes. Thus, there is no need for expansion. Any expansion would come at a cost of parking and/or access. Thus, expansion beyond what is existing, does not appear to be appropriate and feasible.

Renovation
Typically, any existing property could benefit from renovation. However, the subject has been well maintained and is in good condition. Thus, I would not consider imminent renovation to be required or practical.

Downsizing
The existing subject improvements are 6,039 HVAC SF. I see no reason to downsize the subject improvement as it appeared that all of it is usable space. Thus, downsizing beyond what is existing does not appear to be appropriate, physically possible or feasible.

Subdividing
The purpose of the subject is to lease it seasonally to large parties of guests. Subdivision would not be legally approved and does not appear to be financially prudent as the parties of guests would be smaller and grouping smaller parties together in the same pool could prove problematic. I would not consider subdivision to be prudent or feasible.

Demolition
The subject is a recently constructed home in 2012 and is currently in good condition. It features a probable 50 years of remaining economic life and a probable 70-75 years of remaining physical life.

I do not consider demolition and replacement with alternative improvements to be a superior use to the current use as a rental property. No alternative use would be certain to serve the land better. Thus, the subject is not a candidate for demolition.

Utilizing existing improvements
Continued use 'as is' as a seasonal rental, is considered the maximally productive use.

Conclusion of Highest and Best Use 'as is'
Analysis of recent trends and current market supply and demand indicate that the maximally productive highest and best use of the subject property is continued use as a detached single family residence used for seasonal rental income.

Conclusion of Highest and Best User 'as is'
Analysis of recent trends and current market supply and demand strongly indicate the most probable user is an entrepreneurial user who leases the subject for seasonal rental income with a small amount of personal use.

SUMMARY OF ANALYSIS AND VALUATION

Methodology

Site valuation derived from Sales Comparison Analysis involves direct comparisons of the subject property to similar properties selling in the marketplace to derive a comparative value indication for the subject property 'as if vacant,' as of the effective date of value. This approach is also called the 'direct sales comparison approach', or the 'market approach', and tends to be the most reliable approach for developing an opinion of the value of vacant land or sites available for development. Other methods of developing the value of land are available. Allocation, extraction, land residual, ground rent capitalization, and discounted cash flow analysis are all recognized as reasonable methods of valuation.

The cost approach is a reliable methodology for new, or nearly new, buildings. I estimate the replacement cost or reproduction cost, in this case replacement construction cost, of the existing or existing improvements and site improvements (including direct and indirect costs as well as an appropriate developer profit), deducting accrued depreciation from physical, functional, and external sources from the total replacement or reproduction cost new. The depreciated replacement or reproduction cost of the improvements is added to the value of the site resulting in a value indication of the fee simple interest in the property.

The sales comparison approach is based on the 'Principle of Substitution' which indicates an informed purchaser would pay no more for a property than the cost of acquiring an equally desirable substitute property with the same or similar utility. This approach is applicable when an active market provides sufficient quantities of reliable data which can be verified from authoritative sources. The Sales Comparison Approach is reliable in an active market or if an opinion of value is related to properties which there are comparable sales available. This approach to value is also relevant when sales data can be verified with the principals to the transaction. Heavy emphasis is usually placed on this approach to value in an active market.

The income approach is recognized as a reliable approach for developing an opinion of the value of 'income producing' property to an investor. The income approach consists of methods, techniques, and mathematical procedures an appraiser uses to analyze a property's capacity to generate income and convert income into an indication of present value either by capitalizing the current income at a market capitalization rate or discounting the future cash flows into a present value estimate using an appropriate yield (discount) rate. The appraisal process emulates the market, and the most probable purchaser would either be an investor or prospective owner occupant. Two (2) techniques associated with the income approach are direct capitalization and discounted cash flow analysis.

Methodology employed and explanation of the exclusion of any of the three (3) approaches to value

I am not performing cost analysis. A buyer and seller in the market would not care what it cost to build the subject. In addition, the problem to be solved is to drive the diminution in value based on the guest restrictions included in Destin Ordinance 18-29-CC. The number of guests would have no impact on the cost to construct.

I am not performing sales comparison analysis. The impact of Destin Ordinance 18-29-CC may not be evident in the market for several years in the selling prices of homes. The ordinance allows a five year grandfather period. Homes sold in this grandfather period may not indicate a decline in selling prices and it would not be reliable to estimate diminution in value based on comparable sales until a larger array of data was available for use in sales comparison analysis.

I am performing income analysis. I will identify probable annual income for the subject with thirty two (32) guests, based on historical income and projected income from the new manager; and then identify market rents which support the subject contract rent. I will then identify operating expenses and subtract operating expense from gross rent to arrive at a net operating income (NOI). I will then apply a market based capitalization rent to the NOI to arrive at a value for the subject, prior to the first application of Destin Ordinance 18-29-CC.

I will then identify the rental incomes for homes which are allowed only 24 guests. I will then subtract expenses for the rents of 18 guest homes and arrive at their NOI. I will then derive a value by capitalizing this NOI.

Finally I will subtract the value for a 24 guest house from the value of a 32 guest house and this figure will be the diminution in value.

COST ANALYSIS
NOT PERFORMED

SALES COMPARISON ANALYSIS NOT PERFORMED

INCOME ANALYSIS
'AS IS'

DESCRIPTION OF INCOME ANALYSIS METHODOLOGY

The income approach to value is based on the principle of anticipation, in that the value of the subject property correlates to the present worth of the future right to receive benefits in the form of income to be received by the owner. The income approach considers the property from an investment interest with the assumption that the amount of income, coupled with the regularity and quality of the income stream, are the basis for valuing the property based on income analysis.

The income approach is applied by identifying the net income by first identifying gross income and then deducting from the gross income the expenses of operating a property to arrive at a net income, generally identified a Net Operating Income (NOI).

The estimated NOI is then converted to a value opinion by utilizing either a Discounted Cash Flow Analysis, or a Direct Capitalization Analysis, or both.

Discounted cash Flow Analysis:
The Discounted Cash Flow Analysis (DCF) is an analysis where a discount rate is applied to a series (typically several years) of income streams with a reversion after typically 7 to 10 years. The appraiser must specify the quantity, variable nature of the income, timing of payments (monthly/quarterly/annually) to a present value at a specified yield rate. The DCF analysis is most applicable when the net income is projected to be variable and when the property is on a sufficient size and investment value to influence market participants to evaluate purchase decisions based on DCF. A large strip retail center would be a good candidate for DCF analysis, as would a project to be constructed in phases, where the income would increase as new construction is added.

I note that I did not perform DCF analysis as it is my opinion that market participants would not use DCF analysis to base decisions to either purchase or sell properties such as the subject.

Direct Capitalization:
The conversion of a net income to a current value is called capitalization. Capitalization is a method which is used to convert the estimate of a single year's net income actual figures and/or expectancy of income into a value opinion by dividing the income by a appropriate rate of capitalization, as estimated by the appraiser. This technique employs capitalization rates derived from the market, using both capitalization rates from recent sales of similar properties, generally augmented by national indices, or other mathematical progressions. This process provides a one year snap shot of the property value. Future yields and values are not directly identified. The direct capitalization analysis is most appropriate for small to medium sized income producing properties, in stable markets with a forecast of generally stable income.

The procedural steps involved in capitalization are as follows:

Develop the probable gross income by identifying historical performance, income projections and market incomes from comparable properties which support the historical or projected subject income.

Estimate vacancy and collection losses to arrive at Effective Gross Income (EGI).

Estimate and subtract operating expenses to arrive at NOI.

Develop a capitalization rate which is supported by the market.

Divide the NOI by the capitalization rate to derive a value opinion.

I am employing the direct capitalization analysis to derive values in this analysis.

I note for the reader that steps #1 and #2 are generally combined in the analysis of seasonal resort properties. Owners and management companies tend to provide actual income which has already accounted for vacancy and collection loss.

INCOME ANALYSIS - ESTIMATE OF CAPITALIZATION RATE

The capitalization rate is a rate which is applied to the Net Operating Income (NOI) to derive a value for a property. As the chart below indicates, you can derive a capitalization rate by dividing the NOI by the purchase price.

The following excerpt will provide some explanation of capitalization rates.

Capitalization rates are used in a formula. As seen below, dividing the net operating income by the purchase price indicates the capitalization rate.

Another variation of the formula is to divide the net operating income by the capitalization rate and this process will indicate the value of the property.

What Is a Cap Rate?

A cap rate is simply a formula. It's the ratio of a rental property's net operating income to its purchase price (including any upfront repairs):

Cap Rate =

Net Operating Income (NOI) ÷ Purchase Price

The formula can be used on the level of an individual property by looking at its net operating income compared to its value. But it can also be used on the level of an entire market by taking *average* cap rates for a large group of properties.

Importantly, the cap rate formula does NOT include any mortgage expenses. As you can see in the formula for net operating income below, the expenses do not include a mortgage or interest payment.

Gross Rental Income
- Vacancy/Credit Loss Reserve
- Property Taxes
- Property Insurance
- Maintenance/Repairs
- Common Utilities (if any)
- Other expenses (ex: license)

= Net Operating Income

MARKET DATA BASED ON TYPICAL INDICES

Capitalization rates range widely in the market. The following table derived from Realty rates.com indicate a wide variety of capitalization rates base on property types. This table contains very recent data from the first quarter 2019.

As can be seen, properties such as restaurants and lodging (motels and hotels) have high capitalization rates. Apartments (residential) have the lowest capitalization rates.

Realty rates does not include a separate category of single family detached homes.

RealtyRates.com INVESTOR SURVEY - 1st Quarter 2019*
CURRENT & HISTORICAL CAP RATE INDICES

Method-Weighted* Property Category Indices

	Apts		Golf		Healthcare Senior Housing		Industrial		Lodging		MH/RV Park		Office		Retail		Restaurant		Self Storage		Special Purpose		Weighted* Composite Indices	
Year	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg
2019	8.42	26	12.02	30	9.01	14	9.19	23	10.53	25	9.56	30	9.04	10	9.38	28	11.67	15	9.86	29	11.64	40	9.64	22
4th Qtr	8.46	9	12.09	11	9.07	11	9.23	7	10.53	1	9.62	13	9.08	13	9.44	10	11.62	11	9.92	13	11.71	13	9.68	9
3rd Qtr	8.37	-4	11.97	-5	8.96	-2	9.16	-5	10.52	-7	9.50	-5	8.95	-6	9.33	-3	11.61	-4	9.79	-7	11.60	-3	9.59	-5
2nd Qtr	8.41	3	12.02	5	8.99	3	9.21	5	10.59	-6	9.55	5	9.00	0	9.36	4	11.56	4	9.86	6	11.63	5	9.64	4
1st Qtr	8.38	23	11.97	28	8.96	13	9.16	22	10.52	31	9.50	28	9.00	5	9.32	17	11.52	26	9.81	25	11.58	34	9.60	21
2017	8.15	4	11.73	-2	8.87	-5	8.96	-12	10.29	5	9.26	11	8.94	-22	9.19	-9	11.42	-15	9.57	-9	11.25	4	9.42	-5
2016	8.13	-2	11.75	6	8.92	12	9.08	15	10.22	0	9.15	15	9.16	16	9.27	12	11.57	-10	9.67	14	11.21	10	9.48	9
2015	8.15	-9	11.69	-14	8.90	-9	8.93	-10	10.22	-20	8.99	-19	9.00	-6	9.15	-11	11.66	-13	9.52	-22	11.11	-12	9.40	-12
2014	8.24	-15	11.83	-9	8.89	-1	9.03	-4	10.43	-17	9.17	-5	9.06	-22	9.26	15	11.79	-6	9.75	-20	11.24	14	9.52	-7
2013	8.39	14	11.92	-14	8.90	5	9.07	-2	10.60	3	9.22	14	9.28	-19	9.11	-4	11.86	9	9.95	-24	11.10	1	9.59	-2
2012	8.25	-36	12.07	6	8.85	-36	9.09	-40	10.57	-24	9.08	-39	8.47	3	9.15	-13	11.77	6	10.19	-49	11.09	-4	9.60	-21
2011	8.60	-29	12.00	-22	9.21	-40	9.49	-11	10.81	-26	9.48	-9	8.44	-10	9.28	-28	11.70	-14	10.68	-3	11.12	-17	9.81	-13
2010	8.89	4	12.22	5	9.62	15	9.60	12	11.05	7	9.55	22	8.54	16	9.54	25	11.84	12	10.72	21	11.30	0	10.00	13
2009	8.85	8	12.17	16	9.47	10	9.48	10	10.98	-7	9.33	1	8.38	29	9.29	20	11.72	15	10.58	37	11.30	8	9.87	14
2008	8.77	-4	12.61	29	9.37	-16	9.38	-14	11.05	55	9.32	-5	8.89	-18	9.09	-11	11.57	-28	10.13	20	11.22	-7	9.74	-3
2007	8.81	-45	11.72	-21	9.53	-65	9.52	-25	10.49	-28	9.37	-26	9.25	-47	9.20	-12	11.85	61	9.93	-38	11.29	-24	9.75	-28
2006	9.25	12	11.93	47	10.18	15	9.77	35	10.77	27	9.63	41	9.72	26	9.32	30	11.24	18	10.31	27	11.53	9	10.03	26
2005	9.14	14	11.46	80	10.03	-16	9.42	-30	10.50	-21	9.22	18	9.46	6	9.02	16	11.06	5	10.04	13	11.44	-30	9.77	2
2004	9.00	-19	10.66	26	10.19	-37	9.72	19	10.71	-33	9.03	-48	9.40	-4	8.86	-19	11.01	-15	9.91	-13	11.74	-30	9.75	-19
2003	9.19	-2	10.38	-32	10.56	64	9.53	33	11.69	56	9.51	-11	9.44	1	9.05	-18	11.16	8	10.04	-53	12.04	105	9.94	12
2002	9.21	-40	10.70	18	9.92	-39	9.20	-61	11.13	26	9.62	-80	9.43	-35	9.23	-62	11.08	-3	10.57	-12	10.99	-177	9.82	-41
2001	9.61	64	10.52	133	10.31	90	9.81	16	10.87	98	10.22	-68	9.78	-35	9.85	-53	11.11	47	10.69	13	12.76	32	10.23	25
2000	8.97		9.19		9.41		9.65		8.89		10.90		10.13		10.38		10.64		10.56		12.44		10.01	

* Weighted by methodology: Band-of-Investment, DCR Technique, Sales Survey
* Further weighted by property category

The following chart provides some additional data regarding capitalization rates for apartments in some major metropolitan centers.

These rates are lower than the overall national rate for apartments identified on the previous page. I attribute this to the fact that the cities below are major metropolitan areas with a high density of population which keeps occupancy high and inspires investor confidence. In this regard, the Destin seasonal rental market is similar in its high density and national appeal.

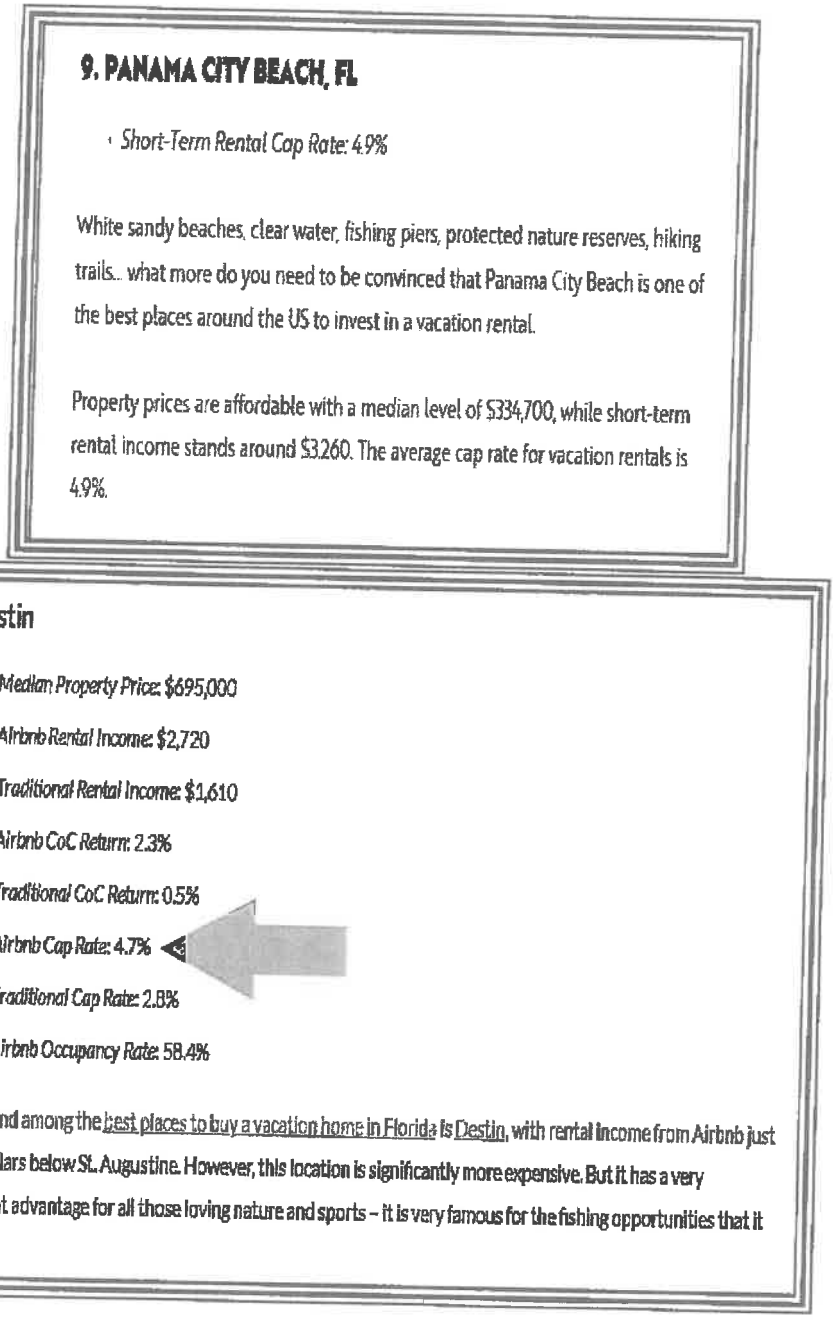
Cap Rates For Stabilized, Class A Multifamily Apartments By City – 2017 (2nd Half)	
San Diego	4.25%
Chicago	4.75%
Atlanta	5.00%
Philadelphia	5.25%
St. Louis	5.75%
Cleveland	6.25%
Pittsburgh	6.50%
Detroit	7.25%

Single family homes are seldom valued via income capitalization. Most homes are owner occupied and the issue of rent and valuation through rent is generally not applicable. However, I identified the following excerpt rom the internet which indicates a range of capitalization rates from 4% to 10% for single family homes. The reader will note in the excerpt immediately above that high demand areas feature lower capitalization rates and lower demand areas feature higher capitalization rates. I would again observe that Destin is a high demand area in the seasonal rental market. Thus, I would consider it probable that capitalization rates for singe family homes in Destin were toward the low side of the 4% to 10% range.

Cap Rate for Single Family Home

Professionals purchasing commercial properties, for example, may buy at a 4% cap rate in high demand areas, or a 10% (or even higher) cap rate in low-demand areas. Generally, 4% to 10% per year is a reasonable range to earn for your investment property. Continuing with our example from above, $17,000/ 5% = $340,000.

The following are two excerpts from the internet indicating that Panama City Beach, Florida boasts a very low capitalization rate of 4.9% and that the Destin, Florida market features a 4.7% capitalization rate for Airbnb rentals.



9. PANAMA CITY BEACH, FL

- *Short-Term Rental Cap Rate: 4.9%*

White sandy beaches, clear water, fishing piers, protected nature reserves, hiking trails... what more do you need to be convinced that Panama City Beach is one of the best places around the US to invest in a vacation rental.

Property prices are affordable with a median level of $334,700, while short-term rental income stands around $3,260. The average cap rate for vacation rentals is 4.9%.

2. Destin

- *Median Property Price:* $695,000
- *Airbnb Rental Income:* $2,720
- *Traditional Rental Income:* $1,610
- *Airbnb CoC Return:* 2.3%
- *Traditional CoC Return:* 0.5%
- *Airbnb Cap Rate:* 4.7%
- *Traditional Cap Rate:* 2.8%
- *Airbnb Occupancy Rate:* 58.4%

The second among the best places to buy a vacation home in Florida is Destin, with rental income from Airbnb just a few dollars below St. Augustine. However, this location is significantly more expensive. But it has a very important advantage for all those loving nature and sports – it is very famous for the fishing opportunities that it offers.

Conclusion:

I have provided an array of capitalization rates from national data ranging from a low of 4.7% to a high of 8.42%.

I am selecting a rounded rate of 6.25%, recognizing that there are established capitalization rates both higher than, and lower than, the reconciled 6.25%.

I am confident that a capitalization rate of 6.25% is well supported by national data.

I also note that the most similar rate is the 4.7% Airbnb rate in Destin, which suggests that a 6.25% rate may be conservative.

MARKET CAP RATE DATA BASED ON LOCAL SALES OF HOMES USED FOR SEASONAL RENTAL

In addition to the national data provided above, I am also providing some data from actual sales in the local market.

I have some professional acquaintances who specialize in the management of large homes used for seasonal rentals. I have asked them to provide me some actual data from recent sales to help derive a local data base of capitalization rates.

On 7/13/2018, Frangista Beach E16 LLC (Nick Athens - a professional acquaintance well known to me) sold 3491 Scenic Highway 98 to Rich Rentals for $3,000,000. This house is 6,008 HVAC SF and features nine (9) bedrooms and 9.5 baths. It is very similar to the subject and is a very good comparable indicator of capitalization rates. Mr. Athens stated that the net operating income was $172,340. Dividing $172,340 by $3,000,000 indicates a capitalization rate of 5.74%.

On 9/4/2015, Nick and Tina Athens sold 1850 - 1852 Scenic Gulf Drive in Miramar Beach to Forty-Four Holdings for $2,205,000. This was two side by side homes in Frangista Beach which were an aggregate 3,460 HVAC SF and which features Five (5) bedrooms and 7 baths. Mr. Athens stated that the net operating rent was $133,200. Dividing $133,200 by $2,025,000 indicates a capitalization rate of 6.58%. I do not consider it a coincidence that the home with the fewest bedrooms featured the highest capitalization rate.

On 2/10/2016, Destiny Real Estate Ventures LLC sold 3463 Scenic Highway 98 to Charles Barone for $3,615,000. This house is 6,465 HVAC SF and features eight (8) bedrooms and 6.5 baths. It is very similar to the subject and is a very good comparable indicator of capitalization rates. Mr. Giles stated that the net operating income was $222,125. Dividing $222,125 by $3,615,000 indicates a capitalization rate of 6.15%.

On 1/11/2019, Kevin Hense sold 2984 Scenic Highway 98 to Russell and Susan Hancock for $3,000,000. This house is 3,997 HVAC SF and features six (6) bedrooms and 5.5 baths. It is very similar to the subject and is a very good comparable indicator of capitalization rates. Mr. Hense stated that the net operating income was $176,000. Dividing $176,000 by $3,000,000 indicates a capitalization rate of 5.87%.

On May 18, 2018, Sapp Investments LLC sold 4659 Destiny Way to the Lindholm Family Revocable Living Trust for $2,500,000. Mr. Lindholm stated to me that income for 2018 was an aggregate of $293,500. He also stated that expenses were an approximate $115,025, resulting in approximate $178,475 of net operating income (NOI). Dividing $178,475 by $2,500,000 indicates a capitalization rate of 7.14%.

RECAPITULATION OF LOCAL MARKET CAPITALIZATION RATES

The following table summarizes the capitalization rates identified in the narrative above.

Property Address	Capitalization Rate
3491 Scenic Highway 98, Destin	5.74%
1850 Scenic Gulf Drive, Mirimar Beach	6.58%
3463 Scenic Highway 98, Destin	6.15%
2984 Scenic Highway 98, Destin	5.87%
4659 Destiny Way, Destin	7.14%
Average	6.29%
Rounded	6.25%

I consider a rounded capitalization rate of 6.25%, derived from local data, to be a market supported rate which is both credible and reliable, as well as being consistent with national data which brackets the final capitalization rate selection.

For this reason, I am selecting a 6.25% capitalization rate.

ESTIMATE OF VALUE PRIOR TO THE FIRST APPLICATION OF DESTIN ORDINANCE 18-29-CC

Based on the current zoning and the Destin Land Development Code previously discussed, there is currently no limit to the number of guests allowed in the subject improvement. The subject can accommodate up to thirty two (32) guests based on the data provided by the owner and my identification of sleeping capacity previously identified.

CURRENT CONTRACT RENT

I note that seasonal rentals are typically described with annual rental amounts as opposed to more consistent monthly rental rates.

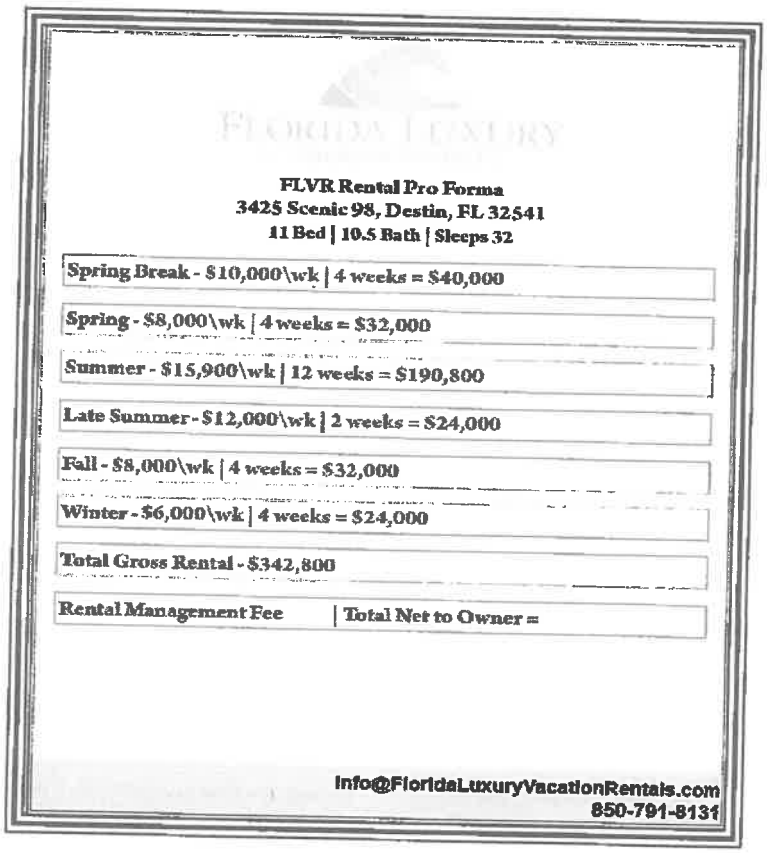
Such rental amounts are generally described using gross income data, and/or projections of gross income data.

Appraisers need to then examine expenses to arrive at a net operating rent to capitalize. Expenses to gross revenue are ad valorem taxes, flood and hazard insurance, HOA dues, maintenance and repairs, utilities, lawn maintenance, pest control, professional fees and reserves. I note that interest/mortgage payments and depreciation are not expenses when capitalizing property for value.

In the case of the subject, it has been managed by a management company. The owner provided me with gross income and expenses from 2018 which indicated gross income of $165,123 and expense of $63,997 which is an approximate 39% expense ratio.

3425 Scenic HWY 98 (Commander's Palace) : $165,123/ $63,997

I note that the owner was not satisfied with the performance of the previous management company and has made a move to Destin Luxury Rentals. The new company provided me a projection for 2019 of their expected gross income as follows:



FLORIDA LUXURY

FLVR Rental Pro Forma
3425 Scenic 98, Destin, FL 32541
11 Bed | 10.5 Bath | Sleeps 32

Spring Break - $10,000\wk	4 weeks = $40,000
Spring - $8,000\wk	4 weeks = $32,000
Summer - $15,900\wk	12 weeks = $190,800
Late Summer - $12,000\wk	2 weeks = $24,000
Fall - $8,000\wk	4 weeks = $32,000
Winter - $6,000\wk	4 weeks = $24,000
Total Gross Rental - $342,800	
Rental Management Fee	Total Net to Owner =

Info@FloridaLuxuryVacationRentals.com
850-791-8131

It can be seen that there is quite a difference between $163,123 and $342,800.

I would suspect that a more credible and reasonable (USPAP Standard) would fall between the 2018 actual and the 2019 projection.

To refine the gap between $163,123 and $342,800, I will use market data to estimate a credible and reasonable rent projection.

MARKET SUPPORT FOR GROSS INCOME ESTIMATE

Some of these comparables were provided to me by Ben Giles, an owner of several large homes. Other owners who provided data were Tari Furey, Nick Athens and Kevin Hense.

#	Address	Gross Income	Guest capacity	Income per guest
1	42 Miami Street	$463,852	34	$13,643
2	3487 Scenic Highway 98	$305,393	32	$9,545
3	3463 Scenic Highway 98	380,000	32	$11,875
4	3461 Scenic Highway 98	$364,723	36	$10,131
5	107 Hollywood Street	$289,647	38	$7,622
6	112 Sandprint Circle	$325,000	30	$10,833
7	4664 Destiny Way	$275,000	20	$13,750
8	2984 Scenic Gulf Drive	$263,000	22	$11,954

The average of these eight market comparable rentals is $11,169. The two most similar homes are #2 and #6 at $9,545 and $10,833 per guest annually. Rental #2 is located on the north side of Scenic Highway 98 as is the subject.

Sale #8 is a gulf front house and is slightly superior to the subject.

Based on this data, and assuming better management, I consider a value per guest of $10,000 to be a credible and reasonable market based opinion of annual rent.

The subject can accommodate 32 guests. Multiplying 32 by $10,000 per guest results in an annual gross income of $320,000, close to the projected income of the new management company.

MARKET SUPPORT FOR GROSS TO NET RATIO

I have attempted to derive gross and net income figures for comparable properties in the market. However, my research indicates that many owners and property managers are unwilling to divulge private financial information, especially the net income.

Thus, I will provide some market examples of properties where clients or close associates did divulge data.

The first example is a detached home located at 112 Sandprint Circle in the Dunes of Destin. The owners, Edward and Tari Furey, provided me with detailed data regarding income and expenses. They indicted annual revenue of $325,000 and annual expense of $100,000. This suggests an expense ratio of $100,000 / $325,000, or 31%, rounded.

I again spoke to Nick Athens who still owns a detached house at 4664 Destiny Way which grossed $275,000 in 2018. The expenses for this property were an approximate $89,000. This suggests an expense ratio of $89,000 / $275,000, or 32% rounded.

As a third indicator, I spoke to Kevin Hense, who sold a detached house at 2984 Scenic Highway 98 for $3,000,000 on 1/11/2019. Mr. Hense indicated that the 2018 gross rent was $263,000 and that the expenses were $87,000. This suggests an expense ratio of $87,000 / $263,000, or 33%, rounded.

I am also providing the following data from the client regarding his six homes in Destin, to include the subject.

4722 Ocean (Camelot) : Revenues $200,947 vs Expense $89,056
4729 Ocean (Vita La Bella): $108,191 vs $ 53,521
4742 Ocean (Tuscany) : $271,198/ $88,722
4782 Ocean (Casa Oceana) : $145,466/ $53,472
3425 Scenic HWY 98 (Commander's Palace) : $165,123/ $63,997
3467 Scenic HWY 98 (Sand Castle By the Sea) : $114,690/ $67,883

These six operating expense ratios in order are 44% / 49% / 33% / 37% / 39% and 59% with the subject 39% being a middling expense ratio.

I consider the historical operating expense ratios for the six homes owned by the client to be higher than typical in the market. This is because of the low income amounts, which perhaps can be attributed to previous inefficient management. Lower income will lead to high operating expense ratios as the fixed costs of taxes and insurance are constant regardless of the number of guests/gross income.

The subject is located in an area of almost exclusively rental homes in Crystal Beach and Grand Palms, all of which are seasonal rentals. Thus, there is a lot of immediate competition. This fact, combined with the probability that it will require at least a season to 'right the ship', I will use an operating expense ratio of 40%, above the market comparables above.

The next step is applying the previously calculated expense ratio to the gross rent to arrive at a net operating income (NOI). Applying a 40% expense ratio to $320,000 results in a net rent of $192,000.

Capitalizing $192,000 with a 6.25% capitalization rate results in a value of $3,072,000, rounded to $3,070,000.

It is my professional opinion that the subject value, prior to the first application of Destin Ordinance 18-29-CC is $3,070,000, based on income analysis.

$3,070,000

ESTIMATE OF VALUE AFTER THE FIRST APPLICATION OF ORDINANCE 18-29-CC

Destin Ordinance 18-29-CC reduces the subject sleeping capacity to 16 guests as the limit is two guests per bedroom, plus four (4) additional guests. There are ten (10) bedrooms. Thus, 2 x 10 = 20 + 4 = 24.

I note for the reader that the ordinance states clearly that a bedroom must meet the requirements of the Okaloosa County Property Appraiser who states that a bedroom has a door, a window and a closet. The Okaloosa County Property Appraiser states that the subject is a ten bedroom house.

It is my opinion that the limit of 24 guests will have a negative impact on value.

To estimate the difference, I need to research the market for homes which are limited to smaller guest totals

Market research results in the following comparable rentals.

MARKET SUPPORT FOR GROSS INCOME ESTIMATE

Some of these comparables were provided to me by Jordan Shane, Florida Luxury vacation Rentals, Cheryl St.Pe', Destin Comforts and Ben Giles.

#	Address	Gross Income	Guest capacity	Income per guest
1	4664 Destiny Way	$275,000	20	$13,750
2	2984 Scenic Gulf Drive	$263,000	22	$11,954
3	3893 Sandprint Circle	$118,796	20	$5,939
4	113 Los Angeles Street	$137,308	19	$7,227
5	1737 Scenic Highway 98	$144,814	20	$7,241
6	100 Sandprint Circle	$105,000	20	$5,250
7	84 Woodward Street	$80,560	12	$6,713
8	212 Kono Way	$74,815	12	$6,235
9	75 Shirah Street	$79,885	14	$5,706

The average of these nine market comparable rentals is $7,789. None of these homes are gulf front homes. The subject is a also not gulf front, but features unimpeded gulf views. I consider the subject to command a higher rate per guest than the above averages.

As the difference between thirty two (32) and twenty four (24) guests is minimal, with 32 guests probably not often achieved, . I consider that the owners can continue to market to a similar audience.

I would still consider a per guest rate of $10,000 per year to be credible.

Based on the impact of Ordinance 18-29-CC, the subject will be limited to 24 guests.

Multiplying $10,000 per guest by 24 guests results in gross annual rent of $240,000.

The next step is applying the previously calculated expense ratio to the gross rent to arrive at a net operating rent (NOI).

Applying a 40% expense ratio to $240,000 results in a net rent of $144,000.

Capitalizing $144,000 with a 6.25% capitalization rate results in a value of $2,304,000, rounded to $2,305,000.

It is my professional opinion that the subject value, after to the first application of Destin Ordinance 18-29-CC is $2,305,000, based on income analysis.

$2,305,000

ESTIMATE OF THE DIMINUTION OF VALUE

My research and analysis indicates that the value of the subject based on the right to sleep 32 guests is a rounded $3,070,000.

My research and analysis indicates the value of the subject based on the limit to sleep only 24 guests is a rounded $2,305,000.

It is my opinion the first application of Destin Ordinance results in an approximate $765,000 diminution of value.

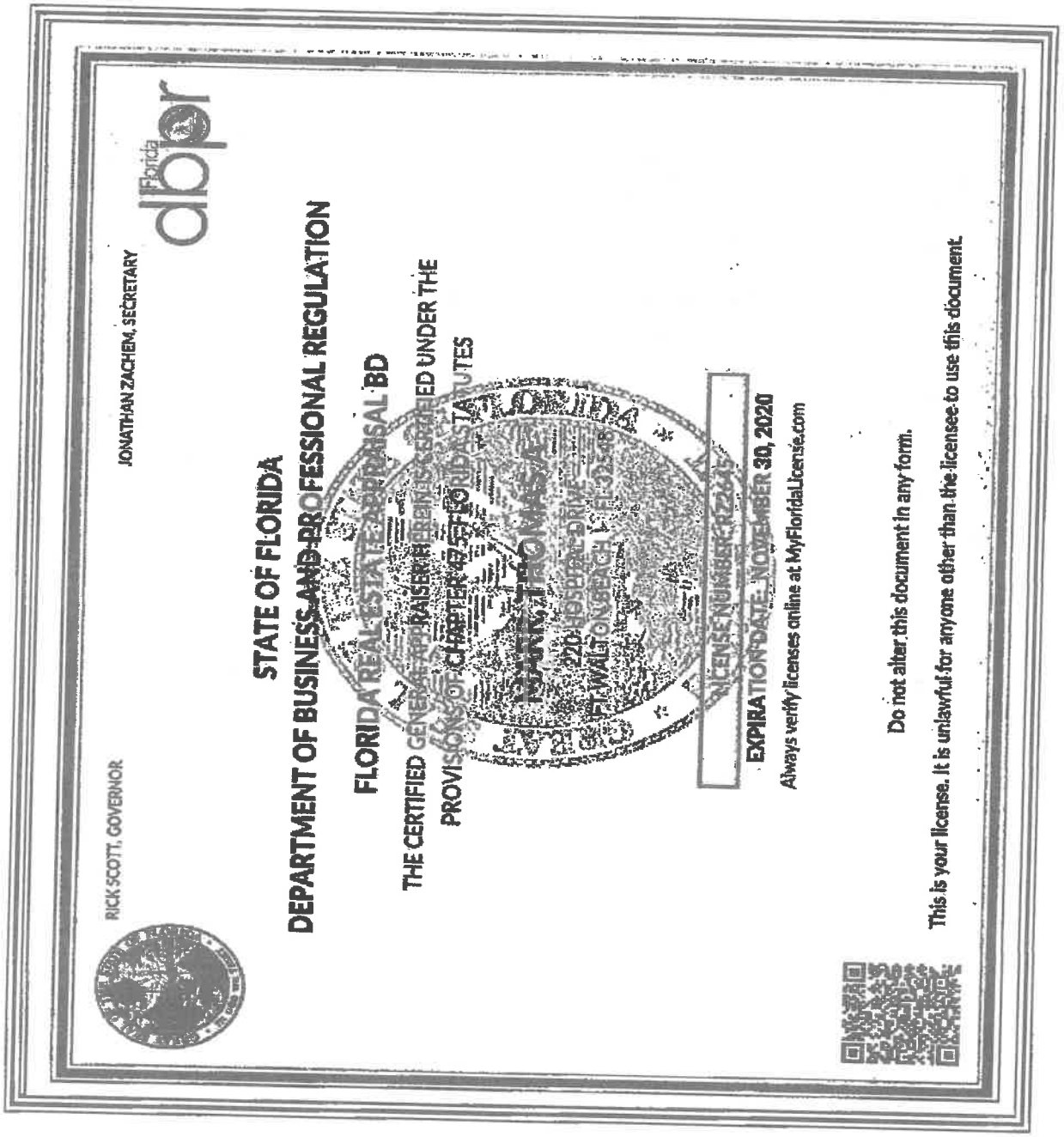
DIMINUTION OF VALUE

$765,000

ADDENDA

Appraiser License

APPRAISER LICENSE



THIS INSTRUMENT PREPARED BY
AND AFTER RECORDING RETURN TO:

Kimberly Romano Kopp, Esq.
Romano Kopp Law, P.A.
P.O. Box 445
Destin, Florida 32541

For Recording Purposes Only

SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is entered into this _____day of _____ 2019, ("Effective Date") by and between, S. BRIAN KIM AND HYEWON KIM ("**Owners**") and the City of Destin ("**City**"), collectively referred to as the "Parties."

RECITALS

WHEREAS, on January 22, 2019, the City enacted Ordinance 18-29-CC, the Short-Term Rental Occupancy Ordinance ("Ordinance"), which limits the occupancy of short-term rental homes to two (2) people per bedroom plus an additional four (4) persons; and

WHEREAS, Owners own the real property and improvements located at 3425 Scenic Highway 98, Destin, FL, 32541, as more particularly described in the attached Exhibit "A" (the "Property"); and

WHEREAS, on October 23, 2019, Owner filed a claim with the City, pursuant to the provisions of §70.001, Florida Statutes, the Bert J. Harris, Jr., Private Property Rights Protection Act (the "Harris Act"), alleging that the Property had been inordinately burdened by the adoption of the Ordinance, (the "Claim"); and

WHEREAS, the Harris Act provides for the City to have the ability to enter into a settlement agreement which would have the effect of a modification or variance to the application of a regulation or ordinance as it would otherwise apply to the subject real property, provided the relief granted protects the public interest served by the regulations at issue and is the appropriate relief necessary to prevent the governmental regulatory effort from inordinately burdening the real property; and

WHEREAS, the City has determined that the modifications to the effect of the Ordinance effected by this Agreement protect the public interest served by the Ordinance and are the appropriate relief necessary to prevent the regulatory effect of the Ordinance from inordinately burdening the Property; and

WHEREAS, the Parties now desire to settle and finally resolve all disputes between and among them concerning the Claim.

NOW, THEREFORE, the Parties hereby agree as follows:

1. **Recitals.** The above recitals are true and correct and are incorporated herein by reference.

2. **Occupancy Allowable Under Ordinance.**

(a) Owner is hereby granted a variance from the provisions of the Ordinance so that the Owner shall have the right to apply under the Ordinance for a maximum occupancy of thirty (30) overnight guests at the ten (10) bedroom vacation rental property noted above and the City shall grant such occupancy. The right shall continue in perpetuity, regardless of any future changes in ownership, provided that this right shall expire permanently if the Property were to be voluntarily remodeled or voluntarily rebuilt in such a manner as to change the number of bedrooms that existed at the date of the Claim. The Property remains subject to all other requirements of the City's regulations, including but not limited to regulations for short-term rentals, parking, trash, and noise.

(b) No greater than five (5) vehicles may be parked on the Property. No vehicle may encroach upon the City's right-of way.

(c) Owner shall ensure that at least five (5) outdoor trash receptacles are provided by the applicable trash hauler and available for use by occupants at all times.

(d) Owner agrees that the City shall be permitted to access the property on an annual basis for the purpose of life-safety inspections to ensure code compliance with minimum egress and emergency egress requirements pursuant to the Florida Building Code (Residential) and to ensure the property has adequate and working smoke detectors. Owner shall submit to the City a separate application and fee for such inspection, on a form provided by the City, at the time Owner submits its annual short-term rental registration application to the City

3. **Development in Accordance with Code.** Notwithstanding any provisions contained herein, the Owner shall at any time have the right and option to remodel, develop, or use the Property in accordance with the applicable ordinances of the City of Destin in effect at the time of application therefor, and this variance shall not be construed as making the Property in any way non-conforming.

4. **Entire Agreement.** The Parties acknowledge that this Agreement constitutes the entire agreement between them regarding the settlement of their dispute and any prior statements, whether oral or written, are merged herein. This Agreement may not be modified or amended without a written instrument signed by the party against whom enforcement is sought.

5. **Duration of Agreement.** This Agreement shall be perpetual and deemed to run with the land, and shall be binding upon and the benefits shall inure to the parties hereto and their respective heirs, devisees, personal representatives, successors and assigns.

6. **Authority.** The signatories to this Agreement are expressly authorized to resolve their dispute as set forth herein and by their signatures here represent and affirm their authority to execute this Agreement.

7. **Governing Law.** The law of the State of Florida shall apply to this Agreement. Any dispute regarding this Agreement shall be litigated exclusively in the courts of Okaloosa County, Florida. The parties expressly consent to such agreed jurisdiction and venue, and waive any objections thereto.

8. **Notices.** Any notice required or permitted to be given hereunder shall be in writing and shall be (i) delivered by hand, (ii) delivered by reputable national or local courier (such as United Parcel Service or Federal Express), (iii) mailed by United States registered or certified mail, return receipt requested and postage prepaid, or (iv) sent by facsimile transmission provided a confirmation of such facsimile transmission is sent the same day by one of the methods of delivery in (i), (ii), or (iii) above. Any notice shall be addressed to each party at its address as set forth below. Any such notice shall be considered given on the date of such hand delivery, deposit with such courier for same day or next business day delivery, upon receipt of return receipt of certified mail, or receipt of facsimile transmissions, as the case may be, and the time period (if any is provided herein) in which to respond to such notice shall commence on the date of receipt. Rejection or other refusal to accept or inability to deliver because of changed address of which no notice was given shall be deemed to be receipt of the notice. By giving to the other party at least ten (10) days' notice thereof, any party shall have the right from time to time to change the addresses thereof and to specify up to two (2) additional addresses within the United States of America to which copies of notices to it shall be sent. Notice may be given on behalf of any party by such party's counsel. In the event the subject property owner changes, notices shall be addressed to the current owner as indicated in the records of the Okaloosa County Property Appraiser. Otherwise, notices shall be sent as follows:

Each notice shall be addressed as follows:

To City: City of Destin, Florida
Attn:
4200 Indian Bayou Trail
Destin, Florida 32541

With a copy to:
City Land Use Attorney
Romano Kopp Law, PA
PO Box 445
Destin, Florida 32541
Attn: Kimberly Romano Kopp, Esq.

To Owners: S. Brian & Hyewon Kim
3425 Scenic Highway 98
Destin, FL 32541

With a copy to: Najmy Thompson, PL
1401 8th Avenue West
Bradenton, Florida 34205
Attention: Aaron M. Thomas, Esq.

Attorney's Fees. In the event of any action, whether pre-suit, mediation, litigation or appellate proceeding to enforce the terms and conditions of this Agreement, each party to the action shall pay its own attorney's fees and costs incurred therein.

(d) Venue over any action to enforce the terms and conditions of this Agreement, including mediation, shall lie solely in Okaloosa County, Florida.

OWNERS: S. BRIAN AND HYEWON KIM

_____ _____
Signature of Witness #1 S. BRIAN KIM

_____ _____
Print or type name Date

_____
Signature of Witness # 2

_____
Print or type name

_____ _____
Signature of Witness #1 HYEWON KIM

_____ _____
Print or type name Date

_____
Signature of Witness # 2

_____
Print or type name

STATE OF_____
COUNTY OF_____

The foregoing instrument was acknowledged before me this _____ day of _____ 2019, by _____ _____ and _____, who are personal known to me or who have produced _____ as identification and who did not (did) take an oath.

_____
Signature of Notary

(NOTARY SEAL)

_____
Print or type name

STATE OF_____
COUNTY OF_____

The foregoing instrument was acknowledged before me this _____ day of _____ 2019, by _____ _____ and _____, who are personal known to me or who have produced _____ as identification and who did not (did) take an oath.

_____
Signature of Notary

(NOTARY SEAL)

_____
Print or type name

CITY OF DESTIN

By:_____
Gary Jarvis, Mayor

Date:_____

ATTEST:

_____
Rey Bailey, City Clerk

Date:_____

STATE OF_____
COUNTY OF_____

The foregoing instrument was acknowledged before me this _____ day of _____ 2019, by _____ _____ and _____, who are personal known to me or who have produced _____ as identification and who did not (did) take an oath.

_____
Signature of Notary

(NOTARY SEAL)

_____
Print or Type Name

Approved as to form and legality for use and reliance
by the City of Destin, Florida, only.

_____
Kimberly Romano Kopp, Esq.
City Land Use Attorney

Exhibit "A"

Legal Description of Property

ITEM # 2019-1914

CITY OF DESTIN

AGENDA ITEM

COUNCIL MEETING DATE: December 9, 2019
TYPE OF AGENDA ITEM: Action Item

TO: City Council

THRU: Lance Johnson, City Manager

FROM: Kimberly Kopp, Land Use Attorney
Louis Zunguze, Community Development Director

DATE: December 5, 2019

SUBJECT: 33) 112 Sandprint Circle

I. BACKGROUND:

On January 22, 2019, the City enacted Ordinance 18-29-CC, the Short-Term Rental Occupancy Ordinance ("Ordinance"), which limits the occupancy of short-term rental homes to two (2) people per bedroom plus an additional four (4) persons.

The subject property owner owns the real property and improvements located at 112 Sandprint Circle, Destin, FL 32541, as more particularly described in Exhibit "A" (the"Property") to the proposed settlement agreement.

Owner filed a claim with the City, pursuant to the provisions of §70.001, Florida Statutes, the Bert J. Harris Jr., Private Property Rights Protection Act (the "Harris Act"), alleging that the Property had been inordinately burdened by the adoption of the Ordinance, (the "Claim).

The Harris Act provides for the City to have the ability to enter into a settlement agreement which would have the effect of a modification or variance to the application of a regulation or ordinance as it would otherwise apply to the subject real property, provided the relief granted protects the public interest served by the regulations at issue and is the appropriate relief necessary to prevent the governmental regulatory effort from inordinately burdening the real property.

The City Council should settle the claim if the City Council determines that the modifications within the settlement agreement protect the public interest served by the Ordinance and are the appropriate relief necessary to prevent the regulatory effect of the Ordinance from inordinately burdening the Property.

II. DISCUSSION: The property owner has requested a maximum occupancy of thirty (30) occupants. City staff is recommending an occupancy of twenty-nine (29) occupants based on the square footage of the property. The building official utilized a one-occupant per 200 square feet methodology for recommending the above-stated occupancy.

Additionally, staff is recommending at least five (5) trash cans on the property. This recommendation is based on industry standard (Waste Management) that, on average, one trash can is required for every six occupants in order to ensure adequate garbage disposal. Therefore, if the maximum number of occupants exceeds any multiple of six (6, 12, 18, 24, 30, 36, etc.), then an extra trash can will be needed to accommodate the additional occupants. For example, if thirteen (13) is the maximum occupation, then three (3) trash cans are required. This is because, on average, two (2) trash cans will only accommodate twelve (12) occupants. The third trash can will be needed to accommodate the thirteenth occupant.

Further, the property owner must agree to annual life safety inspections, as provided in the proposed settlement agreement.

Finally, staff is recommending that no greater than two (2) vehicles be parked on this property

As stated in the agreement, the property owner remains bound by all other provisions of City codes.

A. Link to Strategic Goals / Objectives:

B. Effect on Budget (EOB):

C. Level of Service (LOS):

III. CONCLUSION:

IV. RECOMMENDED MOTION: 1. I move to approve the settlement agreement prepared by the City Land Use Attorney and Staff.

or

2. I move to approve the settlement agreement prepared by the City Land Use Attorney and Staff with the following modifications:_____.

or

3. I move to direct the City Land Use Attorney to negotiate in good faith with the property owner and to bring back an alternate settlement proposal to the City

Council for consideration.

or

4. I move to deny settlement of the subject claim at this time.

Attachments:

1. Burt Harris Case - 112 Sandprint Circle
2. 112 Sandprint Settlement 11_1_2019

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October 23, 2019
Via Hand Delivery

City of Destin
c/o Major Gary Jarvis
4200 Indian Bayou Trail
Destin, FL 32541

Re: 112 Sandprint Circle, Destin, FL 32541
Bert J. Harris Claim, §70.001, *Fla. Stat.*, July 1, 2012

Dear Mayor Jarvis,

This firm represents Edward J. and Tari M. H. Furey, owners of an improved property described as 112 Sandprint Circle, Destin, FL 32541. My clients have been utilizing and operating the house as a short-term rental property within the City of Destin for over two (2) years. The City of Destin has authorized the use of this property as a short-term vacation rental.

The "before" condition of the subject property is an eight-bedroom, four-story residence able to accommodate thirty (30) guests as part of the authorized and approved short-term rental use of this property and others within the City.

By the City of Destin's passage on January 22, 2019 of Ordinance 18-29-CC and application of Ordinance 18-29-CC to the subject property on September 18, 2019 (when the City of Destin denied clients' request for a variance), this property is now restricted to an occupancy of twenty (20) guests. [1]

The Florida Legislature has passed Section 70.001, *Fla. Stat.*, known as the "Bert J. Harris Jr. Private Property Rights Protection Act as Amended."

Chapter 70.001, *Fla. Stat.*, "*inter alia*", created a separate and district cause of action which provides for relief or payment of compensation when a new law, rule, regulation or ordinance of

[1] The subject property was issued a grandfather certificate on May 6, 2019, permitting the property to rent to twenty-four (24) occupants until May 6, 2024.

NT

the state or a political entity in the state, as applied, unfairly affects real property. "When a specific action of a governmental entity has inordinately burdened an existing use of real property or a vested right to a specific use of real property, the property owners of that real property are entitled to relief, which may include compensation for the actual loss to the fair market value of the real property caused by the action of government, as provided in this section." *Fla Stat.* §70.001(2).

The owners of the subject property assert that their actual and existing use of said real property has been inordinately burdened by the City of Destin's adoption and application of Ordinance 18-29-CC by restricting its occupancy to only two (2) persons per bedroom plus four (4).

To that end, this letter should serve as a formal, written claim pursuant to §70.001, *Fla. Stat.*, the Bert J. Harris Jr. Private Property Rights Protection Act as Amended. Attached to this letter is a bona fide, valid appraisal that supports the claim and demonstrates the loss in value to the real property. This appraisal establishes the loss in value of the subject property, as a result of the application of the occupancy limitation of Ordinance 18-29-CC, to be $1,290,000.00.

Pursuant to §70.001(4)(c), *Fla. Stat.*, the City of Destin has 150 days to respond to this claim with a written settlement offer. You should consult your counsel as to any other obligations and settlement opportunities contained within this statute.

PLEASE BE GOVERNED ACCORDINGLY.

Sincerely,

NAJMY THOMPSON, P.L.

Aaron M. Thomas
athomas@najmythompson.com

Enclosure: Appraisal

cc:

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AMT/kls

Appraisal Report

Detached Single Family Residential Home

5,882± HVAC SF Existing Structure

112 Sandprint Circle
Destin, FL 32541

DIMINUTION IN VALUE ANALYSIS
112 SANDPRINT CIRCLE
DESTIN, FL 32451

FOR
EDWARD AND TARI FUREY
AND
DESIGNATED ATTORNEYS

RETROSPECTIVE TO SEPTEMBER 18, 2019

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APPRAISAL REPORT

SUBJECT PROPERTY

5,882 ± HVAC SF Existing Detached Residential Improvement

Eight Bedrooms and Eight Bathrooms

112 Sandprint Circle
Destin, FL 32451

EFFECTIVE DATE OF APPRAISAL

Retrospective to September 18, 2019

REPORT DATE

October 8, 2019

VIEWING DATE

February 23, 2019 and September 25, 2019

CLIENT/INTENDED USER

Edward and Tari Furey
112 Sandprint Circle
Destin, FL 32451

File № 190153A

PREPARED BY:

Thomas A. Marr

State-certified General Real Estate Appraiser № RZ 2645 (FL)
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October 8, 2019

Edward and Tari Furey
112 Sandprint Circle
Destin, FL 32451

Re: Diminution in value appraisal of an approximate 5,882 HVAC SF detached residential improvement, 'as is' identified as 112 Sandprint Circle in Destin, FL 32451. The subject is an eight (8) bedroom and eight (8) bathroom detached home. **Panhandle Appraisal Group File № 190153.**

Dear Mr. And Ms. Furey:

I have completed the requisite personal viewing, research, and analysis necessary to determine if a diminution in value has occurred for the subject parcel.

The subject property is a four level detached single family residential structure with an approximate 5,882 HVAC SF , eight bedrooms and eight bathrooms. The current sleeping capacity of the subject is thirty (30) guests.

The purpose of the appraisal analysis was to develop an opinion of the market value of the subject property prior to the first application of the city of Destin Ordinance No. 18-29-CC to the subject property on September 18, 2019 when a thirty (30) guest occupancy was allowed, and then derive a value after the first application of the ordinance on September 18, 2019 which limited the subject to twenty (20) guests, based on two (2) guests per bedroom, plus four (4). I note that the designation of a bedroom is based on the Okaloosa County Property Appraiser web site.

The authorized user is the client at the address above. The understood intended use of the appraisal report will be for reference in determining if the first application of Ordinance No. 18-29-CC resulted in a diminution of value. No other use of this report by any other entity or person is authorized.

Subject to the above and the assumptions, limiting conditions, and certification set forth herein, it is my professional opinion the retrospective market value of the fee simple interest in the subject property, 'as is', as of September 18, 2019, prior to the first application of Ordinance No. 18-29-CC, was:

THREE MILLION FIVE HUNDRED THIRTY THOUSAND DOLLARS
$3,530,000

Subject to the above and the assumptions, limiting conditions, and certification set forth herein, it is my professional opinion the current market value of the fee simple interest in the subject property, 'as is', after the first application of Ordinance No. 18-29-CC is:

TWO MILLION TWO HUNDRED FORTY THOUSAND DOLLARS
$2,240,000

The diminution of value is a rounded $1,290,000.

Exposure Time
The exposure time linked to the final value opinion is a range to nine (9) to twelve (12) months based on market sales of similar properties and current market activity.

Analysis of recent trends and current market supply and demand strongly indicate the highest and best use of the subject property, is continued use as a seasonal rental home.

I hereby certify I possess no interest, present or contemplated, in the appraised property. The undersigned appraiser is competent or has taken the necessary steps to become competent for the property type being appraised. This appraisal has been prepared utilizing all of the requirements set forth as standards for real estate appraisals established for federally related transactions by the Comptroller of the Currency, the Federal Reserve Board, the Federal Deposit Insurance Corporation, and the State of Florida. The appraisal is in conformity with the standards for real estate appraisals as established by the Appraisal Foundation and its Appraisal Standards Board. The appraisal also conforms to *the 2018/2019 edition of the Uniform Standards of Professional Appraisal Practice (USPAP)* and your instructions. The fee for this appraisal was not based on value, nor was the assignment undertaken based on a predetermined value, a trend in value, or a minimum or maximum value.

Respectfully submitted,

Thomas A. Marr

Thomas A. Marr
State-Certified General Real Estate Appraiser № RZ 2645 (Florida)

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APPRAISAL REPORT

This is an Appraisal Report which is intended to comply with the reporting requirements in accordance with the 2018/2019 edition of the Uniform Standards of Professional Appraisal Practice (USPAP) for an Appraisal Report. As such, it represents summary discussions of the data, reasoning, and analyses used in the appraisal process to develop the appraisers' opinion of value. Supporting documentation concerning the data, reasoning, and analyses may be retained in the appraiser's files. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated below. The appraisers are not responsible for unauthorized use of this report.

CLIENT:	Edward and Tari Furey 112 Sandprint Circle Destin, FL 32541
APPRAISERS:	**Thomas A. Marr** State-certified General Real Estate Appraiser № RZ 2645 (Florida) Panhandle Appraisal Group 220 Hospital Drive Fort Walton Beach, Florida 32548
SUBJECT PROPERTY:	Legal Description Lot 7, Block C, Dunes of Destin. Tax ID №: 00-2S-22-067A-000C-0070.
PURPOSE OF THE APPRAISAL:	The purpose of this appraisal was to develop an estimate of the diminution in value from prior to the first application of City of Destin Ordinance No. 18-29-CC and after the first application of the ordinance on September 18, 2019.
INTENDED USE OF REPORT:	The understood intended use of the appraisal report will be for client use for legal proceedings to restore maximum occupancy property rights.
INTENDED USER:	The intended user is the client stated above, the client's attorneys, and regulatory authorities. This report is not intended or authorized for any other user or audience.
PROPERTY RIGHTS APPRAISED:	Fee Simple, one hundred percent (100%) ownership interest in the subject property.
EFFECTIVE DATE OF VALUE:	**Retrospective to September 18, 2019.**
DATE OF REPORT:	October 8, 2019
DATE OF INSPECTION:	Thomas A. Marr viewed the subject property on February 23, 2019 and September 25, 2019.
SCOPE OF WORK:	I note you have not requested an appraisal report format. Based on the Scope of Work requirements included in the 2018/2019 version of USPAP, which indicates the appraiser is responsible to coordinate the scope of work with the client, I am informing you I will perform an appraisal report. **It is my opinion this process of work meets all applicable 2018/2019 USPAP standards.**
DEFINITIONS:	The definitions, commencing on the page following, are provided to assist the reader in understanding this appraisal report.

Market Value[1]

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

- Purchaser and seller are typically motivated;
- Both parties are well informed or well advised and each acting in what they consider their best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

The four (4) time differential values on the graph which may be considered in the appraisal of existing developments are defined as follows:

(1) **'As Is'** means an estimate of the market value of a property in the condition observed upon inspection and as it physically and legally exists without hypothetical conditions, assumptions, or qualifications as of the date of appraisal.

(2) **'Value Upon Completion'** means the market value of a property with all existing construction, conversion, or rehabilitation hypothetically completed, or under other specified hypothetical conditions as of the date of appraisal. With regard to properties wherein anticipated market conditions indicate stabilized occupancy is not likely as of the date of completion, this estimate of value shall reflect the market value of the property as if complete and prepared for occupancy by tenants.

(3) **'Prospective Future Value Upon Completion'** means the prospective future value of a property on the date construction is completed, based upon market conditions forecast to exist as of completion date.

(4) **'Prospective Future Value Upon Achievement of Stabilized Occupancy'** means the prospective future value of a property at a point in time when all improvements have been physically constructed and the property has been leased to its optimum level of long term occupancy.

Fee Simple Estate[2]

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.

Leased Fee Interest[3]

An ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the lessee are specified by contract terms contained within the lease.

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1 Title XI, Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), [Pub. L. No. 101-73, 103 Stat. 183 (1989)], 12 U.S.C. 3310, 3331-3351, and section 5(b) of the Bank Holding Company Act, 12 U.S.C. 1844(b); Part 225, Subpart G: Appraisals; Paragraph 225.62 (f).
Uniform Standards of Professional Appraisal Practice, 2003 Edition, Page 3
Federal Reserve System, 12 CFR Parts 208 and 225, Sec. 225.62
Office of the Comptroller of the Currency, 12 CFR Part 34, Sec. 34.42 (g)
FDIC, 12 CFR Part 323, Sec. 323.2 (g) (2000)
Office of Thrift Supervision, 12 CFR Part 564, Sec. 564.2
NCUA, 12 CFR Part 722, Sec. 722.2

2 The Dictionary of Real Estate Appraisal, Appraisal Institute, Fourth Edition, 2002, Page 113.

3 Ibid., Page 161.

Leasehold Interest[4]
The interest held by the lessee (the tenant or renter) through a lease transferring the rights of use and occupancy for a stated term under certain conditions.

Condominium[5]
A multi-unit structure or property in which persons hold fee simple title to individual units and an undivided interest in common areas.

Highest and Best Use[6]
The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and which results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability.

...of land or a site as though vacant:

Among all reasonable, alternative uses, the use yielding the highest present land value, after payments are made for labor, capital, and coordination. The use of property based on the assumption the parcel of land is vacant or can be made vacant by demolishing any improvements.

...of property as improved:

The use which should be made of a property as it exists. An existing improvement should be renovated or retained as is so long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing building and constructing a new one.

Marketing Time[7]
The time it takes an interest in real property to sell on the market subsequent to the date of an appraisal.

Exposure Time[8]
A retrospective estimate based on an analysis of past events assuming a competitive and open market.

Advocacy[9]
Representing the cause or interest of another, even if cause or interest does not necessarily coincide with one's own beliefs, opinions, conclusions, or recommendations.

Appraisal[10]
(Noun) The act or process of developing an opinion of value; an opinion of value. (Adjective) of, or pertaining to appraising and related functions such as appraisal practice or appraisal services.

Appraisal Practice[11]
Valuation services performed by an individual acting as an appraiser, including, but not limited to appraisal, appraisal review, or appraisal consulting.

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4 Ibid., Page 162.

5 Ibid., Page 59.

6 Ibid., Page 135.

8 Ibid., Page 175

9 Ibid., Page 105

9 2018/2019 edition, *Uniform Standards of Professional Appraisal Practice (USPAP)*, Page 1

10 Ibid, Page 1

11 Ibid, Page 1

Appraisal Review[12]
The act or process of developing and communicating an opinion about the quality of another appraiser's work was performed as part of an appraisal, appraisal review, or appraisal consulting assignment.

Appraiser[13]
One who is expected to perform valuation services competently, and in a manner, is independent, impartial, and objective.

Appraiser's Peers[14]
Other appraisers who possess expertise and competency in a similar type of assignment.

Assignment[15]
A valuation service provided as a consequence if an agreement between an appraiser and a client.

Assignment Results[16]
An appraiser's opinions and conclusions developed specific to an assignment.

Assumption[17]
An occurrence which is taken to be true.

Bias[18]
A preference or inclination which precludes an appraiser's impartiality, independence, or objectivity in an assignment.

Business Enterprise[19]
An entity pursuing an economic entity.

Business Equity[20]
The interests, benefits, and rights inherent in the ownership of a business enterprise or a part thereof in any form (including, but not necessarily limited to, capital stock, partnership interests, cooperatives, sole proprietorships, options, and warrants).

Client[21]
The party or parties who engage an appraiser (by employment or contract) in a specific assignment.

Confidential Information[22]
Information is either:

- identified by the Client as confidential when providing it to an appraiser and is not available from any other source; or,
- classified as confidential or private by applicable law or regulation.

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12 Ibid, Page 1

13 Ibid, Page 1

14 Ibid, Page 2

15 Ibid, Page 2

16 Ibid, Page 2

17 Ibid, Page 2

18 Ibid, Page 2

19 2018/2019 edition, USPAP, Page 2

20 Ibid, Page 2

21 Ibid, Page 2

22 Ibid, Page 2

Cost[23]
The amount required to create, produce, or obtain a property.

'Credible'[24]
Worthy of belief.

Extraordinary Assumption[25]
An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions.

Feasibility Analysis[26]
A study of the cost-benefit relationship of an economic endeavor.

Hypothetical Condition[27]
An assertion which is contrary to what exists but is supposed for the purpose of analysis.

Intangible Property[28]
(Intangible Assets) Nonphysical assets, including, but not limited to, franchises, trademarks, patents, copyrights, goodwill, equities, securities, and contracts as distinguished from physical assets such as facilities and equipment.

Intended Use[29]
The use or uses of an appraiser's reported appraisal, appraisal review, or appraisal consulting assignment opinions and conclusions, as identified by the appraiser based on communication with the Client at the time of the assignment.

Intended User[30]
The Client and any other party as identified, by name or type, as users of the appraisal, appraisal review, or appraisal consulting report by the appraiser on the basis of communication with the Client at the time of the assignment.

Jurisdictional Exception[31]
...an assignment condition which voids the force of a part or parts of *USPAP*, when compliance with part or parts of *USPAP* is contrary to law or public policy applicable to the assignment.

IDENTIFY THE PROBLEM TO BE SOLVED
The problem to be solved in this appraisal analysis was to develop an opinion of the market value of the subject property, both prior to the first application of the city of Destin Ordinance No. 18-29-CC to the subject on September 18, 2019 when thirty (30) guest occupancy was allowed and after the first application of the Destin Ordinance No. 18-29-CC on September 18, 2019, which limited the subject to twenty (20) guests, based on two guests per bedroom, plus four. Utilizing the before and after values, I derived a diminution of value to the subject property.

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23 Ibid, Page 2

24 Ibid, Page 3

25 Ibid, Page 3

26 Ibid, Page 3

27 Ibid, Page 3

28 Ibid, Page 3

29 Ibid, Page 3

30 Ibid, Page 3

31 2018 edition, *USPAP*, Page 3

EXTENT OF THE PROCESS OF COLLECTING, CONFIRMING, AND REPORTING DATA:

Preparation of this appraisal included the following scope of work:

- The subject site, improvements, and parking improvements were inspected by the appraiser, the property was photographed. File data for similar properties was reviewed.
- The public records were reviewed.
- The appraiser examined the economic, social, governmental, and environmental forces affecting value in the subject neighborhood and the entire market area as a whole.
- The appraiser identified recent and projected actual rents for the subject, based on occupancy of up to 30 guests. The appraiser then identified the annual rentals of other comparable properties which accommodated up to 30 guests. These comparable rentals provided market support for the subject actual and projected gross rental income.
- The appraiser identified market rental comparables for properties limited to 20 guests.
- The appraiser then reduced gross rent to net operating rent and capitalized the net operating rent to identify value for the subject as a 30 guest rental and a 20 guest rental. The difference between these two values is the diminution in value.

IDENTIFICATION OF THE TYPE OF APPRAISAL AND APPRAISAL REPORT FORMAT:
I have provided an **Appraisal Report**, as defined by the *2018/2019 edition of the Uniform Standards of Professional Appraisal Practice*, containing a summary of all relevant conclusions, data, and analyses used in the report.

TERMS OF THE FINAL VALUE OPINION:
The final opinion of the current market values of the subject property, 'as is' is expressed in terms of cash or financing terms equivalent to cash.

POLICY STATEMENT OF THE APPRAISAL INSTITUTE:
It is improper to base a conclusion or opinion of value upon the premise the racial, ethnic, or religious homogeneity of the inhabitants of an area or of a property is necessary for maximum value.

Racial, religious, and ethnic factors are deemed unreliable predictors of value trends or price variance.

It is improper to base a conclusion or opinion of value, or a conclusion with respect to neighborhood trends, upon stereotyped, biased presumptions relating to the effective age or remaining life of the property being appraised or the life expectancy of the neighborhood in which it is located.

The undersigned appraiser is not a member of the Appraisal Institute.

GENERAL ASSUMPTIONS:

1. No responsibility is assumed for the legal description provided or for matters relevant to legal or title considerations. Title to the property is assumed to be marketable unless otherwise stated. The legal description used in this report is assumed to be correct.

2. The subject property is appraised free and clear of any or all liens, leases, or encumbrances unless otherwise stated. All mortgages, liens, encumbrances, leases, and servitudes have been disregarded unless so specified within the report.

3. No survey of the property has been made by the appraisers and no responsibility is assumed in connection with such matters. Sketches, plot plans, or illustrative material presented in this report are included only to assist the reader in visualizing the property.

4. Information and data furnished by others is usually assumed to be true, correct and reliable. When such information and data appears to be dubious and when it is critical to the appraisal, a reasonable effort has been made to verify all such information; however, no responsibility for its accuracy is assumed by the appraiser.

5. Responsible ownership and competent property management are assumed unless otherwise stated in this report.

6. It is assumed there are no hidden or unapparent conditions of the property, subsoil or structures which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.

7. It is assumed 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.

8. It is assumed the subject property is in compliance with all applicable zoning and land use regulations, unless a nonconformity has been stated, defined and considered in the appraisal report.

9. It is assumed all required licenses, consents or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use which the value estimate contained in this report is based.

10. It is assumed the utilization of the land and improvements is within the boundaries or property lines of the property described and there is no encroachment or trespass unless noted within the report.

EXTRAORDINARY ASSUMPTIONS:

I am using data provided to me by the client and other vacation home owners.

I am making the extraordinary assumption that the data provided is accurate, credible and reliable.

If, for any reason, the data provided is not accurate, credible and reliable, the values derived in the analysis is subject to review.

