

File #2019-803

A NARRATIVE APPRAISAL REPORT OF
State of Montana Real Estate

OWNED BY
State of Montana

LOCATED AT
6 Olney Loop and 14 Olney Loop
Olney, MT 59927

FOR THE PURPOSE OF
Forming an Opinion of the Fair Market Value

DATE OF REPORT
April 15, 2020

CLIENT
State of Montana, Department of Natural Resources and Conservation
P.O. Box 201601
1539 Eleventh Avenue
Helena, MT 59620-1601

APPRAISAL COMPLETED BY
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State of Montana, Department of Natural Resources and Conservation
P.O. Box 201601
1539 Eleventh Avenue
Helena, MT 59620-1601

Re: State of Montana Real Estate
6 Olney Loop and 14 Olney Loop
Olney, MT 59927
File #2019-803

Dear Representatives of Department of Natural Resources and Conservation:

Please find attached a Narrative Appraisal Report of the State of Montana Real Estate located at 6 Olney Loop and 14 Olney Loop, Olney, MT 59927.

I have inspected the site and improvements to form an opinion of the Fair Market Value. The supporting data, analyses, and conclusions used to form an opinion of the market values of the subject property are contained in the accompanying report and addenda.

This appraisal is intended to conform to OCC Interagency Appraisal and Evaluation Guidelines and adhere to the Uniform Standards of Professional Appraisal Practice (USPAP).

The client for this assignment is the State of Montana, the Montana Board of Land Commissioners (Land Board), and the Department of Natural Resources and Conservation (DNRC) and their duly appointed committees. The intended use of this appraisal is to provide the clients with a credible opinion of current fair market value of the appraiser subject properties and is intended for use in the decision-making process concerning the potential sale of said subject properties. The purpose of this appraisal report is to form an opinion of the fair market value as of November 25, 2019. Based upon

an analysis of the market data and subject to the assumptions and limiting conditions contained within this report, I have formed the following value opinion:

Value Conclusions		
Item	6 Olney Loop	14 Olney Loop
Fair Market Value (Land)	\$54,000	\$53,000
Fair Market Value (Improvements)	\$88,000	\$63,000
Fair Market Value (Land and Improvements)	\$142,000	\$116,000

The market value opinions have been predicated upon an exposure time of six to twelve months, based upon available market data. The marketing period has also been estimated at six to twelve months.

The acceptance of this appraisal assignment and the completion of the appraisal report submitted herewith is contingent upon the assumptions and limiting conditions found in the report.

Best Regards,



Wayne Valentic, MAI
Montana Certified General Appraiser
REA-RAG-LIC-959

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ASSUMPTIONS AND LIMITING CONDITIONS***General Assumptions and Limiting Conditions***

The acceptance of this appraisal assignment and market study and the completion of the appraisal report submitted herewith are contingent upon the following general assumptions and limiting conditions:

- 1) No responsibility is assumed for legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.
- 2) The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated in this report.
- 3) Responsible ownership and competent property management are assumed, unless otherwise stated.
- 4) The information furnished by others is believed to be reliable; however, no warranty is given for its accuracy.
- 5) All engineering is assumed to be correct. Any plot plans and illustrative material in this report are included only to assist the reader in visualizing the property.
- 6) It is assumed there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.
- 7) It is assumed there is full compliance with all applicable federal, state, and local environmental regulations and laws unless otherwise stated.
- 8) It is assumed all applicable zoning and use regulations and restrictions have been complied with, unless a non-conformity has been stated, defined, and considered.
- 9) It is assumed that all required licenses, certificates of occupancy or legislative or administrative authority from any local, state, or national governmental or private entity organization have been or can be obtained or renewed for any use on which the value opinions contained in this report are based.
- 10) Any sketch may show approximate dimensions and is included to assist the reader in visualizing the property. Maps and exhibits found are provided for reader reference purposes only. No guarantee as to accuracy is expressed or implied unless otherwise stated.
- 11) It is assumed the utilization of the land and improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespasses unless otherwise stated.

- 12) The appraiser is not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraiser that might suggest the possibility or presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert in the field of environmental assessment. The presence of substances such as asbestos, urea-formaldehyde, foam insulation, or other potentially hazardous materials may affect the value of the property. The appraisers' value opinions are predicated on the assumption there is no such material on or in the property that would cause a loss in value unless otherwise stated in this report. No responsibility is assumed for any environmental conditions, or for any expertise or engineering knowledge required to discover them. The appraisers' descriptions and resulting comments are the result of the routine observations made during the appraisal process.
- 13) The Americans with Disabilities Act (ADA) became effective January 26, 1992. I have not made a specific compliance survey and analysis of this property to determine whether it is in conformity with various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal the property is not in compliance with one or more of the requirements of the act. If so, this fact could have a negative effect upon the value of the property. Therefore, it is assumed that the property complies with all ADA requirements.
- 14) Any proposed improvements are assumed to be completed in a good workmanlike manner in accordance with the submitted plans and specifications.
- 15) The distribution of any or the total valuation of this report between land and improvements applies under the stated program of utilization. The separate value conclusions for land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.
- 16) Possession of this report or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event, only with the properly written qualification and only in its entirety.
- 17) Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraisers are connected) shall be disseminated to the public through advertising, public relations, news sales, or other media without prior written consent and approval of the appraiser.

Extraordinary Assumptions/Hypothetical Conditions:

The valuation of the subject property is based upon the hypothetical condition the land and improvements are held in fee simple estate by a single owner. This hypothetical condition is requested by the client.

CERTIFICATION OF VALUE

I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- I have performed no services as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- I have made a personal viewing of the property that is the subject of this report.
- No one provided significant real property appraisal assistance to the persons signing this certification.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report I have completed the Standards and Ethics Education for Candidates of the Appraisal Institute.



Wayne Valentic, MAI
Montana Certified General Appraiser
REA-RAG-LIC-959

DEFINITIONS

Definition of Extraordinary Assumption

“An assumption, directly related to a specific assignment, as of the effective date of the appraisal assignment results, which, if found to be false, could alter the appraiser’s opinions or conclusions.”

Source: The Dictionary of Real Estate Appraisal, Sixth Edition (Chicago: Appraisal Institute, 2015), Page 83.

Definition of Hypothetical Condition

1. “A condition that is presumed to be true when it is known to be false.
2. A condition directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purposes of analysis.”

Source: The Dictionary of Real Estate Appraisal, Sixth Edition (Chicago: Appraisal Institute, 2015), Page 113.

Definition of Fair Market Value

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated;
2. Both parties are well informed or well advised, and acting in what they consider their own best interests;
3. A reasonable time is allowed for exposure in the open market;
4. payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and
5. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Source: 12 C.F.R. Part 34.42(g); date 1 January 2005.

Definition of As-Is Market Value

“The estimate of the market value of real property in its current physical condition, use and zoning as of the appraisal date.”

Source: The Dictionary of Real Estate Appraisal, Sixth Edition (Chicago: Appraisal Institute, 2015), Page 13.

Definition of Fee Simple Ownership

“Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.”

Source: The Dictionary of Real Estate Appraisal, Sixth Edition (Chicago: Appraisal Institute, 2015), page 90.

Definition of Exposure Time

“The time a property remains on the market. 2. The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal.”

Source: The Dictionary of Real Estate Appraisal, Sixth Edition (Chicago: Appraisal Institute, 2015), page 83.

Definition of Final Reconciliation

“The last phase in the development of a value opinion in which two or more value indications derived from market data are resolved into a final value opinion, which may be either a final range of value, in relation to a benchmark, or a single point estimate.”

Source: The Dictionary of Real Estate Appraisal, Sixth Edition (Chicago: Appraisal Institute, 2015), page 91.

Definition of Leased Fee Interest

“The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires.”

Source: The Dictionary of Real Estate Appraisal, Sixth Edition (Chicago: Appraisal Institute, 2015), page 128.

Definition of Marketing Time

“An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal.”

Source: The Dictionary of Real Estate Appraisal, Sixth Edition (Chicago: Appraisal Institute, 2015), page 140.

Definition of Reconciliation

“A phase of a valuation assignment in which two or more value indications are processed into a value opinion, which may be a range of value, a single point estimate, or a reference to a benchmark value.”

Source: The Dictionary of Real Estate Appraisal, Sixth Edition (Chicago: Appraisal Institute, 2015), page 190.

Flathead County

Kalispell is the county seat of Flathead County, Montana. The July 2019 census estimates the city has a population of 23,938 making it the seventh largest city in Montana. Located in Northwest Montana, Flathead County encompasses 3,262,720 acres or 5,098 square miles. Approximately 94% of the land mass is National or State Forest Land, Wilderness, Agricultural, and Corporate Timber Land, thus confining development to the remaining 6% (+/-) of the area. Weyerhaeuser (previously Plum Creek Timber) continues to sell land for residential development throughout the County. A short distance from any developed area is Glacier National Park, designated hiking areas, 2 ski resorts, 8 golf courses, Flathead Lake, Whitefish Lake, Hungry Horse Reservoir, plus many rivers and smaller lakes. With the abundance of recreational opportunities and aesthetic values it is not hard to see why Flathead County is among the fastest growing, and the 3rd most populated county in Montana.

According to the U.S. Census Bureau, Flathead County is Montana's fourth most populous county with an estimated 102,106 residents in 2019. It is the second fastest growing county in the State. Gallatin County experienced more rapid growth of 25% between 2010 and 2017. Flathead County has an estimated population increase of 12.3 from 2010-2017. It is home to three incorporated cities.

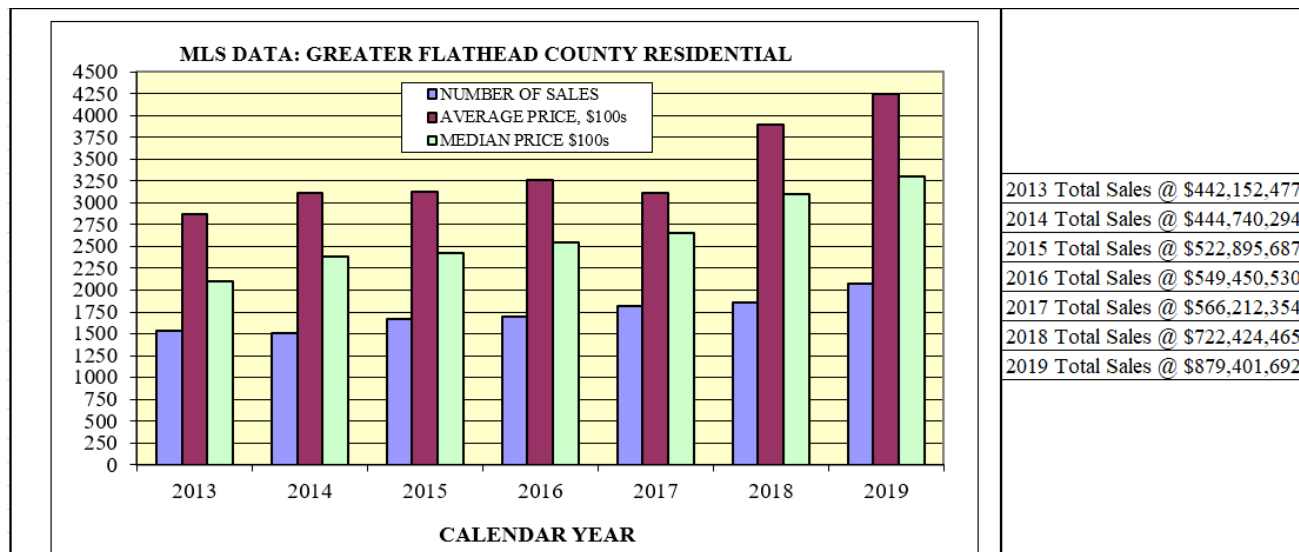
Kalispell is the largest city in Flathead County. Kalispell's population is based on residents living within city limits, which does not include Evergreen or other surrounding communities in the county's jurisdiction. The July 2019 population estimate is 23,938. The City of Kalispell has seen 20% population growth in the last decade. This growth is expected to continue as rural areas lose people while urban areas grow.

Whitefish gained 1,478 residents between 2010 and 2019, a 23.1 percent increase. The estimated population for Whitefish stands at 7,870 in 2019 (July).

Columbia Falls, the third largest city in Flathead County, saw 18.4 percent growth rate between 2010 and 2017. Its population estimate for July 2019 is 5,575.

The growth of individual cities in the Flathead Valley mirrors a county-wide trajectory. The population in Flathead County grew by roughly 11,182 people from 2010 to 2019, the largest year-to-year increase in a decade and one of the biggest gains in Montana.

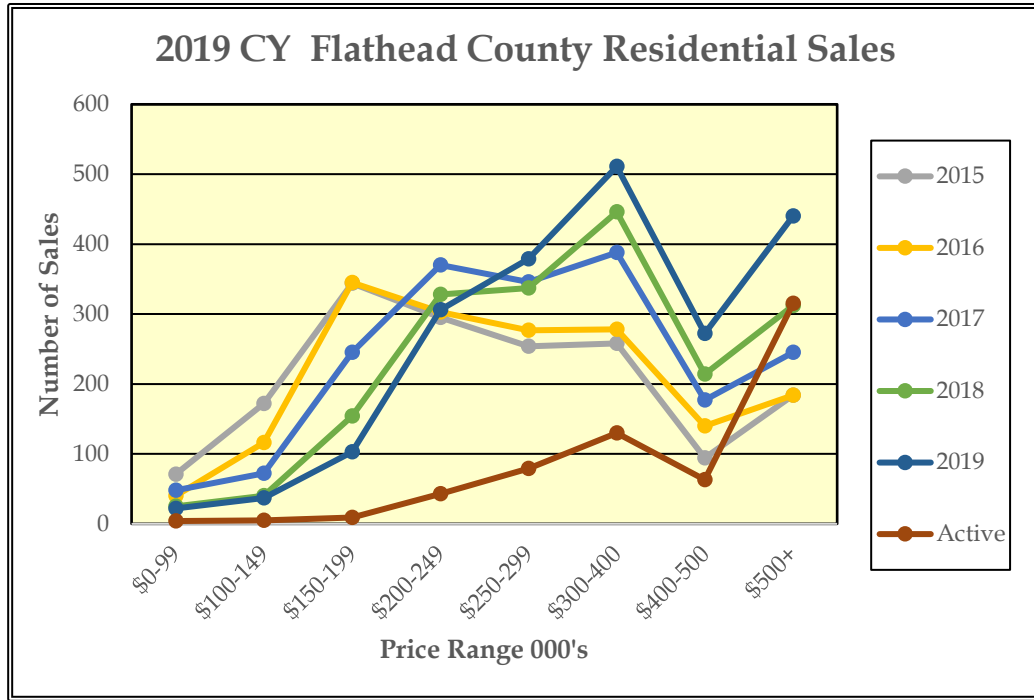
Certain areas of the Flathead County real estate market have flattened after four years of increases during the period 2011 to 2014 while others have increased significantly. The first illustration below is a compilation of MLS reported Flathead County residential sales showing trends in the "Number of Sales," "Average Sale Price" and "Median Sale Price." The following table summarizes total historical residential sales volume.



NMAR/MLS reports bank-owned sales are becoming an increasingly smaller segment of the Flathead Valley residential market with 15 reported REO sales during 2019. A year-to-year comparison of sales figures is summarized below.

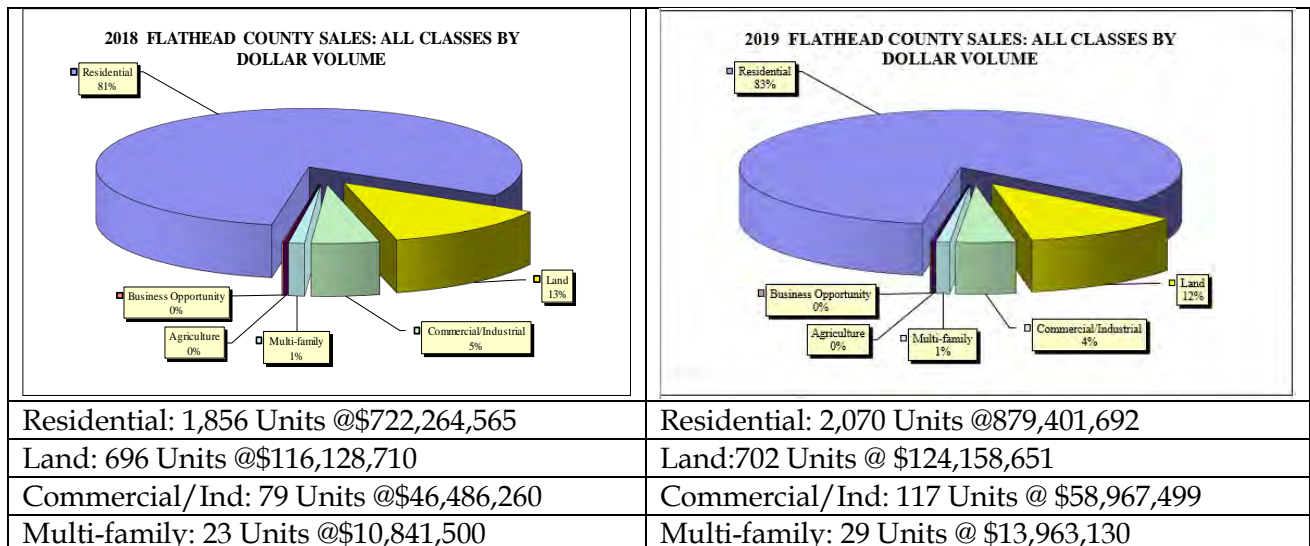
FLATHEAD COUNTY RESIDENTIAL SALES COMPARISON: 2018-2019					
	# of Sales	Total \$	Average \$	Avg DOM	REO
Start Date 1-Jan-18					
	1,856	\$722,685,670	\$369,720	120	16
End Date 31-Dec-18					
Start Date 1-Jan-19					
	2,070	\$879,401,692	\$424,832	131	15
End Date 31-Dec-19					
Percentage Change	0.00%	21.69%	14.91%	9.17%	-6.25%

Days on Market (DOM) is not a weighted trend indicator because listings may be renewed, and further investigation is needed to report “actual” listing times. The next data set illustrates residential sales and active listings by price category. The number of REO properties reported sold dropped slightly from 2018 to 2019.



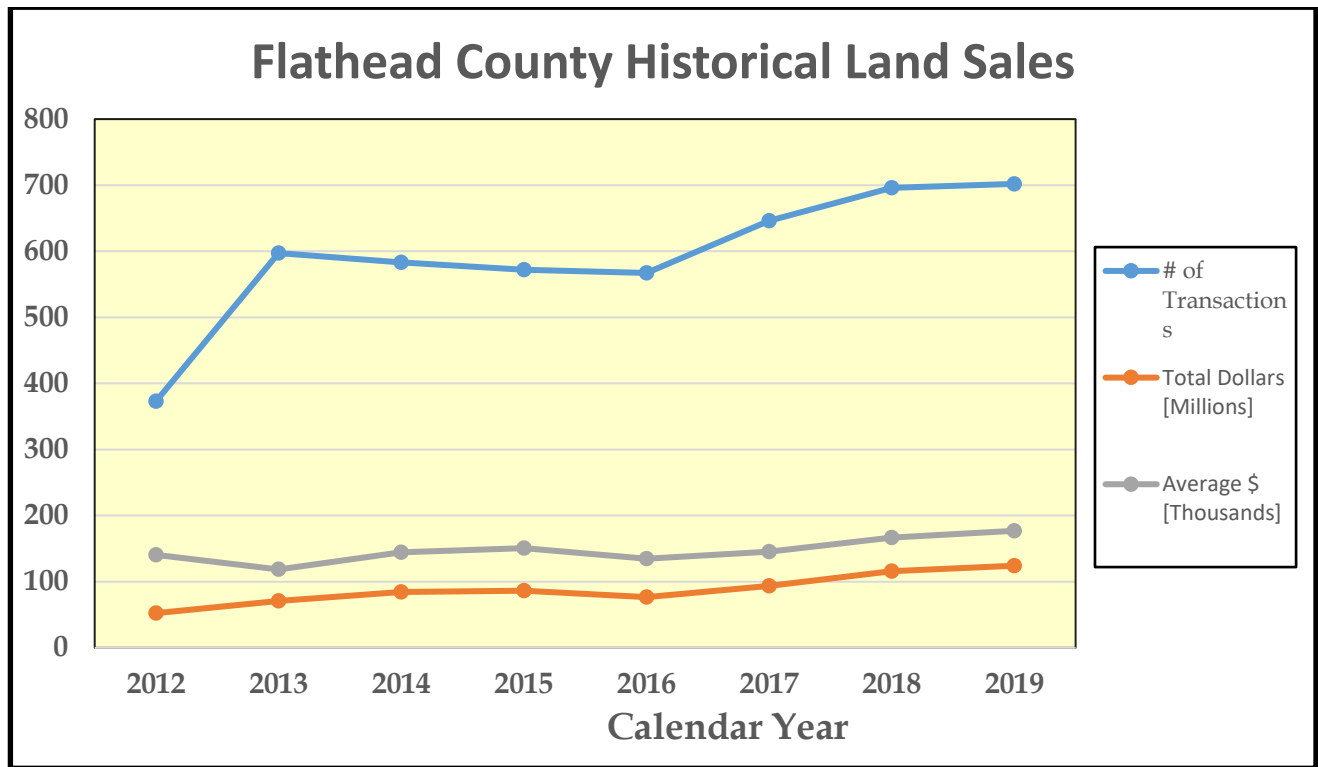
The table above confirms the high demand for residential units priced below \$300,000. This market dynamic has been present for many years and shows no sign of changing. The number of 2019 sales in the \$250,000 to \$400,000 remains strong. The limited number of sales below \$250,000 reflects a limited number of listings in that price range. Generally speaking, properties below \$250,000 sell very quickly. One thing that has changed recently is the decreased number of listings above \$500K. This is an unusual turn of events which suggests the sellers of high end properties may be inclined to believe the market may still be increasing and are waiting to sell.

The next data set illustrates the changes in the overall real estate market by dissecting the total sales by categories of land use, i.e. Residential, Land, Commercial, Multi-family, etc. These pie charts show the overall market demand by property type.



The value of the sales increased significantly from 2017 to 2018 across all property types but multi-family. This should not be inferred that there is a weakness in multi-family housing. Quite to the contrary, a significant number of new multi-family properties have been constructed in many areas of the Flathead Valley. Overall, buyers are still finding the Flathead Valley a desirable location to invest. With respect to commercial sales, rental rates have not caught up to the values with respect to single-tenant properties. In the vast majority of cases, single tenant properties are purchased by owner-users. Changes in the banking and finance industries can still have a dramatic effect on sales. Recent increases in lending rates might encourage more investors to purchase real estate at what are still very low interest rates.

Vacant land is another important segment of the local market that has had significant changes over the last few years. I am including a Flathead County summary of sales for illustration. The following table illustrates this market segment showing some signs of stabilization, but the amount of inventory will likely inhibit much growth. Data is via NMAR/MLS.



Flathead County Land Sales					
Year	2015	2016	2017	2018	2019
# of Units	572	567	646	696	702
Total Dollars [Millions]	\$86.3	\$76.5	\$93.9	\$116.1	\$124.2
Average \$ [Thousands]	\$150.8	\$135.0	\$145.3	\$166.8	\$177.0

Flathead County Land Sales												
Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
# of Units	575	346	179	226	228	373	597	583	572	567	646	696
Total Dollars [Millions]	\$131.7	\$64.3	\$31.7	\$34.4	\$39.5	\$52.4	\$70.8	\$84.38	\$86.28	\$76.54	\$93.87	116.1
Average \$ [Thousands]	\$229	\$186	\$177	\$152	\$173	\$141	\$119	\$145	\$151	\$135	\$145	\$167

The relationship between the amount of inventory available for sale and the number of current buyers for any category above is a serious concern. The current amount of inventory for sale for certain property types is lengthy.

Finally, I utilized NMAR/MLS data from the entire Flathead County to present an illustration of the supply and demand relationship noting the general over-supply of existing inventory for sale. The following table shows the years of supply for all categories of real estate listed. Data is not verified for multiple listings, etc.

Flathead County Area Supply and Demand via MLS Sales/Listings			
Property Category	# Sales CY 2019	Listings 1/1/2020	Years of Supply
Residential	1,856	648	0.35
Land	702	823	1.17
Commercial	73	117	1.60
Multi-Family	29	8	0.28

The commercial market in the Flathead Valley is improving. The sales which were listed on the local MLS are summarized below.

COMMERCIAL SALES SUMMARY					
Price Segment	2015	2016	2017	2018	2019
<100K	9	12	8	2	4
100-199K	18	12	10	13	6
200-299K	11	7	16	15	10
300-399K	9	12	15	9	10
400-499K	3	7	7	9	11
500-599K	8	2	5	4	6
600-699K	3	2	3	2	2
700-799K	1	1	1	4	2
800-899K	4	2	2	4	2
900-999K	3	0	3	4	1
>1,000K	5	6	8	13	19
Total number of Sales	74	63	78	79	73
Average Days on Market	311	341	278	278	251
Average Price/transaction	\$425,583	\$433,501	\$526,211	\$588,434	\$807,774

The table does represent the best data available for sales which were listed on the MLS. Since 2014 there have been some significant properties which have transferred via private transactions in the area. Notably, they include the Lundgren Family property in West Glacier which sold to Glacier Park Inc. for \$17M which included \$1M of personal property. In addition, the Hutterian Brethren purchased approximately 500 acres of agricultural land between Kalispell and Creston for an unconfirmed \$10,000/acre.

Financing

Financing conditions are considered restrictive primarily due to decisions by the Federal Reserve Board and Treasury to keep interest rates low to thwart further downturns in the broader financial markets from the ongoing economic recession. The most significant change is that lenders are considerably more restrictive in their practices, which tends to reduce the number of eligible borrowers. The current rate for a 30-year fixed rate mortgage is 3.70% as of January 1, 2020, as reported in the Freddie Mac Mortgage Interest Survey.

The information in the preceding pages leads to the conclusion that the value of real estate in Flathead County shows upward trends for most segments of the local market. The inventory in the many active segments appears to be diminishing and this will likely bring about increasing prices. Secondly, the new banking and finance regulations are un-tested, but over the last few years, such regulations have impacted overall market conditions.

Montana is a “non-disclosure” state wherein the price of real estate transactions is not available through public records. It is becoming more common over the last few years for real property sales to not be listed or reported via MLS. These “private” sales hamper the appraisal industry and the ability of the appraiser to provide meaningful sales data. Recent proposed legislation within Montana to provide public disclosure of Realty Transfer Certificates failed, which would have clearly impacted the appraiser’s ability to find and confirm private sales within the local market. As a member REALTOR® and MLS member, every effort is made to verify transactions via public records and contact with those knowledgeable of the sales. Private sales are verified whenever possible.

Kalispell

In the northern area of Kalispell there are two major commercial developments. Within the Hutton Ranch commercial development, the large anchor businesses include a Walmart SuperCenter and the Sportsman & Ski Haus. Homewood Suites by Hilton and Cinemark Stadium Theatre are located close by. Fronting the east side of US 93, the former Sizzler Steak House site is now a Buffalo Wild Wings restaurant. The Hutton Ranch Development also has multiple strip buildings housing a multitude of smaller businesses.

The Spring Prairie Center Plaza developed a large retail area at the junction of US 93 and the north end of the bypass that includes: Cabela’s, Ulta, MacKenzie River Pizza restaurant, PetSmart, Boot Barn, Verizon Smart Store, and Michaels Hobby and Craft. Recent additions to the center are Discount Tire, Buckle, and Chick-Fil-A. This development also has a strip building housing retail space for Sports Clips, Brass Tap Brewery and Kobe Steakhouse.

Spring Prairie Development Phase IV growth continues on the 28-acre site south of Costco and North of the Kid Sports Complex. The first tenant was Marriott Spring Hill Inn and Suites (101 rooms) in May 2016. Next to follow was Krispy Kreme Donuts in their new building with US 93 frontage. Hobby Lobby built a 55,000 SF store for \$2.4 million, opened February 2017. At the corner of Old Reserve DR and US 93, two new businesses opened in a shared building, Costa Vida Fresh Mexican Grill, and Mattress Firm. Home Goods, the retail home furnishings chain store, built a 19,278 SF building just north of Hobby Lobby. Additional projects in this development include:

- Harbor Freight Tools, opened a chain discount tool store.
- REI, outdoor recreation retailer occupies a mini-anchor building of 20,000 SF between Hobby Lobby and Home Goods retailers.
- Panera Bread, bakery-café restaurant chain constructed a 5,100 SF facility near the southern entrance of the center near the new traffic light on US 93 across from FVCC.
- A new 7,200 SF building next to Panera Bread houses three new businesses: Mod Pizza, Kay Jewelers, and T-Mobile. Riddle's Jewelry relocated from the Kalispell Center Mall into a space next to Mod Pizza in August 2019.
- Spectrum Communications built a new cell phone sales/office facility.
- Jimmy Johns opened a 2nd location with a new building.

There are a select number of lots available before this 28-acre project is completely built out. No word yet on the largest vacant box store space.

The Treeline Center to the west includes a hotel, Grease Monkey oil change location, office space and restaurant on the north end of Kalispell. The 6.8-acre tract of land, which is located just across the U.S. 93 bypass from Glacier High School, off Treeline Road, is state trust land managed by the Montana Department of Natural Resources and Conservation. The developer, Bridgewater, announced there were still two of the six commercial lots available for potential businesses. The commercial buildings/suites range in size from 1,500 to 6,000 square feet. First tenants are: MyPlace Hotel, Grease Monkey and Urban Bricks Pizza. Recent businesses have moved into the center include Sable Coffee, Bounty Barber and the pet store "Dee-o-Gee".

Not far from Spring Prairie Center there is a new subdivision known as Bloomstone, just west of Kid Sports Complex. This 90-acre project was sidelined for approximately eight years. The owners of this development completed the first phase in April 2018 of the Cottage Home Series. Phase II construction of 36 townhomes and ten single family homes has begun. When completed, Bloomstone will have 185 homes, 208 condominiums and 372 apartments. The project stresses affordability, convenience to major services and outdoor space. Upon completion, Bloomstone's trail system will connect with the Kid Sports Trail System as well as Rails to Trails.

