

**An Appraisal Report**

**of**

**1359 West Broadway  
Missoula, Missoula County, MT 59802**

**for**

**Mr. Dennis Bowman, Deputy Public Works Director - Utilities  
City of Missoula  
P.O. Box 5388  
Missoula, MT 59806**

**as of**

**October 6, 2020 (Date of Observation)  
October 29, 2020 (Date of Report)**

**by**

**Dane E. Willey and Kraig P. Kosena, MAI  
Kembel, Kosena & Company, Inc.  
West Spruce Commons, 432 West Spruce Street, Suite 101  
P.O. Box 16653  
Missoula, MT 59808-6653**

## **Table of Contents**

	<b><u>Page #</u></b>
INTRODUCTION.....	3
Summary of Salient Facts and Conclusions .....	7
Assumptions and Limiting Conditions.....	10
Privacy Notice.....	13
Types of Nonpublic Personal Information We Collect: .....	13
Parties to Whom We Disclose Information:.....	13
Confidentiality and Security:.....	13
DESCRIPTION, ANALYSIS, AND CONCLUSION .....	14
Record Owner and Brief Property History .....	15
Location of the Property .....	15
Legal Description.....	16
Definition of an Appraisal.....	17
Intended User of the Appraisal Report .....	17
Intended Use of the Appraisal Report.....	18
Scope of the Appraisal .....	18
Purpose of the Appraisal and Definition of Market Value .....	22
Date of Valuation .....	22
Exposure Time .....	23
Marketing Time.....	23
Property Rights Appraised.....	24
Regional, City, and Neighborhood Data and Analysis .....	24
Property Description .....	24
Site:.....	25
Site Improvements: .....	27
Structural Improvements: .....	27
Taxes and Assessments .....	28
Highest and Best Use.....	28
As Though Vacant:.....	29
As Improved: .....	32
Property Valuation .....	32
Sales Comparison Approach.....	34
Last Sale of the Subject Property:.....	35
Improved Sales Analysis: .....	35
Correlation and Conclusion of the Sales Comparison Approach:.....	41
Certification.....	44
ADDENDA	
Subject Property General Area Map	
Subject Property Location and Neighborhood Map	
Subject Property Aerial Photograph (Google Earth)	
Subject Property Photograph	
Appraisers' Qualifications and Licenses	
Appraiser Insurance Certificate	

# INTRODUCTION

**KEMBEL, KOSENA & COMPANY, INC.**

**REAL ESTATE APPRAISERS & CONSULTANTS**

October 29, 2020

Mr. Dennis Bowman, Deputy Public Works Director - Utilities  
City of Missoula  
P.O. Box 5388  
Missoula, MT 59806

Re: The appraisal of the property located at 1359 West Broadway, Missoula,  
Missoula County, Montana.

Dear Dennis:

In accordance with your request for an appraisal report setting forth the **market value** of the property under study, we are submitting the following report containing 65 pages.

The value opinion reported below is qualified by certain assumptions, limiting conditions, certifications, and definitions, which are set forth in the report. We particularly call your attention to the following extraordinary assumptions and hypothetical conditions:

extraordinary assumptions: this appraisal employs no extraordinary assumptions; and

hypothetical conditions: this appraisal employs no hypothetical conditions.

Based on the information gathered, the property under study is described legally on page 16 of this report.

The property rights appraised are the unencumbered fee simple estate. We assume no responsibility for the marketability of the title.



Mr. Dennis Bowman

October 29, 2020

To the best of our knowledge, this report is in conformance with the 2020-2021 Edition of the *Uniform Standards of Professional Appraisal Practice (USPAP)* which is effective through December 31, 2021.

An environmental assessment of the property has not been provided and it is assumed there are no environmental concerns related to the subject property. We are not qualified to detect hazardous materials or toxic waste. Any environmental risk discovered at a later date may or may not require a revised estimate of value, which may or may not simply be a reduction of the value by the estimated cost-to-cure of the environmental condition. Properties known to have environmental risk may carry a stigma in the marketplace which may or may not affect the value.

By reason of our investigations, studies, and analyses, an opinion has been formed that the **market value** of the subject property, as of October 6, 2020, assuming a reasonable marketing time of greater than six months, is as follows:

**Two Hundred Sixty Thousand Dollars**  
**(\$260,000)**

Your attention is invited to the data and discussions that follow and which are the foundations of this conclusion. The information that is retained in our office files, which was used in conjunction with this appraisal report, can be provided to you for an additional fee.

I, the undersigned project appraiser, Kraig P. Kosena, hold the MAI designation and am current in the Continuing Education Program of the Appraisal Institute. My member number is 10,933. I am also licensed by the State of Montana as Certified General Real Estate Appraiser. My license numbers are 225 and expires March 31, 2020. This license has never been suspended, revoked, canceled, or restricted.

Mr. Dennis Bowman

October 29, 2020

We appreciate the opportunity to be of service to you. Please contact us if you have any questions or if we can be of further service.

Respectfully submitted,

Kembel, Kosena & Company, Inc.

A handwritten signature in cursive script that reads "Dane E. Willey". The signature is written in dark ink on a white background.

Dane E. Willey

REA-RET-LIC-10816

A handwritten signature in cursive script that reads "Kraig P. Kosena". The signature is written in dark ink on a white background.

Kraig P. Kosena, MAI

REA-RAG-LIC-225

## **Summary of Salient Facts and Conclusions**

Record Owner	:	John Bakula and Mark Bakula.
Location of Property	:	1359 West Broadway, Missoula, Missoula County, Montana.
Property Rights Appraised	:	Unencumbered fee simple estate.
Historical Use	:	Commercial (retail/mixed-use).
Present Use	:	Commercial (retail/mixed-use).
Highest and Best Use		
As Though Vacant	:	Commercial development in conformance with zoning and existing developments.
As Improved	:	As improved.
Date of Value	:	October 6, 2020.
Date(s) of Observation	:	October 6, 2020.
Date of Report	:	October 29, 2020.
Exposure Time	:	The estimated reasonable exposure time of the subject property is approximately six months.
Marketing Time	:	In excess of exposure time estimate – greater than six months.
Site	:	According to the State of Montana Department of Revenue (DOR), the gross land area is ± 5,820 sf, or ± 0.134 acre.

The site is rectangular in shape.

The property is zoned C2-4 Community Commercial District. The property is also part of the DE-D Gateway Design Excellence

Overlay District. Both of these districts are governed by the City of Missoula.

The property fronts on West Broadway to the north, an alley to the south, privately-owned property to the west and property owned by the City of Missoula to the east.

Topography is level and at grade with adjacent streets and developments.

All utilities are available and to the site, including electricity, natural gas, communication, municipal water and sewer services.

The site is located in the designated flood hazard area; however, it is in an area with reduced risk due to a levee.

Site Improvements : As is typical for this type of development, site improvements relate mainly to asphalt pavement for on-site parking purposes.

Structural Improvements : The subject property is improved with a two-story, combination Class D (wood frame) and log commercial building that was built c. 1938.

Per the DOR, the building involves a gross building area of  $\pm 5,364$  sf. The building area consists of  $\pm 648$  sf of retail space and  $\pm 3,060$  sf of multi-use space on the main level,  $\pm 1,008$  sf of support/living area on the second floor, and involves  $\pm 648$  sf of basement storage area. Worth noting, the DOR records indicate  $\pm 1,088$  sf on the second level, however, the

building sketch shows  $\pm 1,008$  sf. Regardless, given the limited utility associated with this space in its current condition, we will be analyzing the building based solely on the main floor area of  $\pm 3,708$  sf.

The interior finish involves a combination of painted gypsum board, tongue and groove wood, log, and wood paneled walls. The ceiling involves a combination of painted acoustic ceiling tiles, exposed wood beams and painted gypsum board. There is a combination of floor coverings which consists of commercial tile, carpet, concrete, wood and vinyl.

The exterior finish is a combination of painted wood, log, and engineered siding with brick masonry facade on the front of the building.

Roofing appears to involve a combination of rubber membrane and asphalt shingle.

The condition of the property is considered to be poor for the age and use with typical deferred maintenance noted during the on-site property inspection.

**Market Value** by the Sales Comparison Approach - \$259,560.

**Final Indication of Market Value - \$260,000.**

## **Assumptions and Limiting Conditions**

This is to certify that we, in submitting these statements and opinions of value, acted in accordance with and was bound by the following principles, limiting conditions, and assumptions:

- ❖ This is an appraisal report which is intended to comply with the reporting requirements set forth under Standard Rule 2-2(a) of *USPAP*. As such, it might not include full discussions of the data, reasoning, and analyses that were used in the appraisal process to develop our opinions of value. Supporting documentation concerning the data, reasoning, and analyses is retained in our file. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. We are not responsible for the unauthorized use of this report.
- ❖ No responsibility is assumed for matters that are legal in nature nor is any opinion rendered on title of lands appraised.
- ❖ Unless otherwise noted, the property has been appraised as though free and clear of all encumbrances.
- ❖ All maps, areas, and other data furnished to us have been assumed to be correct. We have not made, or commissioned, a survey of the property.
- ❖ Neither the employment to make this appraisal nor the compensation is contingent upon the amount of valuation reported.
- ❖ We have made a personal observation of the property that is the subject matter of this report.
- ❖ To the best of our knowledge and belief, the statements of fact contained in this appraisal report upon which the analysis, opinions, and conclusions expressed herein are based are true and correct. Furthermore, no important facts have knowingly been withheld or overlooked.

- ❖ There shall be no obligation to give testimony or attendance in court by reason of this appraisal with reference to the property in question unless arrangements have been made previously.
- ❖ This appraisal report has been made in conformity with and is subject to the requirements of the *Code of Professional Ethics and Standards of Professional Conduct* of the Appraisal Institute and conforms to the *USPAP* adopted by the Appraisal Standards Board of the Appraisal Foundation.
- ❖ Disclosure of the contents of this appraisal report is governed by the bylaws and regulations of the Appraisal Institute.
- ❖ The liability of the appraisal firm of Kembel, Kosena & Company, Inc. and its employees are limited to the client and to the fee collected. Further, there is no accountability, obligation, or liability to any third party. If this report is placed in the hands of anyone other than the client, the client shall make such party aware of all limiting conditions and assumptions of the assignment and related discussions. We assume no responsibility for any cost incurred to discover or correct any deficiencies of any type present in the property: physically, financially, or legally.
- ❖ We have inspected as far as possible, by observation, the lands. However, it was not possible to personally observe conditions beneath the soil. The appraisal is based on there being no hidden, unapparent, or apparent conditions of the property site, subsoil, or toxic materials which would render it more or less valuable. No responsibility is assumed for any such conditions or for any expertise or engineering to discover them.
- ❖ It is assumed that the property which is the subject of this report will be under prudent and competent ownership and management: neither inefficient nor super-efficient.
- ❖ Unless otherwise stated in this report, we have no knowledge concerning the presence or absence of toxic materials on the subject site. If such are present the value of the property may be adversely affected and re-

appraisal at additional cost maybe necessary to estimate the effects of such.

