

Appraisal Report



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APPRAISAL REPORT

Of an Armory Property and Excess Land located at: 910 W Main St, Hamilton MT 59840.



EFFECTIVE DATE OF VALUE

07/21/2016

EFFECTIVE DATE OF REPORT

08/10/2016

PREPARED FOR

State of Montana Dept. of Military Affairs

1956 Mt Majo Street

PO Box 4789

Fort Harrison, MT 59636-4789

PREPARED BY

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8/10/2016

State of Montana Dept. of Military Affairs
1956 Mt Majo Street
PO Box 4789
Fort Harrison, MT 59636-4789

Re: Hamilton Reserve Center.

Dear Debra L. Lafontaine:

Accompanying this letter of transmittal is an appraisal report containing 92 pages plus 49 page addenda which has been prepared for an Armory property and related excess land located at 910 W Main St, Hamilton MT 59840. The subject is a 5.93-acre parcel¹ with RS zoning within the city limits of the City of Hamilton.

The client signed order/letter of engagement was received 06/13/2016, with an estimated 60 day turn time from date received; the actual delivery schedule is compliant with that estimated. The purpose of the report is to develop an opinion of market value of the fee simple equivalent interest of the subject property as of the effective date of the report of 07/21/2016. The intended use of this appraisal is for asset planning purposes by the present owner only; current ownership is retained by the State of Montana. This assignment was ordered by The State of Montana Dept. of Military Affairs. The only intended user of this report is thereby the State of Montana Dept. of Military Affairs. This appraisal report was prepared solely for the intended use and intended user(s) identified herein; unauthorized users do so at their own risk. The appraisal is reflective of the real estate interest identified only; this appraisal does not estimate value of the going concern, including personal property, and the intangible assets of the business occupying the subject property, if any. The accompanying appraisal report has been completed in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP) effective as of the date of appraisal.

¹ Per CS #700649-TR recorded 08/01/2016 showing lot size of 5.93-acres. Former lot size recorded in Ravalli County plat books as being 6.22-acres.

The attached report details the scope of the appraisal, level of reporting, definition of value, valuation methodology, quantitative and qualitative analysis, conclusions, and pertinent data researched and analyzed in the development of this appraisal and which were relied upon to determine the stated opinion of value. An internal and external viewing of the subject property was made by this appraiser on 07/21/2016. The level of viewing, investigation, and analysis performed by this appraiser are disclosed herein in the referenced Scope of Work. The value opinion presented is qualified by definitions, limiting conditions, and certifications herein included. Your attention is directed to the Assumptions and Limiting Conditions, beginning on page 10. I certify that I have no present or contemplated future interest in the property beyond this opinion of value; an additional Certification appears on page 85.

The subject property is a 2-story, 1-unit armory property, containing ~8,076± sf above grade with an additional ~1,647± sf of unviewed and unfinished basement area on a 5.93 acre lot. Frontage is on Main Street and 10th Street within the City of Hamilton. Primary site improvements consist of an armory building with ancillary storage sheds, landscaping, parking, fencing, and sidewalk area. Portions of the north sections of the subject are currently utilized as a city park with related landscaping and playground equipment; the playground and recreational equipment is not a component of this appraisal, as directed by client. The subject is recorded as being 8 full lots, 4 half lots, and 2 vacated streets; the existing armory improvements are located on 2 lots with the remainder of the subject site being viewed as excess land, currently utilized as a city park². As is detailed herein, the report is predicated on the assumption that subject ownership can alter and/or develop the subject property, inclusive of the excess land area currently utilized as Claudia Driscoll Park, commensurate with zoning requirements. There were no current recreational usage agreements; park, playground, or recreational easements; etc. located at the Ravalli Clerk and Records Office, or referenced by title report provided, or disclosed by client. A MOU between the State of Montana Dept. of Military Affairs and the City of Hamilton for recreational use of the subject site expired c. 09/30/2006. Client states the subject property can be developed for other than current use, which appears to be substantiated by lack of publicly recorded documentation to the contrary. Portions of the 5.93-acre subject property site are currently utilized as '10th Street'; a survey which delineated the exact acreage devoted to 10th Street usage was not provided; usable site area is thereby

² 'Claudia Driscoll Park'.

estimated herein with a margin of error; a survey of the 10th Street area will be required to obtain the exact useable are of the subject 5.93-acre site net of 10th Street.

The appraisal report is thereby predicated upon extraordinary assumptions³ and/or hypothetical conditions referenced in the Scope of Work section beginning on page 16. If the extraordinary assumptions relied upon are found to be false, the opined value may or may not be impacted.

As a result of my analysis, it is my opinion that the market value, as herein defined, of the subject fee simple interest as defined in the report, subject to the definitions, certifications, and limiting conditions set forth in the attached report, as of the date of appraisal of 07/21/2016, was as follows:

Value Conclusion, As-Is	\$ 1,200,000
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This letter must remain attached to the report, which contains 92 pages plus a 49 page addenda with related exhibits, in order for the value opinion set forth to be considered valid. Further, I estimate the reasonable market exposure period necessary for the subject to have achieved this value to be 12-months. The effective date of the value opinion is the date the subject property was viewed of 07/21/2016. The effective date of the report is 8/10/16. Your attention is directed to the following data, analysis, discussion, and conclusions.

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³ Value opinions based upon pending or proposed construction may or may not be supported by future development. If an extraordinary assumption or hypothetical condition is found to be false, the opinion(s) of value contained herein may or may not be impacted. See attached discussion.

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1 PART 1: INTRODUCTION

1.1 SUBJECT PHOTOGRAPHS⁴.



Front



Rear

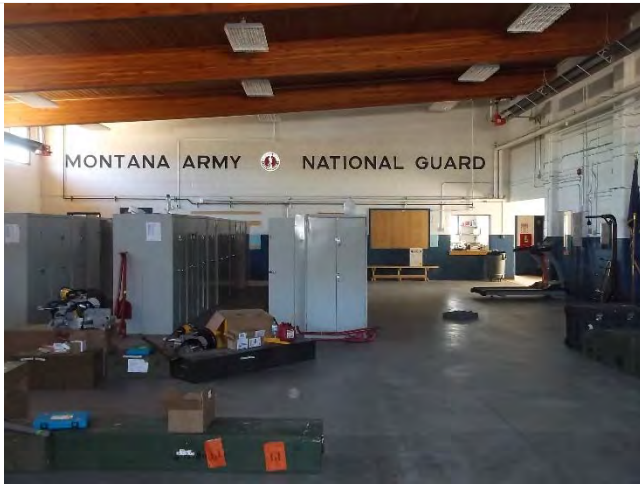


Main Street, South Frontage



10th Street, West Frontage

⁴ Photographs taken on the effective date of appraisal. Additional photographs included in addenda.



Interior



Interior



Interior



Interior



Park Area, Excess Land



Park Area, Excess Land

1.2 ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal is subject to the following assumptions and limiting conditions.

1. The appraiser is an MAI and SRA designated member of The Appraisal Institute. The use of this report is subject to the requirements of the Appraisal Institute relating to peer review by its duly authorized representatives.
2. This appraisal is to be used only for the purpose stated herein. While distribution of this appraisal in its entirety is at the discretion of the client, individual sections shall not be distributed; this report is intended to be used in whole and not in part.
3. No part of this appraisal, its value estimates, or the identity of the firm or the appraiser may be communicated to the public through advertising, public relations, media sales, or other media.
4. All files, work papers and documents developed in connection with this assignment are the property of the appraiser, Scott Spear. Information, estimates and opinions are verified where possible, but cannot be guaranteed. Plans and sketches provided are intended to assist the client in visualizing the property; no other use of these plans is intended. The work file prepared is an electronic work file and incorporates by reference all pertinent electronic data and analysis files retained by the appraiser.
5. No hidden or unapparent conditions of the property, subsoil or structure, which would make the property more or less valuable, were discovered by the appraiser or made known to the appraiser. No responsibility is assumed for such conditions or engineering necessary to discover them. Unless otherwise stated, this appraisal assumes there is no existence of hazardous materials or conditions, in any form, on or near the subject property. The appraiser is not qualified to detect hazardous or toxic materials. Such determination would require investigation by a qualified environmental engineer or other expert, and is beyond the scope of this assignment. The value estimate presented is based upon the assumption that the subject is free and clear of contamination or toxic materials of any kind either upon, or impacting, the subject property. No responsibility is assumed for any environmental conditions, or for any expertise or engineering knowledge required to discover such conditions.
6. Unless otherwise stated herein, the property is assumed to be outside of areas where flood hazard insurance is mandatory. Maps used by public and private agencies to determine these areas are limited with respect to accuracy. Due diligence has been exercised in interpreting these maps, but no responsibility is assumed for misinterpretation.
7. Good title, free of liens, encumbrances and special assessments is assumed. No responsibility is assumed for matters of a legal nature. The subject is assumed to be in compliance with all zoning and legal encumbrances.

8. Necessary licenses, permits, consents, legislative or administrative authority from any local, state or Federal government or private entity are assumed to be in place as of the date of appraisal or reasonably obtainable.
9. Unless otherwise stated herein, it is assumed there are no zoning violations, encroachments, easements, or other restrictions which would affect the subject property, unless otherwise stated herein. The subject armory use is a grandfathered use within area RS zoning requirements, to the knowledge of the appraiser. Subject armory use existed prior to annexation into city limits and RS zoning designation⁵.
10. The appraiser is not required to give testimony in Court in connection with this appraisal. If the appraiser is subpoenaed pursuant to a court order, the client agrees to pay the appraisers regular per diem rate plus expenses for appearance time, preparation time, travel time, and document preparation time at the regular hourly rate in effect plus expenses and attorney fees. In the event the real property appraised is, or becomes, the subject of litigation, condemnation, or other legal proceeding, it is assumed the appraiser will be given reasonable advance notice, and reasonable additional time for preparation.
11. The appraiser has not observed the subject property to determine compliance with the Americans with Disabilities Act (ADA). As the appraiser has no direct evidence or knowledge pertaining to the subject's compliance, or non-compliance, with the Americans with Disabilities Act, this appraisal does not consider possible non-compliance or its effect upon the subject property or value opined.
12. Appraisals are based on the data available at the time the assignment is completed. Reasonable amendments or modifications to appraisals based on new information made available after the appraisal was completed will be made, as soon as reasonably possible, for an additional fee.
13. Unless otherwise stated herein, the subject property has been appraised as though free and clear of all encumbrances.
14. All maps, plans, property specifications and data relied upon by the appraiser and presented herein are assumed to be correct. No survey of the subject was made by this appraiser. A 'viewing' or 'observation' of the subject was made, which is not defined as an 'inspection' and should not be utilized as, or in lieu of, a property inspection, a building inspection, a home inspection, an engineering inspection, or an environmental inspection. All dimensions referenced have been provided by available public records or personal measurements by the appraiser rounded to the nearest ¼' increment.
15. Where the value of the land and improvements is shown separately, the value of each is presented only as an aid to compare the value which it lends to the parcel in its entirety.

⁵ Resolution #654 / PF #8275 dated 12/06/1996.

16. The appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.
17. Any compensation is not contingent upon any action resulting from the analysis, opinions, or conclusions presented, or the use of the appraisal report.
18. To the best of my knowledge and belief, the statements of fact contained in this appraiser report are true and correct. Furthermore, no known important or materially relevant facts have been withheld.
19. The reported analysis, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal unbiased professional analysis, opinions, and conclusions.
20. I have made a personal viewing of the property that is the subject of this report on the stated date.
21. No one provided significant professional assistance to the signatory appraiser.
22. The client and all intended users agree to all of the following: i) this appraisal does not serve as a warranty on the physical condition or operability of the property appraised, ii) all users of this report should take all necessary precautions before making any financial commitments to or for the subject, iii) any estimate for repairs, alterations, or cost to cure, is (are) a non-warranted opinion(s) of the appraiser, iv) the appraiser is not qualified to act as an 'inspector' and the appraisal should not be utilized as, or in lieu of, an 'inspection' of any type.
23. Unless otherwise stated in this report, the existence of hazardous substances, including without limitation radon, underground storage tanks, underground debris, lead based paint, chemical spills or contamination, mold, fire resistant treated plywood, asbestos, polychlorinated biphenyl, petroleum leakage, or agricultural chemicals, which may or may not be present on the property, was not called to the attention of nor did the appraiser become aware of such during the appraisers viewing of the subject property. The appraiser has no knowledge of the existence of such materials on or in the property unless otherwise stated herein. The appraiser, however, is not qualified to test for such substances. The presence of such hazardous substances may affect the value of the property. The value opinion developed herein is predicated on the assumption that no such hazardous substances exist on or in the property or in such proximity thereto, which would cause a loss in value. No responsibility is assumed for any such hazardous substances, nor for any expertise or knowledge required to discover them. The intended user is recommended to retain an expert in this field, if desired.
24. Appraiser and client agree that the following mutual limitation of liability is agreed to in consideration of the fees to be charged and the nature of the Appraiser's services under this Agreement. Appraiser and Client agree that to the fullest extent permitted by applicable law, each party's and its Personnel's maximum aggregate and joint liability to the other part for claims and causes of action relating to this Agreement or to appraisals or other services under this Agreement shall be limited to the total fee and

costs charged by Appraiser for the services that are the subject of the claim(s) or cause(s) of action. This limitation of liability extends to all types of claims or causes of action, whether in breach of contract or tort, including without limitation claims/causes of action for negligence, professional negligence, or negligent misrepresentation on the part of either party or its Personnel, but excluding claims/causes of action for intentionally caused injury. The Personnel of each party are intended third-party beneficiaries of this limitation of liability. "Personnel", as used in this paragraph, means the respective party's staff, employees, contractors, members, partners, and shareholders. Appraiser and Client agree that they each have been free to negotiate different terms than stated above or contract with other parties.

25. The opinion of value(s) presented may differ if ownership is fractured or if the interest being appraised is less than an ownership interest.
26. The report is predicated on the extraordinary assumption that the subject can be developed by any ownership for alternate uses other than the current armory and recreational use, subject to zoning limitations. If found to be false, the opined value may or may not be impacted.
27. The report is predicated on the extraordinary assumption that the subject can be exposed for sale commensurate with the definition of market value contained herein. If found to be false, the opined value may or may not be impacted.
28. The report is predicated on the extraordinary assumption that the subject is free of environmental contamination of any form. At time of site viewing the subject basement area was not viewed and appraiser was told verbally that the subject basement was undergoing lead testing; additionally, pipe wrap was observed in the subject utility area which may or may not be of asbestos origin or material; the appraiser is not qualified to determine if environmental contaminants are present, including lead or asbestos, and/or remediation requirements. *An inspection by a qualified inspector is required to determine whether hazardous materials are present in, on, or around the subject property, and if so, what remediation is required to render a safe, healthful, and marketable property.* If found to be false, the opined value may or may not be impacted.
29. If remediation for potential contaminants is required upon inspection by a qualified entity, appraiser may alter opined value with cost to cure projections upon receipt of estimated remediation costs. Cost to cure projections may include actual remediation costs, allowance for loss of use, stigma, etc. and may or may not deviate from the actual repair cost only. Cost to cure revisions will only be made by separate contract and at additional fee.
30. Use by the stated client(s), and use by any stated intended user(s), implies acceptance of all prior statements; if client(s) and any stated intended user(s) does not agree to all above statements, do not use or rely upon this report for any purpose.

