

# THE APPRAISAL GROUP, LTD.

Real Estate Appraisers and Consultants

*"A Sound Appraisal is Investment Insurance"*

State Certified General Appraisers  
Steven M. Repac  
Thomas C. Moss (1951-2003)

State Certified Residential Appraiser  
Jody J. Deines-Pierce

Mr. Jeff Ivie  
Facilities and Safety Manager  
RiverStone Health  
123 So. 27<sup>th</sup> Street  
Billings, Montana 59101

29 Nov 19

Re: So. 26<sup>th</sup> Street – Proposed Acquisition of Street Vacation  
Located along 2<sup>nd</sup> Ave. So. & So. 26<sup>th</sup> St., Billings, MT

Dear Mr. Ivie:

Enclosed please find the completed appraisal of property rights on the above reference property. I conducted my site investigation on 22 Nov 19; that is the effective date of valuation in this report.

I have determined that the value of the encumbered surface rights of the fee interest of the proposed acquisition is:

**\$29,500**

Twenty-Nine Thousand Five Hundred Dollars

This report has been prepared in compliance with prevailing standards outlined in the Uniform Standards for Professional Appraisal Practice (USPAP). This Appraisal Report is intended to comply with the reporting requirements set forth under Standards Rule 2(a) of USPAP for an appraisal.

Thank you for your trust and confidence in employing my services for this important matter. Should you have any questions or need additional information pertaining to this appraisal assignment, please contact me at your convenience.

Respectfully,



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Steven M. Repac  
MT. General Certification No. 058

**APPRAISAL REPORT**  
(APPRAISAL REPORT FOR R/W ACQUISITION)

- (1) PROJECT NO.: N/A PROJECT ID: N/A  
DESIGNATION: Portion of So. 26<sup>th</sup> Street Vacation PARCEL NO.: N/A
- (2) RECORD OWNER: City of Billings  
ADDRESS: 2224 Montana Avenue, Second Floor, Billings, MT 59101
- CONTRACT PURCHASER: N/A  
ADDRESS:
- LESSEE OF ACQUISITION: N/A  
ADDRESS:
- (3) ADDRESS AND/OR LOCATION OF THE PROPERTY: Portion of 2<sup>nd</sup> Ave. South & So. 26<sup>th</sup> Street
- (4) BRIEF LEGAL DESCRIPTION OF THE PROPERTY: T1S, R26E, P.M.M., Sec. 3: A portion of So. 26<sup>th</sup> Street situated adjacent south of previous 26<sup>th</sup> St. Vacation (Res #05-18290).



Date Taken: 22 Nov 19 Taken by: S. Repac  
Taken From: Northwest side of remaining portion of So. 26<sup>th</sup> St. Facing: South-southeast  
Remarks: Photo shows the area remaining in So. 26<sup>th</sup> St. and the proposed acquisition. Curb & gutter, boulevard landscaping, sidewalk, underground utilities, and pavement will remain on the west side of the street (right in photo).

- (5) 5 YEAR DELINEATION OF TITLE:  
To: N/A  
From: Recording Info.  
Date:  
Consideration (last transfer): Not Determined

(6) CLIENT & INTENDED USERS: The client is Yellowstone Health Partnership – by direction of Jeff Ivie, Facilities and Safety Manager. The intended users of this report include the client, and the City of Billings and any assigns. This appraisal may be made available to property owners, or others, only at the discretion of the City of Billings, through legal proceedings, or from public records.

(6a) PURPOSE AND INTENDED USE OF THIS APPRAISAL: The purpose of the appraisal is to estimate the Market Value, as defined in MCA 70-30-313, of all the rights of ownership of the proposed acquisition of So. 26<sup>th</sup> Street, subject to any stated assumptions and limiting conditions. The intended use of this appraisal is for the purpose of establishing just compensation for the acquisition of the described property interest(s).

This appraisal will be used to determine the fair market value of a proposed acquisition of the encumbered fee interest in a remaining portion of South 26<sup>th</sup> Street – adjacent north of 2<sup>nd</sup> Ave. South. The proposed acquisition is a full acquisition, and

therefore does not require the consideration of any adverse (or beneficial) affects the acquisition may have on any remainder property.