- ❖ The appraisal is based on the premise that, there is full compliance with all applicable federal, state, and local environmental regulations, and laws unless otherwise stated in the report. Further, that all applicable zoning, building, building codes, use regulations, and restrictions of all types have been complied-with unless otherwise stated in the report. Further, it is assumed that all required licenses, consents, permits, or other legislative or administrative authority, local, state, federal, and/or private entity or organization have been or can be obtained or renewed for any use considered in the value estimate.

Neither all nor any part of the contents of this report (especially the conclusion as to the value, our identity, or the firm with which we are connected) or any reference to the MAI designation and/or the Appraisal Institute shall be disseminated to the public through advertising media, sales media, news media, public relations media, or any other public means of communication without our prior written consent and approval.



## **Privacy Notice**

Pursuant to the *Gramm-Leach-Bliley Act of 1999*, effective July 1, 2001, appraisers, along with all providers of personal financial services are now required by federal law to inform their clients of the policies of the firm with regard to the privacy of client nonpublic information. As professionals, we understand that privacy is very important and are pleased to provide this information.

### **Types of Nonpublic Personal Information We Collect:**

In the course of performing appraisals, we may collect what is known as “nonpublic personal information.” This information is used to facilitate the services that we provide and may include the information provided to us.

### **Parties to Whom We Disclose Information:**

We do not disclose any nonpublic personal information obtained in the course of our engagement with our clients to non-affiliated third parties, except as necessary or as required by law. By way of example, a necessary disclosure would be to our employees, and in certain situations, to unrelated third-party consultants who need to know that information to assist us in providing appraisal services. All of our employees and any third-party consultants we employ are informed that any information they see as part of an appraisal assignment is to be maintained in strict confidence within the firm. A disclosure required by law would be a disclosure by us that is ordered by a court of competent jurisdiction with regard to a legal action.

### **Confidentiality and Security:**

We will retain records relating to professional services that we have provided for a reasonable time so that we are better able to assist you. In order to protect nonpublic personal information from unauthorized access by third parties, we maintain physical, electronic, and procedural safeguards that comply with our professional standards to ensure the security and integrity of information.

Please feel free to call us at any time if you have any questions about the confidentiality of the information that you provide.

## **DESCRIPTION, ANALYSIS, AND CONCLUSION**

### **Record Owner and Brief Property History**

According to the Missoula County Clerk and Recorder's Office, the subject property is owned by John Bakula and Mark Bakula. The property has been in this specific ownership since November 1, 1995 when it was transferred via a Warranty Deed (Document No. 200714919) from Charles L. Mead and Hazel J. Mead. Due to the age of the transaction, the purchase price was not researched.

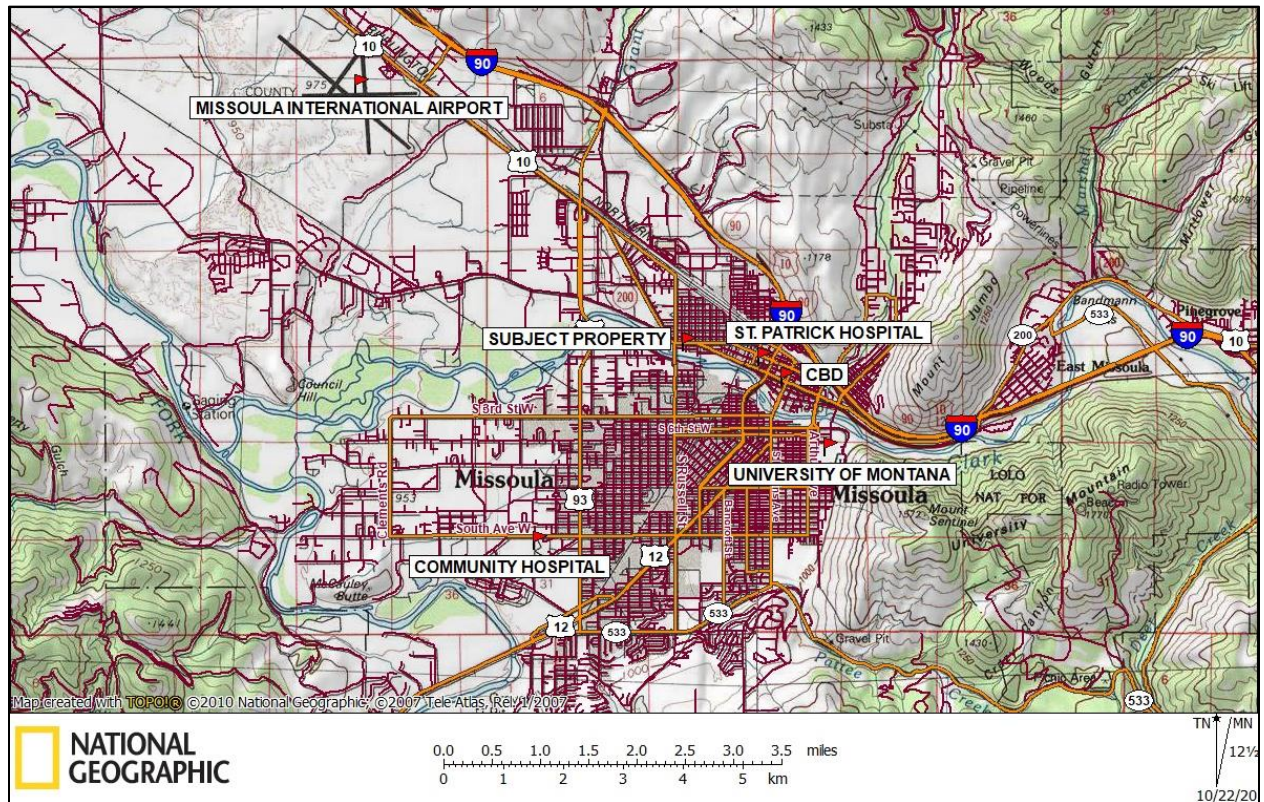
More importantly, as of the date of this appraisal, the property is under contract to be purchased by the City of Missoula. A complete copy of the Buy-Sell Agreement was requested, provided, and reviewed for purposes of this appraisal. The property is in the process of selling for \$250,000. Also, the property will remain in possession of the seller for up to six months after the closing date. It is noted that the parties involved in the sale will execute an Occupancy Agreement which will involve the seller paying for real property insurance, property taxes (if they apply) and all utilities during the occupancy period. Additionally, the seller will be responsible for repairs and maintenance of the property during that same time period.

Regarding the history of the property, the property is improved with a commercial building that is currently owner-occupied by Wooden Images. This building was previously a 4B's restaurant many years ago.

### **Location of the Property**

The subject property is located along the south side of West Broadway, in the northwestern portion of the City of Missoula. The actual subject property street address is 1359 West Broadway, Missoula, Missoula County, Montana.

A map showing the general location of the property relative to Missoula follows.



**SUBJECT PROPERTY GENERAL AREA MAP**

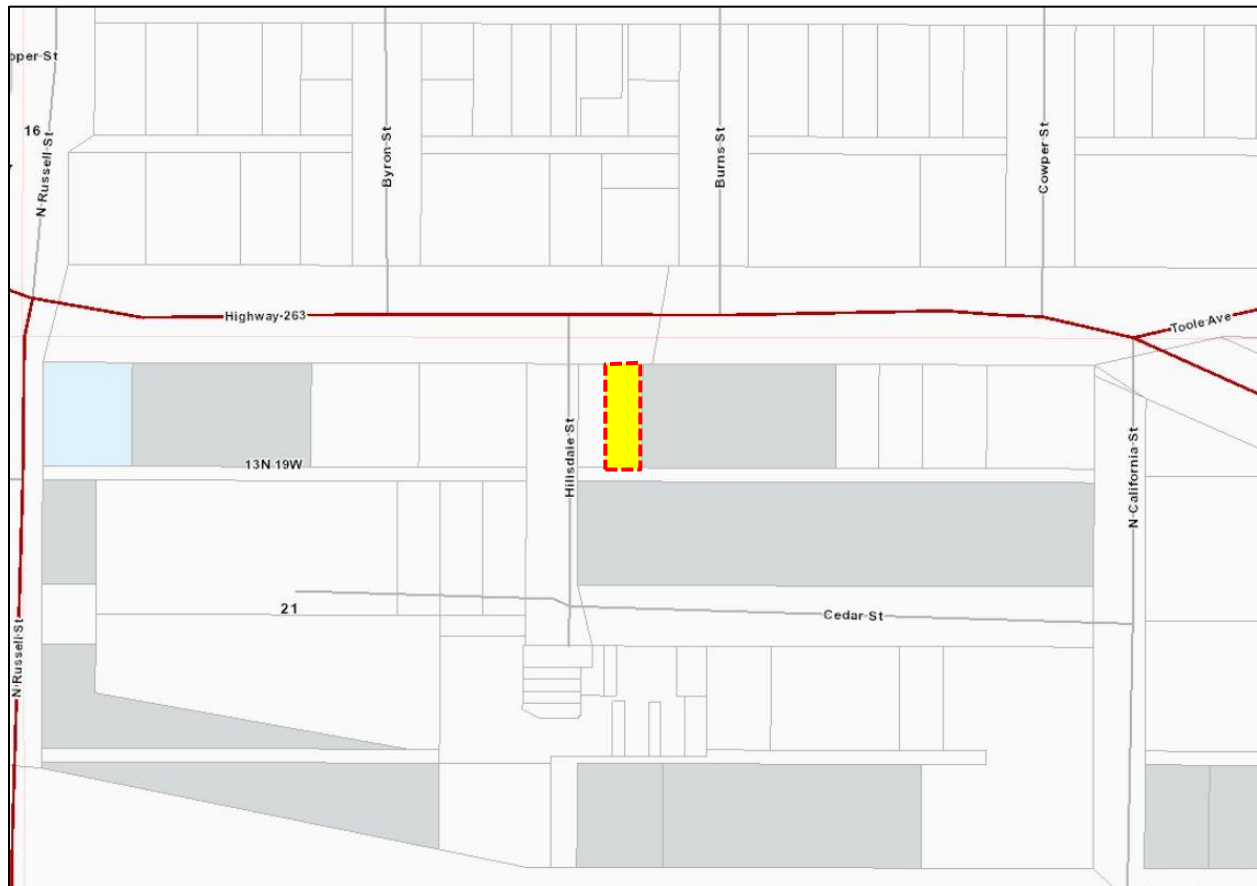
The location of the subject property is illustrated by a Subject Property General Area Map, a Subject Property Location and Neighborhood Map, and a Subject Property Aerial Photograph (Google Earth) in the Addenda of this report.

