



“RESULTS IN REAL ESTATE”

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November 11, 2009

Mr. William S. Cook, Township Manager  
Ms. Terri A. Martini, Assistant Township Manager  
SILVER SPRING TOWNSHIP  
6475 Carlisle Pike, Mechanicsburg, PA 17050

Re: Progress Report #6 Consultation Summary

- A REVIEW OF THE EXISTING BUILDING PROJECT – I have reviewed the drawings and sizes for the intended use provided by your architect. I understand that the total gross building area to be approximately 18,372 sq. ft. This architectural plan would provide the greatest efficiency for your agencies to be located in the same building. The estimated cost at the current time is reported to be from \$4,133,700 to \$4,593,000 or a range of \$225.00 to \$250.00 per sq. ft.

This option would also require a renovation cost of the existing building between \$712,500 and \$831,250.

Other logistics costs bring the total project cost to between \$5,505,296 to \$6,099,190.

- HIGHEST AND BEST USE FOR THE CURRENT SITE – Highest and best use may be defined according to the book “The Appraisal of Real Estate” by the American Institute of Real Estate Appraisers;

“The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value.”

With the exception of the proposed new building site, your property is improved with an office building, a social hall, and a highway department building. These uses are not compatible with the predominate retail buildings along the Carlisle Pike. If you were to sell this property it is most probable that the Buyer paying the highest price would want to demolish these structures to make way for a large retail facility. Since the rear portion

of the property has been utilized for a park, this use would prevent the extension of the retail commercial use to accommodate a larger user. The sale price of the total tract would be greatly increased if the park use could be terminated and the land be returned to a commercial use. Any further renovation or new buildings for the Township use on this site would not deliver a reasonable return of the cost of improvements when the property is sold. In other words for every dollar that you continue to put in this property for your incompatible use with the market's intended use will ultimately cost you more money when it is sold.

- IDENTIFICATION AND ASSESSMENT OF ANY OTHER OPTIONS THAT POTENTIALLY WOULD MEET TOWNSHIP NEEDS.
- A STATEMENT OF COSTS ASSOCIATED WITH THE OPTIONS EVALUATED ALONG WITH THE ADVANTAGES AND DISADVANTAGES OF EACH.

I have considered the property owned by the Township and searched for alternative properties to accommodate all or part of the Township needs. The following report identifies the properties I have considered at this time and discusses my opinion of the advantages and problems leading to my final conclusion at this time.

**1. Renovate the Social Hall building for additional office space and build a smaller building on your site.**

I understand this building has been leased to the Fire Company for another 19 years. According to your Solicitor, this lease cannot be broken unless by default of the tenant or by mutual agreement. This lease would also be a problem in selling the property to a buyer for retail development of the land. The reported rent of \$500.00 per month is grossly understated and would devalue the price paid for the property until the lease expires or is broken.

Assuming that the township could not break this lease, the social hall would not contribute any utility to the office use. If the township decided to sell the property, it would make sense, in my opinion, to negotiate the termination date at the time the property would be sold.

**2. Build on the excess park land presently owned by the Township.**

I have reviewed the different parks owned by the township to analyze the feasibility of building a new office building on the excess land. In my opinion, you need approximately 3 acres to accomplish this task. After considering the sizes of the park and the useable land area outside the flood plain and considering other topographic conditions, I have concluded that the likely candidates would be Stony Ridge Park, Paul Walters Memorial Park, Pleasant View Park, and the Potteiger Park.

Advantages to this solution would be that the money spent for the architectural drawings would not be wasted. The land is already owned by the township so no new

costs would be necessary to acquire land. If future growth in the township would require additional office space, the township could build another building next to the complex in the park. Building a new building would provide the most functional design compared to renovating existing space. This choice would also allow the township to have all their agencies in one building.

Disadvantages to this choice would consider a higher cost for a new building, location limited by the existing parks, and a waiting period of 6 months to a year for the new building to be ready for occupancy.

**3. Purchase of the 1300 Bent Creek Office Building, a portion of which is currently leased by your Township.**

I have personally inspected this property and found it to be a modern two story office building in excellent condition. The sale price of \$2,450,000 indicates a price per square foot of \$151.94 for the 16,125 sq. ft. of gross building area. According to the information supplied to me from your architect, you need 19,340 sq. ft. to accommodate your use. If this building were purchased, you would not be able to provide enough space for all your intended agencies. This would require you to keep your Carlisle Pike location or lease or build additional space if it is required.