There is continued residential growth in existing subdivisions such as Silverbrook, a 325-acre Kalispell subdivision along U.S. 93 near the Church Drive intersection. Owners, Westcraft Homes have created 3 distinct community areas within the Silverbrook Estates Community: Riverside South, Creekside South, and The Cottages. Along with 284 home lots, a 4.48-acre neighborhood commercial area in the northeast corner of the development is planned. Silverbrook has 4.5 miles of trails, parks, clubhouse and tennis basketball courts.

New site developments have begun in the area with a number of planned units. The first phase (108 units) is underway at the Crossings at Spring Creek on Two-Mile Drive. When fully built out, it will have 324 apartments. Also along Two Mile Drive, north of the Gateway Community Center, the first 48 units of a 120-unit apartment complex is under construction.

The newest single-family subdivision, Meadow's Edge, along Three Mile Drive, has completed Phase 1 with 20 single-family homes since they began construction in early 2019 and they are all reportedly under contract. The long-term goal is a combined 322 SFR and multi-family units.

World Gym opened a new 17,000 SF building in December 2019. It is a complete gym with exercise equipment and amenities. It is located north of Silverbrook Estates in a small commercial development.

The Kalispell Center Mall is located on US Hwy 93 and north Main ST. The current anchor retailers are JC Penney and Red Lion Hotels. Also, on the mall site are a casino and free-standing US bank and Starbucks buildings. Herberger's and the mall development completed the addition of 40,000 SF to the existing department store, effectively doubling the store's size (September 2017). Unfortunately, the Herberger's department store closed after its parent company was sold at auction for liquidation April 2018. The store closed on August 29, 2018. There is no news at this time for a replacement tenant.

There are future plans to expand into several acres just north of the mall across the train tracks that run through downtown. This is part of the Kalispell Core Area Revitalization Plan's vision; once the railroad tracks are pulled up. The plans include a skate park, green space and more. The trail will replace the railroad tracks through downtown and connect Meridian Street with Woodland Park. Retailers have shown interest; plans drawn up for what it could look like include storefronts along and access from the future walking path. Vehicular access will likely connect both mall's properties allowing for better traffic flow, including pedestrian access.

The Kalispell North Town Center, a 485.5-acre subdivision once known as Glacier Town Center and the largest single commercial project in the history of Flathead County, broke ground in early 2017. The entire subdivision is bounded by West Reserve Drive to the south, U.S. Highway 93 to the west and Whitefish Stage Road to the east. The subdivision is the first of nine potential phases of development within the Kalispell North Town Center. The initial phase includes 11 commercial lots and one multifamily residential lot north of Kalispell. Of the first phase's 81 acres, 56.9 would encompass commercial and residential development and 24.5 would be city right-of-way and open space, according to the plat application. A 100-foot-wide landscaped buffer was built along U.S. 93 North and a 2.1-acre buffer was constructed between the subdivision and adjacent to the National Guard Armory. As part of the development, the plans include building out Rose Crossing from Whitefish Stage west to U.S. 93 and includes a stop light at US Hwy 93 and Rose Crossing. The project owners plan to deed it to the city, making it a public street. Other road construction is planned throughout the subdivision, including building a street north from West Reserve and connecting to the newly extended Rose Crossing. Future phases of the town center will include more commercial and residential development, a hotel, office space. A 12-acre set aside is in the plans for a new Kalispell elementary school. A multi-family project is underway with 24 units with 3 additional complexes anticipated at a later date.

Two dealerships are growing. Whitefish Ford and Kalispell Ford of Evergreen have united and relocated to a brand new 54,000-square-foot facility in one of the 12 lots within the North Town Center. The new \$8.4 million facility located at 2000 Rose Crossing, opened November 2017. The Ford dealership is the first completed project in the development. Green Nissan and Green Hyundai built a new dealership on US 93 South across from Town Pump near Four Corners. The Don K car dealership in Whitefish embarked on another round of expansion with the addition of a \$650,000 accessory and detail building that is an extension of the business' Subaru operation.

The Kalispell City airport was opened on the edge of town on July 3, 1929 but has since been surrounded by development on Kalispell's south side. The Kalispell City Council approved a plan December 2017, to lease the municipal airport to a user's association. The lease agreement between the city and Kalispell Airport Association is for 20 years and includes the option to extend it to 40 years if the users association commits to making a number of improvements to the facility that are outlined in the city airport master plan. Potential improvements include repaving the taxiway and runway and upgrading hangars. The airport was at a crossroads after a 2013 vote by Kalispell city residents for advocating ceasing operations at its current location.

Glacier Park International Airport set a new passenger record for July and August 2019 with passenger count up 25% over the same period in 2018. GPIA received a \$302,000 grant from the FAA to pay for a new master plan that will help guide the facility's future. The ten-year master plan considers expected passenger and aircraft activity, land use around the airport, and facilities that need expansion or improvement. In August 2018, the FAA awarded two grants to GPIA. The bulk of the award is \$1.5 million to rehabilitate the runway and apron with work to be complete by October 2018. A roughly \$500 thousand grant will reimburse GPIA for costs spent on changes to the terminal facility masterplan. Potential improvements to the master plan include adding more space to the ticketing lobby, and add more waiting areas at plane gates beyond security. Also, add two more gates upstairs and add more space at baggage claim.

South of the airport, Greg Bain & Company built a 100-room, two story hotel that opened June 2018 as a Country Inns & Suites by Radisson, Glacier Lodge. The 62,000 SF hotel located at 4150 US Hwy 2 East, Kalispell, includes an indoor pool with water slide, a spa, fitness room, and also a large conference room. The 9-acre parcel includes the hotel and two adjacent building pads the developer has reported could suit a restaurant and a convenience store.

Construction of the new Glacier Rail Park east of Kalispell is nearing completion. The 43-acre, \$11.2 million-dollar rail-served industrial park features space for industrial businesses as well as what's called in the railroad industry as a "team track," to load and unload freight cars along Whitefish Stage Road. The industrial development was the primary focus of the Montana West Economic Development Group and the City of Kalispell. The project encompasses moving industrial buildings and companies from the west side of Kalispell to the park; remove 10,000 feet of existing railroad tracks; the tracks replaced with a pedestrian/trail park; and more future commercial expansion on 40 acres of land. The two companies that rely on rail lines, CHS Kalispell and Northwest Drywall, relocated to the new development. CHS will lease 10.9 acres for a grain elevator, fertilizer facility and a new fueling station. Road and utility improvements are complete. A new traffic signal and turning lanes have been installed at US Hwy 2E, Woodland Park DR and Flathead DR. All surrounding roads were built for heavy truck traffic. The park will aid in future

growth for industrial and manufacturing sectors. Recent news indicates that as of January 2020, the rail park will be filled with the last space taken by Northern Plastics.

The US 93 bypass opened for its full length on October 2016. It is 7.6 miles running along the western outskirts of Kalispell from the southern gateway to the northern tip. The last phase of the project included building four miles of new road and pathway, five bridges and a sound wall near Empire Estates subdivision. According to MDT the bypass is the largest single transportation project in Montana history, valued at a total of roughly \$140 million. While the entire project was originally planned to feature four lanes and overpasses, the south half of the bypass was built with only two lanes to get the project off the ground in 2007. State transportation officials received Federal grant funds in December of 2018 to expand the south portion to four lanes and add overpasses at Foy's Lake Road and Airport Road for an estimated cost of roughly \$20 million.

A new \$15 million Kalispell elementary school has been built south of Kalispell near Airport Road and US Highway 93 S. Rankin Elementary School is the District's sixth elementary school and opened for the fall 2018 semester.

Immanuel Lutheran Communities has been progressing on their 2015-2020 master plan. Currently, Phase II construction proceeds on the estimated \$45 million expansion to the campus. The Lodge at Buffalo Hill, 24 Private Assisted Living Memory Support residences, are now open. The Villas, 36 senior residential living apartment homes, are now complete. These apartments include contract options to ensure priority access to assisted living, rehabilitation, memory care and skilled nursing. Additional facilities planned include pool, fitness center, salon and spa, coffee bar and lounge, auditorium, and a chapel to seat 140 people.

A new RV park opened in South Kalispell off the bypass. The City Council approved, a 50-acre park with 330 spaces. The developer is Montana Basecamp RV Park. The first phase, consisting of 60 spaces opened in May 2019.

A new commercial enterprise opened October 2019 in Evergreen on US HWY 2 in the building formerly occupied by Office Max. Smart Food Service Warehouse Store provides a convenient local shopping option for groceries and supply products. Shopko and Kmart have closed. Shopko will be reportedly be occupied by a company growing fresh vegetables hydroponically. It is rumored that Winco grocery stores will occupy the Kmart site.

Whitefish

The City Council built a new Whitefish City Hall and parking garage on its existing corner site in 2017. The project included 3,000 SF retail space, along with 137 leased and 77 free 3-hour parking spaces. Nelson's Ace Hardware moved into a new, expanded building on US Highway 93, in south Whitefish, March 2019. The company had outgrown its previous location on Central AVE. The new building is 14,000 SF and has abundant on-site parking.

November 2017, the Whitefish City Council adopted a blueprint to address affordable housing crisis, in which the city hopes to add hundreds of workforce housing units by 2020. The assessment identified the need for 980 total units to accommodate employee households through 2020. There is continued interest in developing multi-family housing.

Construction has begun on an affordable multi-family apartment complex in Whitefish. This is the first such construction since 2004. The Alpenglw Apartments will feature one, two and three-bedroom units available for rent for households earning up to 60 percent of area median income (AMI). In Whitefish, 60% of the AMI is \$33,420 for a 2-person household. This complex is a concentrated effort by Whitefish Housing Authority, Department of Commerce's Montana Board of Housing and Homeward, a Missoula non-profit housing developer. The project is estimated at \$8.7 million and will use \$6.75 million of federal housing credits.

Other recent housing construction includes Alta Views townhomes located off JP Road near North Valley Hospital. There are 137 planned townhomes. It is approximately 30% built out.

Trailview Subdivision has 58 planned units and is located on the SE side of Whitefish at the SWC of Monegan and Voerman Roads. This is an affordable housing complex which prohibits long and short-term rental. Ribbon-cutting ceremony for Phase 1 took place in November 2019.

Riverbank Residences is a 234-unit apartment complex to be built on the former North Valley Hospital land on US Hwy 93 across from Safeway. Apartments will consist of a mix of studio, one bedroom or two-bedroom units. The project calls for 47 of the 235 units to be deed-restricted affordable housing. They have yet to break ground.

One other development in Whitefish is "The Quarry", a condominium complex with 102 units (66 condos and 2 18-plex multi-family condominiums). It is located on the northern end of Wisconsin Avenue.

BNSF Railway, the second largest railroad in the U.S., operates approximately 32,500 route miles of track in 28 states and also operates in three Canadian provinces. BNSF capital budget for Montana 2019 of \$105M consisting mainly of planned maintenance to replace and upgrade steel rails, rail ties, and ballast. BNSF owns about 1,900 miles of track in Montana. Expenditures include more than 840 miles of track resurfacing and/or undercutting work as well as replacement of about 55 miles of rail and close to 110,000 rail ties.

Columbia Falls

The Weyerhaeuser log processing facility continues to be one of the largest employers in the region. Currently, Weyerhaeuser's two mills in Evergreen and the MDF plant in Columbia Falls are operating with two shifts and three shifts, respectively. The Softwood Lumber Agreement between Canada and the United States, recently added tariffs to Canadian softwood imports which the United States claimed were being unfairly subsidized by the Canadian government. These tariffs will likely be challenged in court. Home builders throughout the United States are concerned that additional tariffs will increase the price of houses.

Weyerhaeuser listed two facilities in Columbia Falls for sale in June 2017. They are the former Cedar Palace administrative building and the former sawmill. The 35,000 SF administrative building on 12th AVE is listed for \$2.6 million and includes 24 acres of open land and an adjacent 1,736 SF data center building. The sawmill listing includes two sites totaling 37 acres and 294,000 SF of improvements. The price is not listed, and the property may be sold through the bid process. The Cedar Palace sold to Glacier Medical Associates and Ortho Rehab Physical Therapy. They have plans to turn the building into a medical services complex.

It was announced in December 2019 that Weyerhaeuser sold all of their timberlands in NW Montana. The buyer is a timber producer from the SE United States. They have indicated they intend to continue industrial forestry in the area.

The CFAC (Columbia Falls Aluminum Company) 960-acre smelter site at Columbia Falls closed in 2009, after 54 years of operation. At one time CFAC employed more than 1,500 people and produced about one million pounds of aluminum per day. Demolition and reclamation of the plant above-ground began May 2015. The U.S. Environmental Protection Agency announced in September 2016, to add CFAC to the federal Superfund Program's National Priorities List. The purpose to add CFAC is meant to ensure that the property's owner, Glencore, will be held financially accountable for cleaning up any hazardous materials and addressing other environmental impacts. Not all the structures will be demolished. A future industrial business could make use of the fabrication building, warehouses and main office facility after it is cleared by the EPA, most likely no earlier than 2021.

Cedar Creek Lodge and Convention Center, a 64-room hotel on a site located near Pinewood Park was completed June 2016. The facility includes a 3,000 SF conference center. This is the first large scale hotel constructed in Columbia Falls city limits and had a budget of \$8,000,000. Xanterra announced late 2016 that it had purchased the Cedar Creek Lodge and intends to offer shoulder-season activities for guests, including scuba diving lessons and an extension of the Columbia Falls farmers market. It is noted that Mr. Ruis was the original owner/developer of the property.

Whitefish Credit Union completed construction August 2018 with a new branch office on the site of a former service station, located at 405 N 9th Street. This 5,000 SF branch replaces the older branch located on Nucleus Avenue.

The Columbia Falls downtown core has changed in recent years with old buildings torn down or remodeled into mixed-use properties. Growth of residential properties includes the Highline Apartments, with 72-pet friendly apartments. Phase 2 has begun which will build out to 216 "workforce housing" apartments.

Canada/Oil Influence

For a considerable time, the real estate and retail market in the Flathead Valley has benefitted from Albertans coming into the area to shop, recreate, and to purchase vacation homes.

The economy in Alberta, Canada is particularly susceptible to wild swings in oil values. Alberta unemployment was as high as 9% in 2016. As of November 2019, Alberta unemployment was 7.2%. The value of the Canadian dollar as of January 2020 is \$0.769 compared to USD. October 2019 found Canadian Select oil averaged roughly \$41.96 (US) per barrel, which is roughly 2% higher than a year earlier.

Taxes

Flathead County has a tax rate that equates to an average tax bill of 0.77% of the fair market value of the property. The average residential tax bill is \$1,777. This is the 585th highest tax rate among the 3143 counties in the United States. The average property tax bill equates to 3.34% of the median

income of residents in Flathead County. This is 440th highest in the United States. *Source: tax-rates.org.*

Transportation

Flathead County includes Interstate 93 which is a primary north-south arterial in Montana. Additional highways include US Highway 2 (the Highline Trail discussed earlier in the report). There are other less used highways/arterials that link the various towns in the County.

There are two primary airports in Flathead County. The Kalispell City Airport serves general aviation aircraft which have a maximum take and landing weight of less than 12,500 lbs. This airport is in close proximity to the City.

The main airport is Glacier Park International Airport. Airline service is provided by Alaska Airlines, Delta Air Lines, United Airlines, American Airlines, and Allegiant Air. Cities with direct connections to Kalispell include: Denver, Las Vegas, Minneapolis, Salt Lake City, Atlanta, Chicago, Los Angeles, Oakland, San Francisco and Portland.

Public transportation consists largely of Eagle Transportation. This service is provided by Flathead County and takes individuals to destinations around the Kalispell area daily. Twice a month it has shuttle service between Kalispell and Whitefish. There are also private shuttles and taxi service in the area. All vehicles are ADA accessible and equipped with lifts.

Probably the most familiar transportation service is the “Red Jammer” buses that operate in and around Glacier National Park. These buses operated by Xanterra Parks & Resorts are driven by experienced tour guides on trips ranging from a few hours to all day excursions that take fares throughout Glacier National Park and the surrounding area.

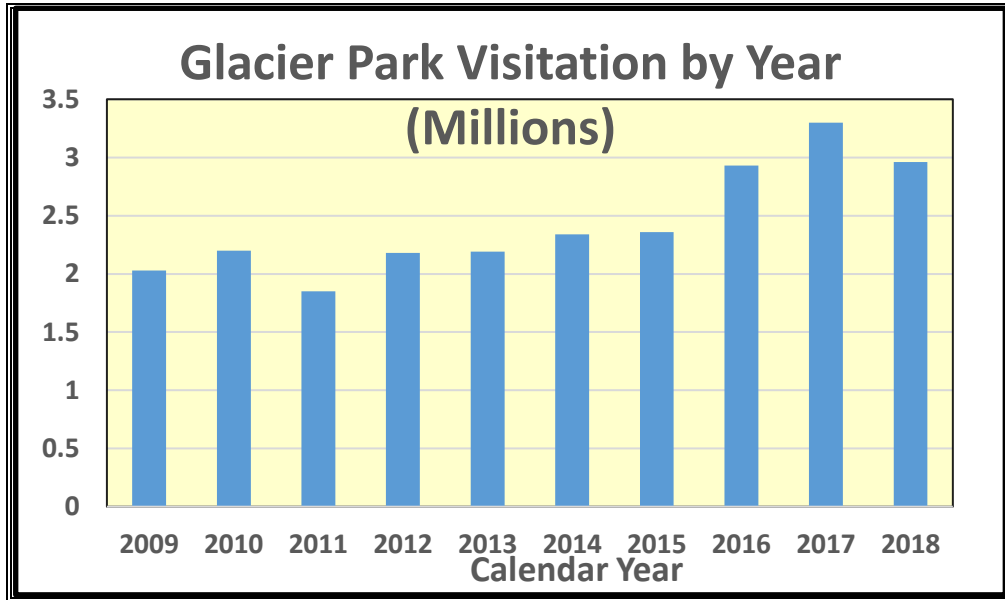
Glacier National Park

One of the primary tourist draws to Flathead County and Northwest Montana is Glacier National Park (GNP). It should be noted that not all the park area is contained within Flathead County, some is within adjoining counties. This national park was established in 1910 and contains 1,012,837 acres. The “Going to the Sun Road” (GTTS) connects West Glacier to the east entrance to the park at St. Mary’s Lake. The GTTS road accesses Logan Pass at over 6,600 feet. There is typically so much snow that drifts on this road that many years it is not possible to open the road to the public until mid-July. The Park can get very congested with auto traffic due to so much volume occurring in the eight weeks (or less) that the GTTS road is open during the summer and prior to Labor Day in early September. The Park has 745 miles of trails, thirteen campgrounds, 65 backcountry campgrounds, 131 named lakes and 175 named mountains. There are several lodges within the Park. There are several areas with private inholdings on Lake McDonald that predate formation of the Park, but the vast majority of the area within the Park perimeter is public land. Xanterra Parks & Resorts is the park concessioner for GNP. Xanterra hires 750 seasonal employees each year.

The National Park Service reported more than 3.3 million people visited GNP in Montana in 2017, making it the busiest in the park’s 108-year history. That equates to a 10 percent increase in visitation; a one million person increase over 2015 visitor levels. Park officials reported they believed the National Park Service centennial buoyed much of the visitation in 2016, but 2017 proved that Glacier’s popularity continues.

The number of visitors to GNP (as of July 2019) dropped by nearly 3% to 884,000 when compared to July 2018. July is considered the peak month for number of visitors. The number of visitors to the park through July totaled 1.68 million. The area had no significant forest fires affecting the park during 2019. As of November 2019 there was a 3% YTD change for a total of 3,034,702 visitors.

The following table shows the historical number of visitors to Glacier National Park:



Source: National Park Service

The Park Service uses a multiplier for each vehicle to determine attendance counts. Glacier National Park’s multiplier is 2.9 people per car. They don’t count individual people. They also adjust the numbers for Park personnel coming in and out of the Park, so they aren’t counted as visitors.

Unemployment

The past five years has shown steadily decreasing unemployment. This trend holds true for the winter peak periods and the summer periods of low unemployment. The table is prepared by the Federal Reserve Economic Data (FRED) and covers November 2014 through November 2019.



Flathead County has seen significant swings in employment over the last ten years and even larger seasonal swings. The Montana and U.S. unemployment rates are 3.4 percent and 3.7 percent respectively as of November 2019.

The Flathead County unemployment rate was reported at 4.6% in November 2019. Flathead County's economy is dominated by the tourism industry and in the summer months the county has the lowest unemployment rates. Statistics provided by DLI say Montana's population of those 65 and older is expected to grow by approximately 7,000 people each year, while the typical working age population, people aged 16 to 64, is projected to grow by only 475 people each year. They report the workforce shortage will put the unemployment rate below 2% by year 2026.

Major Employer

The largest employer in the County is Kalispell Regional Healthcare. The hospital recently built a new three-story, 130,000 SF surgical wing, that added office space as well as new patient capacity and a surgery center. KRH employs more than 4,000 people throughout NW Montana serving thirteen counties, covering nearly 40,000 square miles.

In August 2016, Kalispell Regional Healthcare broke ground on a new 190,000 SF facility that will house services for women and children with a \$40 million projected budget. The first floor (Phase 1) began treating patients in early July 2019. The 2nd and 3rd floors will open in later phases in coming years. The new facility includes both neonatal and pediatric intensive care units offering operating rooms, radiology, c-section operating rooms.

A new Emergency Services Center was completed in November 2018. The space is now modernized and expanded to serve as the ER's trauma and clinical rooms. The seven-year ER expansion grew from 8,000 SF to over 37,000 SF and cost an estimated \$14 million.

The new 28,000-square-foot Digestive Health Institute opened October 2018. This \$12.9 million facility brings together gastroenterology clinic services and endoscopy center all under one roof.

Hotel/Tourism

Tourism has taken over as the largest basic industry in Flathead County, as reported by the Bureau of Business and Economic Research at the University of Montana. Reported in January 2019, by the Flathead Beacon, an estimated 12.2 million tourists spent \$3.70 billion across Montana in 2018, according to the University of Montana's Institute of Tourism & Recreation Research report. This was a 10.4% increase of the previous year estimate. Glacier Country in NW Montana received 34% of all spending in the State (\$1.21 billion by non-resident travelers). The primary summer 12-week tourism period continues to be strong and reliable. The tourism season shoulders are seeing more hotel/motel room occupancy. Competitive pricing within all the hotels/motels will mean occupancy numbers shifting and expect to settle down within 12 to 18 months.

Private citizens also provide visitor lodging via personal advertising to online vacation rentals by owner (VRBO). Top Airbnb destinations in Montana are Bozeman, Missoula, Whitefish and West Yellowstone. The fastest growing alternative accommodations are barns (farm-to-bed vacations), houseboats, glamping, and treehouses. Travelers are seeking outdoor adventures with most

comforts found in a home. One caveat is that concerns surrounding privacy, legality and safety are still barriers for travelers to try a VRBO.

The Flathead County Commission approved new regulations in 2017 for short-term rentals in zoned areas of the county, affecting homeowners who were operating rentals through websites such as Airbnb and VRBO. This includes areas that have their own zoning districts, including Little Bitterroot Lake, West Valley, Rogers Lake, Ashley Lake, Labrant/Lindsey Lane, North Fork and Lakeside. Then followed a new set of regulations set by Whitefish City Council. The definition of a short-term rental was amended along with compliance monitoring and to have property owners pay bed tax into State Department of Revenue

Population Statistics and Demographics

The following statistics and other information is taken from the US Census Bureau. The population is 95.0% white. The population is 50.2% female. 19.5% of the population is over 65 and 22% are under 18 years of age.

With respect to education 93.9% are high school graduates and 29.9% have a bachelor's degree or higher. The median household income was \$52,966 which is slightly higher to the overall average for Montana at \$52,599. There were 38,252 households in the county. Poverty rate in the valley is reported at 11%

Utilities/Municipal Services

Utilities in the region are provided by a variety of sources. Electrical Power is provided by Flathead Electric Co-Op; natural gas is supplied by Northern Energy. Garbage and Recycling is provided by Flathead County. Telephone services are provided by Century Link and Charter Communications. Water and sewer are provided by the municipalities. Areas of the county that are not serviced with county sewer lines use private septic systems. However, some subdivisions and private properties have their own private (community) well water systems.

Each city operates its own emergency response and law enforcement agencies including police and fire protection. The Flathead County Sheriff's Department and the Montana Highway Patrol provide law to the county. While the respective fire departments generally provide first response medical care, transport and en-route care is available from Two Bear Air which is privately funded helicopter search and rescue service operated out of Whitefish.

Education

Flathead County supports twenty-three independent school districts. The nineteen public elementary districts have a cumulative enrollment of approximately 10,309 students. The four high school districts - Bigfork, Columbia Falls, Kalispell, Whitefish - enroll approximately 4,422 students.

In October 2019, there were 14,731 students in (19) public elementary and (4) high schools. There are several private schools and a significant number of home schooled students. The public high schools are located in Bigfork, Columbia Falls, Kalispell and Whitefish. Between 2010-2019 the total number of home schooled students increased 59% at the elementary level and 60% for high school students. The Flathead County total student enrollment for all public elementary schools increased 15% and increased 6% for all high schools within the same 10-year time frame.

Kalispell School District:

The Kalispell elementary student population hit a record 3,077 kids October 2019. The Kalispell School District is embarking on its largest undertaking in history by tackling upgrades and construction at each of the 10 schools. It's also building a new school, the first since Edgerton was completed in 1987. The Kalispell school district received voter approval in October 2016, to spend roughly \$54 million on a variety of renovations and expansions: elementary district bond of \$25.28 million and the high school bond of \$28.76 million.

The elementary school component includes new school, plus funding repairs and updates at the existing five elementary schools and middle school. Besides Edgerton, the other four sites are all over 65 years old. The new \$15 million Rankin Elementary School project broke ground June 2017 on a 25-acre piece of empty land on Airport Road. The school opened August 2018 and will accommodate roughly 450 students in kindergarten through fifth grade. The new school is expected to spark other development in the surrounding area, including residential growth.

Kalispell high school students total 2,844 students as of October 2019. The high school bond allowed for funds to renovate sections of Flathead High School that are over 100 years old as well as deferred maintenance, along with an expansion of the Agricultural Education Center and upgrades at Linderman Education Center. The bond also funds maintenance needs at Glacier High School and rebuild parts of Legends Stadium. Flathead High renovation was completed on August 2019. The project included removal of 27,500 SF of aging infrastructure and new construction of 50,000 SF. The project addressed existing deferred maintenance.

Bigfork School District:

The Bigfork elementary and middle school accounted for 594 students in October 2019, reflecting a 4% decrease over 2018. The high school enrollment was 342 students with 7% increase for 2019.

Whitefish School District:

The district has four school facilities: Muldown Elementary (K-4), Whitefish Middle School (5-8), Whitefish High School (9-12), and an Independent High School which provides a non-traditional setting for grades 10-12. The elementary schools had 1,339 students, 3% increase over 2018. The high schools reported 578 students in 2019, an 10% increase from 2018 enrollment.

Muldown Elementary school, built in 1966, is Montana's largest elementary school. In October 2017, Whitefish voters approved \$26.5 million general obligation bond request to construct a new elementary facility and demolish part of the existing site. It will take 30 months to complete construction. A 15 percent contingency plan is built into the budget, as well as costs estimated at higher prices for future construction. The school will be 84,000 square feet, located just south of the current high school, and could house up to 756 students.

Whitefish School Board gave final approval in August 2017, to accepting donor funds for construction of the Center for Sustainability and Entrepreneurship and was completed by Spring 2018. The center is located on three acres of land at Pine Avenue and East Fourth Street, just north of Whitefish High School. The sustainability center evolved from plans for a greenhouse into a two-story, multi-million-dollar outdoor learning center, a K-12 project, and incorporated outdoor learning areas.

Columbia Falls School District:

The Columbia Falls School District covers a large area of northern Flathead County, south of Glacier National Park. There are two elementary schools, one Junior High School and one High School. There were 1,491 elementary students in October 2019, with a 3% increase over 2018. The high school tally was 658 students indicating a stable enrollment from 2018.

Flathead Valley Community College:

Located in Kalispell, FVCC has registered 2,351 students full-time/part-time, online and high school dual enrollment to campus for Fall 2019 classes, an increase of 100 students over the same period one year ago. The trend is the typical student at FVCC takes fewer courses at a time and works at least one job off-campus. FVCC attracts 90 percent of its students from Flathead and Lincoln counties. The college Running Start program, and its' occupational trades and health care programs are attracting students to FVCC. During 2017, the community college built a student housing complex on its 200-acre campus at a cost of \$7.8 million. Founders Hall features 124 beds, including 50 double units and 24 singles, along with kitchen units. School officials have reported the next campus developments could include a student center and fitness center in the coming years.

FVCC announced January 2018 a privately funded philanthropic effort to support the construction of a new 12,000-square-foot Library and Learning Commons and a 50,000-square-foot College Center, an \$18 million project. Phase I construction is the Library/Learning Commons and is an addition to the nursing/health science facility. The Broussard Family Library and Learning Commons opened in June 2019. The \$3 million facility features leading-edge technologies, collaborative spaces for small group projects, a student lounge area, multi-media services, a Makerspace, and a virtual reality lab. Phase 2 is the development of the College Center include a performance and lecture hall, a multi-purpose activity center with two full basketball courts, an outdoor amphitheater, and a lobby with a secured art gallery. The FVCC foundation had raised approximately \$18 million for the \$21 million project, as reported May 2019. Construction is planned to begin in Spring 2020 with completion in the Fall of 2021.

Glacier Symphony is partnering with FVCC to raise funds for the performance hall, which will serve as the organization's home.

Recreation

There are nine golf courses in the Flathead Valley including a 36-hole course in Whitefish. This does not include nearby golf courses in Eureka, Polson and West/East Glacier. Many of the courses are public with relatively reasonable fees. The courses are often covered in deep snow from mid-December to mid-February, but generally portions of the remaining months are suitable for a golf outing.