(7) PROPERTY RIGHTS OR INTEREST BEING APPRAISED:  
Encumbered Fee  Easement  Permit  Other (specify) N/A

(7a) TYPE OF PROPERTY APPRAISED:  
The subject property is an example of a "special purpose property": A limited-market property with a unique physical design, special construction materials, or a layout that restricts its utility to the use for which it was built (The Dictionary of Real Estate Appraisal, 4<sup>th</sup> Edition, p. 272).

(8) MARKET VALUE is to be established in terms of cash or based on terms of financial arrangements equivalent to cash for the rights being appraised, as follows:

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

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

(8a) EFFECTIVE DATE OF VALUE: 22 Nov 2019

(8b) DATE OF THIS REPORT: 29 Nov 2019

(9) SCOPE OF WORK: Summarize the process of collecting, confirming, and reporting data contained in this report: Several of the following sources were utilized in providing both general and detailed information pertaining to the area real estate market; including sales, listings, rents, general market statistics, etc. The geographical area researched was the downtown Billings "southside" area: generally extending from Montana Avenue to State Avenue from north to south, and from So. 21<sup>st</sup> St. to So. 41<sup>st</sup> St. from east to west. The time span used in the search of market data is roughly from 2008 to current - this span of time allows for the most current information to be researched, along with providing some data on sales and resales for the development of time adjustments for use in the project reports. Primary data may have been gathered from any of the following sources:

- Office files
- Market participants, including brokers/real estate agents, buyers, sellers, lenders, property managers, landlords, and/or tenants. The area considered for the collection of sales data include the general neighborhood of the subject property, which by physical proximity defines the south side of the city of Billings, Montana,
- County Clerk and Recorder Deed records
- County Assessor records
- Multiple Listing Service records
- City Planning/Engineering Office
- Building Inspector's Office
- Professional exhibits provided by the prospective buyer (Riverstone Health) relating to future street construction
- City of Billings Engineering personnel
- Professional real estate articles dealing with the appraisal of limited market and special purpose properties.

The State of Montana is a "nondisclosure" state and as such, sale prices of real estate are not publicly recorded, therefore, few centralized sources of sale prices for real estate transactions exist. In addition no one associated with a real estate sales transaction is obligated to release or verify information. The client is hereby notified that it is possible there may be sales of comparable properties of which we have no knowledge and, therefore, have not been analyzed for use with this series of reports. The information presented herein has been gathered from sources deemed reliable and every effort has been made to insure its accuracy. All sales used were confirmed with either the buyer, seller, or real estate agent of the transaction and are presented in the body of this report. When conflicting information was provided the source deemed most reliable was used. Data believed to be unreliable was not included in the report nor used as a basis for the value conclusion.

(9a) APPRAISAL METHODS AND TECHNIQUES EMPLOYED IN THIS APPRAISAL:  
The Cost Approach will be solely utilized to develop the value in this assignment. The Cost Approach has two parts to its development: the (1) development of an opinion of land value, and the (2) estimation of the contributory value of any improvements. As noted above, the subject is an example of a *Special Purpose Property*. The Sales Comparison Approach is excluded in the report, because there are very few identified street sales that have any relevance to the subject assignment – and none that would allow the abstraction of a contributory improvement value. The Income Approach is also excluded because the current marketplace does not demonstrate sales of street parcels with ground leases on them that can be analyzed to determine a land value in the subject market area. The omission of the Sales Comparison and Income Approaches to value do not, in my opinion, erode the credibility of this appraisal report or the values estimated herein.

(10) ASSUMPTIONS AND LIMITING CONDITIONS: List only those assumptions and limiting conditions applicable to this parcel.

*Extraordinary Assumptions:*  
None noted.

*Hypothetical Conditions:*  
None noted.

(11) SUMMARY DESCRIPTION OF NEIGHBORHOOD:  
Summary description of the neighborhood considered for collection of sales data:  
Surrounding area is: Depressed  Declining  Static  Growing  Other \_\_\_\_\_  
Unusual features affecting property values: Major railroad corridor separates land uses and relative property values in this area.  
Subject property conforms with general area: Yes  No  Beneficial aspects of the subject neighborhood include its relatively high traffic counts, location in a sector of the "south-side" that has experienced some new construction, and good proximity to transportation linkages. Negative aspects include the subject's relatively close proximity to distressed and older,

and highly depreciated properties. Parking in CBD zoned areas is limited to on-street parking spaces – which enhances the utility of most improved land uses.