GENERAL LIMITING CONDITIONS:

1. This is an Appraisal Report which is intended to comply with the reporting requirements set forth in accordance with the *2018/2019 edition of the Uniform Standards of Professional Appraisal Practice* for an Appraisal Report. As such, it includes summarized discussions of the data, reasoning, and analyses used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses may be retained in the appraiser's files. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraiser is not responsible for unauthorized use of this report.

2. Appraisers are not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraisers suggesting the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert in the field of environmental assessment. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The appraiser's value estimate is predicated on the assumption there exists no such material on or in the property causing a loss in value unless otherwise stated in this report. No responsibility is assumed for any environmental conditions, or for any expertise or engineering knowledge required to discover them. The appraisers' descriptions and resulting comments are the result of the routine observations made during the appraisal process.

3. The subject property is appraised without a specific compliance survey having been conducted to determine if the property is or is not in conformance with the requirements of *The Americans with Disabilities Act*. The presence of architectural and communications barriers which are structural in nature which would otherwise restrict access by disabled individuals may adversely affect the property's value, marketability, or utility.

4. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event, only with proper written qualification and only in its entirety.

5. Neither all nor any part of the contents of this report shall be conveyed to any person or entity, other than the appraiser's or firm's client, through advertising, solicitation materials, public relations, news, sales, or other media without the written consent and approval of the authors, particularly as to valuation conclusions, the identity of the appraiser or firm with which the appraiser is connected, or any reference to affiliation with any professional appraisal organization. Further, the appraiser or firm assumes no obligation, liability, or accountability to any third party. If this report is placed in the hands of anyone but the client, client shall make party aware of all the assumptions and limiting conditions of the assignment.

6. The appraiser affixing his signatures to this appraisal report will not be required to give testimony or appear in court because of having made this appraisal, with reference to the property in question, unless arrangements have been previously made thereof.

7. No environmental impact studies were either requested or made in conjunction with this appraisal, and the appraiser hereby reserves the right to alter, amend, revise, or rescind any of the value opinions based upon any subsequent environmental impact studies, research, or investigation.

8. The appraiser has not been supplied with a report of the subsoil conditions indicating the exact capacity of the subsoil. I do not have the benefit of subsoil test results of the properties and detection of possible soil defects would be beyond my realm of expertise. However, there appear to be no hidden or apparent conditions of the subject sites or subsoil structures which would render them more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.

9. Acceptance of and/or use of this appraisal report constitutes acceptance of the foregoing General Assumptions, Special Assumptions, General Limiting Conditions, and Special Limiting Conditions.

EXTRAORDINARY LIMITING CONDITIONS AND HYPOTHETICAL CONDITIONS:

I note that the ordinance in question allows a five (5) year 'grandfather' period. I considered if this 'grandfather' status should receive some analysis in the discussion of diminution of value. After consideration, I concluded that a potential market participant, aware that the grandfather status will be eliminated , would be very wary to enter into a financial arrangement where he may have to liquidate in an unknown market within a time line that may not be available . Thus, I am not considering any impact of the 'grandfather' status.

CERTIFICATION:

I certify, to the best of my knowledge and belief:

1. The statements of fact contained in this report are true and correct.

2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions and conclusions.

3. I possess no present or prospective interest in the property which is the subject of this report and no personal interest with respect to the parties involved.

4. I possess no bias with respect to the property which is the subject of this report or to the parties involved with this assignment.

5. The engagement in this assignment was not contingent upon developing or reporting predetermined results.

6. The compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value favoring the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

7. The analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *2018/2019 edition of the Uniform Standards of Professional Appraisal Practice.*

8. Thomas A. Marr has made a personal viewing of the property which is the subject of this report. No one else has rendered significant real estate appraisal knowledge and input to the compilation of this report.

9. I have not performed any services, to include appraisal services, regarding the subject in the previous three years.

10. The opinion of market value 'as is' of the one hundred percent (100%) fee simple ownership interest in the subject property, 'as is' is prior to the first application of Destin Ordinance 18-29-CC is $THREE MILLION FIVE HUNDRED THIRTY THOUSAND DOLLARS ($3,530,000) and the value after the first application of Destin Ordinance 18-29-CC is TWO MILLION TWO HUNDRED FORTY THOUSAND DOLLARS ($2,240,000. The diminution of value is estimated as ONE MILLION TWO HUNDRED NINETY THOUSAND DOLLARS ($1,290,000).

Thomas A. Marr
State-certified General Real Estate Appraiser № RZ 2645 (Florida)

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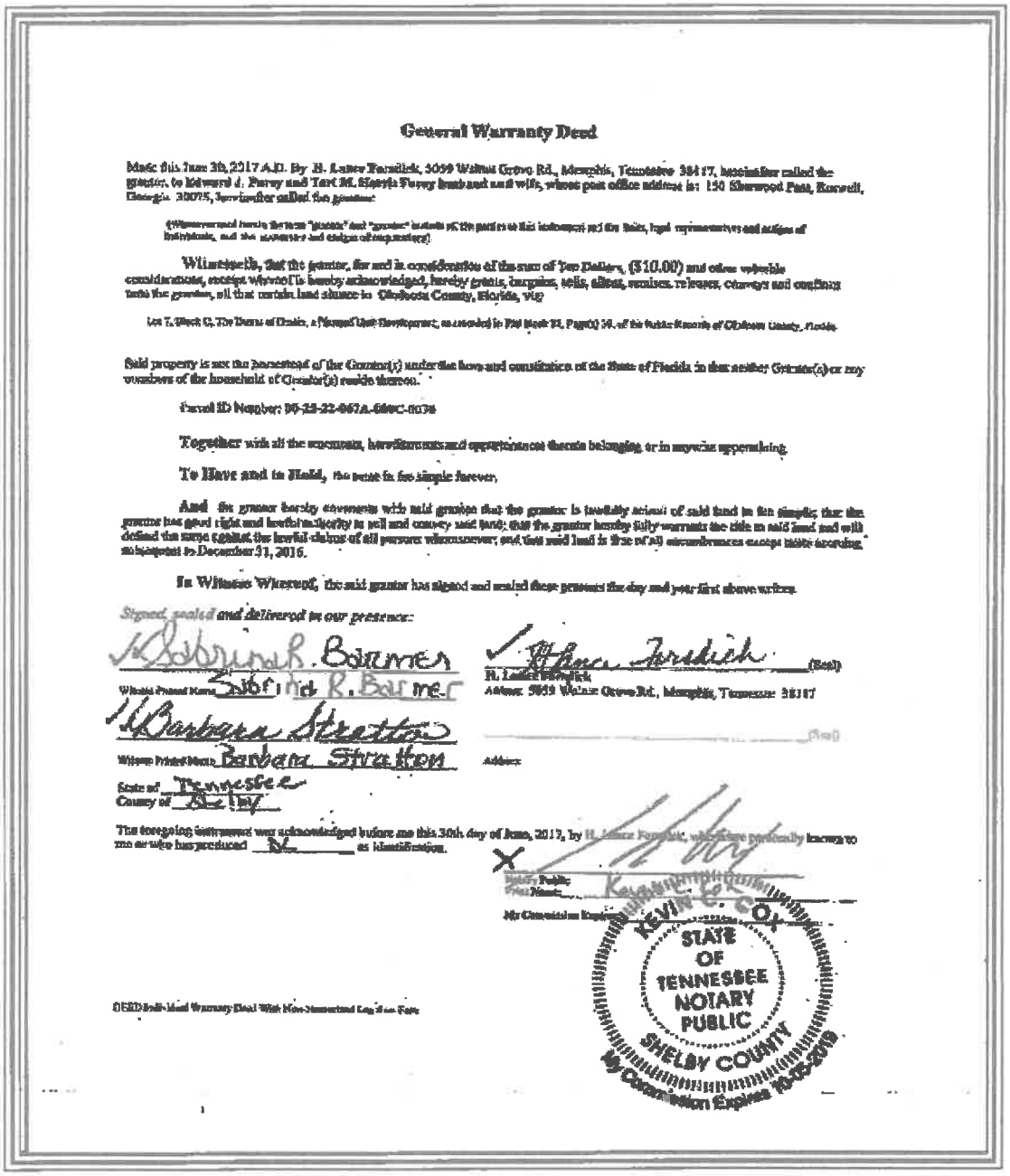
DESCRIPTION OF THE SUBJECT PROPERTY

Ownership:

The current owner is Edward and Tari Furey.



General Warranty Deed

Made this June 30, 2017 A.D. By H. Lance Forsdick, 5059 Walnut Grove Rd., Memphis, Tennessee 38117, hereinafter called the grantor, to Edward J. Furey and Tari M. Harris Furey husband and wife, whose post office address is: 150 Sherwood Pass, Roswell, Georgia 30075, hereinafter called the grantee:

(Whenever used herein the term "grantor" and "grantee" include all the parties to this instrument and the heirs, legal representatives and assigns of individuals, and the successors and assigns of corporations)

Witnesseth, that the grantor, for and in consideration of the sum of Ten Dollars, ($10.00) and other valuable considerations, receipt whereof is hereby acknowledged, hereby grants, bargains, sells, aliens, remises, releases, conveys and confirms unto the grantee, all that certain land situate in Okaloosa County, Florida, viz:

Lot 7, Block C, The Dunes of Destin, a Planned Unit Development, as recorded in Plat Book 21, Page(s) 38, of the Public Records of Okaloosa County, Florida.

Said property is not the homestead of the Grantor(s) under the laws and constitution of the State of Florida in that neither Grantor(s) or any members of the household of Grantor(s) reside thereon.

Parcel ID Number: 00-25-22-067A-000C-0036

Together with all the tenements, hereditaments and appurtenances thereto belonging or in anywise appertaining.

To Have and to Hold, the same in fee simple forever.

And the grantor hereby covenants with said grantee that the grantor is lawfully seized of said land in fee simple; that the grantor has good right and lawful authority to sell and convey said land; that the grantor hereby fully warrants the title to said land and will defend the same against the lawful claims of all persons whomsoever; and that said land is free of all encumbrances except taxes accruing subsequent to December 31, 2016.

In Witness Whereof, the said grantor has signed and sealed these presents the day and year first above written.

Signed, sealed and delivered in our presence:

Sabrina R. Barmer
Witness Printed Name Sabrina R. Barmer

Barbara Stratton
Witness Printed Name Barbara Stratton

H. Lance Forsdick (Seal)
H. Lance Forsdick
Address: 5059 Walnut Grove Rd., Memphis, Tennessee 38117

(Seal)
Address:

State of Tennessee
County of Shelby

The foregoing instrument was acknowledged before me this 30th day of June, 2017, by H. Lance Forsdick, who is personally known to me or who has produced N/A as identification.

X
Notary Public
Print Name: Kevin C. Cox
My Commission Expires:

KEVIN C. COX
STATE OF TENNESSEE NOTARY PUBLIC
SHELBY COUNTY
My Commission Expires 10-05-2019

DEED Individual Warranty Deed With Non-Homestead Legal on Face

SITE:

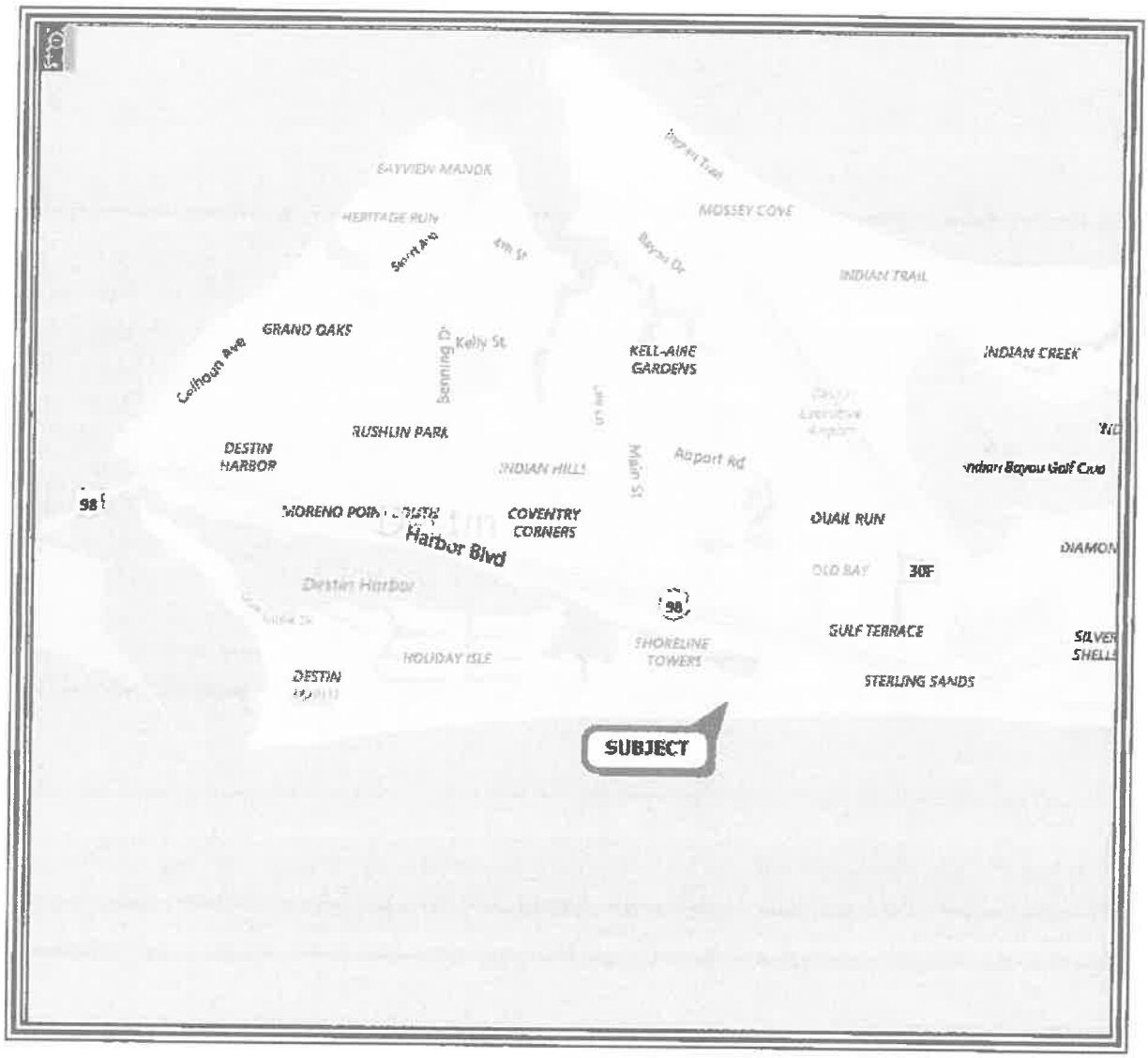
Location:
The subject is a direct gulf front parcel, located in the Dunes of Destin Subdivision in urban Destin, Florida 32541.

The surrounding Dunes of Destin SD is exclusively gulf front and interior detached homes.

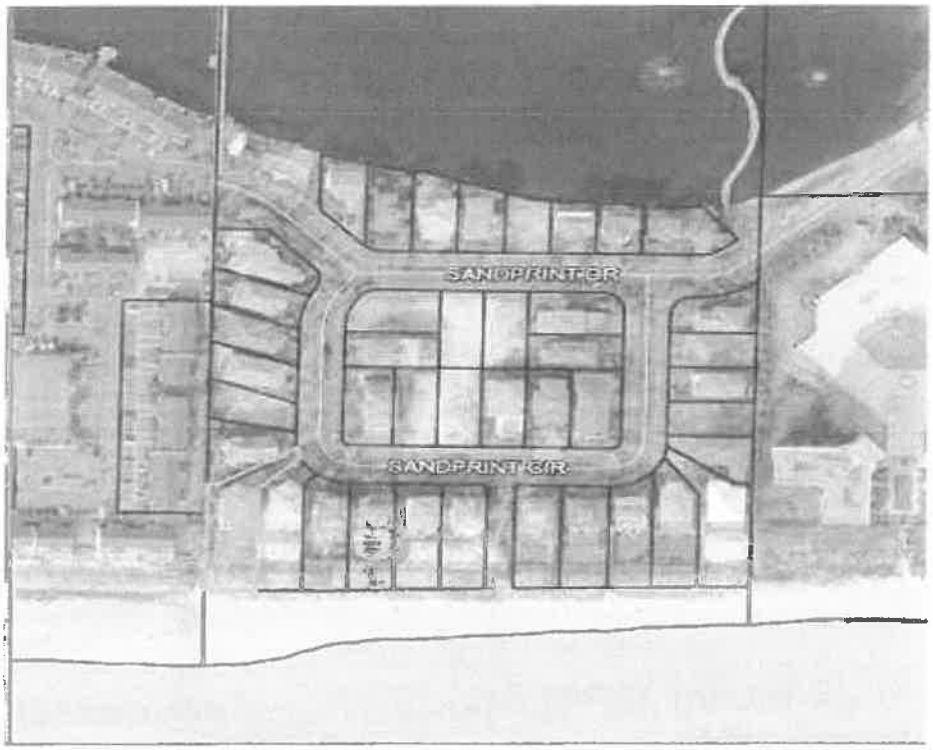
To the east and west along the gulf are primarily multi-family developments, predominantly condominiums.

To the north, along Harbor Boulevard (U. S. Highway 98) are commercial uses and further north are mature, residential subdivisions.

See the following map for the subject location in the broad Destin market.



The following map indicates the local market area surrounding the subject.

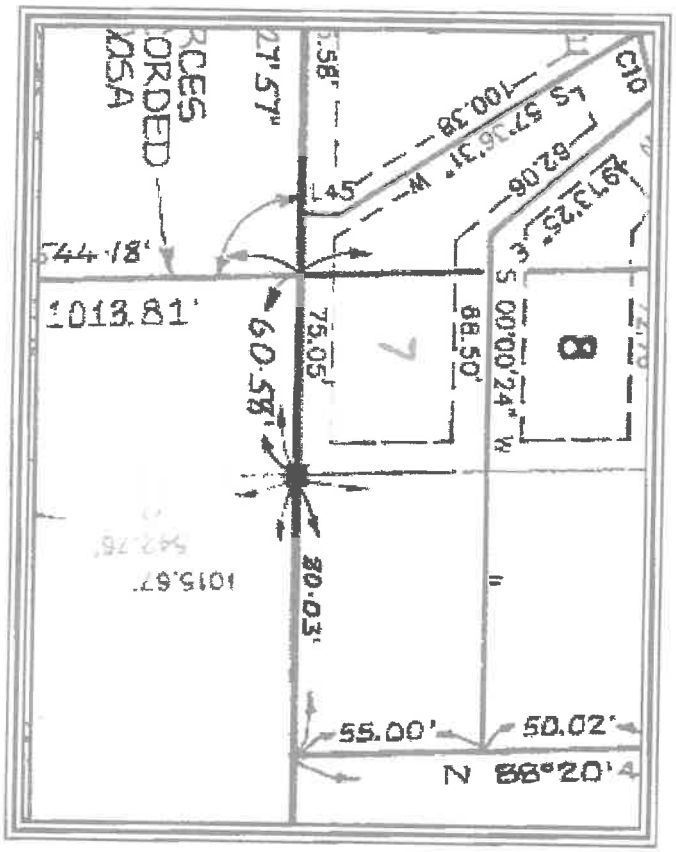


The following aerial photograph indicates the immediate vicinity of the subject.

Land Size:

The subject is a single residential lot.

See the following excerpt from the recorded plat map.



Based on these dimensions, the subject lot is an approximate 0.23 acres, or an approximate 10,000 SF.

I would consider the subject land size as typical and parking to be adequate.

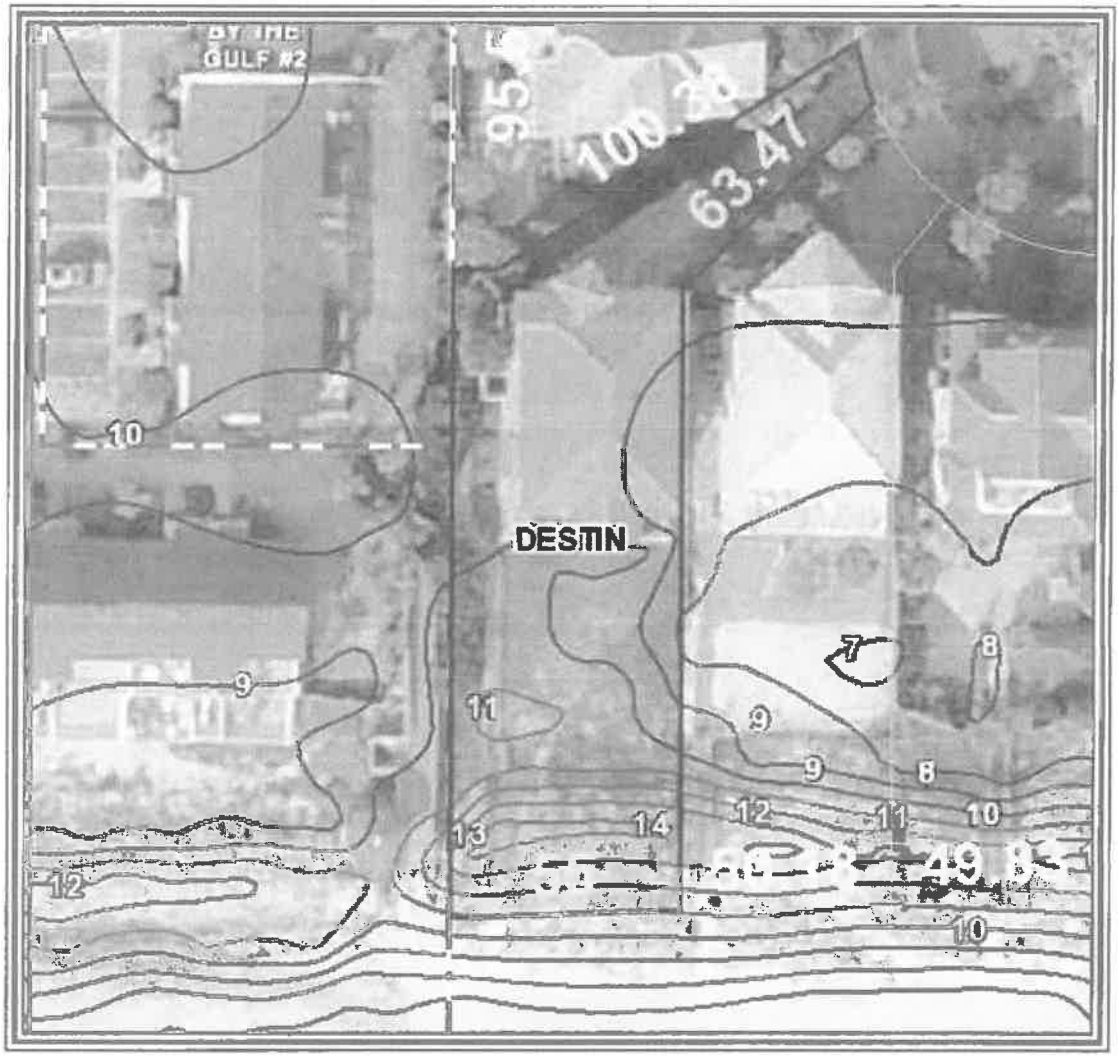
Site Topography:

Per the Okaloosa County GIS site and my viewing, the subject is at the road grade of Sandprint Circle.

The subject is also generally level on the north and central parts of the subject lot and then slopes substantially downward on the south side of the lot and the Gulf Of Mexico.

The subject lot contour is typical for gulf front parcels.

I am providing the following contour map extracted from the Okaloosa County Property Appraiser web site.



Utilities:

Utility	*Provider*	*Utility*	*Provider*
Electricity	Gulf Power	Stormwater Drainage	Destin
Water and Sewer	Okaloosa County	Fire Department	Destin
Natural Gas	Okaloosa Gas	Police Department	Contract with the Okaloosa County Sheriff
Telephone	Verizon	Refuse Removal	By contract
Cable Television	Cox Cable		

The utilities for the subject site are considered as typical in the market.

Easements/Encroachments:
I was not furnished a copy of a recent survey of the subject property. A review of the site plan, various maps and my personal viewing did not indicate any easements or encroachments.

I assume there are utility easements of record.

It is my opinion that there are no easements or encroachments which would affect value or transferability.

Ingress/Egress:
The subject property is reached directly from Sandprint Circle, one of the streets in the Dunes of Destin Subdivision.

Sandprint Circle is a paved, two lane, city roadway.

Sandprint Circle connects to Sandprint Drive.

Sandprint Drive travels north and connects to Harbor Boulevard (U. S. Highway 98).

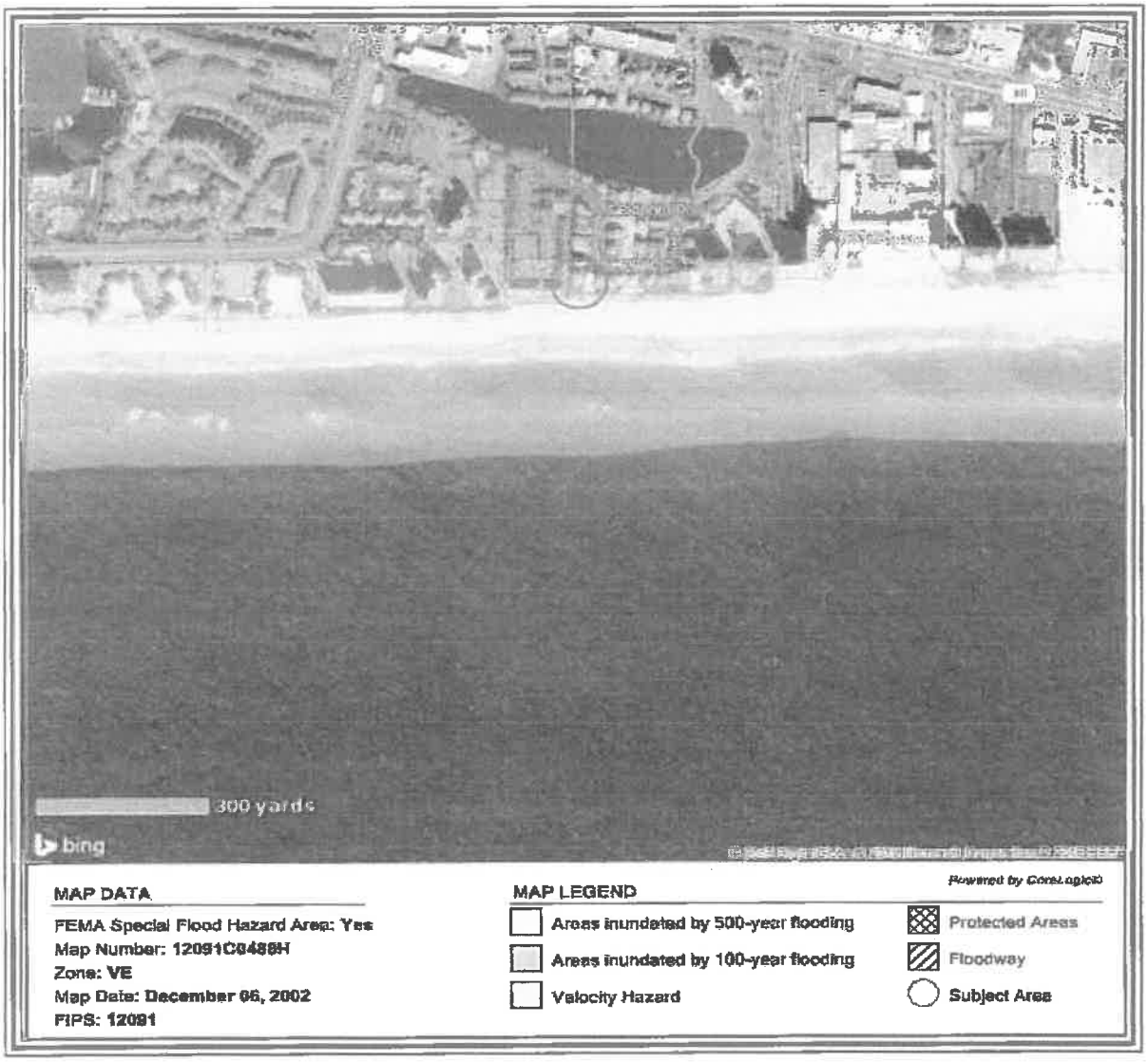
Ingress/egress is viewed as similar to most access typically found in the market.

Parking is viewed as similar to most parking found in the market.

Flood Risk:

FEMA Map Panel	*Map Area*	*Dated*	*Flood Zone*
12091C 0488H	Okaloosa County	December 6, 2002	"VE"

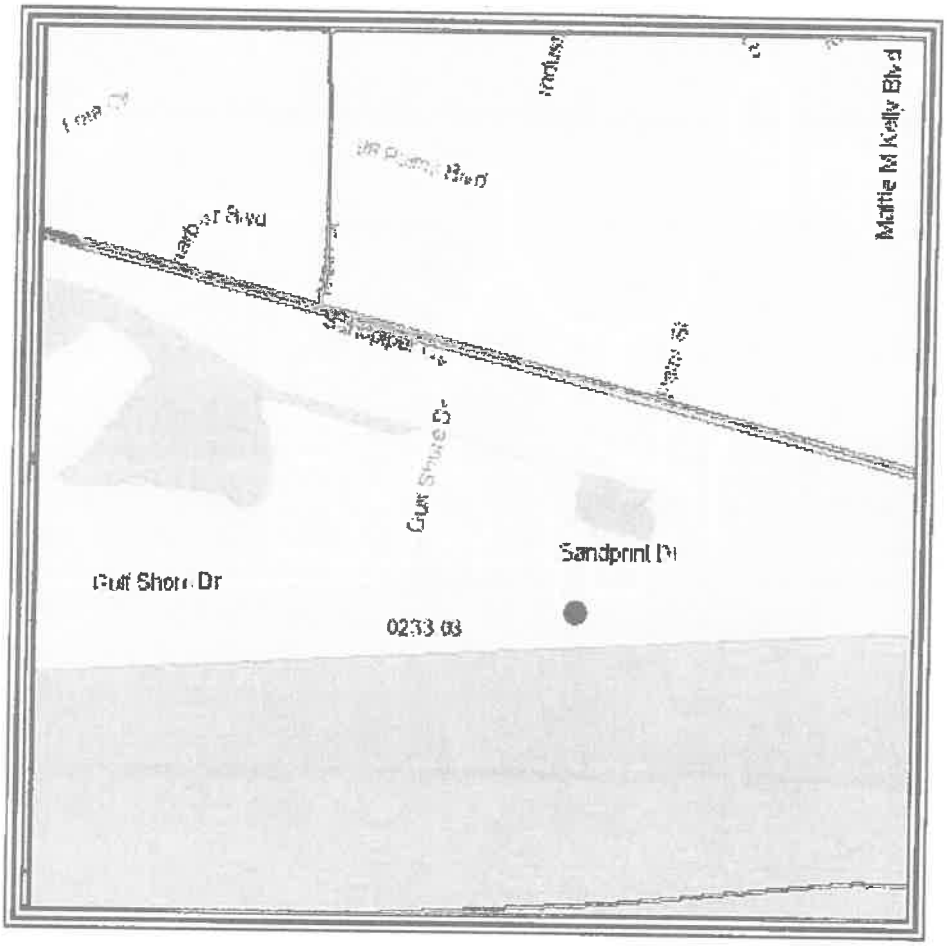
* The client is advised appraisers are not surveyors, and accordingly, any final determination as to flood zone status should only be made by a licensed, adequately insured, Florida surveyor utilizing the latest FEMA flood panels. However, it appears the entire subject area is considered as Flood Zone 'VE', an area of potential flooding. The subject is located at the red circle in the following flood map.



Wetlands:

The subject features no wetlands.

Census Data:
The subject is located in census tract 0233.03.



IMPROVEMENTS 'AS IS'

Size:
The subject is a single family detached improvement with four levels.

The first level is the garage and a sitting area/game room with two twin sleepers and one queen sleeper which sleeps six (6) guests.

The second level is the kitchen and other living areas to include one bedroom and one sleeper sofa. This level sleeps four (4) guests.

The third level is three bedrooms and a trundle bed which sleeps nine (9) guests.

The fourth level is four bedrooms and a chair sleeper which sleeps eleven (11) guests.

The subject features substantial exterior balconies and porches, as well as an in ground swimming pool, pool deck/lanai, Tiki hut, landscaping and a dune walkover.

Per Okaloosa County public records, the subject is 8,297 total SF with an approximate 5,882 HVAC SF of living area.

Construction Quality:
The quality of construction for the subject improvement is *Class D* good. Details of construction are summarized below:

Construction Component	
Foundation	4" Reinforced concrete slab
Exterior walls	Wood frame with stucco
Roof	Clay Tile
Trim	Base and crown molding
Windows	Double pane aluminum
Exterior doors	Insulated metal with glass
Insulation	Unknown. Assumed to be R38 behind sheet rock
HVAC	Forced Air and Central HVAC
Ceiling	10 foot with sheet rock and can lights
Interior Walls	Painted sheet rock
Interior flooring	High quality stone, tile and carpet
Interior doors	Six and four panel wood
Restrooms	Eight bath rooms
Lighting	Can lights
Kitchens	One typical residential kitchen
Other	Many porches. Swimming pool and lanai and a dune walkover.

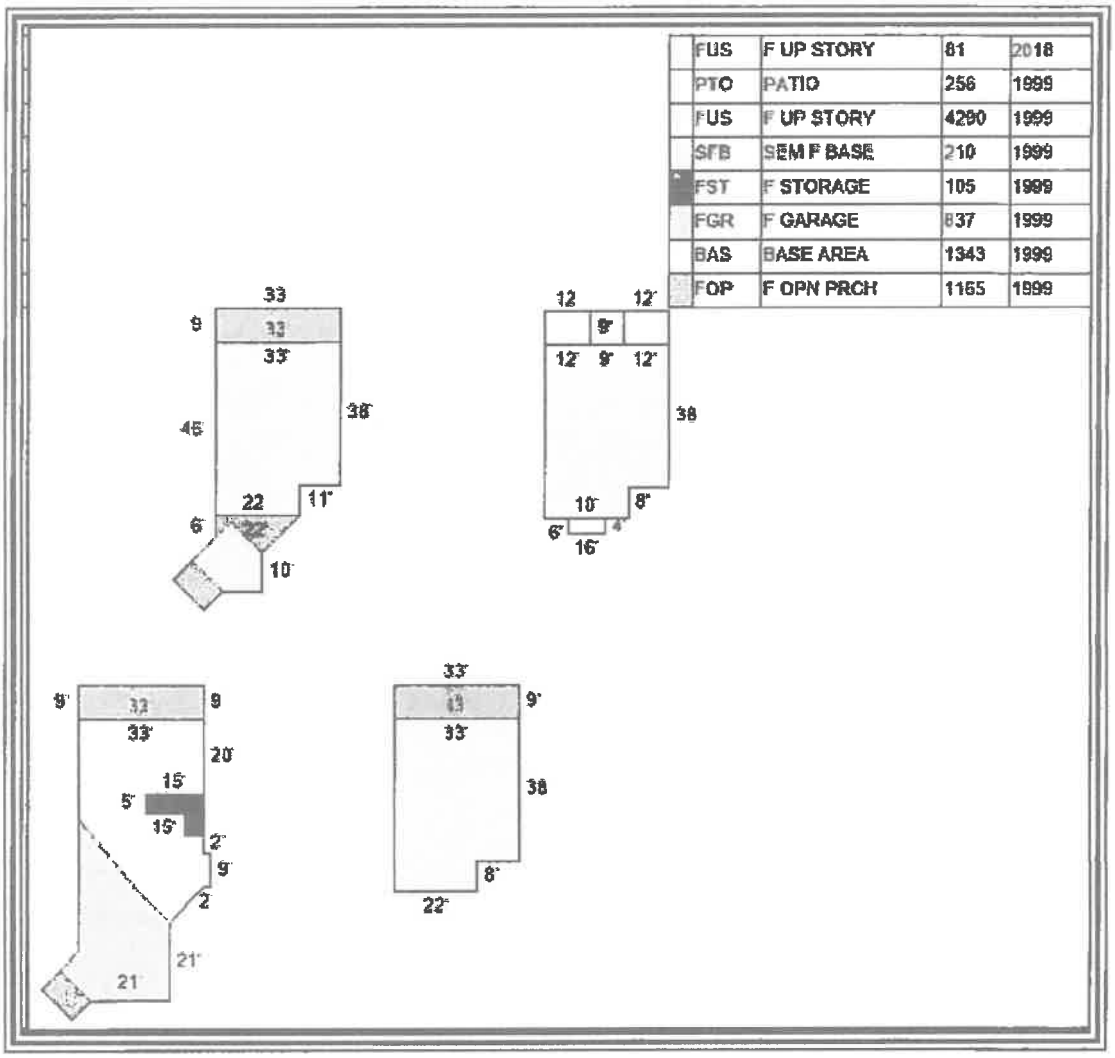
Condition of Improvements:
The subject improvement is in good condition.

Age:
Public records indicate this subject improvement was constructed in 1999. The swimming pool was added in 2018.

Based on typical ongoing renovation, plus the substantial renovation after the client's recent purchase in 2017, I consider the effective age to be 15 years. I consider the remaining economic life to be 40 years and the remaining physical life to be 50 years.

Sketch:

The following sketch is provided from the Okaloosa County Property Appraiser web site.



Exterior Photographs:

FRONT OF SUBJECT

REAR OF SUBJECT

WEST SIDE OF SUBJECT

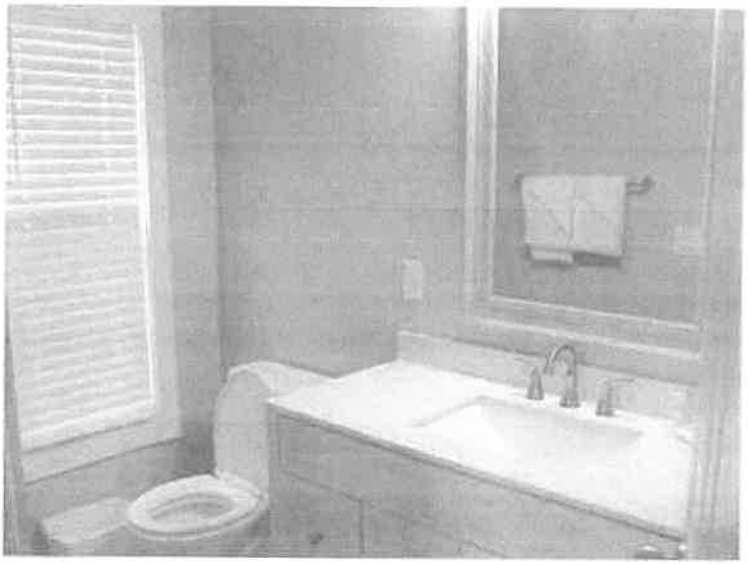
EAST SIDE OF SUBJECT

First Floor Photographs of Area Which Sleeps Six (6):

SOFA SLEEPER SLEEPING TWO (2)

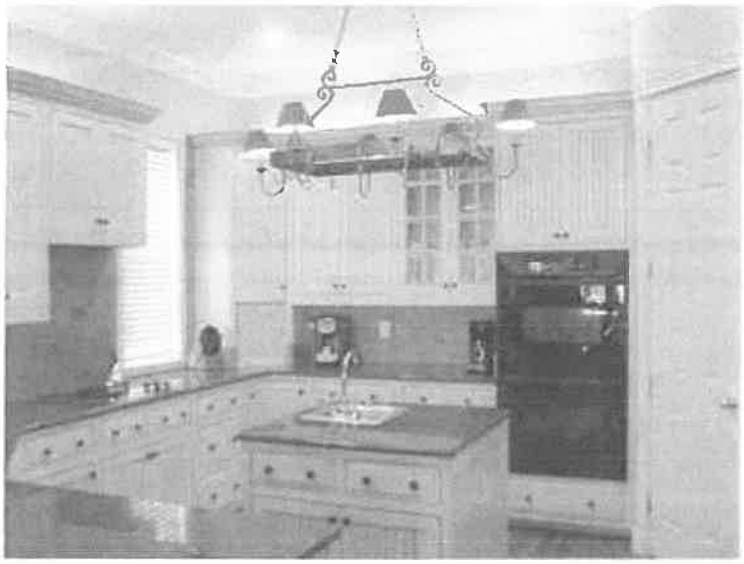
TWO (2) ADDITIONAL SOFA SLEEPERS EACH SLEEPING TWO (2) FOR A TOTAL OF FOUR (4)

FIRST FLOOR GAME AREA



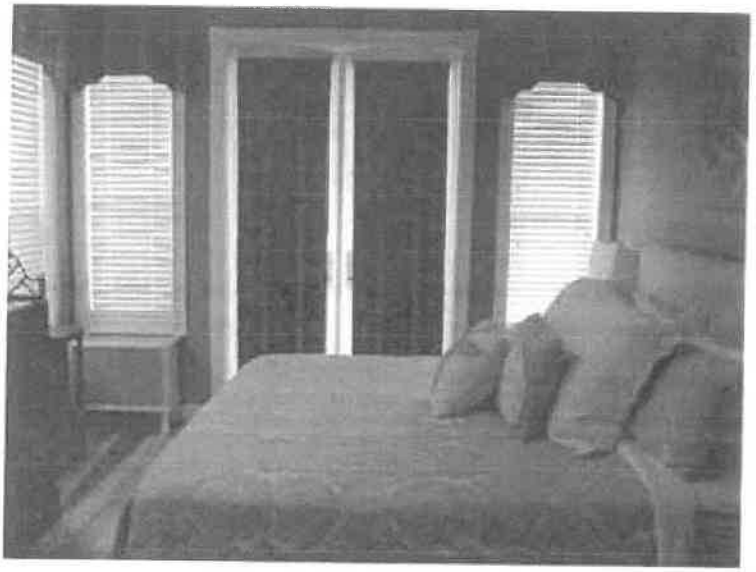
FIRST FLOOR FULL BATH - BATH #1

Second Floor Area Which Sleeps Four (4):

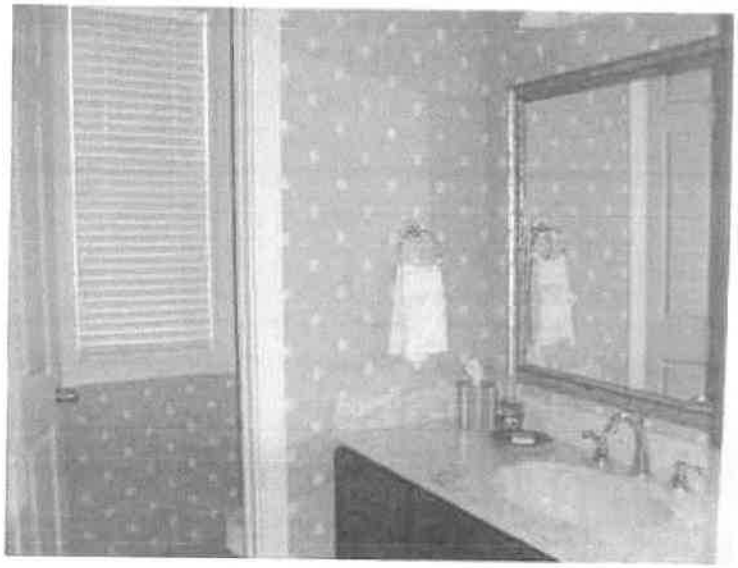


KITCHEN

SLEEPER SOFA WHICH SLEEPS TWO (2)



SECOND LEVEL BEDROOM WITH KING SLEEPING TWO (2)



SECOND LEVEL FULL BATH - BATH #2

Third Level Which Sleeps Nine (9):

THIRD LEVEL BEDROOM WITH KING, BUNKS AND TRUNDLE WHICH SLEEPS FIVE (5)

FULL BATH ASSOCIATED WITH BEDROOM IMMEDIATELY ABOVE - BATH #3

THIRD LEVEL BEDROOM WITH KING SLEEPING TWO (2)

THIRD LEVEL BEDROOM WITH KING SLEEPING TWO (2)

THIRD LEVEL FULL BATH SUPPORTING TWO BEDROOMS ON PREVIOUS PAGE - BATH #4

THIRD LEVEL WET BAR

Fourth Level with Four (4) Bedrooms Sleeping Nine (9):

FOURTH LEVEL BEDROOM WITH TWO QUEENS AND A CHAIR BED SLEEPING FIVE (5)

FOURTH LEVEL BATH SUPPORTING BEDROOM IMMEDIATELY ABOVE - BATH #5

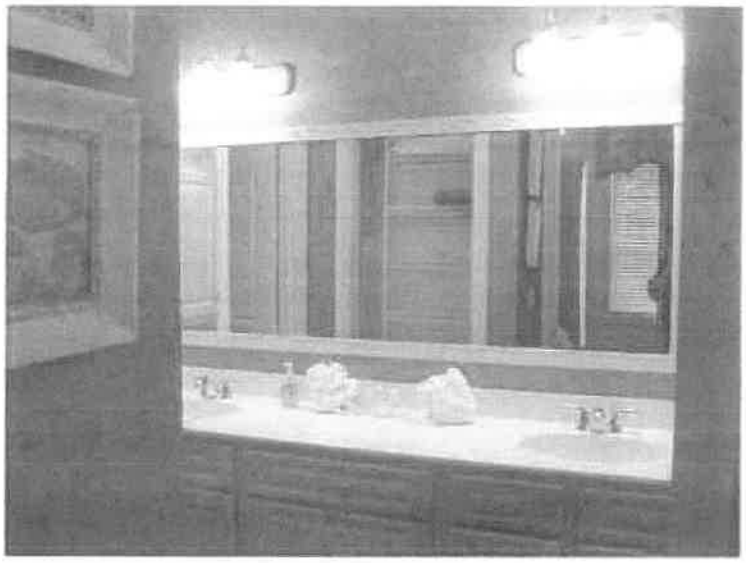
FOURTH LEVEL BATH WITH KING SLEEPING TWO (2)

FOURTH LEVEL BATH SUPPORTING BEDROOM IMMEDIATELY ABOVE - BATH #6

FOURTH LEVEL BEDROOM WITH KING SLEEPING TWO (2)

FOURTH LEVEL FULL BATH SUPPORTING BEDROOM IMMEDIATELY ABOVE - BATH #7

FOURTH LEVEL BEDROOM WITH KING SLEEPING **TWO (2)**



FOURTH LEVEL FULL BATH SUPPORTING BEDROOM IMMEDIATELY ABOVE - BATH #8

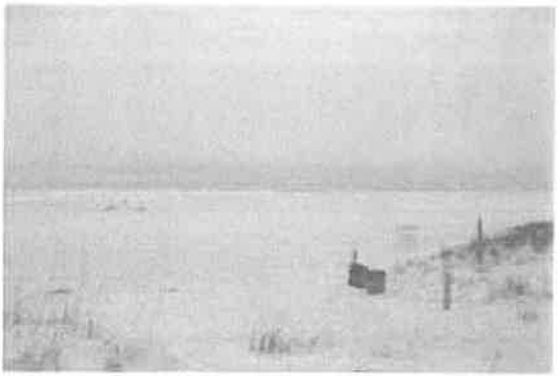
Exterior Amenity Photographs:

REAR PORCH/LANAI

IN GROUND SWIMMING POOL AND SPA

POOL DECK AND TIKI HUT

TIKI HUT



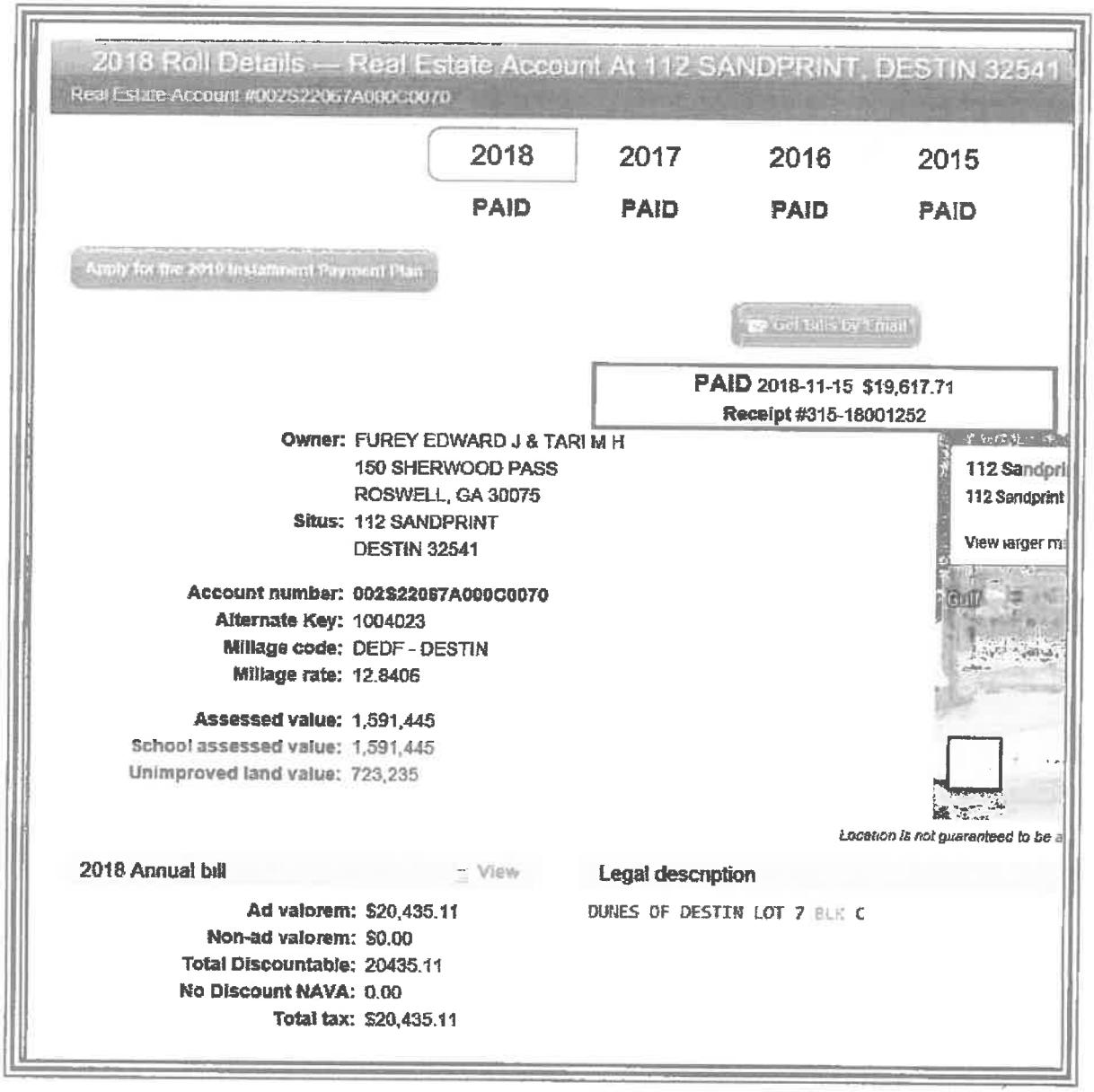
Taxes:
The tax identification number, gross tax amount due, amount paid, and assessed value for the 2018 tax year.

Tax Identification Number	Assessed Value	Gross Tax Amount Due	Amount paid	Amt. Due
00-2S-22-067A-000C-0070	$1,591,445	$20,435.11	$19,617.71	None

The 2018 taxes were paid early resulting in a 4% discount.

There are no previous year taxes owing.

It is my experience that assessed value has little correlation with current market value and are typically lower than market value with a few exceptions.



2018 Roll Details — Real Estate Account At 112 SANDPRINT, DESTIN 32541

Real Estate Account #002S22067A000C0070

2018	2017	2016	2015
PAID	PAID	PAID	PAID

Apply for the 2019 Installment Payment Plan

Get bills by E-mail

PAID 2018-11-15 $19,617.71
Receipt #315-18001252

Owner: FUREY EDWARD J & TARI M H
150 SHERWOOD PASS
ROSWELL, GA 30075
Situs: 112 SANDPRINT
DESTIN 32541

Account number: 002S22067A000C0070
Alternate Key: 1004023
Millage code: DEDF - DESTIN
Millage rate: 12.8406

Assessed value: 1,591,445
School assessed value: 1,591,445
Unimproved land value: 723,235

112 Sandpri
112 Sandprint
View larger m
Gulf

Location is not guaranteed to be a

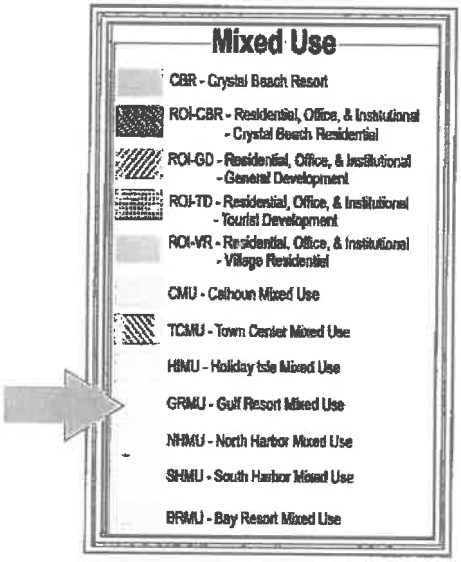
2018 Annual bill — View

Ad valorem: $20,435.11
Non-ad valorem: $0.00
Total Discountable: 20435.11
No Discount NAVA: 0.00
Total tax: $20,435.11

Legal description

DUNES OF DESTIN LOT 7 BLK C

Zoning:
The following map indicates zoning for the subject parcel. The subject is zoned Gulf Resort Mixed Use by Destin. See following pages for detailed identification of allowable uses.



LAND DEVELOPMENT CODE COMMENTS

The following excerpts were taken from the Destin Land Development Code, currently on line.

> 5. Gulf Resort Mixed Use Area (Map 1-1a). The Gulf Resort Mixed Use area is a major mixed use tourist destination that is the City's most intensely developed area for short and long term residential, commercial transient living accommodations, and commercial uses. The area is largely built out and in the future this area is anticipated to undergo infill and redevelopment. Incentives shall be developed to encourage provision of public beach access where possible (See Policy 1-3.2.5).

This first excerpt states that Gulf Resort Mixed Use is the City's most intensely developed area for short and long term rentals. I note that this description of the Gulf Resort Mixed Use zoning designation is silent regarding the number of allowable guests and does not limit guest numbers.

> Policy 1-2.1.1: Residential Uses Defined. Residential uses shall include several structure types used for housing, including single-family detached dwellings and multiple-family structures including duplex structures units, town homes and other detached single-family structures, apartments, patio homes, atrium homes, and similar multiple-family structures. The specific FLUM designations shall identify where single-family and multiple-family structures may be located. Following are the definitions for long-term residential and short-term residential.
>
> 1. Long-Term Residential. Long-term residential uses shall be defined as any residential accommodation that is available for occupancy for 181 days or more. Long-term residential uses shall include lock-out units, as defined in the Glossary.
> 2. Short-Term Residential. Short-term residential uses shall be defined as any residential accommodation that is available for occupancy for 180 days or less. Short-Term Residential uses shall include lock-out units, as defined in the Glossary.

This second excerpt defines long term rental and short term rental. I again note that the definition of short term rental is silent regarding the number of allowable guests.

> Policy 1-2.1.5: Grandfather Clause. Existing land uses that were lawfully conforming uses prior to the effective date of the Comprehensive Plan, shall continue as lawful uses and shall be regulated through administrative remedies for vested rights issues that shall be included in the LDC. Building heights, density and/or intensity which (a) are actual present and which lawfully existed prior to the effective date of the Comprehensive Plan, or (b) were authorized pursuant to a development order, which development order remained unexpired as of the effective date of the Comprehensive Plan, shall continue to be legal building heights, density and/or intensity (as applicable) after adoption of the Comprehensive Plan. All duly approved and recorded lots, subdivision and condominium plats of record, which existed as legal lots, subdivision and condominium plats of record prior to the adoption of this Comprehensive Plan shall continue to be legal lots, subdivision and condominium plats of record after adoption of the Compre[redacted]. This grandfather status may only be relinquished voluntarily by the vested entity. All [redacted]sions, condominium plats and all replats shall comply with the Comprehensive Plan objectives and Policies, including maximum density provisions. Similarly, all new deve[redacted]ment shall comply with the Comprehensive Plan and LDC unless the development is found to have a vested right in a land use, building height, density or intensity that is in conflict with the Comprehensive Plan and LDC. Under such condition the grandfather clause shall be applicable unless voluntarily relinquished by the vested entity. The intent is to sustain demonstrated private property rights while preserving the public interest, welfare, health, and safety. Notwithstanding, any single-family home that is subject to redevelopment shall be allowed to reconstruct, providing adopted building and construction codes as well as this ordinance and the size and dimension criteria of the LDC are met.

This third excerpt defines the grandfather clause. This clause states clearly that the grandfather status may be released only by the vested entity.

CONCLUSION

Based on these excerpts, I conclude that prior to the first application of Ordinance 18-29-CC, there were no restrictions to the number of allowable guests.

History:
The subject has been owned by the current owner since June 30, 2017 when they purchased it for $2,350,000.

The subject had been listed per MLS 700017 for $2,779,000. This listing began on 2/28/2014 and expired on 9/30/2015. The total days on market (DOM) was 515 days.

The subject was then listed again on 12/11/2015 per MLS 743014. This listing resulted in the sale for $2,350,000 on 7/14/2017.

After purchase the new owners renovated the subject and added an in round swimming pool and spa area, plus a lanai deck in 2018.

Active Listings:
The subject is not listed for sale and has not been listed for sale in the previous three years.

Current Use:
The subject is currently an owner managed seasonal rental, catering to large family groups.

Surrounding Uses:
The surrounding use in the Dunes of Destin SD is primarily seasonal rental with a small percentage of owner occupants.

MARKET AREA ANALYSIS - SEASONAL RENTAL MARKET

I am restricting this analysis to the seasonal rental market.

Up until perhaps 2000, the great majority of seasonal rentals were condominium units.

However, the growing demand for larger spaces to accommodate extended families in one place led to the conversion of many larger homes to seasonal rents. It also spurred the construction of homes specifically designed for large rental parties.

Such homes feature typical living areas but emphasize a substantial number of bedrooms and baths. Often bedrooms are equipped with multiple built in bunks for sleeping children.

Most homes also feature sofa sleepers which sleep additional children.

Many of these homes, and certainly those recently constructed for this purpose, featured swimming pools and lanai areas as an external amenity.

This market has flourished as Destin is nationally recognized asa tourist attraction.

It is common to see Realtors addressing gross rental amounts or gross rental projections in MLS Listings. While the value of homes similar to the subject is estimated generally by a size / value per SF component, the fact that a home generates a substantial amount of income makes it a more attractive and safer purchase than a home which is not rented for seasonal income.

Another factor worthy of discussion is that many owners now self - manage. Typically in the past, management of rentals was performed by one of several large real estate companies, such as Resort Quest, Dale Peterson, Newman Dailey and Southern Resorts. However, in the past 10 years a substantial number of smaller management companies have surfaced.

Management fees for seasonal rentals range from 12% to 25% of gross revenue.

Entrepreneurial owners have recognized this expense line and many now self - manage with the aid of Vacation Rental By Owner (VRBO) or some similar search engine.

The seasonal rental market is increasing in the Destin/Miramar Beach market as the thriving national economy allows discretionary vacations.

Without the first application of Ordinance 18-29-CC, allowing a 30 guest capacity, I would consider the seasonal rental market to continue to flourish over the next several years.

However, with the first application of Destin Ordinance 18-29-CC, limiting the subject property to twenty (20) guests, I would project a diminution in value.

HIGHEST AND BEST USE 'AS IS'

Legally Permissible
The subject property is zoned (and designated for future land use) as *Gulf Resort Mixed Use (GRMU)* by the city of Destin, Florida. This zoning and land use designation allows for both single family and mixed use development, including hotels, condominiums and restaurants. The use of the subject for single family short term rentals is therefore allowed in this district.

Therefore, use of the subject property for single family use and the catering to tourism is legally permitted.

Physically Possible
The subject property appears to be relatively level and well drained. Soil and subsoil conditions nearby appear compatible with both low-rise, multi-story use and traditional commercial development. All utilities required for commercial or 'mixed use' are presently at the site. The size and dimensions of the site are sufficient to allow a wide variety of legally permissible uses. The shape of the site is rectangular and this shape does not limit utility. Transportation of construction materials or labor to the site is estimated to be relatively simple due to the central location of the site within the overall market. Access to the site is above average.

However, the most compelling substantiation that the subject is physically possible is the fact that it already exists.

Therefore, use of the subject property for single family use as a seasonal rental is physically possible.

Financially Feasible
Value opinions derived in the income approach to value indicate the existing improvement contributes value to the underlying land. There is substantial other ongoing seasonal rental use in the market, suggesting that there is broad appeal for seasonal rental properties.

Therefore, continued use of the subject property for a detached single family residence used for seasonal rental income is financially feasible.

Maximally Productive
The alternatives of addition, demolition, expansion, modernization, or conversion to alternate uses have been considered within the legal, physical, and financially feasible parameters. Several alternatives exist.

Alternatives for use of improvements:

Expansion
The existing subject improvement is 5,882 HVAC SF. The subject is typical of most seasonal rental homes. Thus, there is no need for expansion. Any expansion would come at a cost of parking and/or access. Thus, expansion beyond what is existing, does not appear to be appropriate and feasible.

Renovation
Any existing property could benefit from renovation. The client has completed some renovation after purchase and developed the in ground swimming pool, spa and lanai area. The clients are seasoned investors and I assume they will perform as much renovation as they considered prudent, when appropriate. Thus, I would not consider more renovation than already completed as feasible or advised at the present time.

Downsizing
The existing subject improvements are 5,882 HVAC SF. I see no reason to downsize the subject improvement as it appeared that all of it is usable space. Thus, downsizing beyond what is existing does not appear to be appropriate, physically possible and feasible.

Subdividing
The purpose of the subject is to lease it seasonally to large parties of guests. Subdivision would not be legally approved and does not appear to be financially prudent as the parties of guests would be smaller and grouping smaller parties together in the same pool could prove problematic. I would not consider subdivision to be prudent or feasible.

Demolition
The subject is a 20 year old detached home, currently in good condition. It features a probable 40 years of remaining

economic life and a probable 50-60 years of remaining physical life.

I do not consider demolition and replacement with alternative improvements to be a superior use to continued use as a rental property. No alternative use would be certain to serve the land better. Thus, the subject is not a candidate for demolition.

Utilizing existing improvements
Continued use 'as is' is considered the maximally productive use.

Conclusion of Highest and Best Use 'as is'
Analysis of recent trends and current market supply and demand indicate that the maximally productive highest and best use of the subject property is continued use as a detached single family residence used for seasonal rental income.

Conclusion of Highest and Best User 'as is'
Analysis of recent trends and current market supply and demand strongly indicate the most probable user is an entrepreneurial user who primarily self manages and leases the subject for seasonal rental income with a small amount of personal use.

SUMMARY OF ANALYSIS AND VALUATION

Methodology

Site valuation derived from Sales Comparison Analysis involves direct comparisons of the subject property to similar properties selling in the marketplace to derive a comparative value indication for the subject property 'as if vacant,' as of the effective date of value. This approach is also called the 'direct sales comparison approach', or the 'market approach', and tends to be the most reliable approach for developing an opinion of the value of vacant land or sites available for development. Other methods of developing the value of land are available. Allocation, extraction, land residual, ground rent capitalization, and discounted cash flow analysis are all recognized as reasonable methods of valuation.

The cost approach is a reliable methodology for new, or nearly new, buildings. I estimate the replacement cost or reproduction cost, in this case replacement construction cost, of the existing or existing improvements and site improvements (including direct and indirect costs as well as an appropriate developer profit), deducting accrued depreciation from physical, functional, and external sources from the total replacement or reproduction cost new. The depreciated replacement or reproduction cost of the improvements is added to the value of the site resulting in a value indication of the fee simple interest in the property.

The sales comparison approach is based on the 'Principle of Substitution' which indicates an informed purchaser would pay no more for a property than the cost of acquiring an equally desirable substitute property with the same or similar utility. This approach is applicable when an active market provides sufficient quantities of reliable data which can be verified from authoritative sources. The Sales Comparison Approach is reliable in an active market or if an opinion of value is related to properties which there are comparable sales available. This approach to value is also relevant when sales data can be verified with the principals to the transaction. Heavy emphasis is usually placed on this approach to value in an active market.

The income approach is recognized as a reliable approach for developing an opinion of the value of 'income producing' property to an investor. The income approach consists of methods, techniques, and mathematical procedures an appraiser uses to analyze a property's capacity to generate income and convert income into an indication of present value either by capitalizing the current income at a market capitalization rate or discounting the future cash flows into a present value estimate using an appropriate yield (discount) rate. The appraisal process emulates the market, and the most probable purchaser would either be an investor or prospective owner/occupant. Two (2) techniques associated with the income approach are direct capitalization and discounted cash flow analysis.

Methodology employed and explanation of the exclusion of any of the three (3) approaches to value

I am not performing cost analysis. A buyer and seller in the market would not care what it cost to build the subject. In addition, the problem to be solved is to drive the diminution in value based on the guest restrictions included in Destin Ordinance 18-29-CC. The number of guests would have no impact on the cost to construct.

I am not performing sales comparison analysis. The impact of Destin Ordinance 18-29-CC may not be evident in the market for several years. The ordinance allows a five year grandfather period. Homes sold in this grandfather period may not indicate a decline in selling prices and it would not ne reliable to estimate diminution in value based on comparable sales until a larger array of data was available for use in sales comparison analysis.

I am performing income analysis. I will identify probable annual income for the subject with thirty (30) guests, based on historical income and projected income from the owner, and then identify market rents which support the subject contract rent. I will then identify operating expenses and subtract operating expense from gross rent to arrive at a net operating income (NOI). I will then apply a market based capitalization rent to the NOI to arrive at a value for the subject, prior to the first application of Destin Ordinance 18-29-CC.

I will then identify the rental incomes for homes which are allowed only 20 guests. I will then subtract expenses for the rents of 20 guest homes and arrive at their NOI. I will then derive a value by capitalizing this NOI.

Finally I will subtract the value for a 20 guest house from the value of a 30 guest house and this figure will be the diminution in value.

COST ANALYSIS
NOT PERFORMED

SALES COMPARISON ANALYSIS NOT PERFORMED

INCOME ANALYSIS
'AS IS'

DESCRIPTION OF INCOME ANALYSIS METHODOLOGY

The income approach to value is based on the principle of anticipation, in that the value of the subject property correlates to the present worth of the future right to receive benefits in the form of income to be received by the owner. The income approach considers the property from an investment interest with the assumption that the amount of income, coupled with the regularity and quality of the income stream, are the basis for valuing the property based on income analysis.

The income approach is applied by identifying the net income by first identifying gross income and then deducting from the gross income the expenses of operating a property to arrive at a net income, generally identified a Net Operating Income (NOI).

The estimated NOI is then converted to a value opinion by utilizing either a Discounted Cash Flow Analysis, or a Direct Capitalization Analysis, or both.

Discounted cash Flow Analysis:
The Discounted Cash Flow Analysis (DCF) is an analysis where a discount rate is applied to a series (typically several years) of income streams with a reversion after typically 7 to 10 years. The appraiser must specify the quantity, variable nature of the income, timing of payments (monthly/quarterly/annually) to a present value at a specified yield rate. The DCF analysis is most applicable when the net income is projected to be variable and when the property is on a sufficient size and investment value to influence market participants to evaluate purchase decisions based on DCF.

I note that I did not perform DCF analysis as it is my opinion that market participants would not use DCF analysis to base decisions to either purchase or sell properties such as the subject.

Direct Capitalization:
The conversion of a net income to a current value is called capitalization. Capitalization is a method which is used to convert the estimate of a single year's net income actual figures and/or expectancy of income into a value opinion by dividing the income by a appropriate rate of capitalization, as estimated by the appraiser. This technique employs capitalization rates derived from the market, using both capitalization rates from recent sales of similar properties, generally augmented by national indices, or other mathematical progressions. This process provides a one year snap shot of the property value. Future yields and values are not directly identified. The direct capitalization analysis is most appropriate for small to medium sized income producing properties, in stable markets with a forecast of generally stable income.

The procedural steps involved in capitalization are as follows:

Develop the probable gross income by identifying historical performance, income projections and market incomes from comparable properties which support the historical or projected subject income.

Estimate vacancy and collection losses to arrive at Effective Gross Income (EGI).

Estimate and subtract operating expenses to arrive at NOI.

Develop a capitalization rate which is supported by the market.

Divide the NOI by the capitalization rate to derive a value opinion.

I am employing the direct capitalization analysis to derive values in this analysis.

I note for the reader that steps #1 and #2 are generally combined in the analysis of seasonal resort properties. Owners and management companies tend to provide actual income which has already accounted for vacancy and collection loss.

INCOME ANALYSIS - ESTIMATE OF CAPITALIZATION RATE

The capitalization rate is a rate which is applied to the Net Operating Income (NOI) to derive a value for a property. As the chart below indicates, you can derive a capitalization rate by dividing the NOI by the purchase price.

The following excerpt will provide some explanation of capitalization rates.

Capitalization rates are used in a formula. As seen below, dividing the net operating income by the purchase price indicates the capitalization rate.

Another variation of the formula is to divide the net operating income by the capitalization rate and this process will indicate the value of the property.

What Is a Cap Rate?

A cap rate is simply a formula. It's the ratio of a rental property's net operating income to its purchase price (including any upfront repairs):

Cap Rate =

Net Operating Income (NOI) – Purchase Price

The formula can be used on the level of an individual property by looking at its net operating income compared to its value. But it can also be used on the level of an entire market by taking *average* cap rates for a large group of properties.

Importantly, the cap rate formula does NOT include any mortgage expenses. As you can see in the formula for net operating income below, the expenses do not include a mortgage or interest payment.

Gross Rental Income
- Vacancy/Credit Loss Reserve
- Property Taxes
- Property Insurance
- Maintenance/Repairs
- Common Utilities (if any)
- Other expenses (ex: license)

= Net Operating Income

MARKET DATA BASED ON TYPICAL INDICES

Capitalization rates range widely in the market. The following table derived from Realty rates .com indicate a wide variety of capitalization rates base on property types. This table contains very recent data from the first quarter of 2019.

As can be seen, properties such as restaurants and lodging (motels and hotels) have high capitalization rates. Apartments (residential) have the lowest capitalization rates.