There are two alpine ski areas in Flathead County – Whitefish Mountain near Whitefish and Blacktail Ski Area near Lakeside. Whitefish Mountain has expanded beyond just skiing and now offers an extensive zip line tour, mountain bike riding, hiking, an aerial walkway as well as other summer activities.

Whitewater rafting on the Flathead River is a popular summer activity. There are several tour companies in the area which offer guided raft/fishing trips as well as helicopter tours in the

summer. Those who do not wish to alpine ski have multiple choices to go on guided snowmobile tours or snowshoe/cross country ski tours.

Hunting is another popular activity with significant harvests of deer, elk, moose, and bighorn sheep.

Rivers and Lakes

There are several prominent lakes and rivers in the area that are frequently used for fishing and other recreational activities. Primary lakes in the County include: Flathead Lake, Whitefish Lake, Lake McDonald, Smith Lake, Ashley Lake, Hungry Horse Reservoir, and Stillwater Lake.

Rivers in the County include: Whitefish River, Stillwater River, Swan River, and the headwaters of all three forks of the Flathead River.

Conclusion

The Flathead County area is largely over the effects of the 2008 recession with most banks having disposed of much of their REO inventory. The number of foreclosure residential properties on the market is down dramatically from as recent as 2012.

Residential REO Sales/Listings for Flathead County	
Calendar Year	# Properties Sold/Listings
2010	293
2011	346
2012	372
2013	198
2014	122
2015	118
2016	64
2017	36
2018	16
2019	15
Active Listings	2 (January 2020)

While there is likely a minor shadow market that likely contains some amount of distressed properties, the local banks and credit unions have disposed of the vast majority of their troubled assets. Across all property types, typical market forces are in effect and are not impacted by lending institutions disposing of their properties at deeply discounted prices.

Canadian investors often seek real estate in Montana to add to their portfolios. Generalizations are difficult to make but it is a certainty that some of those are returning to the area in order to sell their holdings and take advantage of the poor exchange rate (\$1.00 Canadian dollar equals \$0.77 US Dollars) The unfavorable exchange rate and the decline in oil prices are almost exclusively responsible.

In a smaller market like Flathead County, the effects of good or bad economic news is generally inflated or exaggerated. The result is an economy that is perceived to go from optimism to pessimism very quickly. Overall, the perception of market conditions will continue to remain strong.

PART A



Subject

Property Address	6 Olney Loop, Olney, MT
Property Location	The northwest side of Olney Loop in Olney, Montana
Property Owner	State of Montana
Assessor's Parcel Number	0360970 (Improvements only)
Census Tract Number	30-029-0001.00
Purpose of Appraisal	To form an opinion of the Fair market value
Intended Use of Appraisal	To provide the clients with a credible opinion of current fair market value of the appraiser subject properties and is intended for use in the decision-making process concerning the potential sale of said subject properties.
Intended Users	State of Montana, the Montana Board of Land Commissioners (Land Board), and the Department of Natural Resources and Conservation (DNRC)
Date of Valuation	November 25, 2019
Property Inspection Date	November 25, 2019
Date of Report	April 15, 2020

Property Rights Appraised	Fee simple		
Land Size	1.058 acres		
Improvement Data	1,486 SF main house with basement. Detached garage and cabin.		
Zoning	SC (Scenic Corridor)		
HIGHEST AND BEST USE			
As Vacant Land	Residential		
As Improved	Residential		
VALUE OPINION			
MARKET VALUE OPINION	PROPERTY RIGHTS APPRAISED	EFFECTIVE DATE OF VALUE	MARKET VALUE OPINION
Fair market value (Land)	Fee simple	November 25, 2019	\$54,000
Fair market value (Improvements)	Fee simple	November 25, 2019	\$88,000
Fair market value (All)	Fee simple	November 25, 2019	\$142,000
Current Use	Residential		
Use Reflected in the Appraisal	Residential		
Exposure Time	The opinion of market value has been predicated on an exposure time of six to twelve months.		
Marketing Period	If the subject were marketed for sale as of the date of the value opinion, the marketing period would be six to twelve months assuming competent marketing with pricing commensurate with the opinions of market value.		

Extraordinary Assumptions/Hypothetical Conditions:

The valuation of the subject property is based upon the hypothetical condition the land and improvements are held in fee simple estate by a single owner. This hypothetical condition is requested by the client.

PART A INTRODUCTION

Identification of the Property

The subject property consists of a rural residence with associated outbuildings located at 6 Olney Loop, Olney, MT 59927. The buildings were constructed in 1947. The site is a 1.036 acre lot.

The site and improvements are more thoroughly described in the "Site Description and Analysis" and the "Improvements Description and Analysis" sections contained in this report.

Legal Description

Lot 5 of Olney Townsite.

Census Tract Number

30-029-0001.00

Purpose of Appraisal

To form an opinion of the fair market value of the subject property as of the effective date of the appraisal.

Intended Use of the Appraisal

To provide the clients with a credible opinion of current fair market value of the appraiser subject properties and is intended for use in the decision-making process concerning the potential sale of said subject properties.

Intended Users of the Appraisal

State of Montana, the Montana Board of Land Commissioners (Land Board), and the Department of Natural Resources and Conservation (DNRC)

Effective Date of Valuation

November 25, 2019. This is the date the property was inspected and the date the photographs were taken.

Date of Appraisal Report

The date of this appraisal report is April 15, 2020. The comparable sales, and market data were verified prior to the date of this report.

USPAP Competency Provision

This appraisal report is being prepared with the intention of complying with the most recent version of the Uniform Standards of Professional Appraisal Practice (USPAP) as adopted by the Appraisal Foundation. I have the knowledge and the experience to complete this appraisal assignment. I have appraised numerous properties with similar uses in NW Montana and I am qualified to appraise the subject property. Please see my qualifications contained in the Addenda of this report for additional information.

Current Ownership/Ownership History

According to information obtained from Flathead County public records the subject property is currently under the ownership of State of Montana. The property has been under the same ownership for over three years.

There were no sales or listings of the subject property that have occurred during the last three years.

Scope of Appraisal

This is a Narrative Appraisal Report which is intended to comply with reporting requirements set forth under Standards Rule 2-2 (a) of the Uniform Standards of Professional Appraisal Practice, (USPAP). As part of this appraisal, the appraiser has made a number of independent investigations and analyses. The investigations undertaken and the major data sources used follow.

Area/City and Neighborhood Analysis

Data pertaining to the market area and the neighborhood was provided by publications such as the Daily Interlake and the Flathead Beacon, and information from the local Chamber of Commerce and the Economic Development Authority of Western Montana. Information regarding population was supplied by the State of Montana and Flathead County. Information about visitor volume, data pertaining to the labor force, employment and unemployment was supplied by the State of Montana. Information pertaining to taxable sales was provided by the Montana Department of Revenue. Data pertaining to residential construction building permits was collected from the governing jurisdictions. Additional neighborhood data was based upon a physical inspection of the area.

Site Description and Analysis

On November 25, 2019, Wayne Valentic physically inspected the subject property and the surrounding area. Photographs of the property were also taken as of this date. Information concerning utilities was collected by a physical inspection as well as contacting the individual utility companies, when necessary. The Flathead County Planning and Development Department was contacted to obtain zoning information on the property. Information pertaining to dimensions, shape, and area was taken from the Flathead County Assessor's Map. The description of analysis of topography, drainage, soils conditions and surrounding land uses was based upon a physical inspection. I am not an expert in the analysis of soils conditions or environmental hazards; therefore, any comment that might suggest the presence of such substances should not be taken as confirmation of the presence of hazardous waste or questionable soils conditions. Such determination would require investigation by qualified professionals in the field of environmental assessment or soils testing. No responsibility is assumed for any environmental conditions or for any expertise or engineering knowledge required to discover them. My descriptions and resulting comments are a result of routine observations made during the appraisal process.

Improvements Description and Analysis

Data pertaining to construction details and specifications were obtained by physical inspection of the subject improvements and interviews with the owner. Details regarding building size were taken from on-site measurements.

Applied Methods of Valuation

All three methods of valuation, 1) cost approach, 2) the income approach and, 3) sales comparison approach were considered in the valuation of the subject property. Please see the section entitled "Method of Valuation," contained later in the report, for a full description of the complete process for each approach. Depending on market conditions and property type one or more approaches may be omitted. The omission of one or more approaches does not affect the reliability of the value conclusions. For this assignment:

Cost Approach: Will be utilized.

Income Approach: Not utilized because the market does not place significant weight on the income producing potential of this property type.

Sales Comparison Approach: Will be utilized.

Market Data Collection and Verification

Data pertaining to land sales was collected from sources including the local MLS, Title Agencies, and discussions with brokers, owners and developers. Information on land sales, listings or offers was verified with the parties involved in the transaction including the grantor, grantee, broker or other knowledgeable parties, when possible. Verification of each sale is listed separately on each land sale abstract.

Cost information was considered from the Marshall Valuation Service, published by Marshall & Swift Publication Company.

Improved sales data was collected through various sources including County records, MLS, First American Title, or from brokers, owners, and developers. The information was verified with parties involved in the transaction including the grantor, grantee, broker, or other knowledgeable parties, when possible. Verification of each sale is listed separately on each improved sale abstract contained later in the report.

PART A SITE DESCRIPTION AND ANALYSIS

Location

The property has a street address of 6 Olney Loop, Olney, MT 59927. The subject may be further identified as Flathead County Assessor's Parcel Number 0360970. The property is in Census Tract Number 30-029-0001.00.

Dimensions, Shape, and Area

The subject has a rectangular shape and contains a land area of approximately 1.058 acres.

The reader is referred to the assessor's parcel map and the aerial photograph on the following pages for a visual description of the subject site.

Topography and Drainage

The subject parcel is generally at grade with the adjoining streets and properties. No adverse conditions were noted. The site is typical of other sites in the area and there are no adverse site conditions noted at the time of inspection.

According to the Federal Emergency Management Agency (FEMA) flood insurance rate map, the property is categorized as being in Flood Zone X, 30029C-0740G, 9/28/2007. Flood Zone X is determined to be an area of minimal flood hazard.

The Flood Disaster Protection Act of 1973 and the National Flood Insurance Reform Act of 1994 have made the purchase of flood insurance mandatory for federally backed mortgages on structures located in special flood hazard areas. Because the subject is not within an area identified as a 100-year flood zone, flood insurance is not required.

Water Front Amenity

None

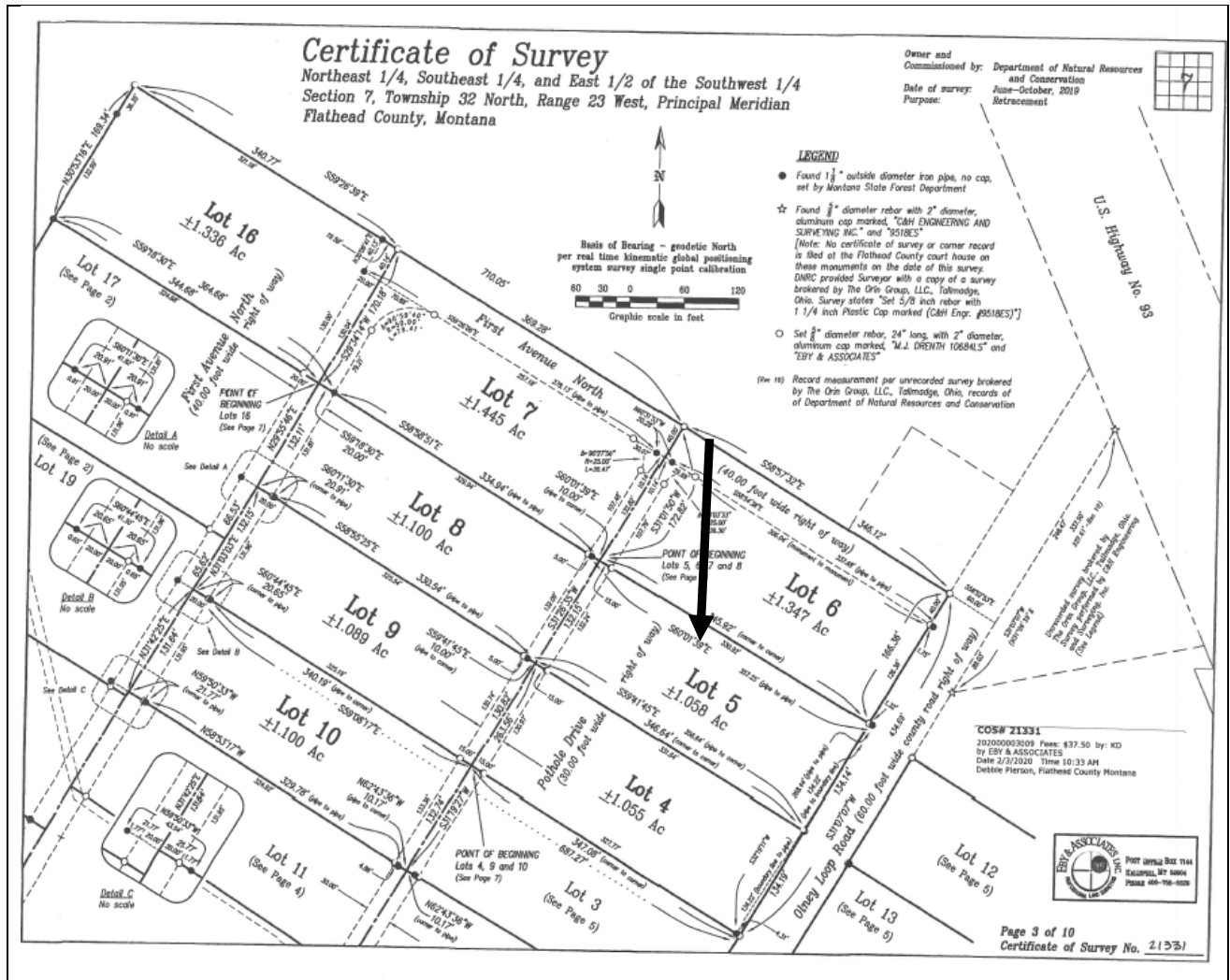
View Amenity

Trees

Soils Condition

Based on a physical inspection of the site, it appears that the soils and subsoils are adequate for the subject improvements. The appraiser was not provided with a soils report and the subject property is assumed to have adequate load bearing capacity. The value opinion is predicated upon the assumption there are no conditions on or in the property that would cause loss in value regarding the geological properties of the site. No responsibility is assumed for any such conditions or for any expertise or engineering knowledge required to discover them.

Subject County Plat Map



AERIAL PHOTOGRAPH



Street Improvements and Accessibility

The subject is located on 6 Olney Loop which is a two-lane road that extends in a roughly NE/SW direction. No off-sites are installed to the parcels nearby to the subject. Parking is allowed on the street in the front of the property. The property also has frontage on Pothole Drive.

Utilities

Public utility services are available to the site. They are provided by the following agencies:

UTILITY	AGENCY
Electricity	Flathead Electric Co-Op
Water	Private Well
Sanitation	Private Septic
Telephone	CenturyLink
Natural Gas	Private Propane
Solid Waste Disposal	Flathead County

Nuisances, Hazards, and Surrounding Land Uses

The subject site is located within a neighborhood that has a predominantly residential use, both single family. None of the surrounding properties appear to be suspect relative to toxic or hazardous materials.

The value opinions are predicated upon the assumption there are no such environmental conditions on or in the property that would cause a loss in value. No responsibility is assumed for any such environmental conditions or for any expertise or engineering knowledge required to discover them.

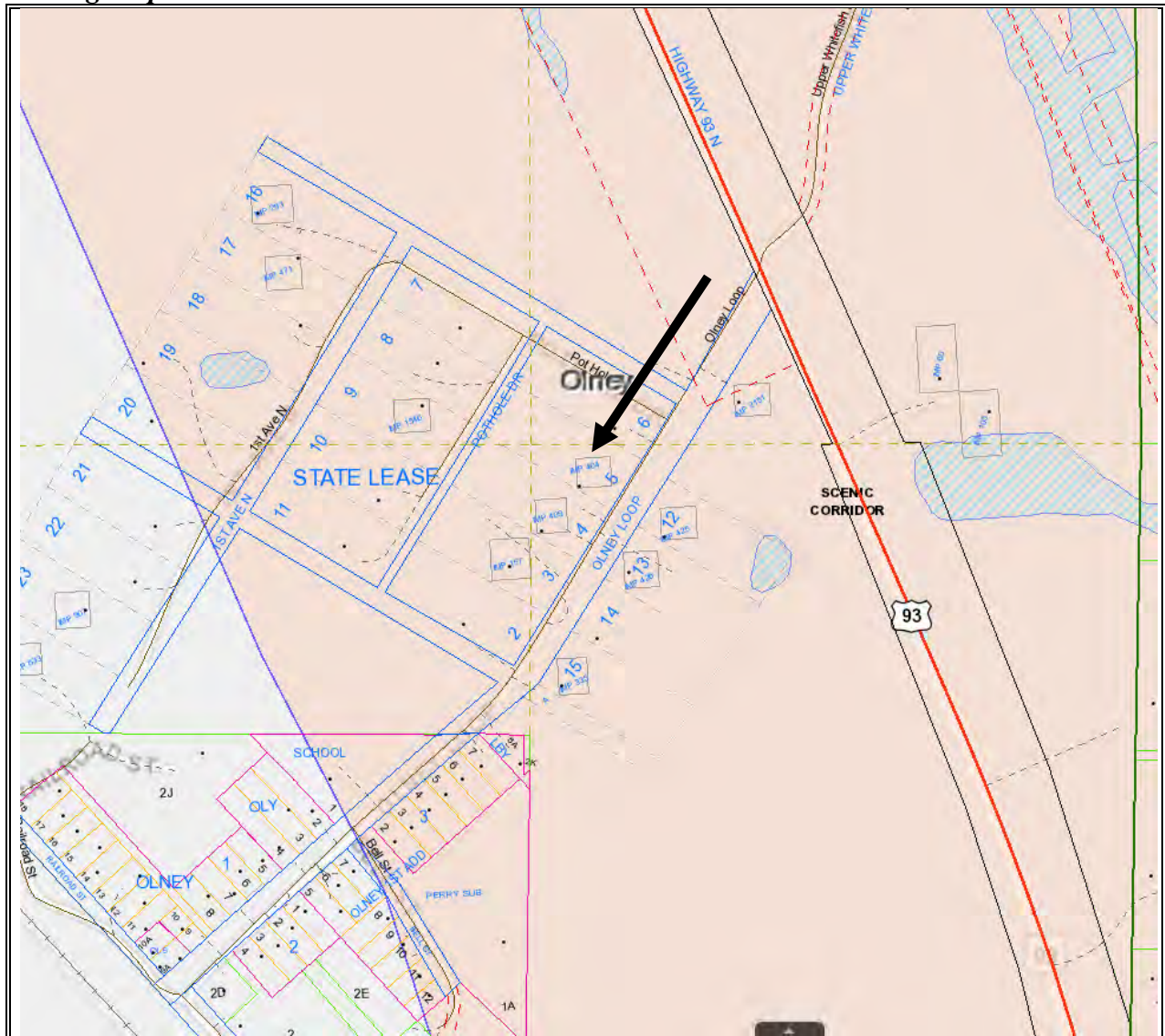
Easements and Encroachments

Typical road and utility easements are assumed to exist. No adverse encroachments were noted.

Zoning

SC (Scenic Corridor)

Zoning Map



Source: Flathead County

Zoning Description

SECTION 3.32 SC SCENIC CORRIDOR

Definition: An overlay or standing district intended to protect the scenic vistas and provide greater traffic safety along the highway corridors by restricting the number, size and location of outdoor advertising signs and billboards. This district can function as a standing district or can be applied to zoned areas. If zoned, this district will only regulate off-premise advertising signs. No other land use restrictions apply in this district other than those relating to signs.

Land Use

There is no additional zoning or land use overlay district relating to the subject property.

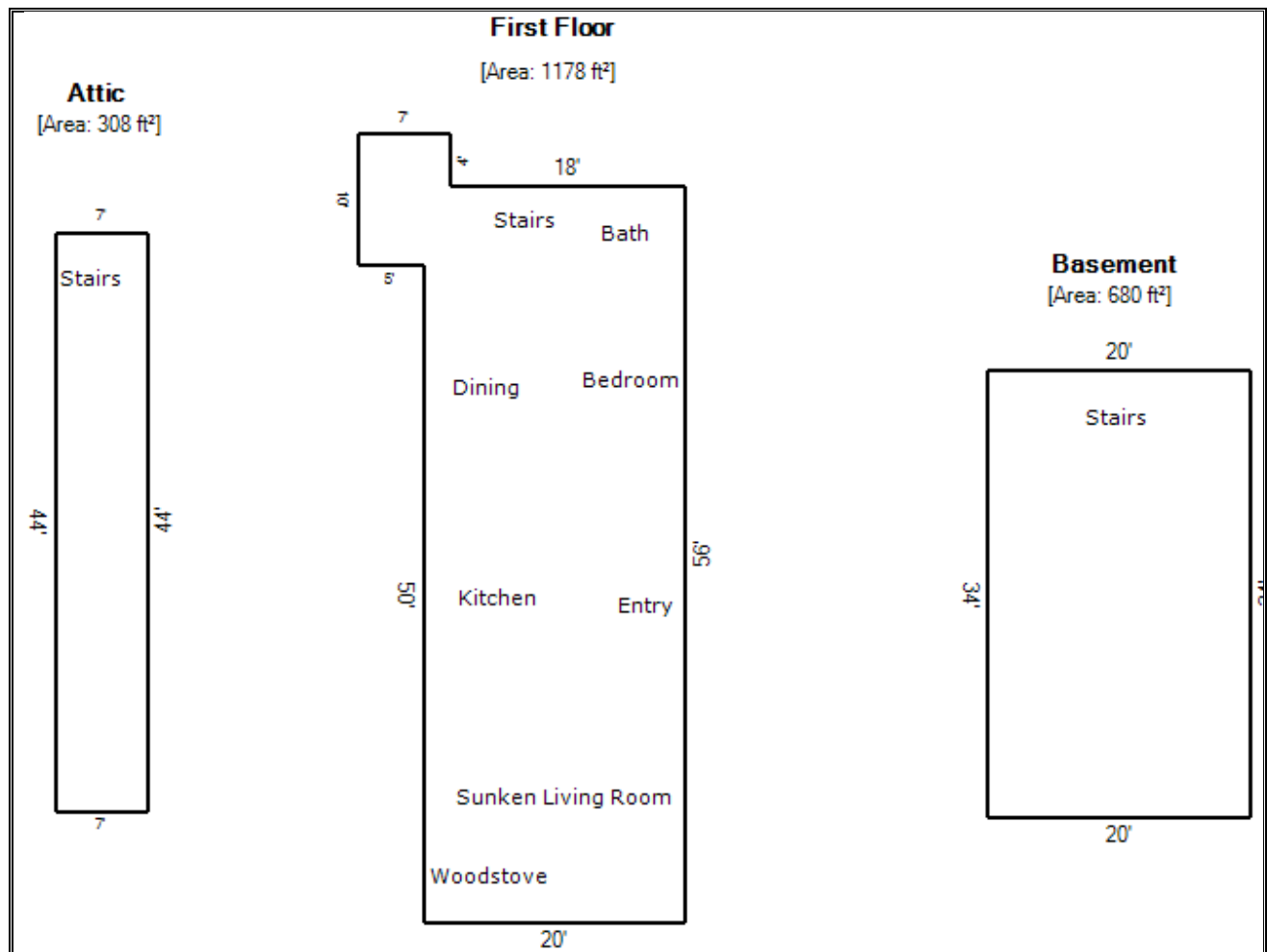
PART A IMPROVEMENTS DESCRIPTION AND ANALYSIS




The majority of information regarding the improvements was surmised from the physical inspection and measurements taken on November 25, 2019.

GENERAL DATA	The subject property is referred to as State of Montana Real Estate. The improvements were constructed in 1947. They are fair quality construction and are in fair condition.
Building Area	The main residence has 1,486 SF of above grade living area and a 680 SF dugout basement. There is a 192 SF detached cabin with no heat. There is a 450 SF detached garage.
American Disabilities Act	The Americans with Disabilities Act (ADA) became effective January 26, 1992. I have not made a specific compliance survey and analysis of this property to determine whether it is in conformity with various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the act. If so, this fact could have a negative effect upon the value of the property. Since I am not qualified to determine the compliance or non-compliance of the property with the ADA, it is assumed that the property complies with all ADA requirements.
CONSTRUCTION DETAIL	
Foundation	Concrete block
Exterior Walls	Wood frame
Insulation	The specific insulation could not be identified; however, it is assumed to be adequate and typical of other residences of similar age and quality.
Windows	Single pane
Doors	Metal with glass inserts
Roof Cover	Roof sheathing is assumed to be plywood. The roof cover is corrugated metal.
INTERIOR DETAIL	
Floor Covering	Laminate, carpet or vinyl
Interior Walls	The interior walls are constructed of 2-inch by 4-inch studs covered with textured and painted gypsum board wood, or masonry.
Doors	Interior doors are a combination of hollow core composite doors.
Ceilings	Painted drywall or wood
Lighting	A mixture of incandescent and fluorescent lighting
Plumbing	Single vanity with shower/tub combination
Other	N/A

MECHANICAL DETAIL	
HVAC	EBB, wood stove
Electrical	The electrical capacity or service could not be confirmed by my inspection. However, it is assumed adequate.
Gas and Sewer	The property is serviced by Northern Energy and private well/septic.
SITE IMPROVEMENTS	
Parking	Off-Street
Landscaping	Lawn and shrubs/trees
Miscellaneous	None

Plan View



	<p>18 foot x 25 foot garage</p>
	<p>16 foot x 12 foot cabin</p>
	<p>16 foot x 16 foot wood shed</p>

Conclusion

The subject improvements are functional for their present use as a rural residential property. They improvements are in fair condition. The marketability of the subject property, in comparison with similar properties within the Olney area, is average.

PART A ASSESSED VALUE AND PROPERTY TAXES

Calculation of Taxes

Property taxes are based upon an appraisal of the property performed by the County Assessor's Office. An appraisal is conducted every two years for residential, commercial, industrial and agricultural properties located within the County and the values are updated each year by an index computed by the State of Montana Department of Revenue. Timberland properties are appraised every six years.

Per personnel at the Assessor's Office, vacant land is appraised for taxable value based upon the sales comparison approach. Every property in Montana is appraised on a two-year cycle. The most recent re-appraisal was completed in 2019.

The following table shows the current assessments and taxes for the subject property (improvements only).

Current Taxes					
Assessor #	Parcel Size	Land Assess	Building Assess	Total Assess	Current Taxes
0360970	1.058 acres	\$34,642	\$28,480	\$28,480	\$321.46

PART A HIGHEST AND BEST USE

Highest and Best (HBU)

Highest and best use is defined as follows:

“The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.

Source: The Dictionary of Real Estate Appraisal Sixth Edition (Chicago: Appraisal Institute, 2010), Page 109.

The highest and best use of a property is an economic study focusing on the four criteria. The determination of a property’s highest and best use is the basis that provides the valuation framework upon which comparable market data is selected. Such data for improved properties may include cost, income and expense data, and improved sales pertaining to the property’s concluded best use.

Highest and best use of the property as though vacant is considered separately from the highest and best use of the property as improved. The site is valued as though vacant and available for development to its highest and best use even if the property’s existing improvements do not represent the highest and best use of the site. Highest and best use of the land as though vacant indicates only how the land should be used if it were vacant.

Highest and Best Use as Though Vacant

Highest and best use of land or site as though vacant is defined as:

“Among all reasonable, alternative uses, the use that yields the highest present land value, after payments are made for labor, capital, and coordination. The use of a property based on the assumption that the parcel of land is vacant or can be made vacant by demolishing any improvements.”

Source: The Dictionary of Real Estate Appraisal, Fifth Edition, (Chicago: Appraisal Institute, 2010), Page 94.

Legally Permissible

The property is in an SC zoned area. Theoretically, any use is possible.

Physically Possible

The physical characteristics of the site that affect its possible use include but are not limited to its location, street frontage, size, shape, street access, availability of utilities, easements, encroachments, soils and subsoil’s, and topography.

Based on a physical inspection of the subject property, the site appears to be in an area that has stable soil and subsoils which provide suitable support for typical residential structures. The soil and subsoil conditions are assumed to be typical of the area and do not present limitations or problems regarding development.

The property is not located within a designated flood hazard area and there are no environmental hazards assumed to exist near the subject. There are no apparent adverse conditions that would restrict development of the property. In summary, the site appears adequate for development of any legally permissible use.

Financially Feasible

The subject neighborhood is characterized by single family residential properties. A commercial or industrial use would be a complimentary to a residential use. It's location is not suited to any use but a residential use.

Maximally Productive

Finally, the maximally productive criteria consider how the use can be improved to create its maximal value. The maximally productive use of the site as-if vacant is residential.

Conclusion

In conclusion, the highest and best use of the site as though vacant would be for development with a residential use. The ideal improvement would be a new single-family structure with market accepted outbuildings. The site would be landscaped and have a multi-car garage.

Highest and Best Use as Improved

The following is an analysis of the highest and best use of the subject as improved. The following definition pertains to the highest and best use of a property as improved.

“The use that should be made of a property as it exists. An existing property should be renovated or retained as is so long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing building and constructing a new one.”

Source: The Dictionary of Real Estate Appraisal, Fifth Edition (Chicago Appraisal Institute, 2010), Page 95.

Legally Permissible

The property is in an SC zoned area. Theoretically, any use is possible.

Physically Possible

The physical characteristics of the site that affect its possible use include but are not limited to its location, street frontage, size, shape, street access, availability of utilities, easements, encroachments, soils and subsoil's, and topography.

Based on a physical inspection of the subject property, the site appears to be in an area that has stable soil and subsoils which provide suitable support for typical residential structures. The soil and subsoil conditions are assumed to be typical of the area and do not present limitations or problems regarding development.

The property is not located within a designated flood hazard area and there are no environmental hazards assumed to exist near the subject. There are no apparent adverse conditions that would

restrict development of the property. In summary, the site appears adequate for development of any legally permissible use.