If no, explain:

Surrounding area is: Vacant  Partially Developed   
Developed  Warehouse In Transition  To office and flex building uses

Zoning in the area: Various zoning in area; mostly South 27<sup>th</sup> Street Permit Zoning along So. 27<sup>th</sup> Street, Controlled Business District (CBD) in all areas north of 2<sup>nd</sup> Ave. South around high-volume traffic areas, Controlled Industrial (CI) in areas generally east of So. 25<sup>th</sup> St., and Community Commercial (CC) in areas south and east of 2<sup>nd</sup> Ave. South.

Has subject project influenced property values? Yes  No

If yes, explain:

(12) SUMMARY DESCRIPTION OF PROPERTY BEFORE ACQUISITION:

Total Area Contiguous Ownership (Larger Parcel): From Sanderson Stewart Engineers: 4,000 sq.ft.

Shape: Rectangular - 80' wide x 50' deep

Dimensions: See attached plans

Corner Site:  Interior Site:  Alley Access:

Access: From 2<sup>nd</sup> Ave. South

Property's present location in respect to grade: At grade with 2<sup>nd</sup> Ave. South

Topography: Generally level

Drainage: Crowned street - appears adequate

Present Use: Residential:  Commercial:  Industrial:   
Suburban Residential:  Special Purpose:  Farm/Ranch:   
Other: Fully improved street

Zoning: Central Business District (CBD)

Utilities: Phone:

Power:

Sewerage:

If septic, describe location and show on site plan: N/A

Water:

If private well, describe location and show on site plan: N/A

Description of improvements: Fully improved street with sidewalk, curb and gutter, paving, landscaping, plus a fire hydrant at the south end.

(12a) Real Estate Taxes: Year: 2019 Tax Code: N/A Geocode: N/A  
Assessed Land Value: N/A 2019 Taxes: N/A Outstanding SIDs: N/A

(12b) Traffic Counts near Subject: 1<sup>st</sup> Ave. So.: 9,840 vpd avg.; So. 27<sup>th</sup> St.: 13,610 vpd avg.

(13) Fencing (Fencing, Gates, Portals and/or Cattle Guards within R/W acquisition):

None.

(14) HIGHEST AND BEST USE:

Summary analysis and conclusion based on the use being reasonably probable, legally permissible, physically possible, financially feasible, and maximally profitable – and results in the highest land value.

**Highest and Best Use As-Vacant:**

Physically Possible: Soils have not been independently tested, but nearby land uses suggest soils could be used to support various commercial and residential land uses. All city services are present. There are no obvious areas of limitation.

Legally Permissible: The zoning on the subject property is CBD, which primarily accommodates stores, hotels, governmental and cultural centers and service establishments at the central focal point of the city's arterial and transportation system, where the CBD can conveniently serve the population of the entire urban area with a varied and specialized selection of goods and services. In order to protect the public interest and welfare and facilitate an attractive, efficient and prosperous CBD, the emphasis is on larger scale building and specialty shops. CBD zoning carries no maximum height restrictions, lot coverage percentages, and no setbacks. Development in the immediate CBD-zoned area is characterized by commercial land uses interspersed around major intersections.

Financially feasible uses are apparent for commercial land use purposes.

Maximally profitable use "as vacant" is considered to be for an access street for the adjacent property to the north, east and west land ownership. If the property is not used for a street, then inclusion into the aforementioned adjacent property area would enhance the larger ownership's utility for parking.

**Highest & Best Use As-Improved:**

The use of the real estate reflected in this appraisal will be as a portion of a fully improved street.

