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SALES LEASING EXPERT TESTIMONY REAL ESTATECONSULTATION

1/24/07

“Super Slab”/ “Prairie Falcon Parkway Express”

The following are my opinions on matters related to the proposed highway above captioned, as such matters may involve value impacts to land parcels within or adjacent to the proposed highway’s “Three Mile Corridor”. My opinion will be based upon my professional training, experience in matters of real estate over nearly 50 years, research I have conducted in regard to this assignment, research provided by “Croghan/Coan” in regards to impacted on county Assessor “Actual” values, and interviews of professionals, peers, and contemporaries in the practice of real estate in Colorado.

To prepare myself for this assignment I have accessed the following source data points:

1. **Metro List Numbers:** 391400; 318827;357059;186972;373382; 442253;340690; 421442;300547; 438545; 359057; 423176;429076; 378858; 359716; 176560; 278896; 438412; 430710; 387534; 307548; 427274.
2. **Xceligent Listing:** SE of 80th & York, lister: Terry Mathews, Associate broker, Fuller & Company.
3. **William James:** An appraiser of excellent credentials.
4. **Denver Post:** 11/17/06, p. 7B: “Use electric trains for next line”, Montero.
5. **Rocky Mountain News:** 1/28/06, “ ‘Super Slab’ hits a roadblock”, Washington and Flynn.
6. **Wiens, Senate District 4:** “100,000 property owners along ROW, SB78” from the Senator’s website.
7. **E 470:** “2006 Fact File”.
8. **CDOT:** Position paper on PFPE (Prairie Falcon Parkway Express).
9. **Colorado.gov:** “Policy and initiatives”, 11/3/06, web site position.
10. **PFPE WEBSITE:** “11/3/06, Eminent Domain Issues”.
11. **Clifton Gunderson, LLP:** Web Site regarding R.S. Wells, “Subsidiary.”
12. **Front Range Toll Road Warriors:** Conversation with Ray Wells, blogspot, discussion regarding roads and what they are today v. years ago.
13. **Denver Business Journal:** 8/28/06: “Revised ‘Super Slab’ proposal outlined, anon.
14. **Map Colorado Directory:** ‘Super Slab’, ‘Super Two’, ‘Heartland Express’, ‘Rail Relocation.’
15. **Colorado Tenderfoot Properties:** 8/24/06, Addendum on Coan Sale.
16. **CDOT Traffic Counts:** I – 25 NS traffic count data.
17. **Telephone interviews with:**
 - a. John Shipper, Kiowa, Colorado, former lobbyist, now retired.
 - b. Lara Winter, listing broker for 17112 highway 86, MLS # 378542, improved parcel, after one year on market, no offers, due, according to Winters, ROW issues.

1. **Is the highway really going to relieve congestion on I – 25?** My review of recent traffic loads on I – 25 from Fort Collins to Pueblo, as found on the CDOT web site would seem to indicate that no really serious overload now exists other than perhaps during rush hours AM and PM, Monday through Friday. The proponent’s argument will, of course be, *there is an overload*; however, until the proponent supplies empirical data to support this argument, I remain unconvinced.
2. **Can the roadway work on an economic basis:** My research found no indication of projected costs to construct, or right of way acquisition costs, nor any revenue v. expense forecasts as to costs to operate, nor any long term projections as to the likely profitability of the roadway, which, given the recent NW Parkway revenue shortfalls, I would have expected to have been able to discover. The question therefore is: “Can the roadway be economically feasible, over what period of time, and if not profitable and able to pay its way, could such an undertaking ultimately fail completely, a very real fear given recent events involving such huge enterprises as Enron, Adelphia, or Health South”? In the event of default or failure, the impact on property owners could be, and would likely be an economic catastrophe impossible to quantify.
3. **The fear of “Condemnation”:** Property owners either in the right of way, or adjacent to the right of way must necessarily, deal with “uncertainty”, which in my real estate experience will likely introduce a wave of *uncertainty* in the real estate market for any land and or improved property in, along, or near the right of way; I will address this issue specifically later in this report.
4. **Some believe such road undertakings promote growth and development:** If this is true then a question I have is: “Why hasn’t there been major growth along I – 76 NE from Keenesburg to the NE line? The promise of events like this, in my experience, are generally not fulfilled. Consider for a moment how long a time span was involved for the completion of the 470 roadways, dating from the first vision of the ’76 Olympics until recent times.
5. **Apparent set of concerns for affected property owners:** “Will the highway delay or disrupt 911 service due to longer travel times for emergency vehicles; will the highway block ‘farm roads’; what will the highway noise factors likely be; since the highway is proposed to have 10 interchanges, will each interchange spawn huge development that taxes local service providers; will drainage channels be significantly affected (some have said that C – 470 resulted in some major problems in this area); what is the real time line for construction (the 470 time line of more than 25 years certainly can be said to have provided a great deal of angst for many affected property owners, some of whom were victims of foreclosure actions initiated by myself when acting as a loan workout specialist during the mid 1980’s for a local savings and loan association, two parcels coming to mind, the land under a part of Park Meadows Mall and the NE corner of what ultimately became the intersection of C – 470 and S. Kipling Road). The items listed in this section are a few of the immediate thoughts and concerns that I felt warranted discussion at our recent meetings. The issue as to whether land values at or near interchanges will escalate appears to be based on the premise that over the road trucks will leave the PFPE for services; since the PFPE will have and control services by locating PFPE services within the ROW would seem to mitigate against this likelihood in that in my experience with the Pennsylvania, Indiana, Ohio Turnpikes, on highway services usually prevents exit development nearby.
6. **Impact valuation problems:** Until recent sales of parcels, whether improved, or unimproved occur, value determination will be nearly impossible to set or forecast with any degree of certainty due to the highway’s unknown time line as to uncertainty as to the beginning of construction, and the ultimate completion, of such a huge undertaking. Some have said the highway, will, when completed, have a total cost of in excess of \$2.0 B!