Financially Feasible

There are three possible uses in this analysis. The improvements could be demolished, they could be modified, or they could be maintained As-Is.

The only financially feasible use of the property as it presently exists is to cure the deferred maintenance and maintain As-Is. No other legally permissible use of the site provides a positive return.

Maximally Productive

The maximally productive use of the subject property as improved is for continued use as a single-family residence.

Conclusion

In conclusion, the highest and best use of the subject as improved is for continued use as a single family residence.

PART A METHOD OF VALUATION

The valuation process is the method in which the data used to form an opinion of the value of the subject property are acquired, analyzed, and presented. This data is typically applied within the traditional three approaches to value which are the cost approach, the income capitalization approach, and the sales comparison approach. In appraisal practice, one or more approaches may not be appropriate to the property being appraised depending upon the quality, quantity, and reliability of the data. All three approaches were considered in the valuation of the subject. The appropriate methods used in this assignment are discussed further.

Cost Approach - This approach is based on the principle of substitution which states that a prudent investor would pay no more for a property than the cost to acquire the site and construct improvements of equal desirability and utility without undue delay. To arrive at an indication of value via this approach, an opinion of the value of the site is formed (as if vacant and put to its highest and best use) by the sales comparison approach. An opinion of the replacement or reproduction cost new of the improvements is formed and accrued depreciation, if any, is subtracted to arrive at the depreciated cost of the improvements. The site value is added to the depreciated cost of the improvements to form an opinion of the total market value.

A definition of the approach taken from the *Dictionary of Real Estate Appraisal, Sixth Edition* published by the Appraisal Institute states:

Cost Approach. A set of procedures through which a value indication is derived for the fee simple interest in a property by estimating the current cost to construct a reproduction of (or replacement for) the existing structure, including an entrepreneurial incentive or profit; deducting depreciation from the total cost; and adding the estimated land value. Adjustments may then be made to the indicated fee simple estate in the subject property to reflect the value of the property interest being appraised.

As noted in the Fourteenth Edition of *The Appraisal of Real Estate*, published by the Appraisal Institute dated 2013, the following outline of the basic procedures employed within this technique:

- 1) Estimate the value of the site as though vacant and available to be developed to its highest and best use.
- 2) Determine which cost basis is most applicable to the assignment: reproduction cost or replacement cost.
- 3) Estimate the direct (hard) and indirect (soft) costs of the improvements as of the effective appraisal date.
- 4) Estimate and appropriate entrepreneurial profit or incentive from analysis of the market.
- 5) Add estimated direct costs, indirect costs, and entrepreneurial profit or incentive to arrive at the total cost of the improvements.

- 6) Estimate the amount of depreciation in the structure and, if necessary, allocate it among the three major categories:
 - a) Physical deterioration
 - b) Functional obsolescence
 - c) External obsolescence
- 7) Deduct estimated depreciation from the total cost of the improvements to derive an estimate of their depreciated cost.
- 8) Estimate the contributory value of any site improvements that have not already been considered. (Site improvements are often appraised at their contributory value – i.e., directly on a depreciated cost basis – but may be included in the overall cost calculated in Step 2 if necessary.).
- 9) Add site value to the total depreciated cost of all the improvements to develop the market value of the property.
- 10) Adjust the indicated value of the property for any personal property (e.g., furniture, fixtures, and equipment) or any intangible asset value that may be included in the cost estimate. If necessary, this value, which reflects the value of the fee simple interest, may be adjusted for the property interest being appraised to arrive at the indicated value of the specified interest in the property.

The cost approach begins with an opinion of the site value which is typically completed using the sales comparison approach.

Income Capitalization Approach - This approach involves the process of estimating future benefits of a property (in the form of income) and converting the income into present value.

A summary of the methodology is described below. A definition of the income capitalization approach taken from the *Dictionary of Real Estate Appraisal*, Sixth Edition published by the Appraisal Institute states:

Income Capitalization Approach: Specific appraisal techniques applied to develop a value indication for a property based on its earning capability and calculated by the capitalization of property income.

As noted in the Fourteenth Edition of *The Appraisal of Real Estate* published by The Appraisal Institute dated 2013, the following is an outline of the basic procedures employed within this technique:

1. Research the income and expense data for the subject property and comparables.
2. Estimate the potential gross income of the property by adding the rental income and any other potential income.
3. Estimate the vacancy and collection loss.

4. Subtract vacancy and collection loss from total potential gross income to arrive at the effective gross income of the subject property.
5. Estimate the total operating expenses for the subject by adding fixed expenses, variable expenses, and a replacement allowance (where applicable).
6. Subtract the estimate of total operating expenses from the estimate of effective gross income to arrive at net operating income. (Deductions for capital items may also be necessary at various points in time through the projection period to calculate the cash flow used in discounted cash flow analysis.)
7. Apply one of the direct or yield capitalization techniques to this data to generate an estimate of value via the income capitalization approach.

Sales Comparison Approach (Improved) - This approach involves verifying data of improved sales, listings, and offerings of properties comparable to the subject. The data has been separated into measurable units of comparison (i.e., price per square foot or price per dwelling unit (for example). The price per unit method involves adjusting the price per unit of the comparable sales for differences between them and the subject. The final adjusted price per unit is then applied to the subject to provide an indication of market value. This approach produces a good indication of value when sales of similar properties are available.

Sales Comparison Approach (Land) - This approach involves verifying data of sales and listings of vacant land comparable to the subject. The data has been separated into measurable units of comparison (i.e., price per square foot, price per front foot, price per acre). The price per unit method involves adjusting the price per unit of the comparable sales for differences between them and the subject. The final adjusted price per unit is then applied to the subject's site to provide an indication of market value. This approach produces a good indication of value when sales of similar properties are available.

A definition of the sales comparison approach taken from the *Dictionary of Real Estate Appraisal*, Sixth Edition published by the Appraisal Institute states:

Sales Comparison Approach. The process of deriving a value indication for the subject property by comparing sales of similar properties to the property being appraised, identifying appropriate units of comparison, and making adjustments to the sale prices (or unit prices, as appropriate) of the comparable properties based on relevant, market-derived elements of comparison. The sales approach may be used to value improved properties, vacant land, or land being considered as though vacant when an adequate supply of comparable sales is available.

As noted in the Fourteenth Edition of *The Appraisal of Real Estate* published by The Appraisal Institute dated 2013, the following is an outline of the basic procedures employed within this technique:

- 1) Research the competitive market for information on properties that are similar to the subject property and that have recently sold, are listed for sale, or are under contract. Consider the characteristics of the properties such as property type, date of sale, size,

physical condition, location, and land use constraints. The goal is to find a set of comparable sales as similar as possible to the subject property to ensure they reflect the actions of similar buyers. Market analysis and highest and best use analysis set the stage for the selection of appropriate comparable sales.

- 2) Verify the information by confirming that the data obtained is factually accurate and that the transactions reflect arm's-length market considerations. Verification should elicit additional information about the property and the market so that comparisons are credible.
- 3) Select the most relevant units of comparison in the market (e.g., price per acre, price per square foot, price per front foot) and develop a comparative analysis for each unit. The appraiser's goal is to define and identify a unit of comparison that explains market behavior.
- 4) Look for differences between the comparable sale properties and the subject property using all appropriate elements of comparison. Then adjust the price of each sale property, reflecting how it differs, to equate it to the subject property or eliminate that property as a comparable. This step typically involves using the most similar sale properties and then adjusting for any remaining differences. If a transaction does not reflect the actions of a buyer who would also be attracted to the subject property, the appraiser should be concerned about comparability.
- 5) Reconcile the various value indications produced from the analysis of comparables to a value bracket and then to a single value indication."

Final Value Opinion - The market value is reconciled from the value indications provided by each of the approaches considering the strengths, weaknesses, and reliability of each technique. The ensuing pages further explain and demonstrate each approach in more detail.

PART A LAND VALUATION

The sales comparison approach is the most common technique for valuing vacant land. It is used to form an opinion of the market value of the subject site as though vacant. To apply this method, sales of similar parcels of land are analyzed, compared, and adjusted to provide a value indication. The sales are then adjusted for dissimilarities between them and the subject. Elements considered include property rights, legal encumbrances, financing terms, conditions of sale (motivation), market conditions (sale date), location, physical characteristics, available utilities, zoning, and highest and best use. The sales used in the valuation are the most comparable to the subject as of the date of valuation.

In the price/unit method, the data is analyzed and an appropriate unit of comparison is selected (price/square foot, acre, front foot, dwelling unit, etc.).

- Transactional adjustments are applied to the comparables for: property rights, financing, conditions of sale, expenditures immediately after purchase, and market conditions.
- The comparables are analyzed to determine market sensitivity to various physical characteristics.
- They are then arrayed in a table which brackets the unit market value of the subject.
- The range of values is reconciled to a unit market value.
- The unit of value is then multiplied by the size of the subject property to provide an indication of market value.

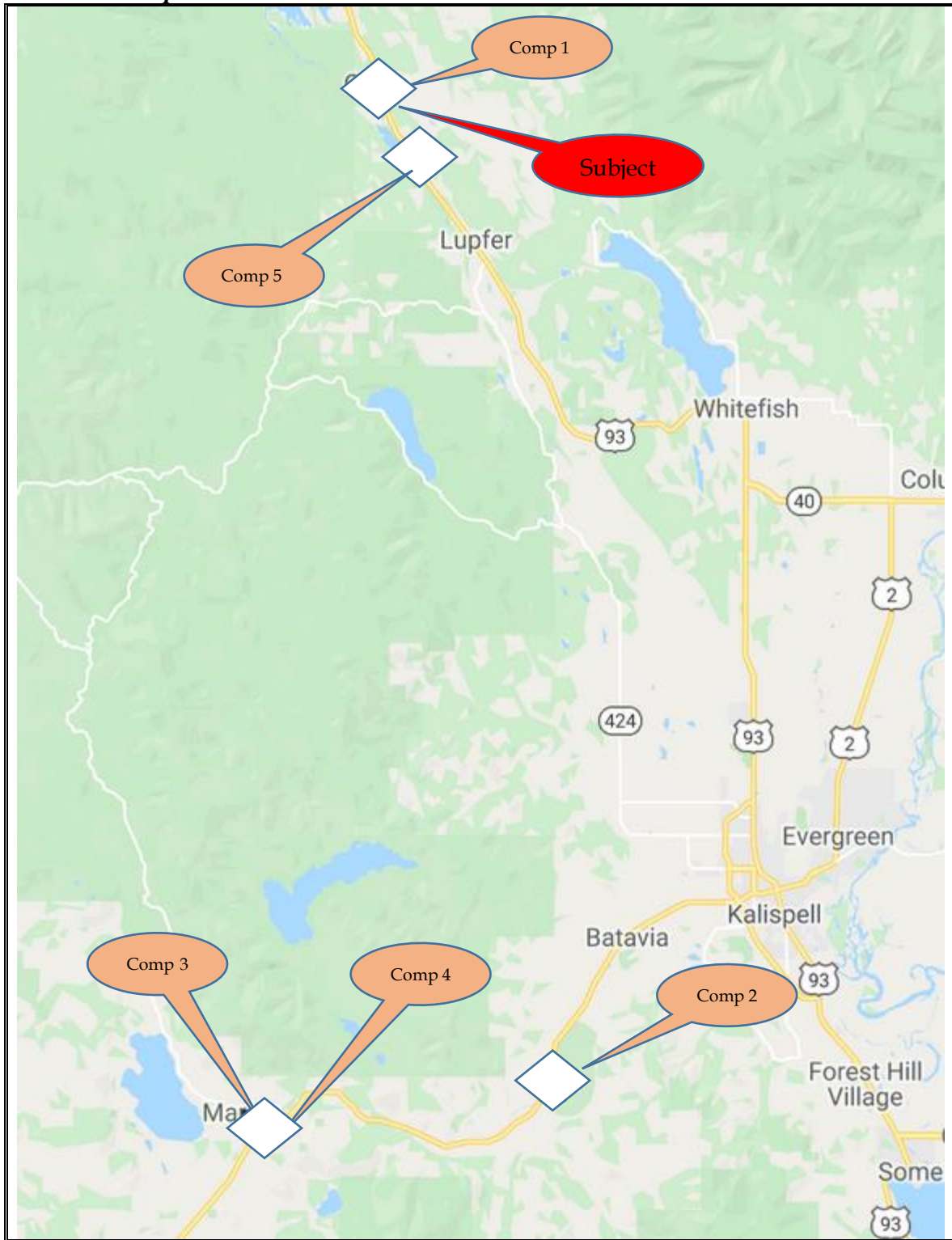
For this assignment, the appropriate unit of comparison is \$/acre. Two of the comparables are extracted land sales and three are vacant land sales.

Comparable sales are summarized below, followed by a map and complete abstracts.

LAND SALES SUMMARY

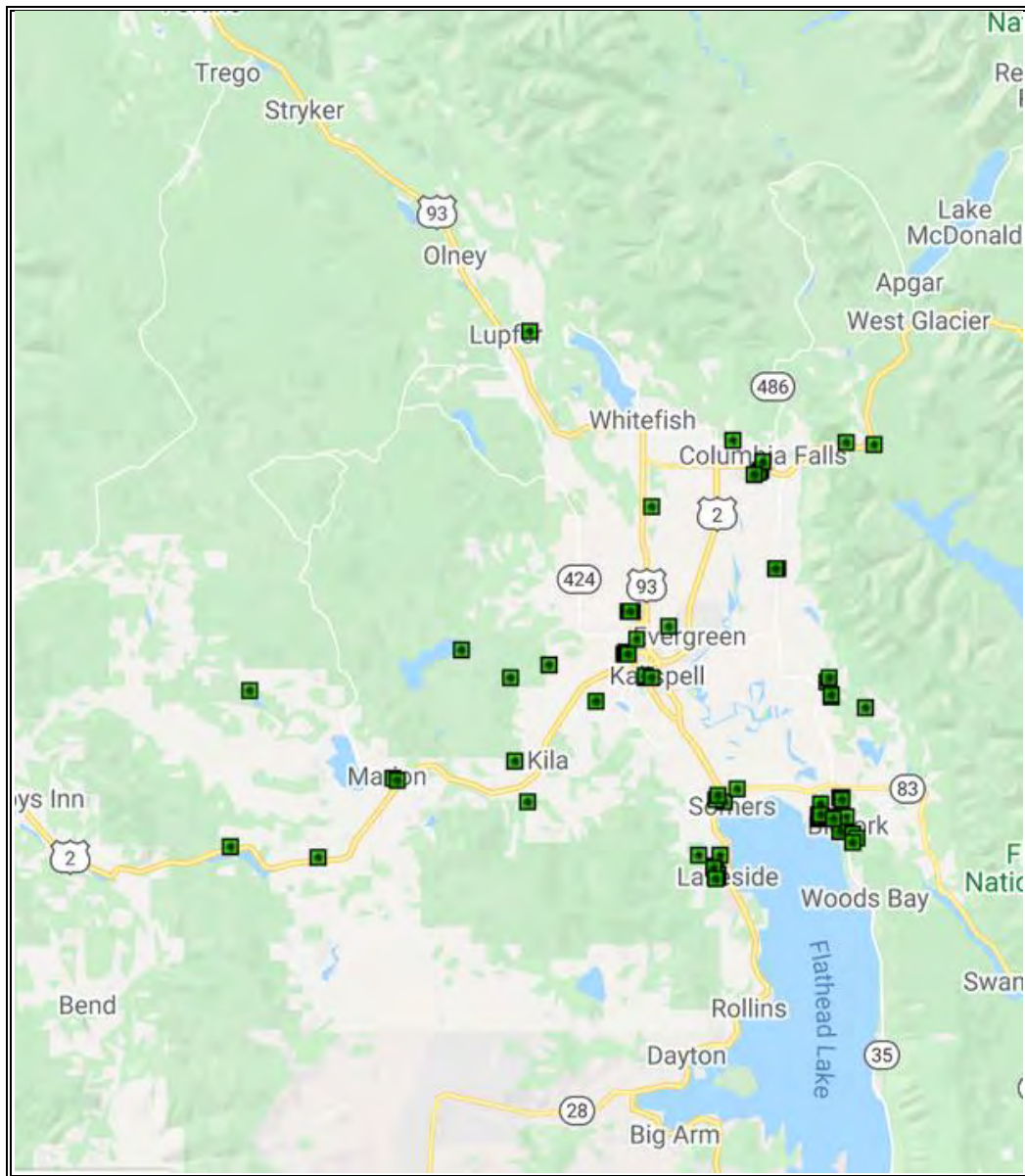
Comparable Sales Summary				
ID	Address	Sale Date Sale Price	Acres \$/Acre	Zoning
1	50 Olney Loop, Olney	08/02/19 \$290,000	0.95 \$50,422	SC
2	245 Kila Cliff Trail, Kila	08/08/19 \$105,000	2.30 \$32,562	SC
3	127 Pleasant Valley RD, Marion	04/12/19 \$29,600	1.53 \$19,346	SC
4	1053 Homesteaders WY, Marion	06/27/19 \$30,000	0.80 \$37,500	None
5	6750 US HWY 93N, Olney	03/03/18 \$37,000	0.62 \$51,613	SC

Land Sales Map



Active Listings

The following map shows the current location of vacant land listings in Flathead County which are less than 2 acres in size and are listed for less than \$75,000. There are 118 listings within these search parameters. The obvious conclusion is that if an investor is seeking a rural property within the search parameters stated above, that individual has abundant choices with respect to location. Some of the sales are within the population centers.



COMPARABLE LAND SALE #1



Location	50 Olney Loop, Olney
Legal Description	Lot 1, Block 1 of Olney Original Townsite
Assessor Parcel Number	0004805
Grantor	Robert and Elizabeth Winkler
Grantee	Steven West and Janice Lindstrom
Sale Price	\$290,000
Sale Date	08/02/19
Recording Doc	Warranty Deed 201900028074
Property Rights	Fee Simple
Financing	Conventional
Conditions of Sale	This is an improved sale. It is reduced by \$242,099 to reflect the value of the improvements.

Expenditures Immediately After Purchase	None
Market Conditions	None noted
Verification	N/A Stefan Berry
Site Description	
Size	0.95 acres
Road Frontage	Olney Loop
Depth	N/A
Shape	Irregular/functional
Topography	Level, gentle
CCR (Y/N)	None
HOA	None
Utilities	Private well and septic required
Easements	Typical utility easements are assumed to exist.
Waterfront Amenity	None
View Amenity	Trees
Zoning	SC
Proposed Use	Rural Residential
Comments	The property was listed for sale via MLS 288,000. It sold for \$290,000 after 375 DOM.
Relevant Sales History	None Noted
Unit Price	
Before Transactional Adj.	\$305,263
After Transactional Adj.	\$50,422
Sale 1 is an improved property located on the same street as the subject. The property has 4,263 SF of above grade improvements. The improvements are average quality shop and a schoolhouse converted to a residence.	

Calculations			
1	Date of Sale	October 31, 2019	
2	Sale Price	\$290,000	
3	Gross Leasable Area	4,263	
4	Adj. Sales Price	\$290,000	
5	Adj. Sale Price/SF	\$68.03	Line 4/Line 3
6			
7	Lot Size (Ac)	0.95	
8	Lot Size (SF)	41,382	
9			
10	Marshall & Swift \$/SF	\$63	From M&S
11	Marshall & Swift Repl. Cost/SF	\$267,077	Line 10 * Line 3
12	Value of Site Improvements	\$40,000	Estimate
13	Entrepreneurial Incentive	\$24,566	Estimate
14	Total Replacement Cost	\$331,643	Sum Lines 11-13
15	Effective Age	25	Estimate
16	Depreciation from tables	27.00%	
17	Depreciation (\$'s)	(\$89,544)	Line 14*Line 16
18			
19	External Obsolescence	\$0	Estimate
20			
21	Functional Obsolescence	\$0	Estimate
22			
23	Value of Improvements	\$242,099	Sum Lines 14, 17,19,21
24			
25	Extracted Land Value	\$47,901	Line 4 -Line 23
26			
27	Extracted Land Value/Acre	\$50,422	Line 25 / Line 7
28	Extracted Land Value/SF	\$1.16	Line 25/ Line 8
The improvements have an effective age of 25 years with an estimated life of 55 years. The tables in Marshall and Swift indicate 27% depreciation is appropriate. The extracted land value is \$47,901 or \$50,422/acre.			

COMPARABLE LAND SALE #2



Location	245 Kila Cliff Trail, Kila
Legal Description	Tract 9VF in SW1/4 of NE1/4 of Section 8, T27N, R22W
Assessor Parcel Number	0.0976661
Grantor	Richard and Tammy Larned
Grantee	Richard and Linda Walker
Sale Price	\$105,000
Sale Date	08/08/19
Recording Doc	Warranty Deed 201900017877
Property Rights	Fee Simple

Financing	Cash
Conditions of Sale	This is an improved sale. It is reduced by \$73,711 to reflect the value of the improvements.
Expenditures Immediately After Purchase	None
Market Conditions	None noted
Verification	MLS, Leslie Reeder
Site Description	
Size	2.30 acres
Road Frontage	Kila Cliff Trail
Depth	N/A
Shape	Irregular
Topography	Mixed
CCR (Y/N)	None
HOA	None
Utilities	Private well and septic required
Easements	Typical utility easements are assumed to exist.
Waterfront Amenity	None
View Amenity	Mountains, filtered views of Smith Lake
Zoning	SC
Proposed Use	Rural Residential
Comments	The property was listed for sale via MLS 21909979 for \$120,000. It sold for \$105,000 after 49 DOM.
Relevant Sales History	None noted
Unit Price/Acre	
Before Transactional Adj.	\$45,652
After Transactional Adj.	\$32,562

Sale 2 is an improved property located in Kila. The property has 976 SF cabin which is in poor quality.

Calculations

1	Date of Sale	August 8, 2019	
2	Sale Price	\$105,000	
3	Gross Leasable Area	976	
4	Adj. Sales Price	\$105,000	
5	Adj. Sale Price/SF	\$107.58	Line 4/Line 3
6			
7	Lot Size (Ac)	2.30	
8	Lot Size (SF)	100,188	
9			
10	Marshall & Swift \$/SF	\$78	From M&S
11	Marshall & Swift Repl. Cost/SF	\$76,128	Line 10 * Line 3
12	Value of Site Improvements	\$20,000	Estimate
13	Entrepreneurial Incentive	\$7,690	Estimate
14	Total Replacement Cost	\$103,818	Sum Lines 11-43
15	Effective Age	50	Estimate
16	Depreciation from tables	71.00%	
17	Depreciation (\$'s)	(\$73,711)	Line 14*Line 16
18			
19	External Obsolescence	\$0	Estimate
20			
21	Functional Obsolescence	\$0	Estimate
22			
23	Value of Improvements	\$30,107	Sum Lines 14, minus 17,19,21
24			
25	Extracted Land Value	\$74,893	Line 4 -Line 23
26			
27	Extracted Land Value/Acre	\$32,562	Line 25 / Line 7
28	Extracted Land Value/SF	\$0.75	Line 25/ Line 8

The improvements have an effective age of 50 years with an estimated life of 55 years. The tables in Marshall and Swift indicate 71% depreciation is appropriate. The extracted land value is \$74,893 or \$32,562/acre.

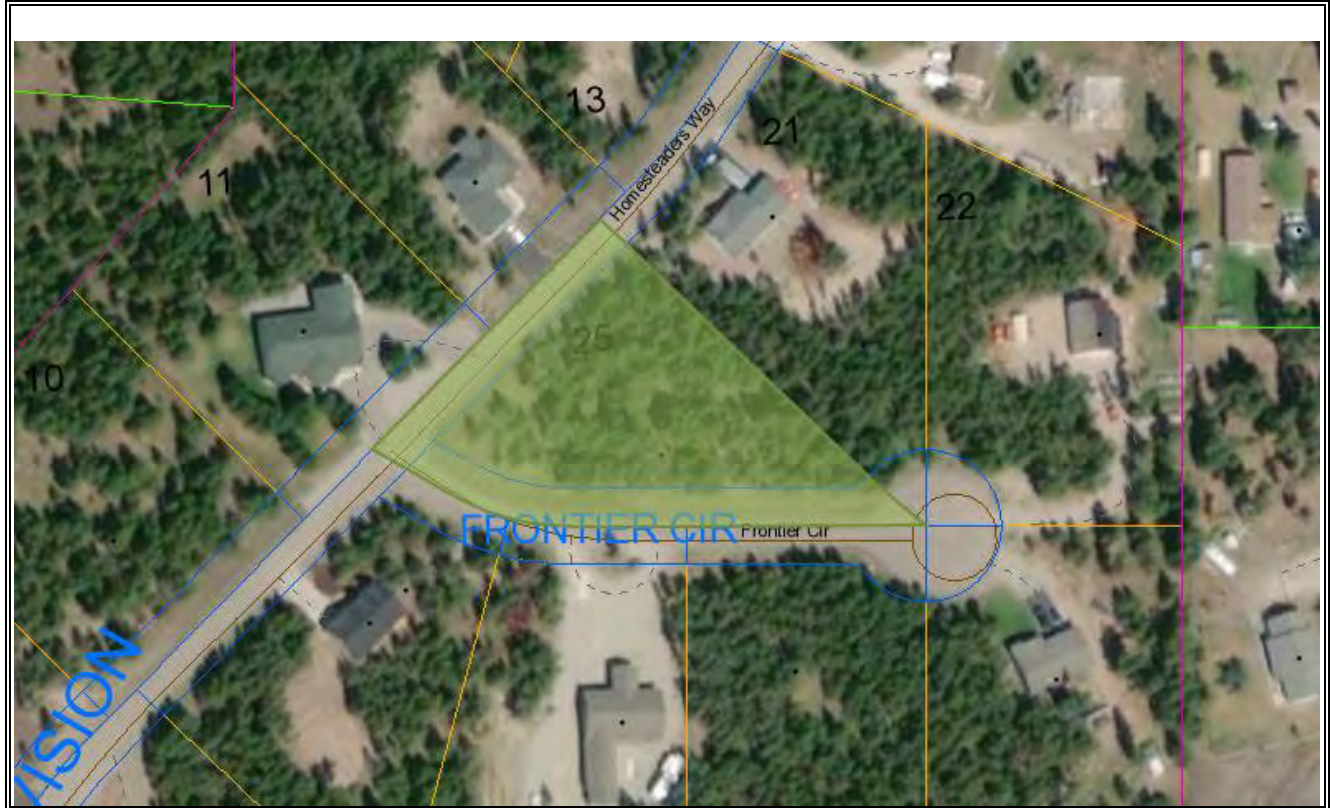
COMPARABLE LAND SALE #3



Location	127 Pleasant Valley RD, Marion
Legal Description	Lot 1 of Denise Estates Phase 3
Assessor Parcel Number	0982869
	+
Grantor	Kristjan K. Laumets
Grantee	Robert E. Vanoncini
Sale Price	\$29,600
Sale Date	04/12/19
Recording Doc	Warranty Deed 201900006770
Property Rights	Fee Simple
Financing	Conventional

Conditions of Sale	None
Expenditures Immediately After Purchase	None
Market Conditions	None noted
Verification	MLS, Leann Siderius
Site Description	
Size	1.53 acres
Frontage	Pleasant Valley RD
Depth	N/A
Shape	Irregular/functional
Topography	Level, gentle
CCR (Y/N)	None
HOA	None
Utilities	Private well and septic required
Easements	Typical utility easements are assumed to exist.
Waterfront Amenity	None
View Amenity	Trees
Zoning	SC
Proposed Use	Potential commercial use
Comments	The property was listed for sale via MLS 21812324 for \$30,000. It sold for \$29,600 after 197 DOM.
Relevant Sales History	None
Unit Price/Acre	
Before Transactional Adj.	\$19,346
After Transactional Adj.	\$19,346

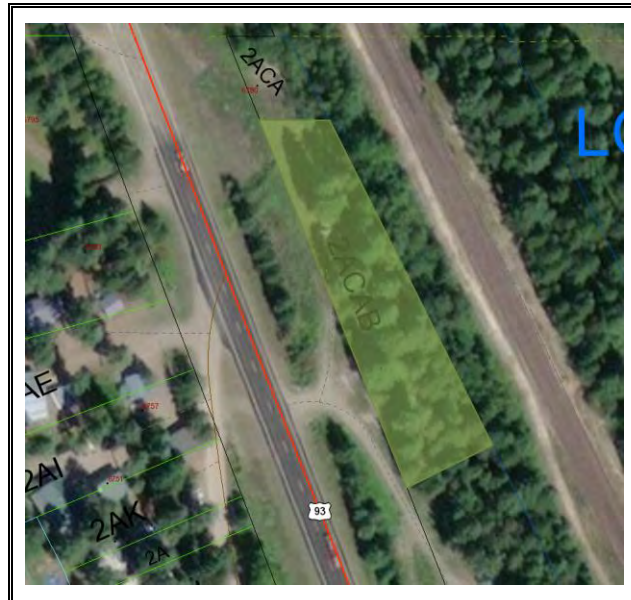
COMPARABLE LAND SALE #4



Location	1053 Homesteaders WY, Marion
Legal Description	Lot 25 of Country Bourne Subdivision
Assessor Parcel Number	0502744
Grantor	Gregory E and Heldi N. Jenkins
Grantee	Pete Gunderson Construction
Sale Price	\$30,000
Sale Date	06/27/19
Recording Doc	Warranty Deed 201900014184
Property Rights	Fee Simple

Financing	Cash
Conditions of Sale	None
Expenditures Immediately After Purchase	None
Market Conditions	None noted
Verification	MLS, Patrick Landon
Site Description	
Size	0.80 acres
Road Frontage	Homesteaders Way and Frontier Circle
Depth	N/A
Shape	Irregular/functional
Topography	Level, gentle
CCR (Y/N)	Yes
HOA	Yes
Utilities	Private well and septic required
Easements	Typical utility easements are assumed to exist.
Waterfront Amenity	None
View Amenity	Trees
Zoning	None
Proposed Use	Rural Residential
Comments	This property was listed for sale via MLS 21712982 for \$35,000. It sold for \$30,000 after 616 DOM.
Relevant Sales History	None
Unit Price/Acre	
Before Transactional Adj.	\$37,500
After Transactional Adj.	\$37,500

COMPARABLE LAND SALE #5



Location	6750 US HWY 93N, Olney
Legal Description	Tract 1 of COS 6418
Assessor Parcel Number	0971262
Grantor	David Reimer
Grantee	Kevin Wise
Sale Price	\$37,000
Sale Date	03/03/18
Recording Doc	Warranty Deed 201800005719
Property Rights	Fee Simple
Financing	Conventional
Conditions of Sale	This property was improved with a well. It is adjusted downward by \$5,000 to reflect the contributory value of the well.