1.3 SUMMARY OF SALIENT FACTS AND CONCLUSIONS

Property Type:	Armory with excess land.
Location:	Urban location within the City of Hamilton.
Property Overview:	<p>Site Size: 5.93-acre gross lot size; 4.80-acre⁶ net estimated useable area, as recorded as of date of appraisal via CS #700649-TR recorded 08/01/2016.</p> <p>Building Size: 8,076 sf above grade; 1,647 sf below grade.</p> <p>Property Type/Use: Armory Use with City Park use of excess land.</p> <p>Owner of Record: State of Montana.</p>
Legal Description ⁷ :	<p style="text-align: center;">LEGAL DESCRIPTION</p> <p>E ½ of Lot 25; all of Lots 26 and 27; E ½ of Lot 3, all of Lots 1 and 2, Block 11, Westview Addition, Ravalli County, Montana according to recorded plat thereof.</p> <p><u>TOGETHER WITH</u> a strip of land 80 feet wide and 362.5 feet long, which adjoins the South boundary of the above-described tract, and which strip lies between Lots 1, 2 and E ½ of Lot 3, Block 12 and Lots 26, 27 and E ½ of Lot 25, in Block 11, Westview Addition, Ravalli County, Montana, according to recorded plat thereof, as vacated in Commissioner's Journal No. 10, page 155.</p> <p>Deed Reference: Book 112 Deeds, page 358.</p> <p><u>ALSO</u> Lots 1, 2, 29, 30 and the E ½ of Lots 3 and 28, all in Block 12, Westview Addition, Ravalli County Montana, according to recorded plat thereof.</p> <p>Deed Reference: Book 91 Deeds, page 286.</p> <p>ALSO TOGETHER WITH a portion of Ninth Street vacated by Resolution No. 351 and recorded in Permanent File No. 6477; which portion attaches by operation of law.</p>
Date of Value Opinion:	07/21/2016.
Property Rights Appraised:	Fee Simple Equivalent.

⁶ 5.93-acre gross lot size less 1.13-acre estimated 10th Street area equals 4.80± acre estimated useable lot area.

⁷ See attached title report for legal description.

Intended Use:	Asset Planning by Current Ownership.
Intended User:	State of Montana Dept. of Military Affairs.
Zoning:	RS.
Highest and Best Use As Vacant:	Residential Building Sites.
Highest and Best Use As Improved:	Office Use of Armory Building; Residential Lot Development of Excess Acreage.
Assessment and RE Tax Data:	The subject's tax identification is #0000729460. The subject is currently tax exempt due to ownership.
Site Value:	\$110,000 Armory Location \$425,000 Excess Land
Cost Approach:	\$ 1,220,000
Sales Comparison Approach:	Not Applicable
Income Approach, Direct Capitalization:	\$ 1,190,000
Reconciled Value Opinion:	\$ 1,200,000

1.4 SCOPE OF WORK

Scope of work is defined as:

Scope of Work

The type and extent of research and analyses in an assignment. (USPAP, 2010-2011 ed.)

Source: Appraisal Institute, The Dictionary of Real Estate Appraisal, 5th ed. (Chicago: Appraisal Institute, 2010).

It is the appraiser's responsibility to determine the appropriate scope of work for the subject assignment. USPAP standards codify the requirements for communication of the appraiser's analysis, opinions, and conclusions in a manner that will be meaningful and not misleading. The intended use of the report, as previously identified, is a key component of the determination of the appropriate scope of work.

Scope of Work:	
Appraisal Report Type:	This is an 'appraisal report', as defined in USPAP. The Scope of Work of this appraisal report is herein contained and additionally referenced throughout the body of this appraisal report. An electronic work file for the subject assignment has been prepared and will be retained by appraiser compliant with statutory record keeping provisions.
Property Identification and Viewing:	The subject, client, intended use, intended user, type of value, date of value, property characteristics, and assignment conditions have been identified in applicable sections of this report. The subject was viewed by the appraiser as follows: an interior and exterior observation of the subject was made on the date indicated, and photographs were taken to demonstrate the subject features and amenities as of date of viewing. The subject basement area was not viewed by appraiser as of date of appraisal; property contact states basement area is unfinished utility type area corresponding to size referenced by wall layout above. Comparable photographs were taken externally from the date of sale through the report date; historical images, dated images, and/or third party images may or may not be provided. No portions of the subject property were probed, moved, or dismantled to provide access. Unless otherwise indicated, the subject crawlspace and attic, if any, were not viewed. The subject roof was viewed from ground level only. Viewing

	included exterior measurements, exterior and interior walk through, and viewing of accessible areas. Accessible areas of the subject were <i>observed</i> only; no part of the subject property was <i>inspected</i> .
Analysis of Physical Factors:	All known pertinent physical factors were analyzed. The subject property measurements are based upon the exterior wall dimensions, as rounded to the nearest ¼' increment. Physical data of comparables is based upon MT Dept. of Revenue assessment records, MT Cadastral records, prior viewings and appraisals, property owners and agents, and MLS records, as available.
Analysis of Economic Factors:	All known pertinent economic factors were analyzed. Sales information is based upon Bitterroot Valley Board of Realtors MLS, Missoula Organization of Realtors MLS, and/or Montana Regional MLS records. MLS records have been verified to the extent available which may include public records, deeds, grantor, grantee, and agents or other parties involved in the transaction. Montana is not a public disclosure state. Lease information was provided by the lessor, lessee, and agents or other reliable parties involved.
Extent of Data Research:	<p>The appraiser maintains a database of commercial sales and listings for the Ravalli County market area. In addition to market data developed in the course of prior appraisal work, other primary sources of information include:</p> <ul style="list-style-type: none"> • Missoula MOR/NMAR MLS • Bitterroot BVBOR MLS • County Dept. of Revenue Office • County Clerk and Records Office • County Planning Office • County Environmental Health/Sanitararians Office • County Online and MT Cadastral Records • Property management agents. • Published surveys. • Appraisers, listing agents, and selling agents in the subject market area. Confirmation sources of comparable sales utilized is referenced in attached comp sheets. • State of Montana Dept. of Military Affairs Debra L. Lafontaine; local access contact SSG Kristie L. Ruttenbur.

Parameters of Market Data:	<p>All sales having occurred in subject market area in the 2010 to present time period have been reviewed, as provided by the applicable area MLS system; Montana is not a public disclosure state. Ravalli County has limited sales activity in the referenced time period, requiring use of dated sales with proximity as indicated. All sales have been adjusted for market conditions as indicated by market data. The most timely and proximate sales available in the subject market area have been utilized. Construction cost data is provided by Marshall Valuation Service and/or local costs with depreciation studies based upon available sale properties. Rental, income, and expense data has been developed from information in the subject market area from comparable area properties. The Missoula market area is not comparable to the Ravalli County area due to significantly differing economies and market conditions. As such, sales from the Missoula area are not relevant to the subject assignment.</p>
Extraordinary Assumptions ⁸	<ul style="list-style-type: none"> • Features of the subject site such as legal descriptions, dimensions, size, etc. were obtained from publicly available sources. All information taken therefrom is assumed to be correct. • Details of the subject improvements, if any, including but not limited to floor plans, construction materials, dimensions, etc. were obtained from personal observation and/or measurement, unless stated otherwise. All are assumed to be correct. Any sketch contained herein is presented to provide a visual representation only and is not drawn to scale. • Observation of the subject property was limited to the site, minimal portions of the roof (not visible in its entirety from the ground), most exterior walls (as visible from the ground), none of the crawlspace or attic unless otherwise stated and photographed, most of the viewable interior. Unseen spaces are assumed to have physical condition and

⁸ If extraordinary assumptions or hypothetical conditions are found to be false, the estimated value and conclusions herein may or may not be impacted.

construction quality similar to that of observed spaces. It is further assumed that the subject has no hidden or un-apparent defects. The appraiser did not attempt to study, dig, probe, investigate, inspect, detect, or discover unfavorable physical features.

- Real estate tax, zoning, deed information, etc. was obtained from public online records and are assumed correct. All information obtained from any credible source is assumed correct.
- Water and waste disposal systems serve the subject property, unless otherwise stated; it is assumed that these systems possess sufficient capacity to serve the intended use of the subject improvements, if any. This appraisal also assumes water is potable and non-contaminated.
- A title policy was provided to appraiser as a component of this assignment; if detrimental features were identified or suggested in a title policy, or other professional report, this appraisal does not address issues that are significantly atypical for a valuation of a property of this type unless specifically identified as such herein.
- The report is predicated on the extraordinary assumption that the subject can be developed by any ownership for alternate uses other than the current armory and recreational use, subject to zoning requirements. If found to be false, the opined value may or may not be impacted.
- The report is predicated on the extraordinary assumption that the subject can be exposed for sale commensurate with the definition of market value contained herein. If found to be false, the opined value may or may not be impacted.
- The report is predicated on the extraordinary assumption that the subject is free of environmental contamination of any form. At time of site viewing the subject basement area was not viewed and appraiser was told verbally that the subject basement was undergoing lead testing; additionally, pipe wrap was observed in the subject utility area which may or may not be of asbestos origin or material; the appraiser is not qualified to determine if environmental contaminants

are present, including lead or asbestos, and/or remediation requirements. *An inspection by a qualified inspector is required to determine whether hazardous materials are present in, on, or around the subject property, and if so, what remediation is required to render a safe, healthful, and marketable property.* If found to be false, the opined value may or may not be impacted.

- The subject basement area was not viewed and was reported to be unfinished utility/storage area commensurate with size indicated. It is an extraordinary assumption that this basement area description is accurate. If found to be false, the opined value may or may not be impacted.
- The subject is tax exempt and is thereby not assessed. As such, the actual construction date of the subject is unknown and the chronological age of the subject is thereby unknown. The subject was gifted to the State of Montana c. 1957 conditional upon use/construction as an armory facility. It is estimated that the subject was constructed between that time period and the 1970's. It is an extraordinary assumption that this time period is reasonable. If found to be false, the opined value may or may not be impacted.
- The prior gross subject lot area as recorded is 6.22-acres, which includes 10th Street along the subject western boundary. A recent survey has been recorded dated 08/01/2016 via CS #700649-TR which provides a gross lot area of 5.93-acres, also inclusive of 10th Street along western boundary. The useable site is estimated herein net of the 10th Street area. It is an extraordinary assumption of this report that the useable area estimated is accurate; a survey of the 10th Street area is required to determine exact subject lot size net of 10th Street. Specifically, the estimated 10th Street Area referenced in the attached plat is identified as the East ½ Lots 3 and 25 of Block 11 Westview Addition and the East ½ of Lots 3 and 28 of Block 12 Westview Addition, along with a 72.50'x80' portion of vacated former Pinkney Street, which are deducted from gross lot area to render net lot area.

The 10th Street area is thereby estimated at 49,305± sf⁹; net useable acreage is thereby calculated as 5.93 acres less 1.13± acres equals 4.80± net useable acres, as estimated. If found to be false, the opined value may or may not be impacted.



- The existing armory, sheds, and related compound appear to be located entirely upon Lots 1 & 30 Block 12 Westview Addition. It is an extraordinary assumption of this report that this is accurate. Lot lines and corner pins were not located.
- It is an extraordinary assumption of this report that the current Armory and Lots 1 & 30 Block 12 Westview Addition can have office or commercial use if subject is exposed for sale; these lots, improvements and use pre-date current zoning. It is an extraordinary assumption of this report that the subject lots are grandfathered and thereby permissible with area zoning requirements. Appraiser is unable to confirm with the City of Hamilton building department due to confidentiality requirements disclosed by client.
- The above extraordinary assumptions, and other assumptions which may be contained herein, are an integral premise upon which the conclusions of this appraisal report are based; if any of these assumptions are found to be untrue or materially inaccurate, the report assignments results may or may not be impacted.

⁹ Which equals 1.13-acres. Corner pins not located or visible to appraiser. Sidewalk and parking depth in relation to lot boundaries is unknown.

Hypothetical Conditions	USPAP defines a hypothetical condition as ‘a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.’ Hypothetical conditions assume conditions that are contrary to know fact. This appraisal assignment is based upon the following hypothetical conditions, if any: None.
Personal Property & Intangibles	Personal property is movable and not permanently affixed to the real estate. This reports final value opinion excludes personal property and intangibles unless otherwise stated herein.
The Type and Extent of Analysis:	<p>Cost Approach: This approach is applicable, necessary and has been fully developed.</p> <p>Sales Comparison Approach: There have been no comparable property sales in the subject market area in the prior five years. As such, the sales comparison approach is not deemed applicable to the subject assignment and has not been provided. Any attempt at the sales comparison approach would be a theoretical application only, lacking merit for the subject assignment.</p> <p>Income Approach: This approach is applicable, necessary and has been fully developed.</p>

1.5 PURPOSE OF THE APPRAISAL

The purpose of an appraisal is defined as:

Purpose of an Appraisal

The objective of an assignment—e.g., in an appraisal assignment, to develop an opinion of the defined value of any real property interest.

Source: Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 5th ed. (Chicago: Appraisal Institute, 2010).

The purpose of this appraisal is to provide an opinion as to the market value of the identified subject property interest as of the effective date of the appraisal of 07/21/2016.

1.6 INTENDED USE OF THE APPRAISAL

The intended use and intended user of an appraisal are defined as follows:

Intended Use

The manner in which the intended users expect to employ the information contained in a report.

Source: Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 5th ed. (Chicago: Appraisal Institute, 2010).

The intended use of this appraisal is for asset planning by the intended user.

Intended User

1. The client and any other party as identified, by name or type, as users of the appraisal, appraisal review, or appraisal consulting report by the appraiser on the basis of communication with the client at the time of the assignment. (USPAP, 2010-2011 ed.)

2. A party who the appraiser intends will employ the information contained in a report.

Source: Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 5th ed. (Chicago: Appraisal Institute, 2010).

