

An Appraisal Report

of

**Tract 5, Hillview Heights No. 1
Missoula, Missoula County, MT 59803**

for

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

as of

**August 19, 2020 (Date of Observation)
September 4, 2020 (Date of Report)**

by

**Megan L. Garland and Kraig P. Kosena, MAI
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INTRODUCTION

September 4, 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 Tract 5 of Hillview Heights No. 1,
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 50 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 15 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

September 4, 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 August 19, 2020, assuming a reasonable marketing time of greater than one year, is as follows:

Two Thousand Five Hundred Dollars

(\$2,500)

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.

We, Kraig P. Kosena and Megan L. Garland, are licensed by the State of Montana as Certified General Real Estate Appraisers. Our license numbers are 225 and 9314, respectively, and expire March 31, 2021. Our licenses have never been suspended, revoked, canceled, or restricted.

Mr. Dennis Bowman

September 4, 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 dark ink, appearing to read "Megan Garland", with a long, sweeping horizontal line extending to the right.

Megan L. Garland, Candidate for Designation
REA-RAG-LIC-9314

A handwritten signature in dark ink, appearing to read "Kraig P. Kosena", with a long, sweeping horizontal line extending to the right.

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

Summary of Salient Facts and Conclusions

Record Owner	:	City of Missoula.
Location of Property	:	Northwest of West Vista Drive and southwest of West Crescent Drive, Missoula, Missoula County, Montana.
Property Rights Appraised	:	Unencumbered fee simple estate.
Historical Use	:	Vacant.
Present Use	:	Vacant.
Highest and Best Use		
As Though Vacant	:	Assemblage.
As Improved	:	Not applicable.
Date of Value	:	August 19, 2020.
Date(s) of Observation	:	August 19, 2020.
Date of Report	:	September 4, 2020.
Exposure Time	:	The estimated reasonable exposure time of the subject property is approximately six months to one year.
Marketing Time	:	In excess of exposure time estimate – greater than one year.
Site	:	Per the State of Montana Department of Revenue (DOR), the site totals ± 1,600 sf.
		The property fronts a public easement to the west and is private property to the north, south, and east.

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

The property is zoned R5.4 Residential District.

As an urban parcel, all utilities are available and to the site.

The property is located in the 0.2% Annual Chance Flood Hazard Zone.

Based on our research, the subject property has minimal, if any, development potential as a result of the zoning requirements.

Site Improvements : None.

Structural Improvements : None.

Market Value by the Sales Comparison Approach - \$2,500.

Final Indication of Market Value - \$2,500.

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

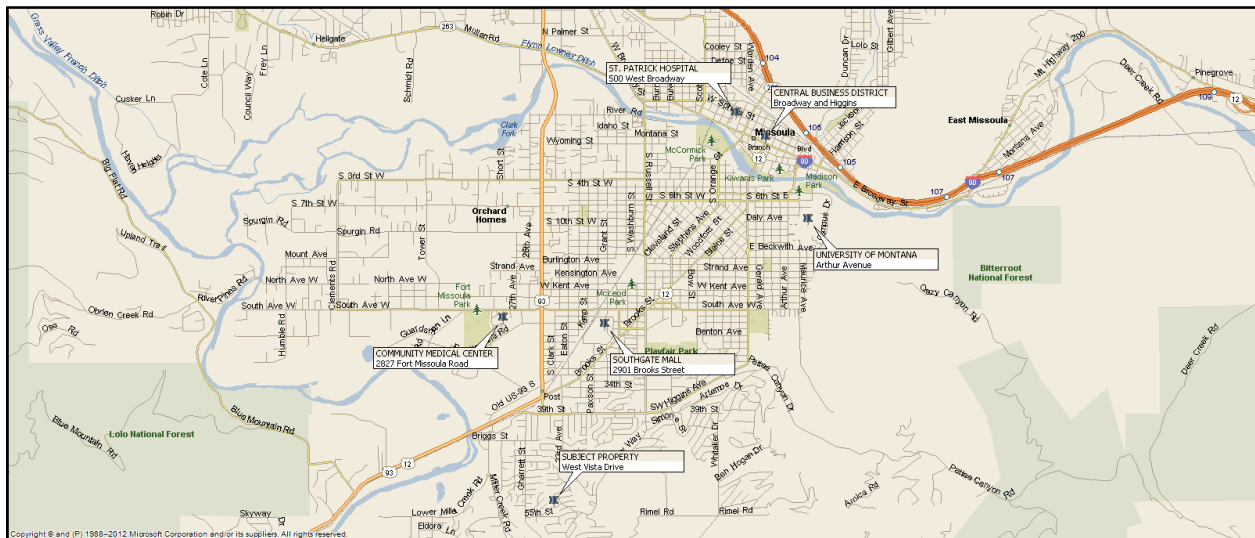
According to the Missoula County Clerk and Recorder's Office, the subject property is owned by the City of Missoula and has been for many years.

Regarding the history of the property, to the best of our knowledge the site has never been improved.

Location of the Property

The subject property is located in the northern portion of the City of Missoula. To the best of our knowledge, the property does not have a county-assigned physical address. The subject property zip code is 59803.

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



SUBJECT PROPERTY GENERAL AREA MAP

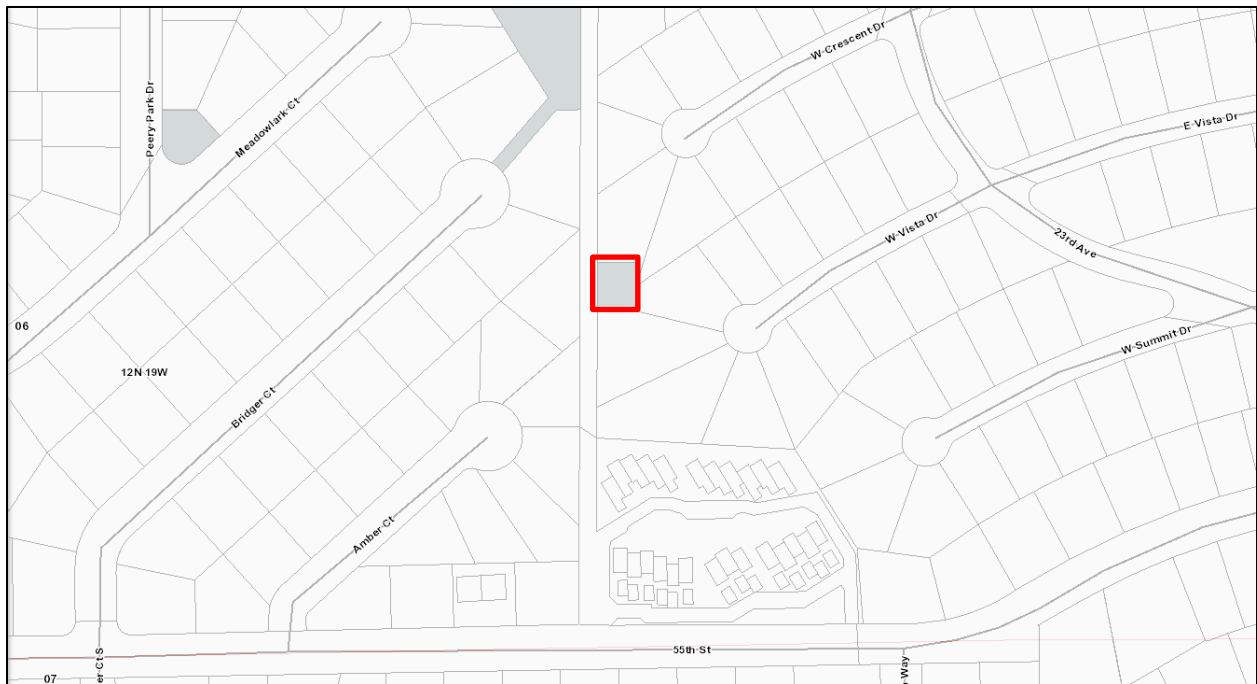
The location of the subject property is illustrated by a Subject Property General Area Map, a Subject Property Location and Neighborhood Map, and a Subject Property Aerial Photograph (Google Earth) in the Addenda of this report.

Legal Description

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

Hillview Heights No. 1, S06, T12N, R19W, Tract 5.

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



SUBJECT PROPERTY SITE MAP

Definition of an Appraisal

As recognized by the 14th 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

The intended users of this product are 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 **market value** of the subject property to be used in conjunction with a potential sale 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 most recent date of observation, August 19, 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.

Considering the subject property is vacant land, the sales comparison approach is considered most relevant and, therefore, the only approach we fully developed in this appraisal assignment.

Within the sales comparison approach, an overall dollars per square foot (\$/sf) technique was developed for the property. Given the unique physical characteristics of the subject property site and the perceived lack of utility to anyone other than an adjacent property owner, the data set for this approach involves just two closed sales.

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.

This appraisal employs no extraordinary assumptions.

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 DOR and the most recent transferring document was obtained from the Missoula County Clerk and Recorder's Office. The zoning was checked from a map published by the City of Missoula Office of Development Services which is reportedly kept current. The flood zone information was also checked through the City of Missoula Office of Development Services. The local multiple listing service (MLS) was searched for previous sales and listings of the subject property.

An on-site observation was conducted on August 19, 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 five 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) properties were researched. The sales comparison analysis was based on local data and the unit of comparison that we considered was the overall dollars per square foot (\$/sf). Other units of measure that are sometimes considered for land valuation are dollars per acre (\$/acre), typically used for larger and more rural tracts, and dollars per front foot (\$/ff), typically used for waterfront parcels, etc.

The results of our research efforts culminated in two closed sales that were considered to be reasonable comparables and which were felt to result in a reliable indicator of current **market value**. Other sales were considered in the analysis but were removed from direct consideration for various reasons.

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 indication of current **market value** by this approach was felt to be reasonable and reasonably well supported by the data available.

Purpose of the Appraisal and Definition of Market Value

The purpose of this appraisal is to estimate the **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:

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); 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

The estimate of **market value** is as of the most recent date of observation, August 19, 2020.

Exposure Time

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

Given the date of this report, September 4, 2020, and the current worldwide health and economic crisis as a result 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 one year.

Property Rights Appraised

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

According to the 6th 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:

Per the DOR, the site totals $\pm 1,600$ sf.

The property fronts a public easement to the west and is private property to the north, south, and east.

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

The property is zoned R5.4 Residential District.

As an urban parcel, all utilities are available and to the site.

The property is located in the 0.2% Annual Chance Flood Hazard Zone. The flood hazard area map which pertains to the subject property, Panel No. 30063C1460E.

Based on our research, the subject property has minimal, if any, development potential as a result of the zoning requirements.

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.

Site Improvements:

None.

Structural Improvements:

None.

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
5830561	04-2093-06-3-27-06	1,600	\$99,080	\$1,013.25

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

Worth noting, the aforementioned property taxes include various other properties owned by the City of Missoula.

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.

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 zoned R5.4 Residential District. As the name implies, this zoning district allows mainly for residential uses.

Furthermore, this zoning requires a minimum parcel size of $\pm 5,400$ sf. As was mentioned before, as this minimum parcel size is larger than the subject property land area, this parcel has minimal, if any, development potential. As such it seems that the

property offers very little, if any, benefit to anyone other than an adjacent landowner that may be able to increase development density on their property by assembling the subject property.

To the best of our knowledge, there are no other legal considerations that would limit the potential of the sites, 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 $\pm 1,600$ sf located in the central portion of the City of Missoula. Land uses in the immediate area are mostly residential.

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, 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 assemblage with an adjacent property.

As Improved:

Recognizing that the subject property involves vacant land, this subsection of highest and best use is not applicable.

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 just the sales comparison approach is pertinent to the process.

Sales Comparison Approach

According to the 14th 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 14th 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 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 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 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. In this case, the subject property has been in the current ownership for many years.

Site Valuation:

Land sales with similar amenities located within the immediate neighborhood of the subject property allow for the best comparison and value conclusion. In comparison to the subject property, factors considered include property rights, terms of the sale, location, size, frontage, shape, zoning, topography, etc.

The unit of comparison used in this analysis is based upon a \$/sf. To determine this indication, the sales price (or estimated contributory value of the land) is divided by the total size of the land (in square feet).

$$\frac{\text{confirmed sales price}}{\text{size in square feet}} = \text{\$/sf indication}$$

Regarding the sales themselves and the adjustment process, it has been our experience that all sales differ somewhat from one another. 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 thus is able to prove conclusively the value, or lack of, for any one factor due to a difference in sale price. 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 his/her experience to make more subjective judgments. The following generalities are cited to acquaint the reader with a background for our 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 (an exception to this generalization might be certain recreational properties);
- ❖ value tends to decrease as the topography becomes steeper, more rocky, more barren, 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; and
- ❖ value tends to increase when zoning allows greater density and/or a more optimum use of the land.

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

The data set relates to two sales in Missoula. While two sales are thought to represent a bare minimum, fortunately, after confirmation these two sales are believed to be extremely comparable to the subject property.

Rather than tabulate two sales, we would submit that a brief narrative of the sales is more appropriate.



Land Sale No. 1: This land sale took place during July of 2018 and involved an assemblage parcel located along the north side of Burlington Avenue.

The sale property involved $\pm 3,125$ sf of vacant land that was zoned RM2.7.

The site has an existing irrigation ditch which occupies $\pm 100\%$ of the property and, therefore, had minimal, if any, development potential.

The property sold for \$3,500 which indicates $\pm \$1.12/\text{sf}$.

The sale was memorialized with a Warranty Deed recorded as Document No. 201812300, a copy of which was reviewed for appraisal purposes and is retained in our office work file.

The buyer motivation was for assemblage to their residential property to the west.



Land Sale No. 2: This July 2011 land sale involved an assemblage parcel of $\pm 3,175$ sf located along the north side of South 2nd Street West. The land was zoned RM2.7 but due to topographical issues was felt to have little value to anyone other than an adjacent property owner.

The confirmed sales price was \$5,000 which indicates $\pm \$1.57/\text{sf}$.

The sale was memorialized with a Warranty Deed recorded as Document No. 201110959, a copy of which was reviewed for appraisal purposes and is retained in our office work file.

The buyer motivation was for assemblage to their residential property to the east.

Correlation and Conclusion of Site Valuation:

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 land area. Typically, the data set would be analyzed on a tabulation/adjustment grid in an attempt to recognize and quantify those specific adjustments that are felt to pertain when we compare the comparable sale properties to the subject property. In this case, the data set of two sales neither lends itself nor warrants an adjustment grid. That said, recognizing a slight adjustment upward for size, we have concluded that the information is very supportive of the following value conclusion:

$\pm 1,600 \text{ sf at } \$1.60/\text{sf} = \$2,560$, rounded to **\$2,500**.

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 any services, as appraisers 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.
- 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*;
- We made a personal observation of the property that is the subject of this report; and

- 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, Megan L. Garland has completed the Standards and Ethics Education Requirements for Candidates of the Appraisal Institute.

By reason of our investigations, studies, and analyses, an opinion has been formed that the current **market value** of the subject property, as of August 19, 2020, assuming a reasonable marketing time of greater than one year, is as follows:

Two Thousand Five Hundred Dollars

(\$2,500)