Expenditures Immediately After Purchase	None
Market Conditions	None noted
Verification	MLS, Trevor Howard
Site Description	
Size	0.62 acres
Road Frontage	US HWY 93, BNSF RR tracks
Depth	N/A
Shape	Irregular/functional
Topography	Mixed
CCR (Y/N)	No
HOA	No
Utilities	Private well and septic required
Easements	Typical utility easements are assumed to exist.
Waterfront Amenity	None
View Amenity	Trees
Zoning	SC
Proposed Use	Unknown
Comments	The property was listed for sale via MLS 330312 for \$49,900. The property sold for \$37,000 after 1,271 DOM.
Relevant Sales History	None
Unit Price/Acre	
Before Transactional Adj.	\$59,677
After Transactional Adj.	\$51,613

TRANSACTIONAL ADJUSTMENTS

The first step in the sales comparison analysis is to analyze and make transactional adjustments to each comparable sale. Those transactional adjustments are: property rights, financing, sale conditions, expenditures immediately after purchase, and market conditions (time). A brief description of the transactional adjustments is explained below. It is noted that these adjustments are typically made in the order presented below:

- 1) **Property Rights:** The comparables are adjusted for impacts that leased fee, fee simple or leasehold impacts to the sale price. No adjustments are needed as all the sales are fee simple estate.
- 2) **Financing:** The comparables are then adjusted for impacts that unusual or non-market financing has on the transaction. Agents for the sales confirmed that all the sales were cash transactions. No adjustments are needed.
- 3) **Condition of Sale:** The comparables are then adjusted for non-market sale conditions that affected the sale price. Sales 1, 2, and 5 are significantly improved with residences and or water wells. Those properties are adjusted downward by the calculated contributory amount of those improvements. No adjustments are needed to sales 3 and 4 as those sales were all confirmed to be arm's-length.
- 4) **Expenditures Immediately After Purchase:** The comparables are then adjusted for the impact that any additional investment (i.e. curing deferred maintenance) required to make a property salable. No adjustments are needed.
- 5) **Market Conditions:** The comparables are then adjusted for changes to market conditions that have occurred between the sale date of each comparable and the effective date of the appraisal. No adjustments are needed.

Sale Price After Transactional Adjustments

The next step in the analysis is to arrive at an adjusted sale price which factors non-market influences for: property rights, financing, conditions of sale, expenditures immediately after purchase, and market conditions.

The adjustments in the table below reflect the adjustments discussed on the prior pages and in the attached sale abstracts. The adjustments are cascading.

Sale Price After Transactional Adjustments								
Sale #	Address	Sale Price	Prop Rights	Financing	Sale Cond.	Expend	Time	Adj SP
1	50 Olney Loop	\$290,000	\$0	\$0	(\$242,099)	\$0	\$0	\$47,901
2	245 Kila Cliff Trail	\$105,000	\$0	\$0	(\$30,107)	\$0	\$0	\$74,893
3	127 Pleasant Valley RD	\$29,600	\$0	\$0	\$0	\$0	\$0	\$29,600
4	1053 Homesteaders WY	\$30,000	\$0	\$0	\$0	\$0	\$0	\$30,000
5	6750 US HWY 93N	\$37,000	\$0	\$0	(\$5,000)	\$0	\$0	\$32,000

PHYSICAL CHARACTERISTICS

This process involves the comparison, and adjustment for differences, of comparable sales. There are several ways to analyze and adjust sales. The most common and preferred method is a matched-pairs analysis, comparing one sale to another to isolate a specific adjustment factor. The two sales compared should be similar in all regards except for the factor for which an adjustment is to be derived. When the sales are not truly comparable, but only similar, this analysis is often much less reliable. The more dissimilar the features between the properties, the less accurate or meaningful the analysis. With widely varying factors or properties, this comparative analysis is used to show general trends. A bracketing procedure or technique may then be used to derive an overall conclusion of value.

Contemporary appraisal texts have just recently begun to recognize bracketing as a valuation technique. Overall, I am of the opinion the bracketing technique recognizes the imperfect data found in the marketplace. The 14th Edition of the Appraisal Institute's *the Appraisal of Real Estate* defines bracketing as:

“Bracketing: a process in which an appraiser determines a probable range of values for a property by applying qualitative techniques of comparative analysis to a group of comparable sales. The array of comparable sales may be divided into three groups - those superior to the subject, those similar to the subject, and those inferior to the subject. The adjusted sale prices reflected by the sales requiring downward adjustment and those requiring upward adjustment refine the probable range of values for the subject and identify a value bracket in which the final value opinion will fall.”

Because of the many variables involved in comparing sale properties to the subject property, the importance of the appraiser's judgment and opinion becomes obvious. In other words, the sales themselves do not alone directly indicate a value for the subject property. But, these sales once totally analyzed and correlated with experience and judgment, do help me in my final value estimate.

Regarding the sales themselves and the adjustment process, it has been my experience that all sales differ somewhat from each other. To the extent possible, the differences should be recognized and adjusted for based on the data available. However, in the market it is often difficult, and sometimes impossible, to accurately isolate a given factor. In short, one very seldom finds sale properties which are identical in all respects but one, and as such, can decisively conclude the value, or lack thereof, for any one factor due to a difference in sale price. Most often, there are positive and negative factors which offset each other. Nevertheless, the differences in values are real and an attempt, based on as much fact as can be found, will be made to determine the value of these factors. Then, the appraiser may call upon experience to make a more subjective judgment. The following generalities are cited to acquaint the reader with a background for my reasoning and judgment to follow:

- value increases per unit of comparison as the size of the parcel decreases;
- value tends to decrease as distance from an urban center increases;
- value tends to decrease as the topography becomes steeper, rockier, more arid, etc.

- value tends to decrease as access becomes more difficult;
- value tends to increase with amenities such as creek or lake frontage, or a good view;
- value tends to increase when zoning allows greater density.

Obviously, the converse may be said of each of these statements.

The following table highlights the features of the comparables which warrant analysis:

Physical Characteristics Adjustments							
	Subject		Sale 1	Sale 2	Sale 3	Sale 4	Sale 5
Item	6 Olney Loop		50 Olney Loop	245 Kila Cliff Trail	127 Pleasant Valley RD	1053 Homesteaders WY	6750 US HWY 93N
Economy of Scale	1.06		0.95	2.30	1.53	0.80	0.62
CCR's	None		None	None	None	Yes	None
Location	Olney		Olney	Kila	Marion	Marion	Olney

Size (Economy of Scale)

The comparables are analyzed to determine if the market is sensitive to economy of scale.

Economy of Scale

Property #	Address	Economy of Scale	1.53 Acres or Less	2.30 Acres
1	50 Olney Loop	0.95	\$50,422	
2	245 Kila Cliff Trail	2.30		\$32,562
3	127 Pleasant Valley RD	1.53	\$19,346	
4	1053 Homesteaders WY	0.80	\$37,500	
5	6750 US HWY 93N	0.62	\$51,613	

SUBJECT	6 Olney Loop	1.06		
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- (0) indicates the comp is similar
- (-) indicates the comp is superior
- (+) indicates the comp is inferior

Average Unit / Transaction

\$39,720	\$32,562
----------	----------

Adjustment

0	+
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The adjustment for economy of scale is one of the most reliable market analysis conclusions. This case is no different. The market as reflected in these five comparable sales is sensitive to economy of scale. The market prefers (commands a higher unit price) for a smaller parcel over a larger parcel.

CCR's

The comparables are analyzed to determine if the market is sensitive to parcels of land with CCR's.

CCR's

Property #	Address	CCR's	None	Yes
1	50 Olney Loop	None	\$50,422	
2	245 Kila Cliff Trail	None	\$32,562	
3	127 Pleasant Valley RD	None	\$19,346	
4	1053 Homesteaders WY	Yes		\$37,500
5	6750 US HWY 93N	None	\$51,613	

SUBJECT	6 Olney Loop	None		
---------	--------------	------	--	--

- (0) indicates the comp is similar
- (-) indicates the comp is superior
- (+) indicates the comp is inferior

Average Unit / Transaction

\$38,486	\$37,500
----------	----------

Adjustment

N/A	N/A
-----	-----

The market as reflected in these five comparable sales is not sensitive to protective covenants. In this case the difference is minor and concluded to be coincidental.

Location

The comparables are analyzed to determine if the market is sensitive to parcels of land based upon their location.

Location				
Property #	Address	Location	Olney	Other
1	50 Olney Loop	Olney	\$50,422	
2	245 Kila Cliff Trail	Kila		\$32,562
3	127 Pleasant Valley RD	Marion		\$19,346
4	1053 Homesteaders WY	Marion		\$37,500
5	6750 US HWY 93N	Olney	\$51,613	

SUBJECT	6 Olney Loop	Olney		
---------	--------------	-------	--	--

(0) indicates the comp is similar

(-) indicates the comp is superior

(+) indicates the comp is inferior

Average Unit / Transaction

\$51,018	\$29,803
----------	----------

Adjustment

0	+
---	---

The market as reflected in these five comparable sales is sensitive to this property characteristic and prefers properties in Olney over those in Kila or Marion. This analysis also supports the widely accepted premise that properties in closer proximity to Whitefish (Olney properties) are thought to be more valuable than those properties closer to Kalispell (Kila and Marion).

Summary

The table below lists each of the units of comparison that were analyzed. The row on the bottom indicates the overall comparison to the subject property. If the overall analysis indicates the comparable is inferior to the subject property there will be a (+) in the bottom row, a (0) if the comparable is similar to the subject or a (-) if the comparable is superior to the subject.

Summary of Results of Sales Comparison Analysis					
	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5
Item	50 Olney Loop	245 Kila Cliff Trail	127 Pleasant Valley RD	1053 Homesteaders WY	6750 US HWY 93N
Economy of Scale	0	+	0	0	0
CCR's	N/A	N/A	N/A	N/A	N/A
Location	0	+	+	+	0
Overall	0	+	+	+	0.00
Adj. Unit Price	\$50,422	\$32,562	\$19,346	\$37,500	\$51,613

Conclusion

The comparables are now ranked from lowest value to highest value and the "Value Bracket" in the table indicates the appropriate range of value for the subject.

Conclusion		
Sale #	Address	Unit Value
3	127 Pleasant Valley RD	\$19,346
2	245 Kila Cliff Trail	\$32,562
4	1053 Homesteaders WY	\$37,500
VALUE BRACKET		
1	50 Olney Loop	\$50,422
5	6750 US HWY 93N	\$51,613
VALUE BRACKET		

Reconciliation

The analysis concludes that the land value for the subject property should be more than \$37,500/acre. Sales 1 and 5 had no adjustments. Therefore, the market indicates the subject should have a unit market value of about \$51,000/acre ((the average of Sales 1 and 5). This is an unusually tight range.

Therefore, it is my opinion the unit market value for the subject parcel should be \$51,000/acre. When that figure is multiplied by the subject site size, the market value is:

Market Value Opinion				
Unit Market Value	x	# Units	Unit	= Market Value
\$51,000		1.06	Acres	= \$53,958
			Rounded	\$54,000

PART A VALUATION OF IMPROVEMENTS USING THE COST APPROACH

The cost approach is based on the premise that a prudent investor would pay no more for a property than the cost of obtaining a site and building improvements with similar design and utility. The process of the cost approach involves: 1) form an opinion the market value of the site as if vacant and available to its highest and best use; 2) form an opinion of the improvements in a new condition; and 3) estimating accrued depreciation. The sales comparison approach was previously used to estimate the market value of the site as though vacant. The depreciated cost of the improvements is added together with the opinion of market value of the site as though vacant to estimate the market value of the property.

Direct Costs

For the subject property, I will use the calculator method to form an estimate of the replacement cost of the building. The buildings are fair quality Class "D" single family residences.

On-site improvements are added to arrive at a subtotal of the building costs estimated for the subject. These costs include well and septic along with landscaping. The direct costs include engineer's fees and architect's fees and surveying. Direct costs include finish grading and excavation for foundation and backfill for the main structure only but not for the remaining portion of the lot. Also included in the direct cost are utility extensions from the lot line to the structure.

Indirect Costs

Indirect costs include: appraisal and legal fees, insurance, security, temporary facilities, marketing, and obtaining entitlements for development. Marshall & Swift does not include fees for: architect's fees, permanent financing, entitlements, feasibility studies, appraisal, and assessment fees. Based upon surrounding uses and the building style, this is not considered a challenging project from an engineering or design perspective. In my opinion, a 1.5% fee for indirect costs is appropriate.

Miscellaneous costs have been estimated at 1% to cover any cost overruns. This is based upon a percentage of direct cost. The total for estimated indirect costs not provided in Marshall & Swift is 2.5%.

Entrepreneurial profit has historically ranged from 10% to 20% for commercial construction in the area. The risk for this project should be in the middle range given the infrequency of new construction in the market area and the uncertainty of the direction of energy prices and the impact on tourism in the area. I am concluding that 8% is an appropriate amount of entrepreneurial incentive for this project.

Depreciation from All Sources

Where appropriate, physical deterioration, functional obsolescence and external obsolescence is calculated and subtracted from the replacement cost.

- 1) Physical Depreciation: To estimate physical depreciation, I analyzed four recent sales of older properties in Lincoln and Flathead Counties.

Property 1			
MLS		21612605	
Address		111/119 Iverson LN	
City		Whitefish	
Sale Date		1/30/2017	
Sale Price		\$325,000	
Acres		3.75	
SF		2,042	
Yr. Const.		1947	
Overview		2 houses, US 93 Frontage	
Land Value		\$250,000	
Value of Improvements		\$75,000	
Property 1 Depreciation Calculations			
Item	SF	\$/SF	Repl. Cost
House 1 Above Grade	834	\$78.0	\$65,052
House 1 Basement	828	\$35.0	\$28,980
House 2	380	\$78.0	\$29,640
Well/Septic/Site Improvements			\$12,000
Subtotal Replacement Cost			\$135,672
Entrepreneurial Incentive	8%		\$10,854
Total Replacement Cost			\$146,526
Value of Improvements			\$75,000
\$ Depreciation			\$71,526
% Depreciation			48.81%
Annual Rate of Depreciation			0.68%

Property 2	
MLS	21603423
Address	895 Danielson RD
City	Kalispell
Sale Date	2/17/2017
Sale Price	\$265,000
Acres	20
SF	2,824
Yr. Const.	1961
Overview	House with full basement
Land Value	\$150,000
Value of Improvements	\$115,000

Property 2 Depreciation Calculations			
Item	SF	\$/SF	Repl. Cost
House 1 Above Grade	1412	\$78.0	\$110,136
House 1 Basement	1412	\$35.0	\$49,420
Garage	480	\$25.0	\$12,000
Well/Septic/Site Improvements			\$12,000
Subtotal Replacement Cost			\$183,556
Entrepreneurial Incentive	8%		\$14,684
Total Replacement Cost			\$198,240
Value of Improvements			\$115,000
\$ Depreciation			\$83,240
% Depreciation			41.99%
Annual Rate of Depreciation			0.72%

Property 3			
MLS		21910986	
Address		37 Doble DR	
City		Eureka	
Sale Date		8/30/2019	
Sale Price		\$120,000	
Acres		1	
SF		2,824	
Yr. Const.		1989	
Overview		Two houses and garage	
Land Value		\$25,000	
Value of Improvements		\$95,000	
Property 3 Depreciation Calculations			
Item	SF	\$/SF	Repl. Cost
House 1 Above Grade	1008	\$78.0	\$78,624
House 2	400	\$78.0	\$31,200
Garage	480	\$25.0	\$12,000
Well/Septic/Site Improvements			\$12,000
Subtotal Replacement Cost			\$133,824
Entrepreneurial Incentive	8%		\$10,706
Total Replacement Cost			\$144,530
Value of Improvements			\$95,000
\$ Depreciation			\$49,530
% Depreciation			34.27%
Annual Rate of Depreciation			1.14%

Property 4	
MLS	21702785
Address	1150 Dorothy ST
City	Columbia Falls
Sale Date	4/24/2017
Sale Price	\$130,000
Acres	0.47
SF	2,208
Yr. Const.	1963
Overview	House w/ shop
Land Value	\$30,000
Value of Improvements	\$100,000

Property 4 Depreciation Calculations			
Item	SF	\$/SF	Repl. Cost
House Above Grade	1152	\$78.0	\$89,856
Basement	288	\$35.0	\$10,080
Garage	700	\$25.0	\$17,500
Well/Septic/Site Improvements			\$12,000
Subtotal Replacement Cost			\$129,436
Entrepreneurial Incentive	8%		\$10,355
Total Replacement Cost			\$139,791
Value of Improvements			\$100,000
\$ Depreciation			\$39,791
% Depreciation			28.46%
Annual Rate of Depreciation			0.51%

Conclusion: The four depreciation comparables indicate that older existing improvements located in Flathead or Lincoln County depreciate at a rate of 0.51% to 1.14% per year. In my opinion, the lower to middle of the range should be selected as an appropriate estimate of depreciation for the subject. I will use 0.80% per year as the rate of depreciation for the subject property. Given the age of the improvements (constructed in 1947) that would indicate that the appropriate estimate of depreciation is $((2020 - 1947) \times .8) / 100 = 58.4\%$.

- 2) Functional Obsolescence: The design of the cabin is such that the market would not find it appealing as it lacks plumbing and heat. I estimate the impact of functional obsolescence from the cabin amenities at 3%.
- 3) External Obsolescence: The market in the area is strong and there is no external obsolescence from market forces outside of the subject property.

The calculations showing the value of the improvements is shown in the following table.

VALUE OF IMPROVEMENTS

COST APPROACH SUMMARY		AMOUNT	TOTAL
Property Type - Main House (Above Grade)			
Base Unit Cost Including Radiant Heat Climate Adjustment		\$78.00	
Times Floor Area Perimeter Multiplier		1.01	
Times Current Cost Multiplier		1.02	
Times Local Multiplier		0.96	
Building Cost (SF x Adj. Unit Cost)	1,486	\$77.14	\$114,632
Property Type - Detached Cabin			
Base Unit Cost Including Radiant Heat Climate Adjustment		\$60.00	
Times Floor Area Perimeter Multiplier		1.01	
Times Current Cost Multiplier		1.02	
Times Local Multiplier		0.96	
Building Cost (SF x Adj. Unit Cost)	192	\$59.34	\$11,393
Lump Sum Costs			
SFR Basement	680	\$35.00	\$23,800
Detached Garage	450	\$25.00	\$11,250
Woodshed	256	\$5.00	\$1,280
Well/septic	Total	\$12,000	\$12,000
Landscaping/Miscellaneous	1	\$5,000	\$5,000
Total Lump Sum Costs			\$53,330
Total Direct Costs (Sum of Building Cost + Lump Sum Costs)			\$179,355
Indirect Costs (% of Total Direct Costs)		2.50%	<u>\$4,484</u>
Cost of Improvements			\$183,839
Entrepreneurial Incentive (% of direct/indirect/land costs)		8%	<u>\$14,707</u>
SUBTOTAL			\$198,546
Depreciation From All Sources			
Physical Depreciation	58%	(\$104,743)	
Functional Obsolescence	3%	(\$5,381)	
External Obsolescence	0%	\$0	
Total Depreciation			(\$110,124)
SUBTOTAL			\$88,422
FF&E / Personal Property			<u>\$0</u>
VALUE CONCLUSION VIA THE COST APPROACH			\$88,422
ROUNDED			\$88,000

PART A SUMMARY OF VALUES

The valuation analysis of improvements using the cost approach concludes the subject land has a fair market value of \$54,000. The improvements are concluded to have a fair market value of \$88,000.

The fair market of the entire property is \$142,000.

PART A SALES COMPARISON APPROACH

The sales comparison approach will be used as a test of reasonableness only. There are three sales which will be analyzed in order to determine if the prior analysis which concludes the subject has a market value (land and improvements) of \$142,000 is reasonable.

The sales are presented below:

Test of Reasonableness	
Item	Information/Qty.
Address	611 3rd AVE
City	Eureka
Sale Date	9/27/2019
Sale Price	\$149,000
Improvements Des.	SFR with Det. Garage
Improvements SF	1,099
Age of Improvements	1955
Lot Size	0.28 acres
Comments: The improvements for this property are smaller than the subject property. Also, the site size is significantly smaller. On the positive side, this property is within walking distance to services in Eureka. Given the fact that the house has been updated and it has superior landscaping amenities it would be reasonable to conclude the subject would have a market value less than this property.	

Test of Reasonableness	
Item	Information/Qty.
Address	1099 Twin Ponds RD
City	Kila
Sale Date	7/22/2019
Sale Price	\$150,000
Improvements Des.	Small cabin with small creek
Improvements SF	708
Age of Improvements	1950
Lot Size	3
<p>Comments: The improvements for this property are smaller than the subject property. However, the site is much larger. This is a rural property similar to the subject. This property is on a dirt road. This property is claimed to have sold in a non-arm's length transaction for \$120,000 which is claimed to be \$30,000 below market. If the adjusted sale price is \$150,000, it would make sense the subject should have a lower market value than this property, but not by a lot.</p>	

Test of Reasonableness	
Item	Information/Qty.
Address	6665 US HWY 93
City	Olney
Sale Date	4/17/2019
Sale Price	\$206,655
Improvements Des.	Large house on river
Improvements SF	2,300
Age of Improvements	1954
Lot Size	1.53
<p>Comments: The improvements are older but significantly larger than the subject property. Also, this property has frontage on the Stillwater River and US Highway 93. This property is superior to the subject in all regards. It would make sense the subject would have a market value much less than this.</p>	

Test of Reasonableness	
Item	Information/Qty.
Address	115 Falcon Lane
City	Columbia Falls
Sale Date	10/3/2019
Sale Price	\$95,000
Improvements Des.	Manufactured house in poor condition
Improvements SF	972
Age of Improvements	1982
Lot Size	0.87
<p>Comments: The improvements are older and in very poor condition. The location is superior to the subject but in all other aspects, this property is inferior to the subject property. It would make sense the subject would have a market value much higher than this value indication.</p>	

The data via a sales comparison approach above does support the value conclusion in the report.

PART A EXPOSURE TIME AND MARKETING PERIOD

Exposure time is the length of time that the property would have been exposed on the market to achieve the opinion of market value. The exposure time is based upon comparable sales within this report as well as discussions with real estate brokers and developers. The most reasonable indication of suitable exposure time is six to twelve months.

The marketing period of the subject property has been estimated at six to twelve months. The marketing period is the length of time that the property would need to be put on the market to achieve the opinion of market value of the subject property. The marketing period has been based upon comparable sales and takes into consideration the future supply and similar property types in the subject's market area. It also assumes prudent marketing and an asking price (list price) similar to the market value opinion.

PART A PHOTOS



Living area in converted garage







Main entry



Kitchen

	<p>Dining</p>
	<p>Bedroom</p>
	<p>Bathroom</p>
	<p>Basement</p>

	<p>Basement</p>
	<p>Attic</p>
	<p>Attic</p>
	<p>West property line looking north. Small house in center is the subject cabin.</p>



Rear (north elevation)



West elevation



Street view looking east on Olney Loop.
Subject is on the left.



Garage



Garage interior



Garage



Woodshed



Interior of detached cabin



Rear of cabin



Street view looking east on Pothole Drive.
Subject is on the right.

PART B

PART B SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS
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Subject

Property Address	14 Olney Loop, Olney, Montana
Property Location	The northwest side of Olney Loop in Olney, Montana
Property Owner	State of Montana
Assessor's Parcel Number	0158400 (Improvements only)
Census Tract Number	30-029-0001.00
Purpose of Appraisal	To form an opinion of the Fair market value
Intended Use of Appraisal	To provide the clients with a credible opinion of current fair market value of the appraiser subject properties and is intended for use in the decision-making process concerning the potential sale of said subject properties.
Intended Users	State of Montana, the Montana Board of Land Commissioners (Land Board), and the Department of Natural Resources and Conservation (DNRC)
Date of Valuation	November 25, 2019

Property Inspection Date	November 25, 2019		
Date of Report	April 15, 2020		
Property Rights Appraised	Fee simple		
Land Size	1.036 acres		
Improvement Data	1,144 SF multi-story residence with tool shed and open pole shed.		
Zoning	SC (Scenic Corridor)		
HIGHEST AND BEST USE			
As Vacant Land	Residential		
As Improved	Residential		
VALUE OPINION			
MARKET VALUE OPINION	PROPERTY RIGHTS APPRAISED	EFFECTIVE DATE OF VALUE	MARKET VALUE OPINION
Fair market value (Land)	Fee simple	November 25, 2019	\$53,000
Fair market value (Improvements)	Fee simple	November 25, 2019	\$63,000
Fair market value (All)	Fee simple	November 25, 2019	\$116,000
Current Use	Residential		
Use Reflected in the Appraisal	Residential		
Exposure Time	The opinion of market value has been predicated on an exposure time of six to twelve months.		
Marketing Period	If the subject were marketed for sale as of the date of the value opinion, the marketing period would be six to twelve months assuming competent marketing with pricing commensurate with the opinions of market value.		

Extraordinary Assumptions/Hypothetical Conditions:

The valuation of the subject property is based upon the hypothetical condition the land and improvements are held in fee simple estate by a single owner. This hypothetical condition is requested by the client.

PART B INTRODUCTION

Identification of the Property

The subject property consists of a multistory wood frame residence located at 14 Olney Loop, Olney, MT 59927. The property is further identified as Flathead County Assessor's Parcel Number 0158400 (improvements only). The building was constructed in 1935. The site is a 1.036 acre lot.

The site and improvements are more thoroughly described in the "Site Description and Analysis" and the "Improvements Description and Analysis" sections contained in this report.

Legal Description

Lot 3 of Olney Townsite.

Census Tract Number

30-029-0001.00

Purpose of Appraisal

To form an opinion of the Fair market value of the subject property as of the effective date of the appraisal.

Intended Use of the Appraisal

To provide the clients with a credible opinion of current fair market value of the appraiser subject properties and is intended for use in the decision-making process concerning the potential sale of said subject properties.

Intended Users of the Appraisal

State of Montana, the Montana Board of Land Commissioners (Land Board), and the Department of Natural Resources and Conservation (DNRC)

Effective Date of Valuation

November 25, 2019. This is the date the property was inspected and the date the photographs were taken.

Date of Appraisal Report

The date of this appraisal report is April 15, 2020. The comparable sales, and market data were verified prior to the date of this report.

USPAP Competency Provision

This appraisal report is being prepared with the intention of complying with the most recent version of the Uniform Standards of Professional Appraisal Practice (USPAP) as adopted by the Appraisal Foundation. I have the knowledge and the experience to complete this appraisal assignment. I have appraised numerous properties with similar uses in NW Montana and I am qualified to appraise the subject property. Please see my qualifications contained in the Addenda of this report for additional information.

Current Ownership/Ownership History

According to information obtained from Flathead County public records the subject property is currently under the ownership of State of Montana. The property has been under the same ownership for over three years.

There were no sales or listings of the subject property that have occurred during the last three years.

Scope of Appraisal

This is a Narrative Appraisal Report which is intended to comply with reporting requirements set forth under Standards Rule 2-2 (a) of the Uniform Standards of Professional Appraisal Practice, (USPAP). As part of this appraisal, the appraiser has made a number of independent investigations and analyses. The investigations undertaken and the major data sources used follow.

Area/City and Neighborhood Analysis

Data pertaining to the market area and the neighborhood was provided by publications such as the Daily Interlake and the Flathead Beacon, and information from the local Chamber of Commerce and the Economic Development Authority of Western Montana. Information regarding population was supplied by the State of Montana and Flathead County. Information about visitor volume, data pertaining to the labor force, employment and unemployment was supplied by the State of Montana. Information pertaining to taxable sales was provided by the Montana Department of Revenue. Data pertaining to residential construction building permits was collected from the governing jurisdictions. Additional neighborhood data was based upon a physical inspection of the area.

Site Description and Analysis

On November 25, 2019, Wayne Valentic physically inspected the subject property and the surrounding area. Photographs of the property were also taken as of this date. Information concerning utilities was collected by a physical inspection as well as contacting the individual utility companies, when necessary. The Flathead County Planning and Development Department was contacted to obtain zoning information on the property. Information pertaining to dimensions, shape, and area was taken from the Flathead County Assessor's Map. The description of analysis of topography, drainage, soils conditions and surrounding land uses was based upon a physical inspection. I am not an expert in the analysis of soils conditions or environmental hazards; therefore, any comment that might suggest the presence of such substances should not be taken as confirmation of the presence of hazardous waste or questionable soils conditions. Such determination would require investigation by qualified professionals in the field of environmental assessment or soils testing. No responsibility is assumed for any environmental conditions or for any expertise or engineering knowledge required to discover them. My descriptions and resulting comments are a result of routine observations made during the appraisal process.

Improvements Description and Analysis

Data pertaining to construction details and specifications were obtained by physical inspection of the subject improvements and interviews with the owner. Details regarding building size were taken from on-site measurements.

Applied Methods of Valuation

All three methods of valuation, 1) cost approach, 2) the income approach and, 3) sales comparison approach were considered in the valuation of the subject property. Please see the section entitled "Method of Valuation," contained later in the report, for a full description of the complete process for each approach. Depending on market conditions and property type one or more approaches may be omitted. The omission of one or more approaches does not affect the reliability of the value conclusions. For this assignment:

Cost Approach: Will be utilized.

Income Approach: Not utilized because the market does not place significant weight on the income producing potential of this property type.

Sales Comparison Approach: Will be utilized.