To be an intended user, the appraiser must intend for a party to rely on the assignment results contained herein. This appraisal is intended in its entirety for the use of the stated client, the State of Montana Dept. of Military Affairs. Any other use or use by any entity other than the above referenced client is unintentional and prohibited. This report should not be relied upon by any other entity for any other purpose. Unauthorized users do so at their own risk.

1.7 PROPERTY RIGHTS APPRAISED

This appraisal considers the subject's fee simple interest, which is defined as:

Fee Simple Estate

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.

Source: Appraisal Institute, The Dictionary of Real Estate Appraisal, 5th ed. (Chicago: Appraisal Institute, 2010).

True fee simple interest can seldom, if ever, be appraised due to the encumbrances placed upon real estate through easements, zoning, deed restrictions, etc. As such, the fee simple equivalent interest is viewed as "the fee simple interest in the appraised property, subject to zoning (if any), easements (if any), and restrictions of record (if any), as identified within the report as available during the background data research conducted for the subject assignment".

1.8 DATE OF VALUE OPINION

The date of the value opinion, which is the effective date of the appraisal, is 07/21/2016. The report date is 08/10/2016.

1.9 DEFINITION OF VALUE

The definition of "Market Value", as defined by the Office of the Comptroller of Currency (OCC) under 12 CFR, Part 34, Subpart C-Appraisals, 34.42 Definitions, the Board of Governors of the Federal Reserve System (FRS) and the Federal Deposit Insurance Corporation in compliance with Title XI of FIRREA, as well as by the Uniform Standards of Appraisal Practice as promulgated by the Appraisal Foundation, is as follows:

Market value is defined as 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 interest;

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.

1.10 IDENTIFICATION OF THE SUBJECT PROPERTY

The legal description per title report provided by client is as follows:

LEGAL DESCRIPTION

E ½ of Lot 25; all of Lots 26 and 27; E ½ of Lot 3, all of Lots 1 and 2, Block 11, Westview Addition, Ravalli County, Montana according to recorded plat thereof.

TOGETHER WITH a strip of land 80 feet wide and 362.5 feet long, which adjoins the South boundary of the above-described tract, and which strip lies between Lots 1, 2 and E ½ of Lot 3, Block 12 and Lots 26, 27 and E ½ of Lot 25, in Block 11, Westview Addition, Ravalli County, Montana, according to recorded plat thereof, as vacated in Commissioner's Journal No. 10, page 155.

Deed Reference: Book 112 Deeds, page 358.

ALSO Lots 1, 2, 29, 30 and the E ½ of Lots 3 and 28, all in Block 12, Westview Addition, Ravalli County Montana, according to recorded plat thereof.

Deed Reference: Book 91 Deeds, page 286.

ALSO TOGETHER WITH a portion of Ninth Street vacated by Resolution No. 351 and recorded in Permanent File No. 6477; which portion attaches by operation of law.

Legal Description

1.11 TRANSFER HISTORY OF THE SUBJECT PROPERTY

Recordation #	Date	Data Source	Grantor	Grantee
91-286; 108-323; 112-358; 147-191;	c. 1957	Deeds	Bernatz	State of Montana
Subject has not transferred in the prior 36 months.				

1.12 EXPOSURE PERIOD AND MARKETING TIME

Exposure period and marketing time are defined as:

Exposure Time

1. The time a property remains on the market.
2. The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based on an analysis of past events assuming a competitive and open market.

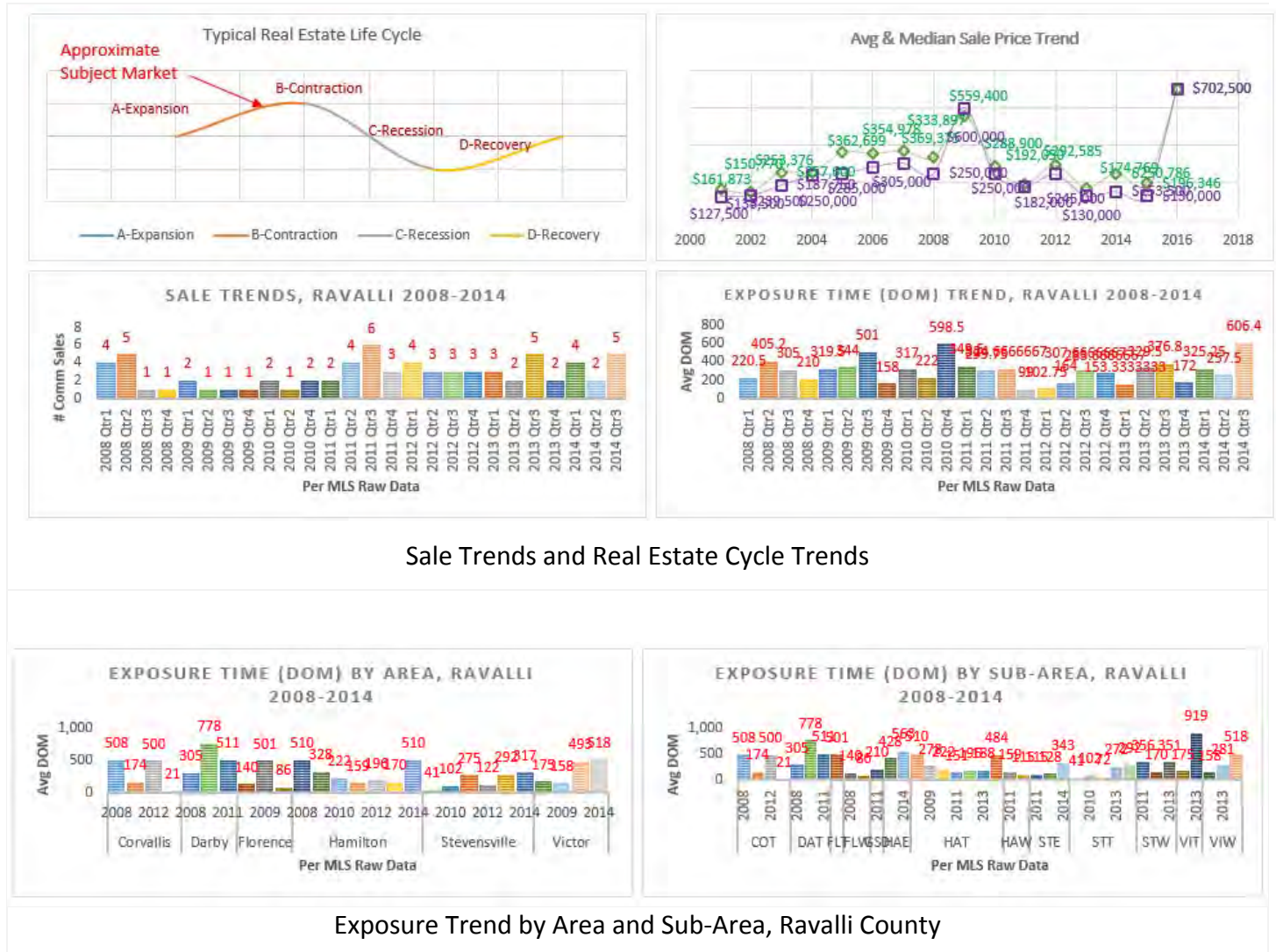
Source: Appraisal Institute, The Dictionary of Real Estate Appraisal, 5th ed. (Chicago: Appraisal Institute, 2010).

Marketing Time

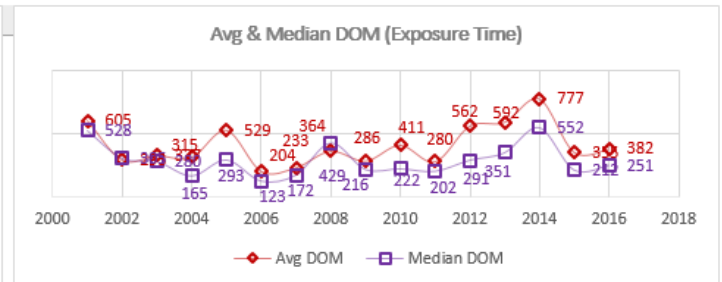
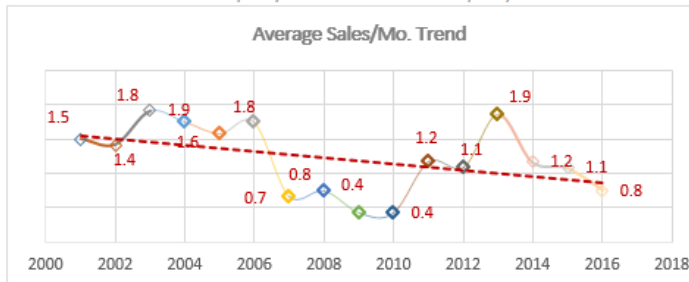
An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal.

Source: Appraisal Institute, The Dictionary of Real Estate Appraisal, 5th ed. (Chicago: Appraisal Institute, 2010).

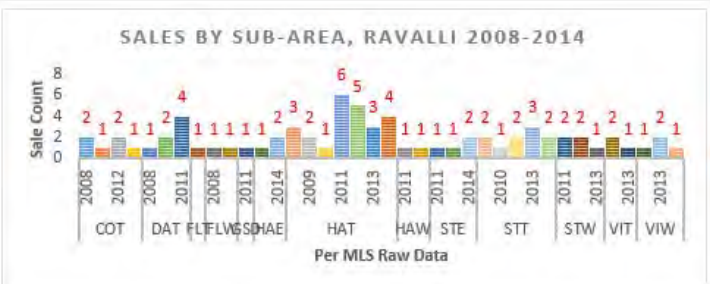
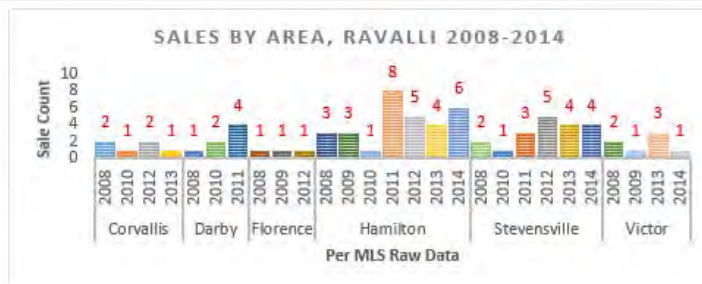
Marketing time differs from exposure time, which is always presumed to precede the effective date of the appraisal. Exposure time is an estimate prior to date of appraisal whereas marketing time is an estimate following the date of appraisal. Exposure time assumes adequate, sufficient and reasonable time and effort. Market value estimates further assume an adequate marketing effort and reasonable time for exposure prior to the date of appraisal. Exposure time is viewed as a historical estimate whereas marketing time is viewed as a prospective estimate. Exposure time is a requisite to the definition of market value utilized, and allows the intended user of an appraisal to put the value opinion into appropriate context.



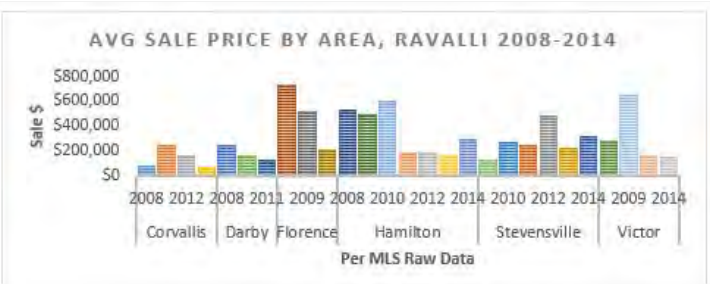
Year	#Sales	Avg Sale	% Chang	Median Sal	% Change2	Avg DON	Median DON	Avg Sales/M
2001	18	\$161,873		\$127,500		605	528	1.5
2002	17	\$150,770	-7.4%	\$133,500	4.5%	293	305	1.4
2003	23	\$257,600	41.5%	\$187,750	28.9%	327	280	1.9
2004	21	\$253,376	-1.7%	\$239,500	21.6%	315	165	1.8
2005	19	\$362,699	30.1%	\$250,000	4.2%	529	293	1.6
2006	21	\$354,978	-2.2%	\$285,000	12.3%	204	123	1.8
2007	8	\$369,375	3.9%	\$305,000	6.6%	233	172	0.7
2008	9	\$333,897	-10.6%	\$250,000	-22.0%	364	429	0.8
2009	5	\$559,400	40.3%	\$600,000	58.3%	286	216	0.4
2010	5	\$288,900	-93.6%	\$250,000	-140.0%	411	222	0.4
2011	14	\$192,050	-50.4%	\$182,000	-37.4%	280	202	1.2
2012	13	\$292,585	34.4%	\$245,000	25.7%	562	291	1.1
2013	13	\$174,769	-67.4%	\$130,000	-88.5%	592	351	1.9
2014	14	\$250,786	30.3%	\$153,500	15.3%	777	552	1.2
2015	13	\$196,346	-27.7%	\$130,000	-18.1%	355	212	1.1
2016	6	\$672,500		\$580,000		382	251	0.8



Commercial Sales Trends



Commercial Sales Volume



Sales Seasonality and Area Trends

Income producing properties in the Ravalli County market area require a lengthy marketing effort due to the relative scarcity of potential property investors. The armory use of the subject is atypical of the subject market area. If exposed for sale in the open market, typically contemplated uses are estimated to be office use with subdivision of excess lot acreage. As of the date of appraisal, the subject is comprised of 8 separate and distinct lots, along with 2 road vacations, and four half-lots encompassing 10th Street.