- (15) LAND VALUATION, BEFORE:  
Land values based on Sales Catalog/Project Report N/A : Sale Numbers N/A ; or Sales contained below:

A number of sales were researched in the Billings market for this report. Due to locational attributes and other similarities, the appraiser limited the search to sales of commercially-zoned land parcels along major arterials in the Billings south side proper. Following are the most germane to this assignment:

#	Location	Zoning	Sale Date	Orig. Sale Price	TA Sales \$	Size (ac)	Sq.Ft.	TA \$/Sq.Ft.	CBD \$/sf
1	N of RR tracks	CBD	20-Jan-11	\$56,000	\$56,000	0.161	7,000		\$8.00
2	N of RR tracks	CBD	13-Jan-12	\$80,000	\$80,000	0.220	9,578		\$8.35
3	S of RR tracks	So. 27th Perm It	3-Oct-12	\$42,000	\$42,000	0.241	10,500	\$4.00	
4	S of RR tracks	CC	24-May-12	\$35,000	\$35,000	0.241	10,500	\$3.33	
5	S of RR tracks	So. 27th Perm It	4-Oct-12	\$80,000	\$80,000	0.482	21,000	\$3.81	
6	S of RR tracks	So. 27th Perm It	18-Dec-15	\$196,500	\$196,500	0.643	28,000	\$7.02	
7	S of RR tracks	NC	18-May-18	\$230,000	\$230,000	0.913	39,770	\$5.78	
8	S of RR tracks	So. 27th Perm It	5-May-08	\$230,000	\$230,000	0.964	42,000	\$5.48	
9	S of RR tracks	So. 27th Perm It	13-Aug-12	\$257,250	\$257,250	1.125	49,000	\$5.25	
	Subj.					0.0918	4,000		
			Mean	\$134,083	\$134,083	0.554	\$24,150	4.95	8.18
			Median	\$80,000	\$80,000	0.482	\$21,000	5.25	8.18

#### SURVEY OF SALES:

Sale 1: An abstracted land value from the sale of a corner lot north of the tracks with a 1,288 sf building on it that used to be a gas station. The building is still being used and at the time of sale was rented out for a retail store.

Sale 2: Sale is located north of the tracks along Montana Avenue and was an interior parking lot with 27 spaces.

Sale 3: Sale was three vacant interior lots located along So. 28<sup>th</sup> St., that were purchased with six others to the north. Purchaser was a church and these lots were used for assemblage purposes.

Sale 4: Sale of three lots on the NEC of So. 26<sup>th</sup> St., and 5<sup>th</sup> Ave. South. The site is in close proximity to the Conoco refinery.

Sale 5: Sale is of an improved corner site with six lots along So. 28<sup>th</sup> St.; the property had an older rundown house on it that was razed – the cost of the demolition was added to the purchase price.

Sale 6: Sale is the sale of eight (8) city lots located along So. 27<sup>th</sup> Street north of 7<sup>th</sup> Ave. South. This sale had quite a bit of visibility from a higher traffic volume street.

Sale 7: Sale is located along the south side of State Avenue just east of Ace Hardware. The zoning is Highway Commercial, but is close enough in comparison that some similarities can be drawn.

Sale 8: Sale is part of a half of a city block along the west side of So. 27<sup>th</sup> Street, between 4<sup>th</sup> and 5<sup>th</sup> Aves So. to a church organization.

Sale 9: Sale is another half of a city block along So. 27<sup>th</sup> Street, between 10<sup>th</sup> and 11<sup>th</sup> Aves So., to a church organization.

#### ANALYSIS OF THE COMPARABLE SALES:

Taken in sum, the collective sales range in age from 2008 through 2018 and indicate a mean price of \$4.95 per sf for non-CBD zoned land – and a median indication of \$5.25 per sf for non-CBD zoned land. The only two CBD-zoned sales were located on the north side of the tracks and they had a mean (and median) indication of \$8.18 per sf. Of course, there are differences between most of the sales and the subject property. Some of the sales are located in what might be termed as more “favorable” locations, next to other properties with higher values, or having better connectivity to desirable traffic grids. It is interesting to note that in this study – in general – size differences seem not to correlate with unit prices; usually smaller parcels will exhibit higher unit prices and vice-versa. This could be because there is a decided difference between those properties located on the south side of the railroad corridor – as opposed to properties located on the north or southwest side. Also, I could not prove a trend in sales prices over the timespan of the sales in this area – this specific area (south-side) has had a hard time stabilizing and demonstrating increased values over the past 10 years or so.

