

**Appraisal Report of:**

**Lot 3, Riverside Acreage Tracts Subdivision  
The Marte Nelson Property  
Billings, Yellowstone County, Montana**

**Date of "As Is" Value: November 18, 2018  
Date of Report: November 19, 2018**

**For:**

**The City of Billings, Montana  
Attn: Debi Meling, P.E.  
City Engineer – Public Works Department  
2224 Montana Avenue  
Billings, Montana 59101**

**By:**

**Thomas Appraisal Services, Inc.  
David C. Thomas, MAI  
175 North 27<sup>th</sup> Street, Suite 1220  
Billings, Montana 59101  
406-969-1504**



David C. Thomas, MAI  
Commercial Real Estate

**THOMAS  
APPRAISAL  
SERVICES, INC.**

Barbara D. Thomas  
Residential Real Estate

November 19, 2018

The City of Billings, Montana  
Attn: Debi Meling, P.E.  
City Engineer – Public Works Department  
2224 Montana Avenue  
Billings, Montana 59101

RE: Appraisal of Lot 3, Riverside Acreage Tracts Subdivision, in Yellowstone County, Montana (Marte Nelson Property).

Dear Ms. Meling:

Pursuant to your request, I have prepared an appraisal of the above-described property. The purpose of this appraisal is to estimate the market value of the proposed easement to be acquired by the City of Billings on Lot 3. I have personally inspected the property valued in this report. I certify that I have no personal interest, present or contemplated, in the subject property, and that this appraisal represents my opinion of the market value of the subject property.

As a result of my investigation, the final estimated market value of the proposed strip easement, as of the date of last inspection, November 18, 2018, is: **\$15,950.**

This letter must remain attached to the report, which contains 29 pages plus related exhibits, in order for the value opinion set forth to be considered valid. Further, this letter of transmittal precedes the appraisal report further describing the property and containing the reasoning and most pertinent data leading to the final value estimate. Your attention is directed to the Assumptions and Limiting Conditions and Certification, which are considered usual for this type of assignment and have been included within the text of this report.

Sincerely,

THOMAS APPRAISAL SERVICES, INC.

By: David C. Thomas, MAI  
Montana Certified General Appraiser #416

Enclosure: Appraisal Report

## TABLE OF CONTENTS

Table of Contents.....	i
Summary of Appraisal.....	ii
Client.....	1
Purpose of the Appraisal.....	2
Intended Use of Report.....	3
Intended Users.....	3
Interest Valued.....	3
Date of Inspection.....	3
Effective Date of Value.....	3
Date of Report.....	3
Extraordinary Assumption.....	3
Hypothetical Conditions.....	3
Appraisal Development and Reporting Process.....	4
General Area Analysis.....	5
Neighborhood Analysis.....	6
Site Analysis.....	7
Property Ownership.....	11
Highest and Best Use Analysis.....	12
Valuation – Sales Comparison Approach.....	15
Analysis “After” Acquisition.....	21
Value of the Acquisition.....	22
Correlation Analysis and Final Value Estimate.....	23
Certification.....	25
Qualifications.....	26
Assumptions and Limiting Conditions.....	28

## ADDENDA

Location Map  
Photographs of Subject Property  
Plat Map of Riverside Acreage Tracts Subdivision  
Flood Map of General Area  
Conceptual Pipeline Plan & Profile Map  
Yellowstone County Orion Detail  
Land Sales Map  
Land Sales Comparables  
Copy of State License

## Summary of Appraisal

<b>Interest Appraised:</b>	Fee Simple Estate
<b>Location:</b>	The subject property is located along the south side of Riverside Drive at that point where Riverside Drive transitions into Garden Avenue, in Yellowstone County, Montana.
<b>Physical Address:</b>	Vacant Land – Not Applicable
<b>Legal Description:</b>	Lot 3, Riverside Acreage Tracts Subdivision, Less Highway, Yellowstone County, Montana
<b>Tax ID Number:</b>	A13327
<b>Description of Site:</b>	The site has a total area of 2.19 acres and is located entirely within the 100-year floodplain. It has the HC – Highway Commercial zoning classification. There is a city sewer main located in Riverside Drive and a city water main is located near the northeast corner is Garden Avenue. The site is irregular in shape and has about 193’ of frontage along Riverside Drive.
<b>Highest and Best Use:</b>	To remain in its “as is” condition and be developed with a use that does not require water (potable or waste). There are simply too many other vacant, buildable sites on the market to justify the costs of annexation, extension of city services, and fill.
<b>Description of Easement:</b>	The City of Billings is wanting to acquire a 20’ wide strip easement to be used as part of their stormwater drainage system. The majority of the easement is to parallel the subject’s east property line. I have concluded that the easement, as proposed, will not cause a diminution in value to the subject property.

**Proposed Easement Area:** 0.2333 acres = 10,163 sq. ft.

**Market Value of Entire Site:** \$157,000 = \$1.65 psf

**Value of Easement Area:** **\$15,950**

**Date of Value:** November 18, 2018

**Date of Report:** November 19, 2018

**CLIENT:** City of Billings, Montana  
Attn: Debi Meling, PE  
City Engineer – Public Works Department  
2224 Montana Avenue  
Billings, Montana 59101

**APPRAISER:** David C. Thomas, MAI  
Thomas Appraisal Services, Inc.  
175 North 27<sup>th</sup> Street, Suite 1220  
Billings, Montana 59101  
(406) 969-1504

**SUBJECT:** Appraisal of Lot 3, Riverside Acreage Tracts Subdivision, in Yellowstone County, Montana (Marte Nelson Property).