Megan L. Garland, Candidate for Designation
REA-RAG-LIC-9314



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

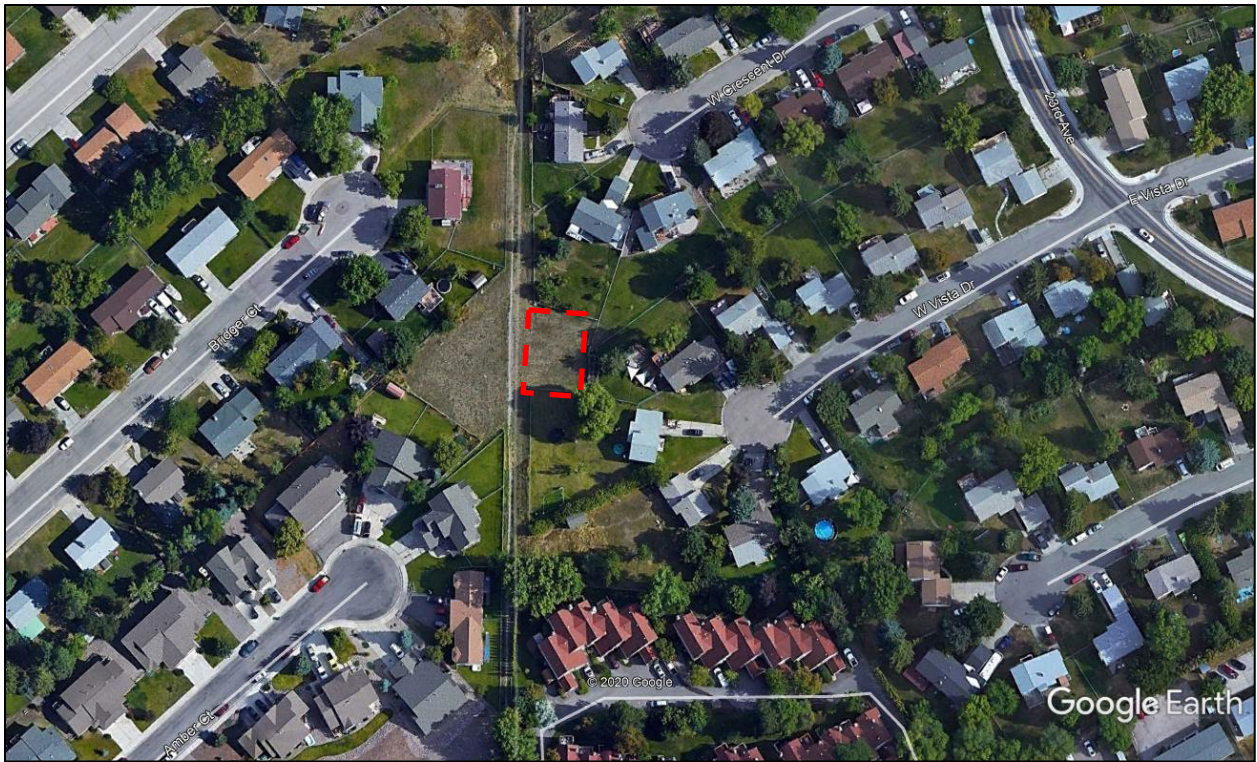
ADDENDA

SUBJECT PROPERTY GENERAL AREA MAP



This is a detailed street map of a residential neighborhood in Missoula, Montana. The map features a network of streets, with major thoroughfares like Miller Creek Rd and Briggs St. A specific property is highlighted with a red pin and labeled "SUBJECT PROPERTY" on West Vista Drive. Other streets shown include Garland Dr, Hillside Dr, and various local roads like Skyview Dr and Grandview Way. The map also depicts Skyview Park and other local landmarks. The map is oriented with North at the top.

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SUBJECT PROPERTY AERIAL PHOTOGRAPH (GOOGLE EARTH)

Subject Property Photographs

Tract 5, Hillview Heights No. 1, Missoula, Missoula County, Montana

Photograph No. 1

Description:

View facing northerly
along easement.

Date Taken:

8/19/20



Photograph No. 2

Description:

Site overview facing
southwesterly.

Date Taken:

8/19/20



Appraiser's Qualifications - Megan L. Garland

Business Experience: Since July 2013 I have been employed by the full-service appraisal and consulting firm of Kembel, Kosena & Company, Inc. in Missoula, Montana. Having begun as a Research Assistant and transitioned to an Appraiser Trainee, I became a Certified General Appraiser in the State of Montana in 2017. I am currently a candidate for designation with The Appraisal Institute working with Kraig P. Kosena, MAI, as my mentor.

In December 2009 I earned a Bachelor of Science Degree in Business Administration with an emphasis in Finance from the University of Montana.

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

Bank of Montana	TrailWest Bank
Farmers State Bank	First Interstate Bank, N.A.
First Security Bank	Glacier Bank
Stockman Bank	Treasure State Bank

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

Graduate of the University of Montana

AI Course	Uniform Standards of Professional Appraisal Practice
AI Course	Basic Appraisal Principles
AI Course	Basic Appraisal Procedures
AI Course	General Appraiser Sales Comparison Approach
AI Course	Real Estate Finance, Statistics Valuation Modeling
AI Course	Online Business Practices and Ethics
AI Course	General Appraiser Income Approach - Part 1
AI Course	General Appraiser Income Approach - Part 2
AI Course	General Appraiser Market Analysis and Highest & Best Use
AI Course	General Appraiser Site Valuation and Cost Approach
AI Course	Advanced Income Capitalization
AI Course	General Appraiser Report Writing and Case Studies
AI Course	Quantitative Analysis

AI Course	Uniform Appraisal Standards for Federal Land Acquisitions
AI Course	Advanced Concepts & Case Studies
AI Course	Advanced Market Analysis and Highest and Best Use

Certifications:

Montana Certified General Real Estate Appraiser (Certification No. REA-RAG-LIC-9314)



State of Montana
Business Standards Division
Board of Real Estate Appraisers

This certificate verifies licensure as:

CERTIFIED GENERAL APPRAISER

REA-RAG-LIC-9314

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

MEGAN LYNN GARLAND
KEMBEL KOSENA & COMPANY INC
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

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<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 Claims to: LIA Administrators & Insurance Services, 800-334-0652, P.O. Box 1319, 1600 Anacapa St, Santa Barbara, California 93101
9.	Annual Premium: \$2,109.00
10.	Forms attached at issue: 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