

File #2019-747
State of Montana Lease 1022

AN APPRAISAL REPORT OF
State of Montana Real Estate

OWNED BY

State of Montana, Montana Department of Natural Resources and Conservation

LOCATED AT

175 Iron Grouse RD, Troy, MT
Tract 1 in NW1/4 of Section 36, T31N, R34W. COS 4670

FOR THE PURPOSE OF

Forming an Opinion of the Fair Market Value of the Subject Property

DATE OF REPORT

May 6, 2020

CLIENT

State of Montana
Department of Natural Resources
P.O. Box 201601
Helena, MT 59620

APPRAISAL COMPLETED BY

Wayne Valentic, MAI
Pathfinder Appraisals
1236 Columbia Falls Stage
Columbia Falls, MT 59912



Wayne Valentic, MAI
1236 Columbia Falls Stage
Columbia Falls, MT 59912

wayne@pathfinderappraisals.com
(406) 407-3007

May 6, 2020

State of Montana
Department of Natural Resources
P.O. Box 201601
Helena, MT 59620

Re: State of Montana Real Estate
175 Iron Grouse RD
Tract 1 in NW1/4 of Section 36, T31N, R34W. COS 4670
Troy, MT 59935
File #2019-747
State of Montana Lease #1022

Dear Representatives of State of Montana, Department of Natural Resources:

Please find attached a Narrative Appraisal Report of a parcel of land owned by the State of Montana. The subject has an address of 175 Iron Grouse RD, Troy, MT 59935. It has a legal description of Tract 1 in NW1/4 of Section 36, T31N, R34W. COS 4670. The address and legal description will be utilized independently throughout the report to refer to the subject.

I have inspected the site and improvements to form an opinion of the "As Is" 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 and intended users include representatives of the State of Montana, Department of Natural Resources and their duly appointed committees. The intended use of this appraisal is for decisions regarding possible sale of the subject property. The purpose of this appraisal report is to form an opinion of the Fair Market Value as of August 7, 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:

175 Iron Grouse RD, Troy, MT	
Item	Value
Fair Market Value (Land)	\$80,000
Fair Market Value (Improvements)	\$190,000
Fair Market Value (Land and Improvements)	\$270,000

The main residence is reportedly built largely upon the frame of a triple wide Marlette manufactured home. That manufactured home burned down and all that was salvaged was the steel frame which supports some of the structure. There is no HUD sticker on the frame or interior confirming this. Some of the main residence is reportedly constructed on a traditional foundation while other areas are on post and beam. Given the large variability in the construction materials and techniques used, it is my opinion the appropriate method to value the property is to consider all the area in the residence as livable and all of it as fair/average quality. The rate I used for the replacement cost of the structure is a blended rate for all the improvements (main level, the two second story segments, sun room, and the bonus room).

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 compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- 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 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 External Obsolescence

"A type of depreciation; a diminution in value caused by negative external influences and generally incurable on the part of the owner, landlord, or tenant. The external influence may be either temporary or permanent."

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 Financial Feasibility

"1) One of the four criteria of highest and best use. For a land use to be considered financially feasible, the value of the land use must exceed its cost. 2) The capability of a physically possible and legal use of property to produce a positive return to the land after considering risk and all costs to create and maintain the use."

Source: The Dictionary of Real Estate Appraisal, Sixth Edition (Chicago: Appraisal Institute, 2015), page 92.

Definition of Functional Obsolescence

"The impairment of functional capacity of improvements according to market tastes and standards."

Source: The Dictionary of Real Estate Appraisal, Sixth Edition (Chicago: Appraisal Institute, 2015), page 97.

Definition of Legal Permissibility

“One of the four criteria the highest and best use of a property must meet; a property use that is either currently allowed or most probably allowable under zoning codes, building codes, environmental regulations, and other applicable laws and regulations that govern land use.”

Source: The Dictionary of Real Estate Appraisal, Sixth Edition (Chicago: Appraisal Institute, 2015), page 129.

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 Maximum Productivity

“One of the four criteria the highest and best use of a property must meet. To achieve maximum productivity, a specific land use must yield the highest value of all the physically possible, legally permissible and financially feasible possible uses.”

Source: The Dictionary of Real Estate Appraisal, Sixth Edition (Chicago: Appraisal Institute, 2015), page 144.

Definition of Physical Deterioration

“The wear and tear that begins when a building is completed and placed into service.”

Source: The Dictionary of Real Estate Appraisal, Sixth Edition (Chicago: Appraisal Institute, 2015), page 170.

Definition of Physical Possibility

“One of the criteria that the highest and best use of a property must meet. For a land use to be considered physically possible, the parcel of land must be able to accommodate the construction of any building that would be a candidate for the ideal improvement.”

Source: The Dictionary of Real Estate Appraisal, Sixth Edition (Chicago: Appraisal Institute, 2015), page 171.

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.

AREA CITY DESCRIPTION AND ANALYSIS

LIBBY

Area/City Description and Analysis

Libby is in northwestern Montana, 72 miles south of the Canadian border, 89 miles northwest of Kalispell, Montana, and 35 miles east of the Idaho border. The elevation is 2,066 feet. The original townsite of Libby was located several miles upstream from the confluence of Libby Creek and the Kootenai River. It was relocated to its present location in 1892 when the railroad built tracks along the Kootenai River joining Idaho with eastern Montana. Libby is bordered by the 95,000-acre Cabinet Mountains Wilderness where a multitude of outdoor activities can be enjoyed in the network of high mountain trails and isolated lakes. Recreation includes camping & hiking, water sports & fishing, hunting, snowmobiling and skiing. The tourism sector includes: Kootenai National Forest, Kootenai River, Libby Dam, Lake Koocanusa, a local museum, golf course, Turner Mountain Ski area, and local area attractions.

The total population for Libby and the surrounding area was 9,856 per the 2010 Demographic Profile, U.S. Census. The data breaks down to total males 50.7% of the population, and the 62 years of age and older bracket amounted to 25.5%. The median resident age in 2014 was 44.3 years, while the Montana median age was 39.9 years. The estimated median household income in 2015 was \$24,795 (it was \$24,276 in 2000).

Education in Libby includes: 3 public grade schools, 1 public middle school, 1 public senior high school, 2 private religious schools, and an Extension of Flathead Valley Community College.

Transportation includes the following for the Libby area.

Libby Airport: The Libby City/County general aviation airport offers charter service, rental aircraft and a flight school. It has a 5,000-ft. lighted runway with beacon.

Major Roads: State Highways 37 & 56, US Hwy 2.

Railroads: AMTRAK 4 days/week for passengers and freight. Burlington Northern daily freight.

Truck Carriers: Two truck companies provide freight service to Libby.

Medical Facilities:

Libby Convalescent Center: 100 bed capacity providing continuous nursing care for patients.

Cabinet Peaks Medical Center: Private, not-for-profit, non-denominational community hospital.

Thirty-seven bed facility (26 acute care, 3 intensive care beds, 8 transitional/swing beds) with a wide range of surgical services and emergency care. Helicopter transport services are available for patients requiring specialized care in a larger hospital in Spokane, Kalispell or Missoula.

Major Industries:

In the 1960's Libby's economy was vibrant, employing more than 1,300 in logging and about 2,000 in constructing the Libby Dam. It was recorded in 1987 that the Kootenai National Forest logging peaked at 250 million board-feet per year. The harvest from the Kootenai National Forest was reduced by more than 75% (to about 60 million board feet) during the 1990's largely due to environmental lawsuits, as well as insect outbreaks. In 2002 Stimson Lumber Company shut down

the last sawmill in Libby, laying off 200 people, in part because of the skyrocketing cost of medical insurance for workers and families poisoned by asbestos.

Montanore Mine

The Montanore project is located approximately five miles northeast of Noxon, Sanders County, Montana (about 50 miles north of the Lucky Friday mine in Idaho). The Montanore silver-copper deposits were discovered in the 1980s and explored by previous operators at a cost of more than \$100 million. Exploration ceased in the 1990s when metals prices were low. Since acquisition of the Montanore in 2002, Mines Management reportedly spent over \$75 million on dewatering and partial rehabilitation of the 14,000-ft. decline, construction of site infrastructure, revised and updated resource estimates and a Preliminary Economic Assessment (PEA), as well as re-permitting the entire project. After ten years of study, in December 2015, the Kootenai National Forest (KNF) and the Montana Department of Environmental Quality (DEQ) issued a Joint Final Environmental Impact Statement (Joint Final EIS) for the Montanore Project. On February 12, 2016, Mines Management, Inc., announced that the Records of Decision (ROD) approving development of the Montanore Mine Project were issued by the U.S. Forest Service (USFS) and the Montana Department of Environmental Quality (MDEQ). Environmentalists filed a lawsuit April 2016, stating the government's authorization for the mine in the Cabinet Mountains could drain surrounding waterways and harm a species of trout protected under federal law. The company says developing the mine would disturb about 1,500 acres of land on the outskirts of the Cabinet Mountains Wilderness. Hecla Mining Company acquired the Montanore project in September 2016 with the acquisition of Mines Management, Inc. Hecla reports the deposit contains about 200 million ounces of silver and about 2 billion pounds of copper; the ore body would support about 20 years' worth of mining. The MDEQ renewed the Montana Pollutant Discharge Elimination Permit for the Mine; the MPDES permit is designed to protect water quality and aquatic life in the Libby Creek watershed and will be effective March 2017 and will expire on Feb. 28, 2022. The Kootenai National Forest will not finalize an operations plan for Montanore until permits are obtained from state regulators and other federal agencies, which includes approval from the U.S. Army Corps of Engineers. Of special note, in 2015 Mines Management, Inc., said the Montanore Mine could produce 7 million ounces of silver and 60 million pounds of copper annually and employ about 350 people. This employment is the hope of the Libby locals; they have settled in Libby waiting, instead of relocating elsewhere.