Year	# Sales	Avg Sale	% Change	Median Sale	% Change2	Avg DOM	Median DOM	Sales/Month
2000	274	\$63,239		\$42,500		452	325	46
2001	226	\$65,526	3.5%	\$43,750	2.9%	397	223	38
2002	270	\$74,047	11.5%	\$49,450	11.5%	314	181	45
2003	235	\$84,822	12.7%	\$59,900	17.4%	303	204	39
2004	272	\$113,963	25.6%	\$89,500	33.1%	218	161	45
2005	278	\$139,057	18.0%	\$101,700	12.0%	201	146	46
2006	232	\$154,711	10.1%	\$135,000	24.7%	232	192	39
2007	120	\$167,622	7.7%	\$135,000	0.0%	245	172	20
2008	67	\$138,818	-20.7%	\$117,000	-15.4%	280	191	11
2009	44	\$105,771	-31.2%	\$82,500	-41.8%	256	147	7
2010	60	\$97,563	-8.4%	\$80,000	-3.1%	348	278	10
2011	60	\$128,461	24.1%	\$106,250	24.7%	319	186	10
2012	64	\$85,413	-50.4%	\$60,000	-77.1%	547	342	11
2013	96	\$89,142	4.2%	\$70,000	14.3%	588	452	16
2014	91	\$96,246	7.4%	\$67,000	-4.5%	491	344	15
2015	146	\$106,330	9.5%	\$73,500	8.8%	555	272	24
2016	61	\$75,190	-41.4%	\$60,000	-22.5%	395	292	10

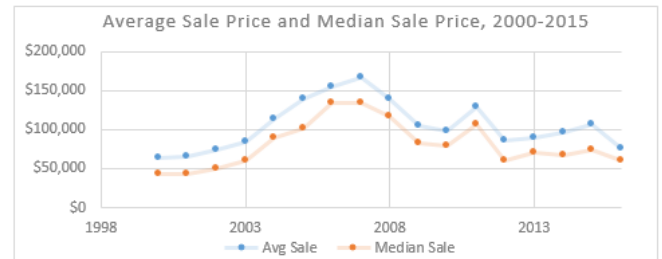
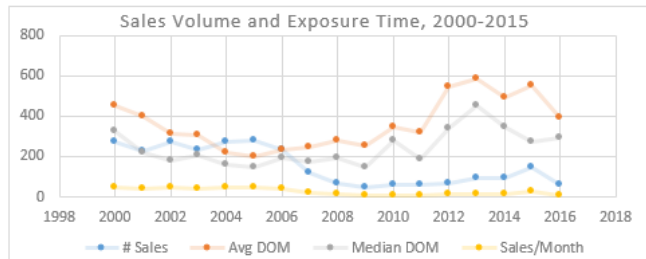
Avg Monthly Sale Price Change Prior 12-Month Period

0.79%

Median " " " "

0.74%

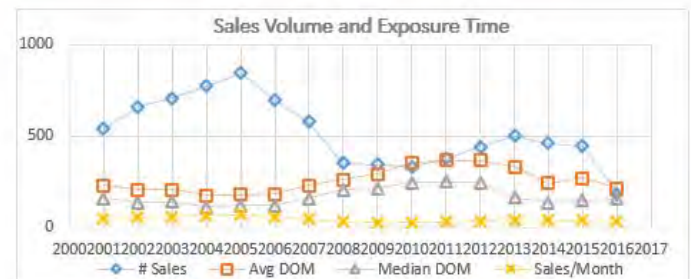
# Active Listing	/	Avg Sales Per M	=	Months Suppl	SALE REO %	LISTING REO %
477	/	24	=	19.6	3.4%	6.3%



Land Sale Trends, Ravalli

Year	# Sales	Avg Sale	% Change	Median Sale	% Change2	Avg DOM	Median DOM	Sales/Mo
2001	538	\$162,922		\$140,000		229	159	45
2002	662	\$162,342	-0.4%	\$135,500	-3.3%	208	136	55
2003	708	\$177,577	8.6%	\$154,250	12.2%	205	140	59
2004	773	\$198,435	10.5%	\$165,000	6.5%	174	114	64
2005	842	\$226,373	12.3%	\$185,950	11.3%	178	120	70
2006	696	\$279,247	18.9%	\$214,500	13.3%	182	120	58
2007	577	\$290,700	3.9%	\$222,207	3.5%	229	161	48
2008	350	\$250,152	-16.2%	\$215,000	-3.4%	263	206	29
2009	342	\$219,067	-14.2%	\$190,000	-13.2%	292	214	29
2010	332	\$233,218	6.1%	\$204,000	6.9%	354	246	28
2011	376	\$211,912	-10.1%	\$175,000	-16.6%	366	248	31
2012	442	\$204,449	-3.7%	\$174,200	-0.5%	368	245	37
2013	498	\$247,622	17.4%	\$185,000	5.8%	333	164	42
2014	460	\$248,793	0.5%	\$225,000	17.8%	243	137	38
2015	444	\$265,475	6.3%	\$239,625	6.1%	269	147	37
2016	182	\$256,064	-3.7%	\$233,426	-2.7%	216	155	30

# Active Listing	/	Avg Sales Per Mo.	=	Months Supply	SALE REO %	TING RE
638	/	30	=	21.0	11.0%	1.7%
Reasoned Market Conditions Adjustment Range:			+0% thru +6% Annually		+0% thru +0.50% Monthly	
* Per MLS Raw Sales Data...						



Residential Sale Trends, Ravalli

Reasonable exposure time is a function of price, market conditions, and property characteristics; further, exposure times are property specific and linked to a specific value conclusion. All comparable sales presented are viewed as having typical exposure for the area.

The exposure time demonstrated by available market data supports an anticipated exposure period of 12-months.

2 PART II: DESCRIPTIONS, ANALYSIS, AND VALUE CONCLUSIONS

Site	
Information Sources:	Site Viewing; Assessment and Tax Records; County Clerk & Recorder Office; Plat Map of Record; Property Owner.
Site Dimensions:	See attached CS #700649-TR.
Site Shape:	Rectangular. Corner pins are neither visible nor marked. Approximate lot boundaries were visualized by aerial cadastral images.
Total Site Size:	5.93 acres per CS #700649-TR.
Usable Site Size:	4.80 acres net of 10 th Street ¹⁰ .
Drainage, Soil, Subsoil Conditions:	Typical
Road Frontage/Access:	Good; Main, 9 th , 10 th Streets.
Utilities:	Well, Septic, Public Utilities Available
Site Improvements:	Parking, landscaping, fencing, city park/playground area.
Flood Zone:	<p>The subject is located in an area mapped by the Federal Emergency Management Agency (FEMA). The subject is not located in an identified flood hazard zone.</p> <p>FEMA Map Number: 30081C0681D</p> <p>FEMA Map Date: 01/16/2015</p> <p>FEMA Zone Classification: X</p> <p>Census Tract: 0005.00</p>

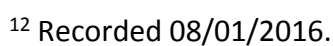
¹⁰ Estimated. See attached discussion; survey of 10th Street is required to determine exact useable lot size net of 10th Street.

	If relevant, the applicable FEMA panel map is included in addenda.
Easements/ Encroachments:	Typical utility easements are present, with no adverse encroachments noted. Legal access to and buildability of the subject property is assumed.
Proximate Uses:	See attached proximate uses map.
Site Conclusions:	Site conditions allow general residential or light commercial use of the subject site.
<u>IMPROVEMENT DATA & ANALYSIS</u>	
Property Type:	Armory, Sheds.
Construction:	Class C – Concrete Block.
Year Built:	The subject construction date is estimated c. 1970's; see prior discussion
Condition:	Avg/Good. Subject has new roof c. 2011. Concrete block construction has limited physical deterioration.
Size:	Gross Building Area: 9,723 sf ¹¹
FOUNDATION, FRAME, EXTERIOR	
Foundation:	Concrete slab foundation with perimeter footings; partial basement, not viewed. Depth of footings and slab is unknown.
Frame:	Concrete block.
Exterior:	Concrete block.

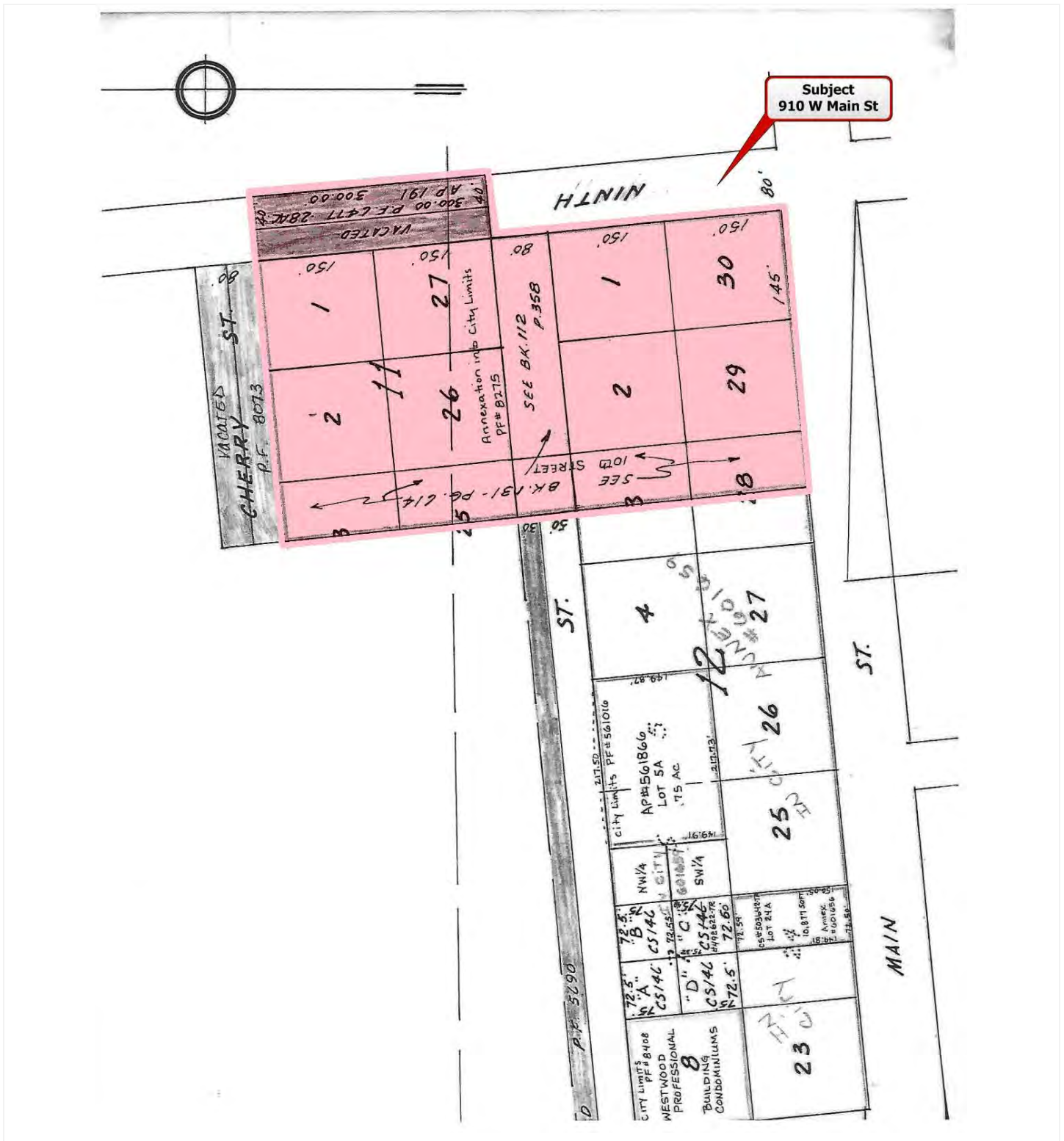
¹¹ 1st floor @ 6,429± sf; 2nd floor @ 1,647± sf; basement @ 1,647± sf; total GBA thereby 9,723± sf.

Roof:	Membrane, partially visible from ground level only.
INTERIOR	
Interior Finish:	Finished office area, restroom area, kitchen area, utility area, large common area utilized as drill area.
Ceilings & Ceiling Height:	8-16'±.
Partitions/Interior Framing:	Concrete block, drywall.
Floor Cover:	Exposed concrete, carpet, linoleum.
Other:	The subject property is in good, tenable, and marketable condition suitable for use as office space.
MECHANICAL SYSTEMS	
HVAC:	Hot water boiler. Office area HVAC/mini-split.
Electrical:	Standard to code assumed.
Plumbing:	Standard to code assumed.
SITE IMPROVEMENTS	
Parking:	Gravel and asphalt; on and off site; uncovered.
Drainage:	Typical; subject soils have good drainage being characterized as shallow over gravel.
SITE & IMPROVEMENT SUMMARY	
Summary:	Armory building and related improvements are located on Lot 30 Block 12 Westview Addition; fencing and sheds appear to cross lot lines onto Lot 1 Block 12. Lots 2 and 29 Block 12 have parking area use. An existing log restroom structure for the park area appears to be either located on Lot 2

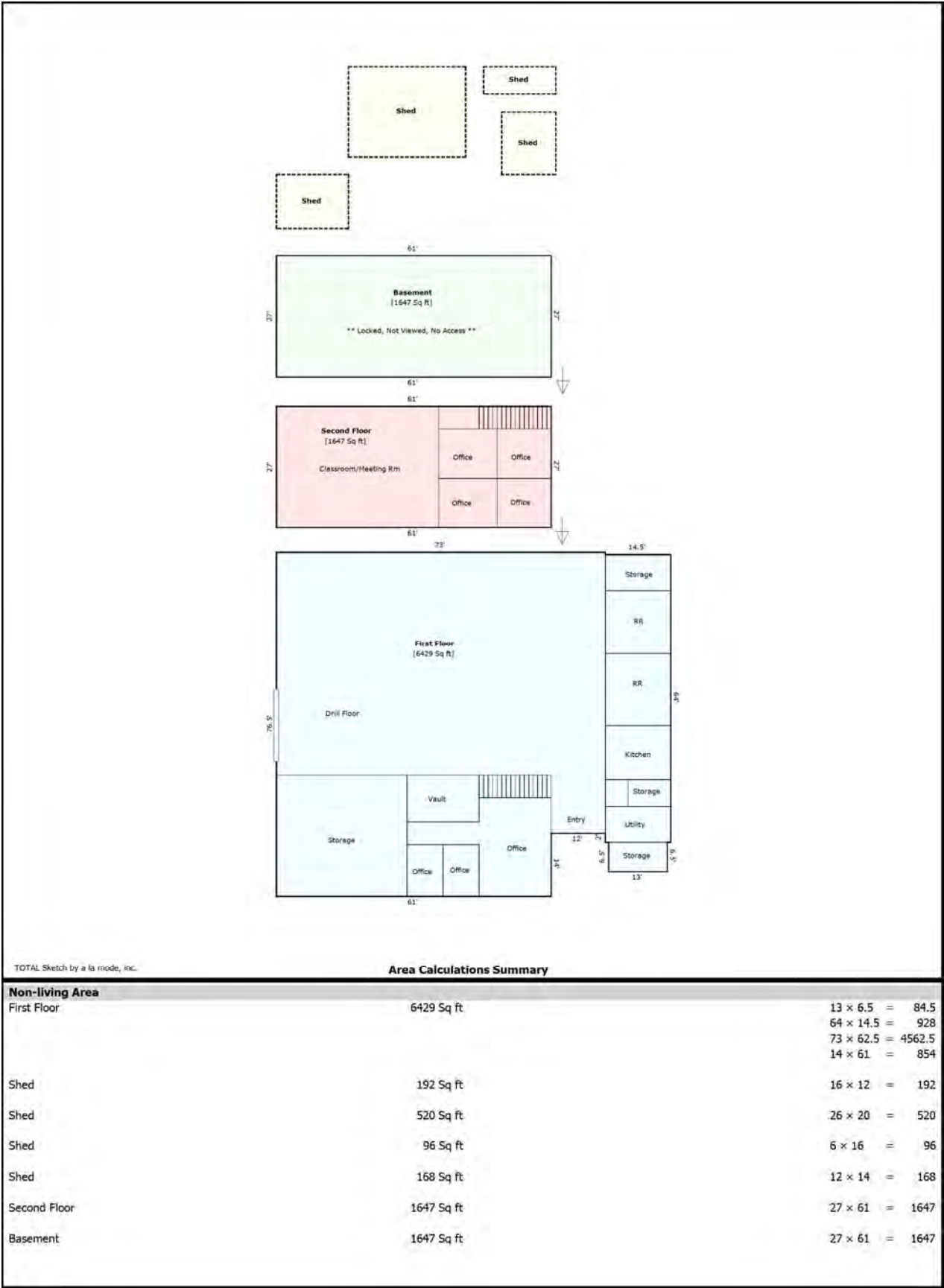
	Block 12 or bisected by Lots 1 & 2 Block 12. A community playground is located on the former vacated Pinckney Street; Lots 1, 2, 26, 27 of Block 11 Westview Addition and vacated 9 th Street area are vacant.
PROPERTY OCCUPANCY	
► Tenant/Occupant ◀ :	Hamilton Reserve Center; City Park.



