

## Golf Course Description:

### Tournament Course:

**Hole #1** – Is a par 4 measuring 405 yards from the back tees. It is located just north of the clubhouse. This is a fairly straight hole that includes one sandtrap bunker located about half way down the fairway just to the right of the fairway and two greenside sandtrap bunkers, one on each side of the green.

**Hole #2** – Is a par 5, measuring 540 yards. It is a slight dogleg left that has water to the left and right of the green. There is also one sandtrap bunker located just off the fairway to the right. The lagoon which provides irrigation water to the Tournament course is also located just left of the tee box area on this hole. Railroad tracks along left side of fairway. The lagoon part of a low area. Blue tees are set back from others.

**Hole #3** – Is a par 4, measuring 415 yards. This is also a slight dogleg left hole with two greenside bunkers.

**Hole #4** – Is a par 3, measuring 163 yards. This is a straight shot that has greenside bunkers on both the left and right sides. Rain shelter is located between hole #4 and hole #7.

**Hole #5** – Is a par 4, measuring 380 yards. This is also a fairly straight hole with one fairway sandtrap bunker on the right side and bunkers on both the left and right sides of the green.

**Hole #6** – Is a par 3, measuring 210 yards. This is also a straight shot with a greenside sandtrap bunker located on the left side of the green.

**Hole #7** – Is a par 4, measuring 360 yards. This is a slight dogleg left hole that features a creek that runs along the left side of the fairway and cuts across the hole in front of the green. There is also a sandtrap located on the right side of the green.

**Hole #8** – Is a par 3, measuring 165 yards. This is a straight shot with no water or sandtrap hazards.

**Hole #9** – Is a par 5, measuring 511 yards. This is a dogleg left hole that has a sandtrap bunker located just left of the fairway near the turn and two greenside sandtraps, one on each side and also a small pond located just short and left of the green.

**Hole #10** – Is a par 4, measuring 454 yards. This is a straight hole that includes two greenside sandtrap bunkers, one on each side.

**Hole #11** – Is a par 3, measuring 184 yards. This is also a straight hole that has three greenside sandtrap bunkers, two on the right and one on the left. A storm shelter is located here.

**Hole #12** – Is a par 4, measuring 352 yards. This is a slight dogleg to the right that includes two greenside bunkers, one on each side.

**Hole #13** – Is a par 4, measuring 401 yards. This is a dogleg right hole that has three greenside sandtraps, two on the right and one on the left.

**Hole #14** – Is a par 3, measuring 181 yards. This is a straight hole that has two greenside bunkers, one on the left and one on the back.

**Hole #15** – Is a par 5, measuring 540 yards. This is a fairly straight hole that has one fairway sandtrap bunker on the left and one greenside sandtrap bunker on the right.

**Hole #16** – Is also a par 5, measuring 498 yards. This is a slight dogleg right hole that has water on the right and left sides of the fairway just short of the green and one greenside sandtrap bunker on the left.

**Hole #17** – Is the final par 3 hole on this course, measuring 217 yards. This is a straight hole that includes greenside sandtrap bunkers on both the left and right sides.

**Hole #18** – Is a par 5, measuring 508 yards. This hole is a dogleg left that includes two fairway sandtrap bunkers at the turn and one greenside sandtrap on the right side.

### Highlands Course:

**Hole #1** – Is a par 4, measuring 318 yards from the back tees. This is a dogleg left that has one greenside sandtrap bunker on the right.

**Hole #2** – Is a par 3, measuring 164 yards. This is a straight hole that includes sandtrap bunkers on both the right and left sides of the green.

**Hole #3** – Is a par 4, measuring 428 yards. This is a slight dogleg left that also has sandtrap bunkers on both the left and right sides of the green.

**Hole #4** – Is a par 3, measuring 167 yards. This is a straight hole that features water along the left side of the hole and in front of the green.

**Hole #5** – Is a par 5, measuring 526 yards. This is also a fairly straight hole that has three fairway bunkers on the right side and two sandtraps on the right side of the green.