EPA Asbestos clean-up

In the early 1920s, the Zonolite Company began vermiculite ore mining operations in Libby. The Libby mine was bought by W.R. Grace in 1963. Vermiculite was used in a variety of construction materials including insulation for homes and buildings. The mine's byproducts were used in local buildings and landscaping, fill for driveways, and playgrounds. The Libby site first attracted national attention in the 1990s after media reports of an unusual number of deaths and illnesses attributed to vermiculite mining. Vermiculite from the Libby mine was contaminated with a toxic and highly friable form of asbestos, often called Libby amphibole asbestos (LA). Decades of mining the vermiculite exposed workers and residents to toxic asbestos dust. Until 1990, W.R. Grace & Company operated the mine. EPA's arrival was in 1999; the EPA placed Libby on the National Priorities List in 2002, earning a Superfund site designation. The Department of Justice Department filed a 10-count lawsuit accused the mining company and its executives of exposing Libby's 10,000 residents to asbestos for decades, resulting in more than 200 deaths and 1,000 illnesses. The company paid millions in medical bills for area residents and agreed in 2008 to pay \$250 million to reimburse the EPA for its cleanup efforts. The jury in May 2009, acquitted W.R. Grace & Company and three of its former executives of having knowingly exposed mine workers and residents of

Libby, Montana, to asbestos. The EPA declared its first health emergency June 2009, which was for the Libby Asbestos contamination. The EPA announced January 2017, a final opportunity for owners of residential and commercial property in Libby to participate in the investigation and cleanup of Libby Amphibole asbestos. EPA expects that less than 10 percent of remaining properties to be investigated are likely to need a cleanup. Property owners who do not participate could become financially responsible for future cleanup. Since 1999, the EPA has completed an investigation and/or cleanup at 7,500 of 8,100 private properties identified within the Superfund site. Cleanups took place at 2,447 properties. Air asbestos concentrations today are about 100,000 times lower than when the mine and processing facilities were operating. The cleanup price has exceeded \$540 million and is expected to cost another \$64 million before it is finished in 2018. It is now possible to live and work in Libby and Troy without excessive exposure to asbestos.

The city area analysis for the Libby area is particularly challenging. Residential sales remain weak for offerings above \$500,000 unless the properties are unusually attractive with large acreage or lake/river frontage. Secondly, data collection is difficult and incomplete at best, as with many areas in Montana, private transactions are common.

It is reported that a major hemp processing facility purchased an existing 80,000 SF industrial building in Libby. I spoke to one of the agents in the area and she indicated that the new owners have been actively seeking employees, but apparently has yet to actually hire anyone.

Residential Sales and Listings

The residential market in Libby has a definite shortage of listings. Each of the brokers I interviewed concurred on that assessment of the market. Houses priced below \$200 K generally sell quickly. The following table shows residential sales and listing activity in Libby and Troy from January 2017 through YTD 2019:

Libby, Troy Residential			
Item	2018	2019	Active
Total	\$20,172,711	\$21,663,566	\$17,627,048
Minimum	\$37,000	\$30,000	\$78,000
Maximum	\$650,000	\$600,000	\$1,500,000
Median	\$139,000	\$172,888	\$225,000
Average	\$181,736	\$196,942	\$345,628
AVG DOM	122	126	163
Count	111	110	51

There is slightly less than a one-half year supply of residential inventory in the area.

Land Sales Listings

The market for vacant land in the Libby and Troy area is strong for properties which are priced appropriately. River and lake front properties are still highly desirable. The following table shows sales of vacant land in Libby from January 2017 to YTD 2019.

Land Analysis Libby/Troy				
Item	2017	2018	YTD 2019	Active
Total	\$5,752,250	\$5,889,150	\$7,374,999	\$25,999,227
Minimum	\$13,000	\$14,000	\$12,500	\$20,000
Maximum	\$450,000	\$400,000	\$716,000	\$1,250,000
Average	\$85,854	\$74,546	\$97,039	\$160,489
Median	\$50,000	\$55,000	\$59,500	\$99,900
AVG DOM	158	406	263	360
Count	67	79	76	162

There is slightly over a one-year inventory of vacant parcels for sale. It should be noted that many of the active listings are ridiculously overpriced and there is virtually no chance they will sell for an amount close to their asking price.

Conclusion;

The market participants in Libby are optimistic about the opening of the Montanore Mine with the recent acquisition of what may be the final permitting hurdle which was overcome. For many years the town was synonymous with asbestos pollution is now much closer to what is considered complete remediation. The town has a significant draw from Canadian tourists and Canadian investors who are interested in purchasing rural/recreational properties.

SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS

Subject

Property Address	175 Iron Grouse RD, Troy, MT 59935
Legal Description	Tract 1 in NW1/4 of Section 36, T31N, R34W. COS 4670
Property Location	The south side of Iron Grouse RD south of Troy, Montana
Property Owner	State of Montana, Montana Department of Natural Resources and Conservation
Assessor's Parcel Number	N/A
Census Tract Number	30-053-0005.00
Purpose of Appraisal	To form an opinion of the Fair Market Value
Intended Use of Appraisal	For decisions regarding possible sale of the subject property
Intended Users	The State of Montana, Board of Land Commissioners, and Montana Department of Natural Resources and Conservation
Date of Valuation	August 7, 2019

Property Inspection Date	August 7, 2019			
Date of Report	May 6, 2020			
Property Rights Appraised	Fee simple			
Land Size	7.083 acres gross/ 6.132 acres net			
Improvement Data	Iron Grouse Improvements			
	Building	Item	SF	Other
	Main House	1st Floor	3,408	
		2nd Floor	298	
		Garage	1,152	
	Shop	1st Floor	1,664	Shop/Garage
		Storage	962	Unfinished
		2nd Floor	512	Unfinished
	Furnace/covered storage	1st Floor	390	
	Total SF		8,386	
	Total Living Area		3,706	
Zoning	N/A			
HIGHEST AND BEST USE				
As Vacant Land	Rural Residential			
As Improved	Rural Residential			
VALUE OPINION				
MARKET VALUE OPINION		PROPERTY RIGHTS APPRAISED	EFFECTIVE DATE OF VALUE	MARKET VALUE OPINION
Fair Market Value (Land Only)		Fee simple	August 7, 2019	\$80,000
Fair Market Value (Improvements)		Fee simple	August 7, 2019	\$190,000
Fair Market Value (Land and Improvements)		Fee simple	August 7, 2019	\$270,000
Current Use		Rural Residential		
Use Reflected in the Appraisal		Rural 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.

INTRODUCTION

Identification of the Property

The subject property consists of a single family residence with detached shop and outbuilding located at 175 Iron Grouse RD, Troy, MT 59935, Tract 1 in NW1/4 of Section 36, T31N, R34W. COS 4670. The site is a 6.132 net 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

Tract 1 in NW1/4 of Section 36, T31N, R34W. COS 4670

Census Tract Number

30-053-0005.00

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

For decisions regarding possible sale of the subject property.

Intended Users of the Appraisal

The State of Montana, Board of Land Commissioners, and Montana Department of Natural Resources and Conservation

Effective Date of Valuation

August 7, 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 May 6, 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 Lincoln County public records the subject property is currently under the ownership of State of Montana, Montana Department of Natural Resources and Conservation.

There were no other 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 Lincoln 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 August 7, 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. Information pertaining to dimensions, shape, and area was taken from the Lincoln 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.

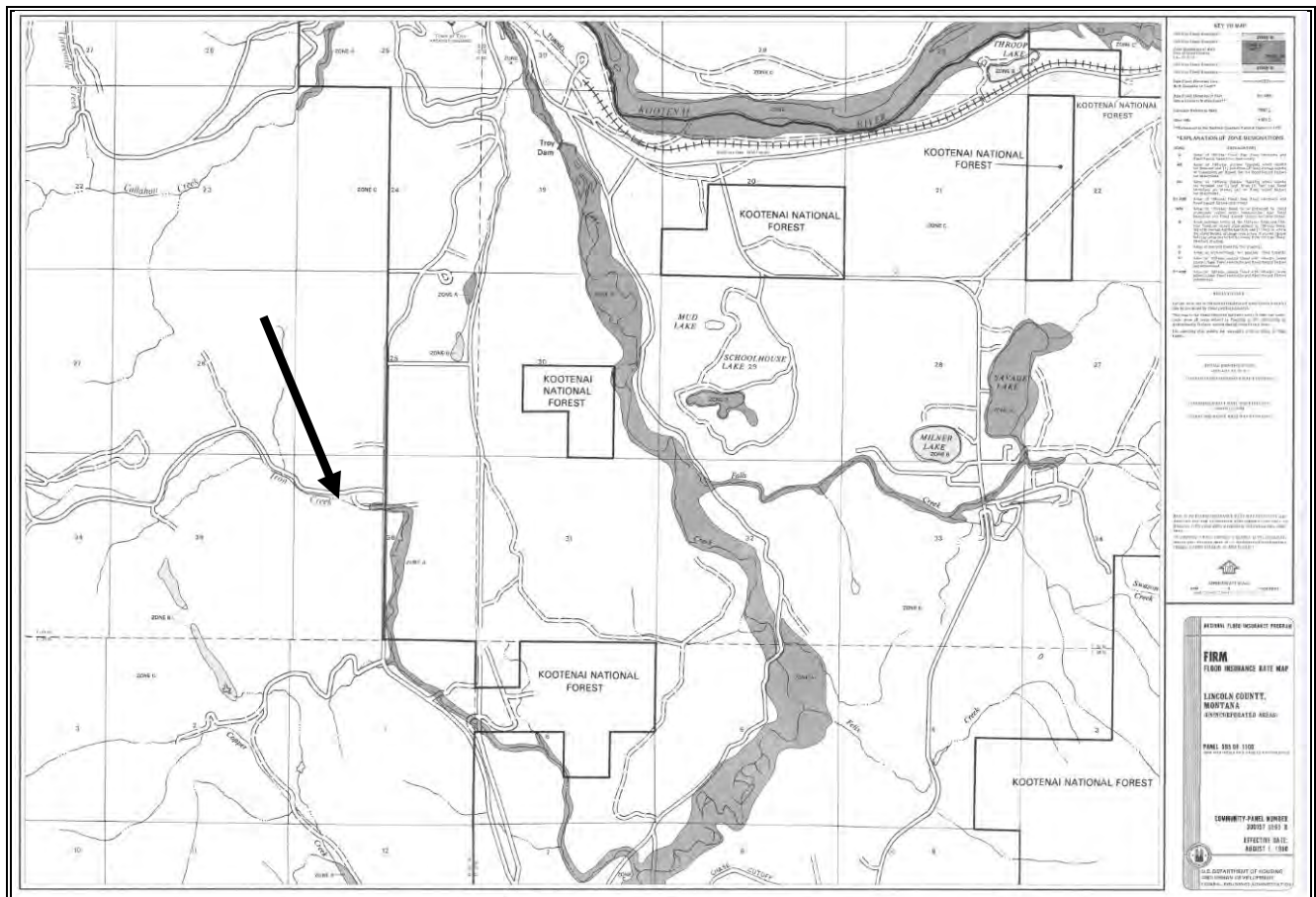
Sales Comparison Approach: Will be utilized.