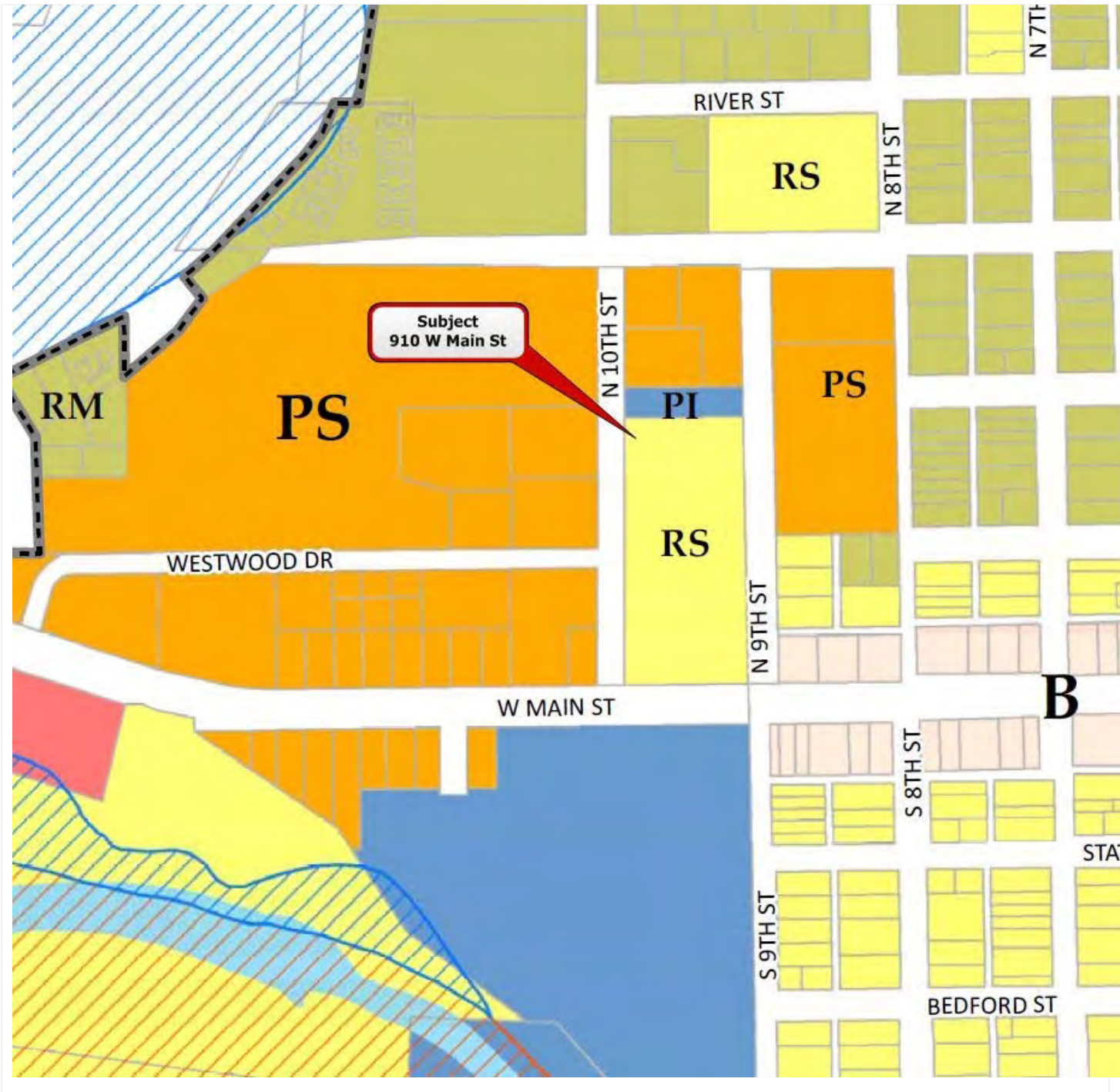
2.2 PLAT MAP, WESTVIEW ADDITION



2.3 FLOORPLAN



2.4 ZONING AND LAND USE PATTERNS



District:	Single Family Residential District (RS)
Conforming:	The subject Armory property is a non-conforming use which existed prior to annexation into city limits. The vacant lots are compliant with residential use requirements commensurate with RS district classification.

Applicable Permitted Uses¹³:	<ul style="list-style-type: none"> • Single family residences. • Accessory Buildings. • Home Occupations.
Minimum Standards:	
Maximum Floor Area Ratio:	None
Size:	7,000 sf
Road Frontage:	50'
Front Setback:	20'
Side Setback:	5'
Rear Setback:	20'
Building Height:	35'

2.5 REAL ESTATE TAX AND ASSESSMENT ANALYSIS

Tax Parcel ID#:	#0000729460	
Tax Year:	2015.	
Assessed Value Land	\$0.	
Assessed Value Improvements:	\$0.	
Total Assessed Value:	\$0.	
Real Estate Taxes:	\$0. Subject is tax exempt due to ownership by State of Montana. Typical tax rates ~1-3% of assessed value annually.	

¹³ A partial copy of the applicable zoning ordinance is included in addenda.

Montana is an *ad valorem* tax state, with the real estate tax obligation based upon legislatively mandated appraisal cycles by the Montana Department of Revenue. The subject is not affected by special assessments or SID's. The real estate taxes are a function of the spending of the applicable government entities with legislatively mandated annual increase limitations. The current assessed value is based upon a Montana Department of Revenue assessment date of 01/01/2014¹⁴ and is not applicable as of the date of appraisal. The subject property tax burden is estimated at 1-3% of assessed value annually.

¹⁴ The next scheduled statewide reappraisal is to occur effective 01/01/2015.

2.6 MARKET ANALYSIS

Market analysis is defined as:

Market Analysis

A process for examining the demand for and supply of a property type and the geographic market area for that property type.

Source: Appraisal Institute, The Dictionary of Real Estate Appraisal, 5th ed. (Chicago: Appraisal Institute, 2010).

Market analysis may be completed by inferred and/or fundamental analysis techniques, defined as:

Inferred Demand

Demand projected on the basis of current market conditions, historical rates of change, and absorption patterns.

Source: Appraisal Institute, The Dictionary of Real Estate Appraisal, 5th ed. (Chicago: Appraisal Institute, 2010).

Fundamental Analysis

1. A study that focuses on the underlying factors that affect the property's actual use and the ability to economically support that use.
2. A study of the specific sources of demand (demographic, social, and economic) for the use of the property, the ability of users to pay for this use, and the ability of the property to meet the needs and desires of those users.

Source: Appraisal Institute, The Dictionary of Real Estate Appraisal, 5th ed. (Chicago: Appraisal Institute, 2010).

Fundamental Demand

In-depth analysis of anticipated demand, which involves the collection and organization of extensive data, consideration of the perceptions of market participants, and assessment of the likelihood that current trends will continue; also called fundamental demand.

Source: Appraisal Institute, The Dictionary of Real Estate Appraisal, 5th ed. (Chicago: Appraisal Institute, 2010).

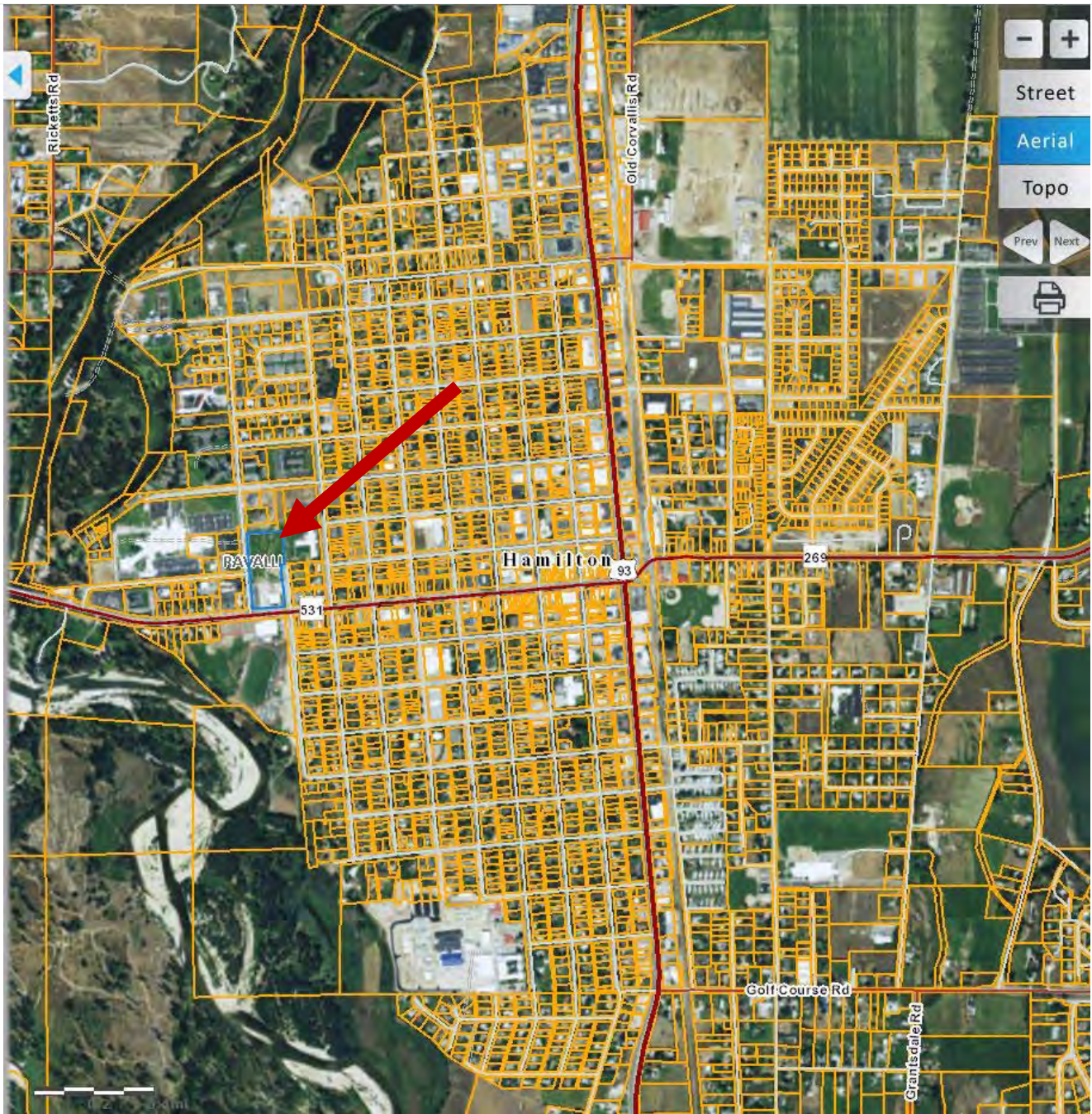
2.6.1 Inferred Analysis

Inferred analysis relies upon current and historic general market conditions to infer future supply and demand conditions. Inferred analysis focuses on four primary considerations that influence value: social, economic, governmental, and environmental factors.

The subject is located in the incorporated City of Hamilton, in Ravalli County.

Map of Ravalli County





Subject Aerial Image, City of Hamilton



Subject Aerial Image, Expanded

2.6.1.1 Social Influences, City of Hamilton Area

The subject is located in the City of Hamilton, which is located in Ravalli County in western Montana. The subject is located within city limits via annexation. Ravalli County is located on the western side of Montana, bounded on the west and south by Idaho, on the east by Granite County and on the north by Missoula County. Ravalli County contains 2,394 sq. miles, of which 76% is federal and state public land; private land ownership is ~ 572 sq. miles countywide. Countywide population is estimated at 40,202 (2012) with an average population density of ~70 people per sq. mile of private land ownership. Average parcel density is ~29 parcels per sq. mile of private

land ownership. Ravalli County is geographically primarily 'rural'. The City of Hamilton is the county seat, with the unincorporated towns of Florence, Stevensville, Victor, Corvallis, and Darby interspersed throughout the county. In 2010, there are approximately 5,171 residents within a 1-mile radius of the City of Hamilton; 8,898 within a 3-mile radius; and, 13,417 within a 5-mile radius¹⁵. In 2015, there are a projected 5,310 residents within 1-mile; 9,231 within 3-miles; and, 14,085 within 5-miles. In 2010, there are a projected 2,472 households within a 1-mile radius of the City of Hamilton; 4,064 within 3-miles; and, 5,864 households within a 5-mile radius. Average household size is 2.00-2.25. In 2015, there are a projected 2,549 households within a 1-mile radius; 4,233 within 3-miles; and, 6,172 within a 5-mile radius of the City of Hamilton.

Employment, commercial services and shopping opportunities are available in the City of Hamilton area. Hamilton has a school district commonly considered to be one of the better districts in the county with a high school constructed c. 1998 with athletic complex and performing arts center. The nearest regional commercial services hub is the City of Missoula, ~ 45-miles north. The only hospital in Ravalli County is located in the City of Hamilton.

