

SECTION B
Scope of Work

Identification of Assumptions and Limiting Conditions:

The following Assumptions and Limiting Conditions apply only to the sale data utilized to complete the sales analysis, and/or establish the basis for the statistical benchmarks incorporated into the analysis. Any exceptions to the following Assumptions and Limiting Conditions will be documented on the individual property record cards, when applicable.

- 1) We have not been provided deeds to the assessed properties. Therefore, no responsibility is assumed for the legal description provided or for matters pertaining to legal issues and/or title.
- 2) We have not been provided deeds to the assessed properties. Therefore, the properties were assumed to be free of any and all liens and encumbrances. Each property has also been appraised as though under responsible ownership and competent management.
- 3) We have not been provided surveys of the assessed properties. Therefore, we have relied upon tax maps and other materials provided by the Municipality in the course of estimating physical dimensions and the acreage associated with assessed properties.
- 4) We have not been provided surveys of the assessed properties. Therefore, we have assumed that the utilization of the land and any improvements is located within the boundaries of the property described, and there is no encroachment on adjoining properties.
- 5) We assume that there are no hidden or unapparent conditions associated with the properties, subsoil, or structures, which would render the properties (land and/or improvements) more or less valuable.
- 6) ~~We assume that the properties and/or the landowners are in full compliance with all applicable federal, state, and local environmental regulations and laws.~~
- 7) We assume that all applicable zoning and use regulations have been complied with.
- 8) We assume that all required licenses, certificates of occupancy, consents, or other instruments of legislative or administrative authority from any private, local, state, or national government entity have been obtained for any use on which the value opinions contained within this report are based.

- 9) We have not been provided a hazardous condition's report, nor are we qualified to detect hazardous materials. Therefore, evidence of hazardous materials, which may or may not be present on a property, was not observed. As a result, the final opinion of value is predicated upon the assumption that there is no such material on any of the properties that might result in a loss, or change in value.
- 10) Information, estimates and opinions furnished to the appraisers and incorporated into the analysis and final report was obtained from sources assumed to be reliable and a reasonable effort has been made to verify such information. However, no warranty is given for the reliability of this information.
- 11) The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made compliance surveys nor conducted a specific analysis of any property to determine if it conforms to the various detailed requirements identified in the ADA. It is possible that such a survey might identify non-conformity with one or more ADA requirements, which could lead to a negative impact on the value of the property(s). Because such a survey has not been requested and is beyond the scope of this appraisal assignment, we did not take into consideration adherence or non-adherence to ADA in the valuation of the properties addressed in this report.
- 12) The market forecasts, projections and operating estimates contained within the report are predicated upon current market conditions, and forecasts of short-term supply and demand factors. This information was obtained in the course of interviews with knowledgeable parties, and in published public and private resources. While this information was assumed to be credible, these forecasts are subject to change due to unexpected circumstances, including local, regional and/or national.
- 13) Any opinions of value in this report apply to an entire property, and any allocation or division of the value into separate fractional interests will invalidate the opinion of value reflected in this report.
- 14) Information pertaining to the sales of properties utilized in the analysis and subsequent report has been confirmed with the buyer, seller, or a third party whenever possible, and is assumed to be reliable.
- 15) Possession of this report does not carry with it the right of reproduction and disclosure of this report is governed by the rules and regulations of

the New Hampshire Assessing Standards Board (ASB), and is subject to jurisdictional exception and the laws of New Hampshire.