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.



Flood Zone C:**Moderate and Minimal Risk Areas**

Areas of moderate or minimal hazard are studied based upon the principal source of flood in the area. However, buildings in these zones could be flooded by severe, concentrated rainfall coupled with inadequate local drainage systems. Local stormwater drainage systems are not normally considered in a community's flood insurance study. The failure of a local drainage system can create areas of high flood risk within these zones. Flood insurance is available in participating communities, but is not required by regulation in these zones. Nearly 25-percent of all flood claims filed are for structures located within these zones.

ZONE	DESCRIPTION
B, X (shaded)	Moderate risk areas within the 0.2-percent-annual-chance floodplain, areas of 1-percent-annual-chance flooding where average depths are less than 1 foot, areas of 1-percent-annual-chance flooding where the contributing drainage area is less than 1 square mile, and areas protected from the 1-percent-annual-chance flood by a levee. No BFEs or base flood depths are shown within these zones. (Zone X (shaded) is used on new and revised maps in place of Zone B.)
C, X (unshaded)	Minimal risk areas outside the 1-percent and .2-percent-annual-chance floodplains. No BFEs or base flood depths are shown within these zones. (Zone X (unshaded) is used on new and revised maps in place of Zone C.)

Water Front Amenity

Iron Creek

View Amenity

Creek, trees, mountains

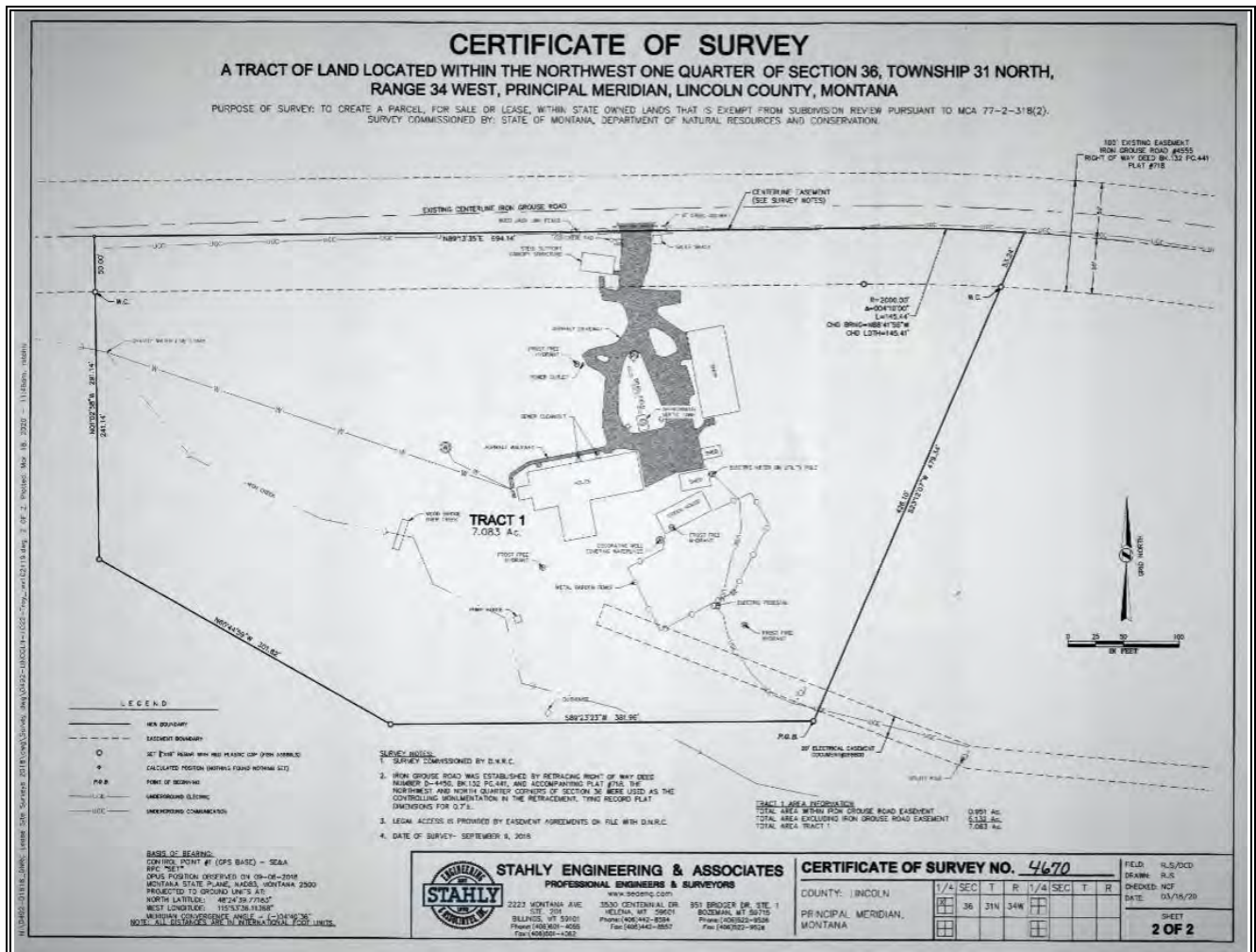