### **Legal Description**

Based on the information available, the legal description of the site is as follows:

The West 10' of Lot 21, all of Lot 22 and Lot 23, except the West 11½' of said Lot 23; all in Block 8 of McCormick's Addition No. 2, in the City of Missoula, Missoula County, Montana, according to the official recorded plat thereof.

A subject property site map follows as obtained from the State of Montana Cadastral website:



**SUBJECT PROPERTY SITE MAP**

A Subject Property Aerial Photograph (Google Earth) area also included in the Addenda of this report.

### **Definition of an Appraisal**

As recognized by the 14<sup>th</sup> Edition of the Appraisal Institute's *The Appraisal of Real Estate*, the following definition of an appraisal is hereby presented to aid the reader in understanding exactly what is meant by the term:

**Appraisal:** The act or process of developing an opinion of value.

### **Intended User of the Appraisal Report**

It is our understanding that the intended user of this product is our client, the City of Missoula.

## **Intended Use of the Appraisal Report**

The intended use of this appraisal report is to assist our client in establishing the current **market value** of the subject property to be used in conjunction with a potential purchase of the property.

## **Scope of the Appraisal**

**General Information:** The client in this assignment is the City of Missoula and our point of contact is Mr. Dennis Bowman, Deputy Public Works Director – Utilities, City of Missoula.

Regardless of who pays for this appraisal, the intended user is the client(s) only. This appraisal may not be appropriate for other users. Therefore, this appraisal may not be used for relied on by anyone other than the stated intended user(s), regardless of the means of possession of this report, without our express written consent. We, the firm of Kembel, Kosena & Company, Inc., and related parties assume no obligation, liability, or accountability to any third party without such written consent.

We have diagnosed the intended user(s) problem and have generated the following primary appraiser information as a means of assisting in its solution: an opinion of **market value** of the unencumbered fee simple estate, the related exposure time, and the highest and best use.

The property was identified by the client providing the name of the property owner and the general location of the site. This information was used to access the DOR property record card (PRC).

The opinion of **market value** is as of the last date of observation, October 6, 2020.

The property rights appraised are the unencumbered fee simple estate.

This appraisal is intended to conform to the supplemental standards associated with an “appraisal” as defined by the Federal Banking Regulatory Agencies.

The three generally-accepted real property valuation approaches are the cost approach, the sales comparison approach, and the income capitalization approach.

Due to the built-up nature of the neighborhood and the age of the subject property structural improvements, we determined that the cost approach was not necessarily appropriate to this assignment and, therefore, was not developed.

The sales comparison approach was developed and within this approach we considered an overall dollars per square foot (\$/sf) technique for the above grade building area.

With regard to the income capitalization approach, since the subject property is owner-occupied and would generally be owner-occupied, the income capitalization approach was not considered pertinent and was not developed as part of this assignment. It is felt that the next potential buyer would not purchase the property based on an investment decision involving the potential gross income, effective gross income and an overall capitalization rate.

We are competent in terms of training and experience in the type of property and market area that is the subject of this appraisal, the analytical methods used, and the use(s) of the appraisal.

Much of the scope of work is discussed throughout the report (limiting conditions, general assumptions, final reconciliation, etc.).

This appraisal is intended to comply with *USPAP*, the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, and local State laws.

For appraisal purposes, an extraordinary assumption is defined in *USPAP* as follows:

**Extraordinary Assumption:** An assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions.

No extraordinary assumptions were utilized in this appraisal.

Per the same source, a hypothetical condition is defined as:

**Hypothetical Condition:** 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 purposes of analysis.

Similarly, no hypothetical conditions were considered in this appraisal assignment.

**Subject Property Data Gathering:** The subject property's data was obtained from research, interviews, an on-site property observation, and from plans and specifications (when available).

The DOR PRC was obtained directly from the Missoula field office and the most recent transferring document was obtained from the Missoula County Clerk and Recorder's Office. The zoning and flood hazard information were obtained and checked from maps maintained and published by the City of Missoula Office of Development Services. Additional flood hazard information was supplied from a third-party provider. The local multiple listing service (MLS) was searched for previous sales and listings of the subject property.

On-site and aerial (drone) observations were conducted on October 6, 2020.

In conjunction with this appraisal, we did drive through the neighborhood noting types of properties, their ages and conditions.

The secondhand information was verified depending on the perceived credibility of the initial source. In most cases, the initial source was considered to be credible and reliable.

**Market Data Gathering:** The data was located through a search of the local MLS and a network of professional associates including real estate agents and brokers and other real estate appraisers. Generally speaking, the data researched is current within the past three years.

The sales price, date of sale, and days on market information were found either on the MLS sheet or through the interview process. Recording documents show buyer and



seller information as well as date of sale. As a non-disclosure state, actual sales price information is not available through either the State of Montana or local counties. PRCs, the local MLS system, and office files were checked for the previous sales of the comparable sale properties.

The physical characteristics were gathered from the local MLS system, the PRC, as well as from a visual observation taken from curb-side of each comparable used in conjunction with this appraisal. In some cases, office files are referenced if this firm has previously appraised one of the properties being considered as a comparable in this report.

Most all of the secondhand data was corroborated from at least two sources. Transfer documents, PRCs, and the local MLS were used to check completeness and consistency.

**Analysis:** The valuation approach which was considered herein includes just the sales comparison approach.

**Sales Comparison Approach:** Within the sales comparison approach, sales of similar (to varying degrees given the size and location of the subject property and the limitations of the small market) commercial properties were researched. The sales comparison analysis was based on local data and the unit of comparison that we considered was the \$/sf.

The results of our research efforts culminated in six closed sales and the pending sale of the subject property, that were considered to be reasonable comparables and offer reliable indicators of market value.

The sale properties were analyzed and compared to the subject property, differences recognized, and adjustments made (to the extent that the available data will allow).

Overall, the quality of the data available for the sales comparison approach was felt to be reasonable, resulting in a reliable indicator of current **market value** for the subject property.

## **Purpose of the Appraisal and Definition of Market Value**

The purpose of this appraisal is to estimate the current **market value** of the subject property. **Market value**, as defined by the Appraisal Standards Board of The Appraisal Foundation for the purposes of the *USPAP* and used in this report, is:

**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 are the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- ❖ buyer and seller are typically motivated;
- ❖ both parties are well informed or well advised, and acting in what they consider their own best interests;
- ❖ a reasonable time is allowed for exposure in the open market;
- ❖ payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and
- ❖ 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); 55 Federal Register 34696, August 24, 1990, as amended at 57 Federal Register 12202, April 9, 1992; 59 Federal Register 29499, June 7, 1994.

## **Date of Valuation**

All values are related in time to the last date of physical observation, October 6, 2020.

## **Exposure Time**

Exposure time is always presumed to precede the effective date of the appraisal. Exposure time is defined as follows in the 6<sup>th</sup> Edition of *The Dictionary of Real Estate Appraisal* as published by the Appraisal Institute:

**Exposure Time:** 1. the time a property remains on the market; and 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.

The typical method of estimating exposure times is to investigate exposure times of comparable sales. The logic being that if the sales are current and comparable, the exposure time expectation for the subject property should be within the range indicated by the comparable sales, if the subject property was made available for sale and priced reasonably and competitively.

In this case, in an effort to estimate a reasonable exposure time for the subject property, we have relied mainly on the reported exposure times of the sales presented for consideration in the sales comparison approach. Based mainly on this data as well as significant anecdotal information including numerous real estate agent and broker interviews, we have concluded that a reasonable exposure time for the subject property would be approximately six months assuming that the property would be actively marketed at a reasonable and competitive price.

## **Marketing Time**

Unlike exposure time, the marketing time estimate is prospective in nature. Marketing time is defined as:

**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.

This definition is also per the 6<sup>th</sup> Edition of *The Dictionary of Real Estate Appraisal* as published by the Appraisal Institute.

Given the date of this report, October 29, 2020, and the current worldwide health and economic crisis as a result of the COVID-19 virus, it seems reasonable to expect that a marketing time in excess of the estimated exposure time would be reasonable, i.e., more than six months.

### **Property Rights Appraised**

The property rights being appraised are the unencumbered fee simple estate.

According to the 6<sup>th</sup> Edition of the Appraisal Institute's *The Dictionary of Real Estate Appraisal*:

**Fee Simple Estate:** 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.

No responsibility for the marketability of the title of the subject property in this report is assumed.

### **Regional, City, and Neighborhood Data and Analysis**

This section of the report has been intentionally omitted due to the summary nature of this report as well as the client's familiarity with the region, city, and neighborhood.

### **Property Description**

The following description of the subject property is based on our research of the records of the State of Montana and Missoula County as well as a thorough property observation. Again, due to the summary nature of this report and the maps and photographs included in the Addenda of this report as exhibit items, this narrative discussion of the property is admittedly and intentionally brief.



**Site:**

According to the DOR, the gross land area is  $\pm 5,820$  sf, or  $\pm 0.134$  acre.

The site is rectangular in shape.

The property is zoned C2-4 Community Commercial District. The property is also part of the DE-D

Gateway Design Excellence Overlay District. Both of these districts are governed by the City of Missoula.

The property fronts on West Broadway to the north, an alley to the south, privately-owned property to the west and property owned by the City of Missoula to the east.

Topography is level and at grade with adjacent streets and developments.

All utilities are available and to the site, including electricity, natural gas, communication, municipal water and sewer services.

Based on our interpretation of the flood hazard area maps, the subject property is located in the designated flood hazard area; however, it is in an area with reduced risk due to a levee. The Federal Emergency Management Agency (FEMA) map which pertains to the subject property is Panel No. 30063C1195E dated July 6, 2015.

Following is a copy of the FEMA map that relates to the subject property.





For the purposes of this report, the soils have not been independently studied nor do we make any representation as to their suitability. However, based on existing developments in the area, it appears that the soils in the area offer adequate load-bearing qualities for most types of development. There do not appear to be any drainage problems associated with the site.

On the issue of soil degradation, an Environmental Site Assessment Report has not been performed. **It is assumed there are no environmental concerns related to the subject. We are not qualified to detect hazardous materials or toxic waste.** Any environmental risk discovered at a later date may or may not require a revised estimate of value, which may or may not simply be a reduction of the value by the estimated cost-to-cure of the environmental condition. Properties known to have environmental risk may carry a stigma in the marketplace, which may or may not affect the value. For more specific environmental site information, it is recommended that, at a minimum, a phase one audit be completed by a qualified soils engineer.



on-site parking purposes.