Because of this last fact, the “unknowns” deliver to the real estate market in areas that may, or may not, be directly impacted by the highway, a level of uncertainty as to seller/buyer intentions. Such uncertainty, will, in my experience, directly affect decisions to buy or sell. (More on this subject later in this report.)

7. **Uncertainty will open the door to “Speculators”:** In these type situations, there will be those who may prey upon “sellers” who need to sell for whatever reason that may create urgency, a few examples: Divorce, death of a property owner, transfer of a property owner, and so forth. In these examples market value for property is clearly not going to be had in that the basic precept or real estate value will have been, necessarily so, set aside due to uncertainty v. need to sell, or as some would say, sales driven by *necessity*, not *market forces*. The reader needs to keep in mind forces that can impact value, uncertainty being a major factor in my experience.
8. **Rural values:** Obviously, folks who live in rural areas usually expect such areas to remain *rural in character*, a roadway such as the proponent proposes will, in my opinion, immediately, if not sooner, destroy the very thing property owners, but not “speculators”, want to keep forever, the *rural* aspect of their individual ownership; view lines, rural flavor, country living are part of this State’s Heritage, the PFPE will, in my opinion and experience, trash these very important values.
9. **“Orphan Parcels”:** The highway proposed may create “orphan parcels”, i.e., residual parts of larger tracts not accessible by the major landowner from whom a parcel may have been bifurcated by way of condemnation. The same concern will also be a concern for those holding access rights to well heads and or drainage channels. And, of course, since roadways such as the proponent proposes are usually not built on “Grade”, it is likely the roadway height above grade will interfere with desirable and very valuable sight lines which, by their very nature, tend to increase real estate values.

While all of the above items are of equal importance, I determined, early in this assignment, that my methodology needed to include interviewing real estate professionals active in the markets near, or in close proximity, to the proponent’s planned highway. Accordingly, I contacted the following:

1. An appraiser of 25 years of experience in *Colorado Appraisal Practice* who, incredibly so, had no opinion, as he had not “Followed the progress of PFPE”.
2. Two loan originators, each of whom discussed with me the fact that the roads start date, completion date, and ultimate success as yet not able to be forecast, would cause, in their estimation, lender sources to price loan product at least 150 to 200 basis points higher than if no uncertainty were part of the underwriting process, a basis point equal to 1/100th of one percent.
3. I then interviewed more than 20 real estate practitioners, licensees and Realtors® active in the impact area of the proponent’s proposed roadway. Here is what I was told:
 - a. Listing number 391400, 31256 County Road 10, Keenesburg: “The road is a real ‘concern’, Realtor® Thieman’s listing of 155 acres nearly impossible to sell given uncertainty. Most buyers she talks to tell her ‘No’, not until they know for sure..., etc.”.
 - b. Listing number 186972, Weld County Road 23, 75 acres, Fort Lupton: Expressed no opinion, but indicated she needed to “learn more” of the road’s location.
 - c. Listing number 421422, SW corner of 104th, Bennett, 320 acres: “The road could wipe out part of town, displacement and uncertainty a huge problem in seller and buyer’s minds.” Discussion about homesteaders and mature trees not being able to be replaced in a forced move.

- d. Listing number 300547, Barr Lake, Brighton, 62.84 acres: Though not in impact area, this lister (*mentioned 470 drainage issues*) was quite concerned with the effect the road might have as to creating uncertainty in seller or buyer's minds.
- e. Listing number 359057, County Road 98, Elbert County, 200 acres: Very concerned due to view obstruction, noise levels, denying folks a *rural living style*.
- f. Listing number 378858, Old Banbury Lane, 14.56 acres, Sedalia: Lister quite vocal, "Stupid Road, no need for road, a 'get rich scheme' ", and worse; quite vocal.
- g. Listing number 359716, 40122 Onyx Trail, 286.72 acres, Deer Trail, "Can't sell anything due to road", has four listings in the path of the road. Had a deal under contract for \$415,000, deal died due to road, priced at \$399,000 currently.
- h. Listing number 430710, Palomino Trail, 36.52 acres, Elizabeth: "Sold a client a property two years ago near proposed road, buyer really upset, etc." Also talked about: "Malone" and his influence and is convinced Malone is part of the problem.
- i. Listing number 387354, Sky View, 429.67 acres, platted, Kiowa: "Can't sell a one, 35 acre sites, proposed road nearby, big uncertainty; now off market." *Source: Lara Winters, lister.*
- j. Listing number 307548, Maul Road, 480 acres, Kiowa: Talked about "bottom fishers", cited an example of a home he listed before the notice letter went out for \$749,000, feels now that home won't sell for a long time and won't sell even close to a value of \$120 psf; home built in 2003, *owner beside himself!*
- k. Terry Mathews, Senior Sales Representative, Fuller & Company, discussed with me via e-mail her concern about the road, and felt it was not necessary; Ms. Mathews deals only in major land sales.
- l. David Buck, Senior Associate, Trammell Crow Company, discussed with me his belief the road not only was unnecessary, but recounted that a close friend of his needing to sell his home and acreage in the path of the proposed roadway had an offer at nearly his full asking price prior to the notification letter from the proponent, but when his buyer learned of the letter lost the sale.
- m. John Shipper, a retired lobbyist, shared with me his concern that the "Ports To Plains" highway obviates any need for the proposed highway; his further concerns mirrored all of the above concerns.
- n. Ms. Winters, mentioned in item "i" above, also shared with me the story of her listing at 17112 Highway 86, Kiowa, a 128 acre improved parcel that in one year of intensive marketing elicited no offers; in Ms. Winters opinion, the PFPE has eliminated any possibility of this \$865,000 offering from being able to be sold.

After the discussions listed above I thought about what I had learned from my research, the meetings mentioned earlier, the fact that no one really knows how many folks will be impacted by the proposed road, and determined a means to perhaps quantify the roads potential economic impact as to a direct correlation to a value decrease increment. The road, we are told will be about 210 miles in length, the right of way will be three miles wide, (Why so wide? Some have said the proponent will reap future land value increases as well as untold potential mineral values to include oil and gas rights, though I have been unable to verify this belief it may well be a reasonable belief in that so little, as mentioned earlier in this report, is actually known about proponent's intentions.), or about 418,617.36 acres more or less; assuming that perhaps 80% of the land mass is Ag land, dry; perhaps 15% is Ag land, wet; 3% is perhaps platted land; and 1% platted and served by utilities; as well as perhaps 1% platted and with highway frontage, and with utility access; the resultant value of the land mass might be as high as \$1.111 B, keeping in mind that I have *not* accounted for adjacent, but by location, parcels which may be clearly impacted by the road as proposed; therefore, if even the right of way land is impacted by, say, a factor of at

least 25%, with adjacent and contiguous parcels also impacted in varying amounts, the *market value diminution total* could well be at a level of many hundred of millions.

Parallel with my “Value Estimate” Ms. Croghan and Mr. Coan spent countless hours gathering “Actual Values” for parcels within the three mile PFPE ROW. Of note is the fact that assessor “actuals” for the ROW counties (Adams, Arapahoe, Elbert, El Paso, Larimer, Pueblo, and Weld) as found after a tally of the results, yielded a value figure of about \$1.4 B!

Note: Please refer to schedule attached as part of this report.

In conclusion: The many unknowns mentioned in this report regarding the proposed highway which is the subject of this report, in my experience, will absolutely impact land and improved land values for many years in the future. The impacts mentioned in this report are but a few, i.e., uncertainty as to the date of completion of the roadway and the resultant inability of land and improved landowner’s parcels to realize market value for their holdings, and of course, while I dealt only with ROW ownership of parcels in my thought process, there is, obviously, the additional ownership conundrum of parcels near to the proposed ROW. For example, impacts from road noise, exhaust pollution, light pollution, will, in my opinion, tend to negatively impact values not only for those parcels located within the ROW, but perhaps as far as several miles East and West of the proposed ROW. If one were to add value loss for these additional impact parcels, to my ROW estimates, the number for value loss could very easily double. Lastly, the road builder, and speculators, and “bottom fishers”, have, because of the proposed road, and its many uncertainties, in effect, created a “Forever Option” on all such parcels. That is, a seller in or near the ROW or adjacent impact area, will be easy prey for the speculator, the road builder, and the “Bottom Fishers”, all whom, in my experience, will benefit from the road, while the affected landowners will have lesser and lesser opportunity to realize fair market value; continuing real estate value erosion will likely be the result in and near the impact area of the proposed roadway for many years in the future; exactly what the dollar amount of the decline in value can only be quantified through a complete appraisal process and revaluation of all parcels directly or indirectly impacted; until sales occur, and sales may be difficult to find given the factors discussed in my findings within this report, a final impact number will be, in my opinion in the range of 20% of about 2.0 B of parcel value, or as much as \$400,000,000 more or less. This last number, in my view is a terrible price for folks who may and will be impacted if this highway is allowed to be built.

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