Adjacent Property Owners

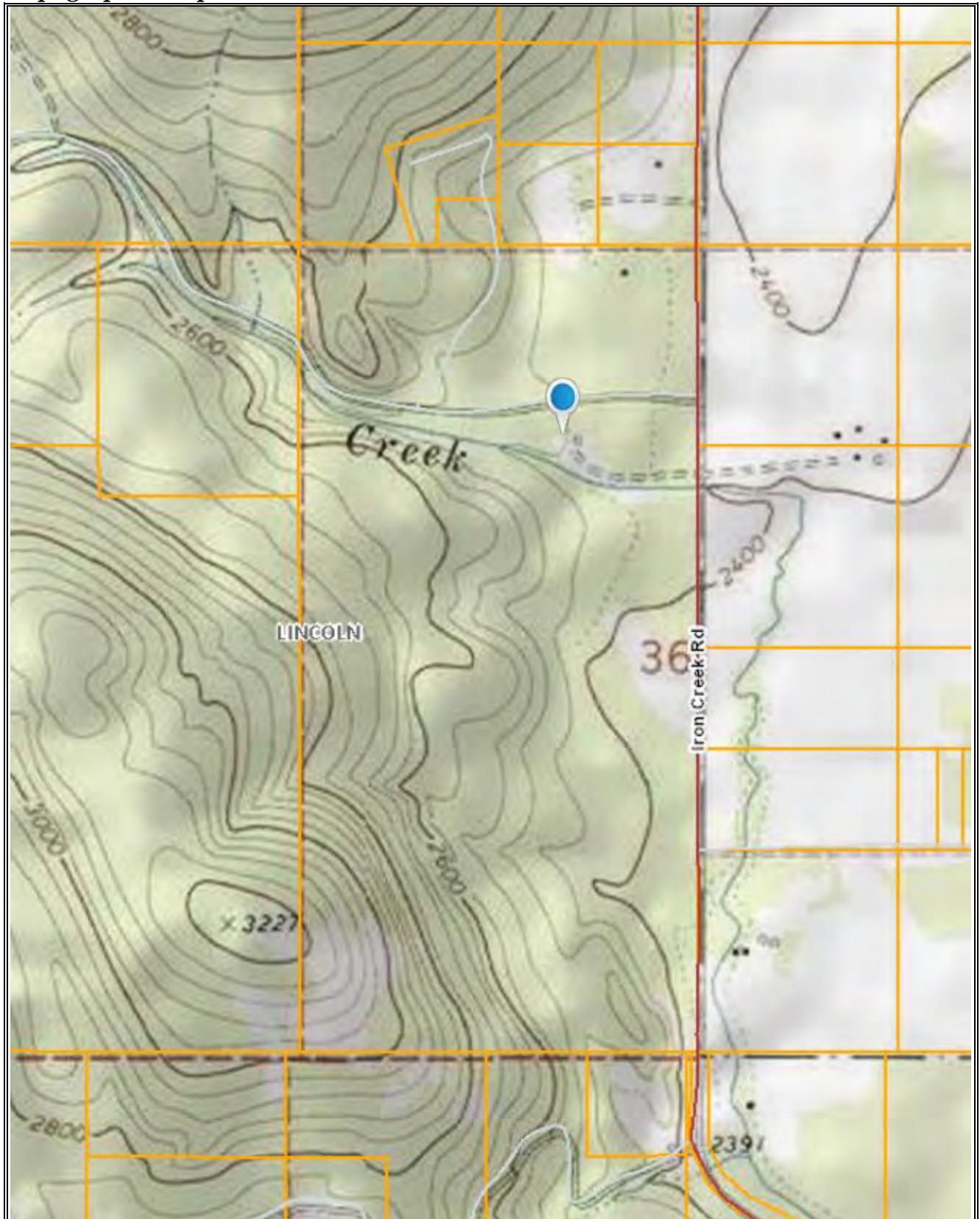
Private, public

Soils Condition

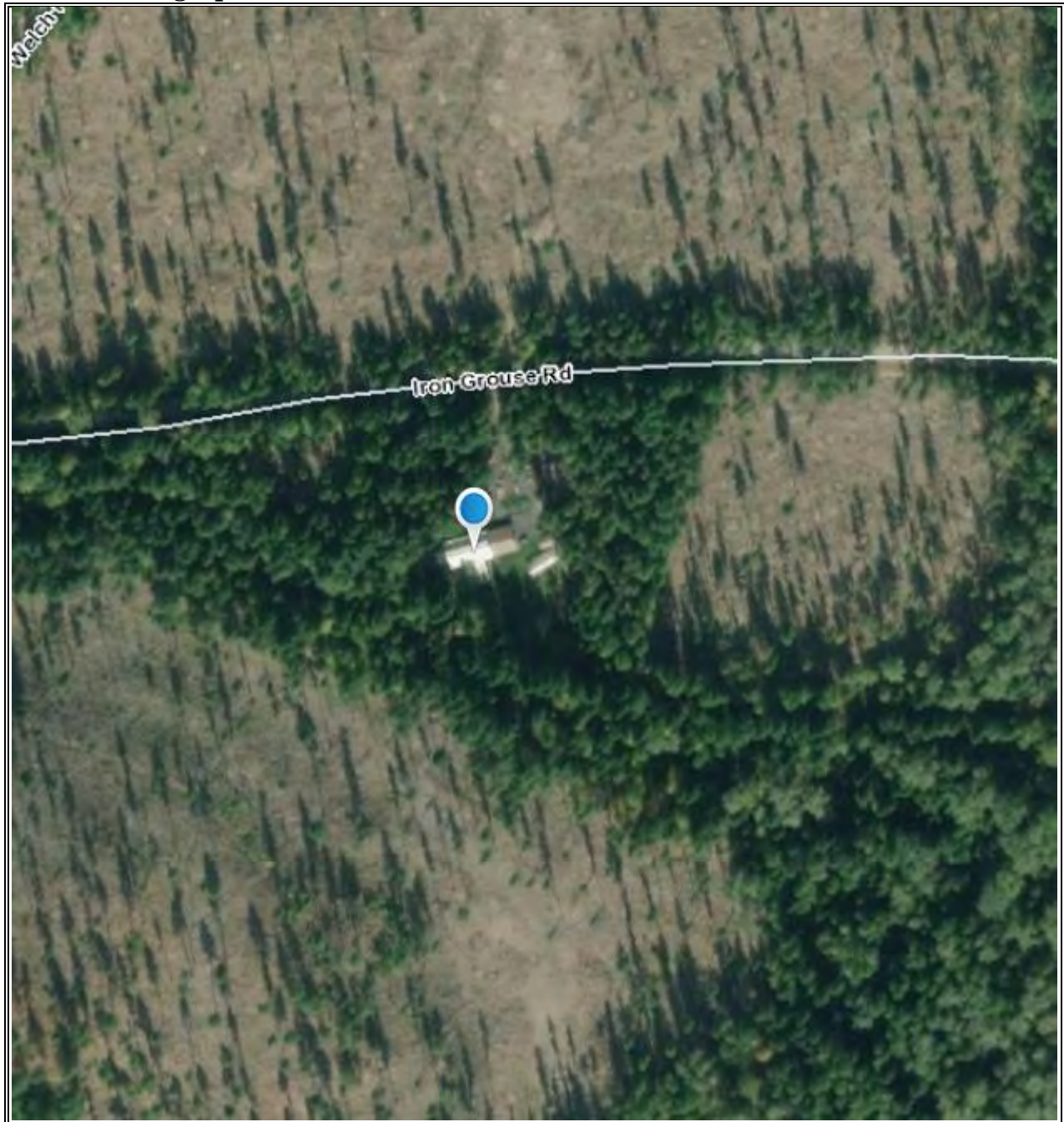
Based on a physical inspection of the site, it appears that the soils and subsoils are adequate for the subject improvements. The appraiser was not provided with a soils report and the subject property is assumed to have adequate load bearing capacity. The value opinion is predicated upon the assumption 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



Topographic Map

Aerial Photograph



Street Improvements and Accessibility

The subject is located on 175 Iron Grouse RD which is a two-lane road that extends in a roughly east/west 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. Access is via a driveway off of Iron Grouse RD.

Utilities

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

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

Nuisances, Hazards, and Surrounding Land Uses

The subject site is located within a neighborhood that has a predominantly residential use. Some of the larger parcels have an complimentary use for agricultural production. 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. The USFS has an easement that extends along the entire length of the property between the subject and Iron Grouse RD.

Zoning

None

Zoning Map

N/A

Zoning Description

N/A

Land Use

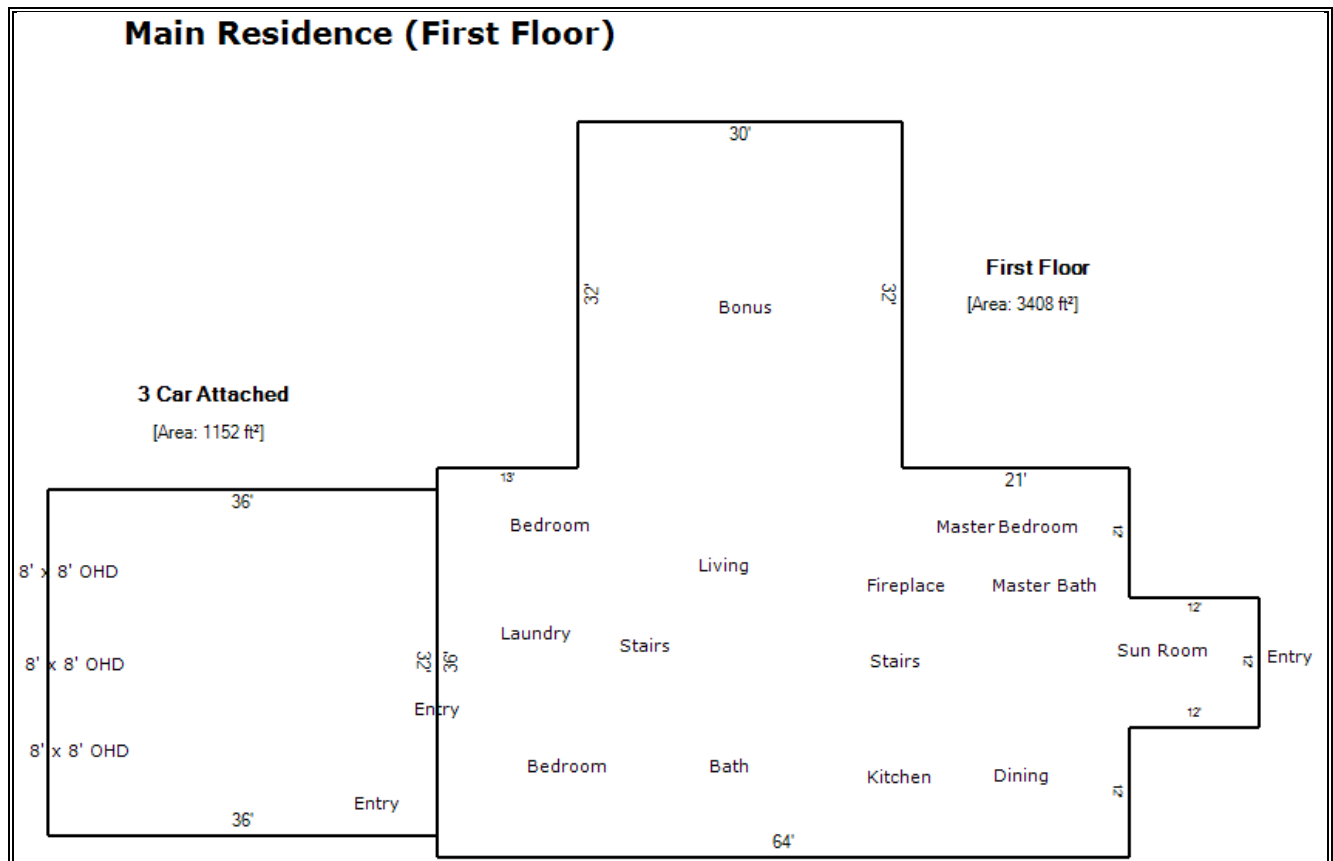
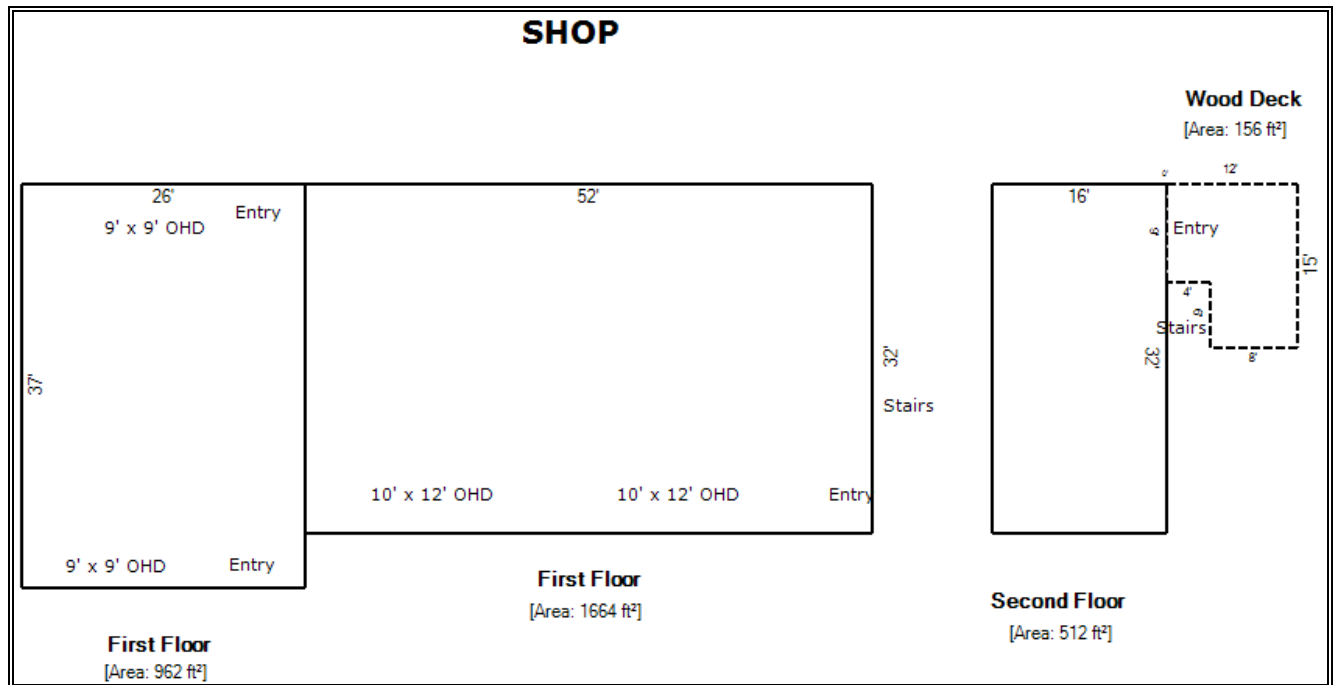
There is no additional zoning or land use overlay district relating to the subject property.