Market Data Collection and Verification

Data pertaining to land sales was collected from sources including the local MLS, Title Agencies, and discussions with brokers, owners and developers. Information on land sales, listings or offers was verified with the parties involved in the transaction including the grantor, grantee, broker or other knowledgeable parties, when possible. Verification of each sale is listed separately on each land sale abstract.

Cost information was considered from the Marshall Valuation Service, published by Marshall & Swift Publication Company.

Improved sales data was collected through various sources including County records, MLS, First American Title, or from brokers, owners, and developers. The information was verified with parties involved in the transaction including the grantor, grantee, broker, or other knowledgeable parties, when possible. Verification of each sale is listed separately on each improved sale abstract contained later in the report.

PART B SITE DESCRIPTION AND ANALYSIS

Location

The property has a street address of 14 Olney Loop, Olney, MT 59927. The subject may be further identified as Flathead County Assessor's Parcel Number 0158400. The property is in Census Tract Number 30-029-0001.00.

Dimensions, Shape, and Area

The subject has a rectangular shape and contains a land area of approximately 1.036 acres.

The reader is referred to the assessor's parcel map and the aerial photograph on the following pages for a visual description of the subject site.

Topography and Drainage

The subject parcel is generally at grade with the adjoining streets and properties. No adverse conditions were noted. The site is typical of other sites in the area and there are no adverse site conditions noted at the time of inspection.

According to the Federal Emergency Management Agency (FEMA) flood insurance rate map, the property is categorized as being in Flood Zone X, 30029C-0740G, 9/28/2007. Flood Zone X is determined to be an area of minimal flood hazard.

The Flood Disaster Protection Act of 1973 and the National Flood Insurance Reform Act of 1994 have made the purchase of flood insurance mandatory for federally backed mortgages on structures located in special flood hazard areas. Because the subject is not within an area identified as a 100-year flood zone, flood insurance is not required.

Water Front Amenity

None

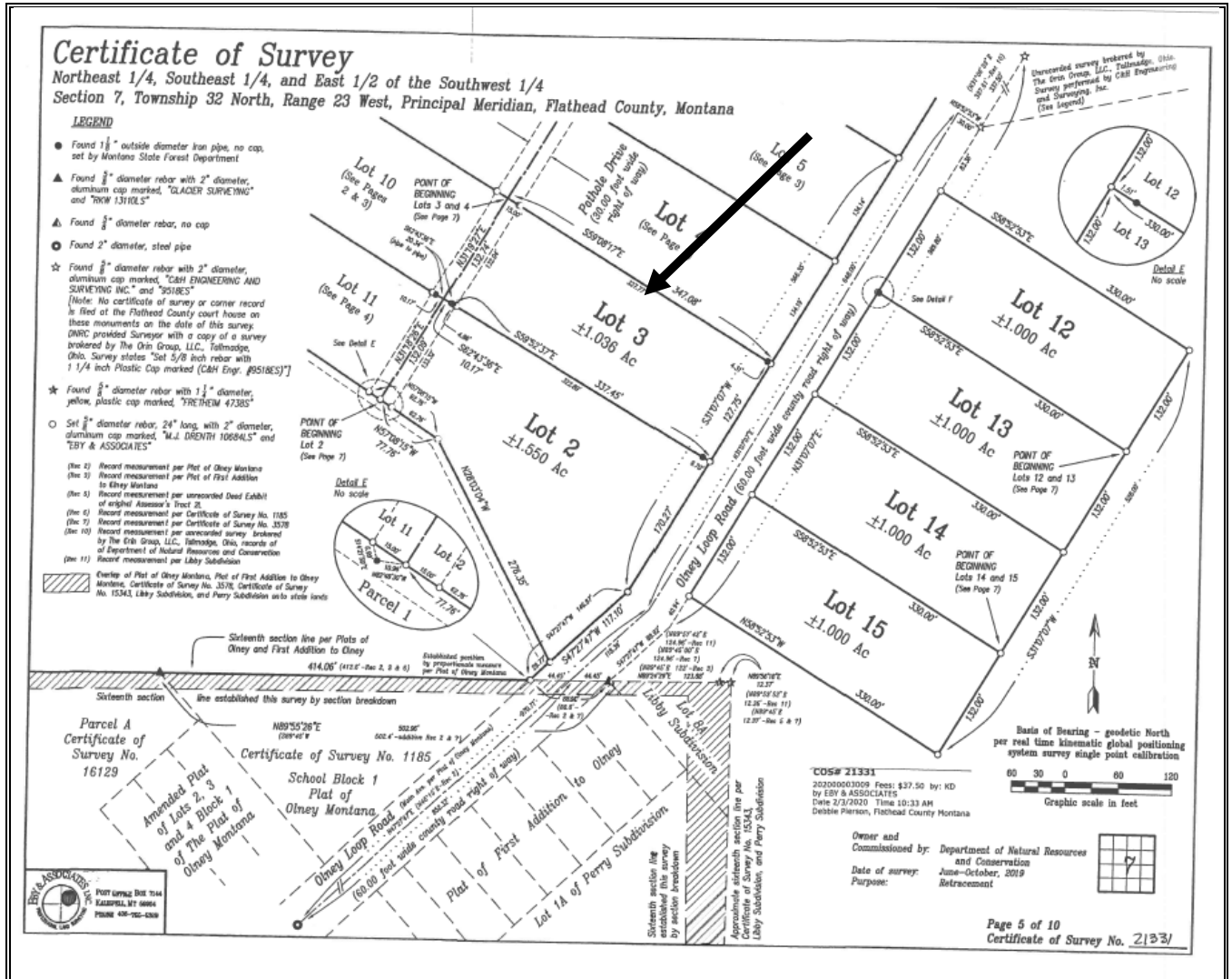
View Amenity

Trees

Soils Condition

Based on a physical inspection of the site, it appears that the soils and subsoils are adequate for the subject improvements. The appraiser was not provided with a soils report and the subject property is assumed to have adequate load bearing capacity. The value opinion is predicated upon the assumption there are no conditions on or in the property that would cause loss in value regarding the geological properties of the site. No responsibility is assumed for any such conditions or for any expertise or engineering knowledge required to discover them.

Subject County Plat Map



AERIAL PHOTOGRAPH

***Street Improvements and Accessibility***

The subject is located on 6 Olney Loop which is a two-lane road that extends in a roughly NE/SW direction. No off-sites are installed to the parcels nearby to the subject. Parking is allowed on the street in the front of the property. The property also has frontage on Pothole Drive.

Utilities

Public utility services are available to the site. They are provided by the following agencies:

UTILITY	AGENCY
Electricity	Flathead Electric Co-Op
Water	Private Well
Sanitation	Private Septic
Telephone	CenturyLink
Natural Gas	Private Propane
Solid Waste Disposal	Flathead County

Nuisances, Hazards, and Surrounding Land Uses

The subject site is located within a neighborhood that has a predominantly residential use, both single family. None of the surrounding properties appear to be suspect relative to toxic or hazardous materials.

The value opinions are predicated upon the assumption there are no such environmental conditions on or in the property that would cause a loss in value. No responsibility is assumed for any such environmental conditions or for any expertise or engineering knowledge required to discover them.

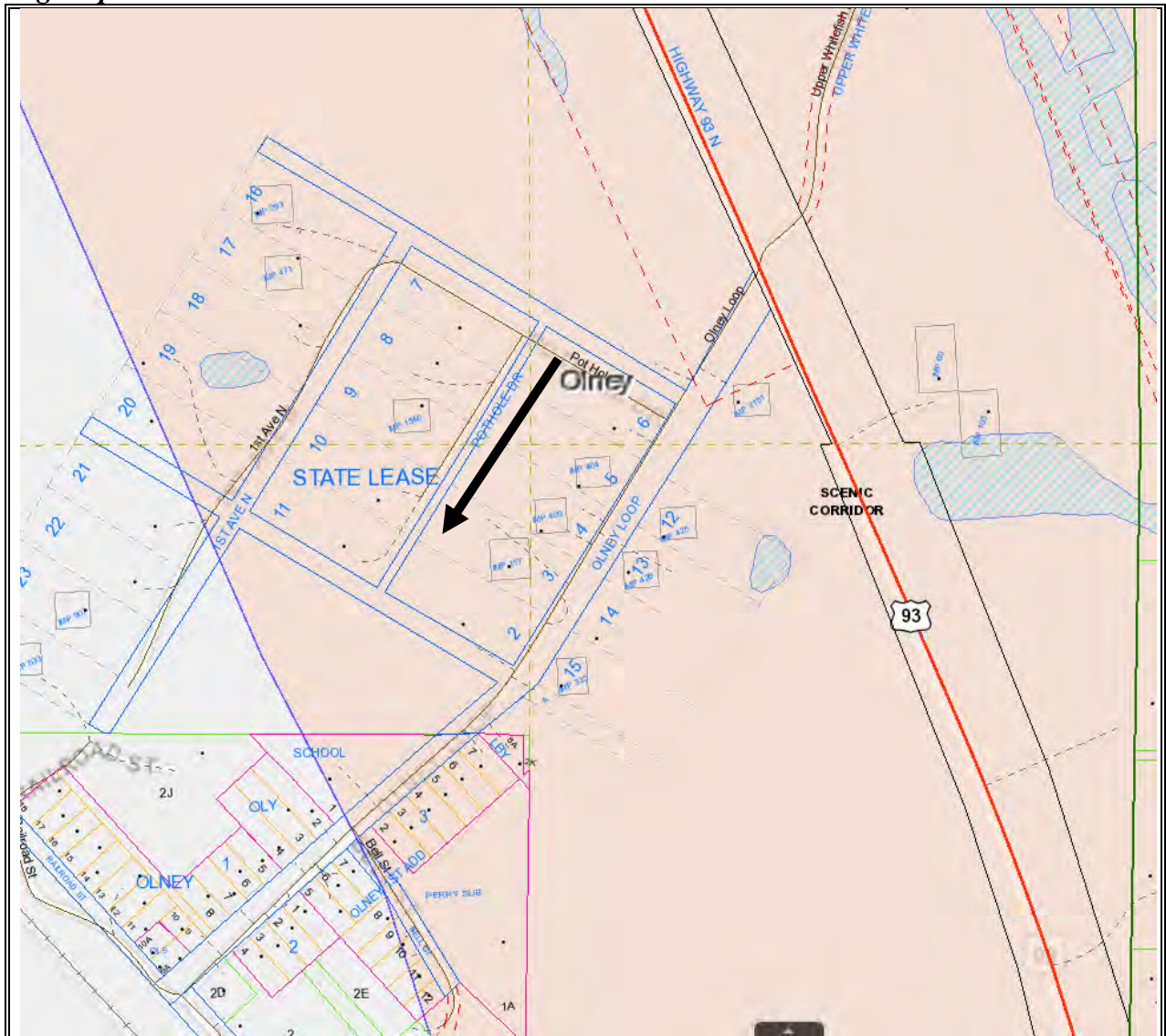
Easements and Encroachments

Typical road and utility easements are assumed to exist. No adverse encroachments were noted.

Zoning

The subject property is in an unzoned area of Flathead.

Zoning Map



Source: Flathead County

Zoning Description

SECTION 3.32 SC SCENIC CORRIDOR

Definition: An overlay or standing district intended to protect the scenic vistas and provide greater traffic safety along the highway corridors by restricting the number, size and location of outdoor advertising signs and billboards. This district can function as a standing district or can be applied to zoned areas. If zoned, this district will only regulate off-premise advertising signs. No other land use restrictions apply in this district other than those relating to signs.

Land Use

There is no additional zoning or land use overlay district relating to the subject property.

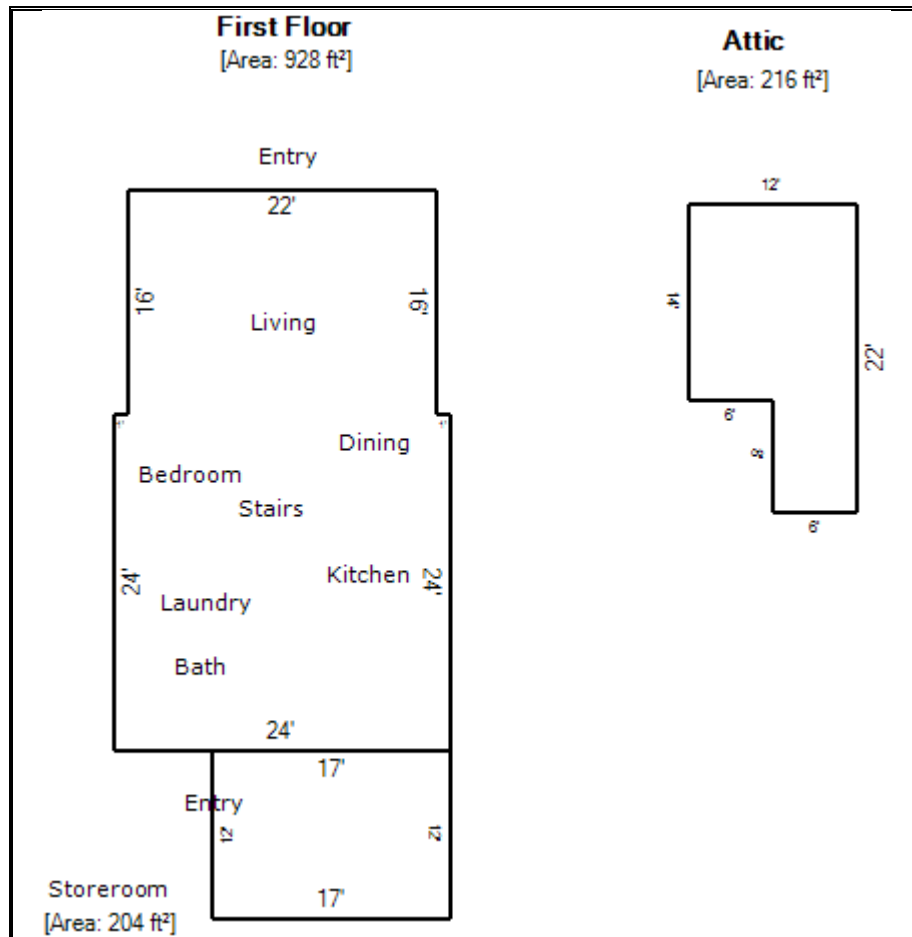
PART B IMPROVEMENTS DESCRIPTION AND ANALYSIS

The majority of information regarding the improvements was surmised from the physical inspection and measurements taken on November 25, 2019.

GENERAL DATA	The subject property is referred to as State of Montana Real Estate. The improvements were constructed in 1935 and are of fair quality construction. As of the date of inspection, the improvements were in fair condition.
Building Area	The main residence has a total of 1,144 SF on two floors. There is also a 168 SF tool shed and a 660 SF open pole shed.
American Disabilities Act	The Americans with Disabilities Act (ADA) became effective January 26, 1992. I have not made a specific compliance survey and analysis of this property to determine whether it is in conformity with various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the act. If so, this fact could have a negative effect upon the value of the property. Since I am not qualified to determine the compliance or non-compliance of the property with the ADA, it is assumed that the property complies with all ADA requirements.
CONSTRUCTION DETAIL	
Foundation	Concrete block
Exterior Walls	Wood frame
Insulation	The specific insulation could not be identified; however, it is assumed to be adequate and typical of other residences of similar age and quality.
Windows	Dual pane
Doors	Wood
Roof Cover	Roof sheathing is assumed to be plywood. The roof cover is corrugated metal.
INTERIOR DETAIL	
Floor Covering	Carpet, vinyl
Interior Walls	The interior walls are constructed of 2-inch by 4-inch studs covered with textured and painted gypsum board or wood T&G.
Doors	Wood
Ceilings	Painted drywall or wood
Lighting	A mixture of incandescent and fluorescent lighting
Plumbing	The bath has a single vanity and shower/tub combination.
Other	N/A

MECHANICAL DETAIL	
HVAC	EBB and wood stove
Electrical	The electrical capacity or service could not be confirmed by my inspection. However, it is assumed adequate.
Gas and Sewer	The property is serviced by Northern Energy and private well/septic.
SITE IMPROVEMENTS	
Parking	Off-Street abundant
Landscaping	Lawn and shrubs/trees
Miscellaneous	N/A

Plan View Residence



Other Improvements

	<p>Metal storage shed. Personal property not a part of this appraisal.</p>
	<p>12 x 28 tool shed with wood floor. It has power. Half of this building is enclosed and half is closed on three sides.</p>
	<p>30 x 22 open pole shed for boat and wood storage</p>

Conclusion

The subject improvements are functional for their present use as a rural residential property. The improvements are in fair condition. The marketability of the subject property, in comparison with similar properties within the Olney area, is average.

PART B ASSESSED VALUE AND PROPERTY TAXES

Calculation of Taxes

Property taxes are based upon an appraisal of the property performed by the County Assessor's Office. An appraisal is conducted every two years for residential, commercial, industrial and agricultural properties located within the County and the values are updated each year by an index computed by the State of Montana Department of Revenue. Timberland properties are appraised every six years.

Per personnel at the Assessor's Office, vacant land is appraised for taxable value based upon the sales comparison approach. Every property in Montana is appraised on a two-year cycle. The most recent re-appraisal was completed in 2019.

The following table shows the current assessments and taxes for the subject property (improvements only).

Current Taxes					
Assessor #	Parcel Size	Land Assess	Building Assess	Total Assess	Current Taxes
0360970	1.058 acres	\$34,642	\$86,320	\$86,320	\$811.07

PART B HIGHEST AND BEST USE

Highest and Best (HBU)

Highest and best use is defined as follows:

“The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.

Source: The Dictionary of Real Estate Appraisal Sixth Edition (Chicago: Appraisal Institute, 2010), Page 109.

The highest and best use of a property is an economic study focusing on the four criteria. The determination of a property’s highest and best use is the basis that provides the valuation framework upon which comparable market data is selected. Such data for improved properties may include cost, income and expense data, and improved sales pertaining to the property’s concluded best use.

Highest and best use of the property as though vacant is considered separately from the highest and best use of the property as improved. The site is valued as though vacant and available for development to its highest and best use even if the property’s existing improvements do not represent the highest and best use of the site. Highest and best use of the land as though vacant indicates only how the land should be used if it were vacant.

Highest and Best Use as Though Vacant

Highest and best use of land or site as though vacant is defined as:

“Among all reasonable, alternative uses, the use that yields the highest present land value, after payments are made for labor, capital, and coordination. The use of a property based on the assumption that the parcel of land is vacant or can be made vacant by demolishing any improvements.”

Source: The Dictionary of Real Estate Appraisal, Fifth Edition, (Chicago: Appraisal Institute, 2010), Page 94.

Legally Permissible

The property is in an SC zoned area. Theoretically, any use is possible.

Physically Possible

The physical characteristics of the site that affect its possible use include but are not limited to its location, street frontage, size, shape, street access, availability of utilities, easements, encroachments, soils and subsoil’s, and topography.

Based on a physical inspection of the subject property, the site appears to be in an area that has stable soil and subsoils which provide suitable support for typical residential structures. The soil and subsoil conditions are assumed to be typical of the area and do not present limitations or problems regarding development.

The property is not located within a designated flood hazard area and there are no environmental hazards assumed to exist near the subject. There are no apparent adverse conditions that would restrict development of the property. In summary, the site appears adequate for development of any legally permissible use.

Financially Feasible

The subject neighborhood is characterized by single family residential properties. A commercial or industrial use would be a complimentary to a residential use. It's location is not suited to any use but a residential use.

Maximally Productive

Finally, the maximally productive criteria consider how the use can be improved to create its maximal value. The maximally productive use of the site as-if vacant is residential.

Conclusion

In conclusion, the highest and best use of the site as though vacant would be for development with a residential use. The ideal improvement would be a new single-family structure with market accepted outbuildings. The site would be landscaped and have a multi-car garage.

Highest and Best Use as Improved

The following is an analysis of the highest and best use of the subject as improved. The following definition pertains to the highest and best use of a property as improved.

“The use that should be made of a property as it exists. An existing property should be renovated or retained as is so long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing building and constructing a new one.”

Source: The Dictionary of Real Estate Appraisal, Fifth Edition (Chicago Appraisal Institute, 2010), Page 95.

Legally Permissible

The property is in an SC zoned area. Theoretically, any use is possible.

Physically Possible

The physical characteristics of the site that affect its possible use include but are not limited to its location, street frontage, size, shape, street access, availability of utilities, easements, encroachments, soils and subsoil's, and topography.

Based on a physical inspection of the subject property, the site appears to be in an area that has stable soil and subsoils which provide suitable support for typical residential structures. The soil and subsoil conditions are assumed to be typical of the area and do not present limitations or problems regarding development.

The property is not located within a designated flood hazard area and there are no environmental hazards assumed to exist near the subject. There are no apparent adverse conditions that would

restrict development of the property. In summary, the site appears adequate for development of any legally permissible use.

Financially Feasible

There are three possible uses in this analysis. The improvements could be demolished, they could be modified, or they could be maintained As-Is.

The only financially feasible use of the property as it presently exists is to cure the deferred maintenance and maintain As-Is. No other legally permissible use of the site provides a positive return.

Maximally Productive

The maximally productive use of the subject property as improved is for continued use as a single-family residence.

Conclusion

In conclusion, the highest and best use of the subject as improved is for continued use as a single family residence.

PART B METHOD OF VALUATION

The valuation process is the method in which the data used to form an opinion of the value of the subject property are acquired, analyzed, and presented. This data is typically applied within the traditional three approaches to value which are the cost approach, the income capitalization approach, and the sales comparison approach. In appraisal practice, one or more approaches may not be appropriate to the property being appraised depending upon the quality, quantity, and reliability of the data. All three approaches were considered in the valuation of the subject. The appropriate methods used in this assignment are discussed further.

Cost Approach - This approach is based on the principle of substitution which states that a prudent investor would pay no more for a property than the cost to acquire the site and construct improvements of equal desirability and utility without undue delay. To arrive at an indication of value via this approach, an opinion of the value of the site is formed (as if vacant and put to its highest and best use) by the sales comparison approach. An opinion of the replacement or reproduction cost new of the improvements is formed and accrued depreciation, if any, is subtracted to arrive at the depreciated cost of the improvements. The site value is added to the depreciated cost of the improvements to form an opinion of the total market value.

A definition of the approach taken from the *Dictionary of Real Estate Appraisal, Sixth Edition* published by the Appraisal Institute states:

Cost Approach. A set of procedures through which a value indication is derived for the fee simple interest in a property by estimating the current cost to construct a reproduction of (or replacement for) the existing structure, including an entrepreneurial incentive or profit; deducting depreciation from the total cost; and adding the estimated land value. Adjustments may then be made to the indicated fee simple estate in the subject property to reflect the value of the property interest being appraised.

As noted in the Fourteenth Edition of *The Appraisal of Real Estate*, published by the Appraisal Institute dated 2013, the following outline of the basic procedures employed within this technique:

- 6) Estimate the value of the site as though vacant and available to be developed to its highest and best use.
- 7) Determine which cost basis is most applicable to the assignment: reproduction cost or replacement cost.
- 8) Estimate the direct (hard) and indirect (soft) costs of the improvements as of the effective appraisal date.
- 9) Estimate and appropriate entrepreneurial profit or incentive from analysis of the market.
- 10) Add estimated direct costs, indirect costs, and entrepreneurial profit or incentive to arrive at the total cost of the improvements.

- 11) Estimate the amount of depreciation in the structure and, if necessary, allocate it among the three major categories:
 - d) Physical deterioration
 - e) Functional obsolescence
 - f) External obsolescence
- 12) Deduct estimated depreciation from the total cost of the improvements to derive an estimate of their depreciated cost.
- 13) Estimate the contributory value of any site improvements that have not already been considered. (Site improvements are often appraised at their contributory value – i.e., directly on a depreciated cost basis – but may be included in the overall cost calculated in Step 2 if necessary.).
- 14) Add site value to the total depreciated cost of all the improvements to develop the market value of the property.
- 15) Adjust the indicated value of the property for any personal property (e.g., furniture, fixtures, and equipment) or any intangible asset value that may be included in the cost estimate. If necessary, this value, which reflects the value of the fee simple interest, may be adjusted for the property interest being appraised to arrive at the indicated value of the specified interest in the property.

The cost approach begins with an opinion of the site value which is typically completed using the sales comparison approach.

Income Capitalization Approach - This approach involves the process of estimating future benefits of a property (in the form of income) and converting the income into present value.

A summary of the methodology is described below. A definition of the income capitalization approach taken from the *Dictionary of Real Estate Appraisal*, Sixth Edition published by the Appraisal Institute states:

Income Capitalization Approach: Specific appraisal techniques applied to develop a value indication for a property based on its earning capability and calculated by the capitalization of property income.

As noted in the Fourteenth Edition of *The Appraisal of Real Estate* published by The Appraisal Institute dated 2013, the following is an outline of the basic procedures employed within this technique:

8. Research the income and expense data for the subject property and comparables.
9. Estimate the potential gross income of the property by adding the rental income and any other potential income.
10. Estimate the vacancy and collection loss.

11. Subtract vacancy and collection loss from total potential gross income to arrive at the effective gross income of the subject property.
12. Estimate the total operating expenses for the subject by adding fixed expenses, variable expenses, and a replacement allowance (where applicable).
13. Subtract the estimate of total operating expenses from the estimate of effective gross income to arrive at net operating income. (Deductions for capital items may also be necessary at various points in time through the projection period to calculate the cash flow used in discounted cash flow analysis.)
14. Apply one of the direct or yield capitalization techniques to this data to generate an estimate of value via the income capitalization approach.

Sales Comparison Approach (Improved) - This approach involves verifying data of improved sales, listings, and offerings of properties comparable to the subject. The data has been separated into measurable units of comparison (i.e., price per square foot or price per dwelling unit (for example). The price per unit method involves adjusting the price per unit of the comparable sales for differences between them and the subject. The final adjusted price per unit is then applied to the subject to provide an indication of market value. This approach produces a good indication of value when sales of similar properties are available.

Sales Comparison Approach (Land) - This approach involves verifying data of sales and listings of vacant land comparable to the subject. The data has been separated into measurable units of comparison (i.e., price per square foot, price per front foot, price per acre). The price per unit method involves adjusting the price per unit of the comparable sales for differences between them and the subject. The final adjusted price per unit is then applied to the subject's site to provide an indication of market value. This approach produces a good indication of value when sales of similar properties are available.

A definition of the sales comparison approach taken from the *Dictionary of Real Estate Appraisal*, Sixth Edition published by the Appraisal Institute states:

Sales Comparison Approach. The process of deriving a value indication for the subject property by comparing sales of similar properties to the property being appraised, identifying appropriate units of comparison, and making adjustments to the sale prices (or unit prices, as appropriate) of the comparable properties based on relevant, market-derived elements of comparison. The sales approach may be used to value improved properties, vacant land, or land being considered as though vacant when an adequate supply of comparable sales is available.

As noted in the Fourteenth Edition of *The Appraisal of Real Estate* published by The Appraisal Institute dated 2013, the following is an outline of the basic procedures employed within this technique:

- 16) Research the competitive market for information on properties that are similar to the subject property and that have recently sold, are listed for sale, or are under contract. Consider the characteristics of the properties such as property type, date of sale, size,

physical condition, location, and land use constraints. The goal is to find a set of comparable sales as similar as possible to the subject property to ensure they reflect the actions of similar buyers. Market analysis and highest and best use analysis set the stage for the selection of appropriate comparable sales.

- 17) Verify the information by confirming that the data obtained is factually accurate and that the transactions reflect arm's-length market considerations. Verification should elicit additional information about the property and the market so that comparisons are credible.
- 18) Select the most relevant units of comparison in the market (e.g., price per acre, price per square foot, price per front foot) and develop a comparative analysis for each unit. The appraiser's goal is to define and identify a unit of comparison that explains market behavior.
- 19) Look for differences between the comparable sale properties and the subject property using all appropriate elements of comparison. Then adjust the price of each sale property, reflecting how it differs, to equate it to the subject property or eliminate that property as a comparable. This step typically involves using the most similar sale properties and then adjusting for any remaining differences. If a transaction does not reflect the actions of a buyer who would also be attracted to the subject property, the appraiser should be concerned about comparability.
- 20) Reconcile the various value indications produced from the analysis of comparables to a value bracket and then to a single value indication."

Final Value Opinion - The market value is reconciled from the value indications provided by each of the approaches considering the strengths, weaknesses, and reliability of each technique. The ensuing pages further explain and demonstrate each approach in more detail.

PART B LAND VALUATION

The sales comparison approach is the most common technique for valuing vacant land. It is used to form an opinion of the market value of the subject site as though vacant. To apply this method, sales of similar parcels of land are analyzed, compared, and adjusted to provide a value indication. The sales are then adjusted for dissimilarities between them and the subject. Elements considered include property rights, legal encumbrances, financing terms, conditions of sale (motivation), market conditions (sale date), location, physical characteristics, available utilities, zoning, and highest and best use. The sales used in the valuation are the most comparable to the subject as of the date of valuation.

In the price/unit method, the data is analyzed and an appropriate unit of comparison is selected (price/square foot, acre, front foot, dwelling unit, etc.).

- Transactional adjustments are applied to the comparables for: property rights, financing, conditions of sale, expenditures immediately after purchase, and market conditions.
- The comparables are analyzed to determine market sensitivity to various physical characteristics.
- They are then arrayed in a table which brackets the unit market value of the subject.
- The range of values is reconciled to a unit market value.
- The unit of value is then multiplied by the size of the subject property to provide an indication of market value.

