



# Jefferson County West Virginia

Public Information



United States Department of Agriculture  
Rural Development

Rural Business-Cooperative Service • Rural Housing Service • Rural Utilities Service  
Washington, DC 20250

SUBJECT: Jefferson County Development Authority  
Appalachian Regional Commission Grant  
Appraisal of Burr/Bardane Industrial Park Water System

JAN 5 2004

TO: State Director, Rural Development  
West Virginia

We have received and reviewed your request for our guidance regarding the attempt to value the real property, and improvements thereto, comprising what is commonly known as the Burr and Bardane Water System. We offer the following comments:

**FACTS AND ASSUMPTIONS:**

1. The Agency directly contracted with Rolston and Company to value the Burr and Bardane System, and Rolston and Company have no conflict(s) of interest in the matter.
2. Mr. Darrell Rolston delivered to the Agency an appraisal dated September 5, 2003, in which the Burr and Bardane System including "fee simple on real estate owned to the right-of-way interest for their water distribution line," was valued at \$441,000 (later adjusted to \$466,000).
3. The appraisal firm engaged by the agency employed cost, sales comparison and income approaches in determining value.
4. The communication dishes that are located on the Burr and Bardane property generate income, but these assets would seem to be owned by an unrelated third party. There is no evidence in file that the original Agency grant funds in any way financed or facilitated the acquisition of, or negotiation for, the rental income stream arising from the dishes.
5. The operations of the Burr and Bardane Water System is not in any way dependent on the communication dishes. Likewise, it can reasonably be assumed that the owner of the dishes enjoys the right to move or remove their assets; regardless of the inconvenience or expense of removal.
6. The appraiser has selected and adjusted the sales comparison approach as the most accurate estimate of value, based on the Agency's apparent engagement instructions. This did not include any value for the income stream from communication dishes.

**JEFFERSON COUNTY DEVELOPMENT AUTHORITY**

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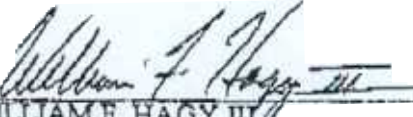
7. Rolston and Company clearly and specifically excluded the imputed value of rental income stream from their valuation.
8. Two prior appraisals, which were performed under engagement by parties other than the Agency, were rejected by the Agency as unacceptable.

**CONCLUSIONS:**

It is our conclusion, first, that the State Office's rejection of the two prior appraisals was justified, as both appraisals had been engaged by parties having an interest in their outcome. The engagement of Rolston and Company and the appraisal methods used by Rolston and Company are within established parameters of customary practice.

As to the specific issue of the need to include an estimate of value for the rental income stream from communication dishes, the question of whether the Agency has a legitimate claim to this asset is the central issue. There is no evidence that Agency grant funds were in any way used or provided support for anything but the water system itself. The title to these communication assets, whether they be deemed fixtures or personal property, resides with an unrelated third party. The rental income stream is clearly an intangible. The professional appraiser deliberately considered this income stream separate and apart from the water system. Therefore, it is our conclusion that the federal reversionary interest, arising from the original grant, is strictly limited to the value of the water system.

We hope this is helpful. If you have any questions, contact Bruce Robinson, Director, Specialty Lenders Division, (202) 720-1394.

  
WILLIAM F. HAGY III

Deputy Administrator  
Business Programs