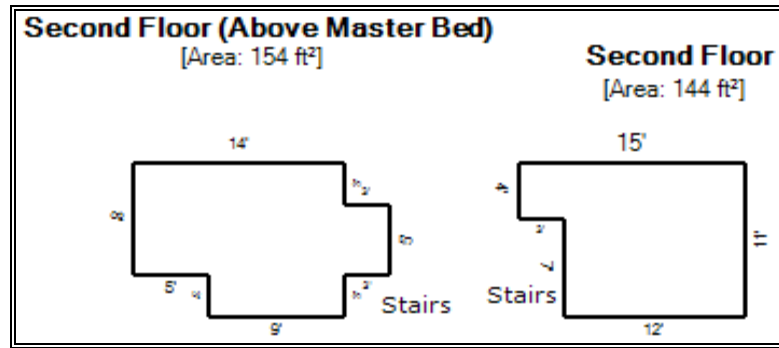
IMPROVEMENTS DESCRIPTION AND ANALYSIS

The majority of information regarding the improvements was surmised from the physical inspection and measurements taken on August 7, 2019.

GENERAL DATA	The subject property is referred to as State of Montana Real Estate. The improvements were constructed over various times between 1980 and 2010 and are of fair/average quality construction. As of the date of inspection, the improvements were in average condition.			
Building Area	Iron Grouse Improvements			
	Building	Item	SF	Other
	Main house	1st Floor	3,408	
		2nd Floor	298	
		Garage	1,152	
	Shop	1st Floor	1,664	Shop/Garage
		Storage	962	Unfinished
		2nd Floor	512	Unfinished
	Furnace/covered storage	1st Floor	390	
	Total SF		8,386	
	Total Living Area		3,706	
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	Poured concrete or post and beam			
Exterior Walls	Wood frame with wood siding			
Insulation	The specific insulation could not be identified; however, it is assumed to be adequate and typical of other similar projects of comparable age and quality.			

Windows	Dual pane
Doors	Solid core
Roof Cover	Roof sheathing is assumed to be plywood. The roof cover is corrugated metal.
INTERIOR DETAIL	
Floor Covering	A mix of carpet, vinyl, and plywood in the unfinished areas
Interior Walls	The interior walls are constructed of 2-inch by 4-inch studs covered with textured and painted gypsum board.
Doors	Wood
Ceilings	Painted drywall or wood T&G
Lighting	A mixture of incandescent and fluorescent lighting
Plumbing	Average plumbing fixtures commensurate with age and quality
Other	Bonus room, greenhouse
MECHANICAL DETAIL	
HVAC	Wood, electric
Electrical	The electrical capacity or service could not be confirmed by my inspection. However, it is assumed adequate.
Gas, Water and Sewer	The subject is serviced by private propane and private well and septic.
SITE IMPROVEMENTS	
Parking	Abundant
Landscaping	Lawn, trees, shrubs
Miscellaneous	Paved driveway

Plan View



Not Shown:

1. 26' x 15' furnace room/covered storage
2. 20' x 60' aluminum arch rib greenhouse considered personal property
3. 34' x 16' covered RV storage reportedly located on USFS easement
4. 8' x 8' storage on skids considered personal property

Conclusion

The subject improvements are functional for its present use as a rural residential property. The improvements are older. The history of the property is unusual in that some of the improvements are built on the frame of a manufactured home. Portions of the living area are unfinished with missing flooring, paint and other finish items.

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, the subject property 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 2018 assessments and taxes for the subject property:

Current Taxes					
Assessor #	Parcel Size	Land Assess	Building Assess	Total Assess	Current Taxes
N/A	6.13 net acres	\$28,500	\$142,930	\$171,430	\$403.83

Per state law, state land is tax exempt. Thus, the assessed land value does not contribute to the current taxable value of the improvements as shown above.

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 unzoned 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 rural residential properties. A commercial or industrial use would be a complimentary to a residential use. Its location is not suited to any use but a rural 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 rural residential.

Conclusion

In conclusion, the highest and best use of the site as though vacant would be for development with a rural 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 unzoned 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 rural residential property.

Conclusion

In conclusion, the highest and best use of the subject as improved is for continued use as a rural residential property.

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.

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.

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.).

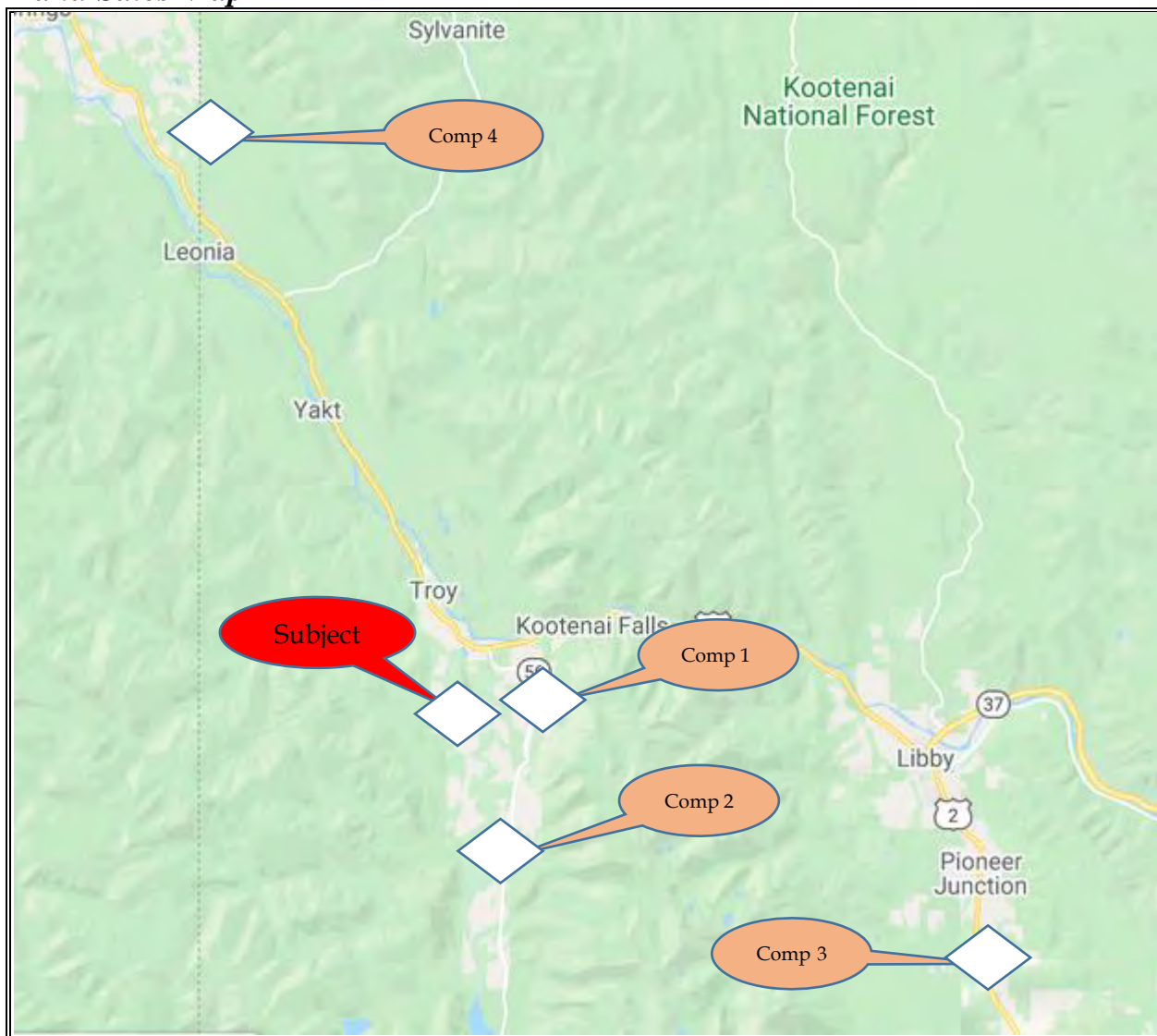
- Transactional adjustments are applied to the comparables for: property rights, financing, conditions of sale, expenditures immediately after purchase, and market conditions.
- The comparables are analyzed to determine market sensitivity to various physical characteristics.
- They are then arrayed in 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.