RealtyRates.com INVESTOR SURVEY - 1st Quarter 2019*
CURRENT & HISTORICAL CAP RATE INDICES

Method-Weighted* Property Category Indices

	Apts		Golf		Healthcare Senior Housing		Industrial		Lodging		MH/RV Park		Office		Retail		Restaurant		Self Storage		Special Purpose		Weighted* Composite Indices	
		BP		BP		BP		BP		BP		BP		BP		BP		BP		BP		BP		BP
Year	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg
2018	8.42	26	12.02	30	9.01	14	9.19	23	10.53	25	9.56	30	9.04	10	9.38	20	11.57	15	9.86	29	11.64	40	9.64	22
4th Qtr	8.46	8	12.08	11	9.07	11	9.23	7	10.53	1	9.62	13	9.08	13	9.44	10	11.62	11	9.92	13	11.71	11	9.68	9
3rd Qtr	8.37	-4	11.97	-5	8.96	-2	9.16	-5	10.52	-7	9.50	-5	8.95	-6	9.33	-3	11.51	-4	9.79	-7	11.60	-3	9.59	-5
2nd Qtr	8.41	3	12.02	5	8.99	3	9.21	5	10.59	6	9.55	5	9.00	0	9.36	4	11.58	4	9.86	6	11.63	5	9.64	4
1st Qtr	8.38	23	11.97	28	8.96	13	9.16	22	10.52	31	9.50	28	9.00	5	9.32	17	11.52	26	9.81	25	11.59	34	9.60	21
2017	8.16	4	11.73	-2	8.87	-6	8.96	-12	10.28	5	9.26	11	8.94	-22	9.19	-8	11.42	-15	9.57	-9	11.25	4	9.42	-6
2016	8.13	-2	11.75	6	8.92	12	9.08	15	10.22	0	9.15	15	8.16	16	9.27	12	11.57	-10	9.67	14	11.21	10	9.48	9
2015	8.15	-9	11.69	-14	8.90	-9	8.93	-10	10.22	-20	8.99	-19	9.00	-5	8.95	-11	11.66	-13	9.62	-22	11.11	-12	9.40	-12
2014	8.24	-15	11.83	-9	8.99	-1	9.03	-4	10.43	-17	9.17	-5	9.06	-22	9.26	15	11.79	-6	9.76	-20	11.24	14	9.52	-7
2013	8.39	14	11.92	-14	8.90	5	9.07	-2	10.60	3	9.22	14	9.28	-19	9.11	-4	11.86	9	9.95	-24	11.10	1	9.58	-2
2012	8.25	-35	12.07	6	8.85	-36	9.09	-40	10.57	-24	9.08	-39	9.47	3	9.15	-13	11.77	6	10.19	-49	11.09	-4	9.60	-21
2011	8.60	-29	12.00	-22	9.21	-40	9.49	-11	10.81	-24	9.48	-8	9.44	-19	9.28	-28	11.70	-14	10.68	-3	11.12	-17	9.81	-19
2010	8.89	4	12.22	5	9.62	15	9.60	12	11.05	7	9.66	22	9.64	16	9.64	25	11.84	12	10.72	21	11.20	0	10.00	13
2009	8.85	8	12.17	16	9.47	10	9.48	10	10.98	-7	9.33	1	9.38	29	9.29	20	11.72	15	10.50	37	11.30	8	9.87	14
2008	8.77	-4	12.01	29	9.37	-16	9.39	-14	11.05	58	9.32	-5	9.09	-15	9.09	-11	11.57	-28	10.13	20	11.22	-7	9.74	-1
2007	8.81	-45	11.72	-21	9.53	-65	9.52	-25	10.49	-28	9.37	-28	9.25	-47	9.20	-12	11.85	61	9.93	-39	11.29	-24	9.75	-28
2006	9.26	12	11.93	47	10.18	15	9.77	35	10.77	27	9.63	41	9.72	26	9.32	30	11.24	18	10.31	27	11.53	9	10.03	26
2005	9.14	14	11.46	80	10.03	-18	9.42	-30	10.50	-21	9.22	19	9.46	6	9.02	16	11.06	5	10.04	13	11.44	-30	9.77	2
2004	9.00	-19	10.66	28	10.19	-37	9.72	19	10.71	-98	9.03	-48	9.40	-4	8.86	-19	11.01	-15	9.91	-13	11.74	-30	9.75	-19
2003	9.19	-2	10.38	-32	10.56	64	9.53	33	11.68	56	9.51	-11	9.44	1	9.05	-18	11.16	9	10.04	-53	12.04	105	9.94	12
2002	9.21	-40	10.70	19	9.92	-39	9.20	-61	11.13	26	9.62	-60	9.43	-36	9.23	-62	11.09	-3	10.57	-12	10.99	-177	9.82	-41
2001	9.61	64	10.82	133	10.31	90	9.81	16	10.87	98	10.22	-68	9.79	-35	9.85	-53	11.11	47	10.69	13	12.76	32	10.23	21
2000	8.97		9.19		9.41		9.65		9.89		10.90		10.13		10.38		10.64		10.56		12.44		10.01	

* Weighted by methodology-Band-of-Investment, DCR Technique, Sales Survey

* Further weighted by property category

The following chart provides some additional data regarding capitalization rates for apartments in some major metropolitan centers.

These rates are lower than the overall national rate for apartments identified on the previous page. I attribute this to the fact that the cities below are major metropolitan areas with a high density of population which keeps occupancy high and inspires investor confidence. In this regard, the Destin seasonal rental market is similar in its high density and national appeal.

Cap Rates For Stabilized, Class A Multifamily Apartments By City – 2017 (2nd Half)

San Diego	4.25%
Chicago	4.75%
Atlanta	5.00%
Philadelphia	5.25%
St. Louis	5.75%
Cleveland	6.25%
Pittsburgh	6.50%
Detroit	7.25%

Single family homes are seldom valued via income capitalization. Most homes are owner occupied and the issue of rent and valuation through rent is generally not applicable. However, I identified the following excerpt rom the internet which indicates a range of capitalization rates from 4% to 10% for single family homes. The reader will note that high demand areas feature lower capitalization rates and lower demand areas feature higher capitalization rates. I would again observe that Destin is a high demand area. Thus, I would consider it probable that capitalization rates for singe family homes in Destin were toward the low side of the 4% to 10% range..

Cap Rate for Single Family Home

Professionals purchasing commercial properties, for example, may buy at a 4% cap rate in high demand areas, or a 10% (or even higher) cap rate in low-demand areas. Generally, 4% to 10% per year is a reasonable range to earn for your investment property. Continuing with our example from above, $17,000/ 5% = $340,000.

The following are two excerpts from the internet indicating that Panama City Beach, Florida boasts a very low capitalization rate of 4.9% and that the Destin, Florida market features a 4.7% capitalization rate for Airbnb rentals.

9. PANAMA CITY BEACH, FL

- *Short-Term Rental Cap Rate: 4.9%*

White sandy beaches, clear water, fishing piers, protected nature reserves, hiking trails.. what more do you need to be convinced that Panama City Beach is one of the best places around the US to invest in a vacation rental.

Property prices are affordable with a median level of $334,700. while short-term rental income stands around $3,260. The average cap rate for vacation rentals is 4.9%.

2. Destin

- *Median Property Price:* $695,000
- *Airbnb Rental Income:* $2,720
- *Traditional Rental Income:* $1,610
- *Airbnb CoC Return:* 2.3%
- *Traditional CoC Return:* 0.5%
- *Airbnb Cap Rate:* 4.7%
- *Traditional Cap Rate:* 2.8%
- *Airbnb Occupancy Rate:* 58.4%

The second among the best places to buy a vacation home in Florida is Destin, with rental income from Airbnb just a few dollars below St. Augustine. However, this location is significantly more expensive. But it has a very important advantage for all those loving nature and sports – it is very famous for the fishing opportunities that it offers.

Conclusion:
I have provided an array of capitalization rates from national data ranging from a low of 4.7% to a high of 8.42%.

I am selecting a rounded rate of 6.25%, recognizing that there are established capitalization rates both higher than, and lower than, the reconciled 6.25%.

I am confident that a capitalization rate of 6.25% is well supported by national data.

I also note that the most similar rate is the 4.7% Airbnb rate in Destin, which suggests that a 6.25% rate may be conservative.

MARKET CAP RATE DATA BASED ON LOCAL SALES OF HOMES USED FOR SEASONAL RENTAL

In addition to the national data provided above, I am also providing some data from actual sales in the local market.

I have some professional acquaintances who specialize in the management of large homes used for seasonal rentals. I have asked them to provide me some actual data from recent sales to help derive a local data base of capitalization rates.

On 7/13/2018, Frangista Beach E16 LLC (Nick Athens - a professional acquaintance well known to me) sold 3491 Scenic Highway 98 to Rich Rentals for $3,000,000. This house is 6,008 HVAC SF and features nine (9) bedrooms and 9.5 baths. It is very similar to the subject and is a very good comparable indicator of capitalization rates. Mr. Athens stated that the net operating income was $172,340. Dividing $172,340 by $3,000,000 indicates a capitalization rate of 5.74%.

On 9/4/2015, Nick and Tina Athens sold 1850 - 1852 Scenic Gulf Drive in Miramar Beach to Forty-Four Holdings for $2,205,000. This was two side by side homes in Frangista Beach which were an aggregate 3,460 HVAC SF and which features Five (5) bedrooms and 7 baths. Mr. Athens stated that the net operating rent was $133,200. Dividing $133,200 by $2,025,000 indicates a capitalization rate of 6.58%. I do not consider it a coincidence that the home with the fewest bedrooms featured the highest capitalization rate.

On 2/10/2016, Destiny Real Estate Ventures LLC (Ben Giles - a professional acquaintance well known to me) sold 3463 Scenic Highway 98 to Charles Barone for $3,615,000. This house is 6,465 HVAC SF and features eight (8) bedrooms and 6.5 baths. It is very similar to the subject and is a very good comparable indicator of capitalization rates. Mr. Giles stated that the net operating income was $222,125. Dividing $222,125 by $3,615,000 indicates a capitalization rate of 6.15%.

On 1/11/2019, Kevin Hense sold 2984 Scenic Highway 98 to Russell and Susan Hancock for $3,000,000. This house is 3,997 HVAC SF and features six (6) bedrooms and 5.5 baths. It is very similar to the subject and is a very good comparable indicator of capitalization rates. Mr. Hense stated that the net operating income was $176,000. Dividing $176,000 by $3,000,000 indicates a capitalization rate of 5.87%.

On May 18, 2018, Sapp Investments LLC sold 4659 Destiny Way to the Lindholm Family Revocable Living Trust for $2,500,000. Mr. Lindholm stated to me that income for 2018 was an aggregate of $293,500. He also stated that expenses were an approximate $115,025, resulting in approximate $178,475 of net operating income (NOI). Dividing $178,475 by $2,500,000 indicates a capitalization rate of 7.14%.

RECAPITULATION OF LOCAL MARKET CAPITALIZATION RATES

The following table summarizes the capitalization rates identified in the narrative above.

Property Address	Capitalization Rate
3491 Scenic Highway 98, Destin	5.74%
1850 Scenic Gulf Drive, Mirimar Beach	6.58%
3463 Scenic Highway 98, Destin	6.15%
2984 Scenic Highway 98, Destin	5.87%
4659 Destiny Way, Destin	7.14%
Average	6.29%
Rounded	6.25%

I consider a rounded capitalization rate of 6.25%, derived from local data, to be a market supported rate which is both credible and reliable, as well as being consistent with national data which brackets the final capitalization rate selection.

For this reason, I am selecting a 6.25% capitalization rate.

ESTIMATE OF VALUE PRIOR TO THE FIRST APPLICATION OF ORDINANCE 18-29-CC

Based on the current zoning and the Destin Land Development Code previously discussed, there is currently no limit to the number of guests allowed in the subject improvement. The subject can accommodate up to thirty (30) guests based on the data provided by the owner and my identification of sleeping capacity previously identified.

CURRENT CONTRACT RENT
I note that seasonal rentals are typically described with annual rental amounts as opposed to more consistent monthly rental rates.

Such rental amounts are generally described using gross income data, and/or projections of gross income data.

Appraisers need to then examine expenses to arrive at a net operating rent to capitalize. Expenses to gross revenue are ad valorem taxes, flood and hazard insurance, HOA dues, maintenance and repairs, utilities, lawn maintenance, pest control, professional fees and reserves. I note that interest/mortgage payments and depreciation are not expenses when capitalizing property for value.

I was provided data by the client regarding projected income for 2019 as well as some historical rental data as follows:

> Originally it advertised as a 6 bedroom but had 7 bedrooms utilized as bedrooms and 1 as a study/office – sleeping up to 20 with income 2016 at $133,895. 2017 projected to be $196,573.
>
> Destin Luxury Real Estate projected 8 bedroom/8 bath sleeping 30 at $352,400.
>
> 2018 we did $244,095 while we built the pool.
> 2019 on the books is $309,438.
>
> Tari Furey

The client has since updated the projected rent to $313,689 via separate email.

I note that a professional management company indicated a projection of $352,000 for the subject.

I also note that the 2018 income was $244,905. This was the year where the clients installed the in ground swimming pool and spa. During this installation period, the subject was not rented. Interpolating for the inactive period results in an approximate $325,000 of income.

I am selecting between the current projected of $313,689 and the professionally managed estimate of $352,000 to arrive at a rounded $325,000. This is an annual income figure which I consider to be both credible and reasonable.

ESTIMATE OF EXPENSES
The client provided me a list of expenses for 2018. It was very detailed and totaled $79,753. However, had the subject been leased for a full year, this expense total would be higher. The fixed expenses of ad valorem taxes and insurance would not change, but variable expenses such as credit card fees, utilities and perhaps maintenance would have increased. In addition, these expenses do not include advertising and reserves. I am estimating am amount which brings the total of expense to a rounded $100,000.

Subtracting $100,000 from $325,000 results in a net operating income of $225,000

MARKET SUPPORT FOR GROSS INCOME ESTIMATE

Some of these comparables were provided to me by Jordan Shane, Florida Luxury Vacation Rentals, Cheryl St.Pe', Destin Comforts and Ben Giles.

Some of these comparables were provided to me by Ben Giles, an owner of several large homes. Other owners who provided data were, Nick Athens, Kevin Hense, Doris Reel, Brad Lindholm, and Andrea Farrell.

Number	Address	Gross Income	Guest capacity	Annual Income per Guest
1	3587 Scenic Highway 98	$305,393	32	$9,545
2	3463 Scenic Highway 98	380,000	32	$11,875
3	3461 Scenic Highway 98	$364,723	36	$10,131
4	107 Hollywood Street	$289,647	38	$7,622
5	4659 Destiny Way	$293,500	28	$10,482
6	3485 Scenic Highway 98	$145,100	22	$6,595
7	3489 Scenic Highway 98	$160,900	20	$8,045
8	92 Pompano Street	$144,000	24	$6,000
9	91 Dolphin Street	$154,000	28	$5,500
10	93 Tarpon Street	$132,000	24	$5,500

The average of these ten market comparable rentals is $8,129, rounded, per guest annually.

The rentals which front on Scenic Highway 98 or Destiny Way are most similar to the subject.

The direct gulf front location of the subject is superior to the broad average of the range.

I note that several comparables are located in Crystal Beach, and are two or perhaps three blocks from Scenic Highway 98, making it a longer walk to get to the beach with children and beach chairs/mats/coolers, etc.

Th most similar market data supports the owner's projection.

I am selecting a rounded $10,500 per guest income.

The subject can accommodate 30 guests. Multiplying 30 by $10,500 per guest results in an annual gross income of $315,000, a figure which is interpolated between the owner's 2018 actual and 2019 actual income/booking YTD.

MARKET SUPPORT FOR GROSS TO NET RATIO

I have attempted to derive gross and net income figures for comparable properties in the market. However, my research indicates that many owners and property managers are unwilling to divulge private financial information, especially the net income.

Thus, I will provide some market examples of properties where clients or close associates did divulge data.

The first example is multiple similar homes owned by Ben Giles, who stated that expenses generally ran from 28% to 35%, depending on maintenance and repair costs.

I again spoke to Nick Athens who still owns a detached house at 4664 Destiny Way which grossed $275,000 in 2018. The expenses for this property were an approximate $89,000. This suggests an expense ratio of $89,000 / $275,000, or 32% rounded.

As a third indicator, I spoke to Kevin Hense, who sold a detached house at 2984 Scenic Highway 98 for $3,000,000 on 1/11/2019. Mr. Hense indicated that the 2018 gross rent was $283,000 and that the expenses were $87,000. This suggests an expense ratio of $87,000 / $283,000, or 33%, rounded.

Based on data provided by the owner, the subject featured expense ratios of 30% and 28% in 2018 and 2019, respectively.

Thus, the owner provided data is supported by market data. I have the impression that the owner is a very attentive manager and takes steps required to limit expenses.

I am using a 30% expense ratio in this analysis, weighted toward the owner's actual figures, yet consistent with market data.

The next step is applying the previously calculated expense ratio to the gross rent to arrive at a net operating income (NOI). Applying a 30% expense ratio to $315,000 results in a net rent of $220,500.

Capitalizing $220,500 with a 6.25% capitalization rate results in a value of $3,528,000, rounded to $3,530,000.

It is my professional opinion that the subject value, prior to the first application of Destin Ordinance 18-29-CC on September 18, 2019 is $3,530,000, based on income analysis.

$3,530,000

ESTIMATE OF VALUE AFTER THE FIRST APPLICATION OF DESTIN ORDINANCE 18-29-CC

Destin Ordinance 18-29-CC reduces the subject sleeping capacity to 20 guests as the limit is two guests per bedroom, plus four (4) additional guests. There are eight (8) bedrooms. Thus, 2 x 8 = 16 + 4 = 20.

I note for the reader that the ordinance states clearly that a bedroom must meet the requirements of the Okaloosa County Property Appraiser who states that a bedroom has a door, a window and a closet. The Okaloosa County Property Appraiser states that the subject is a eight bedroom house. It is my opinion that the limit of 20 guests will have a negative impact on value. To estimate the difference, I need to research the market for homes which are limited to smaller guest totals. Market research results in the following comparable rentals.

MARKET SUPPORT FOR GROSS INCOME ESTIMATE

Some of these comparables were provided to me by Jordan Shane, Florida Luxury Vacation Rentals, Cheryl St.Pe', Destin Comforts and Ben Giles.

#	Address	Gross Income	Guest capacity	Income per guest
1	3892 Sandprint Circle	$176,500	30	$5,883
2	113 Los Angeles Street	$137,308	19	$7,227
3	1737 Scenic Highway 98	$144,814	20	$7,241
4	100 Sandprint Circle	$105,000	20	$5,250
5	84 Woodward Street	$80,560	12	$6,713
6	212 Kono Way	$74,815	12	$6,235
7	82 Shirah Street	$110,000	17	$6,470
8	75 Shirah Street	$79,885	14	$5,706
9	76 Dolphin Street	$101,300	20	$5,065
10	3489 Scenic Highway 98	$160,900	20	$8,045
11	3485 Scenic Highway 98	$145,100	20	$6,595

The average of these ten market comparable rentals is $6,396.

However, the subject is gulf front and is superior to many of the rentals above. I consider a rate of $10,000 per guest to be market supported.

Based on the first application of Destin Ordinance 18-29-CC, the subject will be limited to 20 guests.

Multiplying $10,000 per guest by 20 guests results in gross annual rent of $200,000.

Applying a 30% expense ratio to $200,000 results in a net rent of $140,000.

Capitalizing $140,000 with a 6.25% capitalization rate results in a value of $2,240,000.

It is my professional opinion that the subject value, after first application of Destin Ordinance 18-29-CC is $2,240,000, based on income analysis.

$2,240,000

ESTIMATE OF THE DIMINUTION OF VALUE

My research and analysis indicates that the value of the subject based on the right to sleep 30 guests is a rounded $3,530,000.

My research and analysis indicates the value of the subject based on the limit to sleep only 20 guests is a rounded $2,240,000.

It is my opinion the first application of Destin Ordinance results in an approximate $1,290,000 diminution of value.

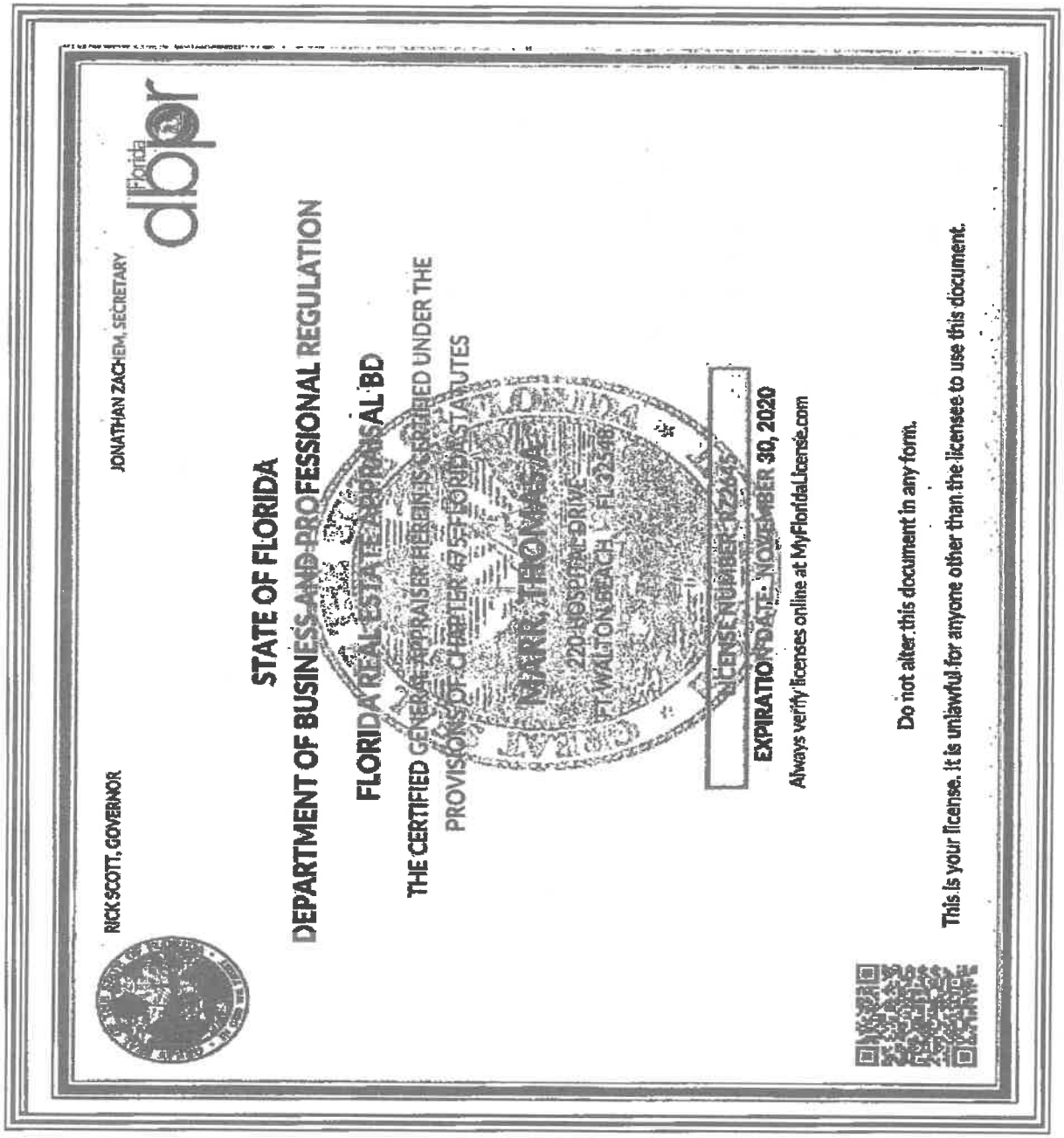
DIMINUTION OF VALUE

$1,290,000

ADDENDA

Appraiser License

APPRAISER LICENSE



THIS INSTRUMENT PREPARED BY
AND AFTER RECORDING RETURN TO:

Kimberly Romano Kopp, Esq.
Romano Kopp Law, P.A.
P.O. Box 445
Destin, Florida 32541

For Recording Purposes Only

SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is entered into this _____day of _____ 2019, ("Effective Date") by and between, EDWARD J. FUREY AND TARI M. H. FUREY ("**Owners**") and the City of Destin ("**City**"), collectively referred to as the "Parties."

RECITALS

WHEREAS, on January 22, 2019, the City enacted Ordinance 18-29-CC, the Short-Term Rental Occupancy Ordinance ("Ordinance"), which limits the occupancy of short-term rental homes to two (2) people per bedroom plus an additional four (4) persons; and

WHEREAS, Owners own the real property and improvements located at 112 Sandprint Circle, Destin, FL, 32541, as more particularly described in the attached Exhibit "A" (the "Property"); and

WHEREAS, on October 23, 2019, Owner filed a claim with the City, pursuant to the provisions of §70.001, Florida Statutes, the Bert J. Harris, Jr., Private Property Rights Protection Act (the "Harris Act"), alleging that the Property had been inordinately burdened by the adoption of the Ordinance, (the "Claim"); and

WHEREAS, the Harris Act provides for the City to have the ability to enter into a settlement agreement which would have the effect of a modification or variance to the application of a regulation or ordinance as it would otherwise apply to the subject real property, provided the relief granted protects the public interest served by the regulations at issue and is the appropriate relief necessary to prevent the governmental regulatory effort from inordinately burdening the real property; and

WHEREAS, the City has determined that the modifications to the effect of the Ordinance effected by this Agreement protect the public interest served by the Ordinance and are the appropriate relief necessary to prevent the regulatory effect of the Ordinance from inordinately burdening the Property; and

WHEREAS, the Parties now desire to settle and finally resolve all disputes between and among them concerning the Claim.

NOW, THEREFORE, the Parties hereby agree as follows:

1. **Recitals.** The above recitals are true and correct and are incorporated herein by reference.

2. **Occupancy Allowable Under Ordinance.**

(a) Owner is hereby granted a variance from the provisions of the Ordinance so that the Owner shall have the right to apply under the Ordinance for a maximum occupancy of twenty-nine (29) overnight guests at the six (6) bedroom vacation rental property noted above and the City shall grant such occupancy. The right shall continue in perpetuity, regardless of any future changes in ownership, provided that this right shall expire permanently if the Property were to be voluntarily remodeled or voluntarily rebuilt in such a manner as to change the number of bedrooms that existed at the date of the Claim. The Property remains subject to all other requirements of the City's regulations, including but not limited to regulations for short-term rentals, parking, trash, and noise.

(b) No greater than two (2) vehicles may be parked on the Property. No vehicle may encroach upon the City's right-of way.

(c) Owner shall ensure that at least five (5) outdoor trash receptacles are provided by the applicable trash hauler and available for use by occupants at all times.

(d) Owner agrees that the City shall be permitted to access the property on an annual basis for the purpose of life-safety inspections to ensure code compliance with minimum egress and emergency egress requirements pursuant to the Florida Building Code (Residential) and to ensure the property has adequate and working smoke detectors. Owner shall submit to the City a separate application and fee for such inspection, on a form provided by the City, at the time Owner submits its annual short-term rental registration application to the City

3. **Development in Accordance with Code.** Notwithstanding any provisions contained herein, the Owner shall at any time have the right and option to remodel, develop, or use the Property in accordance with the applicable ordinances of the City of Destin in effect at the time of application therefor, and this variance shall not be construed as making the Property in any way non-conforming.

4. **Entire Agreement.** The Parties acknowledge that this Agreement constitutes the entire agreement between them regarding the settlement of their dispute and any prior statements, whether oral or written, are merged herein. This Agreement may not be modified or amended without a written instrument signed by the party against whom enforcement is sought.

5. **Duration of Agreement.** This Agreement shall be perpetual and deemed to run with the land, and shall be binding upon and the benefits shall inure to the parties hereto and their respective heirs, devisees, personal representatives, successors and assigns.

6. **Authority.** The signatories to this Agreement are expressly authorized to resolve their dispute as set forth herein and by their signatures here represent and affirm their authority to execute this Agreement.

7. **Governing Law.** The law of the State of Florida shall apply to this Agreement. Any dispute regarding this Agreement shall be litigated exclusively in the courts of Okaloosa County, Florida. The parties expressly consent to such agreed jurisdiction and venue, and waive any objections thereto.

8. **Notices.** Any notice required or permitted to be given hereunder shall be in writing and shall be (i) delivered by hand, (ii) delivered by reputable national or local courier (such as United Parcel Service or Federal Express), (iii) mailed by United States registered or certified mail, return receipt requested and postage prepaid, or (iv) sent by facsimile transmission provided a confirmation of such facsimile transmission is sent the same day by one of the methods of delivery in (i), (ii), or (iii) above. Any notice shall be addressed to each party at its address as set forth below. Any such notice shall be considered given on the date of such hand delivery, deposit with such courier for same day or next business day delivery, upon receipt of return receipt of certified mail, or receipt of facsimile transmissions, as the case may be, and the time period (if any is provided herein) in which to respond to such notice shall commence on the date of receipt. Rejection or other refusal to accept or inability to deliver because of changed address of which no notice was given shall be deemed to be receipt of the notice. By giving to the other party at least ten (10) days' notice thereof, any party shall have the right from time to time to change the addresses thereof and to specify up to two (2) additional addresses within the United States of America to which copies of notices to it shall be sent. Notice may be given on behalf of any party by such party's counsel. In the event the subject property owner changes, notices shall be addressed to the current owner as indicated in the records of the Okaloosa County Property Appraiser. Otherwise, notices shall be sent as follows:

Each notice shall be addressed as follows:

To City: City of Destin, Florida
Attn:
4200 Indian Bayou Trail
Destin, Florida 32541

With a copy to:
City Land Use Attorney
Romano Kopp Law, PA
PO Box 445
Destin, Florida 32541
Attn: Kimberly Romano Kopp, Esq.

To Owners: Edward J. and Tar M. H. Furey
112 Sandprint Circle
Destin, FL 32541

With a copy to: Najmy Thompson, PL
1401 8th Avenue West
Bradenton, Florida 34205
Attention: Aaron M. Thomas, Esq.

Attorney's Fees. In the event of any action, whether pre-suit, mediation, litigation or appellate proceeding to enforce the terms and conditions of this Agreement, each party to the action shall pay its own attorney's fees and costs incurred therein.

(d) Venue over any action to enforce the terms and conditions of this Agreement, including mediation, shall lie solely in Okaloosa County, Florida.

OWNERS: EDWARD J. AND TARI M. H. FUREY

_____ _____
Signature of Witness #1 EDWARD J. FUREY

_____ _____
Print or type name Date

_____
Signature of Witness # 2

_____
Print or type name

_____ _____
Signature of Witness #1 TARI M. H. FUREY

_____ _____
Print or type name Date

_____
Signature of Witness # 2

_____
Print or type name

STATE OF_____
COUNTY OF_____

The foregoing instrument was acknowledged before me this _____ day of _____ 2019, by _____ _____ and _____, who are personal known to me or who have produced _____ as identification and who did not (did) take an oath.

_____
Signature of Notary

(NOTARY SEAL)

_____
Print or type name

STATE OF_____
COUNTY OF_____

The foregoing instrument was acknowledged before me this _____ day of _____ 2019, by _____ _____ and _____, who are personal known to me or who have produced _____ as identification and who did not (did) take an oath.

_____
Signature of Notary

(NOTARY SEAL)

_____
Print or type name

CITY OF DESTIN

By:_____
Gary Jarvis, Mayor

Date:_____

ATTEST:

_____
Rey Bailey, City Clerk

Date:_____

STATE OF_____
COUNTY OF_____

The foregoing instrument was acknowledged before me this _____ day of _____ 2019, by _____ _____ and _____, who are personal known to me or who have produced _____ as identification and who did not (did) take an oath.

_____
Signature of Notary

(NOTARY SEAL)

_____
Print or Type Name

Approved as to form and legality for use and reliance
by the City of Destin, Florida, only.

_____
Kimberly Romano Kopp, Esq.
City Land Use Attorney

Exhibit "A"

Legal Description of Property

ITEM # 2019-1915

CITY OF DESTIN

AGENDA ITEM

COUNCIL MEETING DATE: December 9, 2019
TYPE OF AGENDA ITEM: Action Item

TO: City Council

THRU: Lance Johnson, City Manager

FROM: Kimberly Kopp, Land Use Attorney
Louis Zunguze, Community Development Director

DATE: December 5, 2019

SUBJECT: 34) 93 Tarpon Street

I. BACKGROUND:

On January 22, 2019, the City enacted Ordinance 18-29-CC, the Short-Term Rental Occupancy Ordinance ("Ordinance"), which limits the occupancy of short-term rental homes to two (2) people per bedroom plus an additional four (4) persons.

The subject property owner owns the real property and improvements located at 93 Tarpon Street, Destin, FL 32541, as more particularly described in Exhibit "A" (the"Property") to the proposed settlement agreement.

Owner filed a claim with the City, pursuant to the provisions of §70.001, Florida Statutes, the Bert J. Harris Jr., Private Property Rights Protection Act (the "Harris Act"), alleging that the Property had been inordinately burdened by the adoption of the Ordinance, (the "Claim).

The Harris Act provides for the City to have the ability to enter into a settlement agreement which would have the effect of a modification or variance to the application of a regulation or ordinance as it would otherwise apply to the subject real property, provided the relief granted protects the public interest served by the regulations at issue and is the appropriate relief necessary to prevent the governmental regulatory effort from inordinately burdening the real property.

The City Council should settle the claim if the City Council determines that the modifications within the settlement agreement protect the public interest served by the Ordinance and are the appropriate relief necessary to prevent the regulatory effect of the Ordinance from inordinately burdening the Property.

II. DISCUSSION: The property owner has requested a maximum occupancy of twenty-four (24) occupants. City staff is recommending an occupancy of fifteen (15) occupants based on the square footage of the property. The building official utilized a one-occupant per 200 square feet methodology for recommending the above-stated occupancy.

Additionally, staff is recommending at least three (3) trash cans on the property. This recommendation is based on industry standard (Waste Management) that, on average, one trash can is required for every six occupants in order to ensure adequate garbage disposal. Therefore, if the maximum number of occupants exceeds any multiple of six (6, 12, 18, 24, 30, 36, etc.), then an extra trash can will be needed to accommodate the additional occupants. For example, if thirteen (13) is the maximum occupation, then three (3) trash cans are required. This is because, on average, two (2) trash cans will only accommodate twelve (12) occupants. The third trash can will be needed to accommodate the thirteenth occupant.

Further, the property owner must agree to annual life safety inspections, as provided in the proposed settlement agreement.

Finally, staff is recommending that no greater than six (6) vehicles be parked on this property

As stated in the agreement, the property owner remains bound by all other provisions of City codes.

A. Link to Strategic Goals / Objectives:
B. Effect on Budget (EOB):
C. Level of Service (LOS):

III. CONCLUSION:

IV. RECOMMENDED MOTION: 1. I move to approve the settlement agreement prepared by the City Land Use Attorney and Staff.

or

2. I move to approve the settlement agreement prepared by the City Land Use Attorney and Staff with the following modifications:_____.

or

3. I move to direct the City Land Use Attorney to negotiate in good faith with the property owner and to bring back an alternate settlement proposal to the City

Council for consideration.

or

4. I move to deny settlement of the subject claim at this time.

Attachments:

1. Burt Harris Case - 93 Tarpon Street
2. 93 Tarpon Settlement

NAJMY | THOMPSON PL
ATTORNEYS AT LAW

1401 8th Avenue West
Bradenton, FL 34205

PHONE: (941) 748 - 2216
FAX: (941) 748 - 2218

OTHER OFFICES:
Lakewood Ranch (941) 907 - 3999
Sarasota (941) 907 - 3999
New York (212) 220 - 6616

WWW.NAJMYTHOMPSON.COM

October 23, 2019
Via Hand Delivery

City of Destin
c/o Major Gary Jarvis
4200 Indian Bayou Trail
Destin, FL 32541

Re: 93 Tarpon Street, Destin, FL 32541
Bert J. Harris Claim, §70.001, *Fla. Stat.*, July 1, 2012

Dear Mayor Jarvis,

This firm represents Asit K. Jena & Rajashri Banerjee, owners of an improved property described as 93 Tarpon Street, Destin, FL 32541. My clients have been utilizing and operating the house as a short-term rental property within the City of Destin for over three (3) years. The City of Destin has authorized the use of this property as a short-term vacation rental.

The "before" condition of the subject property is a seven-bedroom, two-story residence able to accommodate twenty-four (24) guests as part of the authorized and approved short-term rental use of this property and others within the City.

By the City of Destin's passage on January 22, 2019 of Ordinance 18-29-CC and application of Ordinance 18-29-CC to the subject property on September 18, 2019 (when the City of Destin denied my clients' request for a variance), this property is now restricted to an occupancy of eighteen (18) guests.[1]

The Florida Legislature has passed Section 70.001, *Fla. Stat.*, known as the "Bert J. Harris Jr. Private Property Rights Protection Act as Amended."

Chapter 70.001, *Fla. Stat.*, "*inter alia*", created a separate and district cause of action which provides for relief or payment of compensation when a new law, rule, regulation or ordinance of

[1] The subject property was issued a grandfather certificate on March 5, 2019, permitting the subject property to rent to twenty-four (24) occupants until March 5, 2024.

NT

the state or a political entity in the state, as applied, unfairly affects real property. "When a specific action of a governmental entity has inordinately burdened an existing use of real property or a vested right to a specific use of real property, the property owners of that real property are entitled to relief, which may include compensation for the actual loss to the fair market value of the real property caused by the action of government, as provided in this section." *Fla Stat.* §70.001(2).

The owners of the subject property assert that their actual and existing use of said real property has been inordinately burdened by the City of Destin's adoption and application of Ordinance 18-29-CC by restricting its occupancy to only two (2) persons per bedroom plus four (4).

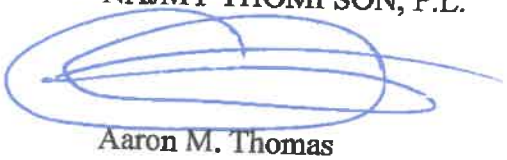
To that end, this letter should serve as a formal, written claim pursuant to §70.001, *Fla. Stat.*, the Bert J. Harris Jr. Private Property Rights Protection Act as Amended. Attached to this letter is a bona fide, valid appraisal that supports the claim and demonstrates the loss in value to the real property. This appraisal establishes the loss in value of the subject property, as a result of the application of the occupancy limitation of Ordinance 18-29-CC, to be $345,000.00.

Pursuant to §70.001(4)(c), *Fla. Stat.*, the City of Destin has 150 days to respond to this claim with a written settlement offer. You should consult your counsel as to any other obligations and settlement opportunities contained within this statute.

PLEASE BE GOVERNED ACCORDINGLY.

Sincerely,

NAJMY THOMPSON, P.L.



Aaron M. Thomas
athomas@najmythompson.com

Enclosure: Appraisal

cc:

Kyle Bauman
Anchors Smith Grimsley, PLC
909 Mar Walt Drive, Suite 1014
Fort Walton Beach, Fl 32547-6711
kbauman@asglegal.com

Kimberly Kopp
Romano Kopp Law, P.A.
P.O. Box 622562
Oviedo, Florida 32762-2562
kopp@romanokopplaw.com

AMT/kls

Appraisal Report

Detached Single Family Residential Home

3,100 ± HVAC SF Existing Structure

93 Tarpon Street
Destin, FL 32541

DIMINUTION IN VALUE ANALYSIS
93 TARPON STREET
DESTIN, FL 32541

FOR
ASIT JENA
AND
DESIGNATED ATTORNEYS

RETROSPECTIVE TO SEPTEMBER 18, 2019

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APPRAISAL REPORT

SUBJECT PROPERTY

3,100 ± HVAC SF Existing Detached Residential Improvement

Seven Bedrooms and Six Bathrooms

93 Tarpon Street
Destin, FL 32541

EFFECTIVE DATE OF APPRAISAL

Retrospective to September 18, 2019

REPORT DATE

October 2, 2019

VIEWING DATE

July 27, 2019 and September 25, 2019

CLIENT/INTENDED USER

Asit Jena
93 Tarpon Street
Destin, FL 32541

File № 190745A

PREPARED BY:

Thomas A. Marr

State-certified General Real Estate Appraiser № RZ 2645 (FL)
tom@panappraisal.com

Panhandle Appraisal Group
220 Hospital Drive
Fort Walton Beach, Florida 32548
Telephone: (850) 243-0958
Facsimile: (850) 226-8462

PANHANDLE APPRAISAL GROUP

REAL ESTATE VALUATION AND RESEARCH
Specializing in Residential and Commercial Valuation Support
Fort Walton Beach, Florida

Thomas A. Marr
State-certified General Real Estate Appraiser № RZ2645 (FL)

220 Hospital Drive
Fort Walton Beach, Florida 32548

Telephone: (850) 243-0958
Facsimile: (850) 226-8462

October 2, 2019

Asit Jena
93 Tarpon Street
Destin, FL 32541

Re: Diminution in value appraisal of an approximate 3,100 HVAC SF detached residential improvement, 'as is', identified as 93 Tarpon Street in Destin, FL 32541. **Panhandle Appraisal Group File № 190745A.**

Dear Mr. Jena:

I have completed the requisite personal viewing, research, and analysis necessary to determine if a diminution in value has occurred for the subject parcel.

The subject property is a two level, detached single family residential structure with an approximate 3,100 HVAC SF. The subject features seven bedrooms and six baths. The current sleeping capacity of the subject is twenty four (24) guests.

The purpose of the appraisal analysis was to develop an opinion of the market value of the subject property prior to the first application of the city of Destin Ordinance No. 18-29-CC to the subject on September 18, 2019 when 24 guests were allowed. The second step is to derive a value after the first application of the ordinance on September 18, 2019, which limited the subject to eighteen (18) guests, based on two guests per bedroom, plus four. I note that the designation as a bedroom is based on data in the Okaloosa County Property Appraiser web site.

The authorized user is the client at the address above. The understood intended use of the appraisal report will be for reference in determining if the first application of Ordinance No. 18-29-CC resulted in a diminution of value. No other use of this report by any other entity or person is authorized.

Subject to the above and the assumptions, limiting conditions, and certification set forth herein, it is my professional opinion the retrospective market value of the fee simple interest in the subject property, 'as is', as of September 18,2019, prior to the first application of Ordinance No. 18-29-CC, was:

ONE MILLION THREE HUNDRED SEVENTY FIVE THOUSAND DOLLARS
$1,375,000

Subject to the above and the assumptions, limiting conditions, and certification set forth herein, it is my professional opinion the current market value of the fee simple interest in the subject property, 'as is', after the first application of Ordinance No. 18-29-CC is:

ONE MILLION THIRTY THOUSAND DOLLARS
$1,030,000

The diminution of value is a rounded $345,000.

Exposure Time
The exposure time linked to the final value opinion is a range to nine (9) to twelve (12) months based on market sales of similar properties and current market activity.

Analysis of recent trends and current market supply and demand strongly indicate the highest and best use of the subject property, is continued use as a seasonal rental home.

I hereby certify I possess no interest, present or contemplated, in the appraised property. The undersigned appraiser is competent or has taken the necessary steps to become competent for the property type being appraised. This appraisal has been prepared utilizing all of the requirements set forth as standards for real estate appraisals established for federally related transactions by the Comptroller of the Currency, the Federal Reserve Board, the Federal Deposit Insurance Corporation, and the State of Florida. The appraisal is in conformity with the standards for real estate appraisals as established by the Appraisal Foundation and its Appraisal Standards Board. The appraisal also conforms to *the 2018/2019 edition of the Uniform Standards of Professional Appraisal Practice (USPAP)* and your instructions. The fee for this appraisal was not based on value, nor was the assignment undertaken based on a predetermined value, a trend in value, or a minimum or maximum value.

Respectfully submitted,

Thomas A. Marr

Thomas A. Marr
State-Certified General Real Estate Appraiser № RZ 2645 (Florida)

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APPRAISAL REPORT

This is an Appraisal Report which is intended to comply with the reporting requirements in accordance with the 2018/2019 edition of the Uniform Standards of Professional Appraisal Practice (USPAP) for an Appraisal Report. As such, it represents summary discussions of the data, reasoning, and analyses used in the appraisal process to develop the appraisers' opinion of value. Supporting documentation concerning the data, reasoning, and analyses may be retained in the appraiser's files. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated below. The appraisers are not responsible for unauthorized use of this report.

CLIENT:

Asit Jena
93 Tarpon Street
Destin, FL 32541

APPRAISERS:

Thomas A. Marr
State-certified General Real Estate Appraiser № RZ 2645 (Florida)

Panhandle Appraisal Group
220 Hospital Drive
Fort Walton Beach, Florida 32548

SUBJECT PROPERTY:

Legal Description
Lot 12, Block 26, Crystal Beach SD

Tax ID №: 00-2S-22-0580-0026-0120.

PURPOSE OF THE APPRAISAL:

The purpose of this appraisal was to develop an estimate of the diminution in value from prior to the first application of City of Destin Ordinance No. 18-29-CC and after the first application of the ordinance on September 18, 2019.

INTENDED USE OF REPORT:

The understood intended use of the appraisal report will be for client use in legal proceedings.

INTENDED USER:

The intended user is the client stated above, the client's attorneys, courts of law and regulatory authorities. This report is not intended or authorized for any other user or audience.

PROPERTY RIGHTS APPRAISED:

Fee Simple, one hundred percent (100%) ownership interest in the subject property.

EFFECTIVE DATE OF VALUE:

Retrospective to September 18, 2019.

DATE OF REPORT:

October 2, 2019.

DATE OF INSPECTION:

Thomas A. Marr viewed the subject property on July 27, 2019 and September 25, 2019.

SCOPE OF WORK:

I note you have not requested an appraisal report format. Based on the Scope of Work requirements included in the 2018/2019 version of USPAP, which indicates the appraiser is responsible to coordinate the scope of work with the client, I am informing you I will perform an appraisal report. **It is my opinion this process of work meets all applicable 2018/2019 USPAP standards.**

DEFINITIONS:

The definitions, commencing on the page following, are provided to assist the reader in understanding this appraisal report.

Market Value[1]

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

- Purchaser and seller are typically motivated;
- Both parties are well informed or well advised and each acting in what they consider their best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

The four (4) time differential values typically considered in the appraisal of existing developments are defined as follows:

(1) **'As Is'** means an estimate of the market value of a property in the condition observed upon inspection and as it physically and legally exists without hypothetical conditions, assumptions, or qualifications as of the date of appraisal.

(2) **'Value Upon Completion'** means the market value of a property with all existing construction, conversion, or rehabilitation hypothetically completed, or under other specified hypothetical conditions as of the date of appraisal. With regard to properties wherein anticipated market conditions indicate stabilized occupancy is not likely as of the date of completion, this estimate of value shall reflect the market value of the property as if complete and prepared for occupancy by tenants.

(3) **'Prospective Future Value Upon Completion'** means the prospective future value of a property on the date construction is completed, based upon market conditions forecast to exist as of completion date.

(4) **'Prospective Future Value Upon Achievement of Stabilized Occupancy'** means the prospective future value of a property at a point in time when all improvements have been physically constructed and the property has been leased to its optimum level of long term occupancy.

Fee Simple Estate[2]

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.

Leased Fee Interest[3]

An ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the lessee are specified by contract terms contained within the lease.

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1 Title XI, Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), [Pub. L. No. 101-73, 103 Stat. 183 (1989)], 12 U.S.C. 3310, 3331-3351, and section 5(b) of the Bank Holding Company Act, 12 U.S.C. 1844(b); Part 225, Subpart G: Appraisals; Paragraph 225.62 (f).
Uniform Standards of Professional Appraisal Practice, 2003 Edition, Page 3
Federal Reserve System, 12 CFR Parts 208 and 225, Sec. 225.62
Office of the Comptroller of the Currency, 12 CFR Part 34, Sec. 34.42 (g)
FDIC, 12 CFR Part 323, Sec. 323.2 (g) (2000)
Office of Thrift Supervision, 12 CFR Part 564, Sec. 564.2
NCUA, 12 CFR Part 722, Sec. 722.2

2 The Dictionary of Real Estate Appraisal, Appraisal Institute, Fourth Edition, 2002, Page 113.

3 Ibid., Page 161.

Leasehold Interest[4]
The interest held by the lessee (the tenant or renter) through a lease transferring the rights of use and occupancy for a stated term under certain conditions.

Condominium[5]
A multi-unit structure or property in which persons hold fee simple title to individual units and an undivided interest in common areas.

Highest and Best Use[6]
The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and which results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability.

...of land or a site as though vacant:

Among all reasonable, alternative uses, the use yielding the highest present land value, after payments are made for labor, capital, and coordination. The use of property based on the assumption the parcel of land is vacant or can be made vacant by demolishing any improvements.

...of property as improved:

The use which should be made of a property as it exists. An existing improvement should be renovated or retained as is so long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing building and constructing a new one.

Marketing Time[7]
The time it takes an interest in real property to sell on the market subsequent to the date of an appraisal.

Exposure Time[8]
A retrospective estimate based on an analysis of past events assuming a competitive and open market.

Advocacy[9]
Representing the cause or interest of another, even if cause or interest does not necessarily coincide with one's own beliefs, opinions, conclusions, or recommendations.

Appraisal[10]
(Noun) The act or process of developing an opinion of value; an opinion of value. (Adjective) of, or pertaining to appraising and related functions such as appraisal practice or appraisal services.

Appraisal Practice[11]
Valuation services performed by an individual acting as an appraiser, including, but not limited to appraisal, appraisal review, or appraisal consulting.

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4 Ibid., Page 162.

5 Ibid., Page 59.

6 Ibid., Page 135.

8 Ibid., Page 175

Ibid., Page 105

9 2018/2019 edition, *Uniform Standards of Professional Appraisal Practice (USPAP)*, Page 1

10 Ibid, Page 1

11 Ibid, Page 1

Appraisal Review[12]
The act or process of developing and communicating an opinion about the quality of another appraiser's work was performed as part of an appraisal, appraisal review, or appraisal consulting assignment.

Appraiser[13]
One who is expected to perform valuation services competently, and in a manner, is independent, impartial, and objective.

Appraiser's Peers[14]
Other appraisers who possess expertise and competency in a similar type of assignment.

Assignment[15]
A valuation service provided as a consequence if an agreement between an appraiser and a client.

Assignment Results[16]
An appraiser's opinions and conclusions developed specific to an assignment.

Assumption[17]
An occurrence which is taken to be true.

Bias[18]
A preference or inclination which precludes an appraiser's impartiality, independence, or objectivity in an assignment.

Business Enterprise[19]
An entity pursuing an economic entity.

Business Equity[20]
The interests, benefits, and rights inherent in the ownership of a business enterprise or a part thereof in any form (including, but not necessarily limited to, capital stock, partnership interests, cooperatives, sole proprietorships, options, and warrants).

Client[21]
The party or parties who engage an appraiser (by employment or contract) in a specific assignment.

Confidential Information[22]
Information is either:

- identified by the Client as confidential when providing it to an appraiser and is not available from any other source; or,

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12 Ibid, Page 1

13 Ibid, Page 1

14 Ibid, Page 2

15 Ibid, Page 2

16 Ibid, Page 2

17 Ibid, Page 2

18 Ibid, Page 2

19 2018/2019 edition, USPAP, Page 2

20 Ibid, Page 2

21 Ibid, Page 2

22 Ibid, Page 2

- classified as confidential or private by applicable law or regulation.

Cost[23]
The amount required to create, produce, or obtain a property.

'Credible'[24]
Worthy of belief.

Extraordinary Assumption[25]
An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions.

Feasibility Analysis[26]
A study of the cost-benefit relationship of an economic endeavor.

Hypothetical Condition[27]
An assertion which is contrary to what exists but is supposed for the purpose of analysis.

Intangible Property[28]
(Intangible Assets) Nonphysical assets, including, but not limited to, franchises, trademarks, patents, copyrights, goodwill, equities, securities, and contracts as distinguished from physical assets such as facilities and equipment.

Intended Use[29]
The use or uses of an appraiser's reported appraisal, appraisal review, or appraisal consulting assignment opinions and conclusions, as identified by the appraiser based on communication with the Client at the time of the assignment.

Intended User[30]
The Client and any other party as identified, by name or type, as users of the appraisal, appraisal review, or appraisal consulting report by the appraiser on the basis of communication with the Client at the time of the assignment.

Jurisdictional Exception[31]
...an assignment condition which voids the force of a part or parts of *USPAP*, when compliance with part or parts of *USPAP* is contrary to law or public policy applicable to the assignment.

IDENTIFY THE PROBLEM TO BE SOLVED
The problem to be solved in this appraisal analysis was to develop an opinion of the market value of the subject property, both prior to the first application of the city of Destin Ordinance No. 18-29-CC to the subject on September 18, 2019 when 24 guest occupancy was allowed and after the first application of the Destin Ordinance N0. 18-29-CC on September 18, 2019, which limited the subject to eighteen (18) guests, based on two guests per bedroom, plus four. Utilizing the before and after values, I derived a diminution of value to the subject property.

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23 Ibid, Page 2

24 Ibid, Page 3

25 Ibid, Page 3

26 Ibid, Page 3

27 Ibid, Page 3

28 Ibid, Page 3

29 Ibid, Page 3

30 Ibid, Page 3

31 2018 edition, *USPAP*, Page 3

EXTENT OF THE PROCESS OF COLLECTING, CONFIRMING, AND REPORTING DATA:

Preparation of this appraisal included the following scope of work:

- The subject site, improvements, and parking improvements were inspected by the appraiser, the property was photographed. File data for similar properties was reviewed.
- The public records were reviewed.
- The appraiser examined the economic, social, governmental, and environmental forces affecting value in the subject neighborhood and the entire market area as a whole.
- The appraiser identified recent and projected actual rents for the subject, based on occupancy of up to 24 guests. The appraiser then identified the annual rentals of other comparable properties which accommodated up to or beyond 24 guests. This data was used to verify or support the historical performance and the projected rents for the subject. These comparable rentals provided market support for the subject actual and projected gross rental income.
- The appraiser identified market rental comparables for properties limited to 18 guests.
- The appraiser then reduced gross rent to net operating rent and capitalized the net operating rent to identify value for the subject as a 24 guest rental and an 18 guest rental. The difference between these two values is the diminution in value.

IDENTIFICATION OF THE TYPE OF APPRAISAL AND APPRAISAL REPORT FORMAT:
I have provided an **Appraisal Report**, as defined by the *2018/2019 edition of the Uniform Standards of Professional Appraisal Practice*, containing a summary of all relevant conclusions, data, and analyses used in the report.

TERMS OF THE FINAL VALUE OPINION:
The final opinion of the current market values of the subject property, 'as is' is expressed in terms of cash or financing terms equivalent to cash.

POLICY STATEMENT OF THE APPRAISAL INSTITUTE:
It is improper to base a conclusion or opinion of value upon the premise the racial, ethnic, or religious homogeneity of the inhabitants of an area or of a property is necessary for maximum value.

Racial, religious, and ethnic factors are deemed unreliable predictors of value trends or price variance.

It is improper to base a conclusion or opinion of value, or a conclusion with respect to neighborhood trends, upon stereotyped, biased presumptions relating to the effective age or remaining life of the property being appraised or the life expectancy of the neighborhood in which it is located.

The undersigned appraiser is not a member of the Appraisal Institute.

GENERAL ASSUMPTIONS:

1. No responsibility is assumed for the legal description provided or for matters relevant to legal or title considerations. Title to the property is assumed to be marketable unless otherwise stated. The legal description used in this report is assumed to be correct.

2. The subject property is appraised free and clear of any or all liens, leases, or encumbrances unless otherwise stated. All mortgages, liens, encumbrances, leases, and servitudes have been disregarded unless so specified within the report.

3. No survey of the property has been made by the appraisers and no responsibility is assumed in connection with such matters. Sketches, plot plans, or illustrative material presented in this report are included only to assist the reader in visualizing the property.

4. Information and data furnished by others is usually assumed to be true, correct and reliable. When such information and data appears to be dubious and when it is critical to the appraisal, a reasonable effort has been made to verify all such information; however, no responsibility for its accuracy is assumed by the appraiser.

5. Responsible ownership and competent property management are assumed unless otherwise stated in this report.

6. It is assumed there are no hidden or unapparent conditions of the property, subsoil or structures which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.

7. It is assumed 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.

8. It is assumed the subject property is in compliance with all applicable zoning and land use regulations, unless a nonconformity has been stated, defined and considered in the appraisal report.

9. It is assumed all required licenses, consents or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use which the value estimate contained in this report is based.

10. It is assumed the utilization of the land and improvements is within the boundaries or property lines of the property described and there is no encroachment or trespass unless noted within the report.

EXTRAORDINARY ASSUMPTIONS:

I am using data provided to me by the client and other vacation home owners.

I am also using rental projections from the current property manager.

I am making the extraordinary assumption that the data provided is accurate, credible and reliable.

If, for any reason, the data provided is not accurate, credible and reliable, the values derived in the analysis is subject to review.

GENERAL LIMITING CONDITIONS:

1. This is an Appraisal Report which is intended to comply with the reporting requirements set forth in accordance with the *2018/2019 edition of the Uniform Standards of Professional Appraisal Practice* for an Appraisal Report. As such, it includes summarized discussions of the data, reasoning, and analyses used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses may be retained in the appraiser's files. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraiser is not responsible for unauthorized use of this report.

2. Appraisers are not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraisers suggesting the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert in the field of environmental assessment. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The appraiser's value estimate is predicated on the assumption there exists no such material on or in the property causing a loss in value unless otherwise stated in this report. No responsibility is assumed for any environmental conditions, or for any expertise or engineering knowledge required to discover them. The appraisers' descriptions and resulting comments are the result of the routine observations made during the appraisal process.

3. The subject property is appraised without a specific compliance survey having been conducted to determine if the property is or is not in conformance with the requirements of *The Americans with Disabilities Act*. The presence of architectural and communications barriers which are structural in nature which would otherwise restrict access by disabled individuals may adversely affect the property's value, marketability, or utility.

4. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event, only with proper written qualification and only in its entirety.

5. Neither all nor any part of the contents of this report shall be conveyed to any person or entity, other than the appraiser's or firm's client, through advertising, solicitation materials, public relations, news, sales, or other media without the written consent and approval of the authors, particularly as to valuation conclusions, the identity of the appraiser or firm with which the appraiser is connected, or any reference to affiliation with any professional appraisal organization. Further, the appraiser or firm assumes no obligation, liability, or accountability to any third party. If this report is placed in the hands of anyone but the client, client shall make party aware of all the assumptions and limiting conditions of the assignment.

6. The appraiser affixing his signatures to this appraisal report will not be required to give testimony or appear in court because of having made this appraisal, with reference to the property in question, unless arrangements have been previously made thereof.

7. No environmental impact studies were either requested or made in conjunction with this appraisal, and the appraiser hereby reserves the right to alter, amend, revise, or rescind any of the value opinions based upon any subsequent environmental impact studies, research, or investigation.

8. The appraiser has not been supplied with a report of the subsoil conditions indicating the exact capacity of the subsoil. I do not have the benefit of subsoil test results of the properties and detection of possible soil defects would be beyond my realm of expertise. However, there appear to be no hidden or apparent conditions of the subject sites or subsoil structures which would render them more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.

9. Acceptance of and/or use of this appraisal report constitutes acceptance of the foregoing General Assumptions, Special Assumptions, General Limiting Conditions, and Special Limiting Conditions.

EXTRAORDINARY LIMITING CONDITIONS AND HYPOTHETICAL CONDITIONS:

I note that the ordinance in question allows a five (5) year 'grandfather' period. I considered if this 'grandfather' status should receive some analysis in the discussion of diminution of value. After consideration, I concluded that a potential market participant, aware that the grandfather status will be eliminated , would be very wary to enter into a financial arrangement where he may have to liquidate in an unknown market within a time line that may not be available . Thus, I am not considering any impact of the 'grandfather' status.

CERTIFICATION:

I certify, to the best of my knowledge and belief:

1. The statements of fact contained in this report are true and correct.

2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions and conclusions.

3. I possess no present or prospective interest in the property which is the subject of this report and no personal interest with respect to the parties involved.

4. I possess no bias with respect to the property which is the subject of this report or to the parties involved with this assignment.

5. The engagement in this assignment was not contingent upon developing or reporting predetermined results.

6. The compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value favoring the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

7. The analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *2018/2019 edition of the Uniform Standards of Professional Appraisal Practice.*

8. Thomas A. Marr has made a personal viewing of the property which is the subject of this report. No one else has rendered significant real estate appraisal knowledge and input to the compilation of this report.

9. I have not performed any services, to include appraisal services, regarding the subject in the previous three years.

10. The opinion of market value 'as is' of the one hundred percent (100%) fee simple ownership interest in the subject property, as of the date prior to the first application of Destin Ordinance 18-29-CC is ONE MILLION THREE HUNDRED SEVENTY FIVE THOUSAND DOLLARS ($1,375,000) and the value after the first application of Destin Ordinance 18-29-CC is ONE MILLION THIRTY THOUSAND DOLLARS ($1,030,000). The diminution of value is estimated as THREE HUNDRED FORTY FIVE THOUSAND DOLLARS ($345,000).

Thomas A Marr

Thomas A. Marr
State-certified General Real Estate Appraiser № RZ 2645 (Florida)

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DESCRIPTION OF THE SUBJECT PROPERTY

Ownership:

The current owner is Asit K. Jena and Rajashri Banerjee, husband and wife. The following deed indicates ownership via a transfer from Destin Sunshine LLC to Asit K. Jena and Rajashri Banerjee, husband and wife.

FILE #3006960 RCD: 8/30/2016 2:26 PM, RK: 3263 PG: 4696, RECORDING: $6.00 RECORDING ARTICLE V: $4.00
D Doc Stmp: $5,495.00 DEPUTY CLERK BHURKE
JD PEACOCK II CLERK OF COURTS, OKALOOSA COUNTY, FLORIDA

Record Deed:	$10.00
Deed Documentary Stamps:	$5,495.00
Total Paid:	$5,505.00

THIS INSTRUMENT PREPARED BY AND RETURN TO:
Kirby H. Williams
Clark Partington
1414 County Highway 283 S. Suite H
Santa Rosa Beach, FL 32459
Property Appraisers Parcel Identification (Folio) Number: 00-25-22-0500-0026-0120

WARRANTY DEED

SPACE ABOVE THIS LINE FOR RECORDING DATA

THIS WARRANTY DEED, made the **26th day of August, 2016 by Destin Sunshine, LLC, a Florida limited liability company, whose mailing address is 159 Long Lake Dr., Miramar Beach, FL 32550** herein called the Grantor, to **Asit K. Jena and Rajashri Banerjee, husband and wife, whose mailing address is 8010 Brixton Pl., Suwanee, GA 30024**, hereinafter called the Grantee
(Wherever used herein the terms "Grantor" and "Grantee" include all the parties to this instrument and the heirs, legal representatives and assigns of individuals, and the successors and assigns of corporations)

W I T N E S S E T H: That the Grantor, for and in consideration of the sum of TEN AND 00/100'S ($10.00) Dollars and other valuable considerations, receipt whereof is hereby acknowledged, hereby grants, bargains, sells, aliens, remises, releases, conveys and confirms unto the Grantee all that certain land situate in OKALOOSA County, State of Florida, viz.:

Lot 12, Block 26, CRYSTAL BEACH, according to the Plat thereof as recorded in Plat Book 1, Page 17, of the Public Records of Okaloosa County, Florida.

Subject to easements, restrictions and reservations of record and taxes for the current and subsequent years.

TOGETHER, with all the tenements, hereditaments and appurtenances thereto belonging or in anywise appertaining.

TO HAVE AND TO HOLD, the same in fee simple forever.

AND, the Grantor hereby covenants with said Grantee that the Grantor is lawfully seized of said land in fee simple, that the Grantor has good right and lawful authority to sell and convey said land, and hereby warrants the title to said land and will defend the same against the lawful claims of all persons whomsoever

IN WITNESS WHEREOF, the said grantor has signed and sealed these presents the day and year first above written.

Signed, sealed and delivered in the presence of:

Christy Mooney
Witness #1 Signature
Christy Mooney
Witness #1 Printed Name
Debby Davis
Witness #2 Signature
Debby Davis
Witness #2 Printed Name

Destin Sunshine, LLC, a Florida limited liability company

By: Nicole A Camargo
Nicole Camargo, Manager

STATE OF FLORIDA
COUNTY OF Walton

The foregoing instrument was acknowledged before me this 26th day of August, 2016 by Nicole Camargo, as Manager on behalf of Destin Sunshine, LLC, a Florida limited liability company, who ( ) is personally known to me or (✓) has produced FL DL as identification

SEAL

Christy Mooney
COMMISSION #FF220152
EXPIRES July 6, 2019

Christy Mooney
Notary Public
Christy Mooney
Printed Notary Name

My Commission Expires:

Site:

Location:
The subject is located on the east side of Tarpon Street in the mature Crystal Beach Subdivision. It is located an approximate 50 feet south of the Luke Avenue and Tarpon Street intersection, within easy walking distance of the Gulf of Mexico.

This area is east of the community of Henderson Beach and west of the Destiny/Destiny West/Destiny By The Sea communities.

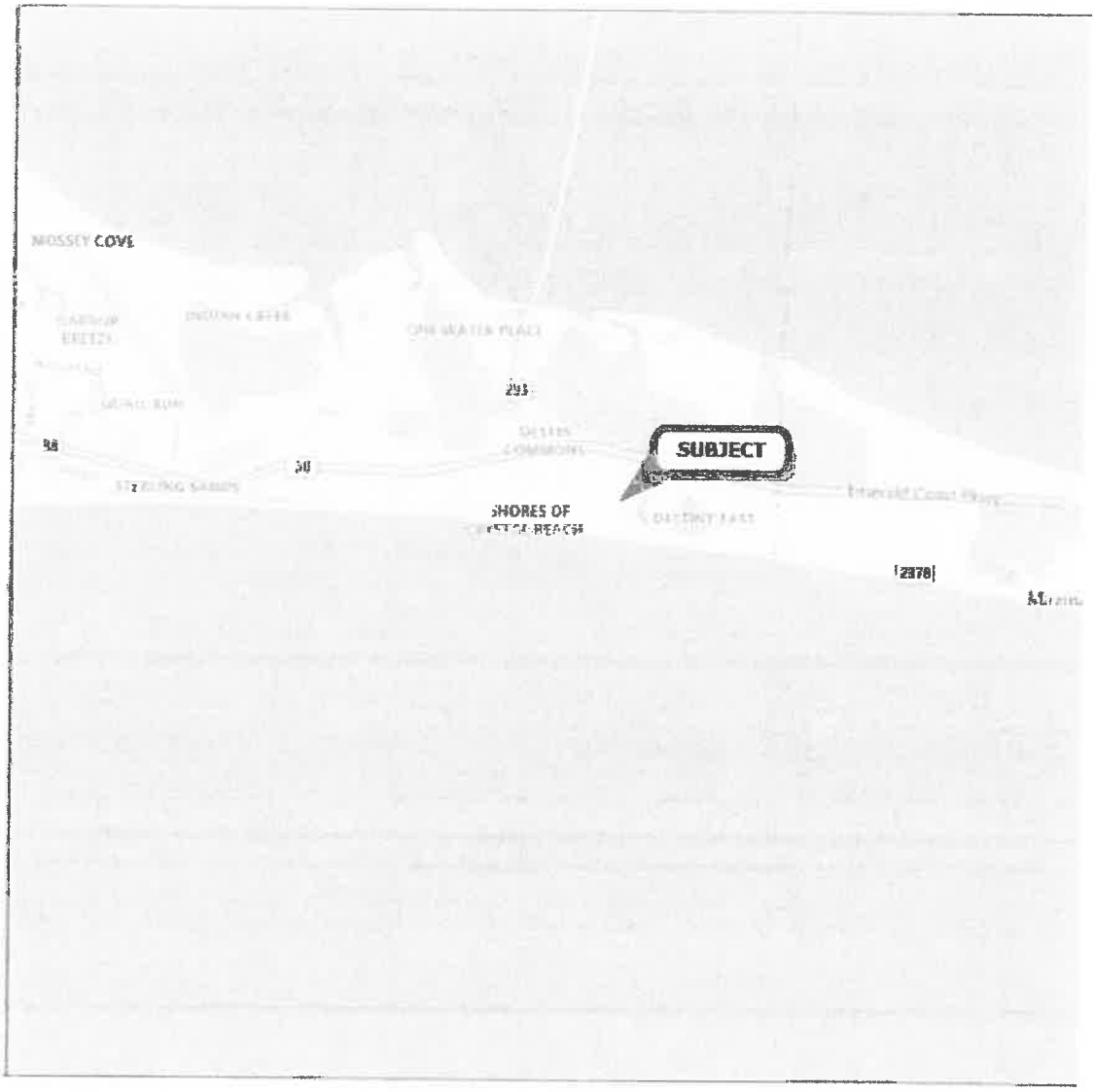
Along the south side of Scenic Highway 98 are many condominium projects, individual homes and some commercial use, typically restaurants, which cater to the tourist industry.

Along Scenic Highway 98 to the north are other residential uses, primarily detached homes with a interspersion of condominium and town home projects, which are a mix of owner occupant and seasonal rental use.

Within the Crystal Beach Subdivisions is an eclectic mix of housing, ranging from 1950s Florida Cottages to newly constructed large beach homes.

This entire area of Destin, in close proximity to the Gulf of Mexico, is a desired location and well considered by the market.

See the following map for the subject location in the broad Destin market.



The following map indicates the local market area surrounding the subject.

The following aerial photograph indicates the subject parcel.

Land Size:

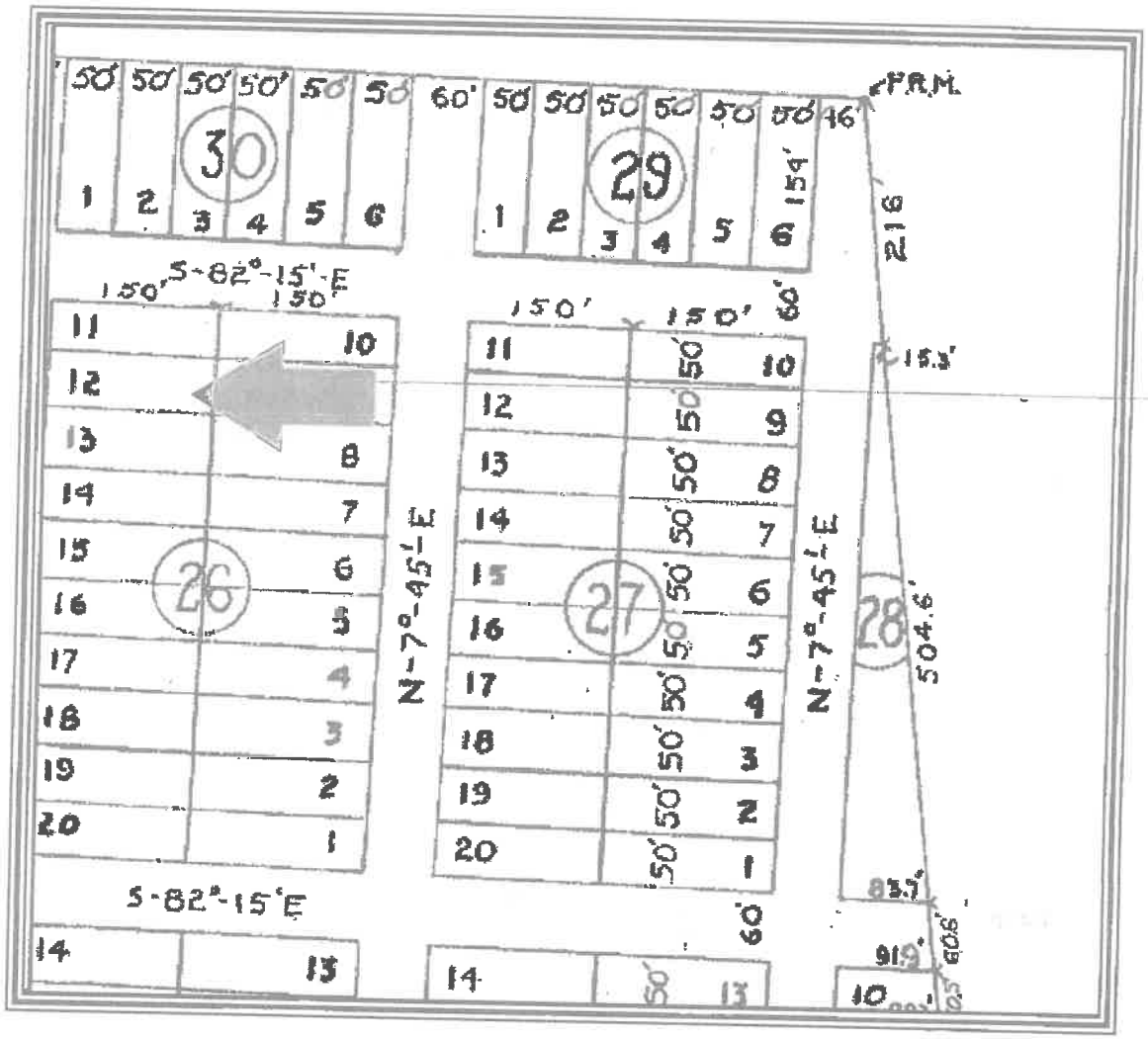
The subject is a single residential lot.

