

**MEMORANDUM**  
**Comfort Lake-Forest Lake Watershed District**

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**To:** Board of Managers  
**From:** Mike Kinney  
**Subject:** Willow Point Property

**Date:** December 8, 2021

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**Background/Discussion**

At the November 30<sup>th</sup> regular board meeting, I provided a summary of the District's capacity and space planning process that has been underway for more than 7 years. For reference, the memo can be found here: <https://www.cflwd.org/documents/Agendaitem06-CapacityandSpacePlanningProcess.pdf>. This memo summarized the on and off again efforts\* of the District to look at properties, the completion of a future work load needs analysis, and the start of a more formal process of defining the District's space needs as well as conducting visioning with the Board. (*\*Due to staff time limitations.*)

In accordance with prior Board direction, District staff, in consultation with Manager Anderson and Schmaltz, (President Pro-Tem and Treasurer) have gathered information to allow the Board to assess the viability of the improved Willow Point property as an office location with a riparian setting that offers opportunities for research and education. This has included, principally, an appraisal and a facility condition and retrofit cost assessment. These products have been delivered and transmitted to you. Other information gathered and assessed has concerned the condition of the shoreline and site environmental features, the condition and legal status of the docking facility, and the property's zoning status. On December 3<sup>rd</sup>, staff reviewed this information with Managers Anderson and Schmaltz.

The Board's initial decision to undertake this review rested on the basis of the site's recent history and broader considerations, that the value of the property might well be substantially more favorable than the list price. In that regard, the appraisal report from Valbridge Property Advisors provides the following assessment:

*COVID-19 pandemic restrictions have eased, and vaccines are available, but variants of the virus have begun to spread. However, as of the date of value, this new surge of infections does not seem to be negatively affecting the outlook of the real estate market. Therefore, we made no value deduction for the COVID-19 pandemic in our value conclusion herein.*

This statement is a part of the basis of an appraised value that is measurably higher than expected given this building location is on a high value residential lake shoreline, under an approved variance from existing zoning code. The shoreline is the majority of the valuation, with the building representing a minor element of the property value.

The purpose of this agenda item is for the Board to revisit its earlier decision to investigate the Willow Point property, determine whether it continues to have an interest in the property, and give further direction to staff as to the District's office space visioning process.

As you are aware, recently this matter has generated a great deal of public interest. For this reason, we expect substantial public attendance at the meeting, and Manager Anderson, as chair, intends to provide for adequate time for public input.

**Attached:**  
Willow Point Property Appraisal Letter of Transmittal



**Valbridge**  
PROPERTY ADVISORS

## Appraisal Report

Lakefront Restaurant  
8241 North Shore Trail North  
Forest Lake, Washington County, MN 55025

Report Date: November 24, 2021



**FOR:**  
Comfort Lake-Forest Lake Watershed District  
Nick Bancks  
Senior Land Management Coordinator  
44 Lake Street South, Suite A  
Forest Lake, MN 55025

**Valbridge Property Advisors |  
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MN01-2021-1002-000



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November 24, 2021

Nathan Hansen  
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Nick Banks  
Senior Land Management Coordinator  
Comfort Lake-Forest Lake Watershed District  
44 Lake Street South, Suite A  
Forest Lake, MN 55025

RE: Appraisal Report  
Lakefront Restaurant  
8241 North Shore Trail North  
Forest Lake, Washington County, MN 55025

Dear Nick Banks:

In accordance with your request, we are pleased to submit the accompanying appraisal of the Lakefront Restaurant Property located at 8241 North Shore Trail North, Forest Lake, Washington County, MN 55025. The purpose of the appraisal is to estimate the 'as-is' market value of the subject property. The client and intended user for the assignment is Comfort Lake-Forest Lake Watershed District, and the intended use is to assist the client with internal decision-making and negotiation purposes regarding a potential property acquisition. No other use or user is intended.

The subject property is an existing lakefront restaurant property located on the northern shores of Forest Lake. The building contains a total of 7,639 square feet of Gross Building Area (GBA) and Net Rentable Area (NRA). The improvements were constructed in 2007 and are in above average overall condition. The gross land area of the subject parcel is 1.99 acres (or 86,722 square feet), which includes an irregular shaped peninsula known as Willow Point. Due to its narrow shape and wet/low land, we have deemed the Willow Point land area unusable, although it does provide some amenity to the property. Excluding the Willow Point land area, the estimated usable land area of the subject parcel is 1.32 acres (57,500 square feet) and has approximately 300 feet of usable waterfront. According to city records, the site is zoned SF - Single Family Residential.

Since its construction in 2007, the property has been multiple restaurant concepts, including The Lake House, Acqua Restaurant & Bar, and 3<sup>rd</sup> Gear Restaurant & Bar. It has been vacant since the spring of 2020, when the in-place restaurant tenant (3<sup>rd</sup> Gear) vacated the property. It is currently offered for sale or lease.



[REDACTED]

### Exposure Time and Marketing Time

Based on statistical information about days on market, escrow length, and marketing times gathered through national investor surveys, sales verification, and interviews of market participants, marketing and exposure time estimates of 12 months and 12 months, respectively, are considered reasonable and appropriate for the subject property.

[REDACTED]

• [REDACTED]

[REDACTED]

• [REDACTED]

### Other Important Risk Factors

- The subject is a lakefront restaurant property in above average condition. The quality/condition of the improvements, along with its lake view and lake access, provide significant appeal and utility for restaurant use. However, the relatively large size of the building, and its location outside of a commercial district and within a residential neighborhood result in some limitations. Despite the limitations, the property is well designed for a full-service restaurant or related use.
  - Based on the size of the land parcel and the length of its water frontage, and considering the demand for residential lakefront development, the property has significant appeal in a redevelopment scenario. As shown by the analysis within this report, the value of the underlying land for residential development is approaching the overall value of the property. However, given the utility of the improvements, the value of the property for a restaurant use still exceeds the value of the underlying land at this time. Considering all factors, the highest and best use of the property is to utilize the existing improvements for a restaurant-related use, which is the basis of our valuation.
  - The global outbreak of COVID-19 was officially declared a pandemic by the World Health Organization (WHO) in March 11, 2020. The reader is cautioned and reminded that the conclusions presented in this appraisal report apply only as of the effective date indicated. The
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appraiser makes no representation as to the effect on the subject property of this event, or any event, subsequent to the effective date of the appraisal.

- COVID-19 pandemic restrictions have eased, and vaccines are available, but variants of the virus have begun to spread. However, as of the date of value, this new surge of infections does not seem to be negatively affecting the outlook of the real estate market. Therefore, we made no value deduction for the COVID-19 pandemic in our value conclusion herein.

This letter is accompanied by an Appraisal Report as defined by the Uniform Standards of Professional Appraisal Practice under Standards Rule 2-2(a). Accordingly, it provides a summary or description of the appraisal process, subject and market data and valuation analyses. The report was also prepared to comply with the requirements of the Code of Professional Ethics of the Appraisal Institute. The depth of discussion contained in this report is specific to the needs of the client and the intended use of the appraisal.

Valbridge Property Advisors | Minneapolis – St. Paul

A handwritten signature in blue ink, appearing to read "Nathan Hansen".

Nathan Hansen  
Managing Director  
MN Certified General 20302614

A handwritten signature in blue ink, appearing to read "Josh Folland".

Josh Folland, MAI, CCIM  
Senior Managing Director  
MN Certified General 20352348