Sales of vacant land are summarized below, followed by a map and complete abstracts.

LAND SALES SUMMARY

Comparable Sales Summary				
ID	Address	Sale Date Sale Price	Acres \$/Acre	Waterfront
1	400 Taylor LP, Troy	03/04/16 \$46,000	1.79 \$25,698	Spring CR
2	522 Porcupine RD, Troy	02/09/18 \$70,000	5.05 \$13,861	Porcupine CR
3	808 Mustang LN, Libby	08/06/18 \$120,000	9.08 \$13,216	Libby CR
4	NHN Old HWY 2, Troy	09/04/18 \$110,000	20.00 \$5,500	Curley CR

Land Sales Map

COMPARABLE LAND SALE #1

Location	400 Taylor LP, Troy
Legal Description	Tract 1A10 in Plat Map 643
Assessor Parcel Number	6316
Grantor	Owen L. Fifield
Grantee	Tricia Olson
Sale Price	\$46,000
Sale Date	03/04/16
Recording Doc	Warranty Deed 266150
Property Rights	Fee Simple
Financing	Cash
Conditions of Sale	The property sold with well and septic installed. It is reduced by \$10,000 for this positive characteristic.

Expenditures Immediately After Purchase	None
Market Conditions	None warranted
Verification	MLS, Sharon Denton
Site Description	
Size	1.79 acres
Road Frontage	250 +/- feet on Taylor Loop RD
Depth	N/A
Shape	Irregular
Topography	Functional
CCR (Y/N)	No
HOA	No
Utilities	Private well and septic required
Easements	Typical utility easements are assumed to exist.
Waterfront Amenity	Spring Creek
View Amenity	Pond, creek, mountains
Zoning	None
Proposed Use	Rural Residential
Comments	The property was listed for sale via MLS 335049 for \$62,500. The list price was subsequently lowered to \$55,000. It sold for \$46,000 after 270 DOM.
Relevant Sales History	None Noted
Unit Price	
Before Transactional Adj.	\$25,698
After Transactional Adj.	\$20,112

COMPARABLE LAND SALE #2

Location	522 Porcupine RD, Troy
Legal Description	Lot 6C of Porcupine Subdivision
Assessor Parcel Number	52551
Grantor	Mark T. Roberts and Dean Leckrone
Grantee	Ronald J. and Nicole M. Ackerman
Sale Price	\$70,000
Sale Date	02/09/18
Recording Doc	Warranty Deed 272834
Property Rights	Fee Simple
Financing	Conventional
Conditions of Sale	None

Expenditures Immediately After Purchase	None
Market Conditions	None warranted
Verification	MLS, Mark Roberts
Site Description	
Size	5.05 acres
Road Frontage	320 +/- feet on MT HWY 56
Depth	N/A
Shape	Irregular/functional
Topography	Functional
CCR (Y/N)	Yes
HOA	No
Utilities	Private well and septic required
Easements	Typical utility easements are assumed to exist.
Waterfront Amenity	360 +/- feet on Porcupine CR
View Amenity	Creek, trees, mountains
Zoning	None
Proposed Use	Rural Residential
Comments	The property was listed for sale via MLS 21606014 for \$86,000. The list price was subsequently lowered to \$81,000. It sold for \$70,000 after 612 DOM.
Relevant Sales History	None noted
Unit Price/Acre	
Before Transactional Adj.	\$13,861
After Transactional Adj.	\$13,861

COMPARABLE LAND SALE #3

Location	808 Mustang LN, Libby
Legal Description	Upper West Vista Subdivision Lot 2A
Assessor Parcel Number	56166
Grantor	Stephen K. and Murry A. Butler
Grantee	Michael and Christina Koenig
Sale Price	\$120,000
Sale Date	08/06/18
Recording Doc	Warranty Deed 275393
Property Rights	Fee Simple
Financing	Cash

Conditions of Sale	None
Expenditures Immediately After Purchase	None
Market Conditions	None warranted
Verification	MLS. Sharon Denton
Site Description	
Size	9.08 acres
Frontage	Minimal on Mustang LN
Depth	N/A
Shape	Flag shaped
Topography	Functional
CCR (Y/N)	Yes
HOA	No
Utilities	Private well and septic required
Easements	Typical utility easements are assumed to exist.
Waterfront Amenity	560 +/- feet on Libby CR
View Amenity	Creek, mountains, trees
Zoning	None
Proposed Use	Rural Residential
Comments	The property was listed for sale via MLS 21711972 for \$130,000. The list price was subsequently lowered to \$125,000. It sold for \$120,000 after 307 DOM.
Relevant Sales History	None
Unit Price/Acre	
Before Transactional Adj.	\$13,216
After Transactional Adj.	\$13,216

COMPARABLE LAND SALE #4

Location	NHN Old HWY 2, Troy
Legal Description	Curley Creek Subdivision Lot 3
Assessor Parcel Number	20917
Grantor	Brian W. and Margaret H. Smith
Grantee	Richard E. and Sandralee A. Jones
Sale Price	\$110,000
Sale Date	09/04/18
Recording Doc	Warranty Deed 275684
Property Rights	Fee Simple
Financing	Cash
Conditions of Sale	None

Expenditures Immediately After Purchase	None
Market Conditions	None warranted
Verification	MLS, Darrlynn Ward
Site Description	
Size	20 acres
Road Frontage	214 +/- feet on Old US HWY 2
Depth	N/A
Shape	Irregular
Topography	Functional
CCR (Y/N)	Yes
HOA	No
Utilities	Private well and septic required
Easements	Typical utility easements are assumed to exist.
Waterfront Amenity	Curley Creek
View Amenity	Creek, mountains, trees
Zoning	None
Proposed Use	Rural Residential
Comments	The property was listed for sale via MLS 21810235 for \$120,000. It sold for \$110,000 after 28 DOM.
Relevant Sales History	None
Unit Price/Acre	
Before Transactional Adj.	\$5,500
After Transactional Adj.	\$5,500

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. Sale 1 included well and septic. It is adjusted downward by \$10,000 for that superior property characteristic. No adjustments are needed to Sales 2-4 as the 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	400 Taylor LP	\$46,000	\$0	\$0	(\$10,000)	\$0	\$0	\$36,000
2	522 Porcupine RD	\$70,000	\$0	\$0	\$0	\$0	\$0	\$70,000
3	808 Mustang LN	\$120,000	\$0	\$0	\$0	\$0	\$0	\$120,000
4	NHN Old HWY 2	\$110,000	\$0	\$0	\$0	\$0	\$0	\$110,000

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
Item	NHN Iron Grouse RD		400 Taylor LP	522 Porcupine RD	808 Mustang LN	NHN Old HWY 2
Economy of Scale	6.132		1.79	5.05	9.08	20.00
HWY Frontage	None		None	MT HWY 56	None	None
Dist. to Libby	23 Miles		21 Miles	26 Miles	9 Miles	42 Miles
Divided Parcel	No		Yes	No	Yes	No
Pond	No		Yes	No	No	No

After researching the subject and all the comparables, they have the following property characteristics in common (or nearly so):

- 1) Terrain
- 2) Vegetation
- 3) Elevation
- 4) Zoning
- 5) Parcel Shape
- 6) Utilities
- 7) Paved access road
- 8) View amenity
- 9) Adjacent Property Owners

Because the subject and all the comparables are similar (or nearly so) in the characteristics listed above, they cannot be tested for sensitivity.

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	1.79 acres	5.05 to 9.08 acres	20 acres
1	400 Taylor LP	1.79	\$20,112		
2	522 Porcupine RD	5.05		\$13,861	
3	808 Mustang LN	9.08		\$13,216	
4	NHN Old HWY 2	20.00			\$5,500

SUBJECT	175 Iron Grouse RD	6.132			
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(0) indicates the comp is similar

Average Unit /Transaction

\$20,112	\$13,539	\$5,500
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(-) indicates the comp is superior

(+) indicates the comp is inferior

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 four comparable sales is sensitive to economy of scale. The market prefers (commands a higher unit price) a smaller parcel over a larger parcel.

Highway Frontage

The comparables are analyzed to determine if the market is sensitive to vacant parcels of land based upon a highway frontage amenity.

Highway Frontage

Property #	Address	HWY Frontage	None	MT HWY 56
1	400 Taylor LP	None	\$20,112	
2	522 Porcupine RD	MT HWY 56		\$13,861
3	808 Mustang LN	None	\$13,216	
4	NHN Old HWY 2	None	\$5,500	

SUBJECT	175 Iron Grouse RD	None		
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(0) indicates the comp is similar

(-) indicates the comp is superior

(+) indicates the comp is inferior

Average Unit /Transaction

\$12,943	\$13,861
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Adjustment

N/A	N/A
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The market as reflected in these four comparable sales is not sensitive to this property characteristic. In this case the difference is minor and concluded to be coincidental.

Distance to Libby

The comparables are analyzed to determine if the market is sensitive to vacant parcels of land based upon distance to services in Libby.

Distance to Libby

Property #	Address	Dist. to Libby	26 Miles or Less	42 Miles
1	400 Taylor LP	21 Miles	\$20,112	
2	522 Porcupine RD	26 Miles	\$13,861	
3	808 Mustang LN	9 Miles	\$13,216	
4	NHN Old HWY 2	42 Miles		\$5,500

SUBJECT	175 Iron Grouse RD	23 Miles		
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(0) indicates the comp is similar

(-) indicates the comp is superior

(+) indicates the comp is inferior

Average Unit / Transaction

\$15,730

\$5,500

Adjustment

0

+

The market as reflected in these four comparable sales is sensitive to this property characteristic and prefers properties that are 26 miles or less to Libby over those which are 42 miles from Libby.