**INTRODUCTION:**

This is an Appraisal Report that is intended to comply with the reporting requirements set forth under Standards Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice. This report is in a format similar to what formally was referred to as a summary report. As such, it presents only summary discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraisers' opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraisers' file. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated below. The appraiser is not responsible for unauthorized use of this report.

## **PURPOSE OF THE APPRAISAL:**

The purpose of this appraisal is to provide the appraisers' best estimate of the market value of the subject real property as of the effective date. *Market value* is defined by the federal financial institutions regulatory agencies as follows:

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

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

(Source: Office of the Comptroller of the Currency under 12 CFR, Part 34, Subpart C-Appraisals, 34.42 Definitions [f].)

**INTENDED USE:** The appraisal shall be used by the Client in supporting the value of the subject property for internal decision making purposes.

**INTENDED USERS:** This appraisal report is prepared for the sole and exclusive use of the appraiser's client: The City of Billings, Montana. No third parties are authorized to rely upon this report without the express written consent of the appraiser.

**INTEREST VALUED:** The fee simple estate in the above described real estate.

**DATE OF INSPECTION:** November 18, 2018

**EFFECTIVE DATE OF "AS IS" VALUE:** November 18, 2018

**DATE OF REPORT:** November 19, 2018

**EXTRAORDINARY ASSUMPTION:**

The value of the acquisition set forth in this analysis is based on the extraordinary assumption that the final alignment of the proposed easement is the same as that depicted on the *Conceptual Pipeline Plan & Profile* exhibit located in the addenda. If the final alignment is different than shown on the exhibit, I reserve the right to change this appraisal accordingly.

**HYPOTHETICAL CONDITIONS:** None

## APPRAISAL DEVELOPMENT AND REPORTING PROCESS

The purpose of this appraisal assignment is to assist the City of Billings in acquiring an easement across Lot 3 of Riverside Acreage Tracts Subdivision. This easement shall be used to install an underground pipe approximately 48" in diameter and approximately 10' deep that will be used as part of the City's stormwater drainage system. This appraisal will estimate the market value of Lot 3, which will be used to negotiate the acquisition of this easement to construct this drain.

I have determined that there is no diminution in value to Lot 3 as a result of this easement, therefore, this is not a "before and after" valuation assignment. This appraisal is being conducted to USPAP standards only, as per agreement with the City of Billings.

With that said, the first part of this report consists of describing Lot 3, the immediate neighborhood, and the highest and best of Lot 3. The second part consists of the valuation of Lot 3 and the resulting value of the easement to be acquired.

In developing this appraisal I inspected the subject site on two different occasions: October 16, 2018 and November 18, 2018. The date of valuation is the date of the second site inspection: November 18, 2018. I interviewed Debi Meling with the City of Billings, Public Works Department and Gregory Gabel, P.E., CFM with DOWL. I also interviewed several real estate Brokers in Billings who are actively involved with buying and selling vacant land throughout the city. Their input is always valuable in estimating the value of vacant land.

The only approach to value developed in this report is the Sales Comparison Approach. The Cost Approach and the Income Approach are not applicable in the valuation of vacant land. The omission of these two approaches does not weaken the overall reliability of the final estimate of value.

## GENERAL AREA ANALYSIS

The City of Billings, county seat of Yellowstone County, is located in the south central portion of Montana. More specifically, it is situated midway between Seattle, Washington and Minneapolis, Minnesota and approximately 550 miles northwest of Denver, Colorado. Billings is the largest city in Montana with a 2015 population estimate of 110,263 persons. This represents an increase of 8.2% over the 2010 census count of 101,876 persons. U.S. Census figures indicated that the 2015 population of Yellowstone County was 157,048, which represents an increase of 9.9% over the 2010 census count of 142,348 persons.

The City's economy is generally characterized as diverse. The Billings trade area includes 25 Montana counties and eight Wyoming counties and is considered one of the largest geographical trade areas in the nation. As such, the City serves as a major wholesale and retail trade center. Agriculture has also been a traditionally strong part of the Billings economy. Billings has the second largest livestock auction market in the nation and has always served as an important center for the growing and selling of such crops as wheat, barley, sugar beets, corn and oats.

The Billings medical community consists of two major hospitals, several group practices, surgical groups, the Northern Rockies Regional Cancer Treatment Center and the South Central Montana Regional Mental Health Center. These facilities contribute to making Billings the largest major medical center between Spokane and Minneapolis and north of Denver. Tourism and recreation also play an important role in Montana's economy. Billings' proximity to Yellowstone National Park, numerous ski resorts, and excellent hunting, fishing, camping and hiking opportunities make it a likely stop over point for the vacationer in this area.

In summary, the City of Billings is a viable metropolitan area with a diverse economy and a history of healthy, sustained growth. The growing viability of the community as a retail and wholesale trade center, the continued growth in the local medical community, and ever increasing levels of tourism all contributed to predictions by the University of Montana's Bureau of Business and Economic Research that Billings and Yellowstone County will likely be among the leaders in the state in population and economic growth over the next decade.

## NEIGHBORHOOD ANALYSIS

The subject is located along the south side of Garden Avenue, about 480 feet west of Sugar Avenue, in Yellowstone County. This location is at the south end of the Billings city limits. For appraisal purposes a neighborhood is defined in terms of common characteristics, trends and groupings of complementary uses. The subject neighborhood is considered to be those properties bounded by Interstate 90 to the north, the Yellowstone River to the south, South Billings Boulevard to the west, and South 27<sup>th</sup> Street to the east. This is a long narrow strip that parallels Interstate 90 between these two interstate interchanges.