The rounded dimensions are as follows:

50.00 feet on the west side, fronting on Tarpon Street.
150.00 feet on the north side,
50.00 feet on the east side,
150.00 feet on the south side.

These dimensions result in a land size of an approximate 0.17 acres, or 7,500 SF. This land size is typical of lots in the Crystal Beach Subdivision.

See the following excerpt from the recorded plat map.

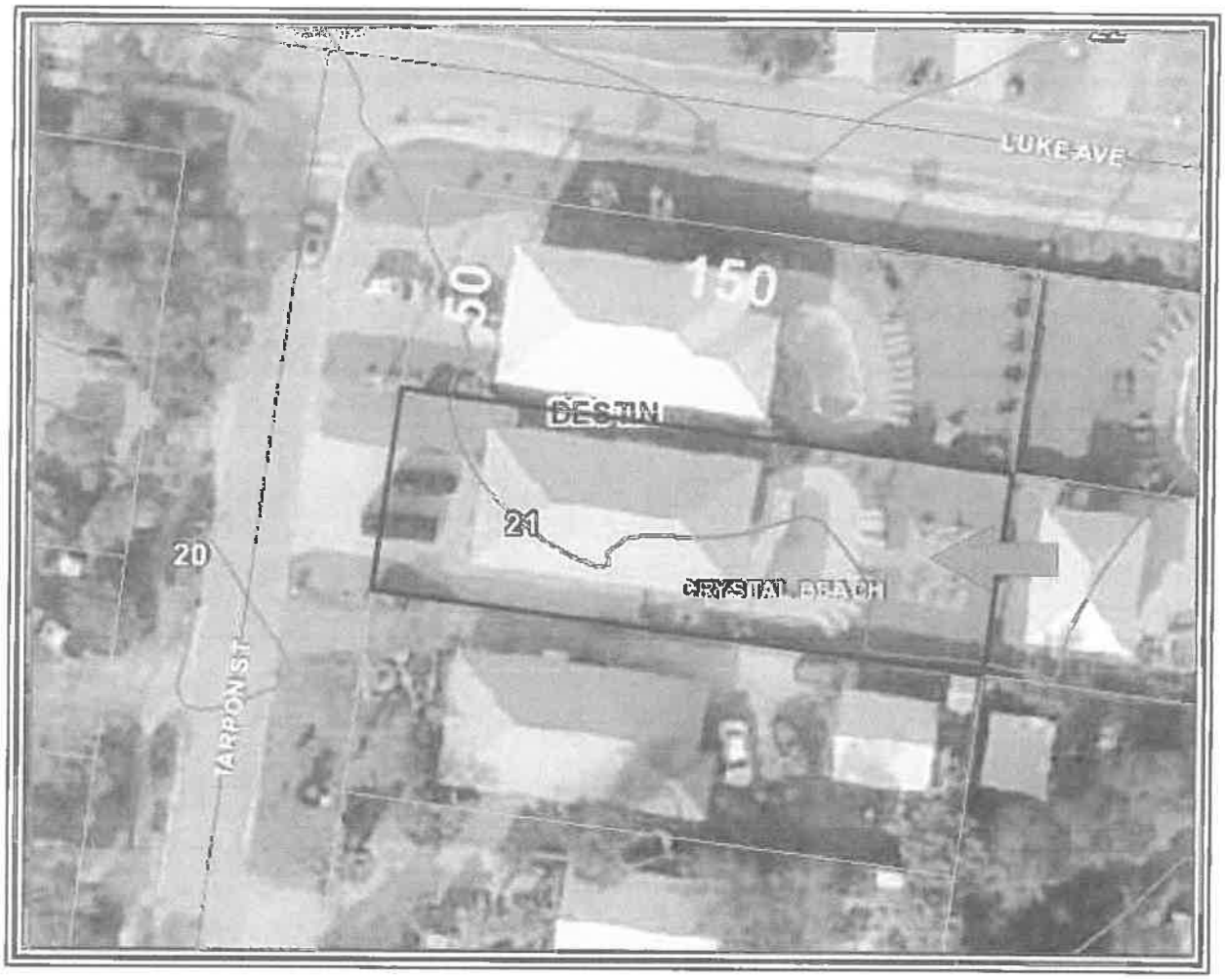


Site Topography:

Per the Okaloosa County GIS site and my viewing, the subject is at the road grade of Tarpon Street.

Based on the following excerpt from the Okaloosa County GIS system, the subject is almost level.

The subject lot contour is now typical for most Crystal Beach lots.



Utilities:

Utility	*Provider*	*Utility*	*Provider*
Electricity	Gulf Power	Stormwater Drainage	Destin
Water and Sewer	Destin Water Users	Fire Department	Destin
Natural Gas	Okaloosa Gas	Police Department	Contract with the Okaloosa County Sheriff
Telephone	Verizon	Refuse Removal	By contract
Cable Television	Cox Cable		

The utilities for the subject site are considered as typical in the market.

Easements/Encroachments:
I was not furnished a copy of a recent survey of the subject property. A review of the site plan, various maps and my personal viewing did not indicate any easements or encroachments.

The warranty deed references that the subject has deeded access to the Gulf of Mexico.

I assume there are additional utility easements of record.

It is my opinion that there are no easements or encroachments which would affect value or transferability.

Ingress/Egress:
The subject property is reached directly from Tarpon Street, which fronts on the entire subject east side.

Tarpon Street is a two lane, paved public roadway which connects to Scenic Highway 98 to the south and Luke Avenue to the north.

Scenic Highway 98 is a paved, two lane public roadway.

Scenic Highway 98 is the original U. S. Highway 98 which was the main east/west arterial in the Destin market. Now that the six lane U. S. Highway 98 has been developed to the north, Scenic Highway 98 is now a coastal road running parallel to, and just north of, the Gulf of Mexico.

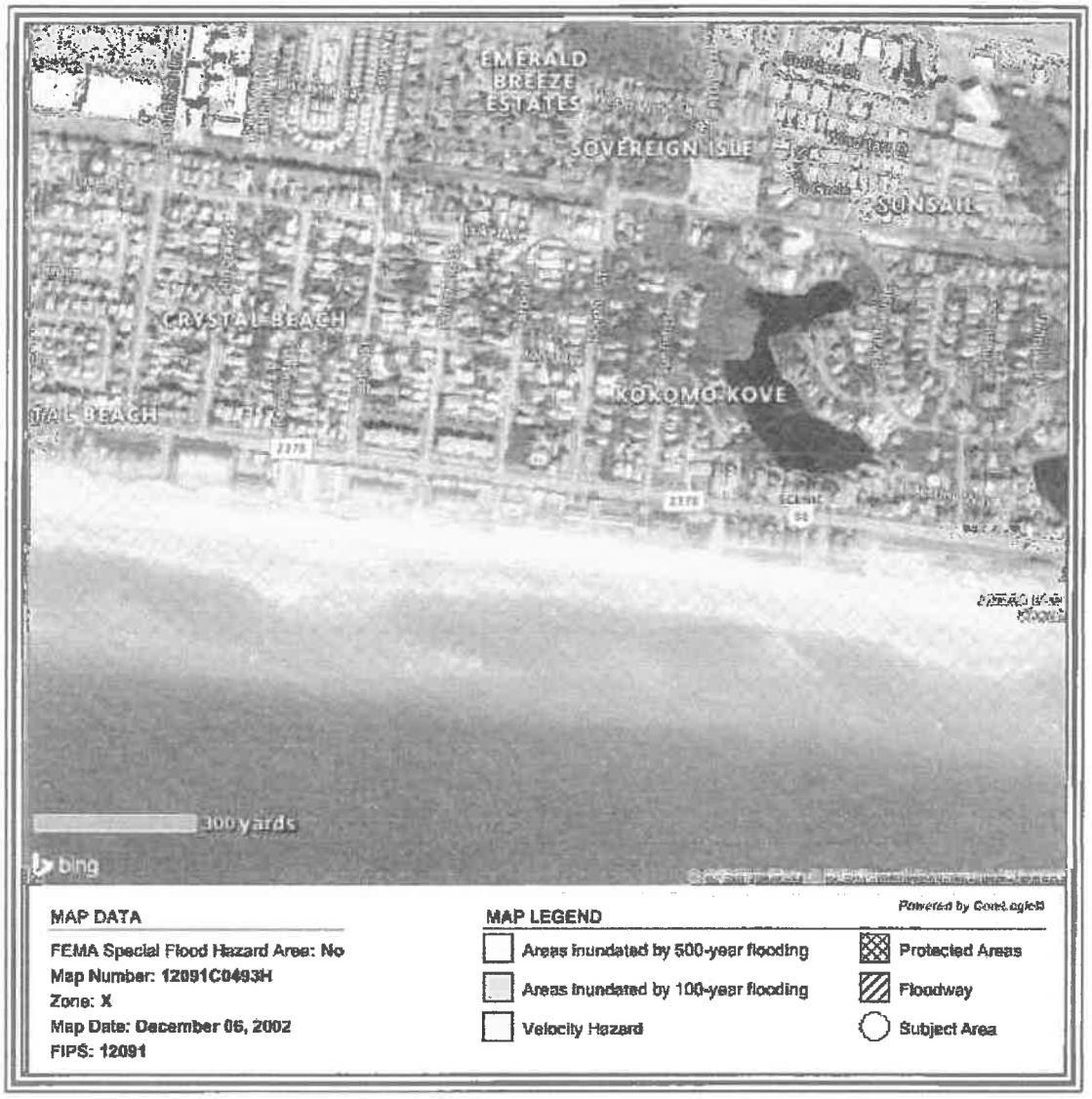
Ingress/egress is viewed as similar to most access typically found in the market.

Parking is viewed as superior to most parking found in the market as the subject features six driveway spaces on the west side of the subject lot.

Flood Risk:

FEMA Map Panel	*Map Area*	*Dated*	*Flood Zone*
12091C 0493H	Okaloosa County	December 6, 2002	"X"

* The client is advised appraisers are not surveyors, and accordingly, any final determination as to flood zone status should only be made by a licensed, adequately insured, Florida surveyor utilizing the latest FEMA flood panels. However, it appears the entire subject area is considered as Flood Zone 'X', an area of substantial flood risk. The subject is located at the red circle in the following flood map.

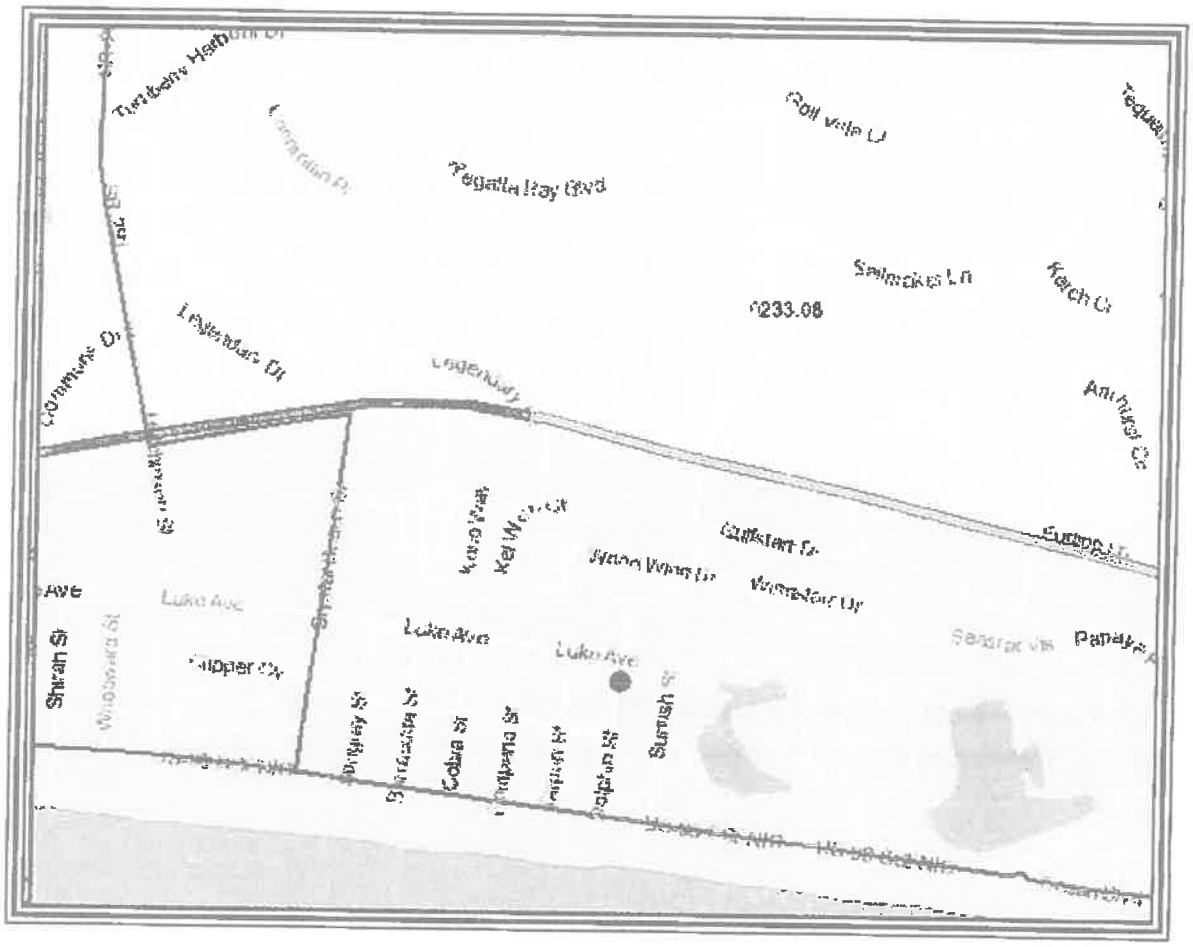


Wetlands:

None, per the Okaloosa County GIS site.

The wetland map is consistent with the flood panel on the previous page.

Census Data:
The subject is located in census tract 0233.08.



IMPROVEMENTS 'AS IS'

Size:
The subject is a single family detached improvement with two levels.

The subject features no garage. It does features exterior balconies and porches, as well as an in ground swimming pool, pool deck/lanai, landscaping, and fencing. These features result in 3,660 total SF and 3,100 HVAC SF, per the Okaloosa County Property Appraiser.

The first level features typical living areas in the form of the kitchen, living room, dining room and baths. This level also features two bedrooms with a king, sleeping a total of four (4). There is a total of four (4) guests on the first level.

The second level features two bedrooms with kings, each sleeping two (2) for a total of four (4) guests, a bedroom with two fulls, sleeping four (4), a bedroom with two kings, sleeping four (4), a bedroom with bunks and additional mattresses sleeping six (6) and a family room with a sofa sleeper, sleeping two (2). This is a total of twenty (20) guests on the second level.

The first level sleeps four (4) and the second level sleeps twenty (20) for a total of twenty four (24) guests.

Construction Quality:
The quality of construction for the subject improvement is *Class D* average. Details of construction are summarized below:

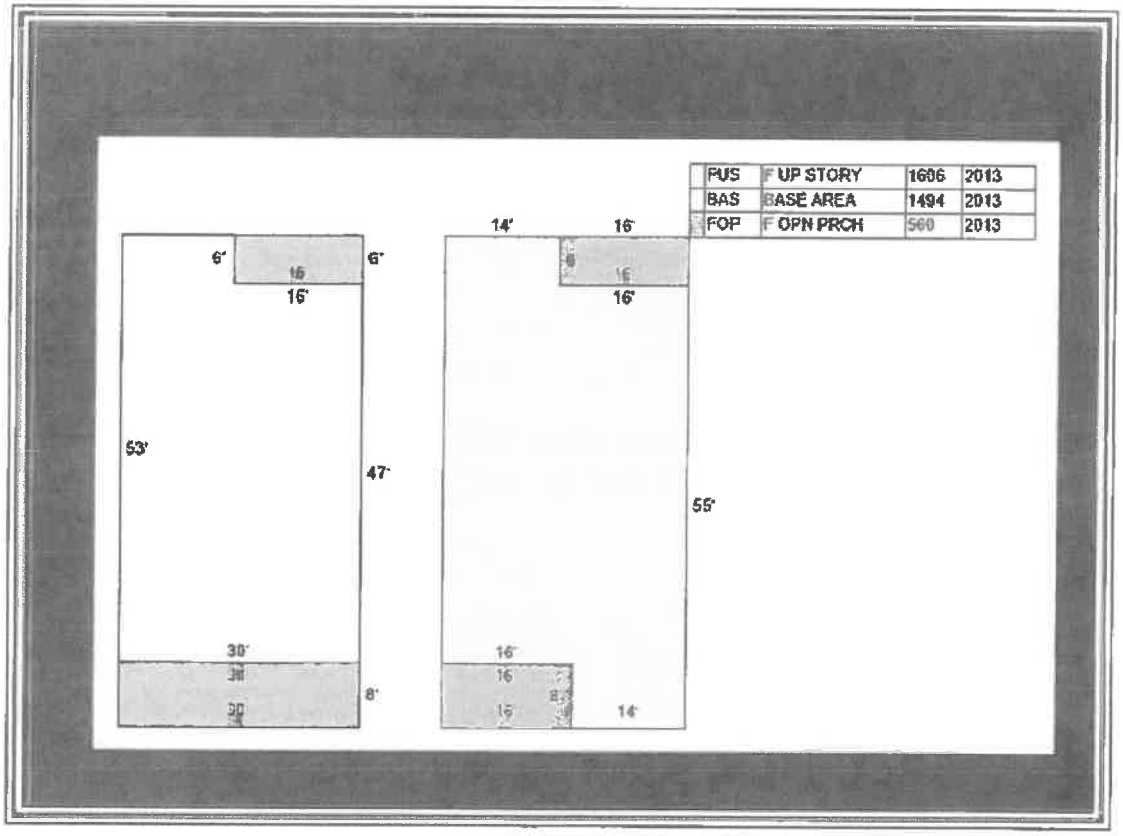
Construction Component	
Foundation	Concrete
Exterior walls	Wood frame with hardi board
Roof	Metal
Trim	Base and crown molding
Windows	Double pane aluminum
Exterior doors	Insulated metal with glass
Insulation	Unknown. Assumed to be R38 behind sheet rock
HVAC	Forced Air and Central HVAC
Ceiling	9 and 10 foot with sheet rock and can lights
Interior Walls	Painted sheet rock
Interior flooring	Average tile and carpet
Interior doors	Six and four panel wood
Restrooms	Six full bathrooms and one half bath
Lighting	Can lights
Kitchens	One typical residential kitchen with good cabinetry
Other	Many porches/swimming pool and lanai.

Condition of Improvements:
The subject improvement is in good condition.

Age:
Public records indicate that the subject improvement was constructed in 2013.

I consider the actual age to be six (6) years. I estimate an economic life of fifty five (55) years and a physical life of seventy five (75) years.

See the following sizes indicated for the subject in the Okaloosa County Property Appraiser web site.



Exterior Photographs:

FRONT OF SUBJECT

REAR OF SUBJECT

SWIMMING POOL

DECK AREA EAST OF POOL

FRONT BALCONY

REAR BALCONY

DEEDED BEACH ACCESS

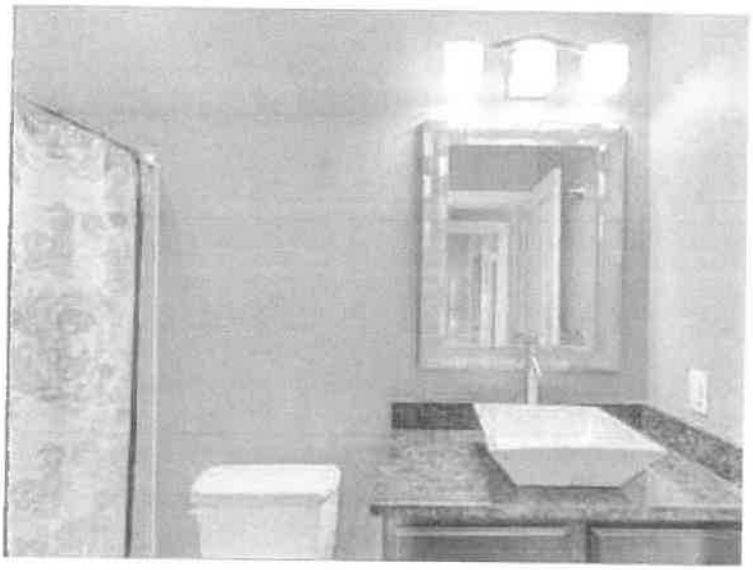
DUNE WALKOVER TO BEACH

First Level Sleeping Four (4);

KITCHEN

LIVING ROOM/DINING ROOM

LAUNDRY ROOM

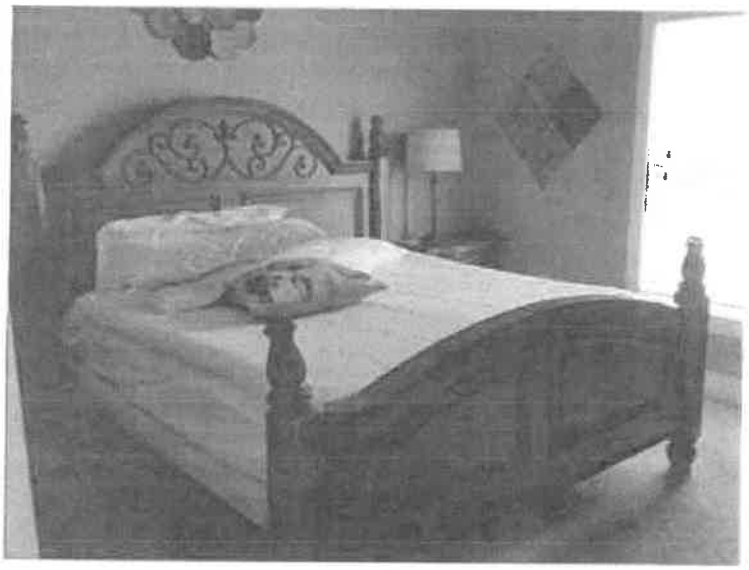


TYPICAL BATH

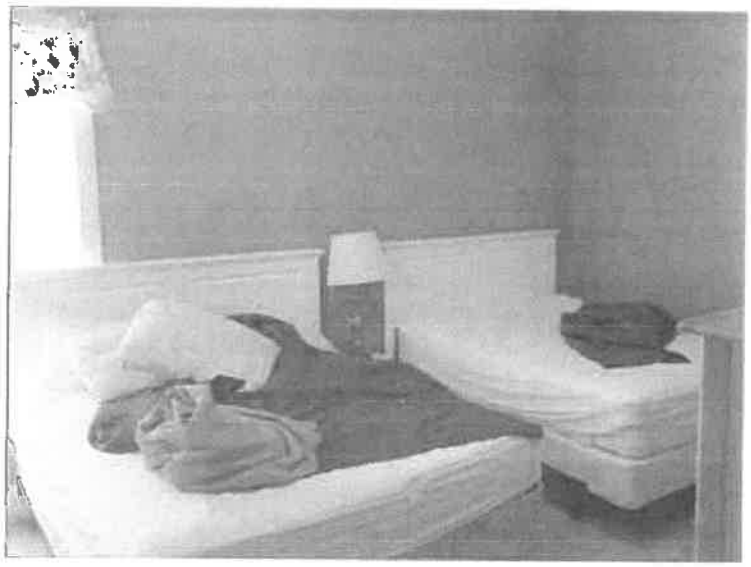
BEDROOM WITH KING SLEEPING TWO - (2) - BEDROOM #1

BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #2

Second Level Sleeping Twenty (20):

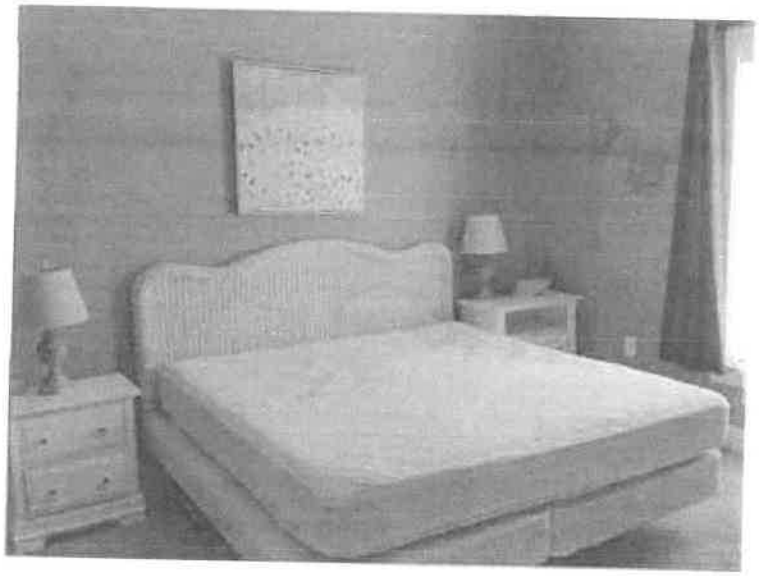


BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #3

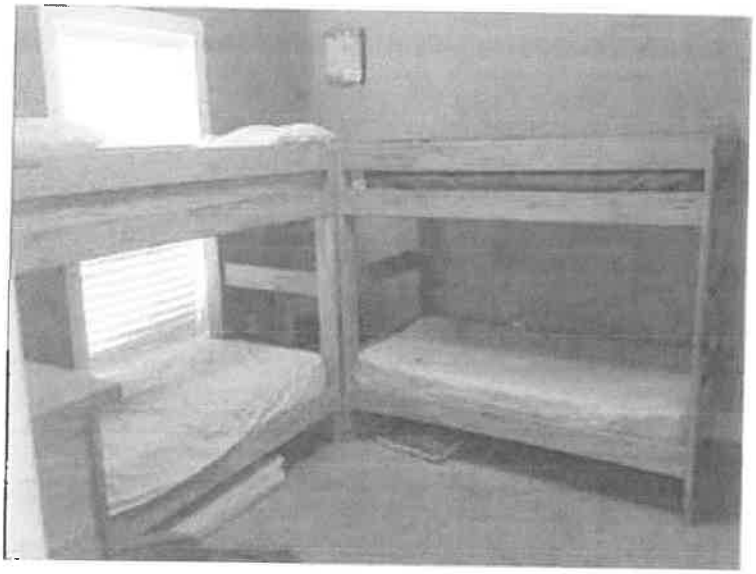


BEDROOM WITH TWO KINGS SLEEPING FOUR (4) - BEDROOM #4

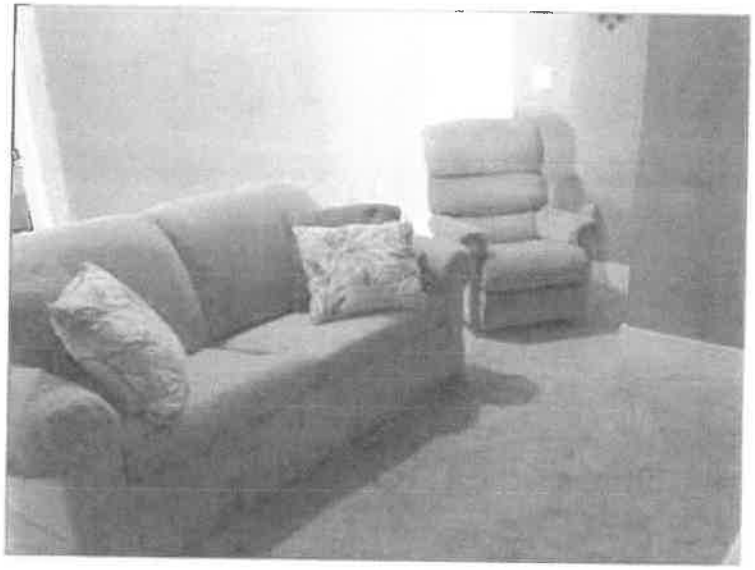
BEDROOM WITH FULLS SLEEPING TWO (2) - BEDROOM #5



BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #6



BEDROOM WITH BUNKS SLEEPING FOUR (4) AND MATTRESSES SLEEPING TWO (2) - BEDROOM #7



ADDITIONAL ROOM WITH SOFA SLEEPING TWO (2)

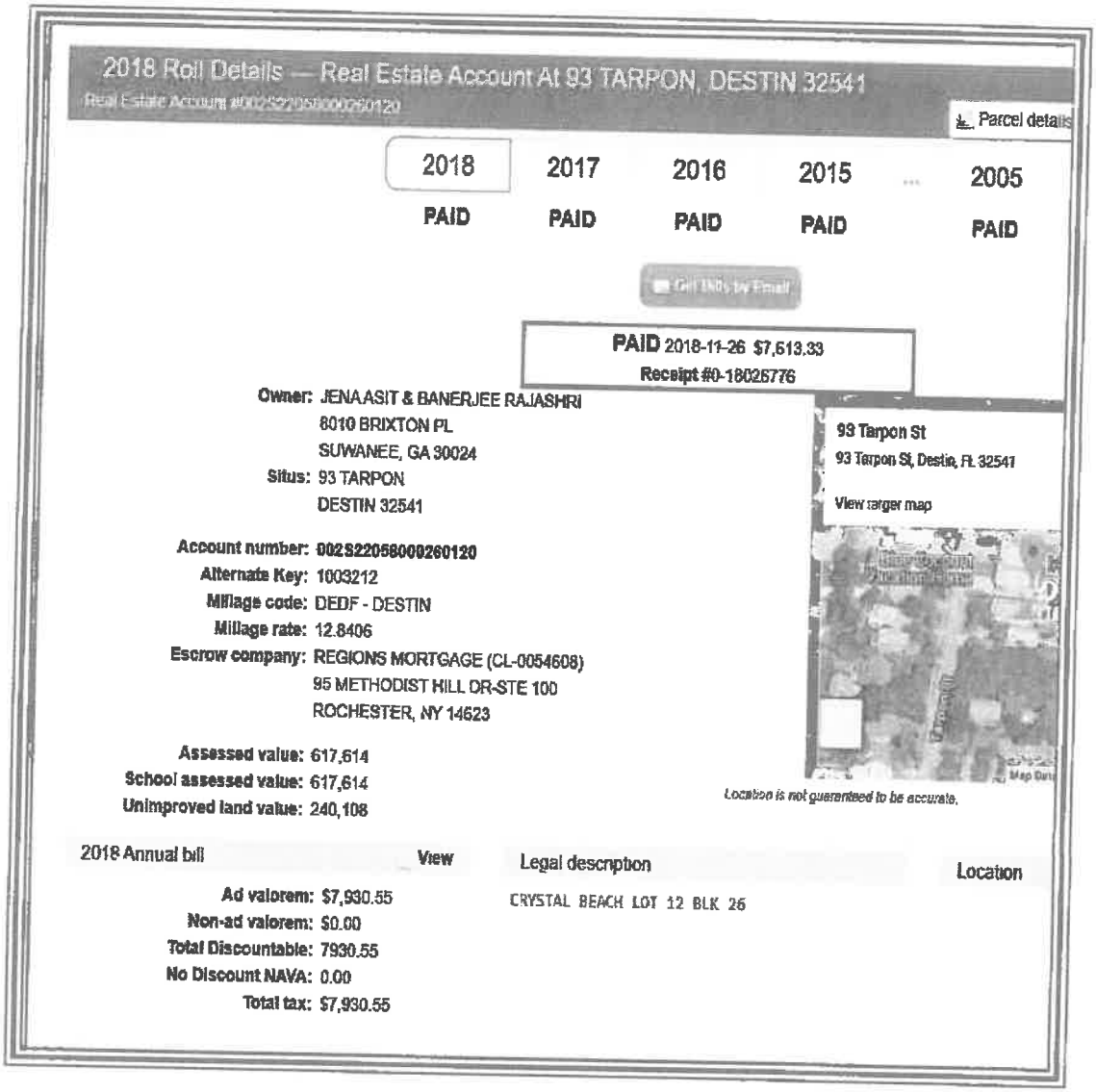
Tax Identification number, gross tax amount due, amount paid, and assessed value for the 2018 tax year.

Tax Identification Number	Assessed Value	Gross Tax Amount Due	Amount paid	Amt. Due
00-2S-22-0580-0026-0120	$617,614	$7,930.55	$7,613.33	None

The 2018 taxes were paid early, resulting in a discount.

There are no previous year taxes owing.

It is my experience that assessed value has little correlation with current market value and are typically lower than market value with a few exceptions.



2018 Roll Details — Real Estate Account At 93 TARPON, DESTIN 32541

Real Estate Account #002S22058000260120

Parcel details

2018	2017	2016	2015	...	2005
PAID	PAID	PAID	PAID		PAID

Get bills by Email

PAID 2018-11-26 $7,613.33
Receipt #0-18026776

Owner: JENA ASIT & BANERJEE RAJASHRI
6010 BRIXTON PL
SUWANEE, GA 30024
Situs: 93 TARPON
DESTIN 32541

Account number: 002S22058000260120
Alternate Key: 1003212
Millage code: DEDF - DESTIN
Millage rate: 12.8406
Escrow company: REGIONS MORTGAGE (CL-0054608)
95 METHODIST HILL DR-STE 100
ROCHESTER, NY 14623

Assessed value: 617,614
School assessed value: 617,614
Unimproved land value: 240,108

93 Tarpon St
93 Tarpon St, Destin, FL 32541
View larger map

Location is not guaranteed to be accurate.

2018 Annual bill View

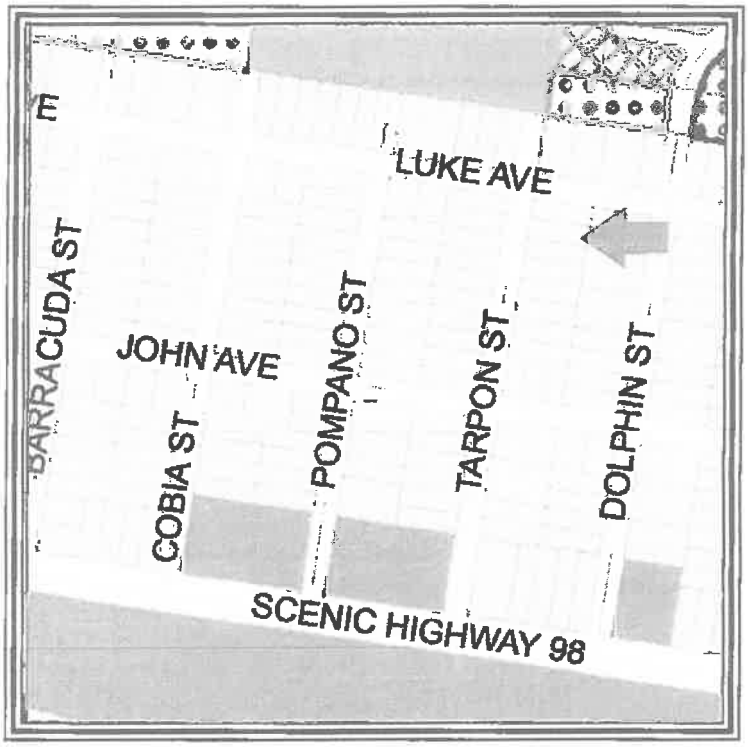
Ad valorem: $7,930.55
Non-ad valorem: $0.00
Total Discountable: 7930.55
No Discount NAVA: 0.00
Total tax: $7,930.55

Legal description

CRYSTAL BEACH LOT 12 BLK 26

Location

Zoning:
The following map indicates zoning for the subject parcel. The subject is zoned Crystal Beach Neighborhood by Destin. See following pages for detailed identification of allowable uses.



LAND DEVELOPMENT CODE COMMENTS
The following excerpts were taken from the Destin Land Development Code, currently on line.

This first excerpt states that Crystal Beach Neighborhood designates seasonal or short-term residential uses for single-family detached dwellings as a permitted use. I note that this description of the Crystal Beach Neighborhood zoning designation is silent regarding the number of allowable guests and does not limit guest numbers.

Community Development Department
Planning Division
4200 Indian Bayou Trail, Destin, FL 32541
Phone (850) 337-3123 • Fax (850) 837-7949
www.cityofdestin.com/index.aspx?nid=91

ZONING DISTRICT FACTSHEET

The purpose and intent of establishing zoning districts is to ensure that all development is consistent with the goals, objectives and policies of the Comprehensive Plan, by establishing a series of zoning districts that indicate what uses are allowed and site development regulations that control the use of land in each district. All development within each zoning district shall be consistent with the purposes stated for each district. (LDC 7.12.05)

CRYSTAL BEACH NEIGHBORHOOD (CBN)

Purpose and intent: The Crystal Beach Neighborhood zoning district shall apply to areas developed, redeveloped and/or maintained and conserved as permanent or seasonal single-family detached or multi-family attached residential dwelling units. Very limited supportive non-residential uses are allowed and are strictly limited to: places of worship, parks, playgrounds, community buildings and similar public service facilities serving the residents of the area, childcare centers and other ancillary neighborhood commercial uses which are approved as part of a planned unit development (PUD) for the exclusive use of the residents of the PUD. It is the intent of the CBN zoning district to specifically not allow the following uses to be located in the district: commercial hotels, motels, bed and breakfast establishments, or other commercial transient living accommodations.

Table 7-2: Table of Allowable Uses (excerpt from LDC 7.12.06)

PERMITTED USES:

Permanent or long-term residential uses

Single-family detached dwelling
Guest house [1][2]
Accessory dwelling
Single room occupancy housing
Museums, historical sites, zoos & parks [10]
Religious organizations

Seasonal or short-term residential uses

Single-family detached dwelling

Other residential uses

Community residential home, small (1-6)
Family day care home

CONDITIONAL USES:

Other residential uses

Permanent or long-term Multi-family attached dwelling
Seasonal or short-term Multi-family attached dwelling
Community residential home, large (7-14)
Child day care services

ACCESSORY USES:

Uses and structures which are customarily accessory, clearly incidental and subordinate to permitted uses and structures, including home occupations and off-site businesses.

Footnotes:

1 Guest houses are permitted only if the owner of the subject property occupies the primary dwelling as his/her main residence. However, guest houses shall not be rented out separately from the main residence. (refer to LDC section 7.12.04.M).

10 Zoos are only allowed in the Industrial zoning district.

This second excerpt defines long term rental and short term rental. I again note that the definition of short term rental is silent regarding the number of allowable guests.

Policy 1-2.1.1: Residential Uses Defined. Residential uses shall include several structure types used for housing, including single-family detached dwellings and multiple-family structures including duplex structures units, town homes and other detached single-family structures, apartments, patio homes, atrium homes, and similar multiple-family structures. The specific FLUM designations shall identify where single-family and multiple-family structures may be located. Following are the definitions for long-term residential and short-term residential.

1. Long-Term Residential. Long-term residential uses shall be defined as any residential accommodation that is available for occupancy for 181 days or more. Long-term residential uses shall include lock-out units, as defined in the Glossary.
2. Short-Term Residential. Short-term residential uses shall be defined as any residential accommodation that is available for occupancy for 180 days or less. Short-Term Residential uses shall include lock-out units, as defined in the Glossary.

This third excerpt defines the grandfather clause. This clause states clearly that the grandfather status may be released only by the vested entity

Policy 1-2.1.5: Grandfather Clause. Existing land uses that were lawfully conforming uses prior to the effective date of the Comprehensive Plan, shall continue as lawful uses and shall be regulated through administrative remedies for vested rights issues that shall be included in the LDC. Building heights, density and/or intensity which (a) are actual present and which lawfully existed prior to the effective date of the Comprehensive Plan, or (b) were authorized pursuant to a development order, which development order remained unexpired as of the effective date of the Comprehensive Plan, shall continue to be legal building heights, density and/or intensity (as applicable) after adoption of the Comprehensive Plan. All duly approved and recorded lots, subdivision and condominium plats of record, which existed as legal lots, subdivision and condominium plats of record prior to the adoption of this Comprehensive Plan shall continue to be legal lots, subdivision and condominium plats of record after adoption of the Comprehensive Plan. This grandfather status may only be relinquished voluntarily by the vested entity. All subsequent divisions, condominium plats and all replats shall comply with the Comprehensive Plan objectives and Policies, including maximum density provisions. Similarly, all new development shall comply with the Comprehensive Plan and LDC unless the development is found to have a vested right in a land use, building height, density or intensity that is in conflict with the Comprehensive Plan and LDC. Under such condition the grandfather clause shall be applicable unless voluntarily relinquished by the vested entity. The intent is to sustain demonstrated private property rights while preserving the public interest, welfare, health, and safety. Notwithstanding, any single-family home that is subject to redevelopment shall be allowed to reconstruct, providing adopted building and construction codes as well as this ordinance and the size and dimension criteria of the LDC are met.

CONCLUSION

Based on these excerpts, I conclude that prior to the first application of Ordinance 18-29-CC, there were no restrictions to the number of allowable guests.

History:
The subject was transferred on 8/26/2016 from Destin Sunshine LLC to Asit Jena and Rajashri Banerjee per ORB/P 3263/4696.

MLS listing 750388 offered the subject for sale for $825,000.

This resulted in a final contract and closing price of $785,000. The subject was on the market for 99 days before going under contract. I consider 99 days to be adequate to suggest that the subject did not sell below market value.

Thus, I consider the 2016 sale to be market based and arm's length.

Active Listings:
None.

Current Use:
The subject is currently a detached single family home used for seasonal rental, catering to large family groups.

Surrounding Uses:
The surrounding use in the Crystal Beach/Destiny/Destiny By The Sea area is a mix of full time occupants and seasonal renters.

MARKET AREA ANALYSIS - SEASONAL RENTAL MARKET

I am restricting this analysis to the seasonal rental market.

Up until perhaps 2000, the great majority of seasonal rentals were condominium units.

However, the growing demand for larger spaces to accommodate extended families in one place led to the conversion of many larger homes to seasonal rentals. It also spurred the construction of homes specifically designed for large rental parties.

Such homes feature typical living areas but emphasize a substantial number of bedrooms and baths. Often bedrooms are equipped with multiple built - in bunks for sleeping children.

Most homes also feature sofa sleepers which can sleep additional children.

Many of these homes, and certainly those recently constructed for this purpose, featured swimming pools and lanai areas as an exterior amenity.

This market has flourished as Destin is nationally recognized as a tourist attraction.

It is common to see Realtors addressing gross rental amounts or gross rental projections in MLS Listings. While the value of homes similar to the subject is partially estimated by a size / value per SF component, the fact that a home generates a substantial amount of income makes it a more attractive and safe purchase than a home which is not rented for seasonal income. In the past few years, income has become as important as selling prices, per SF.

Another factor worthy of discussion is that many owners now self - manage. Typically in the past, management of rentals was performed by one of several large real estate companies, such as Resort Quest, Dale Peterson, Newman Dailey and Southern Resorts. However, in the past 10 years a substantial number of smaller management companies have surfaced.

Management fees for seasonal rentals range from perhaps 15% to 25% of gross revenue.

Entrepreneurial owners have recognized this expense line and many now self - manage with the aid of Vacation Rental By Owner (VRBO) or some similar search engine.

The seasonal rental market is increasing in the Destin/Miramar Beach market as the thriving national economy allows discretionary vacations.

Without the first application of Destin Ordinance 18-29-CC, allowing a capacity of 24 guests, I would consider the seasonal rental market to continue to flourish over the next several years.

However, with the first application of Ordinance 18-29-CC, limiting the subject to 18 guests, I would project a diminution in value.

HIGHEST AND BEST USE 'AS IS'

Legally Permissible
The subject property is zoned (and designated for future land use) as *Crystal Beach Neighborhood (CBN)* by the City of Destin, Florida.

This zoning and land use designation allows for single-family use and specifically indicates that short term rentals is a permitted use (See page 34). The use of the subject for single-family short-term rentals is therefore allowed in this district.

Physically Possible
The subject property appears to be relatively level and well drained. Soil and subsoil conditions nearby appear compatible with both low-rise, multi-story use and traditional commercial development. All utilities required for commercial or 'mixed use' are presently at the site. The size and dimensions of the site are sufficient to allow a wide variety of legally permissible uses. The shape of the site is rectangular and this shape does not limit utility. Transportation of construction materials or labor to the site is estimated to be relatively simple due to the central location of the site within the overall market. Access to the site is above average.

However, the most compelling substantiation that the subject is physically possible is the fact that it already exists.

Therefore, use of the subject property for single family use as a seasonal rental is physically possible.

Financially Feasible
Value opinions derived in the income approach to value indicate the existing improvement contributes value to the underlying land. There is substantial other ongoing seasonal rental use in the market, suggesting that there is broad appeal for seasonal rental properties.

Therefore, continued use of the subject property for a detached single family residence used for seasonal rental income is financially feasible.

Maximally Productive
The alternatives of addition, demolition, expansion, modernization, or conversion to alternate uses have been considered within the legal, physical, and financially feasible parameters. Several alternatives exist.

Alternatives for use of improvements:

Expansion
The existing subject improvement is 3,100 HVAC SF. The subject is typical of most seasonal rental homes. Thus, there is no need for expansion. Any expansion would come at a cost of parking and/or access. Thus, expansion beyond what is existing, does not appear to be appropriate and feasible.

Renovation
Typically, any existing property could benefit from renovation. However, the subject has been well maintained and is in good condition. Thus, I would not consider imminent renovation to be required or practical.

Downsizing
The existing subject improvements are 3,100 HVAC SF. I see no reason to downsize the subject improvement as it appeared that all of it is usable space. Thus, downsizing beyond what is existing does not appear to be appropriate, physically possible or feasible.

Subdividing
The purpose of the subject is to lease it seasonally to large parties of guests. Subdivision would not be legally approved and does not appear to be financially prudent as the parties of guests would be smaller and grouping smaller parties together in the same pool could prove problematic. I would not consider subdivision to be prudent or feasible.

Demolition
The subject is a recently constructed home in 2013 and is currently in good condition. It features a probable 50 years of remaining economic life and a probable 55-70 years of remaining physical life.

I do not consider demolition and replacement with alternative improvements to be a superior use to the current use as a rental property. No alternative use would be certain to serve the land better. Thus, the subject is not a candidate for demolition.

Utilizing existing improvements
Continued use 'as is' as a seasonal rental, is considered the maximally productive use.

Conclusion of Highest and Best Use 'as is'
Analysis of recent trends and current market supply and demand indicate that the maximally productive highest and best use of the subject property is continued use as a detached single family residence used for seasonal rental income.

Conclusion of Highest and Best User 'as is'
Analysis of recent trends and current market supply and demand strongly indicate the most probable user is an entrepreneurial user who leases the subject for seasonal rental income with a small amount of personal use.

SUMMARY OF ANALYSIS AND VALUATION

Methodology

Site valuation derived from Sales Comparison Analysis involves direct comparisons of the subject property to similar properties selling in the marketplace to derive a comparative value indication for the subject property 'as if vacant,' as of the effective date of value. This approach is also called the 'direct sales comparison approach', or the 'market approach', and tends to be the most reliable approach for developing an opinion of the value of vacant land or sites available for development. Other methods of developing the value of land are available. Allocation, extraction, land residual, ground rent capitalization, and discounted cash flow analysis are all recognized as reasonable methods of valuation.

The cost approach is a reliable methodology for new, or nearly new, buildings. I estimate the replacement cost or reproduction cost, in this case replacement construction cost, of the existing or existing improvements and site improvements (including direct and indirect costs as well as an appropriate developer profit), deducting accrued depreciation from physical, functional, and external sources from the total replacement or reproduction cost new. The depreciated replacement or reproduction cost of the improvements is added to the value of the site resulting in a value indication of the fee simple interest in the property.

The sales comparison approach is based on the 'Principle of Substitution' which indicates an informed purchaser would pay no more for a property than the cost of acquiring an equally desirable substitute property with the same or similar utility. This approach is applicable when an active market provides sufficient quantities of reliable data which can be verified from authoritative sources. The Sales Comparison Approach is reliable in an active market or if an opinion of value is related to properties which there are comparable sales available. This approach to value is also relevant when sales data can be verified with the principals to the transaction. Heavy emphasis is usually placed on this approach to value in an active market.

The income approach is recognized as a reliable approach for developing an opinion of the value of 'income producing' property to an investor. The income approach consists of methods, techniques, and mathematical procedures an appraiser uses to analyze a property's capacity to generate income and convert income into an indication of present value either by capitalizing the current income at a market capitalization rate or discounting the future cash flows into a present value estimate using an appropriate yield (discount) rate. The appraisal process emulates the market, and the most probable purchaser would be an investor. Two (2) techniques associated with the income approach are direct capitalization and discounted cash flow analysis.

Methodology employed and explanation of the exclusion of any of the three (3) approaches to value

I am not performing cost analysis. The problem to be solved is to derive the diminution in value based on the guest restrictions included in Destin Ordinance 18-29-CC. The number of guests would have no impact on the cost to construct.

I am not performing sales comparison analysis. The impact of Destin Ordinance 18-29-CC may not be evident in the market for several years in the selling prices of homes. The ordinance allows a five year grandfather period. Homes sold in this grandfather period may not indicate a decline in selling prices and it would not be reliable to estimate diminution in value based on comparable sales until a larger array of data was available for use in sales comparison analysis.

I am performing income analysis. I will identify probable annual income for the subject with twenty four (24) guests, based on historical income and projected income from the owner; and then identify market rents which support the subject contract rent. I will then identify operating expenses and subtract operating expense from gross rent to arrive at a net operating income (NOI). I will then apply a market based capitalization rent to the NOI to arrive at a value for the subject, prior to the first application of Destin Ordinance 18-29-CC on September 18, 2019.

I will then identify the rental incomes for homes which are allowed only 18 guests. I will then subtract expenses for the rents of 18 guest homes and arrive at their NOI. I will then derive a value by capitalizing this NOI.

Finally I will subtract the value for a 18 guest house from the value of a 24 guest house and this figure will be the diminution in value.

COST ANALYSIS
NOT PERFORMED

SALES COMPARISON ANALYSIS NOT PERFORMED

INCOME ANALYSIS
'AS IS'

DESCRIPTION OF INCOME ANALYSIS METHODOLOGY

The income approach to value is based on the principle of anticipation, in that the value of the subject property correlates to the present worth of the future right to receive benefits in the form of income to be received by the owner. The income approach considers the property from an investment interest with the assumption that the amount of income, coupled with the regularity and quality of the income stream, are the basis for valuing the property based on income analysis.

The income approach is applied by identifying the net income by first identifying gross income and then deducting from the gross income the expenses of operating a property to arrive at a net income, generally identified a Net Operating Income (NOI).

The estimated NOI is then converted to a value opinion by utilizing either a Discounted Cash Flow Analysis, or a Direct Capitalization Analysis, or both.

Discounted cash Flow Analysis:
The Discounted Cash Flow Analysis (DCF) is an analysis where a discount rate is applied to a series (typically several years) of income streams with a reversion after typically 7 to 10 years. The appraiser must specify the quantity, variable nature of the income, timing of payments (monthly/quarterly/annually) to a present value at a specified yield rate. The DCF analysis is most applicable when the net income is projected to be variable and when the property is on a sufficient size and investment value to influence market participants to evaluate purchase decisions based on DCF. A large strip retail center would be a good candidate for DCF analysis, as would a project to be constructed in phases, where the income would increase as new construction is added.

I note that I did not perform DCF analysis as it is my opinion that market participants would not use DCF analysis to base decisions to either purchase or sell properties such as the subject.

Direct Capitalization:
The conversion of a net income to a current value is called capitalization. Capitalization is a method which is used to convert the estimate of a single year's net income actual figures and/or expectancy of income into a value opinion by dividing the income by a appropriate rate of capitalization, as estimated by the appraiser. This technique employs capitalization rates derived from the market, using both capitalization rates from recent sales of similar properties, generally augmented by national indices, or other mathematical progressions. This process provides a one year snap shot of the property value. Future yields and values are not directly identified. The direct capitalization analysis is most appropriate for small to medium sized income producing properties, in stable markets with a forecast of generally stable income.

The procedural steps involved in capitalization are as follows:

Develop the probable gross income by identifying historical performance, income projections and market incomes from comparable properties which support the historical or projected subject income.

Estimate vacancy and collection losses to arrive at Effective Gross Income (EGI).

Estimate and subtract operating expenses to arrive at NOI.

Develop a capitalization rate which is supported by the market.

Divide the NOI by the capitalization rate to derive a value opinion.

I am employing the direct capitalization analysis to derive values in this analysis.

I note for the reader that steps #1 and #2 are generally combined in the analysis of seasonal resort properties. Owners and management companies tend to provide actual income which has already accounted for vacancy and collection loss.

INCOME ANALYSIS - ESTIMATE OF CAPITALIZATION RATE

The capitalization rate is a rate which is applied to the Net Operating Income (NOI) to derive a value for a property. As the chart below indicates, you can derive a capitalization rate by dividing the NOI by the purchase price.

The following excerpt will provide some explanation of capitalization rates.

Capitalization rates are used in a formula. As seen below, dividing the net operating income by the purchase price indicates the capitalization rate.

Another variation of the formula is to divide the net operating income by the capitalization rate and this process will indicate the value of the property.

What Is a Cap Rate?

A cap rate is simply a formula. It's the ratio of a rental property's net operating income to its purchase price (including any upfront repairs):

Cap Rate =

Net Operating Income (NOI) ÷ Purchase Price

The formula can be used on the level of an individual property by looking at its net operating income compared to its value. But it can also be used on the level of an entire market by taking *average* cap rates for a large group of properties.

Importantly, the cap rate formula does NOT include any mortgage expenses. As you can see in the formula for net operating income below, the expenses do not include a mortgage or interest payment.

Gross Rental Income
- Vacancy/Credit Loss Reserve
- Property Taxes
- Property Insurance
- Maintenance/Repairs
- Common Utilities (if any)
- Other expenses (ex: license)

= Net Operating Income

MARKET DATA BASED ON TYPICAL INDICES

Capitalization rates range widely in the market. The following table derived from Realty rates.com indicate a wide variety of capitalization rates base on property types. This table contains very recent data from the first quarter 2019.

As can be seen, properties such as restaurants and lodging (motels and hotels) have high capitalization rates. Apartments (residential) have the lowest capitalization rates.

Realty rates does not include a separate category of single family detached homes.

RealtyRates.com INVESTOR SURVEY - 1st Quarter 2019*
CURRENT & HISTORICAL CAP RATE INDICES

Method-Weighted* Property Category Indices

	Apts		Golf		Healthcare Senior Housing		Industrial		Lodging		MH/RV Park		Office		Retail		Restaurant		Self Storage		Special Purpose		Weighted* Composite Indices	
		BP		BP		BP		BP		BP		BP		BP		BP		BP		BP		BP		BP
Year	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg	Rate	Chg
2019	8.42	26	12.02	30	9.01	14	9.19	23	10.53	25	9.05	30	9.04	10	9.38	20	11.57	15	9.66	29	11.64	40	9.64	22
4th Qtr	8.46	8	12.09	11	9.07	11	9.23	7	10.53	1	9.52	13	9.09	13	9.44	10	11.62	11	9.92	13	11.71	11	9.69	9
3rd Qtr	8.37	-4	11.97	-5	8.96	-2	9.16	-5	10.52	-7	9.50	-5	8.95	-8	9.33	-3	11.51	-4	9.78	-7	11.60	-3	9.59	-5
2nd Qtr	8.41	3	12.02	5	8.99	3	9.21	5	10.59	6	9.55	5	9.00	0	9.38	4	11.56	4	9.86	6	11.63	5	9.64	4
1st Qtr	8.38	23	11.97	26	8.96	13	9.16	22	10.52	31	9.50	28	9.00	5	9.32	17	11.52	26	9.81	25	11.58	34	9.60	21
2017	8.16	4	11.73	-2	8.87	-6	8.98	-12	10.28	5	9.26	11	8.94	-22	9.19	-8	11.42	-15	9.57	-9	11.25	4	9.42	-6
2016	8.13	-2	11.75	6	8.92	12	9.08	15	10.22	0	9.15	15	9.16	16	9.27	12	11.57	-10	9.67	14	11.21	10	9.48	9
2015	8.15	-9	11.69	-14	8.80	-9	8.93	-10	10.22	-20	8.99	-16	9.00	-6	9.15	-11	11.66	-13	9.52	-22	11.11	-12	9.40	-12
2014	8.24	-15	11.83	-9	8.89	-1	9.03	-4	10.43	-17	9.17	-5	9.06	-22	9.26	15	11.79	-6	9.75	-20	11.24	14	9.52	-7
2013	8.39	14	11.82	-14	8.90	5	9.07	-2	10.60	3	9.22	14	9.28	-19	9.11	-4	11.96	9	9.95	-24	11.10	1	9.59	-2
2012	8.25	-36	12.07	6	8.85	-36	9.09	-40	10.57	-24	9.09	-39	9.47	3	9.15	-13	11.77	6	10.19	-49	11.09	-4	9.60	-21
2011	8.60	-28	12.00	-22	9.21	-40	9.49	-11	10.81	-24	9.48	-8	9.44	-10	9.29	-26	11.70	-14	10.69	-3	11.12	-17	9.81	-19
2010	8.89	4	12.22	5	9.62	15	9.80	12	11.05	7	9.65	22	9.54	16	9.54	25	11.84	12	10.72	21	11.20	0	10.00	13
2009	8.85	8	12.17	16	9.47	10	9.48	10	10.98	-7	9.33	1	9.38	29	9.29	20	11.72	15	10.50	37	11.30	8	9.87	14
2008	8.77	-4	12.01	29	9.37	-16	9.38	-14	11.05	56	9.32	-5	9.09	-16	9.09	-11	11.57	-28	10.13	20	11.22	-7	9.74	-1
2007	8.81	-45	11.72	-21	9.53	-65	9.62	-25	10.49	-28	9.37	-26	9.25	-47	9.20	-12	11.85	81	9.93	-38	11.29	-24	9.75	-28
2006	9.26	12	11.93	47	10.18	15	9.77	35	10.77	27	9.53	61	9.72	26	9.32	30	11.24	18	10.31	27	11.53	9	10.03	26
2005	9.14	14	11.46	80	10.03	-16	9.42	-30	10.50	-21	9.22	13	9.46	6	9.02	16	11.06	5	10.04	13	11.44	-30	9.77	2
2004	9.00	-19	10.66	28	10.19	-37	9.72	19	10.71	-99	9.03	-49	9.40	-4	8.86	-19	11.01	-15	9.91	-13	11.74	-30	9.75	-19
2003	9.19	-2	10.38	-32	10.56	64	9.53	33	11.69	56	9.51	-11	9.44	1	9.05	-19	11.16	8	10.04	-53	12.04	105	9.94	12
2002	9.21	-40	10.70	18	9.92	-39	9.20	-61	11.13	26	9.62	-60	9.43	-35	9.23	-62	11.09	-3	10.57	-12	10.99	-177	9.82	-41
2001	9.61	64	10.52	133	10.31	90	9.81	16	10.97	98	10.22	-69	9.78	-35	9.85	-53	11.11	47	10.69	13	12.76	32	10.23	21
2000	8.97		9.18		9.41		9.65		8.99		10.90		10.13		10.38		10.64		10.56		12.44		10.01	

* Weighted by methodology: Band-of-Investment, DCR Technique, Sales Survey

* Further weighted by property category

The following chart provides some additional data regarding capitalization rates for apartments in some major metropolitan centers.

These rates are lower than the overall national rate for apartments identified on the previous page. I attribute this to the fact that the cities below are major metropolitan areas with a high density of population which keeps occupancy high and inspires investor confidence. In this regard, the Destin seasonal rental market is similar in its high density and national appeal.

Cap Rates For Stabilized, Class A Multifamily Apartments By City – 2017 (2nd Half)

San Diego	4.25%
Chicago	4.75%
Atlanta	5.00%
Philadelphia	5.25%
St. Louis	5.75%
Cleveland	6.25%
Pittsburgh	6.50%
Detroit	7.25%

Single family homes are seldom valued via income capitalization. Most homes are owner occupied and the issue of rent and valuation through rent is generally not applicable. However, I identified the following excerpt rom the internet which indicates a range of capitalization rates from 4% to 10% for single family homes. The reader will note in the excerpt immediately above that high demand areas feature lower capitalization rates and lower demand areas feature higher capitalization rates. I would again observe that Destin is a high demand area in the seasonal rental market. Thus, I would consider it probable that capitalization rates for singe family homes in Destin were toward the low side of the 4% to 10% range.

Cap Rate for Single Family Home

Professionals purchasing commercial properties, for example, may buy at a 4% cap rate in high demand areas, or a 10% (or even higher) cap rate in low-demand areas. Generally, 4% to 10% per year is a reasonable range to earn for your investment property. Continuing with our example from above, $17,000/ 5% = $340,000.

The following are two excerpts from the internet indicating that Panama City Beach, Florida boasts a very low capitalization rate of 4.9% and that the Destin, Florida market features a 4.7% capitalization rate for Airbnb rentals.

9. PANAMA CITY BEACH, FL

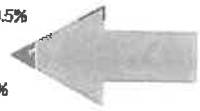
- *Short-Term Rental Cap Rate: 4.9%*

White sandy beaches, clear water, fishing piers, protected nature reserves, hiking trails... what more do you need to be convinced that Panama City Beach is one of the best places around the US to invest in a vacation rental.

Property prices are affordable with a median level of $334,700, while short-term rental income stands around $3,260. The average cap rate for vacation rentals is 4.9%.

2. Destin

- *Median Property Price:* $695,000
- *Airbnb Rental Income:* $2,720
- *Traditional Rental Income:* $1,610
- *Airbnb CoC Return:* 2.3%
- *Traditional CoC Return:* 0.5%
- *Airbnb Cap Rate:* 4.7%
- *Traditional Cap Rate:* 2.8%
- *Airbnb Occupancy Rate:* 58.4%



The second among the best places to buy a vacation home in Florida is Destin, with rental income from Airbnb just a few dollars below St. Augustine. However, this location is significantly more expensive. But it has a very important advantage for all those loving nature and sports – it is very famous for the fishing opportunities that it offers.

Conclusion:

I have provided an array of capitalization rates from national data ranging from a low of 4.7% to a high of 8.42%.

I am selecting a rounded rate of 6.25%, recognizing that there are established capitalization rates both higher than, and lower than, the reconciled 6.25%.

I am confident that a capitalization rate of 6.25% is well supported by national data.

I also note that the most similar rate is the 4.7% Airbnb rate in Destin, which suggests that a 6.25% rate may be conservative.

MARKET CAP RATE DATA BASED ON LOCAL SALES OF HOMES USED FOR SEASONAL RENTAL

In addition to the national data provided above, I am also providing some data from actual sales in the local market.

I have some professional acquaintances who specialize in the management of large homes used for seasonal rentals. I have asked them to provide me some actual data from recent sales to help derive a local data base of capitalization rates.

On 7/13/2018, Frangista Beach E16 LLC (Nick Athens - a professional acquaintance well known to me) sold 3491 Scenic Highway 98 to Rich Rentals for $3,000,000. This house is 6,008 HVAC SF and features nine (9) bedrooms and 9.5 baths. It is very similar to the subject and is a very good comparable indicator of capitalization rates. Mr. Athens stated that the net operating income was $172,340. Dividing $172,340 by $3,000,000 indicates a capitalization rate of 5.74%.

On 9/4/2015, Nick and Tina Athens sold 1850 - 1852 Scenic Gulf Drive in Miramar Beach to Forty-Four Holdings for $2,205,000. This was two side by side homes in Frangista Beach which were an aggregate 3,460 HVAC SF and which features Five (5) bedrooms and 7 baths. Mr. Athens stated that the net operating rent was $133,200. Dividing $133,200 by $2,025,000 indicates a capitalization rate of 6.58%. I do not consider it a coincidence that the home with the fewest bedrooms featured the highest capitalization rate.

On 2/10/2016, Destiny Real Estate Ventures LLC sold 3463 Scenic Highway 98 to Charles Barone for $3,615,000. This house is 6,465 HVAC SF and features eight (8) bedrooms and 6.5 baths. It is very similar to the subject and is a very good comparable indicator of capitalization rates. Mr. Giles stated that the net operating income was $222,125. Dividing $222,125 by $3,615,000 indicates a capitalization rate of 6.15%.

On 1/11/2019, Kevin Hense sold 2984 Scenic Highway 98 to Russell and Susan Hancock for $3,000,000. This house is 3,997 HVAC SF and features six (6) bedrooms and 5.5 baths. It is very similar to the subject and is a very good comparable indicator of capitalization rates. Mr. Hense stated that the net operating income was $176,000. Dividing $176,000 by $3,000,000 indicates a capitalization rate of 5.87%.

On May 18, 2018, Sapp Investments LLC sold 4659 Destiny Way to the Lindholm Family Revocable Living Trust for $2,500,000. Mr. Lindholm stated to me that income for 2018 was an aggregate of $293,500. He also stated that expenses were an approximate $115,025, resulting in approximate $178,475 of net operating income (NOI). Dividing $178,475 by $2,500,000 indicates a capitalization rate of 7.14%.

RECAPITULATION OF LOCAL MARKET CAPITALIZATION RATES

The following table summarizes the capitalization rates identified in the narrative above.

Property Address	Capitalization Rate
3491 Scenic Highway 98, Destin	5.74%
1850 Scenic Gulf Drive, Mirimar Beach	6.58%
3463 Scenic Highway 98, Destin	6.15%
2984 Scenic Highway 98, Destin	5.87%
4659 Destiny Way, Destin	7.14%
Average	6.29%
Rounded	6.25%

I consider a rounded capitalization rate of 6.25%, derived from local data, to be a market supported rate which is both credible and reliable, as well as being consistent with national data which brackets the final capitalization rate selection.

For this reason, I am selecting a 6.25% capitalization rate.

ESTIMATE OF VALUE PRIOR TO FIRST APPLICATION OF ORDINANCE 18-29-CC

Based on the current zoning and the Destin Land Development Code, and prior to the first application of Ordinance 18-29-CC, there was no limit to the number of guests allowed in the subject improvement. The subject can accommodate up to twenty four (24) guests based on the data provided by the owner and my identification of sleeping capacity previously identified.

CURRENT CONTRACT RENT
I note that seasonal rentals are typically described with annual rental amounts as opposed to more consistent monthly rental rates.

Such rental amounts are generally described using gross income data, and/or projections of gross income data.

Appraisers need to then examine expenses to arrive at a net operating rent to capitalize. Expenses to gross revenue are ad valorem taxes, flood and hazard insurance, HOA dues, maintenance and repairs, utilities, lawn maintenance, pest control, professional fees and reserves. I note that interest/mortgage payments and depreciation are not expenses when capitalizing property for value.

The subject was acquired in 2016.

The MLS listing stated that 2014 income had been $102,000, rounded.

The MLS listing stated that the 2015 income had been $113,000, rounded.

The MLS listing stated that the 2016 income (collected and booked) was $119,000, rounded.

The owner self manages the subject and he estimated that the 2019 gross rent would be an approximate $125,000.

> On 7/16/2019 3:21 PM, ajena11@gmail.com wrote:
> Dolphin we just built in 2018 so Data is March till end of 2018
> Tarpon I bought in 2016. Most of the booking are in.
> In Tarpon I expect $125k
> And Dolphin $150K

The owner's estimate is similar to the data provided in MLS.

Assuming that the owner is generally correct regarding the gross rent of $125,000, dividing $125,000 by 24 guests indicates a per guest rate of $5,208, rounded.

I will attempt to provide support to the 2019 projection by researching other homes in Destin which rent to similar number of guests.

MARKET SUPPORT FOR GROSS INCOME ESTIMATE

Some of these comparables were provided to me by Jordan Shane, Florida Luxury Vacation Rentals, Cheryl St.Pe', Destin Comforts and Ben Giles.

Some of these comparables were provided to me by Ben Giles, an owner of several large homes. Other owners who provided data were Tari Furey, Nick Athens, Kevin Hense, Doris Reel, Brad Lindholm, and Andrea Farrell.

Number	Address	Gross Income	Guest capacity	Annual Income per Guest
1	3587 Scenic Highway 98	$305,393	32	$9,545
2	3463 Scenic Highway 98	380,000	32	$11,875
3	3461 Scenic Highway 98	$364,723	36	$10,131
4	107 Hollywood Street	$289,647	38	$7,622
5	112 Sandprint Circle	$325,000	30	$10,833
6	4659 Destiny Way	$293,500	28	$10,482
7	3485 Scenic Highway 98	$145,100	22	$6,595
8	3489 Scenic Highway 98	$160,900	20	$8,045
9	92 Pompano Street	$144,000	24	$6,000
10	91 Dolphin Street	$154,000	28	$5,500

The average of these ten market comparable rentals is $8,687 per guest annually.

Many of these comparables are closer to the gulf and many have gulf views.

I would consider the subject location to be generally inferior to this array of comparable rentals based on proximity to the Gulf of Mexico and potential gulf views.

This market data supports the owner's projection as many of the above, per guest, rates are higher than the owner's projection.

I note that comparable rentals #9 and #10 are very proximate to the subject in Crystal Beach. These two rentals are the most similar comparable rentals, constructed in 2018. These two rentals are the most similar rentals.

These two rentals average $5,750 per guest annually. The figure of $5,750 per guest is consistent with the owner's estimate.

I am selecting a rounded $5,500 per guest income.

The subject can accommodate 24 guests. Multiplying 24 guests by $5,500 per guest results in an annual gross income of $132,000, a figure consistent with the owner's projection. I note for the reader that income capitalization is the current value of future benefits.