2.6.1.2 Economic Influences¹⁶, City of Hamilton Area

Average household income is estimated at \$38,589 in 2010, projected to increase to \$41,129 in 2015 within a 1-mile radius of the City of Hamilton; median household income is estimated at \$29,654 in 2010, projected to increase to \$32,231 in 2015 within a 1-mile radius of the City of Hamilton. Historically, real estate, construction, finance and general building trades have been the highest employers in the City of Hamilton area. Unemployment levels in the area are decreasing; ~ 64%± of area housing is owner occupied. The area workforce is comprised of ~ 58.4% white collar labor; ~18.3 service labor; ~ 23.2% blue collar labor. There are no alternate comparable towns to the City of Hamilton in Ravalli County. The nearest competing county seat is the City of Missoula, ~45-miles north. Missoula tends to experience a non-comparable, non-homogenous market in comparison to the Hamilton market, due to employment levels, property value trends, demand levels, and land availability, and is not viewed as comparable to the Ravalli County market area. Due to the scarcity of commercial sales in the Ravalli County market area, particularly in the smaller towns of Darby, Corvallis, Victor, Stevensville and Florence, it is typically required to utilize physically similar sales from throughout the Ravalli County area where prudent and available.

¹⁵ Per Site To Do Business (STDB) data.

¹⁶ Per Site to Do Business (STDB) data.

2.6.1.3 Governmental Influences, City of Hamilton Area.

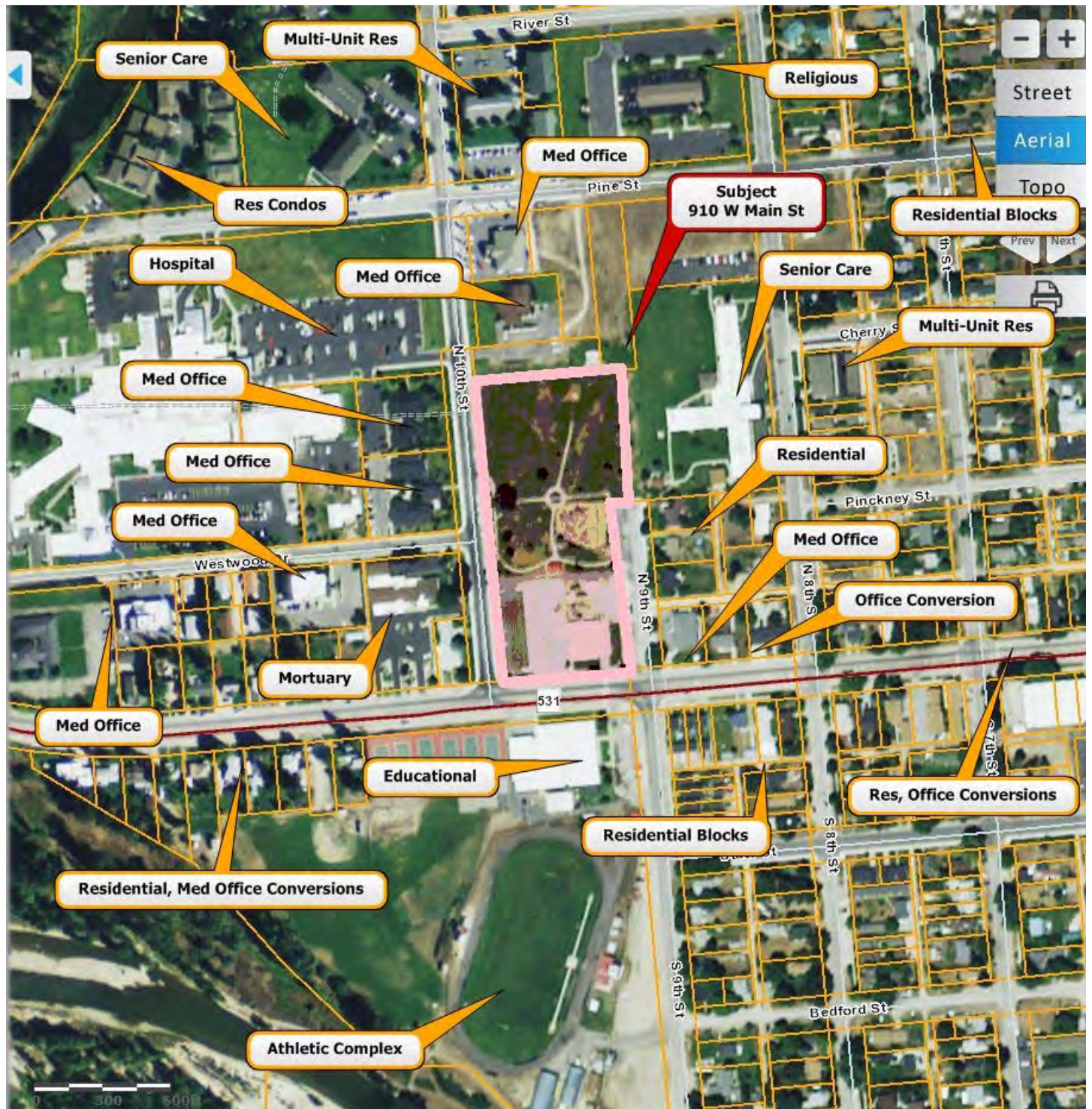
The City of Hamilton is governed by an elected Mayor and City Council. The City of Hamilton is subject to zoning; city water and sewer availability; police department; and a volunteer fire department. Real estate taxes are commonly ~1-3%± of assessed property value annually; SIDs are uncommon in the City of Hamilton. Public utilities are available to the majority of the area within the City of Hamilton and adjacent annexations. Many properties have wells that predate public water availability, however, new construction requires connection to city services if available.

Fundamental analysis techniques are not relevant to the subject assignment and are not provided herein.

2.7 COMPETING MARKET AREA MAP



Competing Market Area Map



Proximate Uses Map

2.8 HIGHEST AND BEST USE ANALYSIS

Highest and Best Use is defined as:

Highest and Best Use

The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity. Alternatively, the probable use of land or improved property—specific with respect to the user and timing of the use—that is adequately supported and results in the highest present value.

Source: Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 5th ed. (Chicago: Appraisal Institute, 2010).

Highest and best use analysis is a three-step process. The first step involves the highest and best use of a site as though vacant. The determination must be made to leave the site vacant or to improve it. If the conclusion is to improve the site, the second step is to determine the ideal improvement. The final step is comparison between the ideal improvement and the existing improvement. At this point, the determination must be made to maintain the property in its present form or to modify the improvements to more closely conform to the ideal.

The intent of the Highest and Best Use analysis of the vacant subject property is to determine whether a probable buyer of the subject site would:

1. Develop the site or leave it vacant?
2. Determine what type of improvement should be built on the vacant site?

2.8.1 Buyer Types

The most likely potential real estate purchaser is relevant to highest and best use analysis. Different buyer types have differing motivations and risk perceptions. The differing buyer types reflect the applicability of differing approaches and rates herein. Typical buyer types are defined as follows:

- i. **Owner-User:** an owner-user acquires real estate for use. Vacancy and yield are not primary concerns to an owner-user. Property suitability is a primary concern. Typically long-term holding period.
- ii. **Passive Investor:** a passive investor seeks an established income stream; usually does not change the property in any meaningful way; generally prefers long-term ownership.

- iii. Developer: a developer acquires real estate to physically or legally change it in some significant fashion; accepts risk for future reward; has a short-medium holding period expectation.
- iv. Speculative Investor: a speculative investor acquires real estate solely as an investment with the greatest potential return upon termination of the investment; property use is not a primary consideration; medium to long-term holding period; usually buys during declining markets and/or weak market conditions; accepts significant risk for potentially significant return.

2.8.2 Highest and Best Use As Vacant

HBU as vacant is defined as:

Highest and Best Use of Land or a Site as Though Vacant

Among all reasonable, alternative uses, the use that yields the highest present land value, after payments are made for labor, capital, and coordination. The use of a property based on the assumption that the parcel of land is vacant or can be made vacant by demolishing any improvements.

Source: Appraisal Institute, The Dictionary of Real Estate Appraisal, 5th ed. (Chicago: Appraisal Institute, 2010).

2.8.2.1 Legal Permissibility Test

The subject was annexed into city limits of the City of Hamilton c. 12/06/1996 via PF #8275 and assigned RS zoning district classification. RS districts require residential use with minimum lot size of 7,000+ sf and 50' minimum frontage for new lots. The subject has ~ 4.80± acre usable lot size, and is comprised of 8 current lots and 2 vacated streets, ignoring the half lots comprising 10th Street. As if vacant, residential use compliant with the requirements of the RS zoning district is required.

2.8.2.2 Physical Possibility Test

The subject is comprised of 8 full lots, 4 half lots, and 2 vacated streets. It is physically possible to configure the subject sites, as if vacant, into 20-29 residential lots given the 7,000 sf minimum lot size requirement of the RS zoning district. When considering the 50' minimum frontage requirement and street access required along vacated 9th street, it is more likely that the subject 4.80-acre site can yield 20 potential residential lots and 2 commercial lots where the existing armory building and compound is located. If the existing armory were to be razed, there are a potential 26 total residential lots allowable on the 4.80-acre site.

2.8.2.3 Financial Feasibility Test

Residential use has higher demand than does commercial use in the subject market area as of the date of appraisal.

2.8.2.4 Maximum Productivity Test

The maximally productive use of the subject site, as if vacant, is 26 residential lots with approximate lot size of 50'± x 145'±. The existing park and recreational area is neither a maximally productive use nor a financially feasible use of the subject site.

2.8.2.5 Conclusion, HBU As If Vacant

If the subject property were vacant, the anticipated HBU As If Vacant is estimated to be as residential building sites, with a density up to 26 residential units over the entire site or 20 residential units with commercial use of Lots 1 & 30 Block 12.

2.8.3 Highest and Best Use As Improved

HBU as improved is defined as:

Highest and Best Use of Property as Improved

The use that should be made of a property as it exists. An existing improvement should be renovated or retained as is so long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing building and constructing a new one.

Source: Appraisal Institute, The Dictionary of Real Estate Appraisal, 5th ed. (Chicago: Appraisal Institute, 2010).

The intent of the Highest and Best Use analysis of the improved subject property is to determine whether a probable buyer of the subject site would:

1. Keep using the improvements as they exist as of the date of appraisal?
2. Cure deferred maintenance items or other general repair items?
3. Make modifications to what exists as of the date of appraisal?
4. Demolish the existing improvements to make a vacant site?
5. Place surplus or excess land, if any, to profitable use?

2.8.3.1 Description of the Ideal Improvement:

	Ideal Improvement	Subject Improvement
Age	New	c. 1970s estimated.
Use	Residence, Office	Armory
Size	2,000-10,000± sf	9,723± sf
Common Area %	0-5%	0%

Restroom Area %	5-8%	~5%±
Efficiency Ratio	95-100%	100%
Parking	Uncovered, On-Site	Uncovered, On-Site
Surplus or Excess Land	None	Substantial, ~20± Potential Residential Sites
Typical User/Purchaser	Owner, User	Developer, Investor

2.8.3.2 Legal Permissibility Test

The existing armory building predates area zoning and annexation. As such, the existing improvements are viewed as a grandfathered use. Were the subject exposed to the area market for potential sale, legally permissible reasonably probable potential uses include office use, retail use, or demolition.

2.8.3.3 Physical Possibility Test

It is physically possible to utilize the subject property as an office property with minimal conversion costs. Conversion to retail use would likely require minimal conversion costs depending upon the needs of any potential occupant. Demolition to provide a vacant site would require significant cost.

2.8.3.4 Financial Feasibility Test

Armory usage is not a financially feasible use. It is financially feasible to convert the subject to either office or retail use. Conversion would likely require zoning approval or reclassification from the City of Hamilton. As the subject has remaining life exceeding inherent site value, demolition is unlikely as of the date of appraisal.

2.8.3.5 Maximum Productivity Test

The maximally productive use of the subject improvements as of the date of appraisal are viewed as office use. Many area residential properties along Main Street in the vicinity of the Marcus Daly Memorial Hospital are converting to office use.

2.8.3.6 Conclusion, HBU As Improved

The HBU of the subject property, as improved, is estimated to be office use. As the subject has significant excess land, viewed as separately sellable, the excess land is viewed as having significant contributory value due to demand for residential building sites in the City of Hamilton and lack of available supply. The excess acreage of the subject property is capable of having ~20± residential lots compliant with the City of Hamilton RS zoning district requirements, pending infrastructure and site development.

Total Lot Area Per CS #700649-TR	5.93	acres	
less			
10th Street: E 1/2 Lots 3 and 25 Block 11 and E 1/2 Lots 3 and 28 Block 12 and 72.50'x80' Vacated Pinkney St: equals	49,305 sf	==>	1.13 acres
Useable Lot Area, Net of 10th Street:	4.80	acres	
Area of Existing Individual Lots:			
<u>Block 11</u>			
Lot 1	21,754		
Lot 2	21,737		
Lot 26	21,718		
Lot 27	21,735		
Vacated 9th Street	11,978		
<u>Block 12</u>			
Lot 1	21,715		
Lot 2	21,717		
Lot 29	21,704		
Lot 30	21,702		
Vacated Pinckney Street	<u>23,158</u>		
Total Individual Lot Area	208,918 sf	==>	4.80 ac
Maximum # Residential Lots at 7,000sf / Lot:	29.8		
Maximum # Residential Lots at 7,000sf / Lot...without Lots 1 & 30 Block 12:	24		
Reasonable # of Residential Lots with 50' Minimum Frontage, Speculative	20		
Reasonable # of Commercial Lots, Grandfathered Armory Site, Existing As-Is Lots 1 & 30 Block 12	2		
Density at 20 Lots	10,446 sf avg Lot Size		
Density at 22 Lots	9,496 " "		
Density at 26 Lots	8,035 " "		
Density at 30 Lots	6,964 " "		

2.9 THE VALUATION PROCESS

Three basic approaches may be used to arrive at an opinion of market value. They are:

- The Cost Approach
- The Income Approach
- The Sales Comparison Approach

The **Cost Approach** is summarized as follows:

$$\begin{array}{r} \text{Cost New} \\ \text{Depreciation} \\ + \text{ Land Value} \\ = \text{ Value} \end{array}$$

The **Income Approach** converts the anticipated flow of future benefits (income) to a present value estimate through a capitalization and or a discounting process.

The **Sales Comparison Approach** compares sales of similar properties with the subject property, if timely comparable sales exist in the subject market area. Each comparable sale is adjusted for its inferior or superior characteristics. The values derived from the adjusted comparable sales form a range of value for the subject. By process of correlation and analysis, a final indicated value is derived.

The appraisal process concludes with the **Final Reconciliation** of the values derived from the approaches applied for a single opinion of market value. Different properties require different means of analysis and lend themselves to one approach over the others. This appraisal includes the following approaches:

- Cost Approach: This approach is applicable, necessary and has been fully developed.
- Sales Comparison Approach: This approach is not applicable, and has not been developed.
- Income Approach: This approach is applicable, necessary and has been fully developed.