The neighborhood is a unique mixture of residential, commercial, and public uses. The westernmost one-quarter of this distance is developed primarily with light industrial properties, including: IState Truck Center, Auto Auction of Montana, Old Dominion Freight Line, and Intermountain Distributing. The next one-quarter is vacant and undeveloped, of which the subject is a part. The eastern one-half of the neighborhood consists of older residential housing, two RV campgrounds (KOA and Yellowstone River Campground), several greenhouse/nurseries, and several commercial properties near the South 27<sup>th</sup> Street interchange.

The one drawback to the area is the fact that it is mostly located in an identified flood hazard zone. Given the proximity of the Yellowstone River, most of the eastern half of the neighborhood is located in the floodplain. This makes development with well and septic systems difficult and has been a hindrance to development. Until city water and sewer lines are extended to the area, development will be slow in coming to the vacant land south of the interstate.

## SITE ANALYSIS

The following information is based on my physical inspection of the subject property and data taken from public records.

Location: The subject is located along the south side of Riverside Drive, at that point where Riverside Drive transitions into Garden Avenue. The northeast corner of Lot 3 is located about 540 feet west of where Sugar Avenue intersects Garden Avenue. The subject is located outside the city limits of Billings in Yellowstone County.

Address: Vacant Land – Not Applicable

Tax ID #: A13327

Legal Desc: Lot 3, Riverside Acreage Tracts Subdivision, Less Highway, Yellowstone County, Montana.

Size: 2.19 acres = 95,396 sf

Shape: The subject is irregular in shape. Please see the plat in the addenda that shows the shape and location of this parcel.

Frontages: 193'± along Riverside Drive

Improvments: None – this site is unimproved.

Easements: Williston Basin Interstate Pipeline Company has a pipeline easement that crosses the subject in an east to west direction toward the south end of the

site. More specifically, the pipeline easement is immediately north of the berm that runs along the south boundary. This is a perpetual easement that transfers with the land. The pipeline is at least 42 inches deep and the width of the easement is 25 feet. I was unable to find a recorded survey showing the location of the line, however, the Conceptual Pipeline Plan & Profile exhibit for the subject easement shows the location of the Williston Basin easement. The impacts of this easement are discussed in Highest and Best Use.

The only other apparent easements are typical utility easements that do not have an adverse impact on value.

Zoning: HC – Highway Commercial

*The HC zone is intended to provide areas for commercial and service enterprises which are intended primarily to serve the needs of the tourist, traveler, recreationist or the general traveling public. Areas designated as Highway Commercial should be located in the vicinity of, and accessible from interstate interchanges, intersections on limited access highways, or adjacent to primary or secondary highway. The manner in which the services and commercial activities are offered should be carefully planned in order to minimize the hazard to the safety of the surrounding community and those who use such facilities.*

Utilities: There is a 48” City of Billings sewer main that runs along Riverside Drive adjacent to the subject. There is a 12” water main located in Riverside Drive at/near the subject’s northeast property line. This main is located in Garden Avenue and crosses Interstate 90 at this location. Other utilities including electricity, natural gas, and telephone are readily available to the parcel.

Access: There is a developed approach off of Riverside Drive/Garden Avenue at the northeast corner of the site. Riverside Drive is a two lane, asphalt paved county road. It is very lightly traveled. The closest traffic count site is east of the subject where Sugar Avenue dead ends into Garden Avenue. The count is along Garden Avenue, immediately west of Sugar. As per the 2017 traffic count data, there were 2,140 vehicles per day at this location. The amount of traffic past the subject is assumed to be lower than this number.

Flood Hazard: The subject is located entirely in the 100-year floodplain. A copy of the floodplain map, as per Yellowstone County, is located in the addenda.

Topography: The majority of this lot is flat and the vegetative cover is improved pasture grasses. The exception is the southeast corner of the site that has a small amount of mature deciduous trees and brush. Given the proximity of the Yellowstone River, which is less than 50 feet south of the south boundary line, riparian habitat is located along this section of the property. The most notable feature at the south end of the site is a grassed over berm that is about 5 to 6 feet in height. This berm was undoubtedly made years ago to prevent flooding from the Yellowstone River. Other than the vegetation and berm at the south end of the site, there are no distinguishing topographical features on this property.

### **Hazardous or Toxic Materials:**

A visual inspection of the site did not reveal any unusual soil conditions or hazardous waste material that may be present on or under the sites. A Phase I Environmental Assessment was not provided; thus, I cannot comment on actual soil conditions or the existence of hazardous wastes, if any, on/under the site. I am not an expert in detecting hazardous materials that may be present on/under the site, which materials may affect the value of the property.

The value estimate is predicated upon the assumption that there is no such material on the property. Any such environmental risk discovered at a later date may require a revised estimate of value that may or may not be simply a reduction of the value by the estimated cost to cure the environmental condition. Properties known to have environmental risk may also carry a stigma in the marketplace that may or may not affect the value. If future soil tests should reveal the existence of any unusual soil conditions or hazardous wastes, I reserve the right to review and modify this appraisal accordingly.

## **PROPERTY OWNERSHIP**

The subject is under the ownership of Marte M. Nelson and Steven D. Nelson, as Trustees of the Marte M. Nelson Trust. The Marte Nelson Trust acquired ownership of the subject from Steven D. Nelson and Marte M. Nelson, as recorded by Quitclaim Deed #3463624 on April 30, 2008. The Nelson's acquired ownership of the subject from Gayle A. Stewart, etal in July, 2007. The purchase price associated with this transaction is unknown.