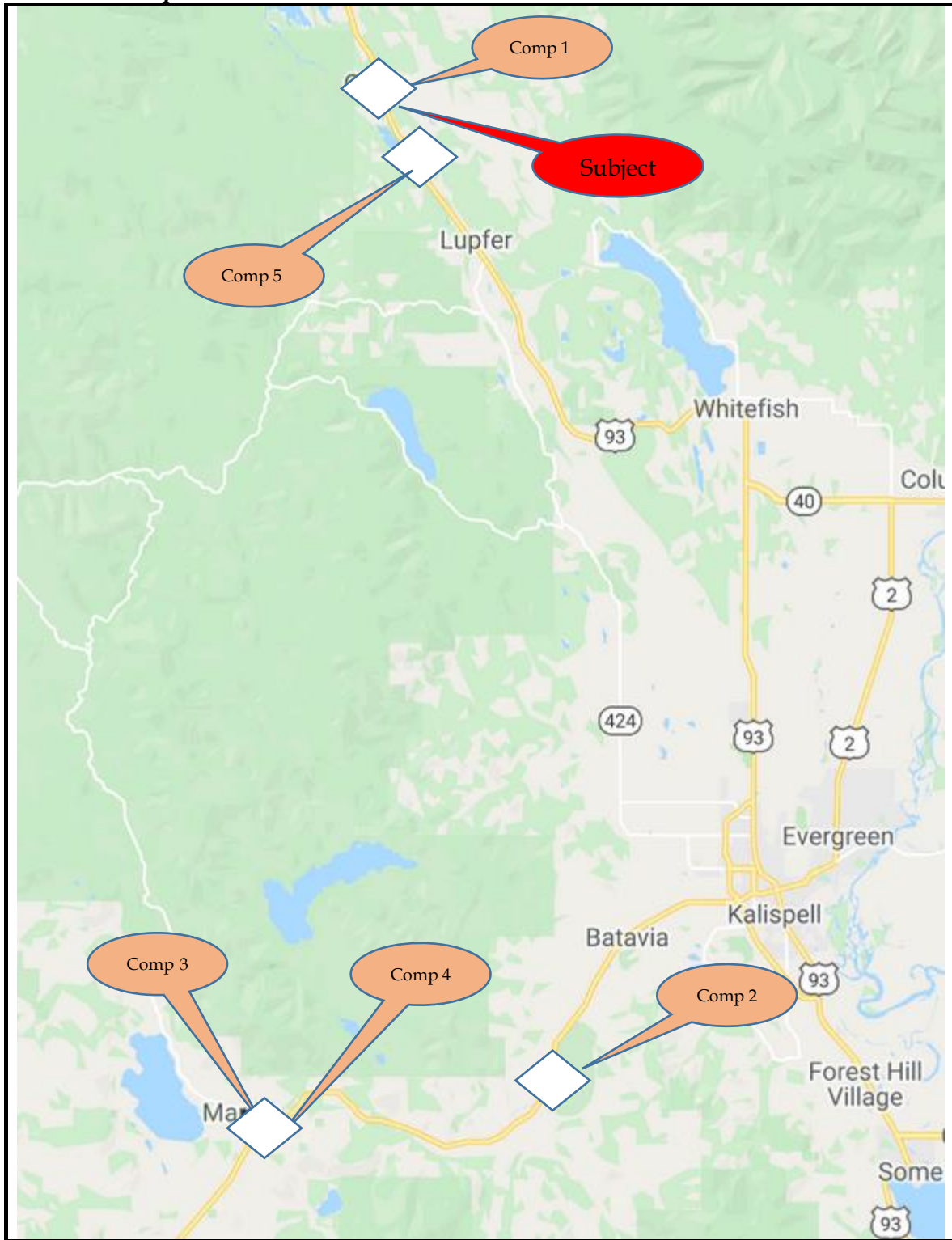
For this assignment, the appropriate unit of comparison is \$/acre. Two of the comparables are extracted land sales and three are vacant land sales.

Comparable sales are summarized below, followed by a map and complete abstracts.

LAND SALES SUMMARY

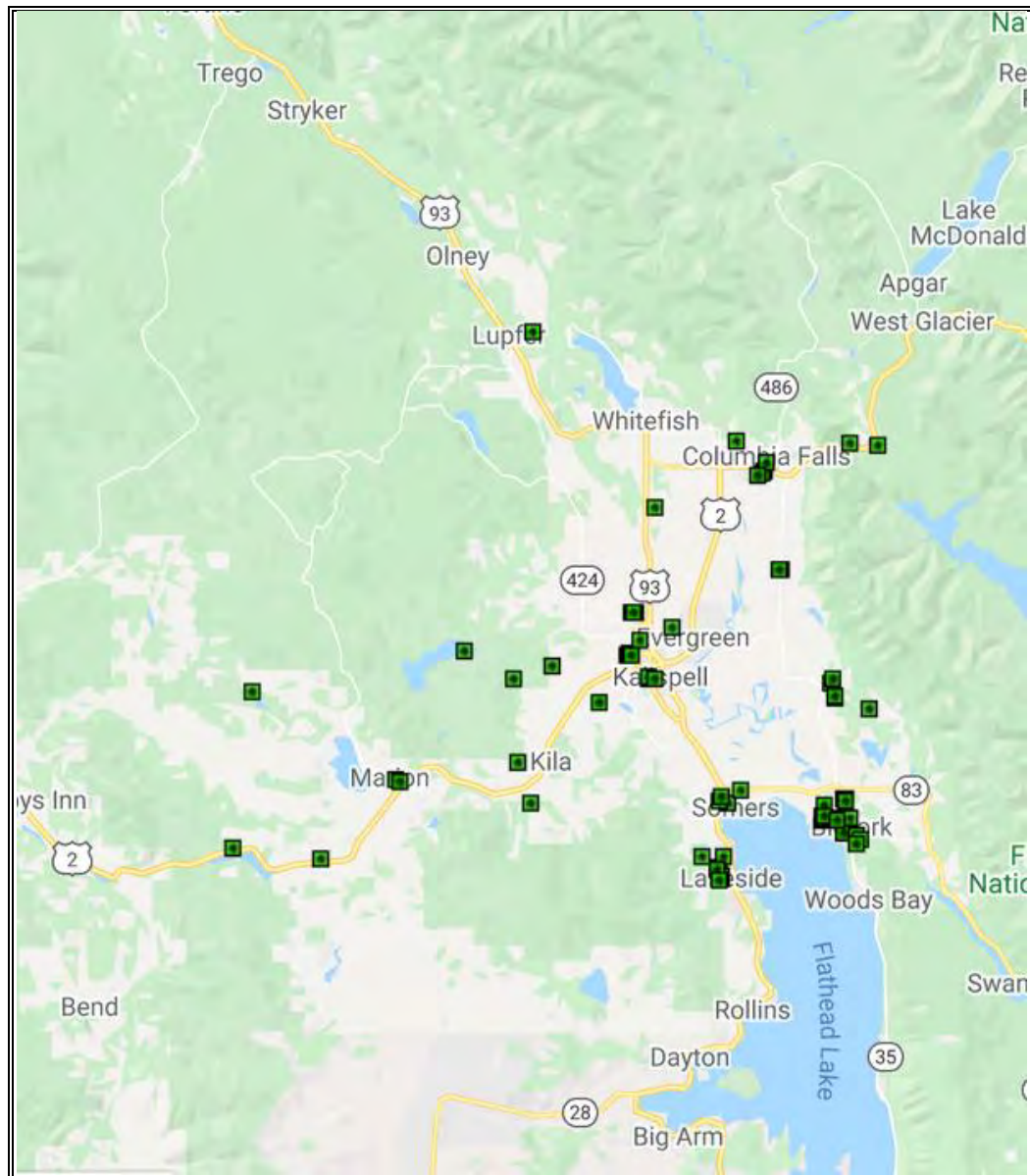
Comparable Sales Summary				
ID	Address	Sale Date Sale Price	Acres \$/Acre	Zoning
1	50 Olney Loop, Olney	08/02/19 \$290,000	0.95 \$50,422	SC
2	245 Kila Cliff Trail, Kila	08/08/19 \$105,000	2.30 \$32,562	SC
3	127 Pleasant Valley RD, Marion	04/12/19 \$29,600	1.53 \$19,346	SC
4	1053 Homesteaders WY, Marion	06/27/19 \$30,000	0.80 \$37,500	None
5	6750 US HWY 93N, Olney	03/03/18 \$37,000	0.62 \$51,613	SC

Land Sales Map



Active Listings

The following map shows the current location of vacant land listings in Flathead County which are less than 2 acres in size and are listed for less than \$75,000. There are 118 listings within these search parameters. The obvious conclusion is that if an investor is seeking a rural property within the search parameters stated above, that individual has abundant choices with respect to location. Some of the sales are within the population centers.



COMPARABLE LAND SALE #1



Location	50 Olney Loop, Olney
Legal Description	Lot 1, Block 1 of Olney Original Townsite
Assessor Parcel Number	0004805
Grantor	Robert and Elizabeth Winkler
Grantee	Steven West and Janice Lindstrom
Sale Price	\$290,000
Sale Date	08/02/19
Recording Doc	Warranty Deed 201900028074
Property Rights	Fee Simple
Financing	Conventional
Conditions of Sale	This is an improved sale. It is reduced by \$242,099 to reflect the value of the improvements.

Expenditures Immediately After Purchase	None
Market Conditions	None noted
Verification	N/A Stefan Berry
Site Description	
Size	0.95 acres
Road Frontage	Olney Loop
Depth	N/A
Shape	Irregular/functional
Topography	Level, gentle
CCR (Y/N)	None
HOA	None
Utilities	Private well and septic required
Easements	Typical utility easements are assumed to exist.
Waterfront Amenity	None
View Amenity	Trees
Zoning	SC
Proposed Use	Rural Residential
Comments	The property was listed for sale via MLS 288,000. It sold for \$290,000 after 375 DOM.
Relevant Sales History	None Noted
Unit Price	
Before Transactional Adj.	\$305,263
After Transactional Adj.	\$50,422 (See calculations on next page)
Sale 1 is an improved property located on the same street as the subject. The property has 4,263 SF of above grade improvements. The improvements are average quality shop and a schoolhouse converted to a residence.	

Calculations			
1	Date of Sale	October 31, 2019	
2	Sale Price	\$290,000	
3	Gross Leasable Area	4,263	
4	Adj. Sales Price	\$290,000	
5	Adj. Sale Price/SF	\$68.03	Line 4/Line 3
6			
7	Lot Size (Ac)	0.95	
8	Lot Size (SF)	41,382	
9			
10	Marshall & Swift \$/SF	\$63	From M&S
11	Marshall & Swift Repl. Cost/SF	\$267,077	Line 10 * Line 3
12	Value of Site Improvements	\$40,000	Estimate
13	Entrepreneurial Incentive	\$24,566	Estimate
14	Total Replacement Cost	\$331,643	Sum Lines 11-13
15	Effective Age	25	Estimate
16	Depreciation from tables	27.00%	
17	Depreciation (\$'s)	(\$89,544)	Line 14*Line 16
18			
19	External Obsolescence	\$0	Estimate
20			
21	Functional Obsolescence	\$0	Estimate
22			
23	Value of Improvements	\$242,099	Sum Lines 14, 17,19,21
24			
25	Extracted Land Value	\$47,901	Line 4 -Line 23
26			
27	Extracted Land Value/Acre	\$50,422	Line 25 / Line 7
28	Extracted Land Value/SF	\$1.16	Line 25/ Line 8
<p>The improvements have an effective age of 25 years with an estimated life of 55 years. The tables in Marshall and Swift indicate 27% depreciation is appropriate. The extracted land value is \$47,901 or \$50,422/acre.</p>			

COMPARABLE LAND SALE #2



Location	245 Kila Cliff Trail, Kila
Legal Description	Tract 9VF in SW1/4 of NE1/4 of Section 8, T27N, R22W
Assessor Parcel Number	0.0976661
Grantor	Richard and Tammy Larned
Grantee	Richard and Linda Walker
Sale Price	\$105,000
Sale Date	08/08/19
Recording Doc	Warranty Deed 201900017877
Property Rights	Fee Simple

Financing	Cash
Conditions of Sale	This is an improved sale. It is reduced by \$73,711 to reflect the value of the improvements.
Expenditures Immediately After Purchase	None
Market Conditions	None noted
Verification	MLS, Leslie Reeder
Site Description	
Size	2.30 acres
Road Frontage	Kila Cliff Trail
Depth	N/A
Shape	Irregular
Topography	Mixed
CCR (Y/N)	None
HOA	None
Utilities	Private well and septic required
Easements	Typical utility easements are assumed to exist.
Waterfront Amenity	None
View Amenity	Mountains, filtered views of Smith Lake
Zoning	SC
Proposed Use	Rural Residential
Comments	The property was listed for sale via MLS 21909979 for \$120,000. It sold for \$105,000 after 49 DOM.
Relevant Sales History	None noted
Unit Price/Acre	
Before Transactional Adj.	\$45,652
After Transactional Adj.	\$32,562

Sale 2 is an improved property located in Kila. The property has 976 SF cabin which is in poor quality.

Calculations

1	Date of Sale	August 8, 2019	
2	Sale Price	\$105,000	
3	Gross Leasable Area	976	
4	Adj. Sales Price	\$105,000	
5	Adj. Sale Price/SF	\$107.58	Line 4/Line 3
6			
7	Lot Size (Ac)	2.30	
8	Lot Size (SF)	100,188	
9			
10	Marshall & Swift \$/SF	\$78	From M&S
11	Marshall & Swift Repl. Cost/SF	\$76,128	Line 10 * Line 3
12	Value of Site Improvements	\$20,000	Estimate
13	Entrepreneurial Incentive	\$7,690	Estimate
14	Total Replacement Cost	\$103,818	Sum Lines 11-43
15	Effective Age	50	Estimate
16	Depreciation from tables	71.00%	
17	Depreciation (\$'s)	(\$73,711)	Line 14*Line 16
18			
19	External Obsolescence	\$0	Estimate
20			
21	Functional Obsolescence	\$0	Estimate
22			
23	Value of Improvements	\$30,107	Sum Lines 14, minus 17,19,21
24			
25	Extracted Land Value	\$74,893	Line 4 -Line 23
26			
27	Extracted Land Value/Acre	\$32,562	Line 25 / Line 7
28	Extracted Land Value/SF	\$0.75	Line 25/ Line 8

The improvements have an effective age of 50 years with an estimated life of 55 years. The tables in Marshall and Swift indicate 71% depreciation is appropriate. The extracted land value is \$74,893 or \$32,562/acre.

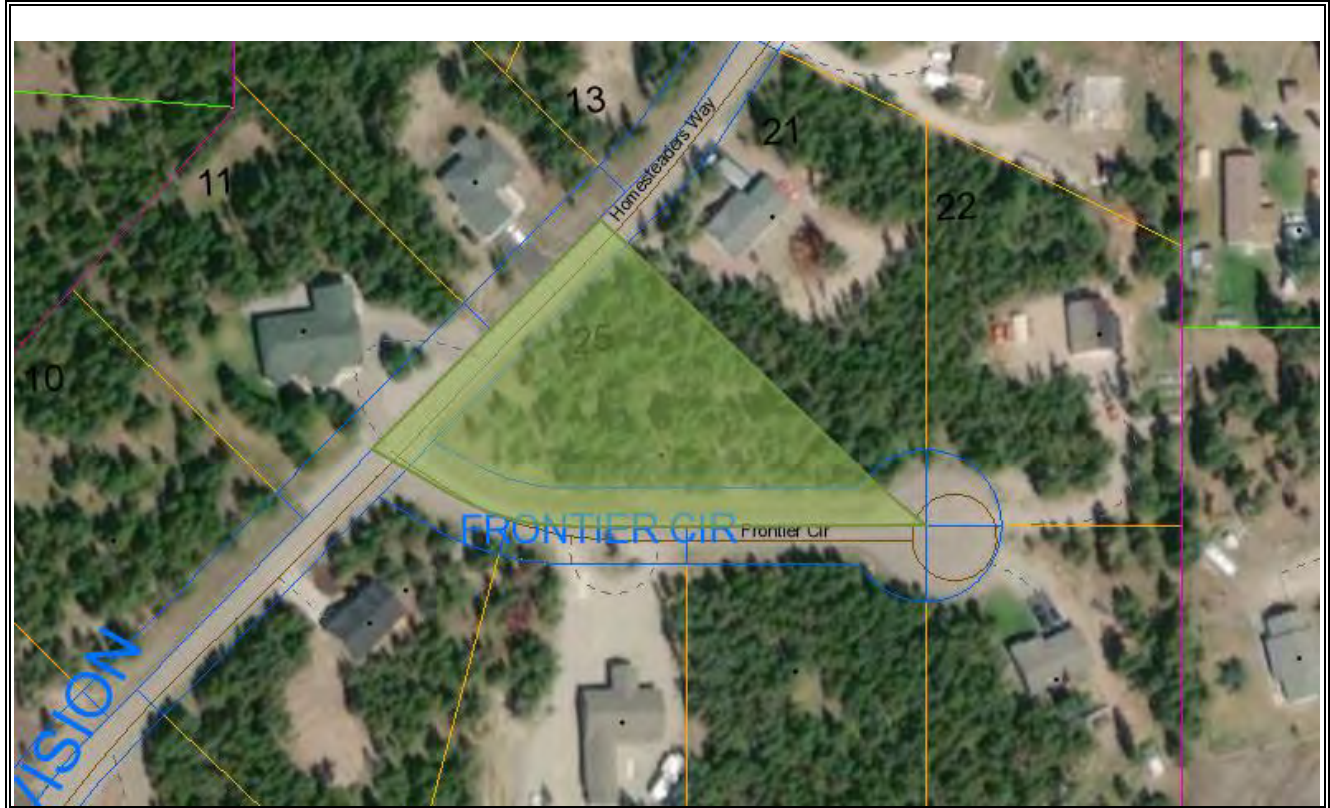
COMPARABLE LAND SALE #3



Location	127 Pleasant Valley RD, Marion
Legal Description	Lot 1 of Denise Estates Phase 3
Assessor Parcel Number	0982869
Grantor	Kristjan K. Laumets
Grantee	Robert E. Vanoncini
Sale Price	\$29,600
Sale Date	04/12/19
Recording Doc	Warranty Deed 201900006770
Property Rights	Fee Simple
Financing	Conventional

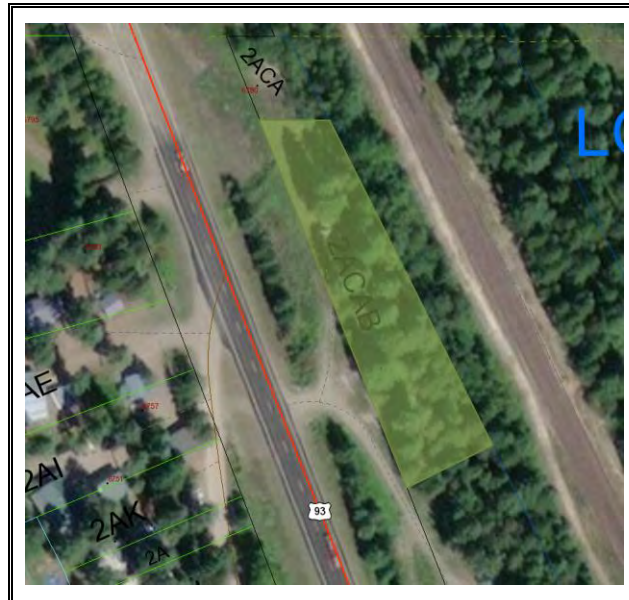
Conditions of Sale	None
Expenditures Immediately After Purchase	None
Market Conditions	None noted
Verification	MLS, Leann Siderius
Site Description	
Size	1.53 acres
Frontage	Pleasant Valley RD
Depth	N/A
Shape	Irregular/functional
Topography	Level, gentle
CCR (Y/N)	None
HOA	None
Utilities	Private well and septic required
Easements	Typical utility easements are assumed to exist.
Waterfront Amenity	None
View Amenity	Trees
Zoning	SC
Proposed Use	Potential commercial use
Comments	The property was listed for sale via MLS 21812324 for \$30,000. It sold for \$29,600 after 197 DOM.
Relevant Sales History	None
Unit Price/Acre	
Before Transactional Adj.	\$19,346
After Transactional Adj.	\$19,346

COMPARABLE LAND SALE #4



Location	1053 Homesteaders WY, Marion
Legal Description	Lot 25 of Country Bourne Subdivision
Assessor Parcel Number	0502744
Grantor	Gregory E and Heldi N. Jenkins
Grantee	Pete Gunderson Construction
Sale Price	\$30,000
Sale Date	06/27/19
Recording Doc	Warranty Deed 201900014184
Property Rights	Fee Simple

Financing	Cash
Conditions of Sale	None
Expenditures Immediately After Purchase	None
Market Conditions	None noted
Verification	MLS, Patrick Landon
Site Description	
Size	0.80 acres
Road Frontage	Homesteaders Way and Frontier Circle
Depth	N/A
Shape	Irregular/functional
Topography	Level, gentle
CCR (Y/N)	Yes
HOA	Yes
Utilities	Private well and septic required
Easements	Typical utility easements are assumed to exist.
Waterfront Amenity	None
View Amenity	Trees
Zoning	None
Proposed Use	Rural Residential
Comments	This property was listed for sale via MLS 21712982 for \$35,000. It sold for \$30,000 after 616 DOM.
Relevant Sales History	None
Unit Price/Acre	
Before Transactional Adj.	\$37,500
After Transactional Adj.	\$37,500

COMPARABLE LAND SALE #5

Location	6750 US HWY 93N, Olney
Legal Description	Tract 1 of COS 6418
Assessor Parcel Number	0971262
Grantor	David Reimer
Grantee	Kevin Wise
Sale Price	\$37,000
Sale Date	03/03/18
Recording Doc	Warranty Deed 201800005719
Property Rights	Fee Simple
Financing	Conventional
Conditions of Sale	This property was improved with a well. It is adjusted downward by \$5,000 to reflect the contributory value of the well.

Expenditures Immediately After Purchase	None
Market Conditions	None noted
Verification	MLS, Trevor Howard
Site Description	
Size	0.62 acres
Road Frontage	US HWY 93, BNSF RR tracks
Depth	N/A
Shape	Irregular/functional
Topography	Mixed
CCR (Y/N)	No
HOA	No
Utilities	Private well and septic required
Easements	Typical utility easements are assumed to exist.
Waterfront Amenity	None
View Amenity	Trees
Zoning	SC
Proposed Use	Unknown
Comments	The property was listed for sale via MLS 330312 for \$49,900. The property sold for \$37,000 after 1,271 DOM.
Relevant Sales History	None
Unit Price/Acre	
Before Transactional Adj.	\$59,677
After Transactional Adj.	\$51,613

TRANSACTIONAL ADJUSTMENTS

The first step in the sales comparison analysis is to analyze and make transactional adjustments to each comparable sale. Those transactional adjustments are: property rights, financing, sale conditions, expenditures immediately after purchase, and market conditions (time). A brief description of the transactional adjustments is explained below. It is noted that these adjustments are typically made in the order presented below:

- 21) **Property Rights:** The comparables are adjusted for impacts that leased fee, fee simple or leasehold impacts to the sale price. No adjustments are needed as all the sales are fee simple estate.
- 22) **Financing:** The comparables are then adjusted for impacts that unusual or non-market financing has on the transaction. Agents for the sales confirmed that all the sales were cash transactions. No adjustments are needed.
- 23) **Condition of Sale:** The comparables are then adjusted for non-market sale conditions that affected the sale price. Sales 1, 2, and 5 are significantly improved with residences and or water wells. Those properties are adjusted downward by the calculated contributory amount of those improvements. No adjustments are needed to sales 3 and 4 as those sales were all confirmed to be arm's-length.
- 24) **Expenditures Immediately After Purchase:** The comparables are then adjusted for the impact that any additional investment (i.e. curing deferred maintenance) required to make a property salable. No adjustments are needed.
- 25) **Market Conditions:** The comparables are then adjusted for changes to market conditions that have occurred between the sale date of each comparable and the effective date of the appraisal. No adjustments are needed.

Sale Price After Transactional Adjustments

The next step in the analysis is to arrive at an adjusted sale price which factors non-market influences for: property rights, financing, conditions of sale, expenditures immediately after purchase, and market conditions.

The adjustments in the table below reflect the adjustments discussed on the prior pages and in the attached sale abstracts. The adjustments are cascading.

Sale Price After Transactional Adjustments								
Sale #	Address	Sale Price	Prop Rights	Financing	Sale Cond.	Expend	Time	Adj SP
1	50 Olney Loop	\$290,000	\$0	\$0	(\$242,099)	\$0	\$0	\$47,901
2	245 Kila Cliff Trail	\$105,000	\$0	\$0	(\$30,107)	\$0	\$0	\$74,893
3	127 Pleasant Valley RD	\$29,600	\$0	\$0	\$0	\$0	\$0	\$29,600
4	1053 Homesteaders WY	\$30,000	\$0	\$0	\$0	\$0	\$0	\$30,000
5	6750 US HWY 93N	\$37,000	\$0	\$0	(\$5,000)	\$0	\$0	\$32,000

PHYSICAL CHARACTERISTICS

This process involves the comparison, and adjustment for differences, of comparable sales. There are several ways to analyze and adjust sales. The most common and preferred method is a matched-pairs analysis, comparing one sale to another to isolate a specific adjustment factor. The two sales compared should be similar in all regards except for the factor for which an adjustment is to be derived. When the sales are not truly comparable, but only similar, this analysis is often much less reliable. The more dissimilar the features between the properties, the less accurate or meaningful the analysis. With widely varying factors or properties, this comparative analysis is used to show general trends. A bracketing procedure or technique may then be used to derive an overall conclusion of value.

Contemporary appraisal texts have just recently begun to recognize bracketing as a valuation technique. Overall, I am of the opinion the bracketing technique recognizes the imperfect data found in the marketplace. The 14th Edition of the Appraisal Institute's *the Appraisal of Real Estate* defines bracketing as:

“Bracketing: a process in which an appraiser determines a probable range of values for a property by applying qualitative techniques of comparative analysis to a group of comparable sales. The array of comparable sales may be divided into three groups - those superior to the subject, those similar to the subject, and those inferior to the subject. The adjusted sale prices reflected by the sales requiring downward adjustment and those requiring upward adjustment refine the probable range of values for the subject and identify a value bracket in which the final value opinion will fall.”

Because of the many variables involved in comparing sale properties to the subject property, the importance of the appraiser's judgment and opinion becomes obvious. In other words, the sales themselves do not alone directly indicate a value for the subject property. But, these sales once totally analyzed and correlated with experience and judgment, do help me in my final value estimate.

Regarding the sales themselves and the adjustment process, it has been my experience that all sales differ somewhat from each other. To the extent possible, the differences should be recognized and adjusted for based on the data available. However, in the market it is often difficult, and sometimes impossible, to accurately isolate a given factor. In short, one very seldom finds sale properties which are identical in all respects but one, and as such, can decisively conclude the value, or lack thereof, for any one factor due to a difference in sale price. Most often, there are positive and negative factors which offset each other. Nevertheless, the differences in values are real and an attempt, based on as much fact as can be found, will be made to determine the value of these factors. Then, the appraiser may call upon experience to make a more subjective judgment. The following generalities are cited to acquaint the reader with a background for my reasoning and judgment to follow:

- value increases per unit of comparison as the size of the parcel decreases;
- value tends to decrease as distance from an urban center increases;
- value tends to decrease as the topography becomes steeper, rockier, more arid, etc.

- value tends to decrease as access becomes more difficult;
- value tends to increase with amenities such as creek or lake frontage, or a good view;
- value tends to increase when zoning allows greater density.

Obviously, the converse may be said of each of these statements.

The following table highlights the features of the comparables which warrant analysis:

Physical Characteristics Adjustments							
	Subject		Sale 1	Sale 2	Sale 3	Sale 4	Sale 5
Item	14 Olney Loop		50 Olney Loop	245 Kila Cliff Trail	127 Pleasant Valley RD	1053 Homesteaders WY	6750 US HWY 93N
Economy of Scale	1.04		0.95	2.30	1.53	0.80	0.62
CCR's	None		None	None	None	Yes	None
Location	Olney		Olney	Kila	Marion	Marion	Olney

Size (Economy of Scale)

The comparables are analyzed to determine if the market is sensitive to economy of scale.

Economy of Scale

Property #	Address	Economy of Scale	1.53 Acres or Less	2.30 Acres
1	50 Olney Loop	0.95	\$50,422	
2	245 Kila Cliff Trail	2.30		\$32,562
3	127 Pleasant Valley RD	1.53	\$19,346	
4	1053 Homesteaders WY	0.80	\$37,500	
5	6750 US HWY 93N	0.62	\$51,613	

SUBJECT	6 Olney Loop	1.04		
---------	--------------	------	--	--

- (0) indicates the comp is similar
- (-) indicates the comp is superior
- (+) indicates the comp is inferior

Average Unit /Transaction

\$39,720	\$32,562
----------	----------

Adjustment

0	+
---	---

The adjustment for economy of scale is one of the most reliable market analysis conclusions. This case is no different. The market as reflected in these five comparable sales is sensitive to economy of scale. The market prefers (commands a higher unit price) for a smaller parcel over a larger parcel.

CCR's

The comparables are analyzed to determine if the market is sensitive to parcels of land with CCR's.

CCR's

Property #	Address	CCR's	None	Yes
1	50 Olney Loop	None	\$50,422	
2	245 Kila Cliff Trail	None	\$32,562	
3	127 Pleasant Valley RD	None	\$19,346	
4	1053 Homesteaders WY	Yes		\$37,500
5	6750 US HWY 93N	None	\$51,613	

SUBJECT	6 Olney Loop	None		
---------	--------------	------	--	--

- (0) indicates the comp is similar
- (-) indicates the comp is superior
- (+) indicates the comp is inferior

Average Unit /Transaction

\$38,486	\$37,500
----------	----------

Adjustment

N/A	N/A
-----	-----

The market as reflected in these five comparable sales is not sensitive to protective covenants. In this case the difference is minor and concluded to be coincidental.

Location

The comparables are analyzed to determine if the market is sensitive to parcels of land based upon their location.