The caliber of this neighborhood has attracted high end tenants such as doctors, lawyers, and medical uses. In my opinion, this high end neighborhood is not a good fit for your township office use. The more expensive building you purchase, the more dollars will be taken off the tax rolls. Buying an older building or in a less desirable location will lower your occupancy cost and increase the taxable income for the township.

You are currently leasing a rentable area of 1,342 sq. ft. of office space in this building until the lease expires on October 1, 2010. The base rent for this space is \$17.42 per sq. ft.

**4. Purchase or lease of the two historic residential properties located behind the Silver Spring Square Shopping Center owned by David Sherin who is also owner of the Silver Spring Square Shopping Center.**

I inspected the outside of these buildings and found them to be too small for the Township's use without a major addition. The land area is too small in my opinion for the foot print of the necessary buildings and parking. The location is also difficult since it is behind the shopping center, requiring a congested path through the parking lots to the Carlisle Pike. In my opinion, this is not a viable option to be considered.

**5. Lease and/ or purchase of 3 buildings at the southwest intersection of Rt. 114 and Willow Mill Park Road.**

The three building site owned by Bob Borden at Rt. 114 and Willow Mill Park Road. This is a campus like setting with all three buildings currently leased to an insurance

company. The company wishes to down size their space and would like to lease approximately 4,000 square feet now with more space coming available soon. Mr. Borden also told me he thinks that most of the furniture would be made available along with the space on the “right deal”.

The three buildings are on separate deeds and could be leased or purchased separately either now or at the expiration of the lease. Mr. Borden told me that he feels the insurance company would like to remain as a tenant in at least two of the three buildings. He is willing to consider a lease with a purchase option with the purchase price stated in the lease. No purchase price was quoted since he would “sell at the market rate”. This would require the township to have the property appraised in order to make an offer. He did not quote an interest rate but would consider seller financing. If the township would want to purchase the properties he would like to negotiate the sale price by the end of the year.

The current rental rate paid by the insurance company is around \$15.75 per sq. ft. plus all expenses. Mr. Borden told me that the insurance company would like to negotiate a renewal for 3-5 years. No rental rate was quoted for the 4,000 sq. ft. of vacant sub-lease space.

**5 Willow Mill Road (White building)**

10,441 sq. ft. lease expires January 1, 2010.

4,000 sq. ft. currently available.

**8 Flowers Drive**

10,100 sq. ft. lease expires February 1, 2011

No vacant space at this time.

**4 Flowers Drive (Newest building)**

14,100 sq. ft. lease expires September 30, 2012

No vacant space at this time.

Advantages to this choice would be the following:

- Campus like setting for adequate space for all agencies plus room to grow.

- Less expensive location than the existing space at Carlisle Pike.

- Building design is generally free span allowing maximum flexibility for room designs.

- Many floor plans can be used without renovation costs.

- Purchase of the properties at this time would be lower during the recession.

- Township could collect the rents on the additional space until it is utilized.

- Buying a used building is less expensive than building new.

Disadvantages to this choice would be the following:

- The township would be purchasing more space than they would have immediate need.

The township would be a landlord for a tenant until the space would be needed by the township.

**A RECOMMENDATION ON HOW BEST FOR THE TOWNSHIP TO PROCEED IN MEETING ITS CURRENT AND FUTURE NEEDS (INCLUDING BEST LAND USE FOR CURRENT SITE) KEEPING IN MIND: AVAILABILITY, SUITABILITY, OPERATIONAL EFFICIENCIES, AND SHORT AND LONG TERM COST.**

After considering these possibilities I recommend that the township enter into negotiations with Mr. Borden for a lease rate and purchase price.

If a reasonable sub-lease could be negotiated (I would recommend an offer of \$12.00 per sq. ft. gross as a starting offer), all or a significant portion of your administrative office could be relocated there to allow the police department to expand into your present space. As the insurance company downsizes, more space could be made available for your use. When the lease expires at Bent Creek you can relocate over to this less expensive space. The owner is very interested in negotiating either a lease or sale with you at the end of the insurance lease. This could either be a lease with a purchase option or a sales agreement.

If you purchase the property (see attached property plan), since the total size of the three buildings (35,000 square feet) exceeds the total present amount you need, you could collect the rent on the unused portion of the space to help cover your expenses. If your organization needs more space, you could simply let the lease expire and move into their space. When you have sufficient space at this location to move off of the Carlisle Pike location, you could put the Carlisle Pike location up for sale. The profit from this sale would be available to help pay back the debt of acquiring Mr. Borden's buildings and relocating the highway department building to a less expensive location. Hopefully at this time, we would be in a better economic climate to sell your high priced Carlisle Pike location. I would also recommend that you maximize the size of the land you own on Carlisle Pike at the expense of the park land. Renegotiating the lease termination date of the social hall building to the sale date would also maximize the sales price.