MARKET SUPPORT FOR GROSS TO NET RATIO

I have attempted to derive gross and net income figures for comparable properties in the market. However, my research indicates that many owners and property managers are unwilling to divulge private financial information, especially the net income.

Thus, I will provide some market examples of properties where clients or close associates did divulge data.

The first example is a detached home located at 112 Sandprint Circle in the Dunes of Destin. The owners, Edward and Tari Furey, provided me with detailed data regarding income and expenses. They indicted annual revenue of $325,000 and annual expense of $100,000. This suggests an expense ratio of $100,000 / $325,000, or 31%, rounded.

I again spoke to Nick Athens who still owns a detached house at 4664 Destiny Way which grossed $275,000 in 2018. The expenses for this property were an approximate $89,000. This suggests an expense ratio of $89,000 / $275,000, or 32% rounded.

As a third indicator, I spoke to Kevin Hense, who sold a detached house at 2984 Scenic Highway 98 for $3,000,000 on 1/11/2019. Mr. Hense indicated that the 2018 gross rent was $263,000 and that the expenses were $87,000. This suggests an expense ratio of $87,000 / $263,000, or 33%, rounded.

There is no historical expense ratio for the subject.

I am assuming that the subject expense ratio is relatively consistent with the market comparables above.

I am using a 35% expense ratio in this analysis.

The next step is applying the previously calculated expense ratio to the gross rent to arrive at a net operating income (NOI). Applying a 35% expense ratio to $132,000 results in a net rent of $85,800.

Capitalizing $85,800 with a 6.25% capitalization rate results in a value of $1,372,800, rounded to $1,375,000.

It is my professional opinion that the subject value, prior to the first application of Destin Ordinance 18-29-CC is $1,375,000, based on income analysis.

$1,375,000

ESTIMATE OF VALUE AFTER THE FIRST APPLICATION OF ORDINANCE 18-29-CC

Destin Ordinance 18-29-CC reduces the subject sleeping capacity to 16 guests as the limit is two guests per bedroom, plus four (4) additional guests. There are seven (7) bedrooms. Thus, 2 x 7 = 14 + 4 = 18.

I note for the reader that the ordinance states clearly that a bedroom must meet the requirements of the Okaloosa County Property Appraiser who states that a bedroom has a door, a window and a closet. The Okaloosa County Property Appraiser states that the subject is a seven bedroom house. It is my opinion that the limit of 18 guests will have a negative impact on value.

To estimate the difference, I need to research the market for homes which are limited to smaller guest totals. Market research results in the following comparable rentals.

MARKET SUPPORT FOR GROSS INCOME ESTIMATE

Some of these comparables were provided to me by Jordan Shane, Florida Luxury Vacation Rentals, Cheryl St.Pe', Destin Comforts and Ben Giles.

#	Address	Gross Income	Guest capacity	Income per guest
1	3892 Sandprint Circle	$176,500	30	$5,883
2	113 Los Angeles Street	$137,308	19	$7,227
3	1737 Scenic Highway 98	$144,814	20	$7,241
4	100 Sandprint Circle	$105,000	20	$5,250
5	84 Woodward Street	$80,560	12	$6,713
6	212 Kono Way	$74,815	12	$6,235
7	82 Shirah Street	$110,000	17	$6,470
8	75 Shirah Street	$79,885	14	$5,706
9	76 Dolphin Street	$101,300	20	$5,065
10	3489 Scenic Highway 98	$160,900	20	$8,045
11	3485 Scenic Highway 98	$145,100	20	$6,595

The average of these ten market comparable rentals is $6,396.

I would still consider a per guest rate of $5,500 per year to be credible.

Based on the first application of Ordinance 18-29-CC, the subject will be limited to 18 guests.

Multiplying $5,500 per guest by 18 guests results in gross annual rent of $99,000.

Applying a 35% expense ratio to $99,000 results in a net rent of $64,350.

Capitalizing $62,400 with a 6.25% capitalization rate results in a value of $1,029,600, rounded to $1,030,000.

It is my professional opinion that the subject value, after the first application of Destin Ordinance 18-29-CC is $1,030,000 based on income analysis.

$1,030,000

ESTIMATE OF THE DIMINUTION OF VALUE

My research and analysis indicates that the value of the subject based on the right to sleep 24 guests is a rounded $1,375,000.

My research and analysis indicates the value of the subject based on the limit to sleep only 18 guests is a rounded $1,030,000.

It is my opinion the first application of Destin Ordinance 18-29-CC results in an approximate $345,000 diminution of value.

DIMINUTION OF VALUE

$345,000

ADDENDA

Appraiser License

APPRAISER LICENSE

THIS INSTRUMENT PREPARED BY
AND AFTER RECORDING RETURN TO:

Kimberly Romano Kopp, Esq.
Romano Kopp Law, P.A.
P.O. Box 445
Destin, Florida 32541

For Recording Purposes Only

SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is entered into this _____day of _____ 2019, ("Effective Date") by and between, Asit K. Jena & Rajashri Banerjee ("**Owners**") and the City of Destin ("**City**"), collectively referred to as the "Parties."

RECITALS

WHEREAS, on January 22, 2019, the City enacted Ordinance 18-29-CC, the Short-Term Rental Occupancy Ordinance ("Ordinance"), which limits the occupancy of short-term rental homes to two (2) people per bedroom plus an additional four (4) persons; and

WHEREAS, Owners own the real property and improvements located at 93 Tarpon Street, Destin, FL, 32541, as more particularly described in the attached Exhibit "A" (the "Property"); and

WHEREAS, on October 23, 2019, Owner filed a claim with the City, pursuant to the provisions of §70.001, Florida Statutes, the Bert J. Harris, Jr., Private Property Rights Protection Act (the "Harris Act"), alleging that the Property had been inordinately burdened by the adoption of the Ordinance, (the "Claim"); and

WHEREAS, the Harris Act provides for the City to have the ability to enter into a settlement agreement which would have the effect of a modification or variance to the application of a regulation or ordinance as it would otherwise apply to the subject real property, provided the relief granted protects the public interest served by the regulations at issue and is the appropriate relief necessary to prevent the governmental regulatory effort from inordinately burdening the real property; and

WHEREAS, the City has determined that the modifications to the effect of the Ordinance effected by this Agreement protect the public interest served by the Ordinance and are the appropriate relief necessary to prevent the regulatory effect of the Ordinance from inordinately burdening the Property; and

WHEREAS, the Parties now desire to settle and finally resolve all disputes between and among them concerning the Claim.

NOW, THEREFORE, the Parties hereby agree as follows:

1. **Recitals.** The above recitals are true and correct and are incorporated herein by reference.

2. **Occupancy Allowable Under Ordinance.**

(a) Owner is hereby granted a variance from the provisions of the Ordinance so that the Owner shall have the right to apply under the Ordinance for a maximum occupancy of fifteen (15) overnight guests at the seven (7) bedroom vacation rental property noted above and the City shall grant such occupancy. The right shall continue in perpetuity, regardless of any future changes in ownership, provided that this right shall expire permanently if the Property were to be voluntarily remodeled or voluntarily rebuilt in such a manner as to change the number of bedrooms that existed at the date of the Claim. The Property remains subject to all other requirements of the City's regulations, including but not limited to regulations for short-term rentals, parking, trash, and noise.

(b) No greater than six (6) vehicles may be parked on the Property. No vehicle may encroach upon the City's right-of way.

(c) Owner shall ensure that at least three (3) outdoor trash receptacles are provided by the applicable trash hauler and available for use by occupants at all times.

(d) Owner agrees that the City shall be permitted to access the property on an annual basis for the purpose of life-safety inspections to ensure code compliance with minimum egress and emergency egress requirements pursuant to the Florida Building Code (Residential) and to ensure the property has adequate and working smoke detectors. Owner shall submit to the City a separate application and fee for such inspection, on a form provided by the City, at the time Owner submits its annual short-term rental registration application to the City

3. **Development in Accordance with Code.** Notwithstanding any provisions contained herein, the Owner shall at any time have the right and option to remodel, develop, or use the Property in accordance with the applicable ordinances of the City of Destin in effect at the time of application therefor, and this variance shall not be construed as making the Property in any way non-conforming.

4. **Entire Agreement.** The Parties acknowledge that this Agreement constitutes the entire agreement between them regarding the settlement of their dispute and any prior statements, whether oral or written, are merged herein. This Agreement may not be modified or amended without a written instrument signed by the party against whom enforcement is sought.

5. **Duration of Agreement.** This Agreement shall be perpetual and deemed to run with the land, and shall be binding upon and the benefits shall inure to the parties hereto and their respective heirs, devisees, personal representatives, successors and assigns.

6. **Authority.** The signatories to this Agreement are expressly authorized to resolve their dispute as set forth herein and by their signatures here represent and affirm their authority to execute this Agreement.

7. **Governing Law.** The law of the State of Florida shall apply to this Agreement. Any dispute regarding this Agreement shall be litigated exclusively in the courts of Okaloosa County, Florida. The parties expressly consent to such agreed jurisdiction and venue, and waive any objections thereto.

8. **Notices.** Any notice required or permitted to be given hereunder shall be in writing and shall be (i) delivered by hand, (ii) delivered by reputable national or local courier (such as United Parcel Service or Federal Express), (iii) mailed by United States registered or certified mail, return receipt requested and postage prepaid, or (iv) sent by facsimile transmission provided a confirmation of such facsimile transmission is sent the same day by one of the methods of delivery in (i), (ii), or (iii) above. Any notice shall be addressed to each party at its address as set forth below. Any such notice shall be considered given on the date of such hand delivery, deposit with such courier for same day or next business day delivery, upon receipt of return receipt of certified mail, or receipt of facsimile transmissions, as the case may be, and the time period (if any is provided herein) in which to respond to such notice shall commence on the date of receipt. Rejection or other refusal to accept or inability to deliver because of changed address of which no notice was given shall be deemed to be receipt of the notice. By giving to the other party at least ten (10) days' notice thereof, any party shall have the right from time to time to change the addresses thereof and to specify up to two (2) additional addresses within the United States of America to which copies of notices to it shall be sent. Notice may be given on behalf of any party by such party's counsel. In the event the subject property owner changes, notices shall be addressed to the current owner as indicated in the records of the Okaloosa County Property Appraiser. Otherwise, notices shall be sent as follows:

Each notice shall be addressed as follows:

To City: City of Destin, Florida
Attn:
4200 Indian Bayou Trail
Destin, Florida 32541

With a copy to:
City Land Use Attorney
Romano Kopp Law, PA
PO Box 445
Destin, Florida 32541
Attn: Kimberly Romano Kopp, Esq.

To Owner: Asit K. Jena & Rajashri Banerjee
91 Dolphin Street
Destin, FL 32541

With a copy to: Najmy Thompson, PL
1401 8th Avenue West
Bradenton, Florida 34205
Attention: Aaron M. Thomas, Esq.

Attorney's Fees. In the event of any action, whether pre-suit, mediation, litigation or appellate proceeding to enforce the terms and conditions of this Agreement, each party to the action shall pay its own attorney's fees and costs incurred therein.

(d) Venue over any action to enforce the terms and conditions of this Agreement, including mediation, shall lie solely in Okaloosa County, Florida.

OWNERS: ASIT K. JENA & RAJASHRI BANERJEE

_____ _____
Signature of Witness #1 Asit K. Jena

_____ _____
Print or type name Date

_____
Signature of Witness # 2

_____
Print or type name

_____ _____
Signature of Witness #1 Rajashri Banerjee

_____ _____
Print or type name Date

_____
Signature of Witness # 2

_____
Print or type name

STATE OF_____
COUNTY OF_____

The foregoing instrument was acknowledged before me this _____ day of _____ 2019, by _____ _____ and _____, who are personal known to me or who have produced _____ as identification and who did not (did) take an oath.

_____
Signature of Notary

(NOTARY SEAL)

_____
Print or type name

STATE OF_____
COUNTY OF_____

The foregoing instrument was acknowledged before me this _____ day of _____ 2019, by _____ _____ and _____, who are personal known to me or who have produced _____ as identification and who did not (did) take an oath.

_____
Signature of Notary

(NOTARY SEAL)

_____
Print or type name

CITY OF DESTIN

By:_____
Gary Jarvis, Mayor

Date:_____

ATTEST:

_____
Rey Bailey, City Clerk

Date:_____

STATE OF_____
COUNTY OF_____

The foregoing instrument was acknowledged before me this _____ day of _____ 2019, by _____ _____ and _____, who are personal known to me or who have produced _____ as identification and who did not (did) take an oath.

_____
Signature of Notary

(NOTARY SEAL)

_____
Print or Type Name

Approved as to form and legality for use and reliance
by the City of Destin, Florida, only.

_____
Kimberly Romano Kopp, Esq.
City Land Use Attorney

Exhibit "A"

Legal Description of Property

ITEM # 2019-1916

CITY OF DESTIN

AGENDA ITEM

COUNCIL MEETING DATE: December 9, 2019
TYPE OF AGENDA ITEM: Action Item

TO: City Council

THRU: Lance Johnson, City Manager

FROM: Kimberly Kopp, Land Use Attorney
Louis Zunguze, Community Development Director

DATE: December 5, 2019

SUBJECT: 35) 92 Pompano Street

I. BACKGROUND:

On January 22, 2019, the City enacted Ordinance 18-29-CC, the Short-Term Rental Occupancy Ordinance ("Ordinance"), which limits the occupancy of short-term rental homes to two (2) people per bedroom plus an additional four (4) persons.

The subject property owner owns the real property and improvements located at 92 Pompano Street, Destin, FL 32541, as more particularly described in Exhibit "A" (the"Property") to the proposed settlement agreement.

Owner filed a claim with the City, pursuant to the provisions of §70.001, Florida Statutes, the Bert J. Harris Jr., Private Property Rights Protection Act (the "Harris Act"), alleging that the Property had been inordinately burdened by the adoption of the Ordinance, (the "Claim).

The Harris Act provides for the City to have the ability to enter into a settlement agreement which would have the effect of a modification or variance to the application of a regulation or ordinance as it would otherwise apply to the subject real property, provided the relief granted protects the public interest served by the regulations at issue and is the appropriate relief necessary to prevent the governmental regulatory effort from inordinately burdening the real property.

The City Council should settle the claim if the City Council determines that the modifications within the settlement agreement protect the public interest served by the Ordinance and are the appropriate relief necessary to prevent the regulatory effect of the Ordinance from inordinately burdening the Property.

II. DISCUSSION: The property owner has requested a maximum occupancy of twenty-four (24) occupants. City staff is recommending an occupancy of fifteen (15) occupants based on the square footage of the property. The building official utilized a one-occupant per 200 square feet methodology for recommending the above-stated occupancy.

Additionally, staff is recommending at least three (3) trash cans on the property. This recommendation is based on industry standard (Waste Management) that, on average, one trash can is required for every six occupants in order to ensure adequate garbage disposal. Therefore, if the maximum number of occupants exceeds any multiple of six (6, 12, 18, 24, 30, 36, etc.), then an extra trash can will be needed to accommodate the additional occupants. For example, if thirteen (13) is the maximum occupation, then three (3) trash cans are required. This is because, on average, two (2) trash cans will only accommodate twelve (12) occupants. The third trash can will be needed to accommodate the thirteenth occupant.

Further, the property owner must agree to annual life safety inspections, as provided in the proposed settlement agreement.

Finally, staff is recommending that no greater than six (6) vehicle be parked on this property.

As stated in the agreement, the property owner remains bound by all other provisions of City codes.

A. **Link to Strategic Goals / Objectives:**
B. **Effect on Budget (EOB):**
C. **Level of Service (LOS):**

III. CONCLUSION:

IV. RECOMMENDED MOTION: 1. I move to approve the settlement agreement prepared by the City Land Use Attorney and Staff.

or

2. I move to approve the settlement agreement prepared by the City Land Use Attorney and Staff with the following modifications:_____.

or

3. I move to direct the City Land Use Attorney to negotiate in good faith with the property owner and to bring back an alternate settlement proposal to the City Council for consideration.

or

4. I move to deny settlement of the subject claim at this time.

Attachments:

1. Burt Harris Case - 92 Pompano Street
2. 92 Pompano Bert Harris Proposed Settlement Draft 11_1_2019

NAJMY | THOMPSON PL
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WWW.NAJMYTHOMPSON.COM

October 23, 2019
Via Hand Delivery

City of Destin
c/o Major Gary Jarvis
4200 Indian Bayou Trail
Destin, FL 32541

Re: 92 Pompano Street, Destin, FL 32541
Bert J. Harris Claim, §70.001, *Fla. Stat.*, July 1, 2012

Dear Mayor Jarvis,

This firm represents Matthew A. and Michelle E. Camacho, owners of an improved property described as 92 Pompano Street, Destin, FL 32541. My clients have been utilizing and operating the house as a short-term rental property within the City of Destin. The City of Destin has authorized the use of this property as a short-term vacation rental.

The "before" condition of the subject property is a six-bedroom, three-story residence able to accommodate twenty-four (24) guests as part of the authorized and approved short-term rental use of this property and others within the City.

By the City of Destin's passage on January 22, 2019 of Ordinance 18-29-CC and application of Ordinance 18-29-CC to the subject property on September 18, 2019 (when the City of Destin denied my clients' request for a variance), this property is now restricted to an occupancy of sixteen (16) guests.[1]

The Florida Legislature has passed Section 70.001, *Fla. Stat.*, known as the "Bert J. Harris Jr. Private Property Rights Protection Act as Amended."

Chapter 70.001, *Fla. Stat.*, "*inter alia*", created a separate and district cause of action which provides for relief or payment of compensation when a new law, rule, regulation or ordinance of

[1] The subject property was issued a grandfather certificate on July 16, 2019, permitting the subject property to rent to twenty-four (24) occupants until July 16, 2024.

NT

the state or a political entity in the state, as applied, unfairly affects real property. "When a specific action of a governmental entity has inordinately burdened an existing use of real property or a vested right to a specific use of real property, the property owners of that real property are entitled to relief, which may include compensation for the actual loss to the fair market value of the real property caused by the action of government, as provided in this section." *Fla Stat.* §70.001(2).

The owners of the subject property assert that their actual and existing use of said real property has been inordinately burdened by the City of Destin's adoption and application of Ordinance 18-29-CC by restricting its occupancy to only two (2) persons per bedroom plus four (4).

To that end, this letter should serve as a formal, written claim pursuant to §70.001, *Fla. Stat.*, the Bert J. Harris Jr. Private Property Rights Protection Act as Amended. Attached to this letter is a bona fide, valid appraisal that supports the claim and demonstrates the loss in value to the real property. This appraisal establishes the loss in value of the subject property, as a result of the application of the occupancy limitation of Ordinance 18-29-CC, to be $500,000.00.

Pursuant to §70.001(4)(c), *Fla. Stat.*, the City of Destin has 150 days to respond to this claim with a written settlement offer. You should consult your counsel as to any other obligations and settlement opportunities contained within this statute.

PLEASE BE GOVERNED ACCORDINGLY.

Sincerely,

NAJMY THOMPSON, P.L.

Aaron M. Thomas
athomas@najmythompson.com

Enclosure: Appraisal

cc:

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Romano Kopp Law, P.A.
P.O. Box 622562
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kopp@romanokopplaw.com

AMT/kls

Appraisal Report

Detached Single Family Residential Home

3,182 ± HVAC SF Existing Structure

92 Pompano Street
Destin, FL 32541

DIMINUTION IN VALUE ANALYSIS
92 POMPANO STREET
DESTIN, FL 32541

FOR
MATT CAMACHO
AND
DESIGNATED ATTORNEYS

RETROSPECTIVE TO SEPTEMBER 18, 2019

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APPRAISAL REPORT

SUBJECT PROPERTY

3,182 ± HVAC SF Existing Detached Residential Improvement

Six Bedrooms and Seven and One Half Bathrooms

92 Pompano Street
Destin, FL 32541

EFFECTIVE DATE OF APPRAISAL

Retrospective to September 18, 2019

REPORT DATE

October 4, 2019

VIEWING DATE

April 11, 2019 and September 25, 2019

CLIENT/INTENDED USER

Matt Camacho
92 Pompano Street
Destin, FL 32541

File № 190341A

PREPARED BY:

Thomas A. Marr

State-certified General Real Estate Appraiser № RZ 2645 (FL)
tom@panappraisal.com

Panhandle Appraisal Group
220 Hospital Drive
Fort Walton Beach, Florida 32548
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October 4, 2019

Matt Camacho
92 Pompano Street
Destin, FL 32541

Re: Diminution in value appraisal of an approximate 3,182 HVAC SF detached residential improvement, 'as is' identified as 92 Pompano Street in Destin, FL 32541. **Panhandle Appraisal Group File № 190341.**

Dear Mr. Camacho:

I have completed the requisite personal viewing, research, and analysis necessary to determine if a diminution in value has occurred for the subject parcel.

The subject property is a three level, detached single family residential structure with an approximate 3,182 HVAC SF. The subject features six bedrooms and seven and one half baths. The current sleeping capacity of the subject is twenty four (24) guests.

The purpose of the appraisal analysis was to develop an opinion of the market value of the subject property prior to the first application of the city of Destin Ordinance No. 18-29-CC, on September 18, 2019 and then derive a value after the September 18, 2019 ordinance which limited the subject to sixteen (16) guests, based on two guests per bedroom, plus four. I note that the designation as a bedroom is based on data in the Okaloosa County Property Appraiser web site.

The authorized user is the client at the address above. The understood intended use of the appraisal report will be for reference in determining if the first application of Ordinance No. 18-29-CC resulted in a diminution of value. No other use of this report by any other entity or person is authorized.

Subject to the above and the assumptions, limiting conditions, and certification set forth herein, it is my professional opinion the retrospective market value of the fee simple interest in the subject property, 'as is', as of September 18, 2019, prior to the first application of Ordinance No. 18-29-CC, was:

ONE MILLION FIVE HUNDRED THOUSAND DOLLARS
$1,500,000

Subject to the above and the assumptions, limiting conditions, and certification set forth herein, it is my professional opinion the current market value of the fee simple interest in the subject property, 'as is', after the first application of Ordinance No. 18-29-CC is:

ONE MILLION DOLLARS
$1,000,000

The diminution of value is a rounded $500,000.

Exposure Time
The exposure time linked to the final value opinion is a range to nine (9) to twelve (12) months based on market sales of similar properties and current market activity.

Analysis of recent trends and current market supply and demand strongly indicate the highest and best use of the subject property, is continued use as a seasonal rental home.

I hereby certify I possess no interest, present or contemplated, in the appraised property. The undersigned appraiser is competent or has taken the necessary steps to become competent for the property type being appraised. This appraisal has been prepared utilizing all of the requirements set forth as standards for real estate appraisals established for federally related transactions by the Comptroller of the Currency, the Federal Reserve Board, the Federal Deposit Insurance Corporation, and the State of Florida. The appraisal is in conformity with the standards for real estate appraisals as established by the Appraisal Foundation and its Appraisal Standards Board. The appraisal also conforms to *the 2018/2019 edition of the Uniform Standards of Professional Appraisal Practice (USPAP)* and your instructions. The fee for this appraisal was not based on value, nor was the assignment undertaken based on a predetermined value, a trend in value, or a minimum or maximum value.

Respectfully submitted,

Thomas A. Marr

Thomas A. Marr
State-Certified General Real Estate Appraiser № RZ 2645 (Florida)

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APPRAISAL REPORT

This is an Appraisal Report which is intended to comply with the reporting requirements in accordance with the 2018/2019 edition of the Uniform Standards of Professional Appraisal Practice (USPAP) for an Appraisal Report. As such, it represents summary discussions of the data, reasoning, and analyses used in the appraisal process to develop the appraisers' opinion of value. Supporting documentation concerning the data, reasoning, and analyses may be retained in the appraiser's files. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated below. The appraisers are not responsible for unauthorized use of this report.

CLIENT:

Matt Camacho
92 Pompano Street
Destin, FL 32541

APPRAISERS:

Thomas A. Marr
State-certified General Real Estate Appraiser № RZ 2645 (Florida)

Panhandle Appraisal Group
220 Hospital Drive
Fort Walton Beach, Florida 32548

SUBJECT PROPERTY:

Legal Description
Lot 7, Block 24, Crystal Beach SD

Tax ID №: 00-2S-22-0580-0024-0070.

PURPOSE OF THE APPRAISAL:

The purpose of this appraisal was to develop an estimate of the diminution in value from prior to the first application of Destin Ordinance No. 18-29-CC and after the first application of Destin Ordinance No. 18-29-CC on September 18, 2019.

INTENDED USE OF REPORT:

The understood intended use of the appraisal report will be for client use in legal proceedings.

INTENDED USER:

The intended user is the client stated above, the client's attorneys, courts of law and regulatory authorities. This report is not intended or authorized for any other user or audience.

PROPERTY RIGHTS APPRAISED:

Fee Simple, one hundred percent (100%) ownership interest in the subject property.

EFFECTIVE DATE OF VALUE:

Retrospective to September 18, 2019.

DATE OF REPORT:

October 4, 2019.

DATE OF INSPECTION:

Thomas A. Marr viewed the subject property on April 11, 2019 and September 25, 2019.

SCOPE OF WORK:

I note you have not requested an appraisal report format. Based on the Scope of Work requirements included in the 2018/2019 version of USPAP, which indicates the appraiser is responsible to coordinate the scope of work with the client, I am informing you I will perform an appraisal report. **It is my opinion this process of work meets all applicable 2018/2019 USPAP standards.**

DEFINITIONS:

The definitions, commencing on the page following, are provided to assist the reader in understanding this appraisal report.

Market Value[1]

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

- Purchaser and seller are typically motivated;
- Both parties are well informed or well advised and each acting in what they consider their best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

The four (4) time differential values on the graph which may be considered in the appraisal of existing developments are defined as follows:

(1) **'As Is'** means an estimate of the market value of a property in the condition observed upon inspection and as it physically and legally exists without hypothetical conditions, assumptions, or qualifications as of the date of appraisal.

(2) **'Value Upon Completion'** means the market value of a property with all existing construction, conversion, or rehabilitation hypothetically completed, or under other specified hypothetical conditions as of the date of appraisal. With regard to properties wherein anticipated market conditions indicate stabilized occupancy is not likely as of the date of completion, this estimate of value shall reflect the market value of the property as if complete and prepared for occupancy by tenants.

(3) **'Prospective Future Value Upon Completion'** means the prospective future value of a property on the date construction is completed, based upon market conditions forecast to exist as of completion date.

(4) **'Prospective Future Value Upon Achievement of Stabilized Occupancy'** means the prospective future value of a property at a point in time when all improvements have been physically constructed and the property has been leased to its optimum level of long term occupancy.

Fee Simple Estate[2]

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.

Leased Fee Interest[3]

An ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the lessee are specified by contract terms contained within the lease.

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1 Title XI, Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), [Pub. L. No. 101-73, 103 Stat. 183 (1989)], 12 U.S.C. 3310, 3331-3351, and section 5(b) of the Bank Holding Company Act, 12 U.S.C. 1844(b); Part 225, Subpart G: Appraisals; Paragraph 225.62 (f).
Uniform Standards of Professional Appraisal Practice, 2003 Edition, Page 3
Federal Reserve System, 12 CFR Parts 208 and 225, Sec. 225.62
Office of the Comptroller of the Currency, 12 CFR Part 34, Sec. 34.42 (g)
FDIC, 12 CFR Part 323, Sec. 323.2 (g) (2000)
Office of Thrift Supervision, 12 CFR Part 564, Sec. 564.2
NCUA, 12 CFR Part 722, Sec. 722.2

2 The Dictionary of Real Estate Appraisal, Appraisal Institute, Fourth Edition, 2002, Page 113.

3 Ibid., Page 161.

Leasehold Interest[4]
The interest held by the lessee (the tenant or renter) through a lease transferring the rights of use and occupancy for a stated term under certain conditions.

Condominium[5]
A multi-unit structure or property in which persons hold fee simple title to individual units and an undivided interest in common areas.

Highest and Best Use[6]
The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and which results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability.

...of land or a site as though vacant:

Among all reasonable, alternative uses, the use yielding the highest present land value, after payments are made for labor, capital, and coordination. The use of property based on the assumption the parcel of land is vacant or can be made vacant by demolishing any improvements.

...of property as improved:

The use which should be made of a property as it exists. An existing improvement should be renovated or retained as is so long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing building and constructing a new one.

Marketing Time[7]
The time it takes an interest in real property to sell on the market subsequent to the date of an appraisal.

Exposure Time[8]
A retrospective estimate based on an analysis of past events assuming a competitive and open market.

Advocacy[9]
Representing the cause or interest of another, even if cause or interest does not necessarily coincide with one's own beliefs, opinions, conclusions, or recommendations.

Appraisal[10]
(Noun) The act or process of developing an opinion of value; an opinion of value. (Adjective) of, or pertaining to appraising and related functions such as appraisal practice or appraisal services.

Appraisal Practice[11]
Valuation services performed by an individual acting as an appraiser, including, but not limited to appraisal, appraisal review, or appraisal consulting.

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4 Ibid., Page 162.

5 Ibid., Page 59.

6 Ibid., Page 135.

8 Ibid., Page 175

9 Ibid., Page 105

9 2018/2019 edition, *Uniform Standards of Professional Appraisal Practice (USPAP)*, Page 1

10 Ibid, Page 1

11 Ibid, Page 1

Appraisal Review[12]
The act or process of developing and communicating an opinion about the quality of another appraiser's work was performed as part of an appraisal, appraisal review, or appraisal consulting assignment.

Appraiser[13]
One who is expected to perform valuation services competently, and in a manner, is independent, impartial, and objective.

Appraiser's Peers[14]
Other appraisers who possess expertise and competency in a similar type of assignment.

Assignment[15]
A valuation service provided as a consequence if an agreement between an appraiser and a client.

Assignment Results[16]
An appraiser's opinions and conclusions developed specific to an assignment.

Assumption[17]
An occurrence which is taken to be true.

Bias[18]
A preference or inclination which precludes an appraiser's impartiality, independence, or objectivity in an assignment.

Business Enterprise[19]
An entity pursuing an economic entity.

Business Equity[20]
The interests, benefits, and rights inherent in the ownership of a business enterprise or a part thereof in any form (including, but not necessarily limited to, capital stock, partnership interests, cooperatives, sole proprietorships, options, and warrants).

Client[21]
The party or parties who engage an appraiser (by employment or contract) in a specific assignment.

Confidential Information[22]
Information is either:

- identified by the Client as confidential when providing it to an appraiser and is not available from any other source; or,
- classified as confidential or private by applicable law or regulation.

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12 Ibid, Page 1

13 Ibid, Page 1

14 Ibid, Page 2

15 Ibid, Page 2

16 Ibid, Page 2

17 Ibid, Page 2

18 Ibid, Page 2

19 2018/2019 edition, USPAP, Page 2

20 Ibid, Page 2

21 Ibid, Page 2

22 Ibid, Page 2

Cost[23]
The amount required to create, produce, or obtain a property.

'Credible'[24]
Worthy of belief.

Extraordinary Assumption[25]
An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions.

Feasibility Analysis[26]
A study of the cost-benefit relationship of an economic endeavor.

Hypothetical Condition[27]
An assertion which is contrary to what exists but is supposed for the purpose of analysis.

Intangible Property[28]
(Intangible Assets) Nonphysical assets, including, but not limited to, franchises, trademarks, patents, copyrights, goodwill, equities, securities, and contracts as distinguished from physical assets such as facilities and equipment.

Intended Use[29]
The use or uses of an appraiser's reported appraisal, appraisal review, or appraisal consulting assignment opinions and conclusions, as identified by the appraiser based on communication with the Client at the time of the assignment.

Intended User[30]
The Client and any other party as identified, by name or type, as users of the appraisal, appraisal review, or appraisal consulting report by the appraiser on the basis of communication with the Client at the time of the assignment.

Jurisdictional Exception[31]
...an assignment condition which voids the force of a part or parts of *USPAP*, when compliance with part or parts of *USPAP* is contrary to law or public policy applicable to the assignment.

IDENTIFY THE PROBLEM TO BE SOLVED
The problem to be solved in this appraisal analysis was to develop an opinion of the market value of the subject property, both prior to the first application of the city of Destin Ordinance No. 18-29-CC to the subject on September 18, 2019 when twenty four (24) guest occupancy was allowed and after the first application of the Destin Ordinance No. 18-29-CC on September 18, 2019, which limited the subject to sixteen (16) guests, based on two guests per bedroom, plus four. Utilizing the before and after values, I derived a diminution of value to the subject property.

---

23 Ibid, Page 2

24 Ibid, Page 3

25 Ibid, Page 3

Ibid, Page 3

27 Ibid, Page 3

28 Ibid, Page 3

29 Ibid, Page 3

30 Ibid, Page 3

31 2018 edition, *USPAP*, Page 3

EXTENT OF THE PROCESS OF COLLECTING, CONFIRMING, AND REPORTING DATA:

Preparation of this appraisal included the following scope of work:

- The subject site, improvements, and parking improvements were inspected by the appraiser, the property was photographed. File data for similar properties was reviewed.
- The public records were reviewed.
- The appraiser examined the economic, social, governmental, and environmental forces affecting value in the subject neighborhood and the entire market area as a whole.
- The appraiser identified recent and projected actual rents for the subject, based on occupancy of up to 24 guests. The appraiser then identified the annual rentals of other comparable properties which accommodated up to or beyond 24 guests. This data was used to verify or support the historical performance and the projected rents for the subject. These comparable rentals provided market support for the subject actual and projected gross rental income.
- The appraiser identified market rental comparables for properties limited to 16 guests.
- The appraiser then reduced gross rent to net operating rent and capitalized the net operating rent to identify value for the subject as a 24 guest rental and a 16 guest rental. The difference between these two values is the diminution in value.

IDENTIFICATION OF THE TYPE OF APPRAISAL AND APPRAISAL REPORT FORMAT:
I have provided an **Appraisal Report**, as defined by the *2018/2019 edition of the Uniform Standards of Professional Appraisal Practice*, containing a summary of all relevant conclusions, data, and analyses used in the report.

TERMS OF THE FINAL VALUE OPINION:
The final opinion of the current market values of the subject property, 'as is' is expressed in terms of cash or financing terms equivalent to cash.

POLICY STATEMENT OF THE APPRAISAL INSTITUTE:
It is improper to base a conclusion or opinion of value upon the premise the racial, ethnic, or religious homogeneity of the inhabitants of an area or of a property is necessary for maximum value.

Racial, religious, and ethnic factors are deemed unreliable predictors of value trends or price variance.

It is improper to base a conclusion or opinion of value, or a conclusion with respect to neighborhood trends, upon stereotyped, biased presumptions relating to the effective age or remaining life of the property being appraised or the life expectancy of the neighborhood in which it is located.

The undersigned appraiser is not a member of the Appraisal Institute.

GENERAL ASSUMPTIONS:

1. No responsibility is assumed for the legal description provided or for matters relevant to legal or title considerations. Title to the property is assumed to be marketable unless otherwise stated. The legal description used in this report is assumed to be correct.

2. The subject property is appraised free and clear of any or all liens, leases, or encumbrances unless otherwise stated. All mortgages, liens, encumbrances, leases, and servitudes have been disregarded unless so specified within the report.

3. No survey of the property has been made by the appraisers and no responsibility is assumed in connection with such matters. Sketches, plot plans, or illustrative material presented in this report are included only to assist the reader in visualizing the property.

4. Information and data furnished by others is usually assumed to be true, correct and reliable. When such information and data appears to be dubious and when it is critical to the appraisal, a reasonable effort has been made to verify all such information; however, no responsibility for its accuracy is assumed by the appraiser.

5. Responsible ownership and competent property management are assumed unless otherwise stated in this report.

6. It is assumed there are no hidden or unapparent conditions of the property, subsoil or structures which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.

7. It is assumed 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.

8. It is assumed the subject property is in compliance with all applicable zoning and land use regulations, unless a nonconformity has been stated, defined and considered in the appraisal report.

9. It is assumed all required licenses, consents or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use which the value estimate contained in this report is based.

10. It is assumed the utilization of the land and improvements is within the boundaries or property lines of the property described and there is no encroachment or trespass unless noted within the report.

EXTRAORDINARY ASSUMPTIONS:

I am using data provided to me by the client and other vacation home owners.

I am also using rental projections from the current property manager.

I am making the extraordinary assumption that the data provided is accurate, credible and reliable.

If, for any reason, the data provided is not accurate, credible and reliable, the values derived in the analysis is subject to review.

GENERAL LIMITING CONDITIONS:

1. This is an Appraisal Report which is intended to comply with the reporting requirements set forth in accordance with the *2018/2019 edition of the Uniform Standards of Professional Appraisal Practice* for an Appraisal Report. As such, it includes summarized discussions of the data, reasoning, and analyses used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses may be retained in the appraiser's files. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraiser is not responsible for unauthorized use of this report.

2. Appraisers are not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraisers suggesting the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert in the field of environmental assessment. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The appraiser's value estimate is predicated on the assumption there exists no such material on or in the property causing a loss in value unless otherwise stated in this report. No responsibility is assumed for any environmental conditions, or for any expertise or engineering knowledge required to discover them. The appraisers' descriptions and resulting comments are the result of the routine observations made during the appraisal process.

3. The subject property is appraised without a specific compliance survey having been conducted to determine if the property is or is not in conformance with the requirements of *The Americans with Disabilities Act*. The presence of architectural and communications barriers which are structural in nature which would otherwise restrict access by disabled individuals may adversely affect the property's value, marketability, or utility.

4. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event, only with proper written qualification and only in its entirety.

5. Neither all nor any part of the contents of this report shall be conveyed to any person or entity, other than the appraiser's or firm's client, through advertising, solicitation materials, public relations, news, sales, or other media without the written consent and approval of the authors, particularly as to valuation conclusions, the identity of the appraiser or firm with which the appraiser is connected, or any reference to affiliation with any professional appraisal organization. Further, the appraiser or firm assumes no obligation, liability, or accountability to any third party. If this report is placed in the hands of anyone but the client, client shall make party aware of all the assumptions and limiting conditions of the assignment.

6. The appraiser affixing his signatures to this appraisal report will not be required to give testimony or appear in court because of having made this appraisal, with reference to the property in question, unless arrangements have been previously made thereof.

7. No environmental impact studies were either requested or made in conjunction with this appraisal, and the appraiser hereby reserves the right to alter, amend, revise, or rescind any of the value opinions based upon any subsequent environmental impact studies, research, or investigation.

8. The appraiser has not been supplied with a report of the subsoil conditions indicating the exact capacity of the subsoil. I do not have the benefit of subsoil test results of the properties and detection of possible soil defects would be beyond my realm of expertise. However, there appear to be no hidden or apparent conditions of the subject sites or subsoil structures which would render them more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.

9. Acceptance of and/or use of this appraisal report constitutes acceptance of the foregoing General Assumptions, Special Assumptions, General Limiting Conditions, and Special Limiting Conditions.

EXTRAORDINARY LIMITING CONDITIONS AND HYPOTHETICAL CONDITIONS:

I note that the ordinance in question allows a five (5) year 'grandfather' period. I considered if this 'grandfather' status should receive some analysis in the discussion of diminution of value. After consideration, I concluded that a potential market participant, aware that the grandfather status will be eliminated, would be very wary to enter into a financial arrangement where he may have to liquidate in an unknown market within a time line that may not be available. Thus, I am not considering any impact of the 'grandfather' status.

CERTIFICATION:

I certify, to the best of my knowledge and belief:

1. The statements of fact contained in this report are true and correct.

2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions and conclusions.

3. I possess no present or prospective interest in the property which is the subject of this report and no personal interest with respect to the parties involved.

4. I possess no bias with respect to the property which is the subject of this report or to the parties involved with this assignment.

5. The engagement in this assignment was not contingent upon developing or reporting predetermined results.

6. The compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value favoring the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

7. The analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *2018/2019 edition of the Uniform Standards of Professional Appraisal Practice.*

8. Thomas A. Marr has made a personal viewing of the property which is the subject of this report. No one else has rendered significant real estate appraisal knowledge and input to the compilation of this report.

9. I have not performed any services, to include appraisal services, regarding the subject in the previous three years.

10. The opinion of market value 'as is' of the one hundred percent (100%) fee simple ownership interest in the subject property, prior to the first application of Destin Ordinance 18-29-CC is ONE MILLION FIVE HUNDRED THOUSAND DOLLARS ($1,500,000) and the value after the first application of Destin Ordinance 18-29-CC is ONE MILLION DOLLARS ($1,000,000). The diminution of value is estimated as FIVE HUNDRED THOUSAND DOLLARS ($500,000).

Thomas A Marr

Thomas A. Marr
State-certified General Real Estate Appraiser № RZ 2645 (Florida)

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DESCRIPTION OF THE SUBJECT PROPERTY
Ownership:

The current owner is Mathew A. And Michelle E. Camacho. The following deed indicates ownership via a transfer from Bart and Leann Hunt to Mathew A. And Michelle E. Camacho.

FILE #3250954 RCD: 12/28/2018 4:40 PM, BK: 3389 PG: 202, RECORDING: $10.50 RECORDING ARTICLE V: $8.00
D Doc Stmp: $7,700.00 DEPUTY CLERK CBAKER
JD PEACOCK II CLERK OF COURTS, OKALOOSA COUNTY, FLORIDA

PREPARED BY:

MEAD LAW & TITLE
24 Walter Martin Road NE
Fort Walton Beach, Florida 32548
File No: 35445AT

Property Appraiser's Parcel I.D. # 00-2S-22-0580-0024-0070

This WARRANTY DEED made the 26th day of December, A.D. 2018, by

Bart Hunt and Leann Hunt, husband and wife

whose post office address is: 1555 Old Jackson Road, Henderson, Tennessee 38340
hereinafter called the grantor to

Matthew A. Camacho and Michelle E. Camacho, husband and wife

whose post office address is: 7 Boylston Terrace, Amherst, New Hampshire 03031
hereinafter called the grantee

(Wherever used herein the terms "grantor" and "grantee" include all the parties to this instrument and the heirs, legal representatives and assigns of individuals, and the successors and assigns of corporations)

Witnesseth: That the grantor, for and in consideration of the sum of $10.00 and other valuable considerations, receipt whereof is hereby acknowledged, hereby grants, bargains, sells, aliens, remises, releases, conveys and confirms unto the grantee, all that certain land situate in Okaloosa County, Florida, viz:

LOT 7, BLOCK 24, CRYSTAL BEACH, ACCORDING TO THE PLAT THEREOF AS RECORDED IN PLAT BOOK 1, PAGE(S) 17, OF THE PUBLIC RECORDS OF OKALOOSA COUNTY, FLORIDA.

Subject to: Deed Releasing and Conveying Easement as set forth in instrument recorded in Book 1460, Page 791.
Sewer Tap Agreement recorded in Book 2465, Page 1010.
Temporary Construction Easement Recorded in Book 2795, Page 2499.
Subject to easement reserved in Book 61, Page 459.

Site:

Location:
The subject is located on the west side of Pompano Street in the mature Crystal Beach Subdivision. It is located an approximate 200 feet south of the Pompano Street and Luke Avenue intersection, within easy walking distance of the Gulf of Mexico.

This area is east of the community of Henderson Beach and west of the Destiny/Destiny West/Destiny By The Sea communities.

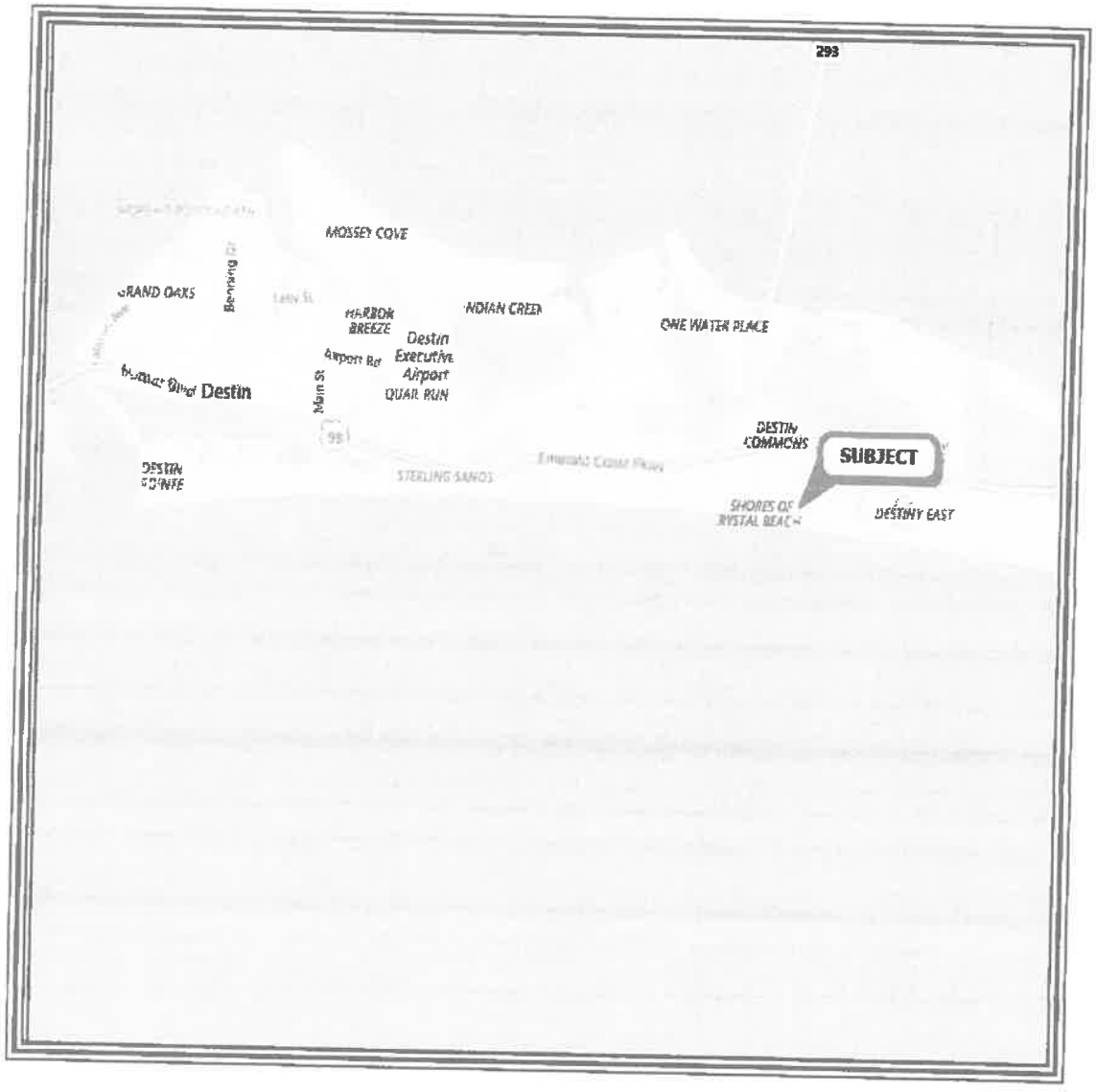
Along the south side of Scenic Highway 98 are many condominium projects, individual homes and some commercial use, typically restaurants, which cater to the tourist industry.

Along Scenic Highway 98 to the north are other residential uses, primarily detached homes with a interspersion of condominium and town home projects, which are a mix of owner occupant and seasonal rental use.

Within the Crystal Beach Subdivisions is an eclectic mix of housing, ranging from 1950s Florida Cottages to newly constructed large beach homes.

This entire area of Destin, in close proximity to the Gulf of Mexico, is a desired location and well considered by the market.

See the following map for the subject location in the broad Destin market.



The following map indicates the local market area surrounding the subject.

The following aerial photograph indicates the subject parcel. This aerial indicates the previous improvement which was demolished for the construction of the current improvement.

Land Size:

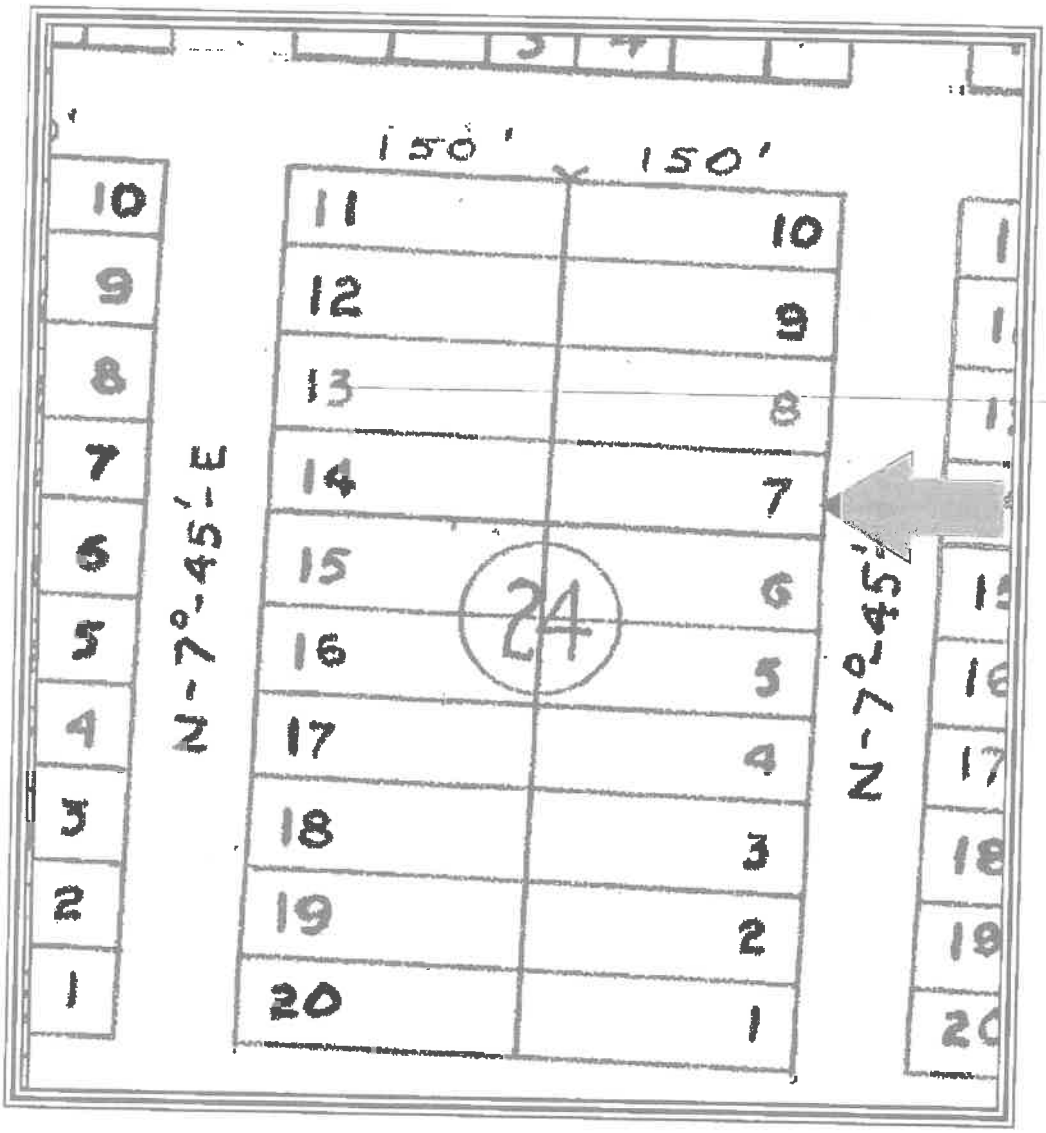
The subject is a single residential lot.

The rounded dimensions are as follows:

50.00 feet on the west side,
150.00 feet on the north side,
50.00 feet on the east side, fronting Pompano Street, and
150.00 feet on the south side.

These dimensions result in a land size of an approximate 0.17 acres, or 7,500 SF. This land size is typical of lots in the Crystal Beach Subdivision.

See the following excerpt from the recorded plat map.

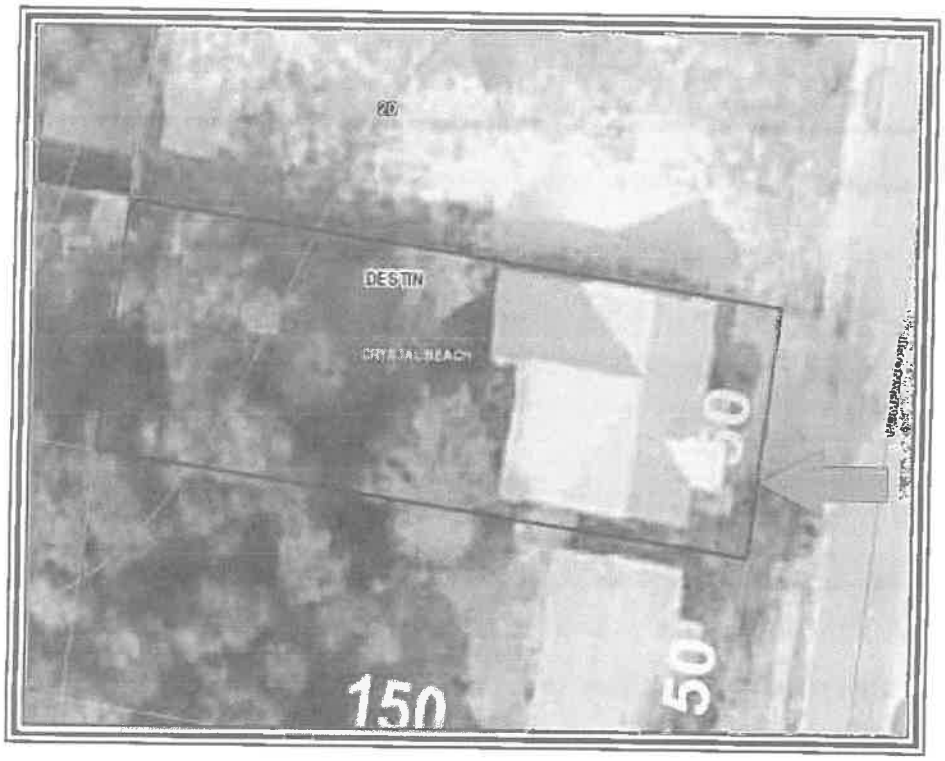


Site Topography:

Per the Okaloosa County GIS site and my viewing, the subject is at the road grade of Pompano Street Street.

The subject is generally level.

The subject lot contour is typical for most Crystal Beach lots.



Utilities:

Utility	*Provider*	*Utility*	*Provider*
Electricity	Gulf Power	Stormwater Drainage	Destin
Water and Sewer	Okaloosa County	Fire Department	Destin
Natural Gas	Okaloosa Gas	Police Department	Contract with the Okaloosa County Sheriff
Telephone	Verizon	Refuse Removal	By contract
Cable Television	Cox Cable		

The utilities for the subject site are considered as typical in the market.

Easements/Encroachments:
I was not furnished a copy of a recent survey of the subject property. A review of the site plan, various maps and my personal viewing did not indicate any easements or encroachments.

The warranty deed references an easement identified in ORB/P 61/459 of the official records of Okaloosa County. I researched this easement and found that it was a utility easement over the back 5 feet of the subject lot for the running of water lines.

I assume there are additional utility easements of record.

It is my opinion that there are no easements or encroachments which would affect value or transferability.

Ingress/Egress:
The subject property is reached directly from Pompano Street, which fronts on the entire subject east side.

Pompano Street is a two lane, paved public roadway which connects to Scenic Highway 98 to the south and Luke Avenue to the north.

Scenic Highway 98 is a paved, two lane public roadway.

Scenic Highway 98 is the original U. S. Highway 98 which was the main east/west arterial in the Destin market. Now that the six lane U. S. Highway 98 has been developed to the north, Scenic Highway 98 is now a coastal road running parallel to, and just north of, the Gulf of Mexico.

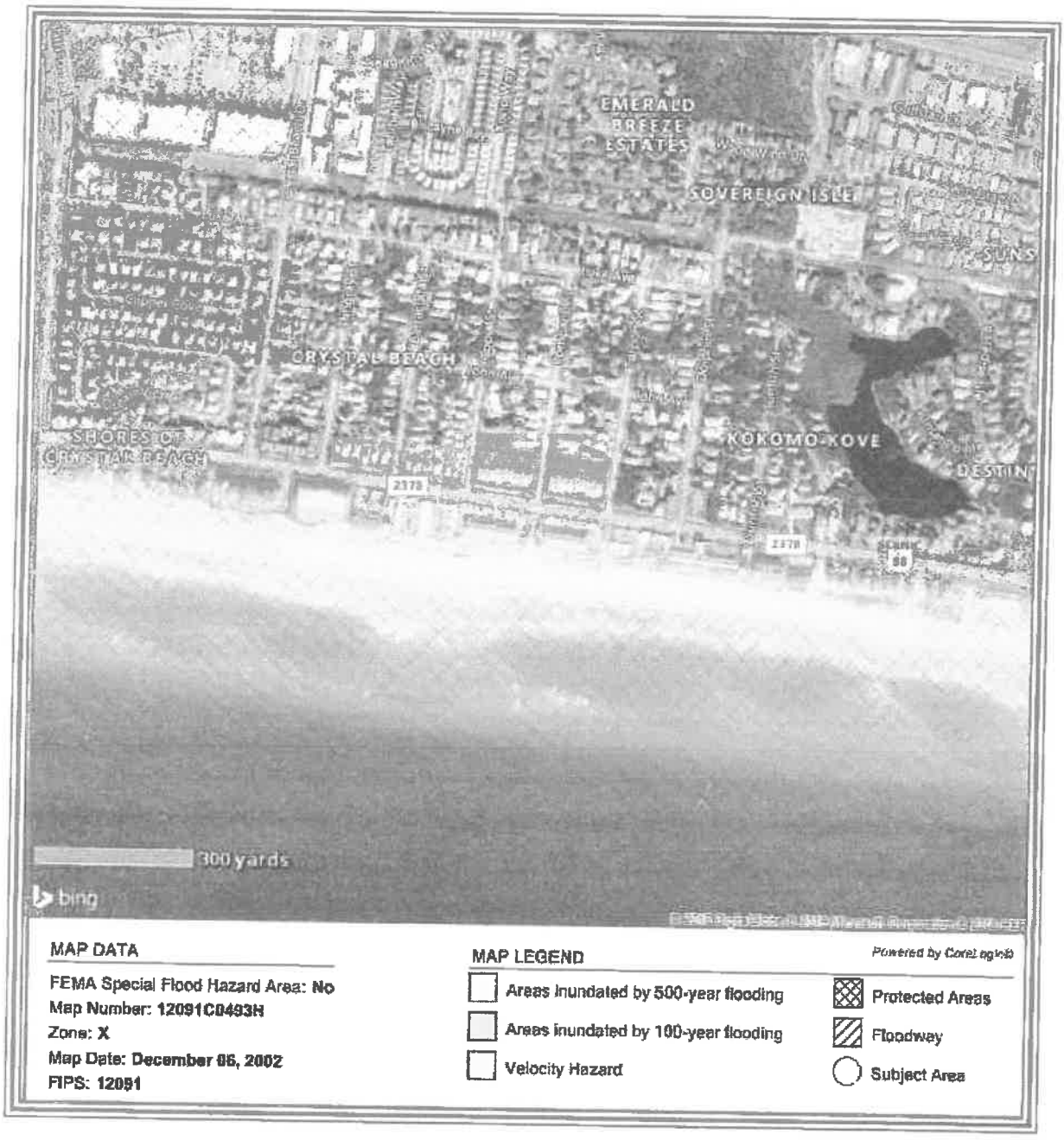
Ingress/egress is viewed as similar to most access typically found in the market.

Parking is viewed as superior to most parking found in the market as the subject features six driveway spaces on the east side of the subject lot.

Flood Risk:

FEMA Map Panel	*Map Area*	*Dated*	*Flood Zone*
12091C 0493H	Okaloosa County	December 6, 2002	"X"

* The client is advised appraisers are not surveyors, and accordingly, any final determination as to flood zone status should only be made by a licensed, adequately insured, Florida surveyor utilizing the latest FEMA flood panels. However, it appears the entire subject area is considered as Flood Zone 'X', an area of substantial flood risk. The subject is located at the red circle in the following flood map.

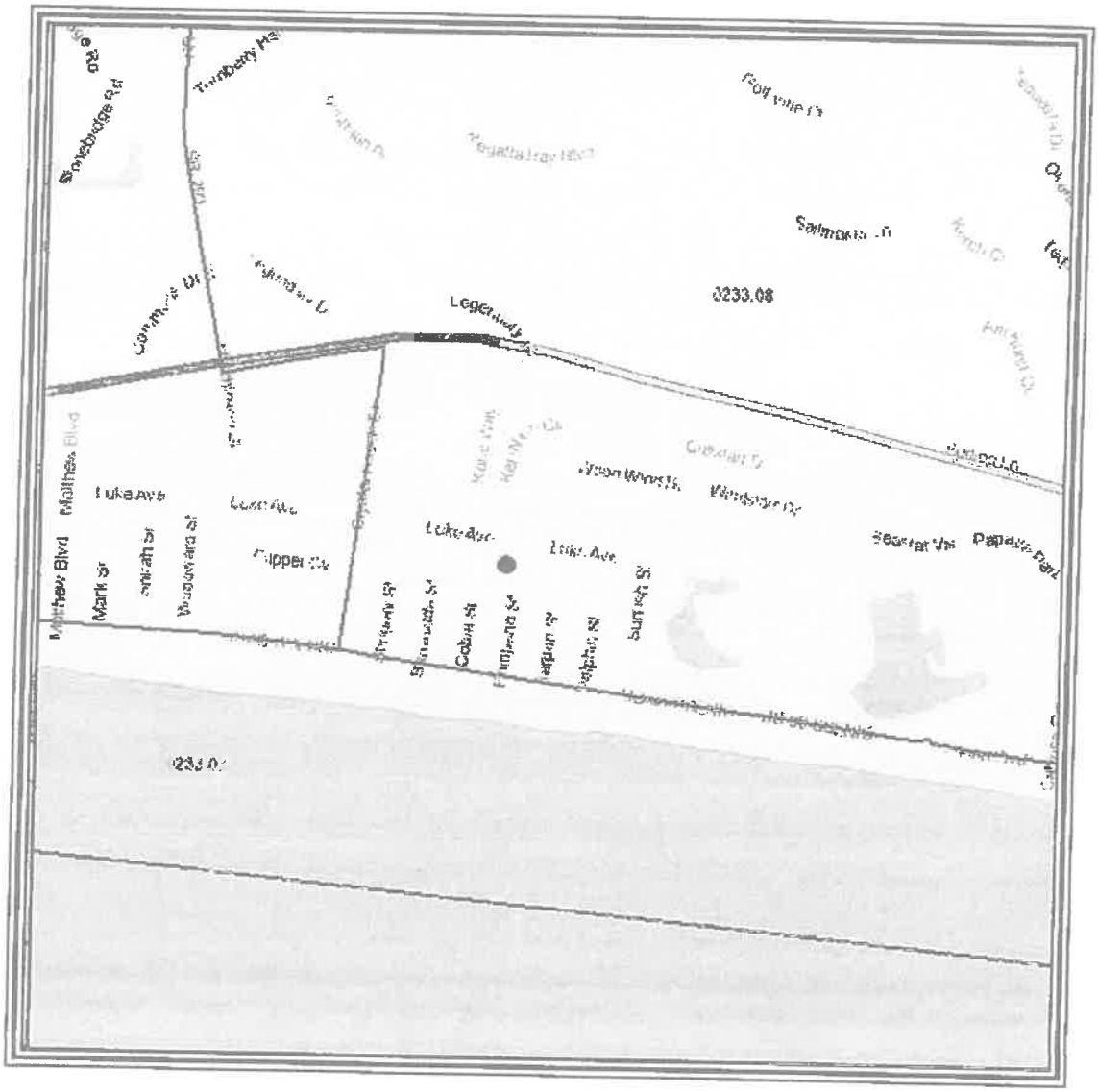


Wetlands:

None, per the Okaloosa County GIS site.

The wetland map is consistent with the flood panel on the previous page.

Census Data:
The subject is located in census tract 0233.08.



IMPROVEMENTS 'AS IS'

Size:
The subject is a single family detached improvement with three levels.

The subject features no garage. It does features exterior balconies and porches, as well as an in ground swimming pool, pool deck/lanai, landscaping, and fencing. These features result in an approximate 3,786 total SF and 3,182 HVAC SF, per the Okaloosa County Property Appraiser.

The first level features typical living areas in the form of the kitchen, living room, dining room and half bath. This level also features one bedrooms with a king, sleeping two (2). There is a total of two (2) guests on the first level.

The second level features three bedrooms with a kings, each sleeping two (2) for a total of six (6) guests on the second level.

The third level features a bedroom with a king sleeping two (2), a bedroom with bunks sleeping eight (8) and bunks in an open foyer sleeping six (6). There is a total of sixteen guests on the third level.

The first level sleeps two (2); the second level sleeps six (6) and the third level sleeps sixteen (16) for a total of twenty (24) guests.

Construction Quality:
The quality of construction for the subject improvement is *Class D* average. Details of construction are summarized below:

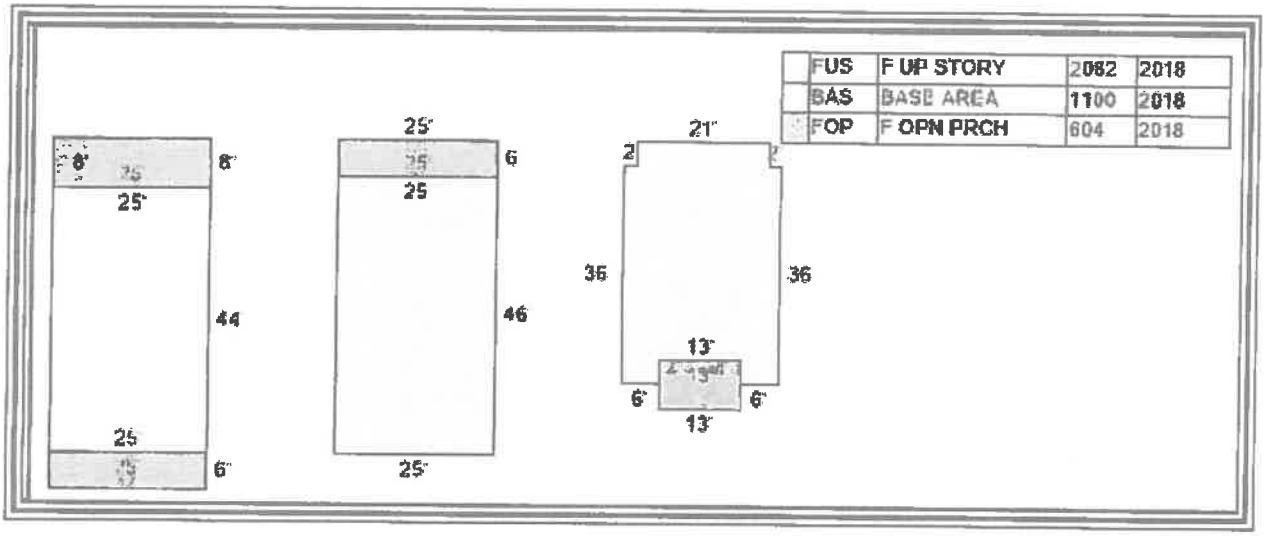
Construction Component	
Foundation	Concrete
Exterior walls	Wood frame with wood siding
Roof	Metal
Trim	Base and crown molding
Windows	Double pane aluminum
Exterior doors	Insulated metal with glass
Insulation	Unknown. Assumed to be R38 behind sheet rock
HVAC	Forced Air and Central HVAC
Ceiling	9 and 10 foot with sheet rock and can lights
Interior Walls	Painted sheet rock
Interior flooring	Average tile and carpet
Interior doors	Six and four panel wood
Restrooms	Four full bathrooms
Lighting	Can lights
Kitchens	One typical residential kitchen with average cabinetry and small kitchen in guest house
Other	Many porches/swimming pool and lanai

Condition of Improvements:
The subject improvement is in good condition.

Age:
Public records indicate that the subject improvement was just constructed in 2018.

I consider the actual age to be one (1) year and the effective age to be one year. I estimate an economic life of fifty five (55) years and a physical life of seventy five (75) years.

See the following sizes indicated for the subject in the Okaloosa County Property Appraiser web site.



