

ISSUES REGARDING THE TWO APPRAISALS

The Presbytery Response Team obtained an appraisal for the ELMO real property dated October 31, 2016, giving an appraised value of \$8,200,000. A second appraisal, dated October 18, 2017, was also obtained, giving an appraised value of \$5,000,000. The PRT offers both appraisals in full, as posted at the PSB website, for consideration by the Commissioners.

The PRT has received a variety of input on the two appraisals and the PRT believes that it is appropriate to summarize some of this input here, for consideration by the Commissioners. The PRT has not found either appraisal entirely satisfactory, but the members of the PRT lack the professional expertise to definitively evaluate many of these issues and, thus, the PRT offers much of this input without judgment. As to some issues raised in these comments, the PRT believes that resolution of those issues is appropriate.

Facility Size. The two appraisals state different full square footage for the church real property (the first appraisal, 35,527 square feet; the second appraisal, 40,902 square feet; both totals include 2,500 square feet for the residential duplex), relying upon different sources. The difference between the full square footage for the facilities between the two appraisals is not a reason that the total values are so different. The primary reason the two appraised values are so different appears to be because the second appraiser determined that the church improvements substantially exceed that which would be most readily saleable, based upon the “average” congregation size and the building needs for an “average” congregation, so the second appraiser found that any square footage over 10,000 sq. ft. for the church facility was “surplus” and, therefore, the full square footage of the church facility was not included within in that second appraiser’s valuation.

The PRT acknowledges that the “average-sized” congregation might not be interested in this larger church facility, so, an “average-sized” congregation would probably not buy it. That said, a larger congregation could be interested in this larger church facility as a worship center and/or a preschool. (The facility already is set up for a preschool.) There are innumerable church facilities throughout the Southern California area at least as large as – or many times larger than – the ELMO church property. In particular, some of the non-denominational churches grow quite rapidly and might look for a larger facility. However, the sanctuary size is limited and there is some question whether the sanctuary size could be expanded, due to historical restrictions. Given the facility size, the period of time to market the ELMO real property might be longer than it likely would be for a smaller church.

Use Limitations. The ELMO real property is zoned 1-E-1, where each lot is limited to a minimum of 1 acre in size, for one single residential building. The ELMO real property is currently a single lot of 2.25 acres. The church use is based upon a Conditional Use Permit (“CUP”). The two appraisals focus differently upon the church’s use and zoning restrictions. The second appraisal emphasizes the current CUP limitations. The first appraisal acknowledges the church-only use of the property, without directly evaluating the impact of the zoning and the CUP.

Some comments received focused on the specific use restrictions (in the form of the reversionary deed) that will be placed by the Presbytery on the ELMO real property if the dismissal is approved. The PRT does not believe that these future use restrictions are an appropriate component to

determining the current fair market value of the ELMO real property. First, the GDP does not call for a determination of the value of the property with any conditions to be imposed upon release of the property with an approved dismissal, but rather the current fair market value during the consideration. Second (and most critically), the purpose of the reversionary deed is to assure that ELMO remains in a Reformed denomination for ten years and these reversionary deed restrictions are not permanent restrictions on the real property.

Comparable Sales. Some of the comments received related to criticism of the comparable sales selected by the first appraiser. A careful analysis shows, however, that both appraisals predominantly relied upon sales of the same three properties: (1) a 36-acre monastery/retreat center, (2) a much smaller church property, and (3) a church sold with the intention of conversion to a hotel. The second appraisal also included a sale from 2009. The first appraisal also included comparable sales for four residential properties as to the basis for determining land value under the cost approach, coming to the same conclusion of value as the comparable sales approach.

Changed Circumstances. It has also been noted that both appraisals were completed before the Thomas fire and the January 9, 2018, mud and debris flows. While the ELMO real property was not damaged by either natural disaster, it is likely that those events have depressed property values throughout Montecito, and that those depressed property values will continue for some time.