Location				
Property #	Address	Location	Olney	Other
1	50 Olney Loop	Olney	\$50,422	
2	245 Kila Cliff Trail	Kila		\$32,562
3	127 Pleasant Valley RD	Marion		\$19,346
4	1053 Homesteaders WY	Marion		\$37,500
5	6750 US HWY 93N	Olney	\$51,613	

SUBJECT	6 Olney Loop	Olney		
---------	--------------	-------	--	--

(0) indicates the comp is similar

(-) indicates the comp is superior

(+) indicates the comp is inferior

Average Unit /Transaction

\$51,018	\$29,803
----------	----------

Adjustment

0	+
---	---

The market as reflected in these five comparable sales is sensitive to this property characteristic and prefers properties in Olney over those in Kila or Marion. This analysis also supports the widely accepted premise that properties in closer proximity to Whitefish (Olney properties) are thought to be more valuable than those properties closer to Kalispell (Kila and Marion).

Summary

The table below lists each of the units of comparison that were analyzed. The row on the bottom indicates the overall comparison to the subject property. If the overall analysis indicates the comparable is inferior to the subject property there will be a (+) in the bottom row, a (0) if the comparable is similar to the subject or a (-) if the comparable is superior to the subject.

Summary of Results of Sales Comparison Analysis					
	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5
Item	50 Olney Loop	245 Kila Cliff Trail	127 Pleasant Valley RD	1053 Homesteaders WY	6750 US HWY 93N
Economy of Scale	0	+	0	0	0
CCR's	N/A	N/A	N/A	N/A	N/A
Location	0	+	+	+	0
Overall	0	+	+	+	0.00
Adj. Unit Price	\$50,422	\$32,562	\$19,346	\$37,500	\$51,613

Conclusion

The comparables are now ranked from lowest value to highest value and the "Value Bracket" in the table indicates the appropriate range of value for the subject.

Conclusion		
Sale #	Address	Unit Value
3	127 Pleasant Valley RD	\$19,346
2	245 Kila Cliff Trail	\$32,562
4	1053 Homesteaders WY	\$37,500
VALUE BRACKET		
1	50 Olney Loop	\$50,422
5	6750 US HWY 93N	\$51,613
VALUE BRACKET		

Reconciliation

The analysis concludes that the land value for the subject property should be more than \$37,500/acre. Sales 1 and 5 had no adjustments. Therefore, the market indicates the subject should have a unit market value of about \$51,000/acre ((the average of Sales 1 and 5). This is an unusually tight range.

Therefore, it is my opinion the unit market value for the subject parcel should be \$51,000/acre. When that figure is multiplied by the subject site size, the market value is:

Market Value Opinion				
Unit Market Value	x	# Units	Unit	= Market Value
\$51,000		1.04	Acres	= \$52,836
			Rounded	\$53,000

PART B VALUATION OF IMPROVEMENTS USING THE COST APPROACH

The cost approach is based on the premise that a prudent investor would pay no more for a property than the cost of obtaining a site and building improvements with similar design and utility. The process of the cost approach involves: 1) form an opinion the market value of the site as if vacant and available to its highest and best use; 2) form an opinion of the improvements in a new condition; and 3) estimating accrued depreciation. The sales comparison approach was previously used to estimate the market value of the site as though vacant. The depreciated cost of the improvements is added together with the opinion of market value of the site as though vacant to estimate the market value of the property.

Direct Costs

For the subject property, I will use the calculator method to form an estimate of the replacement cost of the building. The buildings are fair quality Class "D" single family residences.

On-site improvements are added to arrive at a subtotal of the building costs estimated for the subject. These costs include well and septic along with landscaping. The direct costs include engineer's fees and architect's fees and surveying. Direct costs include finish grading and excavation for foundation and backfill for the main structure only but not for the remaining portion of the lot. Also included in the direct cost are utility extensions from the lot line to the structure.

Indirect Costs

Indirect costs include: appraisal and legal fees, insurance, security, temporary facilities, marketing, and obtaining entitlements for development. Marshall & Swift does not include fees for: architect's fees, permanent financing, entitlements, feasibility studies, appraisal, and assessment fees. Based upon surrounding uses and the building style, this is not considered a challenging project from an engineering or design perspective. In my opinion, a 1.5% fee for indirect costs is appropriate.

Miscellaneous costs have been estimated at 1% to cover any cost overruns. This is based upon a percentage of direct cost. The total for estimated indirect costs not provided in Marshall & Swift is 2.5%.

Entrepreneurial profit has historically ranged from 10% to 20% for commercial construction in the area. The risk for this project should be in the middle range given the infrequency of new construction in the market area and the uncertainty of the direction of energy prices and the impact on tourism in the area. I am concluding that 8% is an appropriate amount of entrepreneurial incentive for this project.

Depreciation from All Sources

Where appropriate, physical deterioration, functional obsolescence and external obsolescence is calculated and subtracted from the replacement cost.

- 1) Physical Depreciation: To estimate physical depreciation, I analyzed four recent sales of older properties in Lincoln and Flathead Counties.

Property 1			
MLS		21612605	
Address		111/119 Iverson LN	
City		Whitefish	
Sale Date		1/30/2017	
Sale Price		\$325,000	
Acres		3.75	
SF		2,042	
Yr. Const.		1947	
Overview		2 houses, US 93 Frontage	
Land Value		\$250,000	
Value of Improvements		\$75,000	
Property 1 Depreciation Calculations			
Item	SF	\$/SF	Repl. Cost
House 1 Above Grade	834	\$78.0	\$65,052
House 1 Basement	828	\$35.0	\$28,980
House 2	380	\$78.0	\$29,640
Well/Septic/Site Improvements			\$12,000
Subtotal Replacement Cost			\$135,672
Entrepreneurial Incentive	8%		\$10,854
Total Replacement Cost			\$146,526
Value of Improvements			\$75,000
\$ Depreciation			\$71,526
% Depreciation			48.81%
Annual Rate of Depreciation			0.68%

Property 2	
MLS	21603423
Address	895 Danielson RD
City	Kalispell
Sale Date	2/17/2017
Sale Price	\$265,000
Acres	20
SF	2,824
Yr. Const.	1961
Overview	House with full basement
Land Value	\$150,000
Value of Improvements	\$115,000

Property 2 Depreciation Calculations			
Item	SF	\$/SF	Repl. Cost
House 1 Above Grade	1412	\$78.0	\$110,136
House 1 Basement	1412	\$35.0	\$49,420
Garage	480	\$25.0	\$12,000
Well/Septic/Site Improvements			\$12,000
Subtotal Replacement Cost			\$183,556
Entrepreneurial Incentive	8%		\$14,684
Total Replacement Cost			\$198,240
Value of Improvements			\$115,000
\$ Depreciation			\$83,240
% Depreciation			41.99%
Annual Rate of Depreciation			0.72%

Property 3			
MLS		21910986	
Address		37 Doble DR	
City		Eureka	
Sale Date		8/30/2019	
Sale Price		\$120,000	
Acres		1	
SF		2,824	
Yr. Const.		1989	
Overview		Two houses and garage	
Land Value		\$25,000	
Value of Improvements		\$95,000	
Property 3 Depreciation Calculations			
Item	SF	\$/SF	Repl. Cost
House 1 Above Grade	1008	\$78.0	\$78,624
House 2	400	\$78.0	\$31,200
Garage	480	\$25.0	\$12,000
Well/Septic/Site Improvements			\$12,000
Subtotal Replacement Cost			\$133,824
Entrepreneurial Incentive	8%		\$10,706
Total Replacement Cost			\$144,530
Value of Improvements			\$95,000
\$ Depreciation			\$49,530
% Depreciation			34.27%
Annual Rate of Depreciation			1.14%

Property 4	
MLS	21702785
Address	1150 Dorothy ST
City	Columbia Falls
Sale Date	4/24/2017
Sale Price	\$130,000
Acres	0.47
SF	2,208
Yr. Const.	1963
Overview	House w/ shop
Land Value	\$30,000
Value of Improvements	\$100,000

Property 4 Depreciation Calculations			
Item	SF	\$/SF	Repl. Cost
House Above Grade	1152	\$78.0	\$89,856
Basement	288	\$35.0	\$10,080
Garage	700	\$25.0	\$17,500
Well/Septic/Site Improvements			\$12,000
Subtotal Replacement Cost			\$129,436
Entrepreneurial Incentive	8%		\$10,355
Total Replacement Cost			\$139,791
Value of Improvements			\$100,000
\$ Depreciation			\$39,791
% Depreciation			28.46%
Annual Rate of Depreciation			0.51%

Conclusion: The four depreciation comparables indicate that older existing improvements located in Flathead or Lincoln County depreciate at a rate of 0.51% to 1.14% per year. In my opinion, the lower to middle of the range should be selected as an appropriate estimate of depreciation for the subject. It does appear that the house has undergone some updating. I will use 0.70% per year as the rate of depreciation for the subject property. Given the age of the improvements (constructed in 1935) that would indicate that the appropriate estimate of depreciation is $((2020 - 1935) \times .7) / 100 = 59.5\%$.

- 2) Functional Obsolescence: No adjustment for functional obsolescence is warranted.

- 3) External Obsolescence: The market in the area is strong and there is no external obsolescence from market forces outside of the subject property.

The calculations showing the value of the improvements is shown in the following table.

VALUE OF IMPROVEMENTS

COST APPROACH SUMMARY		AMOUNT	TOTAL
Property Type - Main House			
Base Unit Cost Including Radiant Heat Climate Adjustment		\$85.00	
Times Floor Area Perimeter Multiplier		1.01	
Times Current Cost Multiplier		1.02	
Times Local Multiplier		0.96	
Building Cost (SF x Adj. Unit Cost)	1,144	\$84.06	\$96,170
Lump Sum Costs			
Tool Shed	168	\$5.00	\$840
Open Pole Shed	660	\$15.00	\$9,900
Well/septic	Total	\$12,000	\$12,000
Landscaping/Miscellaneous	1	\$5,000	\$5,000
Total Lump Sum Costs			\$27,740
Total Direct Costs (Sum of Building Cost + Lump Sum Costs)			\$123,910
Indirect Costs (% of Total Direct Costs)		2.50%	<u>\$3,098</u>
Cost of Improvements			\$127,007
Entrepreneurial Incentive (% of direct/indirect/land costs)		8%	<u>\$10,161</u>
SUBTOTAL			\$137,168
Depreciation From All Sources			
Physical Depreciation	60%	(\$73,726)	
Functional Obsolescence	0%	\$0	
External Obsolescence	0%	\$0	
Total Depreciation			(\$73,726)
SUBTOTAL			\$63,442
FF&E / Personal Property			<u>\$0</u>
VALUE CONCLUSION VIA THE COST APPROACH			\$63,442
ROUNDED			\$63,000

PART B SUMMARY OF VALUES

The valuation analysis of improvements using the cost approach concludes the subject land has a fair market value of \$53,000. The improvements are concluded to have a fair market value of \$63,000.

The fair market of the entire property is \$116,000.

PART B SALES COMPARISON APPROACH

The sales comparison approach will be used as a test of reasonableness only. There are three sales which will be analyzed in order to determine if the prior analysis which concludes the subject has a market value (land and improvements) of \$116,000 is reasonable.

The sales are presented below:

Test of Reasonableness	
Item	Information/Qty.
Address	611 3rd AVE
City	Eureka
Sale Date	9/27/2019
Sale Price	\$149,000
Improvements Des.	SFR with Det. Garage
Improvements SF	1,099
Age of Improvements	1955
Lot Size	0.28 acres
Comments: The improvements for this property are smaller than the subject property. Also, the site size is significantly smaller. On the positive side, this property is within walking distance to services in Eureka. Given the fact that the house has been updated and it has superior landscaping amenities it would be reasonable to conclude the subject would have a market value less than this property.	

Test of Reasonableness	
Item	Information/Qty.
Address	1099 Twin Ponds RD
City	Kila
Sale Date	7/22/2019
Sale Price	\$150,000
Improvements Des.	Small cabin with small creek
Improvements SF	708
Age of Improvements	1950
Lot Size	3
<p>Comments: The improvements for this property are smaller than the subject property. However, the site is much larger. This is a rural property similar to the subject. This property is on a dirt road. This property is claimed to have sold in a non-arm's length transaction for \$120,000 which is claimed to be \$30,000 below market. If the adjusted sale price is \$150,000, it would make sense the subject should have a lower market value than this property, but not by a lot.</p>	

Test of Reasonableness	
Item	Information/Qty.
Address	6665 US HWY 93
City	Olney
Sale Date	4/17/2019
Sale Price	\$206,655
Improvements Des.	Large house on river
Improvements SF	2,300
Age of Improvements	1954
Lot Size	1.53
<p>Comments: The improvements are older but significantly larger than the subject property. Also, this property has frontage on the Stillwater River and US Highway 93. This property is superior to the subject in all regards. It would make sense the subject would have a market value much less than this.</p>	

Test of Reasonableness	
Item	Information/Qty.
Address	115 Falcon Lane
City	Columbia Falls
Sale Date	10/3/2019
Sale Price	\$95,000
Improvements Des.	Manufactured house in poor condition
Improvements SF	972
Age of Improvements	1982
Lot Size	0.87
Comments: The improvements are older and in very poor condition. The location is superior to the subject but in all other aspects, this property is inferior to the subject property. It would make sense the subject would have a market value much higher than this value indication.	

The data via a sales comparison approach above does support the value conclusion in the report. The value of the subject property is very low but the value conclusion is supported by the examples indicated in the test of reasonableness.

PART B EXPOSURE TIME AND MARKETING PERIOD

Exposure time is the length of time that the property would have been exposed on the market to achieve the opinion of market value. The exposure time is based upon comparable sales within this report as well as discussions with real estate brokers and developers. The most reasonable indication of suitable exposure time is six to twelve months.

The marketing period of the subject property has been estimated at six to twelve months. The marketing period is the length of time that the property would need to be put on the market to achieve the opinion of market value of the subject property. The marketing period has been based upon comparable sales and takes into consideration the future supply and similar property types in the subject's market area. It also assumes prudent marketing and an asking price (list price) similar to the market value opinion.

PART B PHOTOS



East elevation



West elevation



Attic



Living



Living



Ceiling detail



Bedroom



Office area



Bathroom/laundry room



Laundry room



Store room



NWC of property looking east on Pothole DR. Subject is on the right.



West property line looking south. Subject is on the left.



East property line looking south. Subject is on the right.



Open pole shed



Tool shed.



Street view of Olney Loop from subject driveway.

ADDENDA

ATTACHMENTS TO CONTRACT FOR SERVICES

STATE OF MONTANA
Dept. Natural Resources & Conservation
Trust Land Management Division
PO Box 201601
1539 Eleventh Avenue
Helena, MT 59620-1601

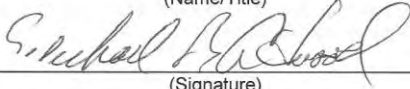
CONTRACTOR
Pathfinder Appraisals
Attn: Wayne Valentic
1236 Columbia Falls Stage
Columbia Falls, MT 59912
FEDERAL ID #: 20-4942635

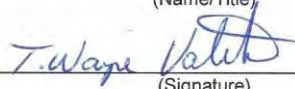
BY: Michael Atwood, Real Estate Management
Bureau Chief

BY: Thomas Wayne Valentic

(Name/Title)

(Name/Title)


(Signature)


(Signature)

DATE: 11-26/2019

DATE: 11-21-19

ATTACHMENT A**DNRC TLMD Real Estate Management Bureau
Cabin/Home Site Sale Program**

*Scope of Work for the Appraisal of Potential Property Sales Through the Cabin/Home Site Sales Program:
2019 Olney Townsite Appraisals*

CLIENT, INTENDED USERS, PURPOSE AND INTENDED USE:

The clients are the State of Montana, the Montana Board of Land Commissioners (Land Board), and the Department of Natural Resources and Conservation (DNRC). The intended users are State of Montana, the Montana Board of Land Commissioners (Land Board), the Department of Natural Resources and Conservation (DNRC), and Lessees David Snavely; and Shawn Roy. The purpose of the appraisal is to provide the clients with a credible opinion of current fair market value of the appraised subject properties and is intended for use in the decision-making process concerning the potential sale of said subject properties.

DEFINITIONS:

Current fair market value. (12 C.F.R. § 34.42 (h)) Market value means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- (1) Buyer and seller are typically motivated;
- (2) Both parties are well informed or well advised, and acting in what they consider their own best interests;
- (3) A reasonable time is allowed for exposure in the open market;
- (4) Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- (5) The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

State laws guiding authority. (MCA 70-30-313) Current fair market value is the price that would be agreed to by a willing and informed seller and buyer, taking into consideration, but not limited to, the following factors:

- (1) the highest and best reasonably available use and its value for such use, provided current use may not be presumed to be the highest and best use;
- (2) the machinery, equipment, and fixtures forming part of the real estate taken; and
- (3) any other relevant factors as to which evidence is offered.

Highest and best use. 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. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability.

PROPERTY RIGHTS APPRAISED:

State of Montana lands are always to be appraised as if they are in private ownership and could be sold on the open market and are to be appraised in Fee Simple interest. For analysis purposes, properties that have leases or licenses on them are to be appraised with the Hypothetical Condition the leases/licenses do not exist.

EFFECTIVE DATE OF VALUATION AND DATE OF INSPECTION:

The latest date of inspection by the appraiser will be the effective date of the valuation.

SUBJECT PROPERTY DESCRIPTION & CHARACTERISTICS:

The legal descriptions and other characteristics of the state's property that are known by the state will be provided to the appraiser. However, the appraiser should verify, as best as possible, any information provided. Further, should any adverse conditions be found by the appraiser in the course of inspecting the property and neighborhood, or through researching information about the property, neighborhood, and market, those conditions shall be communicated to the clients and may change the scope of work required.

The legal descriptions and other characteristics of the Lessee's property that are known by the Lessee will be provided to the appraiser. However, the appraiser should verify, as best as possible, any information provided. Further, should any adverse conditions be found by the appraiser in the course of inspecting the property, or through researching information about the property, neighborhood and market, those conditions shall be communicated to the clients and may change the scope of work required.

ASSIGNMENT CONDITIONS:

The appraiser must be a Montana certified general appraiser and be competent to appraise the subject property. The appraisal is to conform to the latest edition of USPAP, and the opinion of value must be credible. The appraiser is to physically inspect the subject properties at a level that will allow the appraiser to render a credible opinion of value about the properties. The appraiser must have knowledge of the comparables through either personal inspection or with use of sources the appraiser deems reliable, and must have at least viewed the comparables.

The appraiser will consider the highest and best use of the subject properties. (Note: It may be possible that because of the characteristics of a subject property or market, there may be different highest and best uses for different components of the property. Again, that will depend on the individual characteristics of the subject property and correlating market. The appraiser must look at what a typical buyer for the property would consider.)

Along with using the sales comparison approach to value in this appraisal (using comparable sales of like properties in the subject's market or similar markets), the appraiser will also consider the cost and income approaches to value. The appraiser will use those approaches, as applicable, in order to provide a credible opinion of value. Any approaches not used are to be noted, along with a reasonable explanation as to why the approach or approaches were not applicable.

The appraisal will be an Appraisal Report, as per USPAP, that will describe adequately the information analyzed, appraisal methods, and techniques employed, and reasoning that support the analyses, opinions, and conclusions. All hypothetical conditions and extraordinary assumptions must be noted. The appraiser will provide one appraisal report that includes analysis and appraised values of the six (6) cabin sites identified in the Supplemental Appraisal Instructions.

The subject property must be valued with the actual or hypothetical condition that the cabin site or home site has legal access.

All appraisals are to describe the market value trends, and provide a rate of change, for the markets of the subject property. Comparable sales used should preferably be most recent sales available or be adjusted for market trends if appropriate. The comparable sales must be in reasonable proximity to the subject, preferably within the same county or a neighboring county. Use comparable sales of like properties.

The cabin site (land) should be valued under the hypothetical condition that it is vacant raw land, without any site improvements, utilities, or buildings.

The appraisal report must list all real property improvements that were considered when arriving at the appraised value for the improvements. Improvements means a home or residence, outbuildings and structures, sleeping cabins, utilities, water systems, septic systems, docks, landscaping or any other improvements to the raw land.

The appraised value of state-owned land added to the allocated market value of the non-state-owned improvements value will not be greater than total market value of the property, with the hypothetical condition that land and improvements are in fee simple ownership, with one owner.

APPRAISED VALUES REQUIRED:

The appraisal for each cabin and home site must:

1. Include a total market value of the property, with the hypothetical condition that land and improvements are in fee simple ownership, with one owner.
2. Include a separate market value for the state-owned cabin or home site (land), under the hypothetical condition of it being vacant raw land exclusive of real property improvements.
3. Allocate a separate market value for the non-state-owned improvements, from the total market value derived in 1 above.
4. Valuation of the improvements must account for all forms of obsolescence.

ATTACHMENT B

DNRC TLMD Real Estate Management Bureau
Cabin/Home Site Sale Program
Supplemental Appraisal Instructions: 2019 Olney Townsite Appraisals

This Scope of Work and Supplemental Appraisal Instructions are to be included in the appraiser's addendum.

Subject Properties Located in Olney in Flathead County:

Sale #	Acres	Legal Description
1023	1 ±	Lot 3, Olney Townsite T32N-R23W, Sec. 7, Flathead County
1024	1 ±	Lot 5, Olney Townsite T32N-R23W, Sec. 7, Flathead County

DNRC Contact Information:
 Renee Kelley, Program Specialist
 PO Box 201601
 Helena, MT 59620-1601
 Phone: (406) 444-4289
renee.kelley@mt.gov

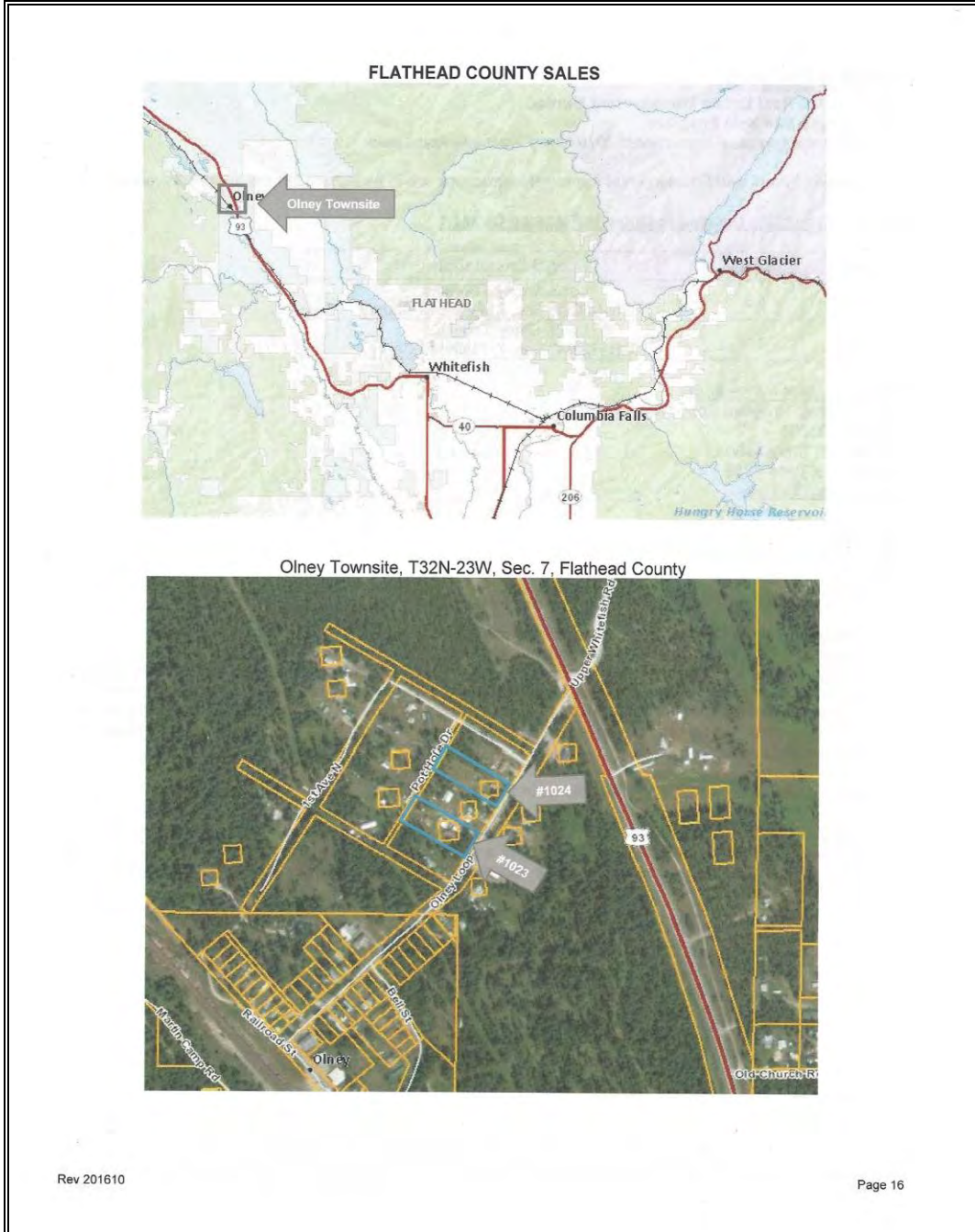
Lessees:
 (see DNRC contact for lessee information)

Sale 1023 David Snavelly	Sale 1024 Shawn Roy
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The following will be located in the body of the contract:
 The appraisal report will be one document containing the parcel data and the analysis, opinions, and conclusions of value(s) for the parcel. If deemed necessary by the contractor rather than including the specific market data in the appraisal report, a separate addendum may be submitted containing the specific market data as a stand-alone document, which must be reviewed and accepted along with the appraisal, and will be returned to the appraiser for retention in his/her files. The appraiser must submit an electronic copy as well as a printed copy of the appraisal report.

The definition of market value is that as defined in 70-30-313 MCA.

The DNRC will provide access to the state parcel record, as maintained by the land office, including but not limited to aerial photos, land improvements, property issues, surveys (if any), and production history. The local land office will provide contact information to the appraiser, if necessary, in order for the appraiser to obtain access to the property.



SALE PARCELS SURVEYS

A survey is currently being completed to define all Olney Townsite area parcels.

The final appraisal report must refer to a completed and recorded Certificate of Survey. The Certificate of Survey will be provided to the appraiser as soon as it becomes available. This is currently expected prior to December 31, 2019. The appraiser will be responsible for ensuring that the information within the appraisal report is accurate according to the completed and recorded Certificate of Survey, including but not limited to gross and net acreages, easements, and legal descriptions.

QUALIFICATIONS OF APPRAISER

WAYNE VALENTIC		Commercial Real Estate Appraiser
		
<p><u>Personal Data</u></p> <p>Phone (406) 407-3007</p> <p>Address 1236 Columbia Falls Stage Columbia Falls, MT 59912</p> <p>Email wayne@pathfinderappraisals.com</p> <p>Website pathfinderappraisals.com</p> <p>State & Regulatory Licensure Montana Certified General #959</p> <p>Professional Affiliations MAI Designation, Appraisal Institute</p>		
		
<p><u>Appraisal Experience</u></p>		
June 2015 to present	Pathfinder Appraisals, Owner Columbia Falls, Montana	
June 2011 to June 2015	Frazier Appraisal Services Whitefish, Montana	
2008 to June 2011	Lubawy and Associates Las Vegas, Nevada	
2005 to 2008	Self-Employed Appraiser Reno, Nevada	
<p>Experience includes appraising complex commercial properties in Western & Southwestern Montana. Property types include: office, industrial, retail, medical, mixed use, multi-family, subdivisions, vacant land, agricultural properties, ranches, and luxury lake/river front estates.</p>		
<p><u>Appraisal Education</u></p>		
<p>Institute for Real Estate and Appraisal Studies Basic Appraisal Education 2005</p>		
<p>Appraisal Institute: Basic Income Capitalization 5/2007 General Applications 6/2007 Advanced Income Capitalization 6/2007 General Appraiser Market Analysis and Highest and Best Use 11/2007 Spotlight on Common Errors and Confidentiality USPAP Issues 6/2008 General Appraiser Site Valuation and Cost Approach 1/2010 General Appraiser Income Approach 1 1/2010 7-hour USPAP 1/2010 Business Practices and Ethics 3/2010 General Appraiser Income Approach 2 4/2010 General Appraiser Report Writing and Case Studies 6/2010 General Appraiser Report Writing and Case Studies 6/2010 General Appraiser Sales Comparison Approach 7/2010 Advanced Concepts and Case Studies, 2/2013 Successful Completion of General Comprehensive Examination 9/2014 General Demonstration Report Writing 11/2014</p>		

WAYNE VALENTIC Commercial Real Estate Appraiser



McKissock:
 Appraisal of Land Subject to Ground Leases 1/2015
 Appraisal of Assisted Living Facilities 2/2015
 Appraisal of Self-Storage Facilities 2/2015
 Appraisal of Limited Service Hotels 1/2017
 The Cost Approach 2/2017
 Appraisal of Owner-Occupied Commercial Properties 2/2017
 Supervisor - Trainee Course for Montana 5/2018
 Twelve Required Elements in an Appraisal Report 2/2019
 The Basics of Expert Witness for Commercial Appraisers 2/2019
 Appraisal of Complex Properties 2/2019

Prior Work Accomplishments

Logging Industry - Southeast Alaska

- Logging Engineering Manager for 15 years.
- 25-year forestry career as a Timber Cruiser, Logging Engineer, to Logging Engineering Manager.
- Companies were small owner operators to Sitka's Alaska Lumber & Pulp, to Ketchikan's Sealaska Corporation where responsible for 320,000 acres.
- Timber harvest and development.
- Liaison between company and government regulatory agencies.

Timber Faller - Dillon, MT
Firefighting Crew - Salmon, ID


Education

1978	University of Nevada, Reno B.S. degree in Forestry
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References:

References available upon request






State of Montana
Business Standards Division
Board of Real Estate Appraisers

REA-RAG-LIC-959

Status: **Active**
Expires: **03/31/2020**

THOMAS WAYNE VALENTIC
PATHFINDER APPRAISALS
1236 COLUMBIA FALLS STAGE
COLUMBIA FALLS, MT 59912

This certificate verifies licensure as:
CERTIFIED GENERAL APPRAISER
With endorsements of:
** REAL ESTATE APPRAISER MENTOR*



Montana Department of
LABOR & INDUSTRY
RENEW OR VERIFY YOUR LICENSE AT:
<https://ebiz.mt.gov/pol>