To the best of my knowledge, the subject is not listed for sale, nor is it under contract for sale, as of the date of valuation.

## HIGHEST AND BEST USE

In estimating the site's highest and best use, legal controls, such as zoning, must be considered, along with investor attitudes and the financial feasibility of the alternative uses. Major types of real estate uses, consisting of agricultural, residential, recreational, industrial, commercial and public use, were considered. It is obvious that several of these uses can be immediately eliminated due to zoning restrictions or unsuitability of the site for such a use.

### **“As Vacant”:**

The subject is located in Yellowstone County, immediately south of Interstate 90. It has the HC – Highway Commercial zoning classification, which allows both commercial and residential development. The site adjacent to the east is developed with an older single family residence and is zoned Residential 15000 while the land adjacent to the west is vacant and also zoned HC. From a zoning standpoint, very few uses are excluded from development so this is not a factor in determining highest and best use.

The two factors that have an impact on value, and largely determine highest and best use, are: proximity to city services and the floodplain. The subject is located outside the city limits, therefore, any development would require a well and septic system/drainfield. Because the subject is located in the floodplain, however, wells and septic systems are not allowed. Therefore, any development of the site requiring water (potable and waste) will need to be via municipal water and sewer services. In other words, the subject will need to be annexed, connected to city services, and the base elevation of the building site/sites raised to a level two feet above the flood plain.

With that said, development of this site with a building requiring water will be expensive and time consuming. About the only use that would not require water is self storage,

however, this is not considered an ideal site for self storage. This property type (self storage) is most successful when it is surrounded by rooftops – either residential and/or commercial. The subject does not fit this description. Also, there is a 124 unit self storage facility located directly across Interstate 90 from the subject. This facility was constructed in 2013 and does not have any buildings requiring water or sewer. This is exactly the type of property that could be developed on the subject without annexation and extension of services, however, the base elevation of the buildings would still need to be 2' above the base flood elevation.

A final element that plays into highest and best use is supply and demand. There is currently an adequate supply of vacant lots available for sale that have similar locational attributes as the subject: frontage along a frontage road with good exposure from Interstate 90. Lot 3 of Riverfront Business Park, located about 3/4<sup>th</sup> mile west of the subject along the south side of Riverside Drive, has been for sale for a number of years. This lot is just over 8 acres in size, has all city services to the lot line, and is priced at \$4.00 psf. The owner, Rick Dorn, says there is periodic interest in the site, however, at 8 acres the pool of buyers for a site this large is limited.

There are three lots for sale at the southwest quadrant of the Lockwood/I90 interchange. They are 2.85 acres, 3.25 acres, and 5.30 acres in size. All three are zoned Highway Commercial and city services have been extended to each lot. The asking price has been lowered over the years and is currently at \$2.95 psf. These lots have been for sale for about three years. Other lots include those in the Cabela's subdivision at the northeast quadrant of the South Billings Boulevard/I90 interchange, and a handful of lots south of I90 between Mullowney Lane and Zoo Drive. The bottom line is that there is no shortage of Interstate 90 "frontage" lots that are listed for sale. Some have city services and some do not.

In conclusion, the options for development are limited for the subject property in its “as is” condition. Any building that is constructed, whether it requires water service or not, will have to be elevated 24” above the base flood elevation. If the subject is not annexed, about the only logical use is self storage. If the subject is annexed, services are extended, and the elevation raised 24” above flood, it will join the pool of other vacant sites having similar attributes that are listed for sale.

Based on the above information, I have concluded that the highest and best use of the subject site is to remain in its “as is” condition and be developed with a use that does not require water (potable or waste). There are simply too many other vacant, buildable sites on the market to justify the costs of annexation, extension, and fill.

The Williston Basin pipeline easement at the south end of the site does not have an adverse impact on value. This easement does not preclude development of the site to its highest and best use.

## VALUATION

### **Sales Comparison Approach**

The value of a property tends to be set by the cost of acquiring an equally desirable substitute property. Therefore, in the Sales Comparison Approach market data obtained from sales of properties with a reasonable degree of similarity to the subject property are analyzed and adjusted to arrive at a value indication. The reliability and similarity of comparable sales data tends to determine the reliability and accuracy of this approach.

Four sales have been gathered that are considered relevant in the valuation of the subject property. One is adjacent to the subject and the other three are clustered near the Interstate 90/South 27<sup>th</sup> Street interchange.

These sales differ from the subject in various ways, i.e. location, time of sale, and physical characteristics. The dissimilarities are adjusted for by adding to the price of the comparable when it is inferior to the subject, and conversely, subtracting from the price of the comparable when it is superior to the subject. In practice it is very difficult to isolate each factor and accurately assess the amount of adjustment required. In most areas there is simply not sufficient data; thus, an appraiser must use subjective judgment in analysis.

The chart on the following page shows the pertinent facts for each transaction. A complete analysis of each sale, along with a map showing its location, is located in the addenda.