**Hole #6** – Is a par 3, measuring 188 yards. This is also a straight hole that has one greenside sandtrap bunker on the left side.

**Hole #7** – Is a par 5, measuring 564 yards. This is also a straight hole that has one sandtrap bunker on the left side of the green. There is a rain shelter at #7 tee.

**Hole #8** – Is a par 4, measuring 385 yards. This is also a straight hole that has one sandtrap bunker just short of the green on the left side.

**Hole #9** – Is a par 4, measuring 406 yards. This is also a straight hole that has greenside bunkers on both sides.

**Hole #10** – Is a par 5, measuring 656 yards. This is the longest hole on either course. This is a slight dogleg right that has water on the left side of the fairway near the dogleg. This hole has a four-tiered tee box. Shoots down into a valley with a pond on left side.

**Hole #11** – Is a par 3, measuring 152 yards. This is a straight hole that features a pond in the center of the fairway that player must hit over.

**Hole #12** – Is a par 4, measuring 357 yards. This is a slight dogleg left that includes a fairway sandtrap bunker and water near the turn of the dogleg and also has one sandtrap bunker just to the short left of the green.

**Hole #13** – Is a par 3, measuring 103 yards. This is the shortest hole, sloping downhill. This is a straight shot that has two greenside bunkers on the right and one on the left.

**Hole #14** – Is a par 5, measuring 504 yards. This is a dogleg right that has one sandtrap bunker just to the right of the fairway at the dogleg and then has two sandtrap bunkers just short and left of the green and one sandtrap bunker just short and right of the green.

**Hole #15** – Is a par 4, measuring 327 yards. This is a severe dogleg right that includes three sandtrap bunkers just to the short right of the green, which is the landing area for those trying to reach the green in one shot.

**Hole #16** – Is a par 4, with uphill tee shot, measuring 378 yards. This is also a slight dogleg right hole that has one sandtrap bunker on the right side of the green.

**Hole #17** – Is the signature hole on the golf course. This is a par 3, measuring 171 yards that features a vertical drop of about 150 feet. There is one sandtrap bunker on the left side of the green.

**Hole #18** – Is a par 5, measuring 488 yards. This is a fairly straight hole that has greenside bunkers on both sides.

## ENVIRONMENTAL CONDITIONS:

The value estimated in this report is based on the extraordinary assumption that the property is not negatively affected by the existence of hazardous substances or detrimental environmental conditions. I am not an expert in the identification of hazardous substances or detrimental environmental conditions. My routine inspection and inquiry about the property did not develop any information that indicated the existence of any apparent significant substances or detrimental environmental conditions which would affect the property negatively. It is possible that tests and inspections made by a qualified hazardous substance and environmental expert would reveal conditions on or around the property that would negatively affect its value. If the client has a concern, a qualified expert should be consulted to determine if environmental hazards do exist.

## ASSESSED VALUATION AND TAXES:

The 2009 assessed valuation and real estate taxes for the subject property are as follows:

PARCEL #	MARKET VALUE	REAL ESTATE TAX	SIZE
55.377.0010	\$2,409,700	\$51,082	414.35 Acres
55.377.0020	\$11,800	\$0	5.92 Acres
55.377.0030	\$200	\$0	0.11 Acres
55.377.0040	\$9,800	\$0	4.92 Acres
<b>Totals</b>	<b>\$2,431,500</b>	<b>\$51,082</b>	<b>425.30 Acres</b>

**Note:** The 2010 assessment combines all of the properties into one parcel number.

## SALES HISTORY:

The land and improvements have been owned by the City of Red Wing since built. The property is currently leased by the City to Mississippi National Golf Links, Inc. which also owns the Furniture, Fixtures & Equipment and Business Going Concern of the property.