Adjustments to sales can be made for the following reasons:

1. Real Property Rights Conveyed
2. Financing Terms
3. Conditions of Sale
4. Expenditures Made Immediately After Purchase
5. Market Conditions (Time)
6. Location
7. Physical characteristics
8. Economic characteristics
9. Use/Zoning
10. Non-realty components of value

Instead of trying to make finite mathematically quantitative adjustments to the sales for differences, I prefer to rank (or sort) the sales as to whether they are considered “superior”, “inferior”, or “equal” to the subject property. This process effectively

mirrors the actions of the marketplace and attempts to recreate the purchase decision that a marketplace participant would go through when they interact with a seller. More quantitative adjustments are not employed, since the population of comprehensive sales data for these types of properties is not available. In addition, a systematic grid-adjustment process that employs specific percentage or dollar-amount adjustments is not characteristic of the behavior and thinking of most purchasers of this type of property, and in that sense may be unrealistic. As an alternative, a qualitative approach is used to bracket the subject property between sets of comparable sales – superior and inferior properties – this often represents a more realistic and reliable approach. In this way, a subject is bracketed between higher and lower sales prices and a value within this range can be selected as the indicated value via the sales comparison approach (Ref: Property to Property Comparison, Thomas Rodgers, MAI, Appraisal Journal, Jan 1994, pg. 64.)

Below are listed the sales and their respective bracketing with regard to the subject property:

**Bracketing Analysis**

#	Zoning	Sq.Ft.	\$/Sq.Ft.	Superior	Equal	Inferior
1	CBD	7,000	\$8.00	xxx		
2	CBD	9,579	\$8.35	xxx		
3	So. 27th Permit	10,500	\$4.00		xxx	
4	CC	10,500	\$3.33			xxx
5	So. 27th Permit	21,000	\$3.81		xxx	
6	So. 27th Permit	28,000	\$7.02	xxx		
7	NC	39,770	\$5.78		xxx	
8	So. 27th Permit	42,000	\$5.48	xxx		
9	So. 27th Permit	49,000	\$5.25	xxx		

*Reasoning for the Bracketing:*

Sales 1 and 2 are sales with the same zoning as the subject, but they are located north of the railroad tracks and are generally considered superior to properties located south of the tracks. Sales 6, 8 and 9 are located along So. 27<sup>th</sup> Street and enjoy higher site prominence and vehicular traffic than the subject property. This bracket analysis suggests that the subject should be valued below \$5.25 per sq. ft. Sale 4 is located three blocks south of the subject, but is considered to be inferior with regard to location. This “inferior” indicator suggests a value above \$3.33 per sq. ft. Sales 3, 5 and 7 range from \$3.81 to \$5.78 per sq. ft., and these sales are considered to be the most indicative of value for the subject. Since I didn’t have enough data to prove a demonstrable increase in prices on the south side over time I feel compelled to emphasize the upper end of the range to account for some plausible increase. The upper-end is accordingly emphasized twice as much as the lower end, with the result approximating \$4.85 per sq. ft.

*Improvements:*

The subject street area is improved with public sidewalks, curb and gutter, landscaping, paving and underground utilities (notably a fire hydrant and storm drain catch basin on the west side of the street). From inspection, it was observed that these improvements were in overall “good” condition, with good utility for the proposed development of the vacated street as a private access to the RiverStone Health complex. The following calculation is proposed for the estimation of contributive value for these improvements:

Grading, public sidewalk, curb & gutter, asphalt paving, landscaping is estimated to cost \$20,555 (rounded) new (Marshall & Swift Cost Service, Sec. 66, p.1; 12/2017 and modified by adjustments). The concrete improvements, the fire hydrant, and the storm drain catch basin and piping appear to have effective ages of 15 years; the paving an effective age of 20 years; and the landscaping an effective age of 6-8 years. The age-life method of depreciation is shown below as a rough guide in determining the contributive value for the improvements.

**Contributive Value of Improvements**

Item	Cost New	TEL	EA	% Dep.	Cont. Value	
Concrete Imps.	5,547		35	15	42.9%	3,170
Asphalt Paving	7,620		25	20	80.0%	1,524
Fire Hydrant & Storm Drain	5,000		60	15	25.0%	3,750
Landscaping	<u>2,388</u>		25	7	28.0%	<u>1,719</u>
Total Cost	20,555					10,163

TEL – Total Economic Life  
EA – Effective Age

Overall then, the (depreciated) value of the improvements are considered to contribute roughly \$10,163 to the value of the site, or \$2.54/sq. ft. overall (\$10,163 / 4,000 sf).

Therefore, the following value is concluded:

Subject Site 4,000 sq. ft. @ \$4.85/sq.ft. = \$19,400  
CV of Improvements @ \$2.54/sq.ft. = \$10,163  
Total Value @ \$7.39/sq.ft. = \$29,500 (rounded)

- (16) VALUE BASED ON COST APPROACH: \$29,500
- (17) VALUE BASED ON SALES COMPARISON APPROACH: N/A
- (18) VALUE BASED ON INCOME APPROACH: N/A
- (19) RECONCILIATION AND CONCLUSION TO VALUE: \$29,500

(35) I CERTIFY THAT:

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

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias 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 (3) year period immediately preceding acceptance of this assignment.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.
- I have made a personal inspection of the properties that are the subject of this report.
- No one provided significant real property appraisal assistance to the person signing this certification.

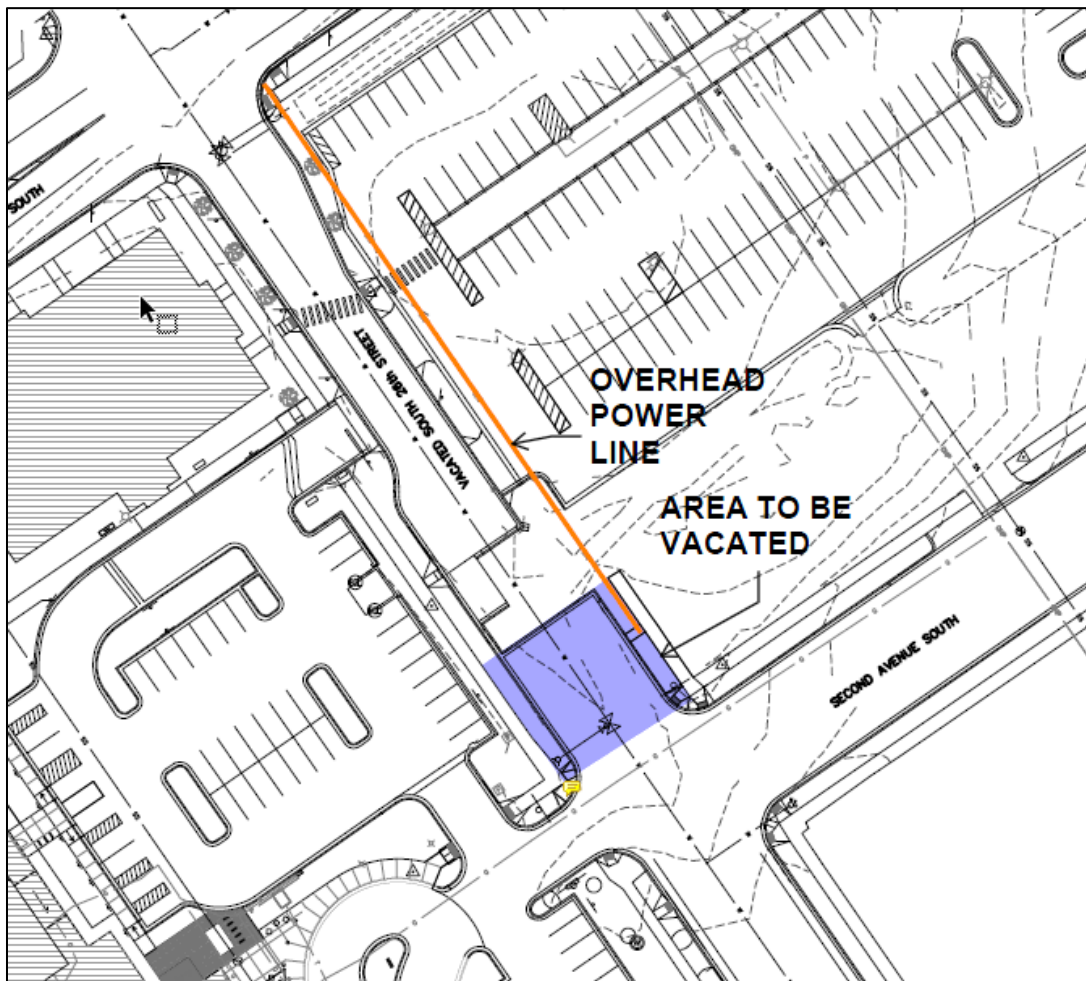
Respectfully submitted,

DATE: 29 Nov 19

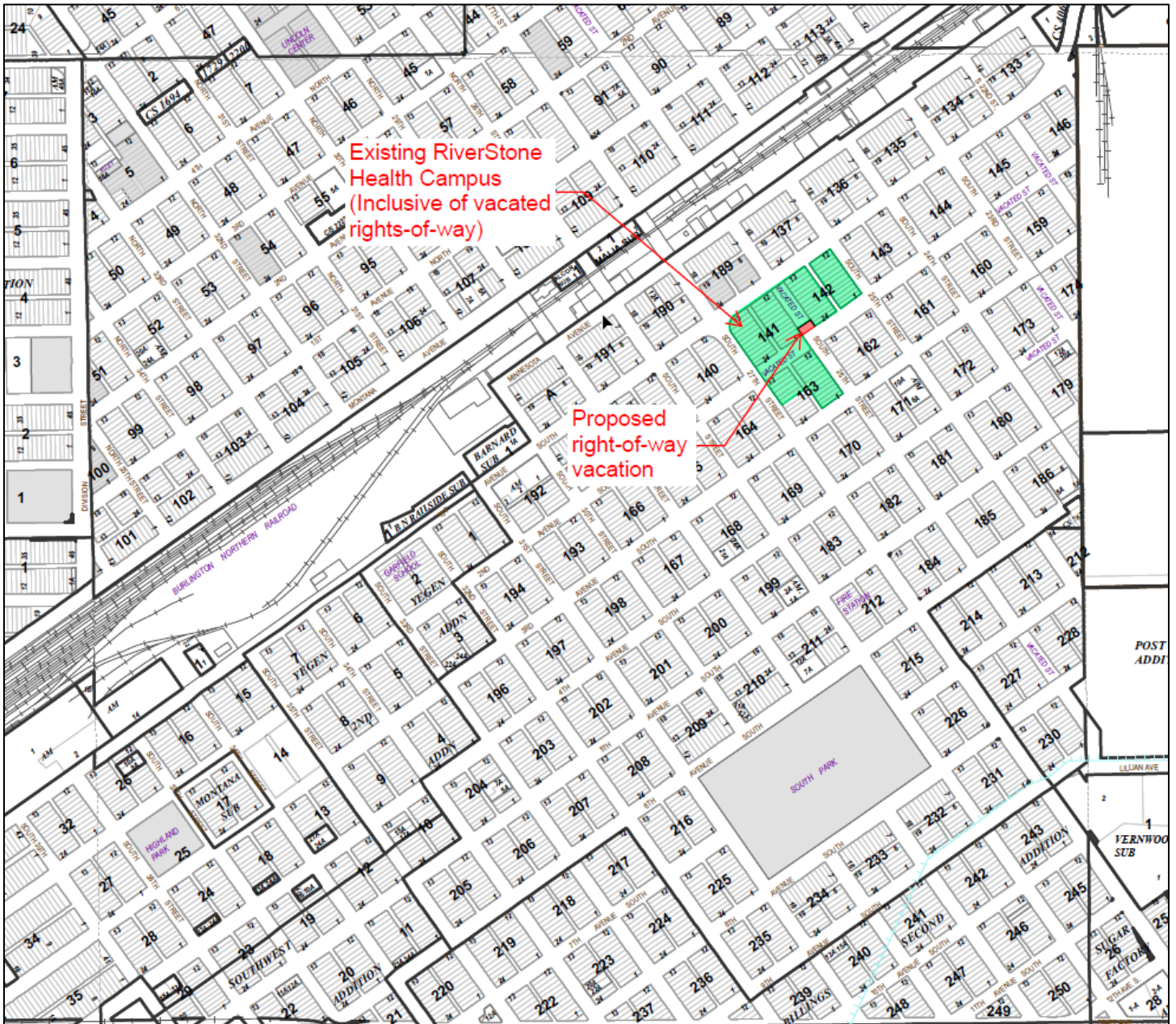
SIGNATURE: \_\_\_\_\_

Appraised By: Steven M. Repac, MT. Montana Certified General No. 58

(36) EXHIBITS:



Blue-area is the area of proposed acquisition



Area of Proposed Acquisition Relative to RiverStone Health Campus