2.10 COST APPROACH

The Cost Approach is defined as:

Cost Approach

A set of procedures through which a value indication is derived for the fee simple interest in a property by estimating the current cost to construct a reproduction of (or replacement for) the existing structure, including an entrepreneurial incentive, deducting depreciation from the total cost, and adding the estimated land value. Adjustments may then be made to the indicated fee simple value of the subject property to reflect the value of the property interest being appraised.

Source: Appraisal Institute, The Dictionary of Real Estate Appraisal, 5th ed. (Chicago: Appraisal Institute, 2010).

The applied process is as follows:

1. Estimate the land value according to its Highest and Best Use. I have utilized the Sales Comparison Approach to estimate land value; the process is as follows:
 - Comparable sales, contracts for sale and current offerings are researched and documented.
 - Each comparable is analyzed and adjusted to equate with the subject property.
 - The value indication of each comparable is analyzed and the data reconciled for a land value indication.
2. Estimate the replacement cost of the building and site improvements.
3. Estimate the physical, functional and/or external depreciation accrued to the improvements.
4. Sum the depreciated value of the improvements with the value of the land for an indication of value.

2.10.1 Land Value

The subject's land value has been developed via the sales comparison approach. I have researched and analyzed all area land sale comparables of similar highest and best use for this analysis. Due to land sale scarcity in the subject market area, the use of dated sales, market extracted land sales, and distant sales may be required. The land sale comparables are detailed following, followed by an analysis narrative, and a site value conclusion.

2.10.1.1 Site Analysis

The land sales have been analyzed and compared with the subject property. I have considered adjustments in the areas of:

• Property Rights Sold	• Economic Trends (time)
• Financing	• Location
• Conditions of Sale	• Physical Characteristics

Following are land sale comparable grids, and discussion regarding the adjustments applied.

2.10.1.2 Excess Land Projection

SALE #	MLS #	SALE DATE	CONT DATE	SALE \$\$\$	LOT SIZE (UNITS)	UN-ADJ \$\$\$/UNIT	TIME ADJ SALE \$\$\$	TIME ADJ \$\$\$/UNIT
1	58781	03/21/16	03/04/16	\$34,000	0.17	\$200,000	\$34,000	\$200,000
2	51248	07/31/13	06/13/13	\$40,000	0.19	\$210,526	\$40,000	\$210,526
3	57230	12/29/15	12/10/15	\$39,500	0.21	\$188,095	\$39,500	\$188,095
4	55285	07/14/15	06/19/15	\$38,900	0.23	\$169,130	\$38,900	\$169,130
5	55286	06/19/15	06/03/15	\$38,900	0.23	\$169,130	\$38,900	\$169,130
6	51509	09/16/13	09/02/13	\$47,300	0.39	\$121,282	\$47,300	\$121,282
7	58593	05/13/16	05/02/16	\$47,000	0.46	\$102,174	\$47,000	\$102,174
8	57301	07/17/15	06/27/15	\$46,000	0.46	\$100,000	\$46,000	\$100,000
9	52421	08/29/13	08/23/13	\$60,000	0.52	\$115,385	\$60,000	\$115,385
Avg					0.32		\$43,511	\$152,858
Median					0.23		\$40,000	\$169,130
Min					0.17		\$34,000	\$100,000
Max					0.52		\$60,000	\$210,526
Range					206%		76%	111%

Indicated Site Value Via Linear Regression of MLS Raw Sales Data:

	Lot Size	Slope	Y Intercept	Regression	Rounded
Lot 1 Block 11	0.50	\$49,779	\$27,692	\$52,552	\$55,000
Lot 2 Block 11	0.50	\$49,779	\$27,692	\$52,533	\$55,000
Lot 26 Block 11	0.50	\$49,779	\$27,692	\$52,511	\$55,000
Lot 27 Block 11	0.50	\$49,779	\$27,692	\$52,531	\$55,000
Vacated 9th Street	0.27	\$49,779	\$27,692	\$41,381	\$40,000
Lot 2 Block 12	0.50	\$49,779	\$27,692	\$52,510	\$55,000
Lot 29 Block 12	0.50	\$49,779	\$27,692	\$52,495	\$55,000
Vacated Pinckney Street	0.53	\$49,779	\$27,692	\$54,157	\$55,000
10th Street Lots	1.13				\$0
	4.93				\$425,000

Potential Unitary Size Adjustment

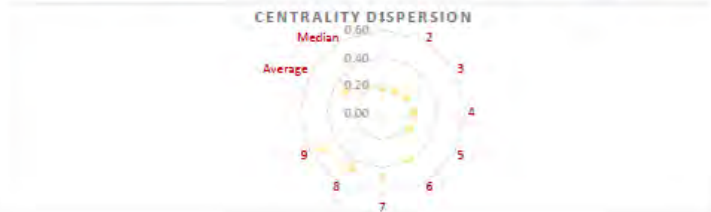
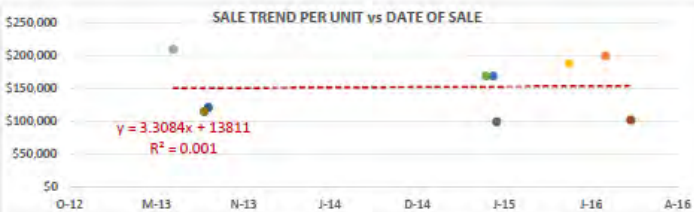
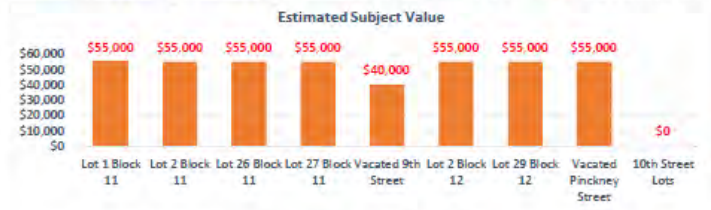
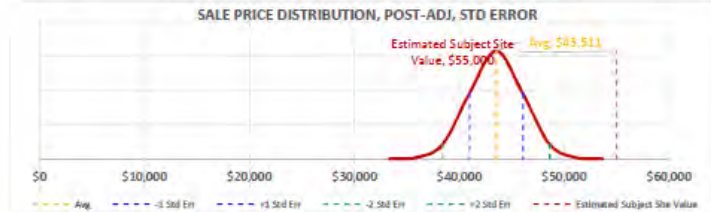
\$1.14

Value Per Unit

\$110,131

* Per MLS Raw Data

** When interpolated outside the data range, it is assumed the results are similar and valid to within the range.



Excess Land Projection

2.10.1.3 Land Sale Analysis, Grandfathered Commercial Lots

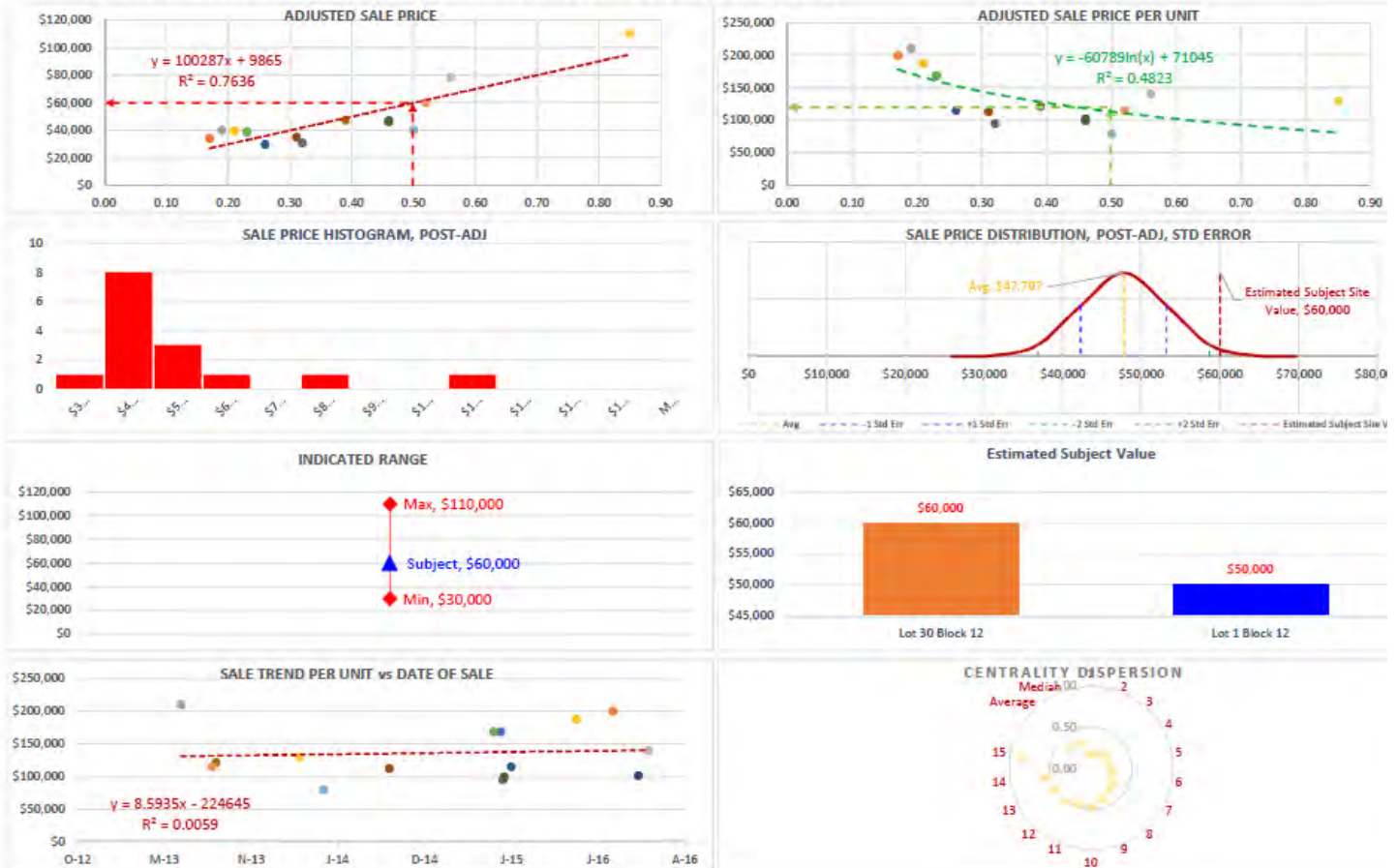
SALE #	MLS #	SALE DATE	CONT DATE	SALE \$\$\$	LOT SIZE (UNITS)	UN-ADJ \$\$\$/UNIT	TIME ADJ SALE \$\$\$	TIME ADJ \$\$\$/UNIT
1	58781	03/21/16	03/04/16	\$34,000	0.17	\$200,000	\$34,000	\$200,000
2	51248	07/31/13	06/13/13	\$40,000	0.19	\$210,526	\$40,000	\$210,526
3	57230	12/29/15	12/10/15	\$39,500	0.21	\$188,095	\$39,500	\$188,095
4	55285	07/14/15	06/19/15	\$38,900	0.23	\$169,130	\$38,900	\$169,130
5	55286	06/19/15	06/03/15	\$38,900	0.23	\$169,130	\$38,900	\$169,130
6	55375	07/30/15	07/13/15	\$30,000	0.26	\$115,385	\$30,000	\$115,385
7	56498	11/03/14	10/06/14	\$35,000	0.31	\$112,903	\$35,000	\$112,903
8	57173	08/14/15	06/25/15	\$30,500	0.32	\$95,313	\$30,500	\$95,313
9	51509	09/16/13	09/02/13	\$47,300	0.39	\$121,282	\$47,300	\$121,282
10	58593	05/13/16	05/02/16	\$47,000	0.46	\$102,174	\$47,000	\$102,174
11	57301	07/17/15	06/27/15	\$46,000	0.46	\$100,000	\$46,000	\$100,000
12	53293	07/15/14	05/08/14	\$40,000	0.50	\$80,000	\$40,000	\$80,000
13	52421	08/29/13	08/23/13	\$60,000	0.52	\$115,385	\$60,000	\$115,385
14	59374	05/26/16	05/25/16	\$78,500	0.56	\$140,179	\$78,500	\$140,179
15	55080	03/21/14	03/13/14	\$110,000	0.85	\$129,412	\$110,000	\$129,412
Avg					0.38		\$47,707	\$136,594
Median					0.32		\$40,000	\$121,282
Min					0.17		\$30,000	\$80,000
Max					0.85		\$110,000	\$210,526
Range					400%		267%	163%

Indicated Site Value Via Linear Regression of MLS Raw Sales Data:

	Lot Size	Slope	Y Intercept	Regression	Rounded	Potential Unitary Size Adjustment	Value Per Unit
Lot 30 Block 12	0.50	\$100,287	\$9,865	\$59,829	\$60,000	\$2.30	\$120,431
Lot 1 Block 12	0.50	\$100,287	\$9,865	\$59,829	\$50,000		
					\$110,000		

* Per MLS Raw Data

** When interpolated outside the data range, it is assumed the results are similar and valid to within the range.



Land Sales Analysis, Grandfathered Commercial Lots 1 & 30 Block 12

2.10.1.4 Adjustment Notes

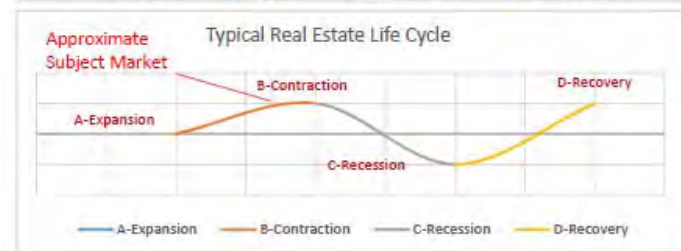
The available land sales have been adjusted for divergent characteristics, as follows:

2.10.1.5 Economic Trends

There have been few sale/re-sale pairs of improved commercial properties countywide with which to calculate a market conditions adjustment. Values in the subject market area are viewed as stable as of the date of appraisal without a requisite market conditions adjustment.