## ESTIMATED MARKETING TIME:

According to Price Waterhouse Coopers Golf Survey, 2005, investors indicate the current marketing time of a golf course to be two months to 17 months with the average being 8.60 months. This is about the same as 2004, where the range was two to 18 months, with the average being 8.40 months. This is the most recent publication addressing marketing time.

In my opinion, the marketing time today (2010) would be greater, estimated at over one year.

#### **ZONING:**

According to the City of Red Wing Zoning Office, the subject property is zoned AC (Agricultural Conservation) District. This zoning district is designed to protect and preserve the open space character and natural state of certain land by reducing development pressures.

Such land may be owned by a governmental agency or group, organization or private individual and shall include such lands as marshlands, drainage ways, steep bluffs, river frontage, woodlands, and other areas with significant environmental and aesthetic value. The current use of the subject property as a public golf course is a conditional use under the Agricultural Conservation District zoning code. For purposes of this appraisal, it is assumed the appropriate conditional use zoning permit was allowed for the development as a golf course. A copy of the Agricultural Conservation Zoning District code is included in the addendum to this report.

#### **FLOODPLAIN:**

According to the Federal Emergency Management Agency (FEMA) approved flood plain maps for the City of Red Wing and Goodhue County, the entire subject site is not located in a flood hazard area.

The property is located in Zone X, according to Panel #270146 0015 C, dated January 6, 1999.

#### **HIGHEST AND BEST USE:**

For Highest and Best Use of land as though vacant and property as improved, the use must meet four criteria. Those criteria are that the Highest and Best Use must be:

1. Physically Possible
2. Legally Permissible
3. Financially Feasible
4. Maximally Productive

These criteria should usually be considered sequentially, for only when there is a reasonable possibility that one of the prior unacceptable conditions can be changed is it appropriate to proceed with the analysis.

The following definition of "Highest and Best Use" as applied to real estate is taken from the Dictionary of Real Estate Appraisal, published by the Appraisal Institute of Real Estate Appraisers.

**Highest and Best Use:**

1. The reasonable and probable use that supports the highest present value of vacant land or improved property, as defined, as of the date of the appraisal.
2. The reasonably probable and legal use of land or sites as though vacant, found to be physically possible, appropriately supported, financially feasible, and that results in the highest present land value.
3. The most profitable use.

Implied in these definitions is that the determination of Highest and Best Use takes into account the contribution of a specific use to the community and community development goals as well as the benefits of that use to individual property owners. Hence, in certain situations, the Highest and Best Use of land may be for parks, green belts, preservation, conservation, wildlife habitats and the like.

**Highest and Best Use Analysis:**

**Land as Though Vacant:**

The four questions about the subject property must be considered before a Highest and Best Use estimate can be reached. This is done after examining surrounding land uses and coming to a tentative use conclusion.

The subject property is located on the southeastern edge of the City of Red Wing. The immediate vicinity surrounding the subject includes a mixture of uses such as governmental, park land, industrial, commercial, residential, and agricultural. That portion of the subject property that has some visibility from US Highway 61/US Highway 63 could have the potential use for commercial or industrial, while that portion of the property with no visibility from this highway would be more likely utilized for residential or agricultural purposes. A significant portion of the subject property is bluff, having steep hillsides with virtually no development potential.

It is noted that the current zoning code allows for permitted principal uses of agricultural production, parks and open areas, private stable, and wayside stand. There are also a number of conditional uses allowed, none of which are for independent residential development. Therefore, it appears that the Highest and Best Use of the land, as though vacant, would not be for any type of residential development. There is also extremely limited commercial or industrial uses allowed, thus, the use as commercial or industrial is also doubtful.

In my opinion, the Highest and Best Use of the subject's land, as though vacant, would be for some type of use permitted under the current Agricultural Conservation District zoning regulations.

**Property as Improved:**

In this analysis, the same points as previously discussed are considered. However, in this case, the property is viewed as it is in its present state, that is, improved as a golf course facility.