<b>Land Sales Chart</b>					
<b>Element:</b>	<b>Subject</b>	<b>Sale 1</b>	<b>Sale 2</b>	<b>Sale 3</b>	<b>Sale 4</b>
<b>Date of Sale:</b>	N/A	04-2018	06-2017	12-2015	04-2015
<b>Location:</b>	Riverside Dr. near Garden Avenue	Riverside Dr. near Garden Avenue	Kimble Drive, W. of Garden Ave.	S. 27th St., North of Interstate 90	Interstate 90 & S. 27th St.
<b>Grantor:</b>	N/A	Normajeon Pippin	Dawna Geiger etal	GSA Billings, L.C.	Carol K. Linde etal.
<b>Grantee:</b>	N/A	James Brown	Mountain West Vet.	Nelson Family Enterprises, LLC	James & Tracy Johnson
<b>H &amp; B Use:</b>	Commercial	Residential	Commercial	Commercial	Commercial
<b>City/County</b>	County	County	County	City	County
<b>Utilities:</b>	Well & Septic	Well & Septic	Well & Septic	All City	Well & Septic
<b>Zoning:</b>	HC	R15000	A1 - Ag. Open	CI	R15000
<b>Flood Zone:</b>	All	All	Partial	None	All
<b>Sales Price:</b>	N/A	\$175,000	\$237,580	\$205,000	\$390,000
<b>Size/Sq. Ft.:</b>	95,396	110,642	123,255	126,713	162,479
<b>Price/SF:</b>	N/A	<b>\$1.58</b>	<b>\$1.93</b>	<b>\$1.62</b>	<b>\$2.40</b>
<b>Prop. Rights</b>	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
<b>Financing:</b>	Cash to Seller	Cash to Seller	Cash to Seller	Cash to Seller	Cash to Seller
<b>Cond. Sale:</b>	Typical	Typical	Typical	Typical	Typical
<b>Market Cond.</b>	Current	Similar	Similar	Similar	Similar
<b>Adjustment:</b>	N/A	\$0.00	\$0.00	\$0.00	\$0.00
<b>Adj. Price/SF:</b>	<b>N/A</b>	<b>\$1.58</b>	<b>\$1.93</b>	<b>\$1.62</b>	<b>\$2.40</b>
<b>Location:</b>	Average	Inferior	Superior	Inferior	Superior
<b>Size/SF:</b>	95,396	Similar	Similar	Similar	Similar
<b>Utilities:</b>	Well & Septic	Similar	Similar	Superior	Similar
<b>Zoning:</b>	HC	Inferior	Inferior	Similar	Inferior
<b>Flood Zone:</b>	All	Similar	Superior	Superior	Similar
<b>Overall Comparability</b>	N/A	<b>Inferior</b>	<b>Superior</b>	<b>Similar</b>	<b>Superior</b>

### **Adjustments Made to Sales:**

Transactional: No adjustments were necessary to any of the sales for transactional

characteristics: property rights conveyed, financing terms, conditions of sale, or market conditions. These four sales occurred between April, 2015 and April, 2018 and there is no evidence of either appreciation or depreciation among these four sales over this period of time. The value of properties having locational characteristics similar to the subject and these sales have remained static over the past five years.

Property: Property adjustments that have been analyzed for adjustment include location, size, utilities, zoning, and flood zone. Following is a discussion of each of these elements of comparison and the reasoning for the adjustments made to the sales.

### **Discussion of Sales – Overall Comparability:**

**Sale 1** is located adjacent to the east of the subject. This property is developed with an older single family residence and several outbuildings. It has the R15 zoning classification and the buyer purchased the property for continued use as a residence. Subsequent to purchase he remodeled the house. The entire property is located within the floodplain, however, the wells and septic system/drainfield are grandfathered. This property was on the market for 196 days before it went under contract. The listing brochure had the following statement: *Property is being sold for the value of the land and any other miscellaneous structures on the land. Will not go VA or FHA.* The contributory value of the improvements was estimated to be \$75,000.

This property has no frontage and poor visibility from the interstate and is inferior to the subject in location. This properties residential zoning classification is also inferior to the subject's commercial zoning classification. It is similar in the other elements of comparison. This sale is inferior to the subject in overall comparability.

**Sale 2** is located along the south side of Kimble Drive, about 240' west of Garden Avenue. This location is immediately south of the I90/South 27<sup>th</sup> Street interchange. This site has been developed with a large animal (equine) veterinary clinic. At the time of sale

the easternmost 32% of the site was outside the 100-year floodplain while the westernmost 68% was inside the floodplain. This parcel parallels the interstate and has excellent visibility from the interstate.

Given this properties proximity to the interchange, it has a superior location to the subject. This sale is also superior to the subject in flood zone as the eastern third is outside the flood zone, which is where the vet clinic was constructed. This sales ag zoning classification, however, is inferior to the subject's commercial zoning classification. It is similar in the other elements of comparison. This sale is superior to the subject in overall comparability.

**Sale 3** is located along the west side of South 27<sup>th</sup> Street and immediately north of Interstate 90. This property has extensive frontage along South 27<sup>th</sup> Street, however, it does not have access from South 27<sup>th</sup> Street. It is this lack of direct access from South 27<sup>th</sup> Street that results in a value of \$1.56 psf. Access is very roundabout as follows, from the site to South 27<sup>th</sup> Street: Nall Avenue via Kimble Drive via Sugar Avenue via State Avenue. After turning off of South 27<sup>th</sup> Street, this is a distance of about 3/4<sup>th</sup> mile. As a result, this property was only suitable to a handful of businesses. The site has been developed with a Frito Lays warehouse/distribution building. The selling Broker had the property listed for sale for over 2 years.

This is the only sale that was adjacent to city services and is superior to the subject in utilities. This sale is also outside the flood plain and superior in this element of comparison. This property has poor visibility from the interstate and access to the interchange is not direct, therefore, it is inferior to the subject in location. It is similar in the other elements of comparison. I have concluded that inferior location offsets superior utilities and flood plain and that this sale is similar to the subject in overall comparability.