Exterior Photographs:

FRONT OF SUBJECT

REAR OF SUBJECT

SWIMMING POOL AND DECK

First Level Sleeping Two (2);

KITCHEN

LIVING ROOM

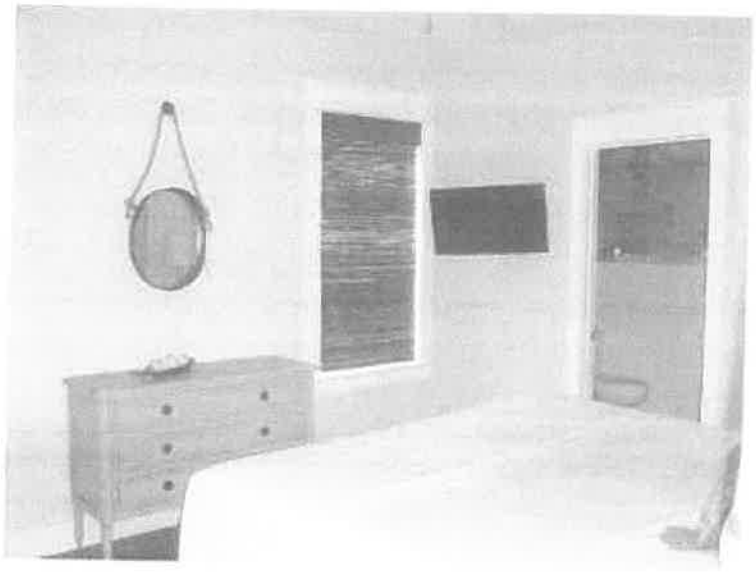
DINING ROOM

HALF BATH

BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #1

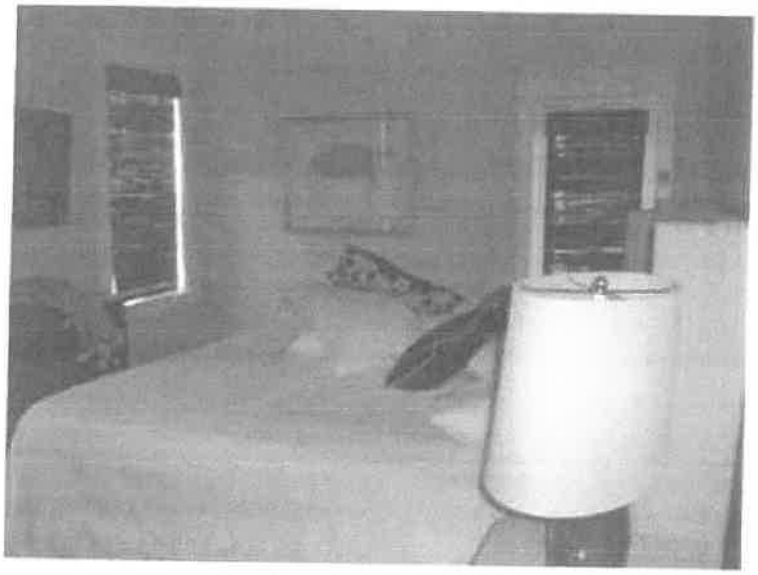
FULL BATH SUPPORTING BEDROOM #1 - BATH #1.5

Second Level Sleeping Six:



BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #2

FULL BATH SUPPORTING BEDROOM #2 - BATH #2.5



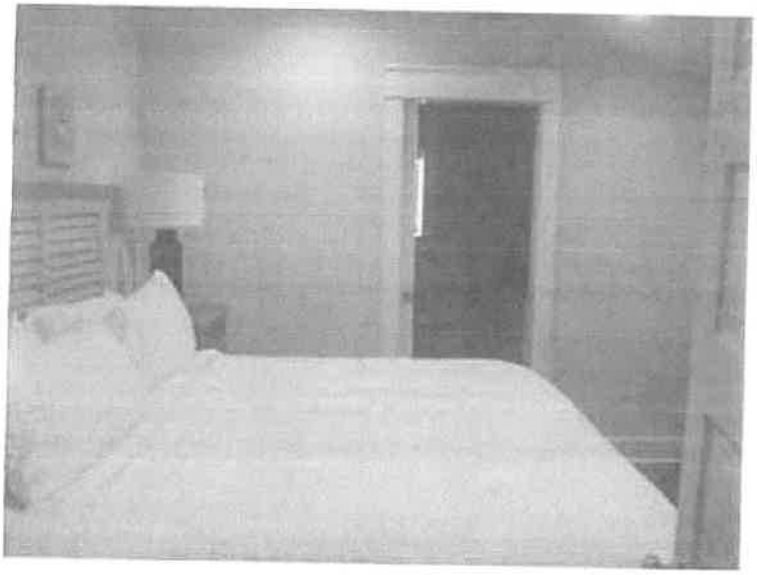
BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #3

FULL BATH SUPPORTING BEDROOM #3 - BATH #3.5

BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #4

FULL BATH SUPPORTING BEDROOM #4 - BATH #4.5

Third Level Sleeping Sixteen (16):



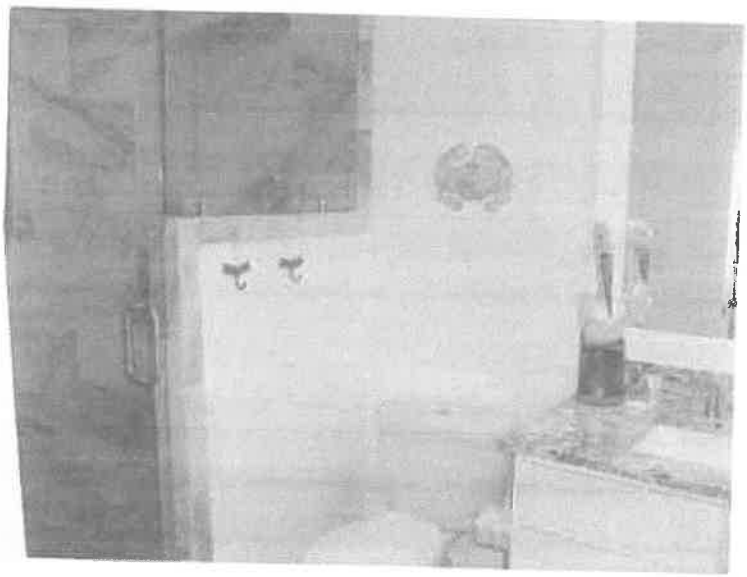
BEDROOM WITH KING SLEEPING TWO (2) - BEDROOM #5

FULL BATH SUPPORTING BEDROOM #5 - BATH #5.5

BEDROOM WITH BUNKS SLEEPING EIGHT (8) - BEDROOM #6

FULL BATH SUPPORTING BEDROOM #6 - BATH #6.5

BUNKS SLEEPING SIX (6)



FULL BATH SUPPORTING BUNK AREA - BATH #7.5

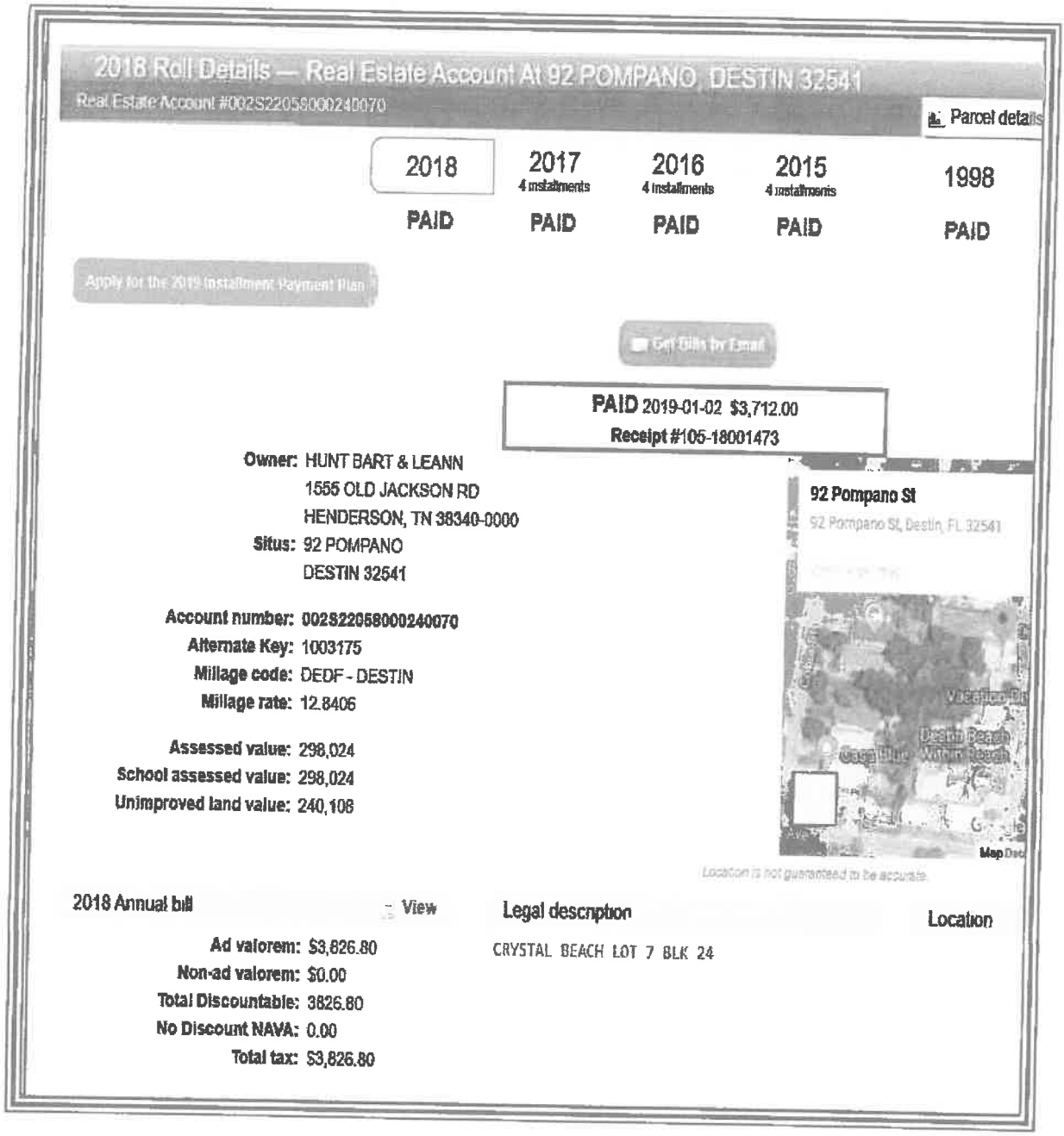
Tax Identification number, gross tax amount due, amount paid, and assessed value for the 2018 tax year.

Tax Identification Number	Assessed Value	Gross Tax Amount Due	Amount paid	Amt. Due
00-2S-22-0580-0024-0070	$298,024	$3,826.80	$3,712.00	None

The 2018 taxes were paid early, resulting in a discount.

There are no previous year taxes owing.

It is my experience that assessed value has little correlation with current market value and are typically lower than market value with a few exceptions.



2018 Roll Details — Real Estate Account At 92 POMPANO, DESTIN 32541

Real Estate Account #002S22058000240070

Parcel details

2018	2017	2016	2015	1998
	4 installments	4 installments	4 installments	
PAID	PAID	PAID	PAID	PAID

Apply for the 2019 Installment Payment Plan

Get Bills by Email

PAID 2019-01-02 $3,712.00
Receipt #105-18001473

Owner: HUNT BART & LEANN
1555 OLD JACKSON RD
HENDERSON, TN 38340-0000
Situs: 92 POMPANO
DESTIN 32541

Account number: 002S22058000240070
Alternate Key: 1003175
Millage code: DEDF - DESTIN
Millage rate: 12.8406

Assessed value: 298,024
School assessed value: 298,024
Unimproved land value: 240,108

92 Pompano St
92 Pompano St, Destin, FL 32541

Location is not guaranteed to be accurate.

2018 Annual bill — View

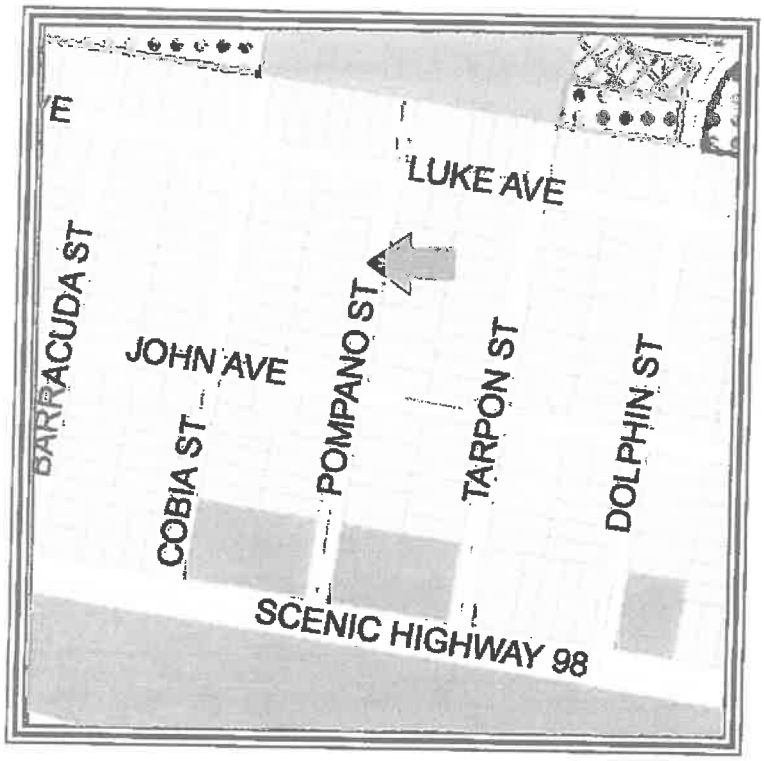
Ad valorem: $3,826.80
Non-ad valorem: $0.00
Total Discountable: 3826.80
No Discount NAVA: 0.00
Total tax: $3,826.80

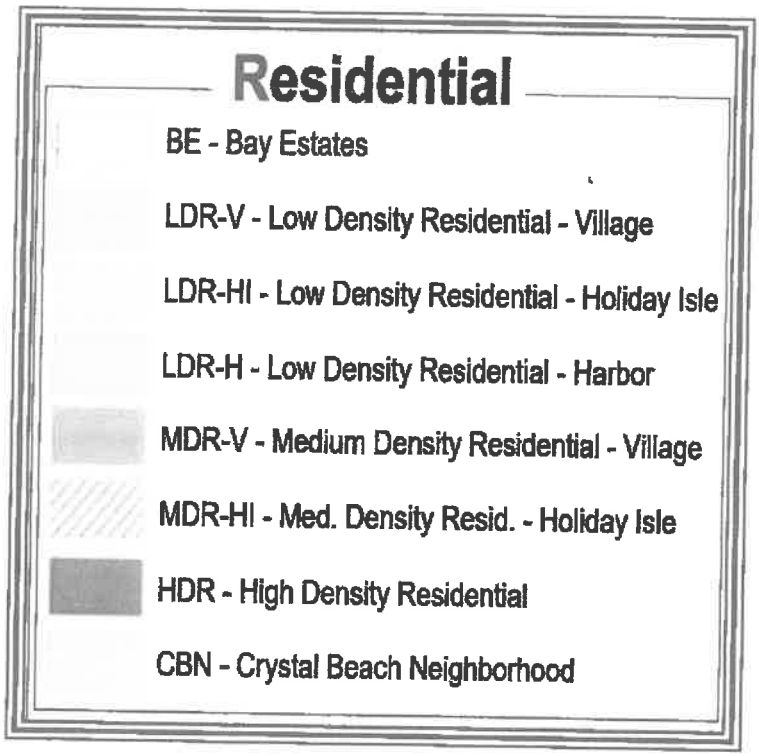
Legal description

CRYSTAL BEACH LOT 7 BLK 24

Location

Zoning:
The following map indicates zoning for the subject parcel. The subject is zoned Crystal Beach Neighborhood by Destin. See following pages for detailed identification of allowable uses.





LAND DEVELOPMENT CODE COMMENTS

The following excerpts were taken from the Destin Land Development Code, currently on line.

This first excerpt states that Crystal Beach Neighborhood designates seasonal or short-term residential uses for single-family detached dwellings as a permitted use. I note that this description of the Crystal Beach Neighborhood zoning designation is silent regarding the number of allowable guests and does not limit guest numbers.

Community Development Department
Planning Division
4200 Indian Bayou Trail, Destin, FL 32541
Phone (850) 337-3123 • Fax (850) 837-7949
www.cityofdestin.com/index.aspx?nid=91

ZONING DISTRICT FACTSHEET

The purpose and intent of establishing zoning districts is to ensure that all development is consistent with the goals, objectives and policies of the Comprehensive Plan, by establishing a series of zoning districts that indicate what uses are allowed and site development regulations that control the use of land in each district. All development within each zoning district shall be consistent with the purposes stated for each district. (LDC 7.12.05)

CRYSTAL BEACH NEIGHBORHOOD (CBN)

Purpose and intent: The Crystal Beach Neighborhood zoning district shall apply to areas developed, redeveloped and/or maintained and conserved as permanent or seasonal single-family detached or multi-family attached residential dwelling units. Very limited supportive non-residential uses are allowed and are strictly limited to: places of worship, parks, playgrounds, community buildings and similar public service facilities serving the residents of the area, childcare centers and other ancillary neighborhood commercial uses which are approved as part of a planned unit development (PUD) for the exclusive use of the residents of the PUD. It is the intent of the CBN zoning district to specifically not allow the following uses to be located in the district: commercial hotels, motels, bed and breakfast establishments, or other commercial transient living accommodations.

Table 7-2: Table of Allowable Uses (excerpt from LDC 7.12.06)

PERMITTED USES:

Permanent or long-term residential uses

Single-family detached dwelling
Guest house [1]
Accessory dwelling
Single room occupancy housing
Museums, historical sites, zoos & parks [10]
Religious organizations

Seasonal or short-term residential uses

Single-family detached dwelling

Other residential uses

Community residential home, small (1-6)
Family day care home

CONDITIONAL USES:

Other residential uses

Permanent or long-term Multi-family attached dwelling
Seasonal or short-term Multi-family attached dwelling
Community residential home, large (7-14)
Child day care services

ACCESSORY USES:

Uses and structures which are customarily accessory, clearly incidental and subordinate to permitted uses and structures, including home occupations and off-site businesses.

Footnotes:

1 Guest houses are permitted only if the owner of the subject property occupies the primary dwelling as his/her main residence. However, guest houses shall not be rented out separately from the main residence. (refer to LDC section 7.12.04.M).

10 Zoos are only allowed in the Industrial zoning district.

This second excerpt defines long term rental and short term rental. I again note that the definition of short term rental is silent regarding the number of allowable guests.

Policy 1-2.1.1: Residential Uses Defined. Residential uses shall include several structure types used for housing, including single-family detached dwellings and multiple-family structures including duplex structures units, town homes and other detached single-family structures, apartments, patio homes, atrium homes, and similar multiple-family structures. The specific FLUM designations shall identify where single-family and multiple-family structures may be located. Following are the definitions for long-term residential and short-term residential.

1. Long-Term Residential. Long-term residential uses shall be defined as any residential accommodation that is available for occupancy for 181 days or more. Long-term residential uses shall include lock-out units, as defined in the Glossary.
2. Short-Term Residential. Short-term residential uses shall be defined as any residential accommodation that is available for occupancy for 180 days or less. Short-Term Residential uses shall include lock-out units, as defined in the Glossary.

This third excerpt defines the grandfather clause. This clause states clearly that the grandfather status may be released only by the vested entity

Policy 1-2.1.5: Grandfather Clause. Existing land uses that were lawfully conforming uses prior to the effective date of the Comprehensive Plan, shall continue as lawful uses and shall be regulated through administrative remedies for vested rights issues that shall be included in the LDC. Building heights, density and/or intensity which (a) are actual present and which lawfully existed prior to the effective date of the Comprehensive Plan, or (b) were authorized pursuant to a development order, which development order remained unexpired as of the effective date of the Comprehensive Plan, shall continue to be legal building heights, density and/or intensity (as applicable) after adoption of the Comprehensive Plan. All duly approved and recorded lots, subdivision and condominium plats of record, which existed as legal lots, subdivision and condominium plats of record prior to the adoption of this Comprehensive Plan shall continue to be legal lots, subdivision and condominium plats of record after adoption of the Comprehensive Plan. This grandfather status may only be relinquished voluntarily by the vested entity. All future subdivisions, condominium plats and all replats shall comply with the Comprehensive Plan objectives and Policies, including maximum density provisions. Similarly, all new development shall comply with the Comprehensive Plan and LDC unless the development is found to have a vested right in a land use, building height, density or intensity that is in conflict with the Comprehensive Plan and LDC. Under such condition the grandfather clause shall be applicable unless voluntarily relinquished by the vested entity. The intent is to sustain demonstrated private property rights while preserving the public interest welfare, health, and safety. Notwithstanding, any single-family home that is subject to redevelopment shall be allowed to reconstruct, providing adopted building and construction codes as well as this ordinance and the size and dimension criteria of the LDC are met.

CONCLUSION

Based on these excerpts, I conclude that prior to the first application of Ordinance 18-29-CC, there were no restrictions to the number of allowable guests.

History:
The subject was transferred on 12/26/2018 from Bart and Leann Hunt to Mathew A. And Michelle E. Camacho per ORB/P 3380/202.

I was unable to identify this sale in MLS.

I consider the purchase price of $1,100,000 to be below market. Based on the fact that the subject was not listed in MLS, there is a possibility that the sellers were unaware of the current market in Destin as they reside in Tennessee.

Active Listings:
None.

Current Use:
The subject is currently a detached single family home used for seasonal rental, catering to large family groups.

Surrounding Uses:
The surrounding use in the Crystal Beach/Destiny/Destiny By The Sea area is a mix of full time occupants and seasonal renters.

MARKET AREA ANALYSIS - SEASONAL RENTAL MARKET

I am restricting this analysis to the seasonal rental market.

Up until perhaps 2000, the great majority of seasonal rentals were condominium units.

However, the growing demand for larger spaces to accommodate extended families in one place led to the conversion of many larger homes to seasonal rentals. It also spurred the construction of homes specifically designed for large rental parties.

Such homes feature typical living areas but emphasize a substantial number of bedrooms and baths. Often bedrooms are equipped with multiple built - in bunks for sleeping children.

Most homes also feature sofa sleepers which can sleep additional children.

Many of these homes, and certainly those recently constructed for this purpose, featured swimming pools and lanai areas as an exterior amenity.

This market has flourished as Destin is nationally recognized as a tourist attraction.

It is common to see Realtors addressing gross rental amounts or gross rental projections in MLS Listings. While the value of homes similar to the subject is partially estimated by a size / value per SF component, the fact that a home generates a substantial amount of income makes it a more attractive and safe purchase than a home which is not rented for seasonal income. In the past few years, income has become as important as selling prices, per SF.

Another factor worthy of discussion is that many owners now self - manage. Typically in the past, management of rentals was performed by one of several large real estate companies, such as Resort Quest, Dale Peterson, Newman Dailey and Southern Resorts. However, in the past 10 years a substantial number of smaller management companies have surfaced.

Management fees for seasonal rentals range from perhaps 15% to 25% of gross revenue.

Entrepreneurial owners have recognized this expense line and many now self - manage with the aid of Vacation Rental By Owner (VRBO) or some similar search engine.

The seasonal rental market is increasing in the Destin/Miramar Beach market as the thriving national economy allows discretionary vacations.

Without the first application of Ordinance 18-29-CC, allowing the existing capacity of 24 guests, I would consider the seasonal rental market to continue to flourish over the next several years.

However, with the first application of Ordinance 18-29-CC, limiting the subject to 16 guests, I would project a diminution in value.

HIGHEST AND BEST USE 'AS IS'

Legally Permissible
The subject property is zoned (and designated for future land use) as *Crystal Beach Neighborhood (CBN)* by the City of Destin, Florida.

This zoning and land use designation allows for single-family use and specifically indicates that short term rentals is a permitted use (See page 35). The use of the subject for single-family short-term rentals is therefore allowed in this district.

Physically Possible
The subject property appears to be relatively level and well drained. Soil and subsoil conditions nearby appear compatible with both low-rise, multi-story use and traditional commercial development. All utilities required for commercial or 'mixed use' are presently at the site. The size and dimensions of the site are sufficient to allow a wide variety of legally permissible uses. The shape of the site is rectangular and this shape does not limit utility. Transportation of construction materials or labor to the site is estimated to be relatively simple due to the central location of the site within the overall market. Access to the site is above average.

However, the most compelling substantiation that the subject is physically possible is the fact that it already exists.

Therefore, use of the subject property for single family use as a seasonal rental is physically possible.

Financially Feasible
Value opinions derived in the income approach to value indicate the existing improvement contributes value to the underlying land. There is substantial other ongoing seasonal rental use in the market, suggesting that there is broad appeal for seasonal rental properties.

Therefore, continued use of the subject property for a detached single family residence used for seasonal rental income is financially feasible.

Maximally Productive
The alternatives of addition, demolition, expansion, modernization, or conversion to alternate uses have been considered within the legal, physical, and financially feasible parameters. Several alternatives exist.

Alternatives for use of improvements:

Expansion
The existing subject improvement is 3,182 HVAC SF. The subject is typical of most seasonal rental homes. Thus, there is no need for expansion. Any expansion would come at a cost of parking and/or access. Thus, expansion beyond what is existing, does not appear to be appropriate and feasible.

Renovation
Typically, any existing property could benefit from renovation. However, the subject has been well maintained and is in good condition. Thus, I would not consider imminent renovation to be required or practical.

Downsizing
The existing subject improvements are 3,182 HVAC SF. I see no reason to downsize the subject improvement as it appeared that all of it is usable space. Thus, downsizing beyond what is existing does not appear to be appropriate, physically possible or feasible.

Subdividing
The purpose of the subject is to lease it seasonally to large parties of guests. Subdivision would not be legally approved and does not appear to be financially prudent as the parties of guests would be smaller and grouping smaller parties together in the same pool could prove problematic. I would not consider subdivision to be prudent or feasible.

Demolition
The subject is a recently constructed home in 2018 and is currently in good condition. It features a probable 55 years of remaining economic life and a probable 60-75 years of remaining physical life.

I do not consider demolition and replacement with alternative improvements to be a superior use to the current use as a rental property. No alternative use would be certain to serve the land better. Thus, the subject is not a candidate for demolition.

Utilizing existing improvements
Continued use 'as is' as a seasonal rental, is considered the maximally productive use.

Conclusion of Highest and Best Use 'as is'
Analysis of recent trends and current market supply and demand indicate that the maximally productive highest and best use of the subject property is continued use as a detached single family residence used for seasonal rental income.

Conclusion of Highest and Best User 'as is'
Analysis of recent trends and current market supply and demand strongly indicate the most probable user is an entrepreneurial user who leases the subject for seasonal rental income with a small amount of personal use.

SUMMARY OF ANALYSIS AND VALUATION

Methodology

Site valuation derived from Sales Comparison Analysis involves direct comparisons of the subject property to similar properties selling in the marketplace to derive a comparative value indication for the subject property 'as if vacant,' as of the effective date of value. This approach is also called the 'direct sales comparison approach', or the 'market approach', and tends to be the most reliable approach for developing an opinion of the value of vacant land or sites available for development. Other methods of developing the value of land are available. Allocation, extraction, land residual, ground rent capitalization, and discounted cash flow analysis are all recognized as reasonable methods of valuation.

The cost approach is a reliable methodology for new, or nearly new, buildings. I estimate the replacement cost or reproduction cost, in this case replacement construction cost, of the existing or existing improvements and site improvements (including direct and indirect costs as well as an appropriate developer profit), deducting accrued depreciation from physical, functional, and external sources from the total replacement or reproduction cost new. The depreciated replacement or reproduction cost of the improvements is added to the value of the site resulting in a value indication of the fee simple interest in the property.

The sales comparison approach is based on the 'Principle of Substitution' which indicates an informed purchaser would pay no more for a property than the cost of acquiring an equally desirable substitute property with the same or similar utility. This approach is applicable when an active market provides sufficient quantities of reliable data which can be verified from authoritative sources. The Sales Comparison Approach is reliable in an active market or if an opinion of value is related to properties which there are comparable sales available. This approach to value is also relevant when sales data can be verified with the principals to the transaction. Heavy emphasis is usually placed on this approach to value in an active market.

The income approach is recognized as a reliable approach for developing an opinion of the value of 'income producing' property to an investor. The income approach consists of methods, techniques, and mathematical procedures an appraiser uses to analyze a property's capacity to generate income and convert income into an indication of present value either by capitalizing the current income at a market capitalization rate or discounting the future cash flows into a present value estimate using an appropriate yield (discount) rate. The appraisal process emulates the market, and the most probable purchaser would be an investor. Two (2) techniques associated with the income approach are direct capitalization and discounted cash flow analysis.

Methodology employed and explanation of the exclusion of any of the three (3) approaches to value

I am not performing cost analysis. The problem to be solved is to derive the diminution in value based on the guest restrictions included in Destin Ordinance 18-29-CC. The number of guests would have no impact on the cost to construct.

I am not performing sales comparison analysis. The impact of Destin Ordinance 18-29-CC may not be evident in the market for several years in the selling prices of homes. The ordinance allows a five year grandfather period. Homes sold in this grandfather period may not indicate a decline in selling prices and it would not be reliable to estimate diminution in value based on comparable sales until a larger array of data was available for use in sales comparison analysis.

I am performing income analysis. I will identify probable annual income for the subject with twenty four (24) guests, based on historical income and projected income from the manager; and then identify market rents which support the subject contract rent. I will then identify operating expenses and subtract operating expense from gross rent to arrive at a net operating income (NOI). I will then apply a market based capitalization rent to the NOI to arrive at a value for the subject, prior to the first application of Destin Ordinance 18-29-CC.

I will then identify the rental incomes for homes which are allowed only 16 guests. I will then subtract expenses for the rents of 16 guest homes and arrive at their NOI. I will then derive a value by capitalizing this NOI.

Finally I will subtract the value for a 16 guest house from the value of a 24 guest house and this figure will be the diminution in value.

COST ANALYSIS
NOT PERFORMED

SALES COMPARISON ANALYSIS NOT PERFORMED

INCOME ANALYSIS
'AS IS'

DESCRIPTION OF INCOME ANALYSIS METHODOLOGY

The income approach to value is based on the principle of anticipation, in that the value of the subject property correlates to the present worth of the future right to receive benefits in the form of income to be received by the owner. The income approach considers the property from an investment interest with the assumption that the amount of income, coupled with the regularity and quality of the income stream, are the basis for valuing the property based on income analysis.

The income approach is applied by identifying the net income by first identifying gross income and then deducting from the gross income the expenses of operating a property to arrive at a net income, generally identified a Net Operating Income (NOI).

The estimated NOI is then converted to a value opinion by utilizing either a Discounted Cash Flow Analysis, or a Direct Capitalization Analysis, or both.

Discounted cash Flow Analysis:
The Discounted Cash Flow Analysis (DCF) is an analysis where a discount rate is applied to a series (typically several years) of income streams with a reversion after typically 7 to 10 years. The appraiser must specify the quantity, variable nature of the income, timing of payments (monthly/quarterly/annually) to a present value at a specified yield rate. The DCF analysis is most applicable when the net income is projected to be variable and when the property is on a sufficient size and investment value to influence market participants to evaluate purchase decisions based on DCF. A large strip retail center would be a good candidate for DCF analysis, as would a project to be constructed in phases, where the income would increase as new construction is added.

I note that I did not perform DCF analysis as it is my opinion that market participants would not use DCF analysis to base decisions to either purchase or sell properties such as the subject.

Direct Capitalization:
The conversion of a net income to a current value is called capitalization. Capitalization is a method which is used to convert the estimate of a single year's net income actual figures and/or expectancy of income into a value opinion by dividing the income by a appropriate rate of capitalization, as estimated by the appraiser. This technique employs capitalization rates derived from the market, using both capitalization rates from recent sales of similar properties, generally augmented by national indices, or other mathematical progressions. This process provides a one year snap shot of the property value. Future yields and values are not directly identified. The direct capitalization analysis is most appropriate for small to medium sized income producing properties, in stable markets with a forecast of generally stable income.

The procedural steps involved in capitalization are as follows:

Develop the probable gross income by identifying historical performance, income projections and market incomes from comparable properties which support the historical or projected subject income.

Estimate vacancy and collection losses to arrive at Effective Gross Income (EGI).

Estimate and subtract operating expenses to arrive at NOI.

Develop a capitalization rate which is supported by the market.

Divide the NOI by the capitalization rate to derive a value opinion.

I am employing the direct capitalization analysis to derive values in this analysis.

I note for the reader that steps #1 and #2 are generally combined in the analysis of seasonal resort properties. Owners and management companies tend to provide actual income which has already accounted for vacancy and collection loss.

INCOME ANALYSIS - ESTIMATE OF CAPITALIZATION RATE

The capitalization rate is a rate which is applied to the Net Operating Income (NOI) to derive a value for a property. As the chart below indicates, you can derive a capitalization rate by dividing the NOI by the purchase price.

The following excerpt will provide some explanation of capitalization rates.

Capitalization rates are used in a formula. As seen below, dividing the net operating income by the purchase price indicates the capitalization rate.

Another variation of the formula is to divide the net operating income by the capitalization rate and this process will indicate the value of the property.

What Is a Cap Rate?

A cap rate is simply a formula. It's the ratio of a rental property's net operating income to its purchase price (including any upfront repairs):

Cap Rate =

Net Operating Income (NOI) ÷ Purchase Price

The formula can be used on the level of an individual property by looking at its net operating income compared to its value. But it can also be used on the level of an entire market by taking *average* cap rates for a large group of properties.

Importantly, the cap rate formula does NOT include any mortgage expenses. As you can see in the formula for net operating income below, the expenses do not include a mortgage or interest payment.

Gross Rental Income
- Vacancy/Credit Loss Reserve
- Property Taxes
- Property Insurance
- Maintenance/Repairs
- Common Utilities (if any)
- Other expenses (ex: license)

= Net Operating Income

MARKET DATA BASED ON TYPICAL INDICES

Capitalization rates range widely in the market. The following table derived from Realty rates.com indicate a wide variety of capitalization rates base on property types. This table contains very recent data from the first quarter 2019.

As can be seen, properties such as restaurants and lodging (motels and hotels) have high capitalization rates. Apartments (residential) have the lowest capitalization rates.

Realty rates does not include a separate category of single family detached homes.

RealtyRates.com INVESTOR SURVEY - 1st Quarter 2019*

CURRENT & HISTORICAL CAP RATE INDICES

Method-Weighted* Property Category Indices

	Apts		Golf		Healthcare Senior Housing		Industrial		Lodging		MH/RV Park		Office		Retail		Restaurant		Self Storage		Special Purpose		Weighted* Composite Indices	
Year	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg	Rate	BP Chg
2019	8.42	26	12.02	30	9.01	14	9.19	23	10.53	25	9.56	30	9.04	10	9.38	20	11.57	15	9.86	29	11.64	40	9.64	22
4th Qtr	8.46	8	12.09	11	9.07	11	9.23	7	10.53	1	9.62	13	9.09	13	9.44	10	11.62	11	9.92	13	11.71	11	9.68	9
3rd Qtr	8.37	-4	11.97	-5	8.96	-2	9.16	-5	10.52	-7	9.60	-5	8.95	-8	9.33	-3	11.51	-4	9.79	-7	11.60	-3	9.59	-6
2nd Qtr	8.41	3	12.02	5	8.99	3	9.21	5	10.59	6	9.55	5	9.00	0	9.36	4	11.56	4	9.86	6	11.63	5	9.64	4
1st Qtr	8.38	23	11.97	28	8.96	19	9.16	22	10.52	31	9.50	28	9.00	5	9.32	17	11.52	26	9.81	25	11.58	34	9.60	21
2017	8.16	4	11.73	-2	8.87	-6	8.98	-12	10.28	5	9.26	11	8.94	-22	9.19	-8	11.42	-15	9.57	-9	11.25	4	9.42	-6
2016	8.13	-2	11.75	6	8.92	12	9.08	15	10.22	0	9.15	15	8.16	16	9.27	12	11.57	-10	9.67	14	11.21	10	9.48	9
2015	8.15	-9	11.69	-14	8.80	-9	8.93	-10	10.22	-29	8.99	-19	9.00	-6	9.15	-11	11.66	-13	9.52	-22	11.11	-12	9.40	-12
2014	8.24	-15	11.83	-9	8.89	-1	9.03	-4	10.43	-17	9.17	-5	9.06	-22	9.26	15	11.79	-8	9.75	-20	11.24	14	9.52	-7
2013	8.39	14	11.92	-14	8.90	5	9.07	-2	10.60	3	9.22	14	9.28	-19	9.11	-4	11.86	9	9.85	-24	11.10	1	9.56	-2
2012	8.25	-35	12.07	6	8.85	-36	8.89	-40	10.57	-24	8.86	-39	9.47	3	9.15	-13	11.77	6	10.19	-49	11.09	-4	9.60	-21
2011	8.60	-29	12.00	-22	9.21	-40	9.49	-11	10.81	-24	9.48	-8	9.44	-10	9.28	-26	11.70	-14	10.68	-3	11.12	-17	9.81	-19
2010	8.89	4	12.22	5	9.62	15	9.60	12	11.05	7	9.55	22	9.54	16	9.54	25	11.84	12	10.72	21	11.30	0	10.00	13
2009	8.85	8	12.17	16	9.47	10	9.48	10	10.98	-7	9.33	1	9.39	29	9.29	20	11.72	15	10.50	37	11.30	8	9.87	14
2008	8.77	-4	12.01	29	9.37	-16	9.38	-14	11.05	56	9.32	-5	9.09	-16	9.09	-11	11.57	-29	10.13	20	11.22	-7	9.74	-1
2007	8.81	-45	11.72	-21	9.53	-65	9.52	-25	10.49	-28	9.37	-25	9.25	-47	9.20	-12	11.85	61	9.93	-38	11.29	-24	9.75	-26
2006	9.26	12	11.93	47	10.18	15	9.77	35	10.77	27	9.63	41	9.72	26	9.32	30	11.24	18	10.31	27	11.53	9	10.03	29
2005	9.14	14	11.46	80	10.03	-16	9.42	-30	10.50	-21	9.22	19	9.46	6	9.02	16	11.06	5	10.04	13	11.44	-30	9.77	2
2004	9.00	-19	10.66	26	10.19	-37	9.72	19	10.71	-98	9.03	-49	9.40	-4	8.86	-19	11.01	-15	9.91	-13	11.74	-30	9.75	-19
2003	9.19	-2	10.39	-32	10.56	64	9.53	33	11.69	56	9.51	-11	9.44	1	9.05	-18	11.16	8	10.04	-53	12.04	105	9.94	12
2002	9.21	-40	10.79	19	9.92	-39	9.20	-61	11.13	26	9.62	-60	9.43	-35	9.23	-62	11.08	-3	10.57	-12	10.99	-177	9.82	-41
2001	9.61	64	10.62	133	10.31	99	9.81	16	10.97	99	10.22	-69	9.78	-35	9.85	-53	11.11	47	10.69	13	12.76	32	10.23	21
2000	8.97		9.19		9.41		9.65		9.89		10.90		10.13		10.39		10.64		10.56		12.44		10.01	

*Weighted by methodology: Band-of-Investment, DCR Technique, Sales Survey

^Further weighted by property category

The following chart provides some additional data regarding capitalization rates for apartments in some major metropolitan centers.

These rates are lower than the overall national rate for apartments identified on the previous page. I attribute this to the fact that the cities below are major metropolitan areas with a high density of population which keeps occupancy high and inspires investor confidence. In this regard, the Destin seasonal rental market is similar in its high density and national appeal.

Cap Rates For Stabilized, Class A Multifamily Apartments By City – 2017 (2nd Half)

San Diego	4.25%
Chicago	4.75%
Atlanta	5.00%
Philadelphia	5.25%
St. Louis	5.75%
Cleveland	6.25%
Pittsburgh	6.50%
Detroit	7.25%

Single family homes are seldom valued via income capitalization. Most homes are owner occupied and the issue of rent and valuation through rent is generally not applicable. However, I identified the following excerpt rom the internet which indicates a range of capitalization rates from 4% to 10% for single family homes. The reader will note in the excerpt immediately above that high demand areas feature lower capitalization rates and lower demand areas feature higher capitalization rates. I would again observe that Destin is a high demand area in the seasonal rental market. Thus, I would consider it probable that capitalization rates for singe family homes in Destin were toward the low side of the 4% to 10% range.

Cap Rate for Single Family Home

Professionals purchasing commercial properties, for example, may buy at a 4% cap rate in high demand areas, or a 10% (or even higher) cap rate in low-demand areas. Generally, 4% to 10% per year is a reasonable range to earn for your investment property. Continuing with our example from above, $17,000/ **5%** = $340,000.

The following are two excerpts from the internet indicating that Panama City Beach, Florida boasts a very low capitalization rate of 4.9% and that the Destin, Florida market features a 4.7% capitalization rate for Airbnb rentals.

9. PANAMA CITY BEACH, FL

Short-Term Rental Cap Rate: 4.9%

White sandy beaches, clear water, fishing piers, protected nature reserves, hiking trails... what more do you need to be convinced that Panama City Beach is one of the best places around the US to invest in a vacation rental.

Property prices are affordable with a median level of $334,700, while short-term rental income stands around $3,260. The average cap rate for vacation rentals is 4.9%.

2. Destin

- *Median Property Price:* $695,000
- *Airbnb Rental Income:* $2,720
- *Traditional Rental Income:* $1,610
- *Airbnb CoC Return:* 2.3%
- *Traditional CoC Return:* 0.5%
- *Airbnb Cap Rate:* 4.7%
- *Traditional Cap Rate:* 2.8%
- *Airbnb Occupancy Rate:* 58.4%

The second among the best places to buy a vacation home in Florida is Destin, with rental income from Airbnb just a few dollars below St. Augustine. However, this location is significantly more expensive. But it has a very important advantage for all those loving nature and sports – it is very famous for the fishing opportunities that it offers.

Conclusion:

I have provided an array of capitalization rates from national data ranging from a low of 4.7% to a high of 8.42%.

I am selecting a rounded rate of 6.25%, recognizing that there are established capitalization rates both higher than, and lower than, the reconciled 6.25%.

I am confident that a capitalization rate of 6.25% is well supported by national data.

I also note that the most similar rate is the 4.7% Airbnb rate in Destin, which suggests that a 6.25% rate may be conservative.

MARKET CAP RATE DATA BASED ON LOCAL SALES OF HOMES USED FOR SEASONAL RENTAL

In addition to the national data provided above, I am also providing some data from actual sales in the local market.

I have some professional acquaintances who specialize in the management of large homes used for seasonal rentals. I have asked them to provide me some actual data from recent sales to help derive a local data base of capitalization rates.

On 7/13/2018, Frangista Beach E16 LLC (Nick Athens - a professional acquaintance well known to me) sold 3491 Scenic Highway 98 to Rich Rentals for $3,000,000. This house is 6,008 HVAC SF and features nine (9) bedrooms and 9.5 baths. It is very similar to the subject and is a very good comparable indicator of capitalization rates. Mr. Athens stated that the net operating income was $172,340. Dividing $172,340 by $3,000,000 indicates a capitalization rate of 5.74%.

On 9/4/2015, Nick and Tina Athens sold 1850 - 1852 Scenic Gulf Drive in Miramar Beach to Forty-Four Holdings for $2,205,000. This was two side by side homes in Frangista Beach which were an aggregate 3,460 HVAC SF and which features Five (5) bedrooms and 7 baths. Mr. Athens stated that the net operating rent was $133,200. Dividing $133,200 by $2,025,000 indicates a capitalization rate of 6.58%. I do not consider it a coincidence that the home with the fewest bedrooms featured the highest capitalization rate.

On 2/10/2016, Destiny Real Estate Ventures LLC sold 3463 Scenic Highway 98 to Charles Barone for $3,615,000. This house is 6,465 HVAC SF and features eight (8) bedrooms and 6.5 baths. It is very similar to the subject and is a very good comparable indicator of capitalization rates. Mr. Giles stated that the net operating income was $222,125. Dividing $222,125 by $3,615,000 indicates a capitalization rate of 6.15%.

On 1/11/2019, Kevin Hense sold 2984 Scenic Highway 98 to Russell and Susan Hancock for $3,000,000. This house is 3,997 HVAC SF and features six (6) bedrooms and 5.5 baths. It is very similar to the subject and is a very good comparable indicator of capitalization rates. Mr. Hense stated that the net operating income was $176,000. Dividing $176,000 by $3,000,000 indicates a capitalization rate of 5.87%.

On May 18, 2018, Sapp Investments LLC sold 4659 Destiny Way to the Lindholm Family Revocable Living Trust for $2,500,000. Mr. Lindholm stated to me that income for 2018 was an aggregate of $293,500. He also stated that expenses were an approximate $115,025, resulting in approximate $178,475 of net operating income (NOI). Dividing $178,475 by $2,500,000 indicates a capitalization rate of 7.14%.

RECAPITULATION OF LOCAL MARKET CAPITALIZATION RATES

The following table summarizes the capitalization rates identified in the narrative above.

Property Address	Capitalization Rate
3491 Scenic Highway 98, Destin	5.74%
1850 Scenic Gulf Drive, Mirimar Beach	6.58%
3463 Scenic Highway 98, Destin	6.15%
2984 Scenic Highway 98, Destin	5.87%
4659 Destiny Way, Destin	7.14%
Average	6.29%
Rounded	6.25%

I consider a rounded capitalization rate of 6.25%, derived from local market data, to be a market supported rate which is both credible and reliable, as well as being consistent with national data which brackets the final capitalization rate selection.

For this reason, I am selecting a 6.25% capitalization rate.

ESTIMATE OF VALUE PRIOR TO THE FIRST APPLICATION OF ORDINANCE 18-29-CC

Based on the current zoning and the Destin Land Development Code, and prior to the first application of Ordinance 18-29-CC, there was no limit to the number of guests allowed in the subject improvement. The subject can accommodate up to twenty four (24) guests based on the data provided by the owner and my identification of sleeping capacity previously identified.

CURRENT CONTRACT RENT

I note that seasonal rentals are typically described with annual rental amounts as opposed to more consistent monthly rental rates.

Such rental amounts are generally described using gross income data, and/or projections of gross income data.

Appraisers need to then examine expenses to arrive at a net operating rent to capitalize. Expenses to gross revenue are ad valorem taxes, flood and hazard insurance, HOA dues, maintenance and repairs, utilities, lawn maintenance, pest control, professional fees and reserves. I note that interest/mortgage payments and depreciation are not expenses when capitalizing property for value.

The subject was acquired in December 2018 as a newly constructed home. Thus, there is no 2018 historical income data.

The subject is managed by Frangista Beach Management Company/William Wilson. I spoke to Mr. Wilson who projected 2019 income of $125,000 to $150,000 as a property allowed to rent to twenty four (24) guests.

I will attempt to provide support to the 2019 projection by researching other homes in Destin which rent to similar number of guests.

MARKET SUPPORT FOR GROSS INCOME ESTIMATE

Some of these comparables were provided to me by Jordan Shane, Florida Luxury Vacation Rentals, Cheryl St.Pe', Destin Comforts and Ben Giles.

Some of these comparables were provided to me by Ben Giles, an owner of several large homes. Other owners who provided data were Tari Furey, Nick Athens, Kevin Hense, Doris Reel, Brad Lindholm, and Andrea Farrell.

Number	Address	Gross Income	Guest capacity	Annual Income per Guest
1	3587 Scenic Highway 98	$305,393	32	$9,545
2	3463 Scenic Highway 98	380,000	32	$11,875
3	3461 Scenic Highway 98	$364,723	36	$10,131
4	107 Hollywood Street	$289,647	38	$7,622
5	112 Sandprint Circle	$325,000	30	$10,833
6	4659 Destiny Way	$293,500	28	$10,482
7	3485 Scenic Highway 98	$145,100	22	$6,595
8	3489 Scenic Highway 98	$160,900	20	$8,045

The average of these eight market comparable rentals is $9,391 per guest, annually.

Many of these comparables are closer to the gulf and many have gulf views.

This market data supports the owner's lower projection.

Comparables #5, #6, #7 and #8 are all located in Crystal Beach. These four comparable sales averaged $5,945 per guest annually.

The general market data and the Crystal Beach market data is relatively consistent.

This market data supports a per guest income of $9,391 per guest.

I am estimating a rounded $6,000 per guest per year as a credible rate.

The subject can accommodate 24 guests. Multiplying 24 by $6,000 per guest results in an annual gross income of $144,000, a figure consistent with the professional management company projection.

MARKET SUPPORT FOR GROSS TO NET RATIO

I have attempted to derive gross and net income figures for comparable properties in the market. However, my research indicates that many owners and property managers are unwilling to divulge private financial information, especially the net income.

Thus, I will provide some market examples of properties where clients or close associates did divulge data.

The first example is a detached home located at 112 Sandprint Circle in the Dunes of Destin. The owners, Edward and Tari Furey, provided me with detailed data regarding income and expenses. They indicted annual revenue of $325,000 and annual expense of $100,000. This suggests an expense ratio of $100,000 / $325,000, or 31%, rounded.

I again spoke to Nick Athens who still owns a detached house at 4664 Destiny Way which grossed $275,000 in 2018. The expenses for this property were an approximate $89,000. This suggests an expense ratio of $89,000 / $275,000, or 32% rounded.

As a third indicator, I spoke to Kevin Hense, who sold a detached house at 2984 Scenic Highway 98 for $3,000,000 on 1/11/2019. Mr. Hense indicated that the 2018 gross rent was $263,000 and that the expenses were $87,000. This suggests an expense ratio of $87,000 / $263,000, or 33%, rounded.

There is no historical expense ratio for the subject.

I am assuming that the subject expense ratio is relatively consistent with the market comparables above.

I am using a 35% expense ratio in this analysis.

The next step is applying the previously calculated expense ratio to the gross rent to arrive at a net operating income (NOI). Applying a 35% expense ratio to $144,000 results in a net rent of $93,600.

Capitalizing $93,600 with a 6.25% capitalization rate results in a value of $1,497,600, rounded to $1,500,000.

It is my professional opinion that the subject value, prior to the first application of Destin Ordinance 18-29-CC, is $1,500,000, based on income analysis.

$1,500,000

ESTIMATE OF VALUE AFTER THE FIRST APPLICATION OF DESTIN ORDINANCE 18-29-CC

Destin Ordinance 18-29-CC reduces the subject sleeping capacity to 16 guests as the limit is two guests per bedroom, plus four (4) additional guests. There are six (6) bedrooms. Thus, 2 x 6 = 12 + 4 = 16.

I note for the reader that the ordinance states clearly that a bedroom must meet the requirements of the Okaloosa County Property Appraiser who states that a bedroom has a door, a window and a closet. The Okaloosa County Property Appraiser states that the subject is a six bedroom house. It is my opinion that the limit of 16 guests will have a negative impact on value.

To estimate the difference, I need to research the market for homes which are limited to smaller guest totals. Market research results in the following comparable rentals.

MARKET SUPPORT FOR GROSS INCOME ESTIMATE

Some of these comparables were provided to me by Jordan Shane, Florida Luxury Vacation Rentals, Cheryl St.Pe', Destin Comforts and Ben Giles.

#	Address	Gross Income	Guest capacity	Income per guest
1	3892 Sandprint Circle	$176,500	30	$5,883
2	113 Los Angeles Street	$137,308	19	$7,227
3	1737 Scenic Highway 98	$144,814	20	$7,241
4	100 Sandprint Circle	$105,000	20	$5,250
5	84 Woodward Street	$80,560	12	$6,713
6	212 Kono Way	$74,815	12	$6,235
7	75 Shirah Street	$79,885	14	$5,706
8	76 Dolphin Street	$101,300	20	$5,065
9	3489 Scenic Highway 98	$160,900	20	$8,045
10	3485 Scenic Highway 98	$145,100	20	$6,595

The average of these ten market comparable rentals is $6,396.

I would still consider a per guest rate of $6,000 per year to be credible.

Based on the impact of Ordinance 18-29-CC, the subject will be limited to 16 guests.

Multiplying $6,000 per guest by 16 guests results in gross annual rent of $96,000.

Applying a 35% expense ratio to $96,000 results in a net rent of $62,400.

Capitalizing $62,400 with a 6.25% capitalization rate results in a value of $998,400, rounded to $1,000,000.

It is my professional opinion that the subject value, after to the first application of Destin Ordinance 18-29-CC is $1,000,000 based on income analysis.

$1,000,000

ESTIMATE OF THE DIMINUTION OF VALUE

My research and analysis indicates that the value of the subject based on the right to sleep 24 guests is a rounded $1,500,000.

My research and analysis indicates the value of the subject based on the limit to sleep only 16 guests is a rounded $1,000,000.

It is my opinion the first application of Destin Ordinance 18-29-CC results in an approximate $500,000 diminution of value.

DIMINUTION OF VALUE

$500,000

ADDENDA

Appraiser License

APPRAISER LICENSE

THIS INSTRUMENT PREPARED BY
AND AFTER RECORDING RETURN TO:

Kimberly Romano Kopp, Esq.
Romano Kopp Law, P.A.
P.O. Box 445
Destin, Florida 32541

For Recording Purposes Only

SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is entered into this _____day of _____ 2019, ("Effective Date") by and between, Matthew A. Camacho and Michelle E. Camacho ("**Owners**") and the City of Destin ("**City**"), collectively referred to as the "Parties."

RECITALS

WHEREAS, on January 22, 2019, the City enacted Ordinance 18-29-CC, the Short-Term Rental Occupancy Ordinance ("Ordinance"), which limits the occupancy of short-term rental homes to two (2) people per bedroom plus an additional four (4) persons; and

WHEREAS, Owners own the real property and improvements located at 92 Pompano Street, Destin, FL, 32541, as more particularly described in the attached Exhibit "A" (the "Property"); and

WHEREAS, on October 23, 2019, Owners filed a claim with the City, pursuant to the provisions of §70.001, Florida Statutes, the Bert J. Harris, Jr., Private Property Rights Protection Act (the "Harris Act"), alleging that the Property had been inordinately burdened by the adoption of the Ordinance, (the "Claim"); and

WHEREAS, the Harris Act provides for the City to have the ability to enter into a settlement agreement which would have the effect of a modification or variance to the application of a regulation or ordinance as it would otherwise apply to the subject real property, provided the relief granted protects the public interest served by the regulations at issue and is the appropriate relief necessary to prevent the governmental regulatory effort from inordinately burdening the real property; and

WHEREAS, the City has determined that the modifications to the effect of the Ordinance effected by this Agreement protect the public interest served by the Ordinance and are the appropriate relief necessary to prevent the regulatory effect of the Ordinance from inordinately burdening the Property; and

WHEREAS, the Parties now desire to settle and finally resolve all disputes between and among them concerning the Claim.

NOW, THEREFORE, the Parties hereby agree as follows:

1. **Recitals.** The above recitals are true and correct and are incorporated herein by reference.

2. **Occupancy Allowable Under Ordinance.**

(a) Owner is hereby granted a variance from the provisions of the Ordinance so that the Owner shall have the right to apply under the Ordinance for a maximum occupancy of fifteen (15) overnight guests at the six (6) bedroom vacation rental property noted above and the City shall grant such occupancy. The right shall continue in perpetuity, regardless of any future changes in ownership, provided that this right shall expire permanently if the Property were to be voluntarily remodeled or voluntarily rebuilt in such a manner as to change the number of bedrooms that existed at the date of the Claim. The Property remains subject to all other requirements of the City's regulations, including but not limited to regulations for short-term rentals, parking, trash, and noise.

(b) No greater than ___ (_) vehicles may be parked on the Property. No vehicle may encroach upon the City's right-of way.

(c) Owner shall ensure that at least three (3) outdoor trash receptacles are provided by the applicable trash hauler and available for use by occupants at all times.

(d) Owner agrees that the City shall be permitted to access the property on an annual basis for the purpose of life-safety inspections to ensure code compliance with minimum egress and emergency egress requirements pursuant to the Florida Building Code (Residential) and to ensure the property has adequate and working smoke detectors. Owner shall submit to the City a separate application and fee for such inspection, on a form provided by the City, at the time Owner submits its annual short-term rental registration application to the City

3. **Development in Accordance with Code.** Notwithstanding any provisions contained herein, the Owner shall at any time have the right and option to remodel, develop, or use the Property in accordance with the applicable ordinances of the City of Destin in effect at the time of application therefor, and this variance shall not be construed as making the Property in any way non-conforming.

4. **Entire Agreement.** The Parties acknowledge that this Agreement constitutes the entire agreement between them regarding the settlement of their dispute and any prior statements, whether oral or written, are merged herein. This Agreement may not be modified or amended without a written instrument signed by the party against whom enforcement is sought.

5. **Duration of Agreement.** This Agreement shall be perpetual and deemed to run with the land, and shall be binding upon and the benefits shall inure to the parties hereto and their respective heirs, devisees, personal representatives, successors and assigns.

6. **Authority.** The signatories to this Agreement are expressly authorized to resolve their dispute as set forth herein and by their signatures here represent and affirm their authority to execute this Agreement.

7. **Governing Law.** The law of the State of Florida shall apply to this Agreement. Any dispute regarding this Agreement shall be litigated exclusively in the courts of Okaloosa County, Florida. The parties expressly consent to such agreed jurisdiction and venue, and waive any objections thereto.

8. **Notices.** Any notice required or permitted to be given hereunder shall be in writing and shall be (i) delivered by hand, (ii) delivered by reputable national or local courier (such as United Parcel Service or Federal Express), (iii) mailed by United States registered or certified mail, return receipt requested and postage prepaid, or (iv) sent by facsimile transmission provided a confirmation of such facsimile transmission is sent the same day by one of the methods of delivery in (i), (ii), or (iii) above. Any notice shall be addressed to each party at its address as set forth below. Any such notice shall be considered given on the date of such hand delivery, deposit with such courier for same day or next business day delivery, upon receipt of return receipt of certified mail, or receipt of facsimile transmissions, as the case may be, and the time period (if any is provided herein) in which to respond to such notice shall commence on the date of receipt. Rejection or other refusal to accept or inability to deliver because of changed address of which no notice was given shall be deemed to be receipt of the notice. By giving to the other party at least ten (10) days' notice thereof, any party shall have the right from time to time to change the addresses thereof and to specify up to two (2) additional addresses within the United States of America to which copies of notices to it shall be sent. Notice may be given on behalf of any party by such party's counsel. In the event the subject property owner changes, notices shall be addressed to the current owner as indicated in the records of the Okaloosa County Property Appraiser. Otherwise, notices shall be sent as follows:

Each notice shall be addressed as follows:

To City: City of Destin, Florida
Attn:
4200 Indian Bayou Trail
Destin, Florida 32541

With a copy to:
City Land Use Attorney
Romano Kopp Law, PA
PO Box 445
Destin, Florida 32541
Attn: Kimberly Romano Kopp, Esq.

To Owner: Matthew and Michelle Camacho
92 Pompano Street
Destin, FL 32541

With a copy to: Najmy Thompson, PL
1401 8th Avenue West
Bradenton, Florida 34205
Attention: Aaron M. Thomas, Esq.

Attorney's Fees. In the event of any action, whether pre-suit, mediation, litigation or appellate proceeding to enforce the terms and conditions of this Agreement, each party to the action shall pay its own attorney's fees and costs incurred therein.

(d) Venue over any action to enforce the terms and conditions of this Agreement, including mediation, shall lie solely in Okaloosa County, Florida.

OWNERS: MATTHEW AND MICHELLE CAMACHO

_____ _____
Signature of Witness #1 MATTHEW CAMACHO

_____ _____
Print or type name Date

_____
Signature of Witness # 2

_____
Print or type name

_____ _____
Signature of Witness #1 MICHELLE CAMACHO

_____ _____
Print or type name Date

_____
Signature of Witness # 2

_____
Print or type name

STATE OF_____
COUNTY OF_____

The foregoing instrument was acknowledged before me this _____ day of _____ 2019, by _____ _____ and _____, who are personal known to me or who have produced _____ as identification and who did not (did) take an oath.

_____
Signature of Notary

(NOTARY SEAL)

_____
Print or type name

STATE OF_____
COUNTY OF_____

The foregoing instrument was acknowledged before me this _____ day of _____ 2019, by _____ _____ and _____, who are personal known to me or who have produced _____ as identification and who did not (did) take an oath.

_____
Signature of Notary

(NOTARY SEAL)

_____
Print or type name

CITY OF DESTIN

By:_____
Gary Jarvis, Mayor

Date:_____

ATTEST:

_____
Rey Bailey, City Clerk

Date:_____

STATE OF_____
COUNTY OF_____

The foregoing instrument was acknowledged before me this _____ day of _____ 2019, by _____ _____ and _____, who are personal known to me or who have produced _____ as identification and who did not (did) take an oath.

_____
Signature of Notary

(NOTARY SEAL)

_____
Print or Type Name

Approved as to form and legality for use and reliance
by the City of Destin, Florida, only.

_____
Kimberly Romano Kopp, Esq.
City Land Use Attorney

Exhibit "A"

Legal Description of Property

ITEM # 2019-2003

CITY OF DESTIN

AGENDA ITEM

COUNCIL MEETING DATE: December 9, 2019
TYPE OF AGENDA ITEM: Action Item

TO: City Council

THRU:

FROM:

DATE:

SUBJECT: 36) 4443 Clipper Cove

I. BACKGROUND:

On January 22, 2019, the City enacted Ordinance 18-29-CC, the Short-Term Rental Occupancy Ordinance ("Ordinance"), which limits the occupancy of short-term rental homes to two (2) people per bedroom plus an additional four (4) persons.

The subject property owner owns the real property and improvements located at 4443 Clipper Cove, Destin, FL 32541, as more particularly described in Exhibit "A" (the"Property") to the proposed settlement agreement.

Owner filed a claim with the City, pursuant to the provisions of §70.001, Florida Statutes, the Bert J. Harris Jr., Private Property Rights Protection Act (the "Harris Act"), alleging that the Property had been inordinately burdened by the adoption of the Ordinance, (the "Claim).

The Harris Act provides for the City to have the ability to enter into a settlement agreement which would have the effect of a modification or variance to the application of a regulation or ordinance as it would otherwise apply to the subject real property, provided the relief granted protects the public interest served by the regulations at issue and is the appropriate relief necessary to prevent the governmental regulatory effort from inordinately burdening the real property.

The City Council should settle the claim if the City Council determines that the modifications within the settlement agreement protect the public interest served by the Ordinance and are the appropriate relief necessary to prevent the regulatory effect of the Ordinance from inordinately burdening the Property.

II. DISCUSSION:

The property owner has requested a maximum occupancy of sixteen (16) occupants. City staff

is recommending an occupancy of sixteen (16) occupants based on the square footage of the property. The building official utilized a one-occupant per 200 square feet methodology for recommending the above-stated occupancy.

Additionally, staff is recommending at least three (3) trash cans on the property. This recommendation is based on industry standard (Waste Management) that, on average, one trash can is required for every six occupants in order to ensure adequate garbage disposal. Therefore, if the maximum number of occupants exceeds any multiple of six (6, 12, 18, 24, 30, 36, etc.), then an extra trash can will be needed to accommodate the additional occupants. For example, if thirteen (13) is the maximum occupation, then three (3) trash cans are required. This is because, on average, two (2) trash cans will only accommodate twelve (12) occupants. The third trash can will be needed to accommodate the thirteenth occupant.

Further, the property owner must agree to annual life safety inspections, as provided in the proposed settlement agreement.

Staff's parking recommendation has not been determined as of the publishing of this agenda but will be relayed to Council at the December 9 Meeting.

As stated in the agreement, the property owner remains bound by all other provisions of City codes.

A. Link to Strategic Goals / Objectives:

B. Effect on Budget (EOB):

C. Level of Service (LOS):

III. CONCLUSION:

IV. RECOMMENDED MOTION: 1. I move to approve the settlement agreement prepared by the City Land Use Attorney and Staff.

or

2. I move to approve the settlement agreement prepared by the City Land Use Attorney and Staff with the following modifications:_____.

or

3. I move to direct the City Land Use Attorney to negotiate in good faith with the property owner and to bring back an alternate settlement proposal to the City Council for consideration.

or

4. I move to deny settlement of the subject claim at this time.

Attachments:

1. Bert Harris Notification Letter to City of Destin_2 Aug 2019 (002)
2. 4443 Clipper Cove

4443 Clipper Cove
Destin, FL 32541
Direct replies to: johansen.p.2@gmail.com

August 2, 2019

Mr. Gary Jarvis, Mayor
City of Destin
4200 Indian Bayou Trail
Destin, FL 32541

Re: Notification of Bert Harris Claim - August 2, 2019

Dear Mayor Jarvis:

I am the sole owner (hereinafter "Owner") of Parcel #: 00-2S-22-0583-0000-0430 (hereinafter "subject property") in the Crystal Beach section of the City of Destin. I use my home as a short term rental property in the City of Destin (the "City") and I am in full compliance with all City policies governing short term rentals. Prior to the enactment of the City Ordinance #18-29-CC (hereinafter "Vacation Rental Ordinance") on January 22, 2019, the City allowed short term rentals without restriction.

The "before" condition of the subject property is a five bedroom, single family residence marketed to accommodate up to 16 guests as a part of the permitted short-term rental use of this property. As a result of the City's passage of the Vacation Rental Ordinance, the Owner's property is now restricted to a lower occupancy limit causing a substantial diminution in the property owner's reasonable investment expectations.

Section 70.001 of the Florida Statutes, known as the "Bert J. Harris Jr. Private Property rights Protection Act as Amended" (aka "Bert J. Harris Act"), creates a separate and distinct cause of action which provides for relief or payment of compensation when a new law, rule, regulation or ordinance of the state or a political entity in the state, unfairly burdens real property. The Act states, "When a specific action of a governmental entity has inordinately burdened an existing use of real property or a vested right to a specific use of real property, the property owner of that real property is entitled to relief which may include compensation for the actual loss to the fair market value of the real property caused by the action of government, as provided in this section." §70.001(2) Fla. Stat (2015). By adopting its Vacation Rental Ordinance, the City has inordinately burdened the existing use of the Owner's property and caused a substantial loss to the fair market value of the Owner's investment.

This letter serves as a formal, written claim pursuant to Section 70.001(4)(a) of the Florida Statutes. In accordance with Section 70.00 l(4)(a) of the Florida Statute, a bona fide, valid appraisal that provides for a before and after valuation demonstrating the loss in fair market value of the subject property due to the Vacation Rental Ordinance is attached hereto. This appraisal establishes the loss in value for the subject property to be $470,000. Section 70.00 1 (4)(c) of the Florida Statute states that the City of Destin has 150 days to respond to this claim with a written settlement offer. You should consult your counsel as to any other obligations and settlement opportunities contained within this statute.

Respectfully,

Peter Johansen, Owner
johansen.p.2@gmail.com

Attachment 1: Independent Property Appraisal
Attachment 2: City of Destin Ordinance 18-29-CC, signed 22 January 2019

APPRAISAL REPORT

PROPERTY: AN APPROXIMATE 2,244 SQUARE FOOT HEATED AND COOLED RESORT RENTAL RESIDENCE, SITED ON AN APPROXIMATE 5,680 SF SITE WITH ASSOCIATED SITE IMPROVEMENTS INCLUDING POOL & OUTDOOR KITCHEN

4443 CLIPPER COVE, DESTIN, OKALOOSA COUNTY, FL

EQUIVALUE APPRAISAL

EQUIVALUE APPRAISAL, LLC
PROFESSIONAL APPRAISAL AND VALUATION SERVICES
PO BOX 5326
DESTIN, FLORIDA 32540
PHONE (850) 424-6119

Jason P. Shirey, MAI, CCIM, CPM
State-Certified General Real Estate Appraiser, RZ3186 (FL)
Direct Phone (850) 543-5953 (Mobile)

EquiValue Appraisal File No.: 190-152

APPRAISAL REPORT

Of Resort Residential Property
+/-5,680 SF of Residential-Zoned Land
Improved with An Approximate 2,244 SF Heated and Cooled Resort Rental Residence
And Associated Improvements Including Pool and Summer Kitchen as well as
Rooftop Observation Deck

Location
4443 Clipper Cove
Destin, Okaloosa County, FL
32541

Property Owner
Peter Johansen

Effective Date
January 22, 2019 (Retrospective)

Report Date
April 25, 2019

Client / Intended User
Mr. Peter Johansen
4443 Clipper Cove
Destin, FL 32541

Prepared by:
Jason P. Shirey, MAI, CCIM, Cert Gen RZ3186

EQUIVALUE
APPRAISAL

Phone 850 424 6119 Fax 888 774 4503
EquiValue Apprasial, LLC File #: 190-152

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April 25, 2019

Mr. Peter Johansen
4443 Clipper Cove
Destin, FL 32541

Re: Dimunition in Value Appraisal of an approximate 2,244 HVAC Square Foot Resort Rental Residence, 'As Is', whose postal address is 4443 Clipper Cove, Destin, Okaloosa County, FL 32541. EquiValue Appraisal File No. 190-152.

Dear Client:

At your request and authorization, we have prepared an appraisal for the above-referenced resort residential rental property. A copy of the pertinent engagement document has been included in the addenda to this report if applicable.

This letter of transmittal is *not* an appraisal report, but merely serves to transmit the attached appraisal report and convey the final conclusion of value. The accompanying research, analyses and conclusions, and appraisal report following this letter of transmittal has been compiled in accordance with USPAP Standards Rule 2-2(a) for a written appraisal report.

The purpose of this appraisal is to determine if there is a Dimunition in Value as result of recently-adopted City of Destin Ordinance No. 18-29-CC, and if so, to derive an opinion of the Dimunition in Value to the subject property associated with the implementation of said Ordinance.

This Ordinance was implemented January 22, 2019, and the incorporation of this ordinance limits the occupancy of the subject property to 10 guests. Prior to the implementation of this Ordinance, the designed occupancy of the subject property was 16 guests. Therefore, as a result of the ordinance, the maximum occupancy of the subject has been reduced by 6 guests, or approximately -37.50%.

We are therefore opining on the difference in market value of the subject before and after the adoption of City of Destin Ordinance No. 18-29-CC, which was promulgated on January 22, 2019.

The values reported are predicated upon market conditions prevailing as of the effective date of the appraisal. In the context of the scope of work, the appraisal is considered to render a credible opinion of value, specific to the client, intended use and intended user.

The intended use of this appraisal is for internal decision making purposes by the stated Client and their advisors. This appraisal is intended for the use of the client and client's advisors.

We have completed the requisite inspections, research, and analyses necessary to appraise the 100% fee simple interest in the subject property, 'As Is' as of January 22, 2019, both prior to adoption of Ordinance No. 18-29-CC and after, in order to evaluate the potential Dimunition in value.

Please reference the Scope section of this report for information regarding the scope of research and analysis for this appraisal, including property identification, inspection, highest and best use analysis and valuation methodology.

I certify that I have no present or contemplated future interest in the property beyond this opinion of value. The reported value(s) in this appraisal have not been based on a requested minimum valuation, a specific valuation, and have been prepared in compliance with the Uniform Standards of Professional Appraisal Practice.

Your attention is directed to the Limiting Conditions and Assumptions section following the reconciliation and appraisal certification in this report. Acceptance of this report constitutes an agreement with these conditions and assumptions.

This appraisal is subject to the following Hypothetical Condition(s):

- None.

This appraisal is subject to the following Extraordinary Assumption(s):

- None.

Our opinion of value was formed based on our experience in the field of real property valuation, as well as the research and analysis set forth in this appraisal.

I am of the opinion that as a result of the implemented City of Destin Ordinance 18-29-CC that the market value of the subject property is negatively impacted.

The implemented Ordinance reduces the maximum occupancy of the subject property, and therefore the subject's associated income generation potential.

The subject property is a resort-residential property specifically utilized for income generation purposes. Therefore, a reduction in scheduled income due the subject correlates to a reduction in associated value.

The Dimunition in Value to the subject is represented by the difference between the 'Before' and the 'After' value conclusions.

In this case, this is represented by the difference between the opined value prior to implementation of the Ordinance (ie. the 'Before Ordinance' value of $900,000) and the value after implementation of the Ordinance (ie. the 'After Ordinance' value of $430,000).

Per this calculation, with supporting documentation as to the rationale of these values provided within this report, the opinion of Dimunition in Value to the subject as a result of City of Destin Ordinance 18-29-CC is opined to be $470,000.

Therefore,

Dimunition in Market Value
As A Result of Implementation of City of Destin Ordinance 18-29-CC:

Four Hundred Seventy Thousand Dollars
($470,000)

The estimated market exposure period necessary for the subject to have achieved these values is estimated to be 9-12 months.

It was a pleasure assisting you with this matter. If you have any questions concerning the following analysis, or if we can be of further assistance, please do not hesitate to call.

Respectfully submitted,
EquiValue Appraisal, LLC

Jason P. Shirey, MAI, CCIM, CPM
Cert Gen RZ3186

INTRODUCTION

QUALIFICATIONS OF THE APPRAISER

Qualifications of

Jason P. Shirey, MAI, CCIM, MS-RECM

State-Certified General Real Estate Appraiser No. RZ 3186 (FL)
State-Certified General Contractor No. CGC 062478 (FL)
Licensed Real Estate Broker No. BK 3168469 (FL)

MAI : Designated Member of the Appraisal Institute
Appraisal Insitute, Chicago, Illinois.

CCIM : Designated Certified Commercial Investment Member
CCIM Institute, Chicago, Illinois.

M.S. RECM : Master of Science, Real Estate and Construction Management
University of Denver - Denver, Colorado.

B.S. BCN : Bachelor of Science, Building Construction Management
University of Florida – Gainesville, Florida.