The property has operated as a golf course since 1986. It originally opened as an 18-hole facility which is now known as the Tournament course. Throughout the years, the facility has changed considerably, including a second 18-hole golf course, known as the Highlands. The original nine holes of the Highlands opened in 1990, with the other nine holes completed in 1999.

The building improvements have also changed since the original clubhouse and maintenance building were constructed in 1986. In 1992 a large banquet hall facility was added to the clubhouse and the cart shed and driving range shack were constructed. Also, in 2000 the equipment shed was constructed.

The golf course itself has been adequately maintained and is at the higher end of average for quality and maintenance.

As with many golf courses, the subject struggles with decreasing number of rounds and low revenues. This has affected the marketability and desirability of many courses. Once a property has met equilibrium concerning income, its value can be reasonably established.

The subject is at this point. Total income has increased from [REDACTED] in 2008 to [REDACTED] in 2009. In 2007, income was [REDACTED]. Overall, income is level.

Number of rounds played (9 hole plus 18 hole) gauges golf activity. They are as follows:

2007	35,000
2008	34,000
2009	32,000

It is clear that rounds played have been decreasing, but revenues have been increasing. This would indicate more food, beverage, and banquet activity.

The property has stabilized income by focusing more on ancillary activities such as banquets, parties, corporate outings, and weddings. Overall, the Highest and Best Use, as improved, is as a golf facility.

#### **LAND VALUATION:**

##### **Value of Land – Unencumbered:**

In this approach, sales of similar unimproved land are analyzed, compared and adjusted to derive an indication of value for the land being appraised. In applying the sales comparison approach, the appraiser follows a systematic procedure. The appraiser must always compare like properties. That is, the appraiser must adjust each comparable to the subject to impute an indicated value to the property. The steps of the procedure are as follows:

1. Research the market to obtain information about transactions and listings of other properties similar to the subject property.
2. Verify the information by considering whether the data is factually accurate and the transaction reflects an arm's length market consideration.
3. Determine relevant units of comparison such as acres, square foot and front foot, and develop a comparative analysis for each unit.

4. Compare the subject and comparable sales according to the elements of comparison and adjust the sales price of each comparable as appropriate.
5. Reconcile the multiple value indications that result from the adjustments into a single value indication.

The sales data is as follows:

SALE #	LOCATION	DATE OF SALE	SALE PRICE	SIZE (ACRES)	SP/ACRE
3745	Hwy 58-CR 4 Red Wing	12/2009	\$560,000	151.90	\$3,687
3188	Circle S Road Red Wing	3/2005	\$913,545	220.00	\$4,152
3746	34022 Hill Ave Red Wing	7/2008	\$588,000	140.00	\$4,200

#### GRID ANALYSIS OF LAND SALES

SALE #	3745	3188	3746
DATE OF SALE	DEC-2009	MAR-2005	JULY-2008
PRICE	\$560,000	\$913,454	\$588,000
SIZE (SQ FT)	151.9	220	140
SALE PRICE/SQ FT	\$3,687	\$4,152	\$4,200
FINANCING (%)			
AT MKT RATES	YES	YES	YES
ADJUSTMENTS: %			
SALE COND'S	0%	0%	0%
CASH EQUIV'Y	0%	0%	0%
NORMAL PRICE:	\$560,000	\$913,454	\$588,000
MARKET COND'S	-4.0%	0.0%	-11.0%
ADJUSTED PRICE:	\$537,600	\$913,454	\$523,320
LOCATION	0%	0%	0%
SIZE	-10%	-10%	-10%
ZONING	0%	0%	0%
TOPOGRAPHY	0%	0%	0%
COVER	0%	0%	0%
ACCESS	0%	0%	0%
BUILDING SITES	0%	-10%	-10%
NET ADJUSTMENT	-10%	-20%	-20%
ADJ SALE PRICE:	\$483,840	\$730,763	\$418,656
/SQUARE FOOT	\$3,185	\$3,322	\$2,990
AVERAGE PRICE:			
/SQ FT			\$3,165.77

The location map and the sales data are located on the following pages: