

**Restricted-Use Appraisal of:**

**The "Metra" Property  
Located In  
Billings, Yellowstone County, Montana**

**Date of "As Is" Value: August 3, 2020  
Date of Report: September 3, 2020**

**For:**

**City of Billings, Montana  
Attn: Randy Straus, PE  
Public Works Department, Engineering Division**

**By:**

**Thomas Appraisal Services, Inc.  
David C. Thomas, MAI  
194 Mountain View Boulevard  
Billings, Montana 59101  
406-969-1504**





David C. Thomas, MAI  
Commercial Real Estate

THOMAS  
APPRAISAL  
SERVICES, INC.

Barbara D. Thomas  
Residential Real Estate

September 3, 2020

Mr. Randy Straus, PE  
City of Billings Public Works Department  
Engineering Division

RE: Appraisal of the "Metra" property in Billings, Yellowstone County, Montana.

Dear Mr. Straus:

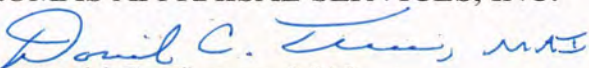
Pursuant to your request, I have prepared an appraisal of the above-described property. The purpose of this appraisal is to estimate the market value of the fee simple estate of the above referenced property. I have personally inspected the site valued in this report. I certify that I have no personal 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 "As Is" market value of the fee simple estate, as of the date of last inspection, August 3, 2020, is: **\$13,813 - \$15,347 per acre.** The value of the easement to be acquired from Yellowstone County should be based on this range of value.

This letter must remain attached to the report, which contains 9 pages plus related exhibits, in order for the value opinion set forth to be considered valid. Further, this letter of transmittal precedes the restricted-use 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



Dear Mr. Straus:

This letter is in response to your request for assistance in determining the value of an easement to be acquired from Yellowstone County to expand the Billings wastewater treatment plant (BWTP). As per agreement with the City, this analysis is to be in letter form with a very summarized analysis. The easement area to be acquired is located along the south side of Jim Dutcher Trail, immediately south of the BWTP. The easement to be acquired is depicted on the exhibit in the addenda. The size of the easement area is not material in this analysis and I have not estimated the value of the easement to be acquired.

There are several factors that influence the value of this easement. The first is the concept known as "larger parcel". Larger parcel states that the value of the area to be acquired is based on the size of the parent tract (the larger parcel), not the area to be acquired. For discussion purposes, let's assume the easement to be acquired consists of two acres. If this two acres is part of a larger tract, then the value of the easement is based on the value of the larger tract, not the two acres. In most instances, the parcel being acquired has minimal utility as a stand alone tract and has minimal, if any value. As part of the parent tract, however, it has significant utility.

The easement to be acquired from Yellowstone County is part of the 152.47 acres that is commonly known as the "Metra". This parcel contains all the improvements commonly associated with the Metra including the Metra building (event center), the exhibition halls, the grandstands, the horse barns, the parking lots, and other associated areas. Located in the addenda is a plat showing the outline of this parcel. This property is roughly bound by Bench Boulevard on the north, Highway 87 on the south, Exposition Drive on the west, and the Yellowstone River on the east. The easement to be acquired is located at the very northeast corner of this parcel, directly across Alkali Creek from the BWTP. I have concluded that the parent tract (the larger parcel) is the 152.47 acres commonly known as the "Metra".

This property has a prime location in east-central Billings. Exposition Drive, which transitions into Main Street, has some of the highest traffic flows in the city. If it were not developed with a public use, it would certainly be a prime location for a mixed use development containing retail and lodging properties. The vast majority of the site, however, has the Public zoning classification, which is the primary factor influencing value. This classification is defined as follows: *The public zone is intended to reserve land exclusively for public or semi-public uses in order to preserve and provide adequate land for a variety of community facilities which serve the public health, safety and general welfare.* Needless to say, Walmart, Olive Garden, and Marriott are not allowed uses under this classification.

The desirability and utility of this 152 acres varies considerably. The western 2/3rds of the site is not located in a flood hazard area and has the majority of the frontage along Exposition Drive, Highway 87, and Bench Boulevard. This portion of the site has the highest utility and the greatest value. The eastern 1/3<sup>rd</sup> is located within the flood fringe and the easement area itself appears to be located in the flood fringe. I have estimated the flood fringe area to be approximately 35 acres in size. The combination of flood fringe and zoning classification result in minimal utility and limited value for this portion of the site. Excluding this 35 acres, the useable site area equates to about 117 acres.