Business Affiliations and Work Experience, Past / Present

EquiValue Appraisal and Consulting Services
Principal and Founder; Real Estate Appraiser, Real Estate Broker, Certified General Contractor

Marsh Appraisal Corporation - Real Estate Appraisal and Valuation Services, Fort Walton Beach, Florida
Registered Trainee Appraiser / State Certified Real Estate Appraiser

Plantation Coast Properties, LLC – Fort Walton Beach, Florida
Principal; Real Estate Investments and Property Management

Alcon Associates, Inc. – Commercial General Contractors / Construction Managers; Pensacola, Florida
Florida Division Manager

National Construction Enterprises, LLC – General Contractor / Construction Managers; Savannah, Georgia
Vice President of Operations, Savannah-Hilton Head Division

Acoustics and Specialties, Inc. – General Contractors; Memphis, Tennessee
Senior Estimator / Project Manager of Healthcare Construction

Brasfield and Gorrie General Contractor Inc. – General Contractors and Construction Managers; Orlando, Florida
Construction Estimator / Project Manager

United States Air Force Reserve
Reserve Pilot, Boeing C-17 Globemaster III

Jason P. Shirey, MAI, CCIM, MS-RECM (Continued)

Professional / Continuing Education

Litigation Appraising - Specialized Topics and Applications
Appraisal Institute

Uniform Standards of Professinal Appraisal Practice
7 Hour Update, *Appraisal Institute*

Advanced Income Capitalization
Appraisal Institute

Advanced Sales Comparison Approach
and Principles In Highest and Best Use
Appraisal Institute

User Decision Analysis for Commercial Real Estate
CCIM Institute Course CI-103

Advanced Cost Approach
Appraisal Institue

Real Estate Taxation, Planning and Consequences
University of Denver, Burns School of Real Estate

Advanced Real Estate Feasibility Analysis
Urban Land Institute / University of Denver

Real Estate Securities and Syndications
University of Denver, Burns School of Real Estate

Legal Issues In Real Estate and Construction Management
University of Denver, Burns School of Real Estate

Income Property Investment
Urban Land Institute / University of Denver

Argus Financial Analysis
University of Denver, Burns School of Real Estate

Residential Real Estate Appraiser Course ABII
Ed Klopfer Schools of Real Estate

Real Estate Salesperson Pre-Licensing Course
Ed Klopfer Schools of Real Estate

Income Property Management
Institute of Real Estate Management / University of Denver

Certified Commercial Investment Member Core Concepts
CCIM Insitute Comprehensive Exam

Appraising from Blueprints and Specifications
Appraisal Institute

Florida Building Code Update
Florida Workplace Safety and OSHA Update
Universal Inspection Service

Uniform Standards of Professional Appraisal Practice
15 Hour Update, *Appraisal Institute*

Business Practices and Ethics for Appraisers
Appraisal Institute Course #420

Basic Income Capitalization
Appraisal Institute

Advanced Valuation and Report Writing
Appraisal Institute Course #540

Real Estate Investment Finance
University of Denver, Burns School of Real Estate

Computer Applications for Real Estate Analysis
University of Denver, Burns School of Real Estate

Risk Management and Insurance for Investment Real Estate
University of Denver, Burns School of Real Estate

Indoor Air Quality and Mold Contamination Remediation
National Association of Mold Professionals, 2004

Real Estate Trainee Appraiser Course ABI
Ed klopfer Schools of Real Estate

Uniform Standards of Professional Appraisal Practice
15 Hour Update, *Appraisal Institute*

Jason P. Shirey, MAI, CCIM, MS-RECM (Continued)

Appraiser Experience - Property Types

Affordable Housing
Agricultural Land
Aircraft Hangars
Antenna Towers
Apartments
Automobile Dealerships
Hotels and Motels
Bank Buildings
Bowling Alleys
Broadcast Facilities
Campgrounds / Recreational Vehicle Parks
Car Washes
Churches
Coastal Land
Condominium Units:
  Assemblages, Complexes, Conversions
Condominium Projects:
  Pre-development, Insurable Replacement Cost
Convenience Stores
Day Care Centers
Development Appraisals
Distribution Facilities
Golf Clubs and Country Clubs
Health Clubs
High-End Residential
Hobby Farms
Home Sites (Lots)
Home Sites (Land - Large Tracts)
Hotel - Resorts
Industrial Land
Indstrial Improvements
Light Industrial Properties
Manufacturing Facilities
Marinas / Docks / Boat Storage Facilities
Medical Offices
Mixed Use Developments
Mobile Home Parks
Multifamily Land
Multifamily Developments
Nurseries
Office Buildings
Office Condominiums
Office-Warehouse Facilities
Outdoor Signs
Parking Facilities
Replacement Cost Appraisals
Retail Stores (Anchor Tenant / Owner Occupied)
Retail Strip Centers (Multiple Tenant)
Restaurants (All types)
Self-Storage Facilities
Subdivisions (Commercial)
Subdivisions (Residential)
Single Family Residences
Sustainable Development (Green Buildings)
Urban Land (Vacant and Interim Use)
Warehouses
Yacht Clubs

Previous Client List (Partial)

Access Bank and Mortgage
Alternative Funding Corporation
BanCorp South
Bank of America
Bank of Bonifay
Bank of Pensacola
BankTrust
Beach Community Bank
CB Richard Ellis
CCB Community Bank
Colonial Bank
Community Bank
Compass Bank
Cotton and Gates
Crystal Beach Development
DestinFirst Bank
First Capital Bank
First City Bank
First Gulf Bank
First National Bank and Trust
Florida Coastal Mortgage
Guaranty Federal Bank
GulfSouth Private Bank
Jay Odom
Kevin Helmich, P.A.
Legendary, Inc.
LNK Development
M & F Bank
People's First Community Bank
Premier Community Bank
Regions Bank
Renasant Bank
Sunbird Condominium Owner's Association
Suntrust Bank
The Plaza Owner's Association
Tranquil Harbor Owner's Association
Trustmark National Bank
Vanguard Bank
Villas on the Gulf Condominium Onwer's Association
Vision Bank
Wachovia Bank
Whitney Bank

Assignment Purposes

Acquisition
Disposition
Assessment Appeal
Development Feasibility
Estate Planning
Financing (Institutional and Private)
Investment Analysis
Portfolio Analysis
Marital Dissolution
Relocation
Mediation, Arbitration, Dispute Resolution

EQUIVALUE APPRAISAL

Jason P. Shirey, MAI, CCIM, MS-RECM (Continued)

Assignment Types

Appraisal Review
Buyer Brokerage
Complex Valuation
Construction Progress / Draw Request Inspection
Demographic Analysis
Detrimental Conditions Valuation and Consulting
Eminent Domain Valuation and Consulting
Estate Valuation
Feasibility Studies
Fee Appraisals Including Full and Fractional Interests
Foreclosure / REO Appraisal - Assessment
Highest and Best Use Analysis
Insurance
Litigation Support
Market Studies
Portfolio Valuation and Analysis
Relocation Appraisal
Rent Analysis / Studies
Retrospective Valuation
Site Location Services
Valuation and Consultation for Financial Reporting

Primary Market Area

Okaloosa County
- Destin
- Fort Walton Beach
- Crestview
- Mary Esther
- Niceville
- Bluewater Bay

Walton County
- Miramar Beach
- Panama City Beach
- Rosemary Beach
- Santa Rosa Beach
- Blue Mountain Beach
- Freeport
- Defuniak Springs
- Inlet Beach
- Seacrest Beach

Santa Rosa County
- Navarre
- Navarre Beach
- Gulf Breeze

Bay County
- Panama City
- Panama City Beach
- Springfield

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Subject Photograph(s)

Additional photographs can be referenced in the Property Description Section of the Appraisal Report.

Summary of Salient Facts and Conclusions

GENERAL	
EquiValue Appraisal File No:	190-159
Subject:	An approximate 2,244 HVAC SF / 3,241 Gross SF Resort Rental Residence located along the east side of Hutchison Street, and accessed from the west boundary of Clipper Cove, approximately 1,000 feet north of the Beaches of the Gulf of Mexico, with postal address of 4443 Clipper Cove in Destin, Okaloosa County, Florida. The subject site is comprised of +/-5,680 SF of Crystal Beach Neighborhood-zoned land (a residentially-oriented zoning designation) which is improved with the previously-mentioned resort rental residence. This residence, which was constructed in 1993 with renovations and updates subsequent to this date, was specifically designed and outfitted to accommodate 16 overnight (sleeping) guests and features: • 3 Bedrooms In the Main House • 3 Bathrooms In the Main House • A Third Level Sleeping Area • A rooftop observation deck • Den, Dining, Living, Kitchen Areas • Swimming Pool • Outdoor Living Areas • Outdoor “Summer” Kitchen • A detached guest quarters with living/sleeping area and a full bathroom. The subject property is identified by Okaloosa County Parcel ID Number 00-2S-22-0583-0000-0430. The use of the subject property in 'As Is’ condition is as a beach proximate, resort residential rental property and this is the use represented in the valuation of the subject property, as of the effective date of this appraisal.

	In the 'Before' condition, occupancy of the subject was specifically designed for 16 guests with sleeping accommodations as follows: 1st Floor Bedroom (Sleeps 2) 1 Queen Bed 2nd Floor Bunk Room (Sleeps 5): 3 Twin Beds 1 Full Bed 2nd Floor Master Bedroom (Sleeps 4) 1 King Bed 1 Queen Sleeper 3rd Floor Sleeping Area (Sleeps 2) 1 King Bed Guest Quarters (Sleeps 3) 1 King Bed 1 Convertible Futon In the 'After' condition and taking into account the City of Destin Ordinance 18-29-CC which was implemented January 22, 2019, the occupancy of the subject is limited to 10 Guests as calculated by 3 bedrooms at 2 guests per bedroom plus 4 additional guests.
Owner:	Peter Johansen 4443 Clipper Cove Destin, FL 32541
Legal Description:	Crystal Beach Cottages Phase II Lot 43
Tax Identification:	00-2S-22-0583-0000-0430
Date of Report:	April 25, 2019
Date of Value:	January 22, 2019
Property Rights Appraised:	Fee Simple
Intended Use:	The intended use of this appraisal is for internal decision making purposes by the client, and for Bert Harris Act computation of damages.

Intended User(s): The intended users of this report is the property owner, the property owner advisors, courts and local government and regulatory agencies.

Appraisal Purpose: Market Value Opinion 'As Is' in the 'Before Ordinance' and 'After Ordinance' conditions, and subsequent evaluation of Dimunition in Value.

2018 Assessed Value: **$442,006**

Despite the intention of the property appraiser to value property at market value on a yearly basis, it is the appraiser's opinion that assessed value has no direct correlation to fair market value in the subject market area.

2018 Taxes: **$5,192.63 (Paid)**

According to the Okaloosa County Tax Collector, taxes for 2018 have been paid in full and no prior year delinquent taxes remain owing.

Sale History: The subject was purchased by the current owner on January 9, 2017 for the reported price of $525,000 per ORB/P 3283/1777. This was an arm's length purchase which was nominally consistent with current market value at the time of the sale, but below current market value as of the report date.

There have been no other transfers of the subject property in the preceding 3 years.

Current Contracts/Listing: We were unable to locate any active listing for sale of the subject property in the prior 12 months. We are unaware of any intention by the current owner to market the subject for sale.

The last listing of the subject was via MLS 748169 when the current owner purchased the subject property.

It is our understanding that the property owner plans to retain the subject property for short-term rental purposes and income generation potential.

PROPERTY	
Land Area:	Total: +/-5,680 SF Usable: +/-5,680 SF Excess: 0.00 Acres
Zoning/ Future Land Use:	CBN – Crystal Beach Neighborhood by the City of Destin
Highest and Best Use 'As Is':	Utilizing the subject as a resort-residential rental property at maximum occupancy is estimated to be the highest and best use of the subject 'As Is'. It is noted that occupancy limitations imposed on the subject by virtue of City of Destin Ordinance 18-29-CC, which limits occupancy of the subject property to a lesser number than that for which the subject was specifically designed and outfitted, is anticipated to have a negative impact on the market value / return on investment of the subject property to the owner.

VALUE CONCLUSIONS	
Land Value:	Not Utilized
Cost Approach:	Not Utilized
Improved Sales Comparison Approach:	Not Utilized
Income Approach:	$900,000 – Before Ordinance 18-29-CC $430,000 – After Ordinance 18-29-CC $470,000 – Dimunition in Value as a Result of Ordinance 18-29-CC

Appraisal Scope of Work

In accordance with the 2018-2019 Uniform Standards of Professional Appraisal Practice, it is the appraiser's responsibility to develop and report a scope of work that results in credible results that are appropriate for the appraisal problem and intended user(s).

This process should meet the expectations of parties who are regularly intended users for similar assignments and be consistent with what an appraiser's peers actions would be in performing the same or a similar assignment.

Therefore, the appraiser must identify and consider:

- the client and intended users;
- the intended use of the report;
- the type and definition of value;
- the effective date of value;
- assignment conditions;
- typical client expectations; and
- typical appraisal work by peers for similar assignments**.**

This appraisal is prepared for the Client, Mr. Peter Johansen.

The intended use of this appraisal is for internal decision making purposes by the client, the client's advisors, and for Bert Harris Act computation of damages.

The intended users of this report is the property owner, the property owner's advisors, courts and local government and regulatory agencies.

SCOPE OF WORK	
Report Type:	This is a written Appraisal Report, which is intended to comply with the reporting requirements established by Standards Rule 2-2(a) of the *2018-2019* edition of the U*SPAP* for a written Appraisal Report. It presents summary discussions of the data, reasoning, and analyses utilized in the appraisal process to develop the appraiser's opinion of value. Supporting documentation not provided with the report concerning the data, reasoning, and analyses is retained in the appraiser's file. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated in the report. The appraiser is not responsible for the unauthorized use of this report.

Property Identification:	The subject was identified by the legal description and the assessor's parcel number, and appraiser inspection.
Inspection:	An inspection of the site and improvements was made, and photographs were taken.
Market Area and Analysis of Market Conditions:	A complete analysis of market conditions was made. The appraisers physically inspected the micro and/or macro market environments which influence the subject property.
Highest and Best Use Analysis:	A complete analysis of highest and best use for the subject property in 'As Is' condition was made.

Valuation Analyses

Land Valuation and Cost Approach:	An opinion of value for the subject property in 'as if vacant' condition and subsequent application of the cost approach has not been provided. The purpose of this appraisal is to evaluate the impact to the value of the subject by virtue of the implementation of City of Destin Ordinance 18-29-CC which limits occupancy of the subject and corresponding associated income generation potential. Thus, the cost to acquire land and construct a replacement property is meaningless to the purpose of the assignment and was not applied.
Sales Comparison Approach:	The improved sales comparison approach was not utilized in this appraisal assignment. The purpose of this appraisal is to evaluate the impact to the value to the subject by virtue of the implementation of City of Destin Ordinance 18-29-CC which limits occupancy of the subject and associated income generation potential. As this ordinance was just recently implemented, an adequate number of improved sales which sold after the Ordinance implementation date were not available from which to derive an opinion of market value from this approach. As sales which occurred prior to this Ordinance will reflect market transactions without this restriction, they are not considered valid indicators of value for the subject in the restricted condition. Therefore this approach could not be applied due to lack of sufficient comparable data.

Income Approach:	The income approach was applied for the subject in both the 'Before Ordinance' and 'After Ordinance' scenarios.
Hypothetical Conditions:	None.
Extraordinary Assumptions:	None.
Exposure Time (Market Value):	Exposure Time may be defined as: the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective opinion based on an analysis of past events assuming a competitive and open market. The estimate of exposure time is presented in consideration of the exposure periods for comparable sales utilized in this appraisal, marketing time information available from nationally published sources including the CB Richard Ellis National Market Survey and the opinions of market participants. ***It is estimated that the exposure time necessary for the subject to have achieved the opinion of value is 9-12 months.***

Definition of Value, Property Rights Appraised, and Intended Use

Purpose of the Appraisal:

The purpose of an appraisal is the stated reason and scope of the appraisal assignment. It is established by the client, and points to the information that the client needs to answer specific questions pertaining to real property. The purpose of the appraisal establishes the foundation for the final value conclusion, which does not change to accommodate the use of the appraisal.[1]

The purpose of this appraisal is to derive an opinion of the Dimunition in Value to the subject property associated with the implementation of City of Destin Ordinance No. 18-29-CC.

This Ordinance was implemented January 22, 2019, and the incorporation of this ordinance limits the occupancy of the subject property to 10 guests. Prior to the implementation of this Ordinance, the designed occupancy of the subject property was 16 guests. Therefore, as a result of the ordinance, the maximum occupancy of the subject has been reduced by 6 guests, or approximately -37.50%.

We are therefore opining on the difference in market value of the subject before and after the adoption of City of Destin Ordinance No. 18-29-CC, which was promulgated on January 22, 2019.

Intended Use of the Appraisal and Intended User:

The intended use of an appraisal is the manner in which a client will employ the information contained in the appraisal report. The intended use or function of an appraisal is determined by the client's needs. Because an appraisal may provide a basis for a decision concerning real property, the intended use of the appraisal depends on the decision that the client wishes to make.[2]

The intended use of this appraisal is for internal decision making purposes by the client, and for Bert Harris Act computation of damages. The intended users of this report is the client / property owner, advisors, courts and local government and regulatory agencies.

Property Rights Appraised

Real property is said to have value as a result of the "bundle of rights" that are inherent to property ownership. Regardless of the type of ownership, the owner of real property is said to have an interest in that property. The following definitions are for the three most commonly-valuated interests as defined by the Dictionary of Real Estate Appraisal, Fourth Edition.

---

[1] The Appraisal of Real Estate, Twelfth Edition
[2] The Appraisal of Real Estate, Twelfth Edition

Fee Simple Interest:
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.

Leased Fee Interest:
An ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the lessee are specified by contract terms contained within the lease.

Leasehold Interest:
The interest held by the lessee (the tenant or renter) through a lease transferring the rights of use and occupancy for a stated term under certain conditions. See also negative leasehold; positive leasehold.

The subject property is being appraised 'fee simple', taking into account market conditions at the effective date of the report. Given the valuation of the subject in 'As Is' condition and the nature of the subject being a resort-rental property which is occupied on a short term or seasonal basis, fee simple basis is considered to be the appropriate valuation standard.

Date of Value Opinion
Value opinions are presented as of a specific date, taking into account market conditions at that time. The effective date of an appraisal is the date at which the analyses, opinions, and advice in an appraisal, review, or consulting service apply. (USPAP, 2018-2019 edition.)

The date of the value opinion can be current, in the past (retrospective), or forecast into the future (prospective).

The following presents definitions regarding the date of the opinion of value, as provided by the text The Appraisal of Real Estate, Twelfth Edition:

Date of Value Opinion:
The date for which an opinion of value is valid.

Current Value:
In accounting, synonymous with market value.

Retrospective Value Opinion:
An opinion of value that is likely to have applied as of a specified historic date. A retrospective value opinion is most frequently sought in connection with appraisals for estate tax, condemnation, inheritance tax, and similar purposes.

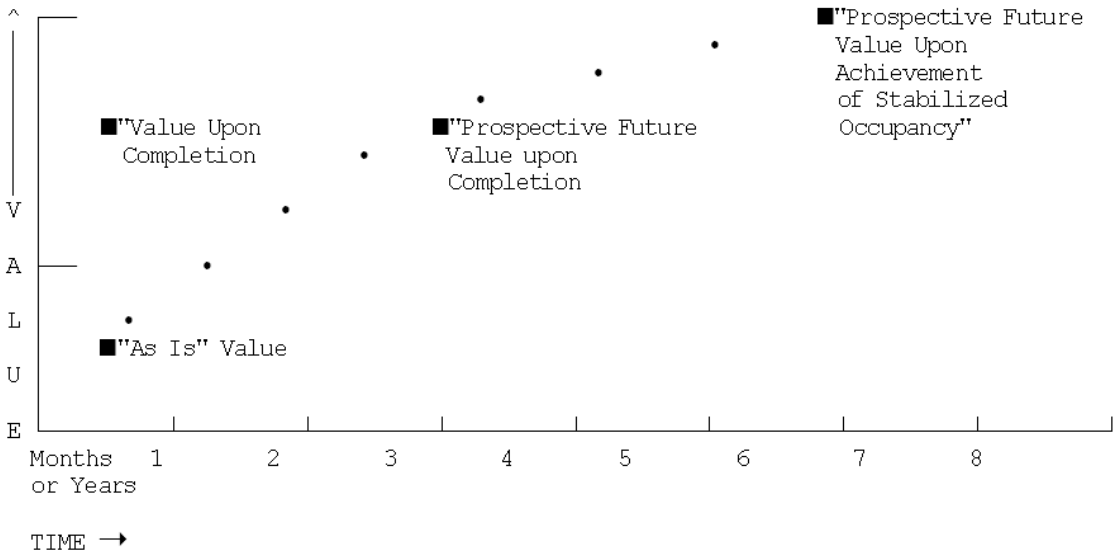
Prospective Value Opinion:
A forecast of the value expected at a specified future date. A prospective value

opinion is most frequently sought in connection with real estate projects that are proposed, under construction, or under conversion to a new use, or those that have not achieved sellout or a stabilized level of long-term occupancy at the time the appraisal report is written.

In a prospective appraisal, the appraiser analyzes market trends to provide support for forecasted income and expense or sell-out opinions, absorption periods, capitalization rates, and discount rates as of the effective date of the appraisal. This appraisal report was prepared taking into account market conditions present as of the date of the report. The appraiser(s) can not be held responsible for unforeseen events that alter market conditions prior to the effective date of the appraisal.

The following graph presents a graphical depiction of the above-described date of value opinions and their associated position within a potential overall development time scenario.

Value Creation Continuum[1]



The preceding exhibit graphically displays the creation of value in a real estate development project over time, assuming a zero inflation environment for clarity of presentation.

1 Code of Federal Regulations, Title 12, as amended by the Federal Home Loan Bank Board.

Basis of the Subject Value Opinion

The four time differential values on the preceding graph which may be considered in the appraisal of proposed developments are defined as follows:

(1) **"As Is"** means an estimate of the market value of a property in the condition observed upon inspection and as it physically and legally exists without hypothetical conditions, assumptions, or qualifications as of the date of appraisal.

(2) **"Value as Complete" or "Value Upon Completion"** means the market value of a property with all proposed construction, conversion, or rehabilitation hypothetically completed, or under other specified hypothetical conditions as of the date of appraisal. With regard to properties wherein anticipated market conditions indicate that stabilized occupancy is not likely as of the date of completion, this estimate of value shall reflect the market value of the property as if complete and prepared for occupancy by tenants.

(3) **"Prospective Future Value Upon Completion"** means the prospective future value of a property on the date that construction is completed, based upon market conditions forecast to exist as of that completion date.

(4) **"Prospective Future Value Upon Achievement of Stabilized Occupancy"** means the prospective future value of a property at a point in time when all improvements have been physically constructed and the property has been leased to its optimum level of long term occupancy.

The purpose of this appraisal is to derive an opinion of the Dimunition in Value to the subject property associated with the implementation of City of Destin Ordinance No. 18-29-CC.

The following are the pertinent dates to the valuation, viewing, and appraisal reporting of the subject property:

Effective Date of Value Opinion:	**January 22, 2019**
Date of Viewing:	**March 14, 2019**
Date of Appraisal Report:	**April 25, 2019**
Date of Photographs:	**March 14, 2019**

Definition of Value

The definition of "Market Value", as defined by the Office of the Comptroller of Currency (OCC) under 12 CFR, Part 34, Subpart C-Appraisals, 34.42 Definitions, the Board of Governors of the Federal Reserve System (FRS) and the Federal Deposit Insurance Corporation in compliance with Title XI of FIRREA, as well as by the Uniform Standards of Appraisal Practice as promulgated by the Appraisal Foundation, is as follows.

> Market value means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby,
>
> 1. Buyer and seller are typically motivated;
>
> 2. Both parties are well informed or well advised, and acting in what they consider their own best interest;
>
> 3. A reasonable time is allowed for exposure in the open market;
>
> 4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
>
> 5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Policy Statement of the Appraisal Institute

It is improper to base a conclusion or opinion of value upon the premise the racial, ethnic, or religious homogeneity of the inhabitants of an area or of a property is necessary for maximum value.

Racial, religious, and ethnic factors are deemed unreliable predictors of value trends or price variance.

It is improper to base a conclusion or opinion of value, or a conclusion with respect to neighborhood trends, upon stereotyped, biased presumptions relating to the effective age or remaining life of the property being appraised or the life expectancy of the neighborhood in which it is located.

FACTUAL DESCRIPTIONS

Property Description

Summary of Site Characteristics and Improvements

SITE	
Information Sources:	Deed, assessment records, inspection, plans, owner
Total Site Size:	+/-5,650 SF
Usable Site Size:	+/-5,650 SF
Excess Land:	0.00 acres
Corner Lot:	The site is not a corner lot.
Visibility:	The subject site benefits from visibility from Clipper Cove on the east boundary of the subject site. The subject site is considered to have good visibility for the subject market area.
Shape:	Rectangular. See aerial photograph / property appraiser map for a visual depiction of the site shape and parcel.
Road Frontage/Access:	The subject features direct access from Clipper Cove, a two lane secondary residential roadway.
Waterfront Proximity:	The subject is located approximately 1,000 feet north of the Beaches of the Gulf of Mexico and is well-positioned as a resort rental property which would take capitalize on proximity to beaches.
Drainage:	Drainage appears adequate for the subject property. Drainage on the subject site meets current standards for storm water retention, being relatively-recently permitted and constructed. The subject property is considered typical with regard to other similar properties in the subject market area.
Potential For Environmental Contamination:	The appraisers have not observed, nor are qualified to detect, the existence of potentially hazardous material or underground storage tanks which may be present on or near the subject site. The appraisers recommend that an environmental survey be attained to assure the environmental stability of the subject property. This appraisal assumes no subsoil contamination of the subject site.

Utilities: *Electricity*: Electricity is provided by Gulf Power, Inc. Standard service capacity exists at the subject property with adequate capacity to service the subject existing improvements.
Sewer: Public sewer is provided and is on site.
Water: Public water is provided and is on site.
Natural Gas: Natural Gas service is provided and is on site.
Adequacy: Utility service is considered adequate for the subject improvements and at least standard for the subject market area.

Site Improvements: Site improvements present on the subject at the time of inspection included paved parking, utilities, landscaping, an outdoor kitchen and an outdoor swimming pool.

Landscaping: The subject features excellent quality landscaping with various plantings and grassy areas with irrigation.

Site Utility: Good

Flood Zone: The subject is located in an area mapped by the Federal Emergency Management Agency (FEMA). The subject property appears to be located in Flood Zone 'X' as noted by the following FEMA Map Number:

FEMA Map Number: 12091C0493H 12/06/2002

Easements: We were not provided with a survey for the subject property. Our review of the appropriate maps and public records for the subject property indicated that standard utility easements exist. Our viewing did not indicate that any of these easements would adversely affect the value opinion of the subject contained herein. This appraisal assumes no easements, encroachments, or private deed restrictions which would adversely affect the value of the subject property.

Encroachments: We were not provided with a survey for the subject property. Our review of the appropriate maps and public records for the subject property did not reveal any encroachments on the subject site. Our viewing did not indicate any encroachments that would adversely affect the value opinion of the subject contained herein. This appraisal assumes no easements, encroachments, or private deed restrictions which would adversely affect the value of the subject property.

IMPROVEMENTS – AS COMPLETE

Summary:	Good Quality Resort Rental Residence
Architectural Style:	Modern Multi-Story Residential 'Resort Style' Single Family Home
Building Class (Marshall Valuation)	Class D, Wood Frame
Construction:	Wood Frame and Vinyl Siding
Quality:	Good Quality Resort Residential Dwelling
Year Built:	Actual 1993 / Effective 2003 The subject features a lower effective age than actual age as a result of apparent updates and maintenance.
Actual / Effective Age:	26 Years / 16 Years
Condition:	Good
Remaining Useful Life:	44 Years
Areas & Ratios:	Gross Building Area: 3,241 Square Feet HVAC Building Area: 2,244 Square Feet Per the Okaloosa County Property Appraiser, The subject features 3 bedrooms and 3 bathrooms. Per instituted City of Destin Ordinance, the maximum number of guests will be calculated at the rate of 2 guests per bedroom based on the Property Appraiser's residential profile of the property, plus 4 additional guests. Therefore, the subject in the 'after ordinance' condition will be limited to 10 total guests. See Excerpt below.

Sec. 13-117. – Maximum occupancy based on site capacity/Grandfathering.

(a) The maximum overnight occupancy of a short-term rental shall be stated in the short-term rental registration form, and shall be limited to the lesser occupancy of the following two options:

i. Two (2) persons for each bedroom, plus four (4) additional persons. The number of bedrooms shall be based upon the Property Appraiser's residential profile of the property, and other documents of record, as needed. In no case shall the maximum total occupancy for any dwelling unit exceed the occupancy limits permitted by the Florida Fire Prevention Code or Florida Building Code.

or

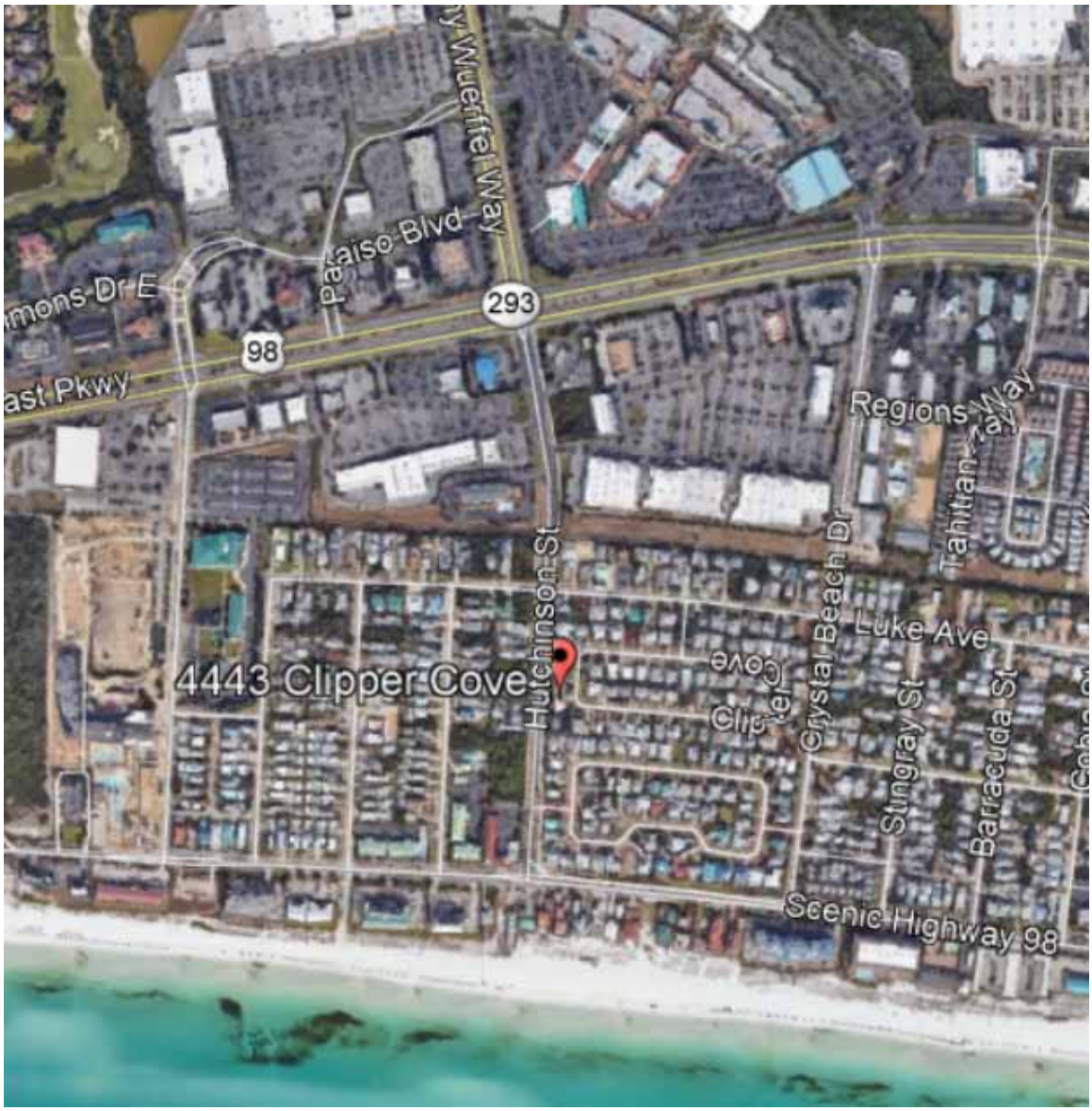
ii. A total of twenty-four (24) persons per short-term rental. In the event that there is more than one building or dwelling on one platted lot, the maximum occupancy shall be capped at twenty-four (24) occupants per lot or structure, whichever is less.

FOUNDATION, FRAME & EXTERIOR	
Foundation:	Concrete, Concrete Block Stemwall, Concrete Slab
Frame:	Wood Frame
Exterior:	Vinyl Siding
Roof/Cover:	Asphalt Shingle, Sloped

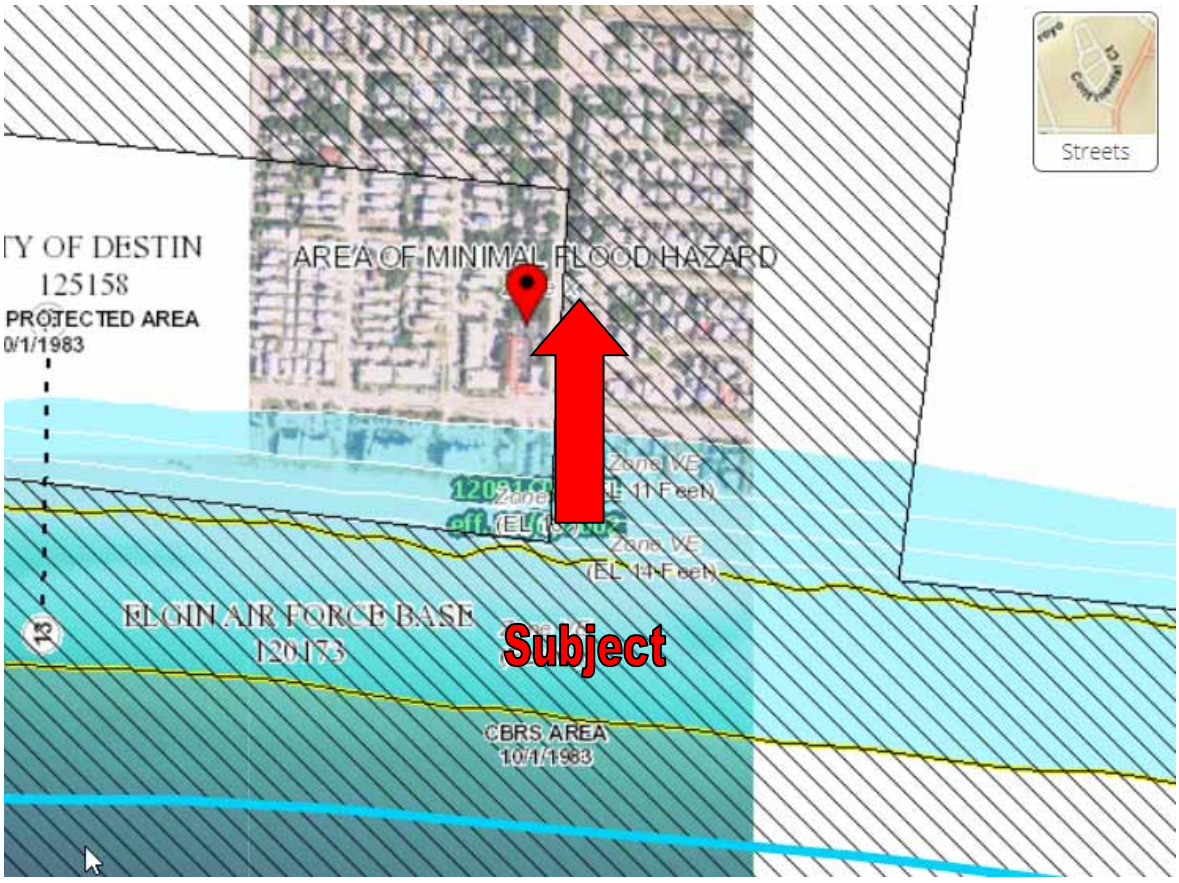
INTERIOR	
Notes Regarding Interior Finish:	Interior finishes to the subject includes custom kitchen cabinetry, stone or solid surface countertops, custom backsplash, stainless steel appliances, custom bath cabinetry and good quality bathroom and kitchen fixtures. Good quality flooring and appurtenances. The subject features a finish consistent with most resort residences in the existing Destin / Crystal Beach market.
Interior Finish:	Good Quality.
Ceilings & Ceiling Height:	Finished Ceilings throughout, generally 10-0' height in living areas.
Floor Cover:	Porcelain tile, wood, carpet. Good level of floor finish.
Doors:	Good Quality and condition solid core / six-panel doors with lever style handles throughout. Glass windows and doors are good quality insulated double pane.
Additional Amenities:	The subject property has a good level of finish with good design and outdoor living areas including an outdoor kitchen.

MECHANICAL SYSTEMS	
Heating:	Multiple Individual HVAC systems.
Cooling:	Multiple Individual HVAC systems.
Hot Water:	Adequate for property.
Electrical:	Adequate for property.
Plumbing:	Adequate for property with 4 Full Bathrooms. The subject was specifically designed as a resort rental property with planned occupancy / sleeping accommodations for 16 persons.

Regional Maps



Flood Map


Streets
TY OF DESTIN
125158
PROTECTED AREA
0/1/1983
AREA OF MINIMAL FLOOD HAZARD
Zone VE
(EL 11 Feet)
Zone VE
(EL 14 Feet)
ELGIN AIR FORCE BASE
120173
Subject
CBRS AREA
10/1/1983

Flood Zone Descriptions

“A 100-year flood is a flood that has a 1-percent chance of being equaled or exceeded in any given year. A base flood may also be referred to as a 100-year storm and the area inundated during the base flood is sometimes called the 100-year flood plain.

The term "100-year flood" is misleading. It is not the flood that will occur once every 100 years. Rather, it is the flood elevation that has a 1- percent chance of being equaled or exceeded each year. Thus, the 100-year flood could occur more than once in a relatively short period of time. The 100-year flood, which is the standard used by most Federal and state agencies, is used by the National Flood Insurance Program (NFIP) as the standard for floodplain management and to determine the need for flood insurance. A structure located within a special flood hazard area shown on an NFIP map has a 26 percent chance of suffering flood damage during the term of a 30-year mortgage.

Zone AE and A1-A30
Zones AE and A1-A30 are the flood insurance rate zones that correspond to the 100-year floodplains that are determined in the Flood Insurance Study by detailed methods. In most instances, Base Flood Elevations derived from the detailed hydraulic analyses are shown at selected intervals within this zone. Mandatory flood insurance purchase requirements apply.

Zone VE
Zone VE is the flood insurance rate zone that corresponds to the 100-year coastal floodplains that have additional hazards associated with storm waves. BFEs derived from the detailed hydraulic analyses are shown at selected intervals within this zone. Mandatory flood insurance purchase requirements apply.

Zones B, C, and X are the flood insurance rate zones that correspond to areas outside the 100-year floodplains, areas of 100-year sheet flow flooding where average depths are less than 1 foot, areas of 100-year stream flooding where the contributing drainage area is less than 1 square mile, or areas protected from the 100-year flood by levees. No BFEs or depths are shown within this zone.”

Building Floor Plan Excerpts

Okaloosa County Property Appraiser's Office

Parcel Number: 00-2S-22-0583-0000-0430

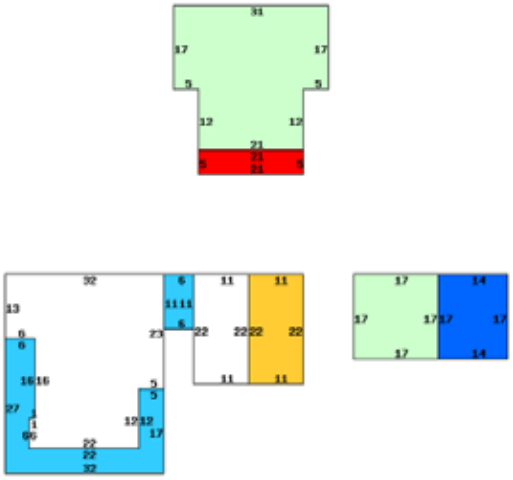
Traversal Information:

Building Number: 1

Color	Area Type	Area Type Description	Year Built	SQ FT
	FGR	FINISHED GARAGE	1993	242
	BAS	HEATED BASE AREA	2018	242
	FOP	FINISHED OPEN PORCH	1993	432
	BAS	HEATED BASE AREA	1993	934
	FSP	FINISHED SCREEN PORCH	2018	105
	FUS	FINISHED UPPER STORY	1993	1068
	UOP	UNFINISHED OPEN PORCH	1993	230

Close Window

Enlarge



Aerial Photograph

PARCEL INFORMATION TABLE	
Selected Parcel	00-2S-22-0583-0000-0430 (Click for Complete Card)
DOR Property Usage	SINGLE FAMILY (000100)
Calculated Acreage (GIS)	0.13
Calculated GIS acreage is computer generated. It is for informational purposes only and does not replace deed or survey information.	
Property Use	SINGLE FAM
Land Use	000100

OWNERSHIP INFORMATION	
Name	JOHANSEN PETER
Mailing Address	4443 CLIPPER COVE DESTIN, FL 32541
Situs/Physical Address	4443 CLIPPER CV DESTIN

VALUES:	
Land Value	212,823
Ag Land Value	0
Building Value	206,858
Misc Value	22,325
Just Value	442,006
Assessed Value	442,006
Exempt Value	50,000
Taxable Value	392,006

LAST 2 SALES

Date	Price	Vacant?	Qual
2017-01	525,000	I	Q
2012-12	425,000	I	U

Subject property outlined in red above

Subject Photographs

Subject Front

Subject Signage

Subject Detached Garage with Sleeping Area and Full Bathroom (photo left)

Subject Main House Entry Elevation

Gound Floor Living Area

Ground Floor Kitchen Area

Ground Floor Living and Dining Area

Ground Floor Laundry and Utility Room

Ground Floor Bathroom

Ground Floor Bedroom

Second Floor Bathroom

Second Floor Bedroom / Bunk Room

Second Floor Bedroom / Bunk Room

Second Floor Bathroom

Second Floor Bedroom #2

Third Floor Sleeping Area

Rooftop Observation Deck

Pool and Summer Kitchen in Back Yard

Detached Guest Quarters in Half of Detached Garage Area

Detached Guest Quarters Full Bathroom in Half of Garage Area

Zoning

The subject property is located within the Crystal Beach Neighborhood land use designation, as governed by the City of Destin.

Use of the subject for various residential, short term seasonal rental, guest house and other varied uses are legally permissible by the zoning in place.

Therefore, use of the subject as a seasonal rental property is considered legal, conforming. It is noted that the zoning category description within the land development code does not provide for any outlined maximum occupancies for the subject property or other similar properties. We therefore ascertain that prior to implementation of City of Destin Ordinance 18-29-CC occupancy of the subject for the planned number of sleeping guests of 16 was legally permissible.

Community Development Department
Planning Division
4200 Indian Bayou Trail, Destin, FL 32541
Phone (850) 337-3123 • Fax (850) 837-7949
www.cityofdestin.com/index.aspx?nid=91

ZONING DISTRICT FACTSHEET

The purpose and intent of establishing zoning districts is to ensure that all development is consistent with the goals, objectives and policies of the Comprehensive Plan, by establishing a series of zoning districts that indicate what uses are allowed and site development regulations that control the use of land in each district. All development within each zoning district shall be consistent with the purposes stated for each district. (LDC 7.12.05)

CRYSTAL BEACH NEIGHBORHOOD (CBN)

Purpose and intent: The Crystal Beach Neighborhood zoning district shall apply to areas developed, redeveloped and/or maintained and conserved as permanent or seasonal single-family detached or multi-family attached residential dwelling units. Very limited supportive non-residential uses are allowed and are strictly limited to: places of worship, parks, playgrounds, community buildings and similar public service facilities serving the residents of the area, childcare centers and other ancillary neighborhood commercial uses which are approved as part of a planned unit development (PUD) for the exclusive use of the residents of the PUD. It is the intent of the CBN zoning district to specifically not allow the following uses to be located in the district: commercial hotels, motels, bed and breakfast establishments, or other commercial transient living accommodations.

Table 7-2: Table of Allowable Uses (excerpt from LDC 7.12.06)

PERMITTED USES:

Permanent or long-term residential uses

Single-family detached dwelling
Guest house [1]
Accessory dwelling
Single room occupancy housing
Museums, historical sites, zoos & parks [10]
Religious organizations

Seasonal or short-term residential uses

Single-family detached dwelling

Other residential uses

Community residential home, small (1-6)
Family day care home

CONDITIONAL USES:

Other residential uses

Permanent or long-term Multi-family attached dwelling
Seasonal or short-term Multi-family attached dwelling
Community residential home, large (7-14)
Child day care services

ACCESSORY USES:

Uses and structures which are customarily accessory, clearly incidental and subordinate to permitted uses and structures, including home occupations and off-site businesses.

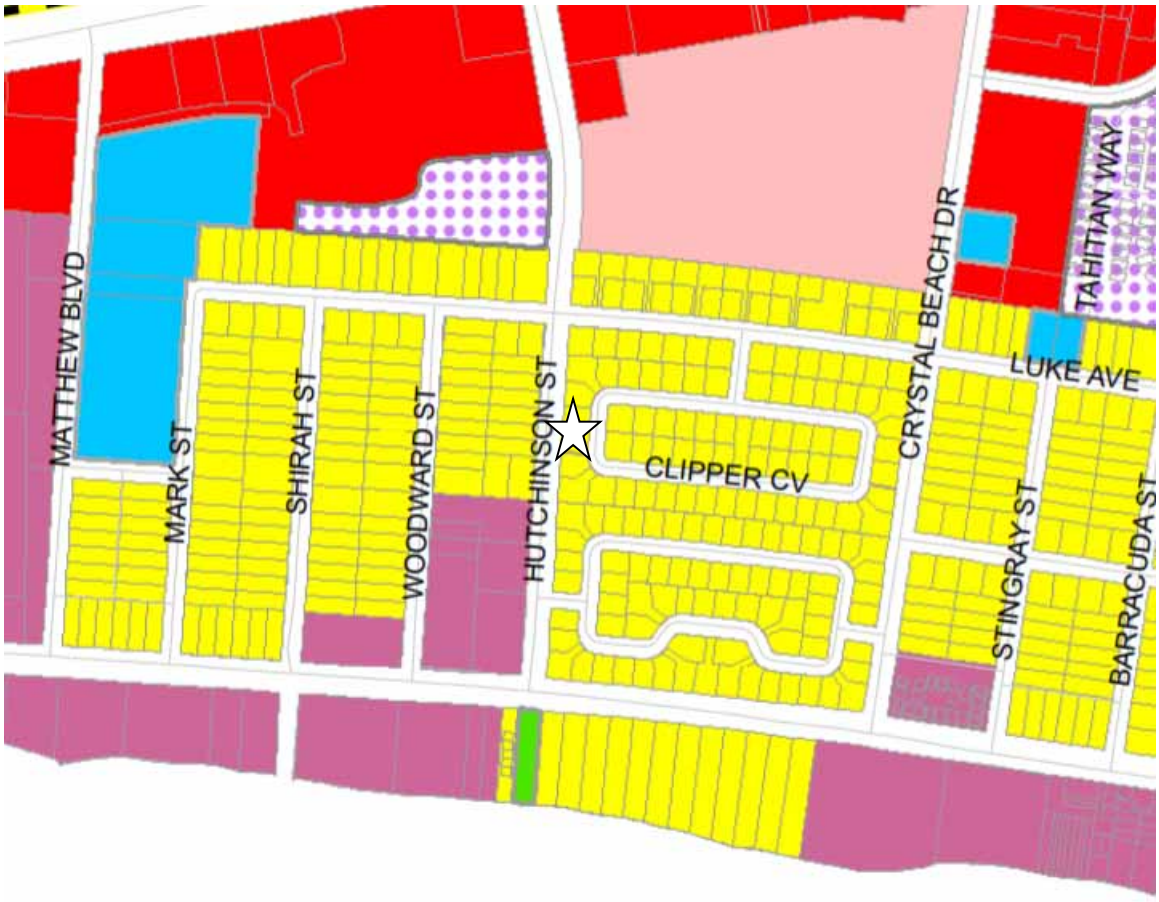
Footnotes:

1 Guest houses are permitted only if the owner of the subject property occupies the primary dwelling as his/her main residence. However, guest houses shall not be rented out separately from the main residence. (refer to LDC section 7.12.04.M).

10 Zoos are only allowed in the Industrial zoning district.

Supplement 14, thru 16-18-LC, Dec 2016

Zoning Map



Residential

- BE - Bay Estates
- LDR-V - Low Density Residential - Village
- LDR-HI - Low Density Residential - Holiday Isle
- LDR-H - Low Density Residential - Harbor
- MDR-V - Medium Density Residential - Village
- MDR-HI - Med. Density Resid. - Holiday Isle
- HDR - High Density Residential
- CBN - Crystal Beach Neighborhood

Mixed Use

- CBR - Crystal Beach Resort
- ROI-CBR - Residential, Office, & Institutional - Crystal Beach Residential
- ROI-GD - Residential, Office, & Institutional - General Development
- ROI-TD - Residential, Office, & Institutional - Tourist Development
- ROI-VR - Residential, Office, & Institutional - Village Residential
- CMU - Calhoun Mixed Use
- TCMU - Town Center Mixed Use
- HIMU - Holiday Isle Mixed Use
- GRMU - Gulf Resort Mixed Use
- NHMU - North Harbor Mixed Use
- SHMU - South Harbor Mixed Use
- BRMU - Bay Resort Mixed Use

Assessment and Taxes

Tax Structure, Overview

Florida Law requires that the just value of all property be determined each year. The Supreme Court of Florida has declared "just value" to be legally synonymous to "full cash value" and "fair market value." The fair market value of real property is the amount for which it could sell on the open market, and assumes the present use is the highest and best use. The property appraiser analyzes these market transactions annually to determine fair market value as of January 1 of each year.

The property appraiser is responsible for identifying, locating, and fairly valuing all property, both real and personal, within the county for tax purposes. The "market" value of real property is based on the current real estate market, and is determined by market participants. The property appraiser has the legal responsibility to study the transactions of market participants and appraise real property accordingly.

At least once every three years, the county property appraiser or a staff appraiser will visit and inspect each property. Additionally, individual property values may be adjusted between visits in light of sales activity or other factors affecting real estate values in the subject neighborhood. Sales of similar properties are typically used as strong indicators of value in the real estate market.

Each August, the Property Appraiser sends a "Notice of Proposed Taxes," to all property owners to notify them of the taxable value of their property. Taxable value is the assessed value less any exemptions. The TRIM notice also gives information on proposed millage rates and taxes as estimated by community taxing authorities, and when and where these taxing authorities will hold public meetings to discuss tentative budgets to set your millage tax rates.

The property appraiser only assesses all property in the county and is neither a taxing authority nor a tax collector. Three separate government entities, each having unique and distinct roles, determine the tax bill of any property in their jurisdiction.

The following is a summary of the process:

> First the property appraiser annually appraises all property in their respective county at the market value as of January 1 each year.
>
> Second, each taxing authority within the county sets their own millage rate based on the amount of tax dollars necessary to fund their annual budget.
>
> Finally, the tax collector takes the amount of taxes due in order to bill and collect all taxes levied within the county.

Tax Collector Card

BEN ANDERSON
Okaloosa County Tax Collector

MAIL PAYMENTS TO: P.O. BOX 1390, NICEVILLE, FL 32588

2018 Paid Real Estate
Notice of Ad Valorem Tax and Non-Ad Valorem Assessments

ACCOUNT NUMBER	ESCROW CD	MILLAGE CODE	ALTERNATE KEY	PROPERTY ADDRESS
002S22058300000430		DEDF	1003370	4443 CLIPPER, DESTIN, 32541

JOHANSEN PETER
4443 CLIPPER COVE
DESTIN, FL 32541

4443 CLIPPER

CRYSTAL BCH COTTAGES PH II
LOT 43

AD VALOREM TAXES

TAXING AUTHORITY	MILLAGE RATE	ASSESSED VALUE	EXEMPTION AMOUNT	TAXABLE VALUE	TAXES LEVIED
OKALOOSA COUNTY BD OF CO COMMS					
EMERGENCY MEDICAL SERVICES	0.0741	442,006	50,000	392,006	29.05
GENERAL	3.7214	442,006	50,000	392,006	1,458.81
COUNTY PUBLIC HEALTH UNIT	0.0353	442,006	50,000	392,006	13.84
SCHOOL LOCAL	2.2480	442,006	25,000	417,006	937.43
SCHOOL STATE	4.1130	442,006	25,000	417,006	1,715.15
NORTHWEST WATER DISTRICT	0.0338	442,006	50,000	392,006	13.25
CITY OF DESTIN	1.6150	442,006	50,000	392,006	633.09
DESTIN FIRE DISTRICT	1.0000	442,006	50,000	392,006	392.01

EXEMPTIONS APPLIED: ADDTL HOMESTEAD, HOMESTEAD EXEMPTION

TOTAL MILLAGE	12.8406	AD VALOREM TAXES	$5,192.63

WANT TO RECEIVE YOUR BILL ELECTRONICALLY NEXT YEAR? VISIT www.OkaloosaTax.com AND SIGN UP FOR E-BILLS!

NON-AD VALOREM ASSESSMENTS

LEVYING AUTHORITY	RATE	AMOUNT

PAY ONLINE WITH CREDIT/DEBIT CARD AT www.OkaloosaTax.com - BANK CARD USER FEE WILL APPLY

NON- AD VALOREM ASSESSMENTS	$0.00

COMBINED TAXES AND ASSESSMENTS	$5,192.63

PAYING ONLINE VIA
E-CHECK IS FREE
Visit www.OkaloosaTax.com

PAY YOUR BILL

"PAY ONLINE, NOT IN LINE"

RETAIN THIS PORTION FOR YOUR RECORDS
WALK-IN CUSTOMERS PLEASE BRING FOR RECEIPT
AFTER MARCH 31ST, TAXES MUST BE PAID WITH CASH, CASHIER'S CHECK OR MONEY ORDER.

If Postmarked By	Nov 30, 2018
Please Pay	$0.00

BEN ANDERSON
Okaloosa County Tax Collector

MAIL PAYMENTS TO: P.O. BOX 1390, NICEVILLE, FL 32588

2018 Paid Real Estate
Notice of Ad Valorem Tax and Non-Ad Valorem Assessments

ACCOUNT NUMBER	ESCROW CD	MILLAGE CODE	ALTERNATE KEY	PROPERTY ADDRESS
002S22058300000430		DEDF	1003370	4443 CLIPPER, DESTIN, 32541

PRIOR TO MARCH 31ST TAXES CAN BE PAID USING CASH, CHECK, CREDIT/DEBIT CARDS OR E-CHECK

If Postmarked By	Nov 30, 2018
Please Pay	$0.00

JOHANSEN PETER
4443 CLIPPER COVE
DESTIN, FL 32541

4443 CLIPPER

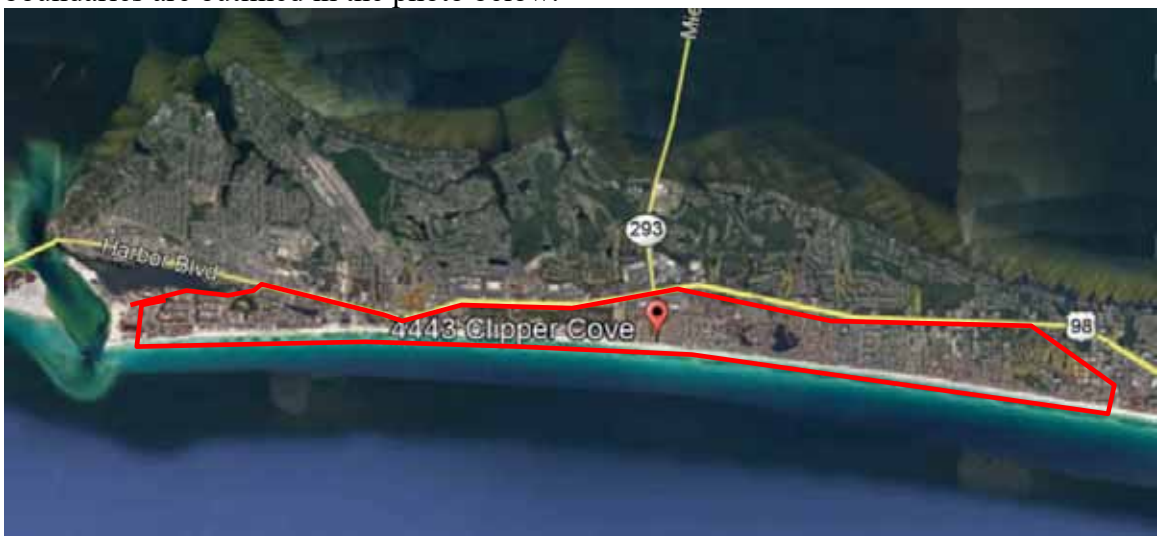
CRYSTAL BCH COTTAGES PH II
LOT 43

Paid Peter Johansen 11/06/2018 Receipt # 0-18021117 Echeck $4,984.92

ANALYSIS OF DATA AND OPINIONS OF THE APPRAISERS

Market Area Summary / Neighborhood Information

The subject property is located in the Destin-Miramar Beach market area, which is bounded by the Destin Harbor / East Pass to the West, US Highway 98 and the waters of the Destin Harbor to the North, the Gulf of Mexico to the South and the intersection of US Highway 98 / Scenic Gulf Drive to the East. The approximate neighborhood boundaries are outlined in the photo below.



This is a resort area driven primarily by proximity to area beaches and resort activities. The predominant property type in the area is of second home and seasonal vacation properties with far fewer full-time residents than seasonal occupants.

Many second home and resort area property owners rent their properties on a seasonal basis to either offset costs of ownership or in the pursuit of income generation potential, and the seasonal income attributed to a property is often a significant factor contemplated by purchasers in the market when evaluating a purchase decision.

We have witnessed a trend for increased rental demand of larger resort residences which can accommodate larger groups for family reunions, large family vacations, etc.

This has led to the construction of larger and larger seasonal resort rental homes to serve this need. These larger properties often witness more robust demand and income generation potential than smaller properties with less sleeping capacity where vacationing groups would otherwise be required to split between several locations.

In summary, the subject is sited directly in an area that is geared toward seasonal rental operations, be it solely for the purpose of income generation potential or as an offset to the costs of personal use. The ability to rent a property seasonally remains a significant motivator for market participants and weighs heavily in their buy-sell decision making process. A restriction that negatively impacts the ability to seasonally rent a resort property is estimated to have a significant negative impact on the value of this asset class.

Highest and Best Use

The definition of "highest and best use" is presented unabridged in the definitions section of this report. However, in brief, highest and best use refers to the reasonably probable and legal use of vacant land or an improved property, which is legally permissible, physically possible, appropriately supported, financially feasible, and that results in the highest value, i.e. maximally productive.[3]

Objective analysis and interpretation of market data leads to an informed opinion of that use. However, the estimate of highest and best use should not be interpreted as a provable fact. A typical highest and best analysis evaluation process and pertinent questions which aid in the elimination of possible alternatives are presented below.

1. **Permissible Use.** What uses are permitted by zoning and other legal restrictions? What are the land use controls that will govern the site? Uses that are *legally permissible* are those allowed under current or likely zoning and those that could meet building codes. In addition, local communities may have restrictions on public utility loads, traffic creation, access restrictions, and so on, all of which must be considered when selecting legally permissible uses

2. **Physically Possible Use.** To what use is the site physically adaptable? What is an appropriate improvement given architectural / engineer study? Unless prohibited by soil or subsoil problems or land size constraints, it is *physically possible* to place most potential improvements on the site. Usually this test, if performed first or second, will not significantly reduce the number of potential uses.

3. **Feasible Use.** Which possible and permissible use will produce any net return to the owner of the site? Should the land be developed, and if so, what kind of improvement should be built? If an improvement should be constructed, what is the type and characteristics of an ideal improvement? Uses that are considered economically or financially feasible are those that potentially would logically produce net operating income and net resale price levels high enough to adequately support construction of the potential improvement and provide the investor with a reasonable profit. Implicit to this analysis is that riskier projects require higher profit levels to induce potential developers to undertake the burden of coordination of land, labor and capital.

4. **Maximally Productive Use.** The final test is to determine of the financially feasible options, which of these would result in the highest land value or values as

[3] The Appraisal of Real Estate, Twelfth Edition

improved. Among the feasible uses which use will produce the highest net return, (i.e., the highest present worth)? If there are existing improvements on the property should they be maintained in their current state or should they be altered to more closely resemble the ideal improvement?

Although these criteria are generally evaluated sequentially, the resulting conclusion of highest and best use should be identical regardless of the order of application of the above tests.

Implied within this definition is that the estimation of the highest and best use for a particular property results from the appraisers' judgment and analytical skill with respect to the market for that particular property.

However, the highest and best use of a specific parcel of land is not just a matter of subjective opinion; rather, highest and best use is indicated by supply and demand forces within the market where the property is located, availability of capital, supply of alternative investments, need for additional products or services within a community, and other factors.

Highest and Best Use 'As Is'

The highest and best use 'As Is' recognizes among all reasonable, alternative uses, the use that yields the highest present land value after payments are made for labor, capital, and entrepreneurial coordination.[4]

We have evaluated the most probable uses for the subject property, 'As Is', given the current market for resort residential rental property and recent development activity in the subject market area.

Legally Permissible

The subject property is located within the Crystal Beach Neighborhood land use designation, as governed by the City of Destin. Use of the subject for various residential, short term seasonal rental, guest house and other varied uses are legally permissible by the zoning in place.

Therefore, use of the subject as a seasonal rental property is considered legal, conforming. It is noted that the zoning category description within the land development code does not provide for any outlined maximum occupancies for the subject property or other similar properties. We therefore ascertain that prior to implementation of City of Destin Ordinance 18-29-CC occupancy of the subject for the planned number of sleeping guests of 16 was legally permissible. After implementation of City Ordinance 18-29-CC, the subject will be limited to a total of 10 sleeping guests.

Therefore, use of the subject as a resort residential property is legally permissible. Use of the subject prior to Ordinance implementation for occupancy by up to 16 guests was permitted, however after implementation of the Ordinance occupancy is limited to 10 guests.

Physically Possible

The subject property is generally level, well-drained, and at or level with the existing road grade of Clipper Cove and features sufficient parking and site improvements to operate in the designed capacity.

The subject represents a well-constructed resort residential property with multiple bedrooms, bathrooms, pool, kitchen and living areas, etc. The subject has been specifically configured for occupancy as a resort rental property, and features all necessary components for operation as intended, with a designed occupancy of 16 overnight guests.

Therefore, use of the subject as a resort residential rental property for 16 sleeping guests is physically possible.

[4] The Appraisal Of Real Estate, Twelfth Edition

Financially Feasible
Demand for resort residential properties in the subject market area has improved in the previous 24-48 month period, with a number of increased transactions. Most market participants would describe the market for similar properties as robust.

As described in the market analysis section of this report. The predominant property type in the market area is of second home and seasonal vacation properties with limited full-time residents.

Many property owners rent their properties on a seasonal basis to offset costs of ownership or for income generation potential, and the income a property can generate is often a significant factor contemplated by purchasers in the market. This can be done with or without the assistance of a professional property manager.

We have witnessed a trend for increased rental demand of resort residences which can accommodate larger groups for family reunions, large family vacations, etc. This has led to the construction and renovation of seasonal resort rental homes to serve this need.

Reference the subject, the property was specifically configured to house up to 16 sleeping guests. Similar properties in the market (and the subject property) achieve sufficient income to provide an adequate return on investment to be definitively financially feasible, however this financial feasibility is directly linked to occupancy.

The recently-implemented City of Destin Ordinance 18-29-CC serves to reduce occupancy of the subject to no more than 10 persons, a net reduction in occupancy of -37.50%.

This no doubt will impact the income generation potential of the property and associated net income, as now the improvement which was sized for 16 guests will be limited to 10; But, the predominant costs of ownership remain the same.

This ordinance inevitably lowers net income to the property owner- a situation that has no result other than to reduce the value of the asset in its respective marketplace where income generation potential is valued by prospective purchasers.

Therefore, use of the subject as a resort rental property is considered to be financially feasible. However, it is noted that the reduction in permissible occupancy by Ordinance 18-29-CC is estimated to impact the financial performance and associated market value of the subject property negatively.

Maximally Productive Given the legally permissible, physically possible, and financially feasible uses of the subject property we are of the opinion that the maximally productive use of the subject property 'As Is' is for continued resort rental use at the occupancy for which is was specifically designed (ie. 16 guests).

This use will certainly bring the highest net return to the land.

While operation in a reduced occupancy capacity (as dictated by City of Destin Ordinance 18-29-CC) is still possible, the impact to the income generation potential is significant, as the occupancy has now been reduced by -37.50% based on number of persons.

This ordinance inevitably reduces gross and net income to the property owner, resulting in a reduced financial benefit of ownership and negative impact to market value.

Therefore, use of the subject as a seasonal rental property is considered legal, conforming. It is noted that the zoning category description within the land development code does not provide for any outlined maximum occupancies for the subject property or other similar properties. We therefore ascertain that prior to implementation of City of Destin Ordinance 18-29-CC occupancy of the subject for the planned number of sleeping guests of 16 was legally permissible.

Valuation Methodology - Overview

The appraisal analysis is based on analytical techniques that may encompass anticipation of costs to be incurred, and benefits to be derived in the future; however, the subject is appraised as described in this report, including only those assumptions also described in this report.

This appraisal analysis has been conducted, and the appraisal report was prepared in conformance with the requirements of Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA).

The valuation process is a systematic procedure an appraiser follows to provide answers to a client's questions about real property value.[1] Three basic approaches may be used to arrive at an estimate of market value. They are:

1. The Cost Approach
2. The Income Approach
3. The Sales Comparison Approach

Land Valuation Methodology

Land Valuation is generally a component of the Cost Approach in appraisal of an improved property. In most appraisal analyses, separate land valuation is conducted utilizing the Sales Comparison Approach.

Cost Approach Methodology

The cost approach is a reliable methodology for new, nearly new or special-use buildings. In the cost approach, value is estimated as the current cost of reproducing or replacing the existing or proposed improvements and site improvements (including direct and indirect costs as well as an appropriate entrepreneurial incentive or profit), and then deducting the loss in value from depreciation due to physical, functional, and external sources.[5]

The depreciated replacement or reproduction cost of the improvements is then added to the value of the site resulting in a value indication of the fee simple interest in the property.

The Cost Approach is summarized as follows:

Cost New
- Depreciation
+ Entrepreneurial Incentive
+ Land Value
= Value

[5] The Appraisal of Real Estate, Twelfth Edition

Sales Comparison Approach Methodology

The sales comparison approach is premised on the "Principle of Substitution" which indicates an informed purchaser would pay no more for a property than the cost of acquiring an equally desirable substitute property possessing the same or similar utility.

This approach is applicable when an active market provides sufficient quantities of reliable data which can be verified from authoritative sources. The Sales Comparison Approach is most reliable in an active market or if an opinion of value is related to properties for which there are comparable sales available- and heavy emphasis is generally placed on this sales comparison approach when these market conditions are present.

The Sales Comparison Approach compares sales of similar properties with the subject property. Each comparable sale is adjusted for its inferior or superior characteristics. The values derived from the adjusted comparable sales form a range of value for the subject. By process of correlation and analysis, a final indicated value is derived.

Income Approach Methodology

The Income Approach converts the anticipated flow of future benefits (income) to a present value estimate through a capitalization and/or a discounting process.

The income approach is recognized as a reliable approach for estimating the value of "income producing" property to an investor. The income approach consists of methods, techniques, and mathematical procedures that an appraiser utilizes to analyze a property's capacity to generate income and convert income into an indication of present value either by capitalizing the current income at a market capitalization rate, or discounting the future cash flows into a present value estimate using an appropriate yield (discount) rate. The appraisal process emulates the actions of the market, and the income approach is most applicable when the probable buyer would be an investor or prospective owner occupant. Two techniques associated with the income approach are direct capitalization and discounted cash flow analysis.

Final Reconciliation Process

In the appraisal process for improved property, typically more than one approach to value is applied, resulting in two or more value indications that must be evaluated for relevancy, applicability and reliability, and a final point value or range of value is chosen.

Resolving the differences among various value indications is called reconciliation.[6]

The appraisal process concludes with the Final Reconciliation of the values derived from the approaches applied to arrive at a single estimate or range of market value opinions. Different properties require different means of analysis and lend themselves to one

[6] The Appraisal of Real Estate, Twelfth Edition

approach over the others. As such, in the reconciliation appropriate weight is given to the most applicable and/or reliable indications of value to arrive at a conclusion.

Reconciliation is not a mathematical process. Rather, at this point in the valuation process the appraiser must reevaluate all pertinent data in the analysis for appropriateness, accuracy, and quality of evidence.

The appraiser then weighs the relative significance, applicability, and defensibility of each value indication and relies most heavily on the approach that is most appropriate to the nature of the appraisal problem.

Valuation Methodology Utilized in this Assignment

Valuation Analyses

Purpose of Assignment:	The purpose of this appraisal is to derive an opinion of the Dimunition in Value to the subject property associated with the implementation of City of Destin Ordinance No. 18-29-CC. This Ordinance was implemented January 22, 2019, and the incorporation of this ordinance limits the occupancy of the subject property to 20 guests. Prior to the implementation of this Ordinance, the designed occupancy of the subject property was 34 guests. Therefore, as a result of the ordinance, the maximum occupancy of the subject has been reduced by 14 guests, or approximately -42%. We are therefore opining on the difference in market value of the subject before and after the adoption of City of Destin Ordinance No. 18-29-CC, which was promulgated on January 22, 2019.
Land Valuation:	An opinion of value for the subject property in 'as if vacant' condition and subsequent application of the cost approach has not been provided. The purpose of this appraisal is to evaluate the impact to the value of the subject by virtue of the implementation of City of Destin Ordinance 18-29-CC which limits occupancy of the subject and corresponding associated income generation potential. Thus, the cost to acquire land and construct a replacement property is meaningless to the purpose of the assignment and was not applied.