Scope of Work as Identified in the Contract: The valuation report that follows is predicated upon the contract dated 08/11/2014, and signed between the City of Portsmouth and KRT Appraisal. A copy of the contract is located in Appendix "A" of this report. The scope of work identified in the contract, and incorporated into the following report comprised the following steps:

- 1) The Assessor's Office staff measured and listed all properties that sold from 04/01/2013 to 03/31/2015 within the City of Portsmouth. The data was entered and checked for quality with a field review.
- 2) KRT Appraisal reviewed all identified sale properties and analyzed them to determine if the transfer was an "arm's-length transaction. This was accomplished by interviewing the buyer, seller, or the representative sales agent, utilizing MLS and reviewing the PA-34's. The interview also identified the sales price, and any terms or conditions surrounding the sale that might have influenced the negotiated price. The City Assessor also helped with this process.
- 3) This property information was analyzed, and the highest and best use of each property identified, as described within this section. The qualified sale data was "stratified" by use type, such as single-family residential, land, commercial, etc. The sale data was also stratified by neighborhood, in order to isolate more discrete "locational" differences and/or influences. The verified sale data was then utilized to extract meaningful adjustments and/or benchmarks that became the basis for various tables, such as time (market conditions), cost, depreciation, view influence, water influence, etc. All pertinent factors, including physical, legal, and economic considerations were considered and recognized, subject to the assumptions and limiting conditions referenced above.
- 4) Once the preliminary benchmarks were established, "data calibration" was required in order to bring the computerized mass appraisal formulas and tables into conformity with the market. To do so, field reviews and further analysis utilizing "ratios" (a comparison of the assessed value to its sale price) and the CAMA (Computer Assisted Mass Appraisal) software was conducted in order to refine the base tables, and verify the alignment and consistency of the base tables.
- 5) Finally, these benchmarks became the basis for the statistical analysis of these properties, and new property values were developed utilizing at least one of the three possible approaches to value (Sales Approach, Cost Approach, and/or Income Approach to value). Overall, every effort was made to help ensure that the values were uniform and equitable.

- 6) Upon completion of the final review and approval of the Municipality's values by the Assessor, notices of value were then mailed to each taxpayer. These notices also included sufficient information (timing and location) to enable a taxpayer to attend an informal hearing to "appeal" the new assessed value. Hearings were then held at a time and location scheduled by the Municipality. Any changes that arose from the appeal and hearings process were processed before the final tax bill for 2015.
- 7) This report was then prepared in conformity with "Standard 6" of the most recent Uniform Standards of Professional Appraisal Practice, as well as the contract, dated 08/11/2014, signed between the City of Portsmouth and KRT Appraisal.

Brief Description of the Assessed Properties: In accordance with the contract located in Appendix "A" of this report, the City of Portsmouth required all the residential real property in its respective municipal boundaries to be valued. A breakdown of the Municipality's residential real property by "use type" follows:

Residential Improved	4,588
Residential Vacant	174
Mobile Homes	255
Residential Condos	2,078
Total	7,095

Determination of Highest and Best Use: Highest and Best Use is defined as:

"The reasonably probable and legal use of vacant land or improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are: legal permissibility, physical possibility, financial feasibility, and maximum profitability" ³ (The Dictionary of Real Estate Appraisal, Third Edition, 1993, Page 171).

In most cases the "existing" use is already at its highest and best use, and will be evaluated and assessed accordingly.

Importantly, however, in the case of "transitional" uses (a "transitional" use is a property with a highest and best use that is no longer "maximally profitable"...and the existing use is likely to change due to market and economic forces) the assessor may evaluate the property on the basis of its projected highest and best use. In these circumstances, the projected highest and best use is determined by a market analysis that references the four criteria referenced above (legal permissibility, physical possibility, financial feasibility, and maximum profitability). A common example of this

would be a vacant tract of residential land (not in current use), that is surrounded by significant numbers of residential homes and/or lots, and the market conditions indicate a favorable housing market. In this case, the assessor may justifiably assess the raw land on the basis of its legitimate development potential.

Approaches to Value Considered and/or Utilized: The residential properties were valued by the Sales Comparison and Cost approaches to value.

Approaches to Value Not Utilized, With an Explanation: The residential properties fewer than four units were not valued using the income approach. There was insufficient data and most buyers and sellers will not consider this approach when looking to purchase a property with less than four rentable units.