In terms of valuation, the following questions need to be asked: what is the highest and best use of this parcel and who are the potential buyers? Because of its Public zoning, the highest and best use is limited to the uses expressly permitted under this classification which are primarily public. The Metra and associated improvements are certainly the best use of the property given these limitations. The only permitted uses that are not governmental that may have potential economic benefit include a golf course and campground/RV park. Once again, Walmart, Olive Garden and Marriott are not allowed in the P zone, which greatly limits value.

Potential buyers would include municipalities such as the City of Billings and/or Yellowstone County, and possibly private developers who would assume the risk of getting portions of the property rezoned to a commercial designation so that it could be developed with a Walmart, Olive Garden or Marriott. It can only be imagined that there would be significant opposition from the residents of Billings, and Yellowstone County, to any type of rezoning. Because of this uncertainty, most developers would deeply discount the value in comparison to a site already having the CC (community commercial) or HC (highway commercial) classification.

### Valuation:

There are no comparable sales from which to estimate the value of this parcel. As just mentioned, at 152 acres, this is a very larger parcel within the city limits (The subject is actually located in Yellowstone County. For the purposes of this discussion it is, for all intents and purposes, located within the city limits and I am using this term generically.). In order to find sales this large, one must go outside the city limits. Even then, there are very few sales this large located near or adjacent to the city. The Yellowstone County Department of Revenue has an assessed value of \$3,175,052 for this parcel, which equates to \$20,824 per acre ( $\$3,175,052 / 152.47 = \$20,824$ ), including flood zone acres. When allocated only to useable acres, the value per acre equates to \$27,137 ( $\$3,175,052 / 117.0 = \$27,137$ ). For the purposes of this analysis, useable acres is the better unit of measurement and is the size I have used in estimating market value.

Based on the above information, what are the primary elements impacting value: size, zoning classification, and location. At 117 acres, the subject is extremely large for a parcel located within the city limits. The pool of potential buyers able and willing to purchase a site this large is very small. The Public zoning classification has the most significant impact on value. The most likely buyer of this parcel given this classification is a municipality. Given its location there are probably developers that would purchase the site but at a deep

discount to a property having commercial zoning.

The current assessed value equates to \$27,137 per acre. This is higher than similar sized tracts outside the city limits are selling for to developers. The following chart lists six sales located outside the city limits that sold between March, 2015 and August, 2020.

<u>Sale</u>	<u>Location</u>	<u>Date</u>	<u>Size/Acre</u>	<u>Price</u>	<u>\$/Acre</u>
1	Central Ave., W. of 56th St. W.	08-2020	100	\$1,700,000	<b>\$17,000</b>
2	Highway 3, W. of Rod & Gun Club	07-2019	138.17	\$1,800,000	<b>\$13,027</b>
3	King Ave. W. & 80th Street	11-2017	130.91	\$1,325,000	<b>\$10,121</b>
4	NWC Hesper & 48th St. West.	09-2016	70.23	\$1,300,000	<b>\$18,511</b>
5	SWC Neibauer Rd. & 56th St. West	02-2016	76.3	\$1,526,000	<b>\$20,000</b>
6	Interstate 90, E. of Johnson Lane	03-2015	41.39	\$2,127,479	<b>\$51,401</b>

Sale 1 is a very recent sale and was purchased for residential subdivision. This property is close to city services and will likely be developed with homes on water and sewer. Sale 2 is immediately west of Billings Flying Service and was purchased by Al and Gary Blain. They plan to develop this property with an industrial park. Sale 3 was purchased by Levi Britton and a portion is developed with Shop World and a portion is being developed with housing. Sale 4 was purchased for residential subdivision development. Sale 5 was purchased by Knife River and is to be developed with a gravel pit. Sale 6 is located along Interstate 90 and has been developed with Bretz RV.

As can be seen, there is a wide range of uses represented by these sales, from residential subdivision to an industrial park. There is some correlation between size and price per acre. Sale 6 is the smallest at 41 acres and exhibits the highest price per acre. Sales 2 and 3 are the largest properties and exhibit the lowest prices per acre. Picking a single sale as "most

comparable” is fairly subjective. From a size and use standpoint Sale 2 is most similar. From a location standpoint Sale 6 is most similar given its frontage and exposure along Interstate 90.

The subject certainly has a much more desirable location than any of these sales, however, this superiority is offset by zoning classification. Based on the above information, I have concluded that the assessed value by the Department of Revenue is above market. At just over \$27,000 per acre, this is significantly higher than Sales 1-5, all of which are fairly similar in size.

Giving consideration to the subject’s very good location, I have concluded market value should be toward the upper end of the range displayed by Sales 1-5, which I have estimated to be \$18,000 to \$20,000 per **useable** acre. This suggest a market value ranging between \$2,106,000 to \$2,340,000. The final step in this analysis is equating the overall value to a price per overall acre, as follows:

$$\$2,106,000 / 152.47 \text{ acres} = \$13,813$$

$$\$2,340,000 / 152.47 \text{ acres} = \$15,347$$

When allocated over the entire site, I have estimated the fee simple market value of the “Metra” property (land only) to range from **\$13,813 to \$15,347 per acre**. Simply due to its location, this parcel has significant value. Primarily due to its zoning classification, this value is a fraction of what it would be under a commercial classification.

The value of the easement to be acquired is generally based on 95% of the fee simple value. For informational purposes only, if the easement is to consist of 2 acres and the market value of the larger parcel is \$20,000 per acre, the value of the easement is calculated as follows:

$$2 \text{ acres} \times \$20,000/\text{acre} \times 0.95 = \$38,000$$

Should you have any questions about any part of this analysis, please do not hesitate to contact me. I appreciate the opportunity to assist the City of Billings in estimating the value of this property.

Sincerely,

A handwritten signature in blue ink that reads "David C. Thomas, MAI". The signature is written in a cursive style.

David C. Thomas, MAI

Thomas Appraisal Services, Inc.

## 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 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 real property appraisal assistance to the person signing this certification.
- I have not appraised the subject property, nor supplied appraisal assistance to anyone appraising the subject property, within the past three years.

I further certify that the final estimated "As Is" market value of the subject site, as of the date of last inspection, August 3, 2020, ranges from: **\$13,813 - \$15,347 per acre**. This appraisal was made in accordance with the Codes of Professional Ethics and the 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 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  
State General Certified Real Estate Appraiser #416

### Business Address

Thomas Appraisal Services, Inc.	Phone:	406-969-1504
194 Mountain View Boulevard	Cell:	406-366-1159
Billings, MT 59101	E-Mail:	dave@tasmt.net

### Employment History

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

Independent Contractor... Ferro Appraisal Services, Inc.  
Great Falls, MT... April 1993 to December 1998

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  
CB Richard Ellis/Metec Due Diligence  
Continental National Bank, Harlowton  
Farm Credit Services  
Fergus County Federal Credit Union  
ABN AMRO  
First Interstate Bank  
First National Bank of Lewistown  
JP Realty Inc., Hialeah, Florida  
Judith Basin County  
Lewistown Airport Authority

Metropolitan Mortgage & Securities  
Montana Dept. of Fish, Wildlife, Parks  
Mountain West Bank  
State of Montana, Compensation Ins. Fund  
Stockman Bank of Montana  
US Dept of Agriculture, Rural Development  
US Dept. of Agriculture, NRCS  
Western Security Bank  
Wells Fargo Bank  
Wells Fargo Bank Public Finance  
Numerous private investors, attorneys,  
accountants.

### **Continuing Education Courses**

2020 - 2020 Montana Economic Outlook Seminar	University of Montana
2019 - 7-Hour national USPAP Update course	McKissock
2019 - 2019 Montana Economic Outlook Seminar	University of Montana
2018 - Forecasting Revenue	Appraisal Institute
2018 - Real Estate Finance, Value, & Investment Performance	Appraisal Institute
2017 - Marketability Studies: Basic & Advanced Applications	Appraisal Institute
2016- 2016 Montana Economic Outlook Seminar	University of Montana
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 - 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

# ***A D D E N D A***

## 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. 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.
3. 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.
4. 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.
5. The distribution of the total valuation of this report between land and improvements applies only under the existing program of utilization. The separate valuations for land and building must not be used in conjunction with any other appraisal, and are invalid if so used.

6. Subsurface rights (minerals and oils) were not considered in making this appraisal.
7. The appraiser has inspected as far as possible by observation, the land and the improvements; however, it was not possible to personally observe conditions beneath the soil or hidden structural or other components. I have not critically inspected mechanical components within the improvements and no representations are made herein as to these matters unless specifically stated and considered in the report. The value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.
8. 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. All mechanical components are assumed to be in operation condition and status standard for properties of the subject type. Conditions of heating, cooling, ventilating, electrical and plumbing equipment are considered to be commensurate with the condition of the balance of the improvements unless otherwise stated. No judgment may be made by the appraiser as to adequacy of insulation, type of insulation or energy efficiency of the improvements or equipment which is assumed standard for subject age and type.
9. 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.
10. 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.
11. 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.

12. 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.
13. 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.
14. The liability of Thomas Appraisal Services, Inc., and its employees, and specifically David C. Thomas, is limited to the client and to the fee collected. Further, there is no accountability, obligations, 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. 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.**