Sales Comparison Approach:	The improved sales comparison approach was not utilized in this appraisal assignment. The purpose of this appraisal is to evaluate the impact to the value to the subject by virtue of the implementation of City of Destin Ordinance 18-29-CC which limits occupancy of the subject and associated income generation potential. As this ordinance was just recently implemented, an adequate number of improved sales which sold after the Ordinance implementation date were not available from which to derive an opinion of market value from this approach. As sales which occurred prior to this Ordinance will reflect market transactions without this restriction, they are not considered valid indicators of value for the subject in the restricted condition. Therefore this approach could not be applied due to lack of sufficient comparable data.
Income Approach:	The income approach was applied for the subject in both the 'Before Ordinance' and 'After Ordinance' scenarios.

Income Approach

The Income Approach to value is based on the principle of anticipation, i.e. the value of property correlates to the present worth of the future rights to benefits to be received by the owner. Income approach analysis considers the property from an investor's point of view, the basic premise being that the amount and quality of the income stream are the basis for value of the property.

The income approach is applied by projecting a net income stream through analysis of the subject historical data, comparable property's income and expense information, and historical income expense information for similar properties in the subject market area.

The estimated net income is then converted to a value indication utilizing either the process of direct capitalization analysis, discounted cash flow (DCF) analysis (yield capitalization), or a combination of these methods.

Discounted Cash Flow Analysis (Yield Analysis)
Discounted Cash Flow (DCF) analysis is the procedure in which a discount rate is applied to a series of projected income streams and a reversion. The analyst specifies the quantity, variability, timing, and duration of the income streams as well as the quantity and timing of the reversion and discounts each to its present value at a specified yield rate. DCF analysis can be applied with any yield capitalization technique and may be performed on either a lease-by-lease or aggregate basis.[7]

Applicability: DCF (Yield) analysis is generally used when the net income of the property is forecast to be variable, when the property is of a sufficient size and investment value to cause market participants to evaluate purchase decisions based on DCF, or when specifically requested by the client in an assignment.

Given the nature of the subject property, a discounted cash flow analysis was not employed in this appraisal analysis, as market participants typically do not utilize DCF methodology when evaluating purchase decisions for properties such as the subject.

Direct Capitalization
Conversion of a net income to a present value dollar estimate is called capitalization. Direct capitalization is a method used to convert an estimate of a single year's income expectancy into an indication of value in one direct step, either by dividing the income estimate by an appropriate rate or by multiplying the income estimate by an appropriate factor. This technique employs capitalization rates and multipliers extracted from sales. Only the first year's income is considered. Yield and value change are implied, but not identified.

[7] The Dictionary of Real Estate Appraisal, Fourth Edition

Applicability: Direct Capitalization analysis is generally appropriate for small to medium sized income-producing properties, in stable markets, single tenant or multi-user-oriented properties, or those with a forecast stable income stream.

Direct Capitalization is utilized in this appraisal given the subject market environment, the character of the subject property in the local market, and the tendency for market participants to use direct capitalization analysis when evaluating investment thresholds and financial benefits for similar property.

The steps involved in capitalizing the subject's net operating income are as follows:

- Develop the subject's Potential Gross Income (PGI) through analysis of the subject's actual historic income and an analysis of competitive current market income rates.

- Estimate and deduct vacancy and collection losses to develop the Effective Gross Income (EGI).

- Develop and subtract operating expenses to derive the Net Operating Income (NOI).

- Develop the appropriate capitalization rate (R_o).

- Divide the net operating income by the capitalization rate for an estimate of value through the income approach.

The reliability of a value found by this approach depends on an appraiser's ability to forecast and support income forecasts and to apply the appropriate income capitalization technique to arrive at the value estimate. When estimating market value, the income forecast must be considered by the appraiser to be typical and the income capitalization techniques must reflect the way investors usually estimate value.

Valuation of a Fee Simple Interest by the Income Approach
When estimating the value of the fee simple interest by the income approach, the annual operating income is forecast assuming market levels. The term "market levels" means that the income and expenses are set at levels considered suitable for the subject property after comparing it to similar properties under current market conditions. Rental rates are projected based on expected market rents and vacancy, and collection loss is based on what is typical in the market for properties renting at the market rate.

Estimate of Potential Gross Income (PGI)

Potential Gross Income is the total income attributable to real property at full occupancy before vacancy and operating expenses are deducted. Potential Gross Income includes the sum of potential rental income, other income, and expense recoveries. The income and expense history of the subject property is described below.

Property Income / Use History:
The property owner provided us with historical rental income and expense data for the first full year of seasonal rental revenue since the property was purchased by the current owner as well as a partial year of operation in the year of purchase.

The property owner purchased the subject in January of 2017, prepared the subject for seasonal rental in the current configuration after purchase, and subsequently operated the subject as seasonal rental for a full year in 2018. The historical income generated by the subject property as provided by the property owner for the first full year of rental operations (2018) and for a partial year of operation (2017) are presented below:

- 2018 Gross Rental Income $102,429 (206 rented days $497.23 per rented day)
- 2017 Gross Rental Income $73,795 (134 rented days, $550.71 per rented day)

As can be referenced above, income to the subject per rented day based on the advertised occupancy of 16 persons was consistent between the first partial year of operation in 2017 and the first full year of operation in 2018.

We again mention that the subject property is a resort residential home that was specifically configured for income generation potential based on a sleeping occupancy load of 16 persons. This is the basis of the 'Before Ordinance' valuation scenario.

As a result of the implementation of City of Destin Ordinance 18-29-CC, the subject is now limited to a maximum sleeping occupancy of 10 persons, or a reduction of approximately -37.50%. This is the basis of the 'After Ordinance' valuation scenario.

We now seek to formulate an opinion of probable annual gross income due the subject in the 'Before Ordinance' configuration with a sleeping occupancy of 16 guests and in the 'After Ordinance' configuration with a sleeping occupancy of 10 guests.

Market Rent Based on Occupancy
The appraiser has researched the local market area in order to derive potential subject market rents based on the respective occupancy levels in the 'before' and 'after' configurations. We will present a table of comparable gross rental income for comparable resort residential properties for both the 'before' and 'after' occupancy categories. The following table outlines comparable rentals of residential resort rental homes in the subject market area with a sleeping capacity of over 30 guests, the for 20 guests.

COMPARABLE RENTAL SCHEDULE, SLEEPING OCCUPANCY APPROXIMATELY 16 PERSONS 'Before Ordinance' Dataset					
Address	**Sleeping Capacity**	**HVAC SF**	**Year Built**	**Annual Gross Income**	**Gross Income Per Sleeping Occupant**
75 Shirah Street	14	2,496	1981	$79,885	$5,706
80 Woodward Street	16	2,378	2003	$85,000	$5,313
83 Sunfish Street	16	2,450	1994	$96,000	$6,000
113 Los Angeles Street	19	3,122	2005	$137,308	$7,227
71 Stingray Street	20	3,014	1994	$106,000	$5,300
3893 Sandprint Cir	20	3,107	2018	$118,796	$7,425
SUBJECT 2018 HISTORICAL REVENUE	*16*	*2,244*	*1993*	*$102,429*	*$6,402*
Comparable Statistics*					
Minimum	14	2,378	1981	$79,885	$5,300
Maximum	20	3,122	2018	$137,308	$7,425
Average	17	2,761	1999	$100,839	$6,162
Median	16	2,755	1999	$96,000	$5,853
*Subject Data Excluded From Statistical Calculations					

The array of comparable rentals above exhibited a range of income per guest per year of between $5,300 and $7,425 per occupant. In consideration of the data above, we consider that an appropriate conclusion of gross annual rent per sleeping occupant is supported at $6,400 per sleeping space consistent with the historical performance of the subject, which is within the range of comparable rental data presented.

CONCLUSION OF POTENTIAL GROSS ANNUAL RENT, SUBJECT SLEEPING OCCUPANCY OF 16 PERSONS 'Before Ordinance'				
Address	**Sleeping Capacity**	**HVAC SF**	**Concluded Annual Gross Income Calculated Per Sleeping Occupant**	**Calculated Conclusion of Annual Gross Income**
Subject Property	*16*	*2,244*	*$6,400*	*$102,400*

COMPARABLE RENTAL SCHEDULE, SLEEPING OCCUPANCY OF APPROXIMATELY 10 PERSONS 'After Ordinance' Dataset					
Address	Sleeping Capacity	HVAC SF	Year Built	Annual Gross Income	Gross Income Per Sleeping Occupant
3551 Scenic Highway 98 #2	8	1,440	1998	$45,545	$5,693
4763 Calatrava Court	8	1,560	1995	$61,000	$7,625
80 Terra Cotta Way	8	1,600	1994	$65,000	$8,125
92 Hutchison Street	10	1,556	1994	$59,523	$5,952
84 Woodward Street, Destin	12	1,764	2007	$80,560	$6,713
Comparable Statistics*					
Minimum	8	1,440	1994	$45,545	$5,693
Maximum	10	1,764	2007	$80,560	$8,125
Average	8.5	1,584	1998	$62,326	$6,822
Median	8	1,560	1995	$61,000	$6,713
*Subject Occupancy Limited by City of Destin Ordinance 18-29-CC					

The array of comparable rentals above exhibited a range of income per guest per year of between $5,693 and $8,125 per occupant. In consideration of the data above, we consider that an appropriate conclusion of gross annual rent per sleeping occupant is supported at the middle-upper end of the range, in consideration of the larger size of the structure per number of occupants. We therefore estimate an annual rent of $6,800 per sleeping space is supported.

CONCLUSION OF POTENTIAL GROSS ANNUAL RENT, SUBJECT SLEEPING OCCUPANCY OF 10 PERSONS 'After Ordinance'				
Address	Sleeping Capacity	HVAC SF	Concluded Annual Gross Income Calculated Per Sleeping Occupant	Calculated Conclusion of Annual Gross Income
Subject Property	*10*	*2,244*	*$6,800*	*$68,000*

In the preceding section of the report we derived an opinion of probable gross annual rent due the subejct in both the 'Before Ordinance' ($102,400) and 'After Ordinance' ($68,000) conditions. The result was a decrease in annual income as a result of the reduced sleeping capaicty of -33.59% commensurate with the decrease in ocupancy from 16 to 10 persons or -37.50%.

We now seek to evaluate the expenses pertinent to the subject in order to forecast Net Operating Income in both the Before and After scenarios.

Estimation of Operating Expenses

Vacancy and Collection Loss
As we forecast income based on comparable rentals with reported gross income figures, there is no need to deduct a vacancy and collection loss allocation, as the figures utilized already take into account a vacant and credit loss deduction.

Taxes
The property taxes for the subject property as of 2018 are reported to be a rounded figure of $5,193 annually. This cost is stable regardless of the occupancy of the subject in the 'before' and 'after' conditions.

Insurance
The insurance costs for the subject are reported to be $4,908 annually, which is consistent with other similar properties in the market area. This cost is stable regardless of the occupancy of the subject in the 'before' and 'after' conditions.

Utilities (Power, Water/Sewer/Garbage, Cable and Internet)
The owner pays all utilities, including power, water/sewer/garbage, cable and internet, for the subject property. 2018 Utilities expenses were $8,032, and we will utilize this annual cost for the subject in the 'before' condition, and at the rate of $7,500 in the 'after' condition. It is noted that regardless of the occupancy of the subject, the costs of electricity remain relatively constant, and the costs of cable and internet are the same regardless of the number of occupants. Only the expenses of water, gas and to a nominal degree electricity are variable with occupancy.

Repairs/Maintenance
We have included a repairs/maintenance allowance as a percentage of EGI at 10.0% in the before configuration which equates to $10,240 annually. With regard to the after configuration, noting that routine maintenance is likely not significantly impacted by differences in occupancy between 16 and 10 persons, but the annual income is reduced, we must increase our maintenance in the 'after' configuration as this expense is calculated as a % of EGI. In the 'after' condition we estimate maintenance at the rate of 15.0% of EGI. While we do recognize that 'wear and tear' is somewhat linked to occupancy, the fact that the entire house area is subject to use by 10 guests just as it is with 16 guests, this cost is somewhat fixed.

Management
We estimate management costs based on the costs of a third party manager who would typically charge between 15% and 25% of collected rents for the management service. We will utilize a rate on the lower end of this scale for both value scenarios, or a rate of 15% of EGI.

Income and Expense Statement

The table below recaps our projected income stream and breaks down each expense item. Expenses are totaled, and the net operating income is displayed for both the 'before' and 'after' ordinance conditions.

Income Capitalization Analysis - 'Before Ordinance Limiting Occupancy'				
Unit	**Income**	**Method**	**Units/SF**	**Annual**
Annual Income 'Before Ordinance' - 16 Guests	$102,400.00	$/Year	1	$102,400
			Potential Gross Income:	$102,400
		Vacancy & Collection Loss	Included	$0
			Effective Gross Income (EGI):	$102,400

Expense	**Amount (% or**	**Method**	**Annual**
Taxes	$5,193	$/Year	$5,193
Insurance	$4,908	$/Year	$4,908
Utilities	$8,032	$/Year	$8,032
Repairs/Maintenance	10.0%	% of EGI	$10,240
Management	15%	% of EGI	$15,360
		Total Expenses:	$43,733
		Expense Ratio (Expenses/EGI):	42.71%
		Net Operating Income (NOI):	$58,667

Income Capitalization Analysis - 'After Ordinance Limiting Occupancy'				
Unit	**Income**	**Method**	**Units/SF**	**Annual**
Annual Income 'After Ordinance' - 10 Guests	$65,000.00	$/Year	1	$65,000
			Potential Gross Income:	$65,000
		Vacancy & Collection Loss	Included	$0
			Effective Gross Income (EGI):	$65,000

Expense	**Amount (% or**	**Method**	**Annual**
Taxes	$5,193	$/Year	$5,193
Insurance	$4,908	$/Year	$4,908
Utilities	$7,500	$/Year	$7,500
Repairs/Maintenance	15.0%	% of EGI	$9,750
Management	15%	% of EGI	$9,750
		Total Expenses:	$37,101
		Expense Ratio (Expenses/EGI):	57.08%
		Net Operating Income (NOI):	$27,899

Capitalization Rate Derivation

The capitalization rate is the factor that coverts the stabilized net operating income (NOI) to a present value. It is the ratio of net income to value or sale price.

NOI ÷ Sale Price = Capitalization Rate

For example, if a property sells for $500,000, and has a stabilized NOI of $50,000, the indicated capitalization rate is 10%.

Four methods are generally recognized for estimating an appropriate capitalization rate for use in direct capitalization analysis. These four methods are:

1. Market-Extracted Capitalization Rate Data
2. Band of Investment Method Calculation
3. Debt Coverage Method Calculation
4. Nationally-Published Capitalization Rate Data

Market Extracted Capitalization Rate Data

The market-extraction method of estimating capitalization rates involves finding comparable sales of property similar to the subject, and extracting a market rate from the net operating income and sales price of the comparable property.

We present the following examples of market-extracted capitalization rates for Resort Residential properties, based on similar sales in the local and broader markets.

- 3463 Scenic Highway 98 is a resort rental property that sold in February of 2016 for $3,615,000. Net Operating Income was reported to be $222,125, therefore indicating a capitalization rate of 6.14%.

- 925 Scenic Gulf Drive in Miramar Beach is a resort rental property that sold in November of 2018 for $1,900,000. Net Operating Income based on forecast income and expenses was reported to be $130,000, therefore indicating a capitalization rate of 6.84%.

- 917 Scenic Gulf Drive in Miramar Beach is a resort rental property that sold in August of 2018 for $1,925,000. Net Operating Income based on forecast income and expenses was reported to be $135,000, therefore indicating a capitalization rate of 7.00%.

- 1850 Scenic Gulf Drive in Miramar Beach is a resort rental property that sold in September of 2015 for $2,205,000. Net Operating Income at the time of sale was reported to be $133,200, therefore indicating a capitalization rate of 6.03%.

Based on the above information, and taking into consideration the overall market appeal we consider that a market extracted rate of 6.50% would be applicable for the subject property.

Band of Investment Method Analysis

This technique utilizes lender and real estate investor investment criteria to develop, or synthesize a capitalization rate. As most income producing properties are purchased with debt plus equity capital, the return on investment portion of the overall capitalization rate must satisfy the market returns of both the investor and the lender. The lender must receive a competitive interest rate, and the investor must anticipate receiving a competitive equity yield.

There are four key inputs necessary for this method:

1. The loan-to-value ratio (M)
2. The mortgage interest rate (i)
3. The loan term (n)
4. The equity cap rate or equity dividend rate (R_E)

The mortgage variables are used to build the mortgage constant (R_M), which is the total amount of the payments made in one year, expressed as a percentage of the original loan amount.

Payments x 12 / Original Loan Amount = Mortgage Constant (R_M)

The equity cap rate is the annual return to the investor, expressed as a percent of the original amount invested. The annual return to the investor is also known as the equity dividend rate; it is the profit remaining after debt service and all other expenses.

After Debt Service Profit / Equity Investment = Equity Cap Rate (R_E)

Note that the equity cap rate is not the same (usually, that is) as the equity yield rate. The equity yield rate reflects the total return to the investor over the life of the investment. Factors such as appreciation and mortgage pay down affect and usually increase this return to a point higher than the equity dividend rate. In markets where substantial appreciation is expected, investors will often accept a low or even negative equity dividend rate, anticipating a compensating payoff when the property is eventually sold. In markets where little appreciation is expected, much more weight is given to the annual equity dividend.

Formula:

R_M x M = rate
R_E x (1-M) = rate
= Cap Rate (R_o)

A survey of local lenders indicated that competitive fixed rate loans for properties similar to the subject as investment property are typically available at a rate of between 5.50% and 7.50% on a 30 year amortization schedule with a 50-70% loan to value.

Thus, we will use a rate of 6.00% in our calculations, with a 70% loan to value and a 30 year amortization term for our analysis of the band of investment and debt coverage ratio analyses.

The debt capitalization rate (or mortgage constant) for a typical loan made at 6.00% for 30 years is 0.07194606.

Equity dividend (capitalization) rates in the local market range from 4-9%. We estimate an equity dividend rate of 6.00% in the local market for property such as the subject.

Debt Coverage Ratio Method Analysis

This technique develops a capitalization rate based on typical mortgage terms. There are four variables necessary for this method:

1. The loan-to-value ratio (M)
2. The mortgage interest rate (i)
3. The loan term (n)
4. The debt coverage ratio (DCR)

Items 1 through 3 are discussed above under the Band of Investment section. In this method it is also used to develop the mortgage constant (R_M). The debt coverage ratio is the factor by which income exceeds debt on an annual basis.

Formula:
Debt Coverage Ratio x Loan to Value Ratio x Mortgage Constant = R_o
or: DCR x M x R_M = R_o

We have researched mortgage rates and terms typical for the subject within the market area as noted above. The table below details the Band of Investment and Debt Coverage Ratio Analyses calculations.

Capitalization Rate Calculations					
Capitalization Rate Variables					
Mortgage Interest Rate	6.00%				
Loan Term (Years)	30				
Loan To Value Ratio	70.%				
Debt Coverage Ratio	1.25				
Equity Dividend Rate	6.00%				
Band of Investment Analysis					
Mortgage Constant			Loan Ratio	Contributions	
0.071946063		x	70.%	=	5.04%
Equity Dividend Rate			Equity Ratio		
6.00%		x	30.%	=	1.80%
		Band of Investment Capitalization Rate			**6.84%**
Debt Coverage Ratio Analysis					
Debt Coverage Ratio x Loan to Value Ratio x Mortgage Constant					
1.25 x 0.7 x 0.0719460630183303				=	6.30%
		Debt Coverage Ratio Capitalization Rate			**6.30%**

The Band of Investment capitalization rate analysis indicated an appropriate capitalization rate per the preceding assumptions of 6.84%.

The Debt Coverage Ratio Analysis indicated an appropriate capitalization rate per the preceding assumptions of 6.30%.

National Survey Data

RealtyRates.com Investor Survey
RealtyRates does not track capitalization rates for resort residential property such as the subject, however they do track rates for lodging facilities, a property type that is similar in use to the subject, being a facility for short term rental on a seasonal basis where all services are included in the rental rate. We therefore look to this property category in realty rates for an indication of an applicable capitalization rate for the subject.

The *Realty Rates Investor Survey*, dated 4th Quarter 2018, indicates going-in capitalization rates for Lodging Facilities – All Types ranged from 5.21% to 17.22% with an average of 11.32%. In consideration of the excellent quality and condition of the subject property, as well as the resort location, we would estimate an applicable capitalization rate would be below the national average indicated by the survey data and within the lower quartile of exhibited rates, or a rate of between 5.21% and 8.22%.

RealtyRates.com INVESTOR SURVEY - 4th Quarter 2018* LODGING FACILITIES -ALL TYPES							
Item	**Input**						**OAR**
Minimum							
Spread Over 10-Year Treasury	0.86%	**DCR Technique**		1.00	0.048303	0.80	**3.86**
Debt Coverage Ratio	1.00	**Band of Investment Technique**					
Interest Rate	3.75%	Mortgage		80%	0.048303	0.038642	
Amortization	40	Equity		20%	0.080938	0.016188	
Mortgage Constant	0.048303	OAR					**5.48**
Loan-to-Value Ratio	80%	**Surveyed Rates**					**5.21**
Equity Dividend Rate	8.09%						
Maximum							
Spread Over 10-Year Treasury	11.58%	**DCR Technique**		2.85	0.163616	0.50	**23.32**
Debt Coverage Ratio	2.85	**Band of Investment Technique**					
Interest Rate	14.47%	Mortgage		50%	0.163616	0.081808	
Amortization	15	Equity		50%	0.198946	0.099473	
Mortgage Constant	0.163616	OAR					**18.13**
Loan-to-Value Ratio	50%	**Surveyed Rates**					**17.22**
Equity Dividend Rate	19.89%						
Average							
Spread Over 10-Year Treasury	3.54%	**DCR Technique**		1.53	0.084242	0.67	**8.60**
Debt Coverage Ratio	1.53	**Band of Investment Technique**					
Interest Rate	6.43%	Mortgage		67%	0.084242	0.056324	
Amortization	22	Equity		33%	0.145842	0.048333	
Mortgage Constant	0.084242	OAR					**10.47**
Loan-to-Value Ratio	66.9%	**Surveyed Rates**					**11.32**
Equity Dividend Rate	14.6%						

Capitalization Rate Summary and Conclusion

We consider that a market extracted rate of 6.50% would be applicable for the subject property based on market-extracted capitalization rate indications.

The Band of Investment capitalization rate analysis indicated an appropriate capitalization rate per the preceding assumptions of 6.84%.

The Debt Coverage Ratio Analysis indicated an appropriate capitalization rate per the preceding assumptions of 6.30%.

National Market Indicators as reported by realty rates for a related property type indicate an appropriate capitalization rate of between 5.21% and 8.22% for the subject property.

Capitalization Rate Conclusion:

It is the opinion of the appraiser that a **6.50% capitalization rate** should be employed in this analysis.

On the following page we present the direct capitalization analysis for both the ‘Before’ and ‘After’ Ordinance 18-29-CC value scenarios.

Capitalization to Value

Income Capitalization Analysis - 'Before Ordinance Limiting Occupancy'				
Unit	**Income**	**Method**	**Units/SF**	**Annual**
Annual Income 'Before Ordinance' - 16 Guests	$102,400.00	$/Year	1	$102,400
			Potential Gross Income:	$102,400
		Vacancy & Collection Loss	Included	$0
			Effective Gross Income (EGI):	$102,400

Expense	**Amount (% or**	**Method**	**Annual**
Taxes	$5,193	$/Year	$5,193
Insurance	$4,908	$/Year	$4,908
Utilities	$8,032	$/Year	$8,032
Repairs/Maintenance	10.0%	% of EGI	$10,240
Management	15%	% of EGI	$15,360
		Total Expenses:	$43,733
		Expense Ratio (Expenses/EGI):	42.71%
		Net Operating Income (NOI):	$58,667
		Capitalization Rate:	6.50%
		Value (NOI/Cap Rate):	$902,569
		Rounded:	$900,000

Income Capitalization Analysis - 'After Ordinance Limiting Occupancy'				
Unit	**Income**	**Method**	**Units/SF**	**Annual**
Annual Income 'After Ordinance' - 10 Guests	$65,000.00	$/Year	1	$65,000
			Potential Gross Income:	$65,000
		Vacancy & Collection Loss	Included	$0
			Effective Gross Income (EGI):	$65,000

Expense	**Amount (% or**	**Method**	**Annual**
Taxes	$5,193	$/Year	$5,193
Insurance	$4,908	$/Year	$4,908
Utilities	$7,500	$/Year	$7,500
Repairs/Maintenance	15.0%	% of EGI	$9,750
Management	15%	% of EGI	$9,750
		Total Expenses:	$37,101
		Expense Ratio (Expenses/EGI):	57.08%
		Net Operating Income (NOI):	$27,899
		Capitalization Rate:	6.50%
		Value (NOI/Cap Rate):	$429,215
		Rounded:	$430,000

Conclusion of Dimunition in Value

In the ‘before ordinance’ configuration direct capitalization of the net operating income to the subject property revealed a value opinion of $900,000 based on an occupancy of 16 sleeping guests.

In the ‘after ordinance’ configuration direct capitalization of the net operating income to the subject property revealed a value opinion of $430,000 based on an occupancy of 10 sleeping guests.

The Dimunition in Value is represented by the difference between the 'before' and 'after' value conclusions, or in this case the difference between $900,000 and $430,000 or $470,000.

As an augmenting check to this value opinion, we consider a discounted cash flow analysis of the lost income to the subject as a result of the reduced occupancy, for the remaining term of the economic life of the improvement.

As presented in the preceding income analyses, the difference in annual Net Operating Income between the 'before' scenario at $58,667 and the 'after' scenario at $27,899, calculates to $30,768 annually. This is the annual net income loss as a result of the implemented restriction on occupancy by virtue of City of Destin Ordinance 18-29-CC, and will promulgate for the remainder of the economic life of the structure and the site is redeveloped.

We previously stated in the report that the subject improvement was constructed in 1993 but due to periodic maintenance and apparent renovations, is estimated to feature an effective year built of 2003, providing for an effective age of 16 years.

The published economic life of improvements similar to the subject is 55 years per Marshall Valuation Service. Subtracting the economic age of the improvement of 16 years from the overall life of 55 years we calculate a remaining economic life for the subject structure is 39 years.

If we consider that City of Destin Ordinance 18-29-CC serves to reduce occupancy to the subject, thereby reducing annual income in the amount of $30,768 annually, presumably for the remaining economic life of the improvement, we can calculate the present value of this financial loss over time as a check to the Dimunition in value calculation via direct capitalization analysis presented preceding.

If we discount the annual loss of $30,768 for a period of 39 years, at a discount rate of 6% annually, the present value of the future loss of income is calculated to be $459,953 which provides additional support for our opinion of Dimunition in Value via direct capitalization analysis of $470,000.

Therefore, our opinion of Dimunition in value for the subject property is opined to be $470,000 consistent with our calculation via direct capitalization analysis:

Four Hundred Seventy Thousand Dollars
$470,000

Certification

The appraiser has no present or prospective interest in the subject property of this appraisal and no personal interest of bias with respect to the parties involved in this appraisal. I have the appropriate education and experience to conduct this appraisal.

The appraiser will not divulge the analytical findings or conclusions to anyone other than the client or designee, except as may be required by the Appraisal Institute or by a court of law with power of subponea.

I certify, to the best of our knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions and conclusions.
- I have no present or prospective interest in the property which is the subject of this report and no personal interest with respect to the parties involved.
- I have no bias with respect to the property which is the subject of this report or to the parties involved with this assignment.
- The engagement in this assignment was not contingent upon developing or reporting predetermined results.
- The compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- I have made a personal inspection of the property that is the subject of this report.

Certification
(Continued)

- The signatory appraiser has not performed any services, as an appraiser or in any other capacity, regarding the subject property within the 3 years prior to acceptance of this appraisal assignment.

This appraisal has been conducted, and the appraisal report prepared in conformance with the requirements of Title XI of the Financial Institutions Reform, Recover, and Enforcement Act of 1989 (FIRREA, 12 U.S.C. 3331 et seq.). This appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.

No person other than the undersigned made a significant professional contribution to the research and analysis in this appraisal unless specifically noted above.

Respectfully Submitted,

EquiValue Appraisal, LLC

Jason P. Shirey, MAI, CCIM
Cert Gen RZ3186

Limiting Conditions and Assumptions

1. Unless otherwise noted in the body of the report, we assumed that title to the property or properties appraised is clear and marketable and that there are no recorded or unrecorded matters or exceptions that would adversely affect marketability or value. We are not aware of any title defects nor were we advised of any unless such is specifically noted in the report. We did not examine a title report and make no representations relative to the condition thereof. Documents dealing with liens, encumbrances, easements, deed restrictions, clouds and other conditions that may affect the quality of title were not reviewed. Insurance against financial loss resulting in claims that may arise out of defects in the subject property's title should be sought from a qualified title company that issues or insures title to real property.

2. We assume that improvements are constructed or will be constructed according to approved architectural plans and specifications and in conformance with recommendations contained in or based upon any soils report(s).

3. Unless otherwise noted in the body of this report, we assumed: that any existing improvements on the property or properties being appraised are structurally sound, seismically safe and code conforming; that all building systems (mechanical/electrical, HVAC, elevator, plumbing, etc.) are, or will be upon completion, in good working order with no major deferred maintenance or repair required; that the roof and exterior are in good condition and free from intrusion by the elements; that the property or properties have been engineered in such a manner that it or they will withstand any known elements such as windstorm, hurricane, tornado, flooding, earthquake, or similar natural occurrences; and, that the improvements, as currently constituted, conform to all applicable local, state, and federal building codes and ordinances. We are not engineers and are not competent to judge matters of an engineering nature. We did not retain independent structural, mechanical, electrical, or civil engineers in connection with this appraisal and, therefore, make no representations relative to the condition of improvements. Unless otherwise noted in the body of this report no problems were brought to our attention by ownership or management. We were not furnished any engineering studies by the owners or by the party requesting this appraisal. If questions in these areas are critical to the decision process of the reader, the advice of competent engineering consultants should be obtained and relied upon. It is specifically assumed that any knowledgeable and prudent purchaser would, as a precondition to closing a sale, obtain a satisfactory engineering report relative to the structural integrity of the property and the integrity of the building systems. Structural problems and/or building system problems may not be visually detectable. If engineering consultants retained should report negative factors of a material nature, or if such are later discovered, relative to the condition of the improvements, such information could have a substantial negative impact on the conclusions reported in this appraisal. Accordingly, if engineering consultants report negative findings, we reserve the right to amend the appraisal conclusions reported herein.

4. All furnishings, equipment and business operations, except as specifically stated and typically considered as part of real property, have been disregarded with only real property being considered in the appraisal. Any existing or proposed improvements, on- or off-site, as well as any alterations or repairs considered, are assumed to be completed

in a workmanlike manner according to standard practices based upon information submitted. This report may be subject to amendment upon re-inspection of the subject property subsequent to repairs, modifications, alterations and completed new construction. Any estimate of Market Value is as of the date indicated; based upon the information, conditions and projected levels of operation.

5. We assume that all factual data furnished by the client, property owner, owner's representative, or persons designated by the client or owner to supply said data are accurate and correct unless otherwise noted in the appraisal report. We have no reason to believe that any of the data furnished contain any material error. Information and data referred to in this paragraph include, without being limited to, numerical street addresses, lot and block numbers, Assessor's Parcel Numbers, land dimensions, square footage area of the land, dimensions of the improvements, gross building areas, net rentable areas, usable areas, unit count, room count, rent schedules, income data, historical operating expenses, budgets, and related data. Any material error in any of the above data could have a substantial impact on the conclusions reported. Thus, we reserve the right to amend our conclusions if errors are revealed. Accordingly, the client-addressee should carefully review all assumptions, data, relevant calculations, and conclusions within 30 days after the date of delivery of this report and should immediately notify us of any questions or errors.

6. The date of value to which any of the conclusions and opinions expressed in this report apply, is set forth in the Letter of Transmittal. Further, that the dollar amount of any value opinion herein rendered is based upon the purchasing power of the American Dollar on that date. This appraisal is based on market conditions existing as of the date of this appraisal. Under the terms of the engagement, we will have no obligation to revise this report to reflect events or conditions which occur subsequent to the date of the appraisal. However, we will be available to discuss the necessity for revision resulting from changes in economics or market factors affecting the subject.

7. We assume no private deed restrictions, limiting the use of the subject property in any way.

8. Unless otherwise noted in the body of the report, we assume that there are no mineral deposits or subsurface rights of value involved in this appraisal, whether they be gas, liquid, or solid. Nor are the rights associated with extraction or exploration of such elements considered unless otherwise stated in this appraisal report. Unless otherwise stated we also assumed that there are no air or development rights of value that may be transferred.

9. We are not aware of any contemplated public initiatives, governmental development controls, or rent controls that would significantly affect the value of the subject.

10. The estimate of Market Value, which may be defined within the body of this report, is subject to change with market fluctuations over time. Market value is highly related to exposure, time promotion effort, terms, motivation, and conclusions surrounding the offering. The value estimate(s) consider the productivity and relative attractiveness of the property, both physically and economically, on the open market.

11. Unless specifically set forth in the body of the report, nothing contained herein shall be construed to represent any direct or indirect recommendation to buy, sell, or hold the

properties at the value stated. Such decisions involve substantial investment strategy questions and must be specifically addressed in consultation form.

12. Unless otherwise noted in the body of this report, we assume that no changes in the present zoning ordinances or regulations governing use, density, or shape are being considered. The property is appraised assuming 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 estimates contained in this report is based, unless otherwise stated.

13. This study may not be duplicated in whole or in part without our written consent, nor may this report or copies hereof be transmitted to third parties without said consent. Exempt from this restriction is duplication for the internal use of the client-addressee and/or transmission to attorneys, accountants, or advisors of the client-addressee. Also exempt from this restriction is transmission of the report to any court, governmental authority, or regulatory agency having jurisdiction over the party/parties for whom this appraisal was prepared, provided that this report and/or its contents shall not be published, in whole or in part, in any public document without our written consent. Finally, this report shall not be advertised to the public or otherwise used to induce a third party to purchase the property or to make a "sale" or "offer for sale" of any "security", as such terms are defined and used in this Securities Act of 1933, as amended. Any third party, not covered by the exemptions herein, who may possess this report, is advised that they should rely on their own independently secured advice for any decision in connection with this property. We shall have no accountability or responsibility to any such third party.

14. Any value estimate provided in the report applies to the entire property, and any pro ration or division of the title into fractional interests will invalidate the value estimate, unless such pro ration or division of interests has been set forth in the report.

15. Any distribution of the total valuation in this report between land and improvement applies only under the existing program of utilization. Component values for land and/or buildings are not intended to be used in conjunction with any other property or appraisal and are invalid if so used.

16. The maps, plats, sketches, graphs, photographs, and exhibits included in this report are for illustration purposes only and are to be used only to assist in visualizing matters discussed within this report. Except as specifically stated, data relative to size or areas of the subject and comparable properties was obtained from sources deemed accurate and reliable. None of the exhibits are to be removed, reproduced, or used apart from this report.

17. No opinion is intended to be expressed on matters that may require legal expertise or specialized investigation or knowledge beyond that which is customarily employed by real estate appraisers. Values and opinions expressed presume that environmental and other governmental restrictions/conditions by applicable agencies have been met, including but not limited to seismic hazards, flight patters, decibel levels/noise envelopes, fire hazards, hillside ordinances, density, allowable uses, building codes, permits, licenses, etc. No survey, engineering study or architectural analysis was provided to us unless otherwise stated within the body of this report. If we were not supplied with a

termite inspection, survey or occupancy permit, no responsibility or representation is assumed or made for any costs associated with obtaining same or for any deficiencies discovered before or after they are obtained. No representation or warranty is made concerning obtaining these items. We assume no responsibility for any costs or consequences arising due to the need, or the lack of need, for flood hazard insurance. An agent for the Federal Flood Insurance Program should be contacted to determine the actual need for Flood Hazard Insurance.

18. Acceptance and/or use of this report constitutes full acceptance of the Assumptions and Limiting Conditions and extraordinary assumptions set forth in this report. It is the responsibility of the Client, or client's designees, to read in full, comprehend and thus become aware of the aforementioned assumptions and limiting conditions. We assume no responsibility for any situation arising out of the Client's failure to become familiar with and understand the same. The Client is advised to retain experts in areas that fall outside the scope of the real estate appraisal/consulting profession if so desired.

19. We assume that the subject property will be under prudent and competent management and ownership; neither inefficient nor super-efficient.

20. We assume 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 reports.

21. No survey of the boundaries of the property was undertaken. All areas and dimensions furnished are presumed correct. It is further assumed that no encroachments to the realty exists.

22. All value opinions expressed herein are as of the date of value. In some cases, facts or opinions are expressed in the present tense. All opinions are expressed as of the date of value, unless specifically noted.

23. The Americans with Disabilities Act (ADA) became effective January 26, 1992. Notwithstanding any discussion of possible readily achievable barrier removal construction items in this report, we did not perform a specific compliance survey and analysis of this property to determine wither it is in conformance with the various detailed requirements of the ADA. It is possible that a compliance survey of the property together with a detailed analysis of the requirements of the ADA could reveal that the property is not in compliance with one or more of the requirements of the ADA. If so, the fact could have a negative effect on the value estimated herein. Since we have no specific information relating to this issue, nor are we qualified to make such an assessment, the effect of any possible non-compliance was not considered in estimating the value of the subject property.

24. The value estimate rendered in this report is predicated on the assumption that there is no hazardous material on or in the property that would cause a loss of value. We were not provided with an Environmental Assessment Report. Further, we are not qualified to determine the existence or extent of environmental hazards. If there are any concerns pertaining to environmental hazards for this property, we recommend that a qualified engineer perform an assessment.

ADDENDA

Parcel Map

PARCEL INFORMATION TABLE	
Selected Parcel	00-2S-22-0583-0000-0430 (Click for Complete Card)
DOR Property Usage	SINGLE FAMILY (000100)
Calculated Acreage (GIS)	0.13
Calculated GIS acreage is computer generated. It is for informational purposes only and does not replace deed or survey information.	
Property Use	SINGLE FAM
Land Use	000100

OWNERSHIP INFORMATION	
Name	JOHANSEN PETER
Mailing Address	4443 CLIPPER COVE DESTIN, FL 32541
Situs/Physical Address	4443 CLIPPER CV DESTIN

VALUES:	
Land Value	212,823
Ag Land Value	0
Building Value	206,858
Misc Value	22,325
Just Value	442,006
Assessed Value	442,006
Exempt Value	50,000
Taxable Value	392,006

LAST 2 SALES

Date	Price	Vacant?	Qual
2017-01	525,000	I	Q
2012-12	425,000	I	U

Property Appraiser Card

Okaloosa County
Property Appraiser

Sales In Area | Previous Parcel | Next Parcel | Field Definitions | Return to Main Search | Okaloosa Home

Owner and Parcel Information

Owner Name	JOHANSEN PETER	Today's Date	April 25, 2019
Mailing Address	4443 CLIPPER COVE DESTIN, FL 32541	Parcel Number	00-25-22-0583-0000-0430
		Tax District	DESTIN (District 16)
Location Address	4443 CLIPPER CV DESTIN	2018 Millage Rates	12.9406
Property Usage	SINGLE FAM (000100)	Acreage	0
Section Township Range	00-25-22	Homestead	Y
Business Name			

Show Parcel Maps

Value Information

	2017 Certified Values	2018 Certified Values
Building Value	$199,621	$206,858
Extra Feature Value	$22,325	$22,325
Land Value	$198,800	$212,823
Land Agricultural Value	$0	$0
Agricultural (Market) Value	$0	$0
Just (Market) Value*	$420,846	$442,006
Assessed Value	$420,846	$442,006
Exempt Value	$0	$50,000
Taxable Value	$420,846	$392,006

Just (Market) Value description - This is the value established by the Property Appraiser for ad valorem purposes. This value does not represent anticipated selling price.

Tax Information

Legal Information

CRYSTAL BCH COTTAGES PH II LOT 43

The legal description shown here may be condensed for assessment purposes. Exact description should be obtained from the recorded deed.

Building Information

Type	Total Area	Heated Area	Exterior Wall	Roof Cover	Interior Wall	Flooring
SINGLE FAM	3,241	3,244	VINYL SID	METAL	DRYWALL	WD LAMINAT / CLAY/CERAMIC
Heating Type	**A/C Type**	**Baths**	**Bedrooms**	**Stories**	**Actual Year Built**	**Effective Year Built**
AIR DUCTED	CENTRAL	3	3	3	1993	1993

Show Building Sketch

Extra Features Data

Description	Number of Items	Unit Length x Width x Height	Units	Effective Year Built
FIREPLC	1	0 x 0 x 0	1 UT	1993
SWIMPOOL	1	0 x 0 x 0	1 UT	2007

Land Information

LAND USE	NUMBER OF UNITS	UNIT TYPE	Frontage	Depth
5FR	1	17	0	0

Sale Information

Multi-Parcel Sale	Sale Date	Sale Price	Instrument	Deed Book	Deed Page	Sale Qualification	Vacant or Improved	Grantor	Grantee
No	01-09-2017	$ 325,000	Warranty Deed	3263	1777	Qualified	Improved	HENDERSON STEVEN C & SUSAN C	JOHANSEN PETER
No	12-07-2012	$ 425,000	Warranty Deed	3069	1468	Unqualified	Improved	KULP STEPHEN W & MARILYN K	HENDERSON STEVEN C & SUSAN C
No	11-18-2006	$ 810,000	Warranty Deed	2667	1803	Qualified	Improved	REAVES WILLIAM JR & S A	KULP STEPHEN W & MARILYN K
No	03-01-1993	$ 38,500	Warranty Deed	1673	818	Qualified	Vacant		REAVES WILLIAM JR & S A

Sales In Area | Previous Parcel | Next Parcel | Field Definitions | Return to Main Search | Okaloosa Home

The Okaloosa County Property Appraiser's Office makes every effort to produce the most accurate information possible. No warranties, expressed or implied, are provided for the data herein, its use or interpretation. The Senior Exemption Does Not Apply to All Taxing Authorities. Just (Market) Value is established by the Property Appraiser for ad valorem tax purposes. It does not represent anticipated selling price. Working values are subject to change. Website Updated: March 12, 2019

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Deed

FILE #3111753 RCD: 1/11/2017 2:48 PM, BK: 3283 PG: 1777, RECORDING: $10.50 RECORDING ARTICLE V: $8.00
D Doc Stmp: $3,675.00 DEPUTY CLERK JLALLEN
JD PEACOCK II CLERK OF COURTS, OKALOOSA COUNTY, FLORIDA

Prepared by and return to:
Kathy Paul
McNeese Title, LLC
36468 Emerald Coast Parkway, Suite 1201
Destin, Florida 32541

File Number: 16-0931KP

Warranty Deed

Made this January 9, 2017 A.D. By **Steven C. Henderson and Susan Caroline Henderson, husband and wife**, whose address is: 98 Woodward Street, Destin, Florida 32541, hereinafter called the grantor, to **Peter Johansen**, whose post office address is: 4443 Clipper Cove, Destin, Florida 32541, hereinafter called the grantee:

(Whenever used herein the term "grantor" and "grantee" include all the parties to this instrument and the heirs, legal representatives and assigns of individuals, and the successors and assigns of corporations)

Witnesseth, that the grantor, for and in consideration of the sum of Ten Dollars, ($10.00) and other valuable considerations, receipt whereof is hereby acknowledged, hereby grants, bargains, sells, aliens, remises, releases, conveys and confirms unto the grantee, all that certain land situate in Okaloosa County, Florida, viz:

Lot 43, PHASE 2 OF CRYSTAL BEACH COTTAGES, according to the Plat thereof as recorded in Plat Book 12, Page(s) 81, of the Public Records of Okaloosa County, Florida.

Being and intended to be the same premises conveyed to the Grantor herein by deed recorded December 13, 2002, in Official Records Book 3069, Page 1468, Public Records of Okaloosa County, Florida.

Parcel ID Number: **00-2S-22-0583-0000-0430**

Said property is the homestead property of the Grantor as defined by the Constitution of the State of Florida.

Together with all the tenements, hereditaments and appurtenances thereto belonging or in anywise appertaining.

To Have and to Hold, the same in fee simple forever.

And the grantor hereby covenants with said grantee that the grantor is lawfully seized of said land in fee simple; that the grantor has good right and lawful authority to sell and convey said land; that the grantor hereby fully warrants the title to said land and will defend the same against the lawful claims of all persons whomsoever; and that said land is free of all encumbrances except for all covenants, conditions, restrictions, reservations, limitations and easements of record, and to all applicable zoning ordinances and/or restrictions and prohibitions imposed by governmental authorities, if any and taxes accruing subsequent to December 31, 2016.

BK: 3283 PG: 1778

Prepared by and return to:
Kathy Paul
McNeese Title, LLC
36468 Emerald Coast Parkway, Suite 1201
Destin, Florida 32541

File Number: 16-0931KP

In Witness Whereof, the said grantor has signed and sealed these presents the day and year first above written.

Signed, sealed and delivered in our presence:

Witness Signature: Sean Welcome
Witness Printed Name: Sean Welcome

Witness Signature:
Witness Printed Name: Troy M. R. JACOB

Steven C. Henderson
Address: 98 Woodward Street, Destin, Florida 32541

Susan C. Henderson a/k/a Susan Caroline Henderson
Address: 98 Woodward Street, Destin, Florida 32541

State of GRAND CAYMAN
County of CAYMAN ISLANDS

The foregoing instrument was acknowledged before me this 09 day of January, 2017, by Steven C. Henderson and *Susan C. Henderson, husband and wife, who are personally known to me or who produced driver license as identification.
*a/k/a Susan Caroline Henderson

Notary Public
Print Name: Troy M. R. JACOB
My Commission Expires: 31. JANUARY. 2017

(Seal)

Troy M. R. Jacob
Notary Public in and for the Cayman Islands
My commission expires Jan 31st, 2017

TROY M. R. JACOB NOTARY PUBLIC THE CAYMAN ISLANDS

DEED Individual Warranty Deed - Legal on Face
Closers' Choice

ORDINANCE 18-29-CC

AN ORDINANCE OF THE CITY OF DESTIN, FLORIDA RELATING TO OCCUPANCY LIMITS FOR SHORT-TERM RENTALS; PROVIDING FOR AUTHORITY; PROVIDING FOR FINDINGS OF FACT; PROVIDING FOR THE AMENDMENT OF CODE OF ORDINANCES ARTICLE VI - REGISTRATION OF SHORT- TERM RENTALS; AMENDING SECTION 13-108, LOCAL RESPONSIBLE PARTY REQUIRED; AMENDING SECTION 13-114, POSTING OF SIGNAGE; CREATING SECTION 13-117, OCCUPANY LIMITS; CREATING SECTION 13-118, EXEMPTION FOR PRE-EXISTING AGREEMENTS; PROVIDING FOR INCORPORATION INTO THE CODE OF ORDINANCES; PROVIDING FOR CONFLICTING PROVISIONS; PROVIDING FOR SEVERABILITY; AND PROVIDING FOR AN EFFECTIVE DATE.

NOW THEREFORE BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF DESTIN, FLORIDA, AS FOLLOWS:

SECTION 1. AUTHORITY. The authority for enactment of this Ordinance is Article I, Section I .0l (b) of the City Charter, Section 166.021, Florida Statutes and Chapter 163, Pan II, Florida Statutes.

SECTION 2. FINDINGS OF FACT.

WHEREAS, the City Council approved the Short-term Rental Task Force on October 2, 2017 in order to provide recommendations to the City Council on issues related to the presence of short-term rentals in established residential neighborhoods; and

WHEREAS, residents residing within their residential dwellings are inherently familiar with the local surroundings, local weather disturbances, local hurricane evacuation plans, and means of egress from their residential dwellings, thereby minimizing potential risks to themselves and their families; and

WHEREAS, in contrast to residents, transient occupants of short-term rentals, due to their transient nature, are typically not familiar with local surroundings, local weather disturbances, local hurricane evacuation plans, and means of egress from the Vacation Rentals in which they are staying, thereby increasing potential risks to themselves and their families, and putting an additional burden on, and potentially putting at risk, emergency personnel in the event of an emergency situation; and

WHEREAS, certain short-term rentals are presently located within the single-family residential zoning districts of the City of Destin; and

WHEREAS, the presence of under-regulated short-term rentals within residential dwelling units in established residential neighborhoods can create negative compatibility impacts, among which include, but are not limited to, excessive noise, on-street parking, accumulation of trash, diminished public safety, excessive use and impact on public services and public works, and extreme size and/or greater occupancy of structures; and

WHEREAS, short-term rentals situated within residential neighborhoods can disturb the quiet nature and atmosphere of the residential neighborhoods, and the quiet enjoyment of its residents; and

WHEREAS, a residential dwelling is typically the single largest investment a family will make with the residents of the residential dwelling desiring the tranquility and peaceful enjoyment of their neighborhood without excessive noise and increased parking issues and traffic congestion caused by transient occupants of short-term rentals; and

WHEREAS, according to U.S. Census data, the City of Destin has an average household size of 2.26 persons between 2013-2017; and

WHEREAS, short-term rentals situated in single-family residential neighborhoods can and do create a great disparity in occupancy; and

WHEREAS, there has been an increase in both the number of residential structures being used for short-term rental purposes in the City and the same such units are occupied as opposed to being vacant or unrented; and

WHEREAS, the City has seen an increase in disproportionate impacts related to the size of the structure including excessive occupancy and lack of proper facilities; and

WHEREAS, in Section 509.032, Florida Statutes, the State Legislature has granted authority to local government to regulate short-term rental units; and

WHEREAS, this Ordinance does not prohibit, nor intend to prohibit, short-term rentals, nor does it regulate the frequency or duration of such rentals; and

WHEREAS, the City Council has deemed it in the best interest of its citizens and residents to adopt additional regulations for short-term rental units; and

WHEREAS, the City Council has studied this issue, reviewed regulations adopted by other jurisdictions, sponsored focus groups to obtain input from the public and stakeholders, received public comment at numerous work sessions and meetings prior to adopting this ordinance; and

WHEREAS, the City Council has deemed it necessary to amend the existing Code of Ordinances to provide for the addition of maximum occupancy limits for Short-Term Rentals; and

WHEREAS, the City Council has determined that this ordinance is consistent with the adopted Comprehensive Plan and is in the best interest of the City and its citizens; and

WHEREAS, a public hearing has been conducted by the City Council after due public notice.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF DESTIN, FLORIDA, AS FOLLOWS:

NOTE: Language in section three (3) of this ordinance that is ~~strike-thru~~ is language proposed to be deleted, underline language is language to be added, language that is not in strike-thru or underlined is not to be changed. The symbol *** represents sections of the Code of Ordinances that have been skipped and remain unchanged.

SECTION 3. AMENDMENT OF CODE OF ORDINANCES CHAPTER 13: Chapter 13 of the Code of Ordinances is hereby amended as follows:

* * *

ARTICLE VI. - REGISTRATION OF SHORT-TERM RENTALS

* * *

Sec. 13-108 Local Responsible Party Required

Whenever any property is required to be registered under this article, the owner shall appoint a person to serve as the local responsible party for service of notices as are specified herein, and notices given to the responsible party shall be sufficient to satisfy any requirement of notice to the owner. The owner shall notify the city manager or his designee in writing of the appointment within five (5) days of being required to make such appointment, and shall thereafter notify the city manager or his designee of any change of the local responsible party within fifteen (15) days of such change.

The designation of a local responsible party does not relieve the owner of the responsibility to comply with all state and local statutes and ordinances. Further, a local responsible party who accepts the designation to act on behalf of a property owner is held to the same standard as the property owner with respect to compliance with all statutes and ordinances and may be cited for non-compliance with any code, rule or ordinance applicable to the property.

Further, it is hereby made the affirmative duty of the local responsible party to:

(1) Inform all seasonal residents prior to occupancy of the single family dwelling unit of applicable City of Destin ordinances concerning noise, vehicle parking, garbage and common area usage:

(2) Maintain all properties under their control in compliance with the occupancy limits, as specified in the City of Destin Code of Ordinances:

(3) ~~See~~ Ensure that the provisions of this article are complied with and promptly address any violations of this article or any violations of law, which may come to the attention of the responsible party:

(4) Post a sign outside the residence that clearly identifies the management company responsible for the property and the phone number of the local ~~R~~responsible ~~P~~party that is located within 30 miles of the residence, in accordance with sections 107 and 114 of this Code. The name and address of the ~~R~~responsible ~~P~~party shall be listed on the annual registration form. The ~~R~~responsible ~~P~~party shall immediately notify the City if the ~~R~~responsible ~~P~~party changes during the year. The ~~R~~responsible ~~P~~party shall be available with authority to address and correct violations with the rental of the single family dwelling unit twenty-four hours a day, seven days a week. No guest may stay in the residence until the sign is erected with the necessary information.

(5) Be familiar with the City's short term rental regulations and provide acknowledgement that the applicant will comply with the City's regulations for short-term rentals at the time of registration.

(6) Be situated close enough to the single family dwelling unit to be able to and have the capacity to service emergency calls within one (1) hour of notification, including but not limited to evicting tenants.

(7) Maintain the entire property of the single-family dwelling unit free of garbage and litter. Provide however, that this section shall not prohibit the storage of garbage and litter in authorized private receptacles for collection.

* * *

Sec. 13-114. - Posting of signage.

Prior to the owner of the single-family dwelling unit allowing another person to occupy the single-family dwelling unit as a seasonal resident, owner shall post a sign on the property meeting the following requirements:

(a) The sign must be prominently placed on the property of the single family dwelling unit so that the required content of the sign shall be legible as viewed from the public right-of-way; however, signage shall not be placed in the public right-of-way;

(b) Such sign shall be eighteen by eighteen (18x 18) ~~not larger than eighteen (18) inches by twelve (12) inches and not smaller than sixteen (16) inches by ten (10)~~ inches in size;

(c) The sign must clearly indicate the name, and twenty-four (24) hours a day, seven (7) days a week emergency contact phone number of the local responsible party for said single-family dwelling unit. If the responsible party phone number and the rental contact phone number are different, the sign shall clearly indicate both phone numbers;

(d) The sign must clearly indicate the occupancy limit and maximum available parking;

~~(d)~~ (e) The sign must be continuously on the property of the single-family dwelling unit during any period a local business tax or registration has not expired.

(f) A current City of Destin annual decal must be displayed in the top right hand corner of the sign. The City will provide the property owner with such annual decal at the time of annual registration of the short-term rental.

* * *

Sec. 13-117. – Maximum occupancy based on site capacity/Grandfathering.

(a) The maximum overnight occupancy of a short-term rental shall be stated in the short-term rental registration form, and shall be limited to the lesser occupancy of the following two options:

i. Two (2) persons for each bedroom, plus four (4) additional persons. The number of bedrooms shall be based upon the Property Appraiser's residential profile of the property, and other documents of record, as needed. In no case shall the maximum total occupancy for any dwelling unit exceed the occupancy limits permitted by the Florida Fire Prevention Code or Florida Building Code.

or

ii. A total of twenty-four (24) persons per short-term rental. In the event that there is more than one building or dwelling on one platted lot, the maximum occupancy shall be capped at twenty-four (24) occupants per lot or structure, whichever is less.

(b) Before the hours of 7 AM or after 10 PM, the occupancy load of the unit may not exceed the maximum allowed number of overnight tenants.

(c) Reasonable verification must be given to the designated local responsible party in accordance with Section 13-108 of this article within 36 hours of rental guest arrival to confirm compliance with the maximum overnight occupancy requirement. The maximum number of allowable occupants and parking shall be posted on signage in front of the rental property in accordance with Section 13-114 of this article.

(d) All marketing and/or advertising for short-term rental units must contain (i) information concerning the occupancy limit of the short-term rental unit, and (ii) the maximum parking available on the property. Advertising for more than the allowable occupancy or allowable parking is prima facie evidence of a violation of the City Code. Further, failure to include such occupancy limits and maximum parking availability is prima facie evidence of a violation of the City Code.

(e) Minimum Provisions for Short-Term Rental Agreements: Short Term Rentals shall be rented, leased or occupied pursuant to a written rental agreement which contains, at a minimum, the following information:

i. Maximum occupancy of the short-term rental that is consistent with the short-term rental registration.

ii. The maximum number of vehicles that will be allowed to park at the short-term rental. Such number of vehicles shall not exceed the number of legal parking spaces that the short-term rental owner can show are available to the short-term rental.

iii. A statement that all occupants must promptly evacuate from the short-term rental upon posting of any evacuation order issued by state or local authorities.

iv. As a courtesy, a copy of a document to be supplied by the City which includes excerpts from the City of Destin's ordinance provisions of general application relevant to short-term rentals to include regulations related to solid waste and trash, prohibited parking, and the City's noise ordinance. Failure of the City to provide this courtesy document does not relieve any short-term rental owner or other person of their obligation to comply with any City ordinance.

(f) Notwithstanding the above, the owner (or authorized agent) of a short-term rental that either (a) has a pending development order application as of the effective date of this ordinance (January 22, 2019), or (b) has a structure that has been used as a short-term rental as of the effective date of this ordinance (January 22, 2019), may apply for the status of grandfathered for a period of five (5) years, as to occupancy limitations, and may cap its occupancy based upon the criteria and procedures set forth herein. Short-term rentals that have an occupancy of twenty-four (24) or less, and that otherwise comply with the occupancy restrictions set forth in Section 13-117(a) above, will not require grandfathering to maintain that occupancy.

i. The short-term rental owner, or agent, as applicable ("Grandfathering Applicant") shall complete a Grandfathering Application as prescribed by the City, which shall be submitted under oath and upon penalty of perjury, and provide verifiable written proof of the following criteria:

1. The use as a short-term rental was existing and legally established as of January 22, 2019.
2. The number of bedrooms in the short-term rental was existing and legally established as of January 22, 2019. The number of bedrooms shall be based upon the Property Appraiser's residential profile of the property, and other documents of record, as needed.
3. The short-term rental must be registered with the City and must be in compliance with all applicable City of Destin codes and ordinances.

ii. The Grandfathering Application and supporting proof shall be submitted to the City for review by the City staff in consultation with the City Land Use Attorney. If City staff determines that all of the criteria set forth in the above subsection 13-117(f)(i) are met, staff shall confirm the requested occupancy of such short-term rental. If all of the criteria are not met, then the City of Destin shall notify the Grandfather Applicant of that fact, and the occupancy level that can be approved, in writing.

iii. Within twenty (20) days after such notice, an evidentiary hearing may be requested by the Grandfathering Applicant before the City Council to provide the Grandfathering Applicant an opportunity to provide evidence and/or testimony in support of the occupancy requested. A determination by the City Council after such evidentiary hearing shall be final. If no hearing is requested during that time period, the occupancy level shall be set at the level determined by the City staff upon initial review.

1. Written notice of the date, time, place and purpose of the hearing shall be mailed by the city clerk to all owners of property located within one hundred and fifty (150) feet of the boundaries of the property for which the grandfathered rights are sought, according to the latest certified tax roll. Such notice shall be mailed not later than fifteen (15) days prior to the date of the scheduled hearing. Additionally, notice will be published in a local newspaper of general circulation at least ten (10) days prior to the public hearing.
2. The City Council shall render a decision to either issue or deny the Grandfathering Application.
3. The decision shall be mailed to the Grandfathering Applicant and shall include findings of fact and conclusions of law, and shall state specifically the maximum occupancy that is grandfathered for a five (5) year period.

iv. An application for grandfathering shall be submitted, if at all, by no later than the time of registration of the short-term rental, but not later than July 22, 2019. If the City extends the date that registration is required, the deadline for the application for grandfathering shall also be extended to the same extended date. If a short-term rental has been registered, but a final determination as to the occupancy level based upon grandfathering has not yet been made, such short-term rental may allow occupancy up to the occupancy requested in the grandfathering application until such time as a final determination as to occupancy has been made.

v. If it is reasonably determined by the City staff that any information supplied to the City of Destin in support of an application for grandfathering was intentionally false or fraudulent, the person supplying the false or fraudulent information shall be subject to a fine as set by the City Council by resolution. If there is such a determination by City staff, the City of Destin shall notify the Grandfathering Applicant of that fact, and within twenty (20) days after such notice, an evidentiary hearing may be requested by the Grandfathering Applicant before the City Council to provide the Grandfathering Applicant an opportunity to provide evidence and/or testimony to show that the information supplied in support of the application for grandfathering was not intentionally false or fraudulent. The determination by the City Council after such evidentiary hearing

shall be final. If no hearing is requested during that time period, the initial determination by the City staff shall be final.

vi. If a short-term rental is not registered for a period in excess of twelve (12) months, any grandfathering determination shall be deemed abandoned, and shall no longer be applicable to that short-term rental.

vii. If a grandfathered use ceases for a period of six (6) months, then the grandfathering shall be considered to have lapsed and the short-term vacation rental will be subject to all occupancy requirements as set forth herein.

viii. An applicant may only submit one Grandfathering Application per short-term rental.

ix. An appeal of a city council decision on a Grandfathering Application shall be by petition for certiorari review to the circuit court of Okaloosa County, based solely on the record of the hearing before the city council. The applicant is responsible for providing a verbatim transcript of the record of that hearing. Such an appeal must be filed within thirty (30) days after the City renders its decision.

* * *

Sec. 13-118. – Exemption for Pre-Existing Agreements.

Notwithstanding any other provision of this ordinance, rental agreements with prospective occupants for short-term rental units that were pre-existing as of the enactment of this Ordinance 18-29-CC, (hereinafter "Pre-existing Agreements") are exempt from the provisions of this ordinance for a period of one (1) year. All bookings made subsequent to the enactment of this ordinance are subject to the provisions of this ordinance. All advertising must be compliant within one hundred twenty (120) days of the effective date of this ordinance.

If a short-term rental unit is cited for a violation of this Chapter, (that would not be a violation if it were not for this Section), when the short-term rental unit is occupied under the terms of a Pre-existing Agreement, the short-term rental owner may defend such violation based on the fact that the short-term rental unit was exempt from this Section due to it being occupied pursuant to a Pre-existing Agreement. Such defense shall be determined based upon the following information, and upon any additional information supplied by the short-term rental owner or otherwise determined by the fact finder:

1. Copy of deposit or payment information evidencing that the agreement was a Pre-existing Agreement.
2. Copy of e-mail or other communication evidencing a binding Pre-existing Agreement.
3. Information from the occupant confirming that there was a binding agreement in a time frame to make the agreement as Pre-existing Agreement under this Section.

If it is reasonably determined by the City staff, and confirmed by the City Council, that any information supplied to the City of Destin in support of an application for exemption, or in support of a defense based upon Pre-existing Agreement, was intentionally false or fraudulent, the person supplying the false or fraudulent information shall be subject to a fine

as set by the City Council by resolution.

SECTION 4. INCORPORATION INTO CODE OF ORDINANCES. This ordinance shall be incorporated into the City of Destin's Code of Ordinances and any section or paragraph number or letter and any heading may he changed or modified as necessary to effectuate the foregoing.

SECTION 5. CONFLICTING PROVISIONS. Special Acts of the Florida Legislature applicable to the incorporated area of the City of Destin. City Ordinances and City Resolutions, or parts, thereof, in conflict with the provisions of this ordinance are hereby superseded by this ordinance to the extent of such conflict.

SECTION 6. SEVERABILITY. Each separate provision of this ordinance is deemed independent of all other provisions herein so that if any portion or provision of this ordinance is declared invalid, all other provisions thereof shall remain valid and enforceable.

SECTION 7. EFFECTIVE DATE. This ordinance shall become effective upon its adoption by the City Council and signature by the Mayor.

ADOPTED THIS 22ND DAY OF JANUARY, 2019.

By: Gary Jarvis, Mayor

ATTEST:

Rey Bailey, City Clerk

The form and legal sufficiency of the foregoing has been reviewed and approved by the City Land Use Attorney, for the City of Destin, only:

Kimberly Romano Kopp, Land Use Attorney

THIS INSTRUMENT PREPARED BY
AND AFTER RECORDING RETURN TO:

Kimberly Romano Kopp, Esq.
Romano Kopp Law, P.A.
P.O. Box 445
Destin, Florida 32541

For Recording Purposes Only

SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is entered into this _____day of _____ 2019, ("Effective Date") by and between, Peter Johansen ("Owner") and the City of Destin ("City"), collectively referred to as the "Parties."

RECITALS

WHEREAS, on January 22, 2019, the City enacted Ordinance 18-29-CC, the Short-Term Rental Occupancy Ordinance ("Ordinance"), which limits the occupancy of short-term rental homes to two (2) people per bedroom plus an additional four (4) persons; and

WHEREAS, Owner owns the real property and improvements located at 4443 Clipper Cove, Destin, FL 32541, as more particularly described in the attached Exhibit "A" (the "Property"); and

WHEREAS, on May 10, 2019, Owner filed a claim with the City, pursuant to the provisions of §70.001, Florida Statutes, the Bert J. Harris, Jr., Private Property Rights Protection Act (the "Harris Act"), alleging that the Property had been inordinately burdened by the adoption of the Ordinance, (the "Claim"); and

WHEREAS, the Harris Act provides for the City to have the ability to enter into a settlement agreement which would have the effect of a modification or variance to the application of a regulation or ordinance as it would otherwise apply to the subject real property, provided the relief granted protects the public interest served by the regulations at issue and is the appropriate relief necessary to prevent the governmental regulatory effort from inordinately burdening the real property; and

WHEREAS, the City has determined that the modifications to the effect of the Ordinance effected by this Agreement protect the public interest served by the Ordinance and are the appropriate relief necessary to prevent the regulatory effect of the Ordinance from inordinately burdening the Property; and

WHEREAS, the Parties now desire to settle and finally resolve all disputes between and among them concerning the Claim.

NOW, THEREFORE, the Parties hereby agree as follows:

1. **Recitals.** The above recitals are true and correct and are incorporated herein by reference.

2. **Occupancy Allowable Under Ordinance.**

(a) Owner is hereby granted a variance from the provisions of the Ordinance so that the Owner shall have the right to apply under the Ordinance for a maximum occupancy of sixteen (16) overnight guests at the five (5) bedroom vacation rental property noted above and the City shall grant such occupancy. The right shall continue in perpetuity, regardless of any future changes in ownership, provided that this right shall expire permanently if the Property were to be voluntarily remodeled or voluntarily rebuilt in such a manner as to change the number of bedrooms that existed at the date of the Claim. The Property remains subject to all other requirements of the City's regulations, including but not limited to regulations for short-term rentals, parking, trash, and noise.

(b) No greater than _____ (__) vehicles may be parked on the Property. No vehicle may encroach upon the City's right-of way.

(c) Owner shall ensure that at least three (3) outdoor trash receptacles are provided by the applicable trash hauler and available for use by occupants at all times.

(d) Owner agrees that the City shall be permitted to access the property on an annual basis for the purpose of life-safety inspections to ensure code compliance with minimum egress and emergency egress requirements pursuant to the Florida Building Code (Residential) and to ensure the property has adequate and working smoke detectors. Owner shall submit to the City a separate application and fee for such inspection, on a form provided by the City, at the time Owner submits its annual short-term rental registration application to the City

3. **Development in Accordance with Code.** Notwithstanding any provisions contained herein, the Owner shall at any time have the right and option to remodel, develop, or use the Property in accordance with the applicable ordinances of the City of Destin in effect at the time of application therefor, and this variance shall not be construed as making the Property in any way non-conforming.

4. **Entire Agreement.** The Parties acknowledge that this Agreement constitutes the entire agreement between them regarding the settlement of their dispute and any prior statements, whether oral or written, are merged herein. This Agreement may not be modified or amended without a written instrument signed by the party against whom enforcement is sought.

5. **Duration of Agreement.** This Agreement shall be perpetual and deemed to run with the land, and shall be binding upon and the benefits shall inure to the parties hereto and their respective heirs, devisees, personal representatives, successors and assigns.

6. **Authority.** The signatories to this Agreement are expressly authorized to resolve their dispute as set forth herein and by their signatures here represent and affirm their authority to execute this Agreement.

7. **Governing Law.** The law of the State of Florida shall apply to this Agreement. Any dispute regarding this Agreement shall be litigated exclusively in the courts of Okaloosa County, Florida. The parties expressly consent to such agreed jurisdiction and venue, and waive any objections thereto.

8. **Notices.** Any notice required or permitted to be given hereunder shall be in writing and shall be (i) delivered by hand, (ii) delivered by reputable national or local courier (such as United Parcel Service or Federal Express), (iii) mailed by United States registered or certified mail, return receipt requested and postage prepaid, or (iv) sent by facsimile transmission provided a confirmation of such facsimile transmission is sent the same day by one of the methods of delivery in (i), (ii), or (iii) above. Any notice shall be addressed to each party at its address as set forth below. Any such notice shall be considered given on the date of such hand delivery, deposit with such courier for same day or next business day delivery, upon receipt of return receipt of certified mail, or receipt of facsimile transmissions, as the case may be, and the time period (if any is provided herein) in which to respond to such notice shall commence on the date of receipt. Rejection or other refusal to accept or inability to deliver because of changed address of which no notice was given shall be deemed to be receipt of the notice. By giving to the other party at least ten (10) days' notice thereof, any party shall have the right from time to time to change the addresses thereof and to specify up to two (2) additional addresses within the United States of America to which copies of notices to it shall be sent. Notice may be given on behalf of any party by such party's counsel. In the event the subject property owner changes, notices shall be addressed to the current owner as indicated in the records of the Okaloosa County Property Appraiser. Otherwise, notices shall be sent as follows:

Each notice shall be addressed as follows:

To City: City of Destin, Florida
Attn:
4200 Indian Bayou Trail
Destin, Florida 32541

With a copy to:
City Land Use Attorney
Romano Kopp Law, PA
PO Box 445
Destin, Florida 32541

To: Peter Johansen
_____
_____

9. **Attorney's Fees**. In the event of any action, whether pre-suit, mediation, litigation or appellate proceeding to enforce the terms and conditions of this Agreement, each party to the action shall pay its own attorney's fees and costs incurred therein.

10. **Venue**. Venue over any action to enforce the terms and conditions of this Agreement, including mediation, shall lie solely in Okaloosa County, Florida.

OWNER: Peter Johansen

_____ _____
Signature of Witness #1 Peter Johansen

_____
Print type name

_____
Signature of Witness # 2

_____
Print or type name

STATE OF_____
COUNTY OF_____

The foregoing instrument was acknowledged before me this _____ day of _____ 2019, by _____ _____ and _____, who are personal known to me or who have produced _____ as identification and who did not (did) take an oath.

_____
Signature of Notary

(NOTARY SEAL)

_____
Print or type name

CITY OF DESTIN

By:_____
Gary Jarvis, Mayor

Date:_____

ATTEST:

_____
Rey Bailey, City Clerk

Date:_____

STATE OF_____
COUNTY OF_____

The foregoing instrument was acknowledged before me this _____ day of _____ 2019, by _____ _____ and _____, who are personal known to me or who have produced _____ as identification and who did not (did) take an oath.

_____
Signature of Notary

(NOTARY SEAL)

_____
Print or Type Name

Approved as to form and legality for use and reliance
by the City of Destin, Florida, only.

_____
Kimberly Romano Kopp, Esq.
City Land Use Attorney

Exhibit "A"

Legal Description of Property