This concludes my analysis at this time. This is simply a snapshot of the properties under consideration at this time. I will be glad to continue the search or act as a negotiator for you should you decide to pursue any of these properties. Please call me if you have any further questions.

Sincerely,

*Keith*

Keith Sultzbaugh, CCIM,  
PRESIDENT





**KEITH A. SULTZBAUGH, CCIM, G.R.I.  
INDUSTRIAL/COMMERCIAL BROKER, APPRAISER AND CONSULTANT**

I have been engaged in the real estate industry since 1975, with emphasis in the appraisal field as well as Industrial and Commercial brokerage. I am a member of the Greater Harrisburg Association of Realtors, Pennsylvania Association of Realtors and National Association of Realtors and have served as a Director of the Greater Harrisburg Association of Realtors.

I am a Certified Commercial Investment Member (CCIM) of the Commercial Investment Real Estate Institute and a Graduate of the Realtors Institute (G.R.I.), both designations under the National Association of Realtors. I have earned the Bachelor of Business Administration degree from Penn State University with high distinction in 1974.

From Pennsylvania State University, I have completed the Residential and Advanced Appraising Courses.

From the Institute of Real Estate Appraisers, I have completed the following courses:

- IA (Appraisal Fundamentals)
- IB (Capitalization Theory and Techniques)
- II (Appraisal of Urban Properties)
- VII (Appraisal of Industrial Property)

From the Society of Real Estate Appraisers, I have successfully completed the following courses:

- #101 (Real Property Appraising)
- #102 (Residential Valuation)
- #201 (Income Property Appraising)
- #202 (Applied Income Property Valuation)

From the Society of Industrial and Office Realtors, I have successfully completed:

- Industrial Real Estate Course I
- Industrial Real Estate Course II

From the Commercial Investment Real Estate Council, I have successfully completed the following courses:

- 100 - Marketing Techniques for Leasing and Selling Commercial Property
- 101 - Fundamentals of Real Estate Investment and Taxation
- 102 - Fundamentals of Location and Market Analysis
- 104 - Impact of Human Behavior on Investment Decision Making

I have been licensed as a Real Estate Broker in Penna. (AB-42187-A) since March 1980. I am also licensed as a Broker/Appraiser in Pennsylvania with certificate #BA-003256-L.

I have served as one of the directors of the Greater Harrisburg REALTORS Institute School.

I have qualified as an instructor and taught for real estate courses at the Harrisburg Area Community College (HACC) and other private real estate schools. I have also taught the appraisal segment of the Greater Harrisburg Association of Realtors Orientation Course.

I have qualified to testify as an expert witness and to render an opinion of market value on real estate in Dauphin and Cumberland County Courts of Common Pleas and in the United States Bankruptcy Court for the Middle District of Pennsylvania.

From 1975 to 1981 I completed six years of appraisal experience with Joseph McGraw, Inc., advancing from trainee to Vice-President. My experience with this organization included a variety of residential, agricultural, commercial and industrial appraising and consultation.

From 1981 to 2002, I was associated with Helsel Incorporated as Senior Vice President. My time with this firm was exclusively devoted to the appraisal, brokerage and consultation of industrial and commercial real estate.

On March 30, 1990, I received the Professional Merit Award of the Greater Harrisburg Association of Realtors in recognition of professionalism through education, community service and Association participation.

I was the 1994 State Chairman for the Commercial Industrial and Investment Committee of the Pennsylvania Association of Realtors.

In November, 2004 I was voted Reader's Choice for the Commercial Realtor Classification in Harrisburg Magazine.

In 2007, I was approved and continue to be one of the two instructors for Real Estate Appraisal courses at the Institute of Real Estate Studies in Camp Hill.

In August, 2008, I co-founded Apex Realtors LLC, located in Lemoyne.

A partial list of clients for which I have accomplished appraisals and consultation reports are as follows: various local lending institutions, Commonwealth of Penna., Penn Central Railroad, IBM, Texaco, Exxon Co., USA, Atlantic Richfield, HERCO, Inc., Hershey Foods Corp., West Shore School District, Redevelopment Authority of Harrisburg, PP&L, Hampden Twp. Sewer Authority, Lower Allen Twp., Lebanon Co., GSA, Derry Twp., relocation companies and various other attorneys, Realtors and individuals.

**Please contact me at**

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