**Sale 4** is located at the southeast quadrant of Interstate 90 and South 27<sup>th</sup> Street. This site has been developed with Jim & Tracy's Alignment. At the time of sale this property was inside the floodplain and zoned R15000 by Yellowstone County. This property has an excellent location, which is the primary reason this particular business purchased this site - it has excellent visibility and accessibility from Interstate 90. Similar to the subject it is 100% located in the floodplain.

This property has a superior location to the subject but had an inferior zoning classification at the time of sale. It is similar in the other elements of comparison. I have concluded that location outweighs zoning in this instance and that this sale is superior to the subject in overall comparability.

**Conclusion of Value:**

Sales 2 and 4 are clearly superior to the subject in comparability. Sale 4 sets the high end of value and rightly so given its location at the interchange. Sale 2 is adjacent to the south of Sale 4 and while not as desirable a location, it is still superior to the subject. The subject should clearly command a value lower than \$1.93 psf exhibited by Sale 2.

Sales 1 and 3 basically exhibit the same value per square foot at \$1.58 and \$1.62, respectively. I concluded that Sale 1 is inferior to the subject which suggests the subject should command a value higher than \$1.58 psf, however, the overall reliability of this sale is somewhat weakened by the fact that the contributory value of improvements were subtracted from the overall sales price to arrive at land value. This is never as desirable as having a pure land sale. I have only included this sale given its proximity to the subject property. I concluded that Sale 3 is similar to the subject in comparability which suggests a value for the subject of between \$1.60 to \$1.65 psf.

Based on the above information I have estimated the market value of the subject property to be \$1.65 per square foot. The overall value of Lot 3 is calculated as follows:

$$\begin{array}{rclcl} 95,396 \text{ sf} & \times & \$1.65 \text{ psf} & = & \$157,403 \\ & & \text{Rounded to:} & & \mathbf{\$157,000} \end{array}$$

**Description of Easement to Be Acquired:**

The proposed easement is to originate immediately west of the main approach to the site off of Riverside Drive and diagonal toward the east property line. Please see the *Conceptual Pipeline Plan and Profile* exhibit in the addenda to better visualize the alignment of the proposed easement. As per the exhibit, the easement will touch the east property line about 70 feet south of the north property line. From that point southward it parallels the property line. The width of the easement is to be 20 feet and all building types are prohibited from being placed within this area. It is my understanding that roads, parking lots, storage yards, etc. are not a prohibited use. The total area of the easement is 0.2333 acres, or 10,163 square feet.

### Analysis “After” Acquisition

The City of Billings is desiring to acquire a 20 foot wide strip easement that is to run in a north to south direction along the majority of the eastern boundary line of Lot 3. The easement will prohibit the construction of any type of structure (commercial building, house, garage, shed, kennels, etc.) within the easement right-of-way. The question to be answered is this: does the proposed easement have a negative impact on the market value of the property?

The first step in answering this question is determining what the setback requirements are under the HC zoning classification. Almost all zoning classifications have setback requirements that establish how far from the property line a new building must be located. The following chart shows the front and side setbacks under HC zoning.

Front:	<b>20 feet</b>
Side:	0 feet
	<b>15 feet</b> – when contiguous with a residentially zoned property

Because the subject’s east property line is contiguous with a residentially zoned tract, the setback is 15 feet along the east property line. The net impact of the easement, therefore, is 5 feet. The subject has a width of just over 193 feet. It would be almost impossible to prove that the additional 5 feet of setback as a result of the easement would cause a loss in value to this property. If the subject had a total area of say 30,000 sf, this might become an issue. With a total area of 2.19 acres, however, I have concluded that the additional 5 feet of setback along the east boundary due to the easement does not cause a loss in market value. The utility of the site “after” acquisition is the same as the utility of the site “before” acquisition.

**Value of the Acquisition:**

The final step in this analysis is the determination of the value of the acquisition. This is found by multiplying the area of the easement (the acquisition) by the market value of the land, which is estimated to be \$1.65 per square foot. Because this is not a total taking of the land, only an easement, the landowner does not relinquish his entire bundle of rights. For this reason, I have determined that compensation is limited to 95% of the fee value. The value of the easement is calculated as follows:

Easement Area:		10,163 sf
Market Value of Land:	x	\$ 1.65/sf
% of Rights Relinquished:	x	<u>0.95</u>
Value of Easement Acquired:		\$15,931
Rounded to:		<b>\$15,950</b>

**Market Value “After” Acquisition:**

The market value of the subject property after acquiring the easement is calculated as follows:

Market Value “Before” Acquisition:	\$157,000
Less Value of the Acquisition:	( <u>15,950</u> )
Market Value “After” Acquisition:	<b>\$141,050</b>

**CORRELATION ANALYSIS  
AND  
FINAL VALUE ESTIMATE**

The Sales Comparison Approach indicates the following value estimates for the subject property:

Value of Subject "Before" Acquisition:	\$157,000
Value of Subject "After" Acquisition:	\$141,050
<b>Value of Acquisition:</b>	<b>\$ 15,950</b>

The four sales used in the valuation of the subject are considered to provide excellent support for the market value of the subject site. These sales are all located in the immediate area and have fairly similar locational attributes. The prices exhibited by these sales range from a low of \$1.58 psf to a high of \$2.40 psf. It would be very difficult to argue that market value should be anywhere other than within this range for the subject property. Sale 4 exhibited the high end of value at \$2.40 psf. Excluding this sale, the range narrows substantially to \$1.58 to \$1.93. Given the subject's location within the floodplain and distance from the interchanges, I concluded that market value should be toward the lower end of this range. In the end, I consider the estimate of market value to be very well supported.