Divided parcel

The comparables are analyzed to determine if the market is sensitive to vacant parcels of land based upon whether the parcel is essentially divided.

Divided Parcel

Property #	Address	Divided Parcel	No	Yes
1	400 Taylor LP	Yes		\$20,112
2	522 Porcupine RD	No	\$13,861	
3	808 Mustang LN	Yes		\$13,216
4	NHN Old HWY 2	No	\$5,500	

SUBJECT	175 Iron Grouse RD	No		
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(0) indicates the comp is similar

(-) indicates the comp is superior

(+) indicates the comp is inferior

Average Unit / Transaction

\$9,681	\$16,664
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Adjustment

N/A	N/A
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The market as reflected in these four comparable sales is not sensitive to this property characteristic. Properties that are divided have less utility than properties that are in one large contiguous parcel. Property 1 is divided by a large pond/marsh and property 3 is divided by a road easement for the Old Champion Haul Road.

Pond Amenity

The comparables are analyzed to determine if the market is sensitive to vacant parcels of land based upon a pond amenity.

Pond Amenity				
Property #	Address	Pond	No	Yes
1	400 Taylor LP	Yes		\$20,112
2	522 Porcupine RD	No	\$13,861	
3	808 Mustang LN	No	\$13,216	
4	NHN Old HWY 2	No	\$5,500	
SUBJECT	175 Iron Grouse RD	No		

(0) indicates the comp is similar

(-) indicates the comp is superior

(+) indicates the comp is inferior

Average Unit / Transaction

\$10,859	\$20,112
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Adjustment

0	-
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The market as reflected in these four comparable sales is sensitive to this property characteristic and prefers properties with a pond amenity.

Summary

The table below lists each of the units of comparison that were analyzed. The bottom row of the following table 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
Item	400 Taylor LP	522 Porcupine RD	808 Mustang LN	NHN Old HWY 2
Economy of Scale	-	0	0	+
HWY Frontage	N/A	N/A	N/A	N/A
Dist. to Libby	0	0	0	+
Divided Parcel	N/A	N/A	N/A	N/A
Pond	-	0	0	0
Overall	-	0	0	+
Adj. Unit Price	\$20,112	\$13,861	\$13,216	\$5,500

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
4	NHN Old HWY 2	\$5,500
VALUE BRACKET		
3	808 Mustang LN	\$13,216
2	522 Porcupine RD	\$13,861
VALUE BRACKET		
1	400 Taylor LP	\$20,112

Reconciliation

The analysis concludes that the land value for the subject property should be more than \$5,500/acre and less than \$20,112/acre. Sales 2 and 3 require no adjustments either positive or negative. The market is clear in that smaller parcels (less than 20 acres) with a relatively minor waterfront amenity, economy of scale and distance to services are the primary driver in determining market value.

It is my opinion the middle of the range between \$13,216/acre and \$13,861/acre is a reasonable market value for the subject property. I have selected \$13,500/acre as a reasonable opinion of market value for the subject property in fee simple estate subject as of the effective date of the appraisal. 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
\$13,500		6	Acres	= \$82,782
			Rounded	\$80,000

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 main house is a fair quality single family residence. The shop is an average quality farm building/equipment shed.

On-site improvements are added to arrive at a subtotal of the building costs estimated for the subject. These costs include well and septic, paving, landscaping and decks/miscellaneous. 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. The cost for each structure is shown in the following table:

Iron Grouse Improvements										
Building	Item	SF	Other	Base cost	Perimeter	Height	Current	Local	Total Unit	Total Value
Main House	1st Floor	3,408		\$60.00	0.97	1.00	1.02	0.97	\$57.46	\$195,839
	2nd Floor	298		\$60.00	0.97	1.00	1.02	0.97	\$57.46	\$17,124
	Garage	1,152		\$21.00	1.00	1.00	1.02	0.97	\$20.78	\$23,936
Shop	1st Floor	1,664	Garage	\$20.00	1.01	1	1.02	0.97	\$19.99	\$33,257
	Storage	962	Unfinished	\$15.00	1.01	1	1.02	0.97	\$14.99	\$14,420
	2nd Floor	512	Unfinished	\$50.00	1.01	1	1.02	0.97	\$49.96	\$25,582
Furnace room	1st Floor	390		\$50.00	1	1	1	0.97	\$48.50	\$18,915
Total SF		8,386								
Total Living Area		3,706								\$329,072

The calculations indicate the improvements have a replacement cost (new) of \$329,072.

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 the Troy area. These properties all have a waterfront amenity.

	Property 1			
	MLS	21903442		
	Address	4697 Lake Creek RD		
	City	Troy		
	Sale Date	7/7/2019		
	Sale Price	\$325,000		
	Acres	13.86		
	SF	2,544		
	Yr. Const.	1996		
	Overview	Log SFR with detached shop/apartment		
	Land Value	\$140,000		
	Value of Improvements	\$185,000		
	Property 1 Depreciation Calculations			
	Item	SF	\$/SF	Repl. Cost
	House Above Grade	1944	\$97.00	\$188,568
	Garage	250	\$25.00	\$6,250
	Basement	600	\$35.00	\$21,000
	Shop	1800	\$30.00	\$54,000
	Well/Septic/Site Improvements			\$30,000
	Subtotal Replacement Cost			\$299,818
	Entrepreneurial Incentive	8%		\$23,985
	Total Replacement Cost			\$323,803
	Value of Improvements			\$185,000
	\$ Depreciation			\$138,803
	% Depreciation			46.30%
	Annual Rate of Depreciation			2.01%

Property 2	
MLS	21708270
Address	427 Mountain View DR
City	Troy
Sale Date	9/13/2017
Sale Price	\$249,900
Acres	12.82
SF	3,181
Yr. Const.	1981
Overview	House with shop on Payne Creek
Land Value	\$140,000
Value of Improvements	\$109,900

Property 2 Depreciation Calculations				
Item	SF	\$/SF	Repl. Cost	
House Above Grade	2,330	\$78.00	\$181,740	
Unfinished basement	1,344	\$20.00	\$26,880	
Garage	500	\$20.00	\$10,000	
Shop	608	\$20.00	\$12,160	
Well/Septic/Site Improvements			\$20,000	
Subtotal Replacement Cost			\$250,780	
Entrepreneurial Incentive	8%		\$20,062	
Total Replacement Cost			\$270,842	
Value of Improvements			\$109,900	
\$ Depreciation			\$160,942	
% Depreciation			64.18%	
Annual Rate of Depreciation			1.69%	

	Property 3	
	MLS	21806569
	Address	4750 Lake Creek RD
	City	Troy
	Sale Date	12/21/2018
	Sale Price	\$110,000
	Acres	1.66
	SF	450
	Yr. Const.	2002
	Overview	Small cabin
	Land Value	\$50,000
	Value of Improvements	\$60,000

Property 3 Depreciation Calculations				
Item	SF	\$/SF	Repl. Cost	
House Above Grade	450	\$120.00	\$54,000	
Basement	0	\$35.00	\$0	
Garage	0	\$25.00	\$0	
Septic			\$7,500	
Subtotal Replacement Cost			\$61,500	
Entrepreneurial Incentive	8%		\$4,920	
Total Replacement Cost			\$66,420	
Value of Improvements			\$60,000	
\$ Depreciation			\$6,420	
% Depreciation			10.44%	
Annual Rate of Depreciation			0.61%	

	Property 4		
	MLS	21804323	
	Address	31 Freeman Ridge RD	
	City	Troy	
	Sale Date	7/10/2018	
	Sale Price	\$235,000	
	Acres	6.56	
	SF	943	
	Yr. Const.	1998	
	Overview	House with shop/garage	
	Land Value	\$110,000	
	Value of Improvements	\$125,000	
Property 4 Depreciation Calculations			
Item	SF	\$/SF	Repl. Cost
House Above Grade	943	\$100.00	\$94,300
Basement	0	\$0.00	\$0
Garage	960	\$35.00	\$33,600
Well/Septic/Site Improvements			\$30,000
Subtotal Replacement Cost			\$157,900
Entrepreneurial Incentive	8%		\$12,632
Total Replacement Cost			\$170,532
Value of Improvements			\$125,000
\$ Depreciation			\$45,532
% Depreciation			28.84%
Annual Rate of Depreciation			1.37%

Conclusion: The four depreciation comparables indicate that older existing improvements located in Troy area depreciate at a rate of 0.61% to 2.01% per year. In my opinion, the upper end of the range should be selected as an appropriate estimate of depreciation for the subject. I will use 1.65% per year as the rate of depreciation for the subject property. This reflects the incomplete status of the improvements. Typically, when an investor purchases a property that requires significant work, (such as the subject to complete the flooring, finish, paint, etc.) the investor would include contingency and entrepreneurial incentive which would have the effect of reducing the market value.

The following table shows the calculated % of depreciation and the total dollar depreciation.

Iron Grouse Improvements								
Building	Item	SF	Other	Total Value	Yr. Const	Annual Depr.	Total % Depr.	Total \$ Depr.
Main House	1st Floor	3,408		\$195,839	1980	1.65%	66.00%	(\$129,253)
	2nd Floor	298		\$17,124	1980	1.65%	66.00%	(\$11,302)
	Garage	1,152		\$23,936	1980	1.65%	66.00%	(\$15,797)
Shop	1st Floor	1,664	Garage	\$33,257	1998	1.65%	36.30%	(\$12,072)
	Storage	962	Unfinished	\$14,420	1998	1.65%	36.30%	(\$5,234)
	2nd Floor	512	Unfinished	\$25,582	1998	1.65%	36.30%	(\$9,286)
Furnace Room	1st Floor	390		\$18,915	2010	1.65%	16.50%	(\$3,121)
Total SF		8,386						(\$186,067)
Total Living Area		3,706		\$329,072				

The buildings are concluded to have overall depreciated by \$186,067 or roughly 56%.

- 2) Functional Obsolescence: In my opinion the design of the main structure is not market accepted. It is too large and the market would not consider all of the building SF. I searched the MLS for similar comparables to analyze for calculating a depreciation percentage. The largest house had only 2,330 SF of above grade space. In my opinion, the subject property is impacted negatively for this characteristic by 10%. It should be noted I did not include high-end/luxury estates in my search for comparables to analyze for depreciation.
- 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.

REPLACEMENT COST

COST APPROACH SUMMARY		AMOUNT	TOTAL
Property Type - 175 Iron Grouse RD			
Main House and Garage			\$236,898
Shop			\$73,258
Furnace			\$18,915
Total			\$329,072
Lump Sum Costs			
Paving	1	\$12,000	\$12,000
Landscaping	1	\$10,000	\$10,000
Well/septic	1	\$12,000	\$12,000
Patio/Deck/Miscellaneous	1	\$5,000	\$5,000
Total Lump Sum Costs			\$39,000
Total Direct Costs (Sum of Building Cost + Lump Sum Costs)			\$368,072
Indirect Costs (% of Total Direct Costs)		2.50%	<u>\$9,202</u>
Cost of Improvements			\$377,273
Primary Site			\$0
Excess Land			<u>\$0</u>
SUBTOTAL			\$377,273
Entrepreneurial Incentive (% of direct/indirect/land costs)		9%	<u>\$33,955</u>
SUBTOTAL			\$411,228
Depreciation From All Sources			
Physical Depreciation	-56%	(\$186,067)	
Functional Obsolescence	-10%	(\$36,807)	
External Obsolescence	0%	\$0	
Total Depreciation			(\$222,874)
SUBTOTAL			\$188,354
FF&E / Personal Property			<u>\$0</u>
VALUE CONCLUSION VIA THE COST APPROACH			\$188,354
ROUNDED			\$190,000

SUMMARY OF VALUES

The valuation analysis of improvements using the cost approach concludes the subject land has a fair market value of \$80,000. The improvements are concluded to have a fair market value of \$190,000.

The fair market value of the entire property is \$270,000.

175 Iron Grouse RD, Troy, MT	
Item	Value
Fair Market Value (Land)	\$80,000
Fair Market Value (Improvements)	\$190,000
Fair Market Value (Land and Improvements)	\$270,000

SALES COMPARISON APPROACH (IMPROVED)

The sales comparison approach will be used as a test of reasonableness only. There are four sales which will be analyzed in order to determine if the prior analysis which concludes the subject has a fair market value (land and improvements) of \$270,000 is reasonable.

The sales are presented below:

Test of Reasonableness	
Item	Information/Qty.
Address	4697 Lake Creek RD
City	Troy
Sale Date	7/5/2019
Sale Price	\$325,000
Improvements Des.	House and large shop
Improvements SF	Larger house has 1,944 SF of finished space with a 600 SF basement. Shop and guest quarters.
Age of Improvements	1996
Lot Size	13.86 acres
Comments: The improvements for this property are smaller than the subject, but the design includes guest quarters. The improvements are in superior condition to the subject's improvements. The site is over twice the size of the subject property. Lake Creek is a much larger stream than Iron Creek that flows on the subject property. Given the fact that this property has so many characteristics superior to the subject property it would be reasonable to conclude the subject would have a market value less than \$325,000.	

Test of Reasonableness	
Item	Information/Qty.
Address	427 Mountain View DR
City	Troy
Sale Date	9/13/2017
Sale Price	\$249,900
Improvements Des.	Two story residence with unfinished basement. It has a small shop.
Improvements SF	2,330 SF main house with 600 SF shop
Age of Improvements	1981
Lot Size	12.82 acres
<p>Comments: The residential improvements are smaller than the subject. The improvements are older and have not been updated although they are complete on the interior. The site size is much larger and includes a pond amenity in addition to frontage on Payne Creek. The shop is much smaller than the subject property. Overall, this property provides a reasonable indication of value for the subject property.</p>	

Test of Reasonableness	
Item	Information/Qty.
Address	4750 Lake Creek RD
City	Troy
Sale Date	12/21/2018
Sale Price	\$110,000
Improvements Des.	Small 1-bedroom cabin
Improvements SF	450 SF log cabin
Age of Improvements	2002, with remodel in 2015.
Lot Size	1.66
<p>Comments: This property is inferior to the subject in every regard including the size improvements, shop amenity and parcel size. It is included here only because it is located relatively close to the subject property. It has frontage on Iron Creek. It is reasonable to conclude the subject property has a market value much higher than \$110,000.</p>	

Test of Reasonableness	
Item	Information/Qty.
Address	31 Freeman Ridge RD
City	Troy
Sale Date	7/10/2018
Sale Price	\$235,000
Improvements Des.	Small two-bedroom house with detached shop
Improvements SF	943 SF house and 960 SF shop
Age of Improvements	1983 with some recent remodeling
Lot Size	6.56
Comments: This property is located much closer to Troy. In some instances it would be advantageous although for most services, individuals in the area would drive to Libby. The shop and residence are much smaller than the subject improvements. The landscaping is superior to the subject, but the stream is very small. When weighing all of the property characteristics, it is reasonable to conclude the subject property should have a market value higher than this sale, but not by a lot.	

The data via a sales comparison approach test of reasonableness does support the value conclusion in the report.

EXPOSURE TIME AND MARKETING PERIOD

Within the preceding sales comparison approach, the marketing periods of the individual comparable sales were analyzed. The marketing period for the sales ranged from 75 DOM to 200 DOM. This very short marketing period suggests a strong market for this property type.

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.

PHOTOS





Street view looking east on Iron Grouse RD.
The subject is on the right.











Furnace room



North elevation

	West elevation of shop
	Unfinished storage area of shop in background.
	South elevation of shop
	East elevation of shop

 A photograph showing the interior of a shop with unfinished storage. The ceiling is made of exposed wooden beams. There are blue metal shelving units and various cardboard boxes. A large cardboard box with a banana illustration and the text 'fresh egg' is prominent in the foreground.	Unfinished storage in shop
 A photograph of a cluttered shop interior. The walls are made of corrugated metal. There are various tools, equipment, and materials scattered throughout the space. A workbench is visible in the foreground.	Shop interior
 A photograph of a shop interior showing a workbench and shelving units. The shelves are filled with various items, including boxes and containers. The workbench has a green surface.	Shop interior
 A photograph of a second-story storage area in a shop building. The ceiling is made of wooden planks. There are wooden shelves and a window in the background.	Second story storage in shop building

	Second story storage in shop building
	Furnace room/storage
	Garage
	Entry from garage to main house

 A photograph of a small bathroom. On the left is a white toilet with its lid up. To the right is a shower area with a white curtain. The floor is covered in black and white checkered tiles.	Bath near entry
 A photograph of a laundry room. A white front-loading washing machine and a white front-loading dryer are side-by-side. Above them are wooden cabinets. Various laundry supplies are on top of the machines.	Laundry
 A photograph of a pantry. The shelves are filled with many cans of food, including soups, beans, and vegetables. There are also some boxes and jars on the lower shelves.	Pantry
 A photograph of a bedroom. A bed with a green and gold striped bedspread is in the foreground. To the left is a wooden dresser with a lamp on it. A window with curtains is in the background.	Bedroom

	Bathroom
	Bedroom
	Living
	Bonus

	Kitchen
	Second story loft
	Second story loft
	Bedroom

 A photograph of a master bathroom vanity. It features a white, drop-in, octagonal sink with a chrome faucet. The vanity is made of dark wood cabinets and a dark countertop. Various toiletries, including bottles of soap and shampoo, are on the counter. A green bath mat is on the floor.	Master bath
 A photograph of a master bathroom featuring a large, white, corner whirlpool bathtub. The tub is surrounded by a wooden deck. A wooden bench is placed next to the tub. The floor is covered with a light-colored tile.	Master bath
 A photograph of a sun room with a large, floor-to-ceiling window. A wooden ladder is leaning against the wall. The room has a wooden floor and some furniture is visible in the background.	Sun room
 A photograph of a closet with several clothes hanging on a rack. The floor is covered with a light-colored tile. A wooden box is on the floor.	Closet

ADDENDA

ATTACHMENTS TO CONTRACT FOR SERVICES

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 Lincoln County 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 Jack, James, & George Williams; and Harlan Galbraith. 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.

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 two (2) 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 Lincoln County Appraisals*

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

Subject Properties Located in Lincoln County:

Sale #	Acres	Legal Description
1021	<10.00 ±	Lot in N2SE4NE4, T27N-R29W, Sec. 36, Lincoln County
1022	<10.00 ±	Lot in SE4SW4NE4NW4, T31N-R34W, Sec. 36, Lincoln County

DNRC Contact Information:

Kelly Motichka, Lands Section Supervisor

PO Box 201601

Helena, MT 59620-1601

Phone: (406) 444-4165

kmotichka@mt.gov

Lessees:

(see DNRC contact for lessee information)

Sale 1021	Sale 1022
Jack, James, & George Williams	Harlan Galbraith

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.



Lot in N2SE4NE4, less road R/W, T27N-R29W, Sec. 36, Lincoln County



QUALIFICATIONS OF APPRAISER

WAYNE VALENTIC

Commercial Real Estate Appraiser

Personal Data

Phone
(406) 407-3007

Address
1236 Columbia Falls Stage
Columbia Falls, MT 59912

Email
wayne@pathfinderappraisals.com

Website
pathfinderappraisals.com

State & Regulatory Licensure
Montana Certified General
#959

Professional Affiliations
MAI Designation, Appraisal
Institute

Appraisal Experience

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

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.

Appraisal Education

Institute for Real Estate and Appraisal Studies
Basic Appraisal Education 2005

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

WAYNE VALENTIC

Commercial Real Estate Appraiser



McKissocks:

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

References:

References available upon request