### **Site Improvements:**

The term site improvements generally refers to such things as landscaping, asphalt paved parking areas, fencing, etc.

As is typical for this type of development, site improvements relate mainly to asphalt pavement for



### **Structural Improvements:**

The subject property is improved with a two-story, combination Class D and log commercial building that was built c. 1938.

Per the DOR, the building involves a gross building area of  $\pm 5,364$  sf. The building area consists of  $\pm 648$  sf of retail space and  $\pm 3,060$  sf of multi-use space on the main level,  $\pm 1,008$  sf of support/living area on the second floor, and involves  $\pm 648$  sf of basement storage area. Worth noting, the DOR records indicate  $\pm 1,088$  sf on the second level, however, the building sketch shows  $\pm 1,008$  sf. Regardless, given the limited utility associated with this space in its current condition, we will be analyzing the building based solely on the main floor area of  $\pm 3,708$  sf.

The interior finish involves a combination of painted gypsum board, tongue and groove wood, log, and wood paneled walls. The ceiling involves a combination of painted acoustic ceiling tiles, exposed wood beams and painted gypsum board. There is a combination of floor coverings which consists of commercial tile, carpet, concrete, wood and vinyl.

The exterior finish is a combination of painted wood, log, and engineered siding with brick masonry facade on the front of the building.

Roofing appears to involve a combination of rubber membrane and asphalt shingle.

The condition of the property is considered to be poor for the age and use with typical deferred maintenance noted during the on-site property inspection.

Included in the Addenda of this report are numerous color photographs of the property as of October 6, 2020.

### **Taxes and Assessments**

The following tabulation details the parcel number, assessed value, and current property taxes for the subject property.

TABULATION OF SUBJECT PROPERTY TAXES AND ASSESSMENTS				
PARCEL NO.	GEO CODE	LAND AREA (SF)	ASSESSED VALUE	2019 PROPERTY TAXES
660602	04-2200-21-2-20-08	5,820	\$290,800	\$5,354.32

Complete copies of the DOR records and the Missoula County 2019 real property tax bill are retained in our office work file.

### **Highest and Best Use**

The following definition of highest and best use is taken from the 14th Edition of the Appraisal Institute's *The Appraisal of Real Estate*:

**Highest and Best Use:** The reasonably probable and legal use of vacant land or an unimproved property that is physically possible, legally permissible, appropriately supported, financially feasible, and that results in the highest value.

Implied in this definition is the recognition of the contribution of that specific use to community environment or to community development goals in addition to wealth maximization of individual property owners.



Also implied is that the determination of highest and best use results from the appraiser's judgment and analytical skill, i.e., that the use determined from analysis represents an opinion, not a fact to be found. In appraisal practice, the concept of highest and best use represents the premise upon which value is based. In the context of most probable selling price (**market value**), another appropriate term to reflect highest and best use would be most "probable use." In the context of investment value, an alternative term would be most "profitable use."

### **As Though Vacant:**

In considering the highest and best use of the subject property, as though vacant and available to be developed to its highest and best use, we gave consideration to any and all uses to which the property is capable of being adapted, or developed, if vacant and unimproved.

The five categories of use recognized are residential, commercial, industrial, agricultural, and special-purpose.

The residential classification typically includes single family residences, duplexes, and four-plexes.

Commercial developments generally include such things as office buildings, retail centers, restaurants, hotels, motels, and multi-family housing developments.

The industrial classification includes such uses as manufacturing parks, warehouses, etc.

Agricultural land uses include cropland, pastureland, timberland, and orchards.

The special-purpose use refers to properties with unique design, or construction, which restricts their utility to the intended use for which they were built and generally includes such things as schools, churches, parks, museums, airports, etc.

Consideration must be given to these uses, recognizing the limitations imposed by the four generally-accepted criteria for highest and best use. These are physically possible, legally permissible, financially feasible, and maximally productive.

To elaborate on these, physically possible recognizes such factors as size, shape, area, terrain, and utilities available.

Legally permissible involves restrictions such as homeowners associations, zoning regulations, building codes, historic district controls, and environmental regulations.

Financially feasible relates to all uses that are expected to produce a positive return.

Maximally productive relates to those uses which satisfy the other three criteria and produce the highest price or value consistent with the return expected by investors in the area.

The property is located within the zoning boundaries of the City of Missoula. Therefore, it is governed by a City of Missoula zoning ordinance and as such we would submit that it makes most sense to consider the legal permissibility criteria first.

**Legally Permissible:** This criterion relates to zoning designations or other governmental restrictions for the site, but also recognizes any declaration of covenants, conditions, or restrictions. Conservation easements would be included here as legally limiting the potential development of a property.

Currently, the subject property is governed by a City of Missoula zoning ordinance, C2-4 Community Commercial District. The C2-4 designation allows for many commercial uses and all residential uses would be permitted in the C2-4 district. The property is also part of DE-D Gateway Design Excellence Overlay District. This district focuses on the downtown area and a selection of Missoula's commercial corridors. This design overlay is supposed to promote design excellence in these areas. As such, it looks as though any redevelopment which includes demolition and modification of the site or improvement would may need to be reviewed to be sure all requirements are met for this district.

Worth noting, the property is located in the Tax Increment Financing District and is located in Missoula's Opportunity Zone (OZ). The OZ allows taxpayers who reinvest unrealized capital gains into opportunity funds which are used for investing in low-income areas known as opportunity zones. The taxpayers receive a federal tax incentive for their investment into the opportunity funds. These zones are selected by

governors in each state. They are thought to promote long-term economic development in the selected low-income areas.

To the best of our knowledge, there are no other legal considerations that would limit the potential of the site, i.e., covenants, deed restrictions, easements (including conservation easements), etc.

**Physically Possible:** The physical features of a site which may affect the potential use(s) include, but are not limited to, location, frontage, size, shape, access, availability of utilities, easements, soils and subsoils, topography, and designated flood hazard considerations.

The subject property involves a land area of  $\pm 5,820$  sf. The property is located on the south side of West Broadway in the northwestern portion of the City of Missoula in the southeastern quadrant of the intersection of West Broadway and Hillsdale Street. Land uses in the immediate area are a combination of commercial and residential.

The property is located in the designated flood hazard area; however, it is considered to be in an area of reduced flood risk due to a levee.

Overall, the property is felt to have good physical attributes for many, but not all, types of development. Those uses that are felt to be culled out at this point include potential developments with large land requirements, i.e., agricultural.

**Financially Feasible and Maximally Productive:** Financial feasibility relates to the investment in the land producing a positive return to the investor, or developer. A positive return to the investment suggests a financially feasible use of the property. This may be a cash return or a return as measured by the utility of the land to the owner.

The highest, or maximum, return on the investment indicates the maximum productivity of the property. This factor is more difficult to measure, as different investors may have differing return requirements. In the case of vacant land, this may be measured by the highest price the land will bring when exposed to the open market.

**Conclusion:** Recognizing the subject's site size, the location, current zoning, the topography, the current local and national economy, and especially the demand for property in the area, it is our opinion that the highest and best use of the property, as if vacant, would be for a commercial development in conformance with other developments in the area.

**As Improved:**

Generally, the only time that the highest and best use of a property as improved will differ from that use for which the property is currently being used, is when the existing improvements no longer contribute to the overall value of the property.

In this case, the structural improvements are considered to be in poor condition and certainly contribute value to the whole property. With this in mind, it is our opinion that the as improved highest and best use of the property is, in fact, the existing use, which is the commercial building that is currently owner-occupied by Wooden Images. This said, the current use is likely an interim use given development interest in this portion of the City of Missoula and it would not surprise us to see the existing improvements razed in the not-too-distant future to allow for redevelopment of the site.

**Property Valuation**

The appraisal process is a systematic process in which the problem is defined, the work necessary to solve the problem is planned, and the data involved is acquired, classified, analyzed, and interpreted into an estimate of value.

There are three traditional, or generally-accepted, techniques used in estimating the **market value** of real property. These are generally referred to as the cost approach, the sales comparison approach, and the income capitalization approach.

The cost approach is an estimation of the value of the land, as if vacant and available to be developed to its highest and best use, by market comparisons to which the depreciated, or contributory, value of the improvements is added.

The sales comparison approach is a technique that produces an indication of value by a direct comparison of similar property types that have recently sold, to the subject

property; appropriate adjustments for differences are made when and where necessary.

The income capitalization approach produces a value indication by capitalizing the net income, or earning power, of the property by a rate reflected by market transactions or behaviors.

The three approaches to value do not necessarily apply to all types of property. A decision must be made whether a particular approach is applicable in each instance. The key to this decision is whether or not the approach is practical as a yardstick of market performance, or merely a theoretical application. These observations are particularly pertinent in the appraisal of properties in transition to a higher and better use, as well as special use properties where value-in-use is more applicable than **market value**.

In this case, recognizing the type of property under consideration in this appraisal assignment, we have concluded that only the sales comparison approach is most pertinent to the process and should result in a reliable indication of **market value**.

## **Sales Comparison Approach**

According to the 14<sup>th</sup> Edition of the Appraisal Institute's *The Appraisal of Real Estate*,

**Sales Comparison Approach:** The process of deriving a value indication for the subject property by comparing similar properties that have been recently sold with the property being appraised, identifying appropriate units of comparison, and making adjustments to the sales prices (or unit prices, as appropriate) of the comparable properties based on relevant, market-derived elements of comparison. The sales comparison 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.

Inherent to the sales comparison approach is the principle of substitution. According to the 14<sup>th</sup> Edition of the Appraisal Institute's *The Appraisal of Real Estate*,

**Principle of Substitution:** The appraisal principle that states that when several similar or commensurate commodities, goods, or services are available, the one with the lowest price will attract the greatest demand and widest distribution. This is the primary principle upon which the cost and sales comparison approaches are based.

Before getting into the actual valuation analysis, we first want to point out that it is our experience that, in our small market, a bracketing technique works well. Contemporary appraisal texts have just recently begun to recognize bracketing as a valuation technique. Overall, we are of the opinion that the bracketing technique recognizes the imperfect data found in the marketplace. The 14<sup>th</sup> 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 comparables 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 us appraisers in our final value estimate.

### **Last Sale of the Subject Property:**

At this juncture, before discussing the comparisons and analyses of the improved sales, we typically first discuss and analyze the most recent sale of the subject property. Again, according to the Missoula County Clerk and Recorder's Office, the subject property is owned by John Bakula and Mark Bakula. The property has been in this specific ownership since November 1, 1995 when it was transferred via a Warranty Deed (Document No. 200714919) from Charles L. Mead and Hazel J. Mead. Again, due to the age of the transaction, the purchase price was not researched.

More importantly, as of the date of this appraisal, the property is under contract to be purchased by the City of Missoula. A complete copy of the Buy-Sell Agreement was requested, provided, and reviewed for purposes of this appraisal. The property is in the process of selling for \$250,000. Also, the property will remain in possession of the seller for up to six months after the closing date. It is noted that the parties involved in the sale will execute an Occupancy Agreement which will involve the seller paying for real property insurance, property taxes if they apply and all utilities during the occupancy period. Additionally, the seller will be responsible for repairs and maintenance of the property during that same time period. Based on our sale confirmation, this pending sale of the subject property appears to meet the criteria of an arm's-length transaction and, therefore, should be given primary consideration in this analysis.

### **Improved Sales Analysis:**

We will now proceed with the improved sales. Again, the unit of comparison that we have employed in this analysis is the \$/sf, which is the product of the following calculation:

$$\frac{\text{confirmed sales price}}{\text{above grade building area}} = \$/\text{sf indication}$$

Following is a tabulation of the improved commercial sales being considered in this analysis and for each of the sales we have calculated the overall \$/sf indication. The improved sales are arranged on the tabulation chronologically with the pending sale of the subject property being Improved Sale No. 1 and the first closed sale being Improved Sale No. 2.

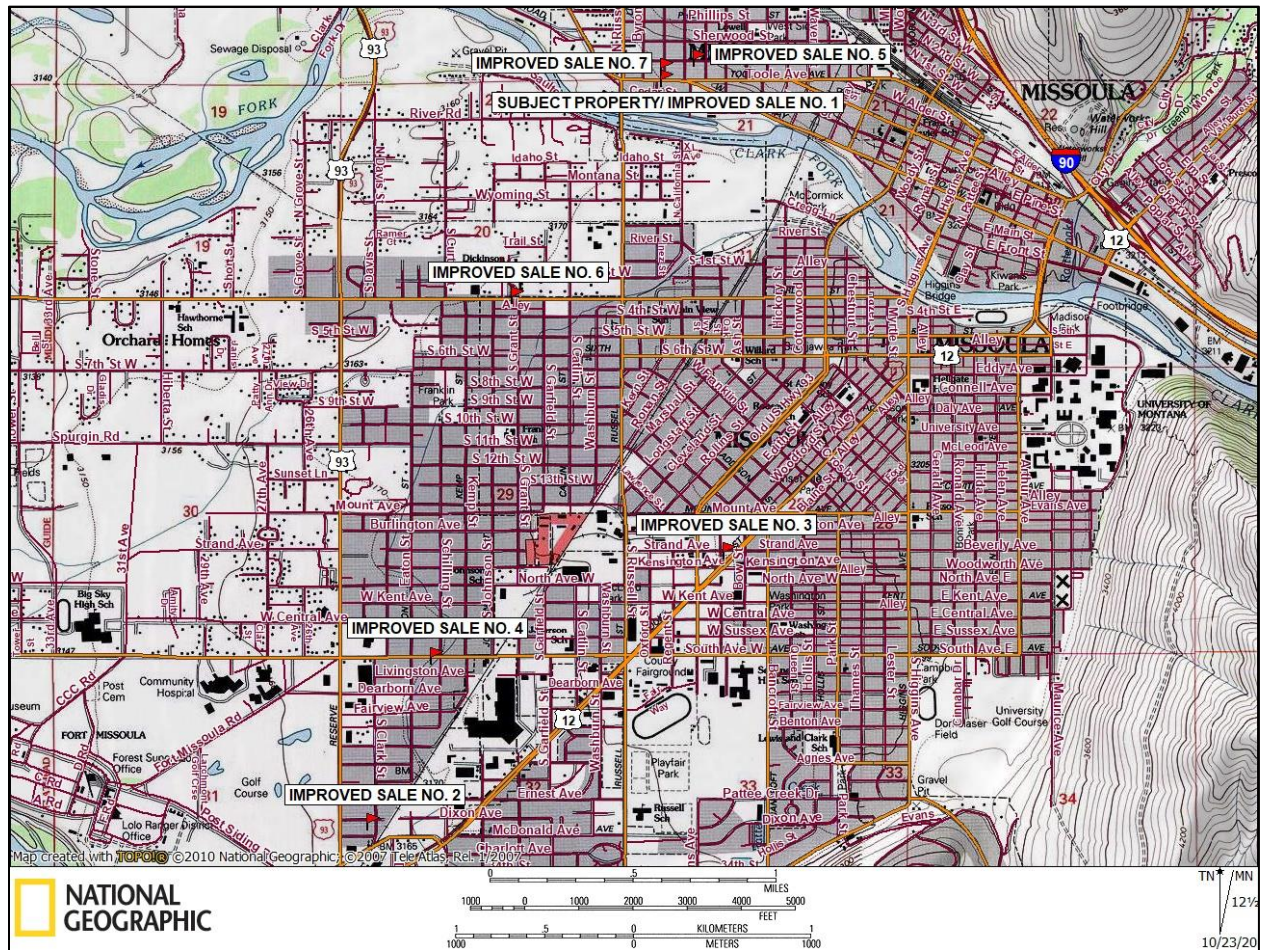
TABULATION OF IMPROVED SALES										
SALE NO.	LOCATION	GRANTOR GRANTEE	RECORDING DATA	SALE DATE	SALE PRICE	IMPVTS. GBA	YEAR BUILT	LAND AREA	L/B RATIO	SALE INDICATION
SP/IS 1.	1359 W. Broadway	Bakula City of Msla.	Pending	Pending	\$250,000	3,708	1938	5,820	1.6	\$67.42
IS 2.	2404 McDonald Ave.	PTL JT Squared	202002751 WD	2/20	\$209,500	1,232	2007	3,837	3.1	\$170.05
IS 3.	1803 Brooks St.	Vizzutti Fen	201912909 WD	8/19	\$353,000	2,857	1954	5,000	1.8	\$123.56
IS 4.	2205 South Ave. W.	A & J Farr	201822182 WD	12/18	\$575,000	6,107	1962	12,124	2.0	\$94.15
IS 5.	1521 Cooper St.	Dogs Life Exclusive Arts	201821120 WD	11/18	\$450,000	4,064	1955	7,800	1.9	\$110.73
IS 6.	1919 S. 3 <sup>rd</sup> St. W.	Eldridge Enoch, LLC	201815194 WD	8/18	\$240,000	1,026	1954	10,200	9.9	\$233.92
IS 7.	1358 W. Broadway	Buckner Mortel	201814719 WD	8/18	\$185,000	3,600	1955	3,600	1.0	\$51.39
LOW INDICATOR					\$185,000	1,026	1938	3,600	1.0	\$51.39
HIGH INDICATOR					\$575,000	6,107	2007	12,124	9.9	\$233.92
MATHEMATICAL MEAN					\$323,214	3,228	1961	6,912	3.0	\$121.60
MATHEMATICAL MEDIAN					\$250,000	3,600	1955	5,820	1.9	\$110.73

Numerous other sales have also been considered. However, those included herein were felt to be the most comparable to the subject property.

On the overall \$/sf basis, the commercial property data set indicated an unadjusted range from ± \$51.39/sf up to ± \$233.92/sf with mean and median indications of ± \$121.60/sf and ± \$110.73/sf, respectively. The standard deviation is ± \$62.85/sf and the coefficient of variation is ± 51.7%.

The location of the subject property as well as each of the improved sales presented in the data set are presented on the following Improved Sales Location Map.





**IMPROVED SALES LOCATION MAP**

The following are brief comments regarding each of the commercial property sales presented other than the pending sale of the subject property, Improved Sale No. 1, which has already been discussed.



**Improved Sale No. 2:** This February 2020 sale involved the commercial building located 2404 McDonald Avenue.

This property involves  $\pm 3,837$  sf of commercial land that is improved with a multi-purpose commercial building which involves  $\pm 1,232$  sf above

grade. This building was built c. 2007.

The land-to-building ratio is  $\pm 3.1:1$ .

The confirmed sales price was \$209,500 which indicates  $\pm$  **\$170.05/sf**.

This sale was memorialized with a Warranty Deed recorded as Document No. 5202002751, a copy of which was reviewed for appraisal purposes and is retained in our office work file.



**Improved Sale No. 3:** This August 2019 sale involved the commercial building located at 1803 Brooks Street.

This property involves  $\pm 5,000$  sf of commercial land that is improved with a multi-purpose commercial building which involves  $\pm 2,857$  sf above grade. This building was built c.

1954. Since this sale date, the property has been undergoing an extensive remodel.

The land-to-building ratio is  $\pm 1.8:1$ .

The confirmed sales price was \$353,000 which indicates  $\pm$  **\$123.56/sf**.

This sale was memorialized with a Warranty Deed recorded as Document No. 201912909, a copy of which was reviewed for appraisal purposes and is retained in our office work file.





**Improved Sale No. 4:** This commercial property sold in December of 2018 and is located at 2205 South Avenue West.

This property involves two parcels which involve a total of  $\pm 12,124$  sf of commercial land that is improved with a multi-purpose commercial building

which involves  $\pm 6,107$  sf above grade with  $\pm 1,054$  sf of basement area. The structural improvements were built c. 1962.

The land-to-building ratio is  $\pm 2.0:1$ .

The confirmed sales price was \$575,000 which indicates  $\pm$  **\$94.15/sf**.

This sale was memorialized with a Warranty Deed recorded as Document No. 201822182, a copy of which was reviewed for appraisal purposes and is retained in our office work file.



**Improved Sale No. 5:** This November of 2018 sale involved the commercial building located at 1521 Cooper Street.

This property involves  $\pm 7,800$  sf of commercial land that is improved with a multi-purpose commercial building which involves  $\pm 4,064$  sf above

grade. This building was built c. 1955.

The land to building ratio is  $\pm 1.9:1$ .

The confirmed sales price was \$450,000 which indicates  $\pm$  **\$110.73/sf**.

This sale was memorialized with a Warranty Deed recorded as Document No. 201821120, a copy of which was reviewed for appraisal purposes and is retained in our office work file.



was built c. 1954.

**Improved Sale No. 6:** This August 2018 sale involved the commercial building located at 1919 South 3<sup>rd</sup> Street West.

This property involves  $\pm 10,200$  sf of commercial land that is improved with a commercial building consisting of  $\pm 1,026$  sf above grade. This structure

The land-to-building ratio is  $\pm 9.9:1$ .

The confirmed sales price was \$240,000 which indicates  $\pm$  **\$233.92/sf**.

This sale was memorialized with a Warranty Deed recorded as Document No. 201815194, a copy of which was reviewed for appraisal purposes and is retained in our office work file.



a multi-purpose commercial building consisting of  $\pm 3,600$  sf above grade. This structure was built c. 1955.

**Improved Sale No. 7:** This commercial building located at 1358 West Broadway, sold in August of 2018. This property is located just north of subject property on the north side of West Broadway.

This property involves  $\pm 3,600$  sf of commercial land that is improved with

The land-to-building ratio is  $\pm 1.0:1$ .

The confirmed sales price was \$185,000 which indicates  $\pm$  **\$51.39/sf**.

This sale was memorialized with a Warranty Deed recorded as Document No. 201814719, a copy of which was reviewed for appraisal purposes and is retained in our office work file.

### **Correlation and Conclusion of the Sales Comparison Approach:**

Having identified and analyzed what we feel are the best sales in the local market for the purposes of this analysis, we must now reconcile the data into an indication of value for the subject property.

Once the most comparable sales have been identified, the elements of comparison are considered. The 14<sup>th</sup> Edition of *The Appraisal of Real Estate* defines elements of comparison as:

**Elements of Comparison:** The characteristics or attributes of properties and transactions that cause the prices of real estate to vary; include real property rights conveyed, financing terms, conditions of sale, expenditures made immediately after purchase, market conditions, location, physical characteristics, other characteristics such as economic characteristics, use, and non-realty components of value.

We would submit that those elements which warrant consideration in this analysis relate to market conditions, location, age/condition, land-to-building ratio and size.

**Market Conditions:** Beginning with the market conditions, since our data set dates back to August of 2018, we felt that an adjustment for market conditions is warranted. On the following adjustment grid, our market conditions adjustment (aka the time adjustment) is based on a market appreciation adjustment of 5% per year. While we do not have any paired sales to present to support this adjustment, generally speaking commercial properties in the Missoula market over the past few years have indicated appreciation rates from 3.0% to 8%, depending on many variables, i.e., property type, age, location, etc. As such, based on this and anecdotal information such as market participant interviews, we felt this adjustment would be reasonable.

**Location:** The next adjustment to be considered relates to location. As the subject property is located directly along West Broadway, we would suggest that the sales that are located on side streets or on roadways with lower traffic counts, would need upward adjustments. As such, we will be making upward adjustments to Improved Sales Nos. 2, 3, 4, 5 and 6.

**Land-to-Building Ratio:** The third adjustment to be considered relates to land-to-building ratio. Since the subject property involves a land-to-building ratio of  $\pm 1.6:1$  we will be making downward adjustments to Improved Sales Nos. 2, 3, 4, 5 and 6 which involve larger land-to-building ratios and an upward adjustment to Improved Sale No. 7 which involves a smaller land-to-building ratio.

**Size:** The next adjustment to be considered relates to unit size. Typically, in most cases the larger the property being sold, the lower the per unit sale indication. This relationship is usually referred to as the size/price relationship. As such, we will be making downward adjustments to Improved Sales Nos. 2, 3, and 6 and upward adjustments to Improved Sales Nos. 4 and 5.

**Age/Condition:** The last adjustment we are considering relates to age/condition. In the case of the subject property, it was built in 1938 and felt to be in poor condition. Taking this information into consideration, we will be making downward adjustments to Improved Sales Nos. 2, 3, 4, 5, and 6 since they each involve newer improvements which are considered to be in superior condition.

The following tabulation/adjustment grid attempts to recognize those specific adjustments that are felt to pertain when we compare the sale properties to the subject property.

For the benefit of the reader, the following adjustment grid is qualitative in nature whereby we are recognizing upward adjustments with a plus sign (+) and downward adjustments with a minus sign (-). In other words, if the comparable were felt to be superior to the subject property in a certain realm, or element of comparison, the adjustment to the sale indication would be downward, therefore, a minus sign would be presented on the tabulation, and vice versa.

IMPROVED SALES ADJUSTMENT GRID							
ELEMENT	SP/IS 1.	IS 2.	IS 3.	IS 4.	IS 5.	IS 6.	IS 7.
SALE PRICE	\$250,000	\$209,500	\$353,000	\$575,000	\$450,000	\$240,000	\$185,000
SIZE (SF)	3,708	1,232	2,857	6,107	4,064	1,026	3,600
UNADJUSTED \$/SF	\$67.42	\$170.05	\$123.56	\$94.15	\$110.73	\$233.92	\$51.39
REAL PROPERTY RIGHTS CONVEYED	Fee Simple	Similar	Similar	Similar	Similar	Similar	Similar
FINANCING TERMS	Market	Similar	Similar	Similar	Similar	Similar	Similar
CONDITIONS OF SALE	Typical	Similar	Similar	Similar	Similar	Similar	Similar
MARKET CONDITIONS		2/20	8/19	12/18	11/18	8/18	8/18
	10/20	+ \$5.70 = \$175.75	+ \$7.28 = \$130.84	+ \$8.81 = \$102.96	+ \$10.88 = \$121.61	+ \$26.17 = \$260.09	+ \$5.75 = \$57.14
EXPENDITURES AFTER PURCHASE	None	Similar	Similar	Similar	Similar	Similar	Similar
PHYSICAL CHARACTERISTICS							
Location	W. Broadway	McDonald Ave. +	Brooks St. +	South Ave. W. +	Cooper St. +	S. 3rd St. W. +	W. Broadway
Land to Building Ratio	1.6:1	3.1:1 -	1.8:1 -	2.0:1 -	1.9:1 -	9.9:1 -	1.0:1 +
Building Size (SF)	3,708	1,232 -	2,857 -	6,107 +	4,064 +	1,026 -	3,600
Age/Condition	1938	2007	1954	1962	1955	1954	1955
	Poor	Good -	Fair -	Fair -	Fair -	Good -	Poor
Quality of Construction	Average	Similar	Similar	Similar	Similar	Similar	Similar
NON-REALTY COMPONENTS OF VALUE	None	Similar	Similar	Similar	Similar	Similar	Similar
ADJUSTED SALE INDICATION (\$/SF)	± \$67.42	< \$175.75	< \$130.84	± \$102.96	< \$121.61	< \$260.09	> \$57.14

After analyzing each of these improved sales as they relate and compare to the subject property, taking into account such things as date of sale, building age, size, age/condition, utility, land-to-building ratio, etc., and giving primary weight to the pending sale of the subject property and Improved Sale No. 7, we have concluded that the information is generally supportive of the following contributory value conclusion for the subject property.

± 3,708 sf at \$70/sf = **\$259,560**, rounded to **\$260,000**.

## **Certification**

We certify that, to the best of our 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 our personal, impartial, and unbiased professional analyses, opinions and conclusions;
- ❖ We have no present or prospective interest in the property that is the subject of this report and have no personal interest or bias with respect to the parties involved;
- ❖ We have not performed services, as appraisers, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- ❖ We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment;
- ❖ Our engagement in this assignment was not contingent upon developing or reporting predetermined results;
- ❖ Our compensation for completing this assignment is not contingent upon the developing 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 the appraisal;
- ❖ Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *USPAP*;
- ❖ I, or an employee working under my direction, made a personal observation of the property that is the subject of this report;



- ❖ Rhesa E. Sutton Weston, research assistant, 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 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, Kraig P. Kosena has completed the continuing education program for Designated Members of the Appraisal Institute; and
- ❖ As of the date of this report, Dane E. Willey has not completed the Standards and Ethics Education Requirements for Practicing Affiliates of the Appraisal Institute.

By reason of our investigations, studies, and analyses, an opinion has been formed that the **market value** of the subject property, as of October 6, 2020, assuming a reasonable marketing time of greater than six months, is as follows:

**Two Hundred Sixty Thousand Dollars**  
**(\$260,000)**



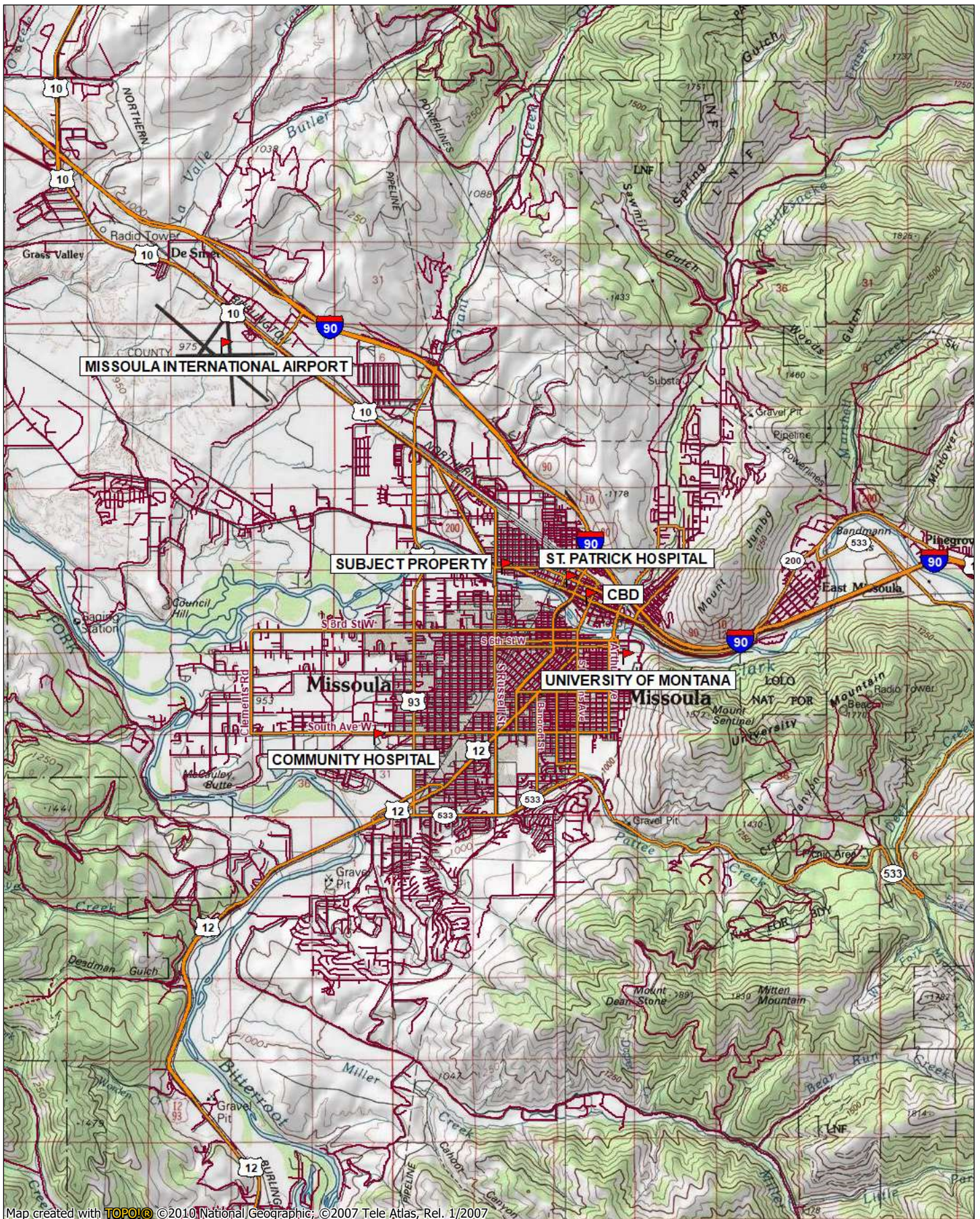
Dane E. Willey  
REA-RET-LIC-10816



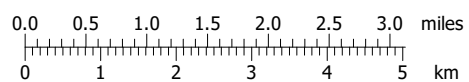
Kraig P. Kosena, MAI  
REA-RAG-LIC-225

## **ADDENDA**



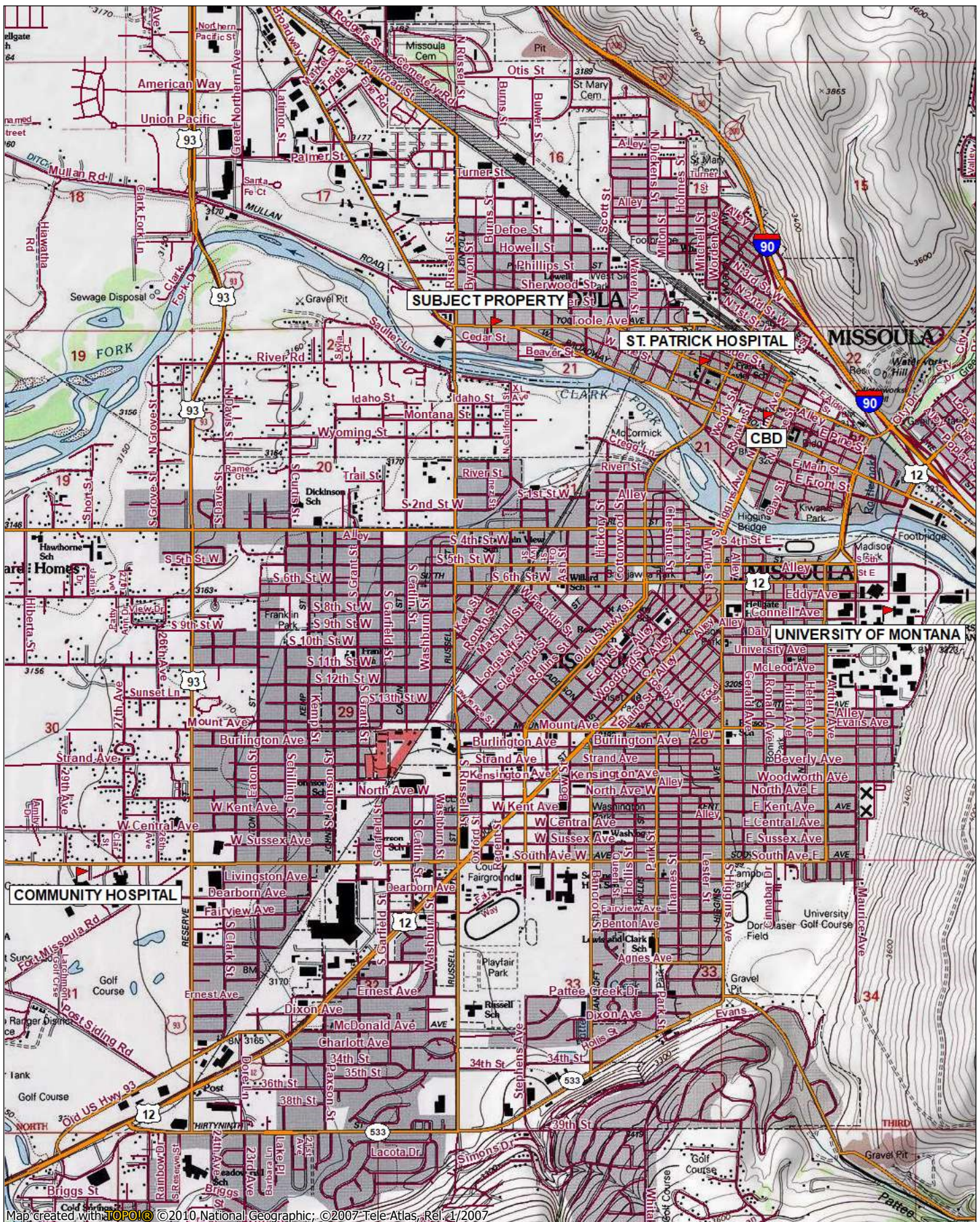


Map created with **TOPO!** © 2010 National Geographic, © 2007 Tele Atlas, Rel. 1/2007

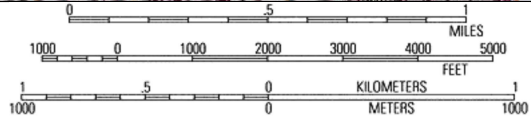


TN MN  
12½  
10/22/20



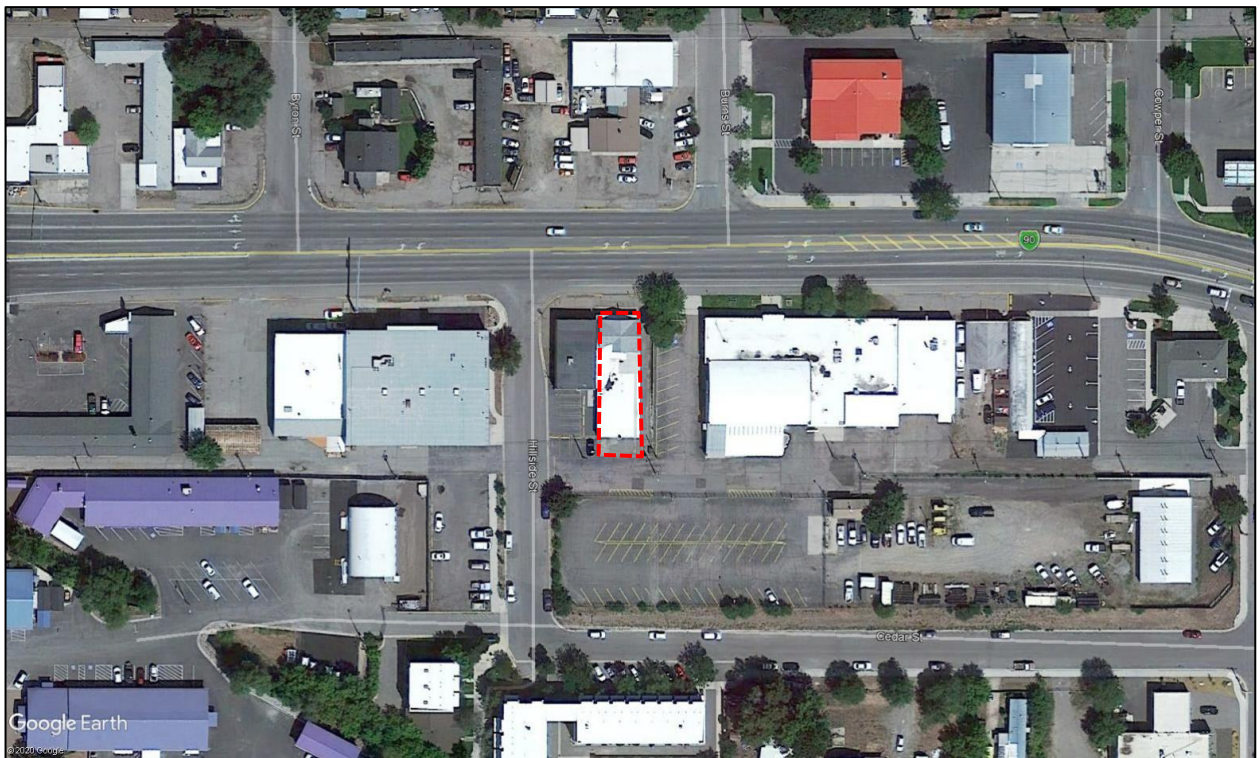


Map created with TOPO! © 2010, National Geographic; © 2007 Tele-Atlas, Rel. 1/2007



TN MN  
12 1/2





**SUBJECT PROPERTY AERIAL PHOTOGRAPH (GOOGLE EARTH)**

## **Subject Property Photographs**

**1359 West Broadway, Missoula, Missoula County, Montana**

### **Photograph No. 1**

#### **Description:**

Street scene facing  
westerly along West  
Broadway.

#### **Date Taken:**

10/6/20



### **Photograph No. 2**

#### **Description:**

Street scene facing  
easterly along West  
Broadway.

#### **Date Taken:**

10/6/20





## **Subject Property Photographs**

**1359 West Broadway, Missoula, Missoula County, Montana**

### **Photograph No. 3**

#### **Description:**

Alley scene facing westerly.

#### **Date Taken:**

10/6/20



### **Photograph No. 4**

#### **Description:**

Alley scene facing easterly.

#### **Date Taken:**

10/6/20





## Subject Property Photographs

**1359 West Broadway, Missoula, Missoula County, Montana**

### **Photograph No. 5**

#### **Description:**

Front/side view.

#### **Date Taken:**

10/6/20



### **Photograph No. 6**

#### **Description:**

Rear/side view.

#### **Date Taken:**

10/6/20





## Subject Property Photographs

1359 West Broadway, Missoula, Missoula County, Montana

### Photograph No. 7

#### Description:

Typical interior view of lower level storage space.

#### Date Taken:

10/6/20



### Photograph No. 8

#### Description:

Typical interior view of lower level storage space.

#### Date Taken:

10/6/20



## Subject Property Photographs

1359 West Broadway, Missoula, Missoula County, Montana

### Photograph No. 9

#### Description:

Typical interior view of main level finished space.

#### Date Taken:

10/6/20



### Photograph No. 10

#### Description:

Typical interior view of main level finished space.

#### Date Taken:

10/6/20





## Subject Property Photographs

1359 West Broadway, Missoula, Missoula County, Montana

### Photograph No. 11

#### Description:

Typical interior view of main level finished space.

#### Date Taken:

10/6/20



### Photograph No. 12

#### Description:

Typical interior view of main level finished space.

#### Date Taken:

10/6/20



## Subject Property Photographs

1359 West Broadway, Missoula, Missoula County, Montana

### Photograph No. 13

#### Description:

Typical interior view of upper level finished space.

#### Date Taken:

10/6/20



### Photograph No. 14

#### Description:

Typical interior view of upper level finished space.

#### Date Taken:

10/6/20





**Subject Property Photographs**

**1359 West Broadway, Missoula, Missoula County, Montana**

**Photograph No. 15**

**Description:**

Typical interior view  
of upper level finished  
space.

**Date Taken:**

10/6/20



**Photograph No. 16**

**Description:**

Typical interior view  
of upper level finished  
space.

**Date Taken:**

10/6/20



## **Appraiser Trainee's Qualifications – Dane E. Willey**

**Business Experience:** Since January 2018 I have been employed by the full-service appraisal and consulting firm of Kembel, Kosena & Company, Inc. in Missoula, Montana. I was trained as a Research Assistant by Kraig P. Kosena, MAI, and have since transitioned to an Appraiser Trainee with the intention of becoming a Certified General Appraiser in the State of Montana in 2019.

In May 2005 I earned a Bachelor of Arts Degree in Human Performance and Sport with a minor in Nutrition from Metropolitan State College of Denver.

**Clients:** The following is a partial, representative client list.

US Bank	Rocky Mountain Bank
TrailWest Bank	First Security Bank
Glacier Bank	The Nature Conservancy

**Education:** The following is a summary of real estate appraisal related educational offerings that I have attended.

McKissock	Supervisor – Trainee Course for Montana
AI Course	Uniform Standards of Professional Appraisal Practice
AI Course	Basic Appraisal Principles
AI Course	Basic Appraisal Procedures
AI Course	Real Estate Finance, Statistics Valuation Modeling
AI Course	General Appraiser Sales Comparison Approach

### **Certifications:**

Montana Real Estate Appraiser Trainee License (License No. REA-RET-LIC-10816)



**State of Montana**  
Business Standards Division  
Board of Real Estate Appraisers

This certificate verifies licensure as:

**APPRAISER TRAINEE**

Supervised By: KRAIG KOSENA

**REA-RET-LIC-10816**

Status: **Active**  
Expires: **03/31/2021**

**DANE EVAN WILLEY**  
**PO BOX 16653**  
**MISSOULA, MT 59808**



Montana Department of  
**LABOR & INDUSTRY**

RENEW OR VERIFY YOUR LICENSE AT:  
<https://ebiz.mt.gov/pol>

## **Appraiser's Qualifications - Kraig P. Kosena, MAI**

**Business Experience:** Since June 1996 I have been operating my own full-service appraisal and consulting firm known as Kembel, Kosena & Company, Inc. in Missoula, Montana.

From January 1989 to May 1996 I was employed by R.D. Kembel & Associates, Inc., a full-service real estate appraisal and consulting firm also in Missoula, as an Associate Appraiser. My appraisal work included mainly commercial, agricultural, subdivision, conservation easement, and right-of-way appraisals.

In January 1987 I enlisted in the United States Navy and received an honorable discharge in December 1988.

From May until December 1986 I worked as an Associate Appraiser for R.D. Kembel & Associates, Inc.

**Clients:** The following is a partial, representative client list.

Bank of Montana	Bitterroot Valley Bank
Farmers State Bank	First Interstate Bank, N.A.
First Security Bank	Garlington, Lohn & Robinson, PLLP
Glacier Bank	Missoula Federal Credit Union
Missoula International Airport Authority	Montana Department of Transportation
Mountain West Bank	Rocky Mountain Bank
Stockman Bank	Sullivan, Tabaracci & Rhoades, PC
Treasure State Bank	US Bank
Washington Trust Bank	Worden Thane, PC

Fee appraising for various other banks, attorneys, and private parties.

**Education:** The following is a summary of real estate appraisal related educational offerings that I have attended.

Graduate of the University of Montana  
Real Estate Fundamentals - University of Montana



AI Course 101	An Introduction to Appraising Real Property
AI Course SPP	Standards of Professional Practice
AI Course 1BA	Capitalization Theory and Techniques, Part A
AI Course 1BB	Capitalization Theory and Techniques, Part B
AI Course 540	Report Writing & Valuation Analysis
AI Course 550	Advanced Applications
AI Course 700	The Appraiser as an Expert Witness
AI Course 833	Fundamentals of Separating Real Property, Personal Property, and Intangible Business Assets
AI Course	General Appraiser Market Analysis and Highest & Best Use
AI Seminar	Rates, Ratios & Reasonableness
AI Seminar	Non-Residential Demonstration Appraisal Report Writing
AI Seminar	Subdivision Analysis
AI Seminar	Timberland Valuation
AI Seminar	Eminent Domain and Condemnation Appraising
AI Seminar	Small Hotel/Motel Valuation
AI Seminar	Sales Comparison Valuation of Small Mixed-Use Properties
AI Seminar	Litigation Skills for the Appraiser
AI Seminar	Partial Interest Valuation - Divided
AI Seminar	Partial Interest Valuation - Undivided
AI Seminar	Case Studies in Commercial Highest and Best Use
AI Seminar	Regression Analysis in Appraisal: Concepts and Applications
AI Seminar	Appraisal Review
AI Seminar	Uniform Standards for Federal Land Acquisitions (Yellow Book)
AI Seminar	Evaluating Commercial Construction
AI Seminar	The Professional's Guide to the Uniform Residential Appraisal Report
AI Seminar	Business Practices and Ethics
AI Seminar	Appraisal Curriculum Overview (2-Day General)
AI Seminar	Introduction to Valuation for Financial Reporting
AI Seminar	Using Spreadsheet Programs in Real Estate Appraisals
AI Seminar	The Discounted Cash Flow Model: Concepts, Issues and Applications
AI Seminar	Water Rights
AI Seminar	Practical Regression Using Microsoft Excel

**Certifications:**

Member of the Appraisal Institute (MAI No. 10,933)

Montana Certified General Real Estate Appraiser (Certification No. REA-RAG-LIC-225)

**Community Involvement:**

Volunteer, Hugh O'Brian Youth Leadership Foundation

Former President, Missoula Exchange Club

Former Member, Board of Directors, Missoula Exchange Club

Former Banquet Committee Volunteer, Rocky Mountain Elk Foundation

Guest Speaker, University of Montana Business School

**Court Experience:**

I have qualified in State and Federal Court as an expert witness in the matter of real estate valuation.

**Other:**

Education Chairman, Montana Chapter of the Appraisal Institute

Former President, Montana Chapter of the Appraisal Institute

Former Member, Board of Directors, Montana Chapter of the Appraisal Institute

Ex-Officio Member and Chairman, Montana Board of Real Estate Appraisers (Governor appointment)



**State of Montana**  
Business Standards Division  
Board of Real Estate Appraisers

**REA-RAG-LIC-225**

Status: **Active**  
Expires: **03/31/2021**

This certificate verifies licensure as:

**CERTIFIED GENERAL APPRAISER**

Supervises: DANE WILLEY

With endorsements of:

\* *REAL ESTATE APPRAISER MENTOR*

**KRAIG P KOSENA  
KEMBEL KOSENA AND CO INC  
PO BOX 16653  
MISSOULA, MT 59808**



Montana Department of  
**LABOR & INDUSTRY**

RENEW OR VERIFY YOUR LICENSE AT:  
<https://ebiz.mt.gov/pol>

**APPRAISAL, VALUATION AND PROPERTY SERVICES  
PROFESSIONAL LIABILITY INSURANCE POLICY**

**DECLARATIONS - MONTANA**

**Aspen American Insurance Company**

(Referred to below as the "Company")  
590 Madison Avenue, 7th Floor  
New York, NY 10022  
877-245-3510

Date Issued

Policy Number

Previous Policy Number

8/21/2020

AAI002470-06

AAI002470-05

THIS IS A **CLAIMS** MADE AND REPORTED POLICY. COVERAGE IS LIMITED TO LIABILITY FOR ONLY THOSE **CLAIMS** THAT ARE FIRST MADE AGAINST THE **INSURED** DURING THE **POLICY PERIOD** AND THEN REPORTED TO THE COMPANY IN WRITING NO LATER THAN SIXTY (60) DAYS AFTER EXPIRATION OR TERMINATION OF THIS POLICY, OR DURING THE **EXTENDED REPORTING PERIOD**, IF APPLICABLE, FOR A **WRONGFUL ACT** COMMITTED ON OR AFTER THE **RETROACTIVE DATE** AND BEFORE THE END OF THE **POLICY PERIOD**. **CLAIMS EXPENSES** ARE INCLUDED IN, WILL REDUCE, AND MAY EXHAUST, THE LIMITS OF LIABILITY. PLEASE READ THE POLICY CAREFULLY.

1. Customer ID: 147463  
Named **Insured**:  
KEMBEL, KOSENA & COMPANY, INC.  
Kraig P. Kosena, MAI  
432 West Spruce Street, #101  
Missoula, MT 59802
2. **Policy Period**: From: 09/08/2020 To: 09/08/2021  
12:01 A.M. Standard Time at the address stated in 1 above.
3. **Deductible**: \$1000 Each Claim
4. **Retroactive Date**: 09/08/1999
5. **Inception Date**: 09/08/2015
6. **Limits of Liability**:  
A. \$1,000,000 Each Claim  
B. \$2,000,000 Aggregate  
  
Subpoena Response: \$5,000 Supplemental Payment Coverage  
Pre-Claim Assistance: \$5,000 Supplemental Payment Coverage  
Disciplinary Proceeding: \$12,500 Supplemental Payment Coverage  
Loss of Earnings: \$500 per day Supplemental Payment Coverage

7. **Covered Professional Services (as defined in the Policy and/or by Endorsement):**


Real Estate Appraisal and Valuation:	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>	
Residential Property:	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>	
Commercial Property:	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>	
Bodily Injury and Property Damage Caused During Appraisal Inspection (\$100,000 Sub-Limit):	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>	(If "yes", added by endorsement)
Right of Way Agent and Relocation:	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>	
Machinery and Equipment Valuation:	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>	
Personal Property Appraisal:	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>	(If "yes", added by endorsement)
Real Estate Sales/Brokerage:	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>	(If "yes", added by endorsement)

8.	Report <b>Claims</b> to: LIA Administrators & Insurance Services, 800-334-0652, P.O. Box 1319, 1600 Anacapa St, Santa Barbara, California 93101
9.	<b>Annual Premium:</b> <b>\$2,109.00</b>
10.	<b>Forms attached at issue:</b> LIA002 (04/19) LIA MT (09/19) LIA012 (05/19) LIA164 (05/19) LIA165 (05/19)

This Declarations Page, together with the completed and signed Policy Application including all attachments and exhibits thereto, and the Policy shall constitute the contract between the Named **Insured** and the Company.

08/21/2020

Date



By 

Authorized Representative