I have also determined that the proposed easement does not cause a diminution in value after acquisition, which greatly simplifies the remainder of the analysis. Because the easement essentially parallels the east boundary line of the site, the utility of the subject remains the same before and after acquisition.

Based on my analysis of the data and information presented in this report, the final estimated market value of the proposed easement, as of the date of last inspection, November 18, 2018, is:

**Fifteen Thousand Nine Hundred Fifty Dollars**  
**(\$15,950)**

## CERTIFICATION

I hereby certify to the best of my knowledge and belief:

- the statements of fact contained in this report are true and correct.
- the reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
- I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- the engagement in this assignment was not contingent upon developing or reporting predetermined results.
- the compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- the analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- I have made a personal inspection of the property that is the subject of this report.
- no one provided significant professional assistance to the persons signing this report.

I further certify that the final estimated market values of the proposed easement, as of the date of last inspection, November 18, 2018, is: **\$15,950**. This appraisal was made in accordance with the Codes of Professional Ethics and the Standards of Professional Practice of The Appraisal Institute. As of the date of this report, I have completed the continuing education program for Designated Members of the Appraisal Institute. The use of this report is subject to the requirements of The Appraisal Institute relating to review by their duly authorized representatives.

THOMAS APPRAISAL SERVICES, INC.



By: David C. Thomas, MAI  
Montana Certified General Appraiser #416

## QUALIFICATIONS/RESUME FOR DAVID C. THOMAS

### **Designation & Professional Affiliations**

Member (MAI) The Appraisal Institute  
Montana Certified General Appraiser #416

### **Business Address**

Thomas Appraisal Services, Inc.	Phone:	406-969-1504
175 North 27 <sup>th</sup> Street, Suite 1220	Cell:	406-366-1159
Billings, MT 59101	E-Mail:	dave@tas.net

### **Employment History**

Independent Fee Appraiser... Thomas Appraisal Services, Inc.  
Lewistown, MT... April 1993 to Present

Independent Contractor... Ferro Appraisal Services, Inc.  
Great Falls, MT... April 1993 to June 2001

Independent Fee Appraiser... Pardue, Heide, Church, Smith and Waller of Brevard, Inc.  
Titusville, Florida... September 1991 to February 1993

### **Education**

Bachelor of Science, May 1989  
Arizona State University, Tempe, Arizona  
Double Major: Finance and Real Estate

### **Partial Listing of Clients**

Basin State Bank of Lewistown	Metropolitan Mortgage & Securities
CB Richard Ellis/Metec Due Diligence	Montana Department of Transportation
Continental National Bank, Harlowton	Mountain West Bank
Farm Credit Services	State of Montana, Compensation Ins. Fund
Fergus County Federal Credit Union	Stockman Bank of Montana
ABN AMRO	US Dept of Agriculture, Rural Development
First Interstate Bank	US Dept. of Agriculture, NRCS
First National Bank of Lewistown	Western Security Bank
JP Realty Inc., Hialeah, Florida	Wells Fargo Bank
Judith Basin County	Wells Fargo Bank Public Finance
Lewistown Airport Authority	Numerous private investors, attorneys, accountants.

**Continuing Education Courses**

2018 – Forecasting Revenue	Appraisal Institute
2018 – Real Estate Finance, Value, & Investment Performance	Appraisal Institute
2017 – Marketability Studies – Basic & Advanced Applications	Appraisal Institute
2016 - 7-Hour National USPAP Update Course	Appraisal Institute
2014 - General Appraiser Market Analysis & H. & B. Use	Appraisal Institute
2014 - Online Cool Tools New Technology for R.E. Appraisers	Appraisal Institute
2014 - 7-Hour National USPAP Update Course	Appraisal Institute
2014 - 2014 Montana Economic Outlook Seminar	University of Montana
2013 - Business Practices & Ethics	Appraisal Institute
2012 - Appraising the Appraisal: Appraisal Review	Appraisal Institute
2012 – 7-Hour National USPAP Update Course	Appraisal Institute
2011 – Advanced Spreadsheet Modeling for Valuation Appl.	Appraisal Institute
2010 - DCF Model: Concepts, Issues, Applications	Appraisal Institute
2010 - Using Spreadsheet Programs in Appraisals	Appraisal Institute
2010 - Valuation for Financial Reporting	Appraisal Institute
2010 - Standards of Professional Practice, Part C	Appraisal Institute
2009 - Business Practices & Ethics	Appraisal Institute
2008 - Office Building Valuation - Cont. Perspective	Appraisal Institute
2008 - Standards of Professional Practice, Part C	Appraisal Institute
2007 - Analyzing Distressed Real Estate	Appraisal Institute
2007 - Feas., Mark. Val., Timing: Option Value	Appraisal Institute
2007 - Effective Appraisal Writing	Appraisal Institute
2007 - Standards of Professional Practice, Part C	Appraisal Institute
2006 - Subdivision Valuation	Appraisal Institute
2006 - Code of Professional Ethics	Appraisal Institute
2006 - Standards of Professional Practice, Part C	Appraisal Institute
2005 - Scope of Work, Exp. Your Services	Appraisal Institute
2004 - Evaluating Commercial Construction	Appraisal Institute
2004 - Standards of Professional Practice, Part C	Appraisal Institute
2003 - Separating Real & Personal Property from Intangible Business Assets	Appraisal Institute
2003 - Uniform Stan. for Fed. Land Acquisitions	Appraisal Institute
2002 - Partial Interest Valuation - Undivided	Appraisal Institute
2002 - Standards of Professional Practice, Part C	Appraisal Institute
2001 - Partial Interest Valuation - Divided	Appraisal Institute
2001 - Passed Comprehensive Examination	Appraisal Institute
2001 - The Comprehensive Appraisal Workshop	Ted Whitmer, MAI Attorney
2000 - Advanced Applications	Appraisal Institute
2000 - Case Studies/Highest and Best Use	Appraisal Institute
2000 - Litigation Skills for the Appraiser	Appraisal Institute
2000 - Standards of Prof. App. Practice, Part C	Appraisal Institute
1999 - Nonres. Demo. Report Writing Seminar	Appraisal Institute
1999 - Highest and Best Use and Market Analysis	Appraisal Institute
1999 - Advanced Income Capitalization	Appraisal Institute
1999 - Standards of Professional Practice, Part B	Appraisal Institute
1999 - Analysis of Small Mixed Use Properties	Appraisal Institute
1998 - Advanced Sales Comp. & Cost Approaches	Appraisal Institute
1998 - Small Hotel/Motel Evaluation	Appraisal Institute
1998 - Report Writing and Valuation Analysis	Appraisal Institute
1998 - Standards of Professional Practice, Part C	Appraisal Institute
1997 - Timberland Valuation: General	Appraisal Institute
1997 - Understanding Limited Appraisals	Appraisal Institute
1996 - Principles of Rural Appraisal (A-20)	Society Farm Mngrs & Rural Appr.
1995 - 30 Specialized Appraisal Issues	Appraisal Institute
1995 - Standards of Professional Practice, Part A	Appraisal Institute

## ASSUMPTIONS AND LIMITING CONDITIONS

This Appraisal Report, the Letter of Transmittal and the Certification of Value are made expressly subject to the following assumptions and limiting conditions, and any special limiting conditions contained in the report which are incorporated herein by reference.

1. The legal description furnished is assumed to be correct. I assume no responsibility for matters legal in character nor do I render any opinion as to the Title, which is assumed to be good. All existing liens and encumbrances, if any, have been disregarded, and the property is appraised as though free and clear, under responsible ownership and competent management.
2. The sketch in this report is included to assist the reader in visualizing the property. I have made no survey of the property and assume no responsibility in connection with such matters.
3. No responsibility is assumed for accuracy of information furnished by work of others, the client, his designee or public records. I am not liable for such information, nor the work of possible subcontractors. The comparable data relied upon in this report has been confirmed with one or more parties familiar with the transaction or from affidavit or other source thought reasonable; all are considered appropriate for inclusion to the best of my factual judgment and knowledge. An impractical and uneconomic expenditure of time would be required in attempting to furnish unimpeachable verification in all instances, particularly as to engineering and market-related information. It is suggested that the client consider independent verification as a prerequisite to any transaction involving, sale, lease or other significant commitment of funds or subject property.
4. This appraisal has been prepared for the exclusive benefit of the client. It may not be used or relied upon by any other party. Any party who uses or relies upon any information in this report, without the preparer's written consent, does so at his own risk. Possession of this report, or a copy thereof, does not carry with it the right of publication, nor may it be used for any purpose by any but the applicant without the previous written consent of the appraiser or the applicant, and then only with proper qualification.
5. The contract for appraisal, consultation or analytical service is fulfilled and the total fee payable upon completion of the report. The appraiser or those assisting in preparation of the report will not be asked or required to give testimony in court or hearing because of having made the appraisal, in full or in part, nor engage in post appraisal consultation with client or third parties except under separate and special arrangement and at additional fee. If testimony or deposition is required because of any subpoena, the client shall be responsible for any additional time, fees and charges regardless of issuing party.
6. Subsurface rights (minerals and oils) were not considered in making this appraisal.

7. The appraisal is based on there being no hidden, unapparent, or apparent conditions of the property site, subsoil or structures, nor toxic materials which would render it more or less valuable. No responsibility is assumed for any such conditions, nor for any expertise or engineering required to discover them.
8. The comparable sales data relied upon in this appraisal is believed to be from reliable sources; however, it was not possible to inspect the comparables completely, and it was necessary to rely on information furnished by others as to said data; therefore, the value conclusions are subject to the correctness and verification of said data.
9. The appraiser assumes no responsibility for any costs or consequences arising from the need or lack of need for flood hazard insurance. An Agent for the Federal Flood Insurance Program should be contacted to determine the actual need for Flood Hazard Insurance.
10. Neither all nor any part of the contents of this report shall be conveyed to any person or entity other than the appraiser's or firm's client, through advertising, solicitation materials, public relations, news, sales, or other media without the written consent and approval of the authors, particularly as to valuation conclusions, the identity of the appraiser or firm with which the appraiser is connected, or any reference to the Appraisal Institute. Further, the appraiser or firm assumes no obligation, liability, or accountability to any third party. If this report is placed in the hands of anyone but the client, the client shall make such party aware of all the assumptions and limiting conditions of the assignment.
11. 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 this report; further that all applicable zoning, building and use regulations and restrictions of all types have been complied with unless otherwise stated in the report. Furthermore, 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.
17. The appraiser reserves the right to re-evaluate statements, analysis, conclusions or any value estimate in the appraisal if facts become known that are pertinent to the appraisal process and which were unknown when the report was finished.
18. 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. The appraiser assumes no responsibility for any costs incurred to discover or correct any deficiencies of any type present in the property; physically, financially, economically or legally.

**ACCEPTANCE OF, AND/OR USE OF THIS APPRAISAL REPORT BY THE CLIENT OR ANY THIRD PARTY CONSTITUTES ACCEPTANCE OF THE ABOVE CONDITIONS.**