Year	# Sales	Avg Sale	% Change	Median Sale	% Change2	Avg DOM	Median DOM	Sales/Month
2001	538	\$162,922		\$140,000		229	159	45
2002	662	\$162,342	-0.4%	\$135,500	-3.3%	208	136	55
2003	708	\$177,577	8.6%	\$154,250	12.2%	205	140	59
2004	773	\$198,435	10.5%	\$165,000	6.5%	174	114	64
2005	842	\$226,373	12.3%	\$185,950	11.3%	178	120	70
2006	696	\$279,247	18.9%	\$214,500	13.3%	182	120	58
2007	577	\$290,700	3.9%	\$222,207	3.5%	229	161	48
2008	350	\$250,152	-16.2%	\$215,000	-3.4%	263	206	29
2009	342	\$219,067	-14.2%	\$190,000	-13.2%	292	214	29
2010	332	\$233,218	6.1%	\$204,000	6.9%	354	246	28
2011	376	\$211,912	-10.1%	\$175,000	-16.6%	366	248	31
2012	442	\$204,449	-3.7%	\$174,200	-0.5%	368	245	37
2013	498	\$247,622	17.4%	\$185,000	5.8%	333	164	42
2014	460	\$248,793	0.5%	\$225,000	17.8%	243	137	38
2015	444	\$265,475	6.3%	\$239,625	6.1%	269	147	37
2016	182	\$256,064	-3.7%	\$233,426	-2.7%	216	155	30

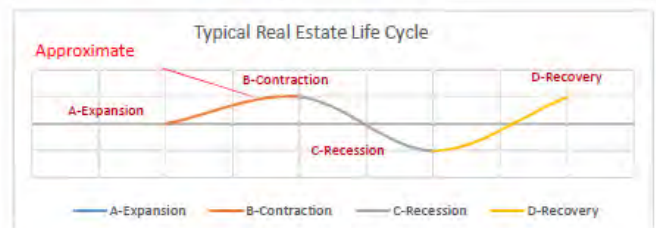
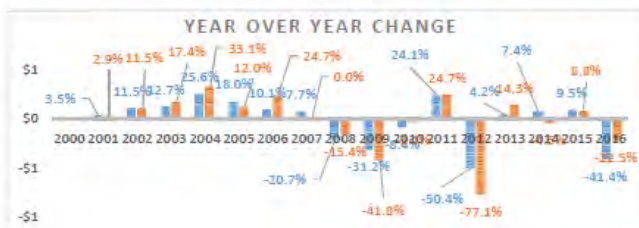
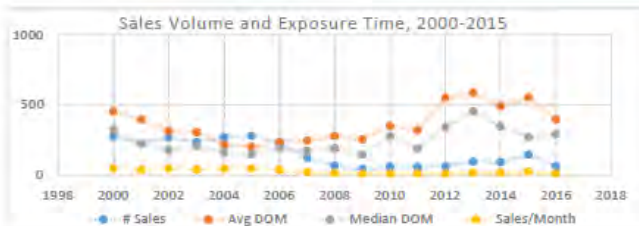
# Active Listings	/	Avg Sales Per Mo.	=	Months Supply	SALE REO %	ITING REO
638	/	30	=	21.0	11.0%	1.7%
Reasoned Market Conditions Adjustment Range:			+0% thru +6% Annually		+0% thru +0.50% Monthly	
* Per MLS Raw Sales Data...						



Residential Economic Trends

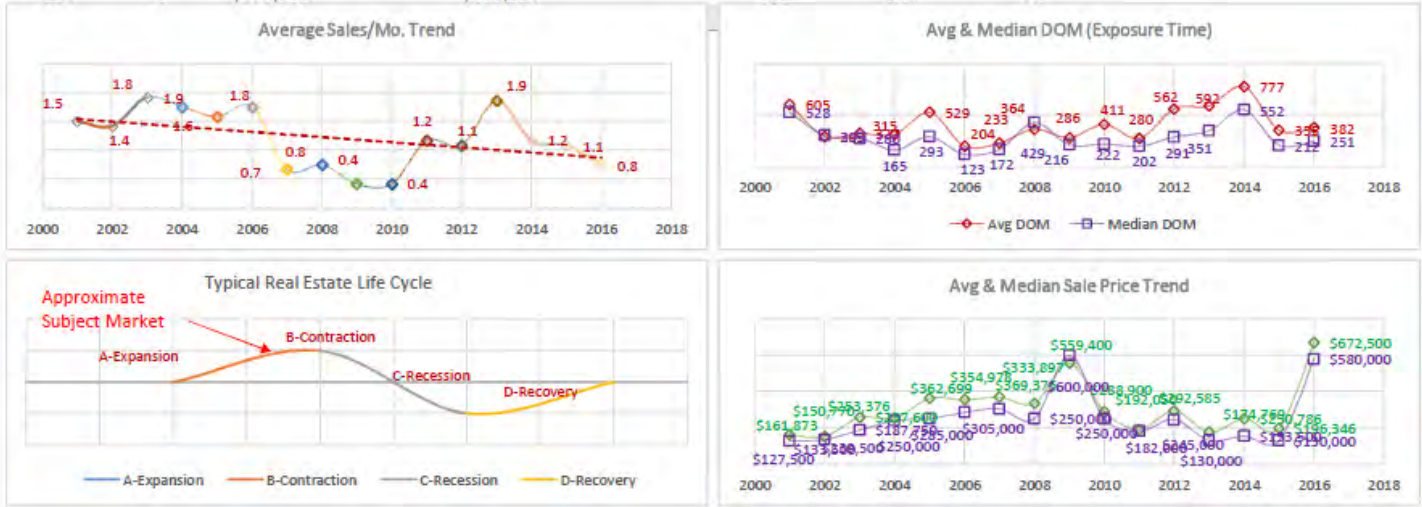
Year	# Sales	Avg Sale	% Change	Median Sale	% Change2	Avg DOM	Median DOM	Sales/Month
2000	274	\$63,239		\$42,500		452	325	46
2001	226	\$65,526	3.5%	\$43,750	2.9%	397	223	38
2002	270	\$74,047	11.5%	\$49,450	11.5%	314	181	45
2003	235	\$84,822	12.7%	\$59,900	17.4%	303	204	39
2004	272	\$113,963	25.6%	\$89,500	33.1%	218	161	45
2005	278	\$139,057	18.0%	\$101,700	12.0%	201	146	46
2006	232	\$154,711	10.1%	\$135,000	24.7%	232	192	39
2007	120	\$167,622	7.7%	\$135,000	0.0%	245	172	20
2008	67	\$138,818	-20.7%	\$117,000	-15.4%	280	191	11
2009	44	\$105,771	-31.2%	\$82,500	-41.8%	256	147	7
2010	60	\$97,563	-8.4%	\$80,000	-3.1%	348	278	10
2011	60	\$128,461	24.1%	\$106,250	24.7%	319	186	10
2012	64	\$85,413	-50.4%	\$60,000	-77.1%	547	342	11
2013	96	\$89,142	4.2%	\$70,000	14.3%	588	452	16
2014	91	\$96,246	7.4%	\$67,000	-4.5%	491	344	15
2015	146	\$106,330	9.5%	\$73,500	8.8%	555	272	24
2016	61	\$75,190	-41.4%	\$60,000	-22.5%	395	292	10

# Active Listings	/	Avg Sales Per Mo.	=	Months Supply	SALE REO %	LISTING REO %2
477	/	24	=	19.6	3.4%	6.3%



Land Economic Trends

Year	#-Sales	Avg Sale	% Change	Median Sale	% Change2	Avg DOM	Median DOM	Avg Sales/Mo.
2001	18	\$161,873		\$127,500		605	528	1.5
2002	17	\$150,770	-7.4%	\$133,500	4.5%	293	305	1.4
2003	23	\$257,600	41.5%	\$187,750	28.9%	327	280	1.9
2004	21	\$253,376	-1.7%	\$239,500	21.6%	315	165	1.8
2005	19	\$362,699	30.1%	\$250,000	4.2%	529	293	1.6
2006	21	\$354,978	-2.2%	\$285,000	12.3%	204	123	1.8
2007	8	\$369,375	3.9%	\$305,000	6.6%	233	172	0.7
2008	9	\$333,897	-10.6%	\$250,000	-22.0%	364	429	0.8
2009	5	\$559,400	40.3%	\$600,000	58.3%	286	216	0.4
2010	5	\$288,900	-93.6%	\$250,000	-140.0%	411	222	0.4
2011	14	\$192,050	-50.4%	\$182,000	-37.4%	280	202	1.2
2012	13	\$292,585	34.4%	\$245,000	25.7%	562	291	1.1
2013	13	\$174,769	-67.4%	\$130,000	-88.5%	592	351	1.9
2014	14	\$250,786	30.3%	\$153,500	15.3%	777	552	1.2
2015	13	\$196,346	-27.7%	\$130,000	-18.1%	355	212	1.1
2016	6	\$672,500		\$580,000		382	251	0.8



Commercial Economic Trends

Due to a lack of commercial sales activity with which to analyze market conditions, residential market conditions have been considered in lieu thereof. In general, the Ravalli County residential market is indicative of the following:

- Prices began to stabilize in 2012 following several years of recessionary decline.
- As long as interest rates remain low, this stabilization may be reasonably expected to continue. Should interest rates rise, prices, sales volume, and the ancillary recovery could decrease.
- Supply of residential properties exceeds demand; there is presently a 1-year± available residential supply.

The commercial market is indicative of the following conclusions:

- Supply exceeds demand; hence, lease terms favor lessees rather than lessors.
- Further stabilization of the commercial property market is viewed as likely given residential trends and continued low interest rates. Appreciation is not currently evident.

- iii. The 2008-2012 period was a period of value decline in the subject market area.
- iv. Lack of demand mitigates any potential rental rate increases in the subject market area.
- v. Occupancy rates are estimated as stable in the 1-5 year time horizon.
- vi. There is minimal demand for new commercial construction in the 1-5 year time horizon.
- vii. Days on market (DOM) is expected to stabilize in the 1-5 year time horizon.
- viii. The market conditions adjustment indicated in the 2008-2012 time period is declining and viewed as stable in the 2013-present time period.
- ix. Price appreciation is unlikely given the lack of indicated demand in the subject market area.

2.10.1.5.1 Market Conditions Conclusion

Based on the foregoing, rental rates, occupancy rates, and values are viewed as stable in the 2013-present time period following recessionary declines in the 2008-2012 time period. The current market is viewed as stable; increasing unemployment or interest rates have the potential to stall any pending recovery.

2.10.1.6 Metric of Comparison

Lot area, as adjusted, provides as higher correlation with sale price than does lot front footage. The Coefficient of Determination (R^2) of land sales is higher for lot area than front footage, indicating that more of the variance in sale price is explained by lot area as opposed to frontage. As such, land sales are analyzed herein based upon *area* rather than *frontage*.

2.10.1.7 Land Value Conclusion

The indicated site value range is \$40,000 - \$60,000 for commercial lots in the subject market area, given limited commercial land sales activity. The subject armory building and related compound and outbuildings are located on Lots 1 & 30 Block 12 Westview Addition; site value is estimated at \$50,000 for Lot 1 which has non-primary street frontage, and \$60,000 for Lot 30, which has primary Main Street frontage. Based on the preceding analysis, I have reconciled to a cumulative site value of Lots 1 & 30 Block 12 Westview Addition, given the grandfathered commercial use within an RS district, of \$110,000, as of 07/21/2016, subject to all Limiting Conditions and Assumptions of this appraisal.

2.10.1.8 Excess¹⁷ Land Conclusion

Based on the preceding analysis, I have reconciled to a cumulative site value of the excess land of Lots 1, 2, 26 & 27 of Block 11 Westview Addition¹⁸ and Lots 2 & 29 of Block 12 Westview Addition, along with vacated streets containing 0.81-acres, of \$425,000, as of 07/21/2016, subject to all Limiting Conditions and Assumptions of this appraisal. No value is allocated the partial lots currently utilized as 10th Street. The excess lots have not been aggregated and can be transferred individually; a bulk developer sale is possible.

2.10.2 Cost Analysis

The next step in the Cost Approach is to estimate the replacement cost of the buildings and site improvements.

Replacement cost is defined as:

Replacement Cost

The estimated cost to construct, at current prices as of the effective appraisal date, a substitute for the building being appraised, using modern materials and current standards, design, and layout.

Source: Appraisal Institute, The Dictionary of Real Estate Appraisal, 5th ed. (Chicago: Appraisal Institute, 2010).

The replacement cost of the subject site and building improvements are based on Marshall and Swift Valuation Service, a nationally recognized cost service. Construction costs are compiled on a national basis and adjusted for time and location through use of multipliers. Where appropriate and available, I have used local cost data to supplement the Marshall and Swift calculator cost data.

Where appropriate, I have included the following soft costs:

2.10.2.1 Engineering

Engineering costs are included in the costs presented by Marshall Valuation Service.

2.10.2.2 Permits and Legal

Permitting costs are included in the costs presented by Marshall Valuation Service.

¹⁷ 'Excess' land is defined as separately sellable land not required for the commercial use; it is excess ancillary land that can be sold and transferred.

¹⁸ As detailed via CS #700649-TR recorded 08/01/2016.

2.10.2.3 Interest on Interim Construction Financing

Is included in the costs presented by Marshall Valuation Service.

2.10.2.4 Contractor Overhead & Profit

“Contractor” overhead and profit is included in the base cost presented by Marshall Valuation Service.

2.10.2.5 Entrepreneurial Incentive¹⁹

This factor reflects the profit necessary for a developer to undertake the management, responsibility and risks of construction associated with a project. Current valuation theory states that the four components that create value are land, labor, capital, and coordination. The subject market is characterized as a predominantly owner occupied market²⁰; commercial properties in the subject market area are not typically constructed with planned re-sale speculation. As such, entrepreneurial incentive is characterized as atypical of the subject market area. Due to the subject location in a predominantly owner occupied market and due to lack of market support, and lack of development with re-sale speculation, “developer” profit has not been included as an additional soft cost.

2.10.2.6 Adjustment for Property Rights Appraised

An adjustment for property rights or the leased-fee interest is not required.

2.10.2.7 Adjustment for Income Stabilization

An adjustment for income stabilization is not required.

2.10.3 Depreciation Analysis

Depreciation is defined as:

Depreciation

1. In appraising, a loss in property value from any cause; the difference between the cost of an improvement on the effective date of the appraisal and the market value of the improvement on the same date.
2. In accounting, an allowance made against the loss in value of an asset for a defined purpose and computed using a specified method.

¹⁹ Historically referenced as ‘developers profit’.

²⁰ Owner-users account for ~31%± of multi-unit office usage and ~65%± of single unit office space in the City of Hamilton, per historic occupancy surveys.

Source: Appraisal Institute, The Dictionary of Real Estate Appraisal, 5th ed. (Chicago: Appraisal Institute, 2010).

Depreciation may be defined as any loss of value from any cause. There are three general areas of depreciation: physical deterioration, functional obsolescence, and external obsolescence. Depreciation may be curable or incurable, the test being that money spent to cure the depreciation be gained in value. If the depreciation costs more to fix than will be gained in value, then the depreciation is considered incurable. There are three principal methods which may be utilized to estimate depreciation: the economic age-life method, the market extraction method, and the breakdown method. The age-life and market extraction methods are considered herein.

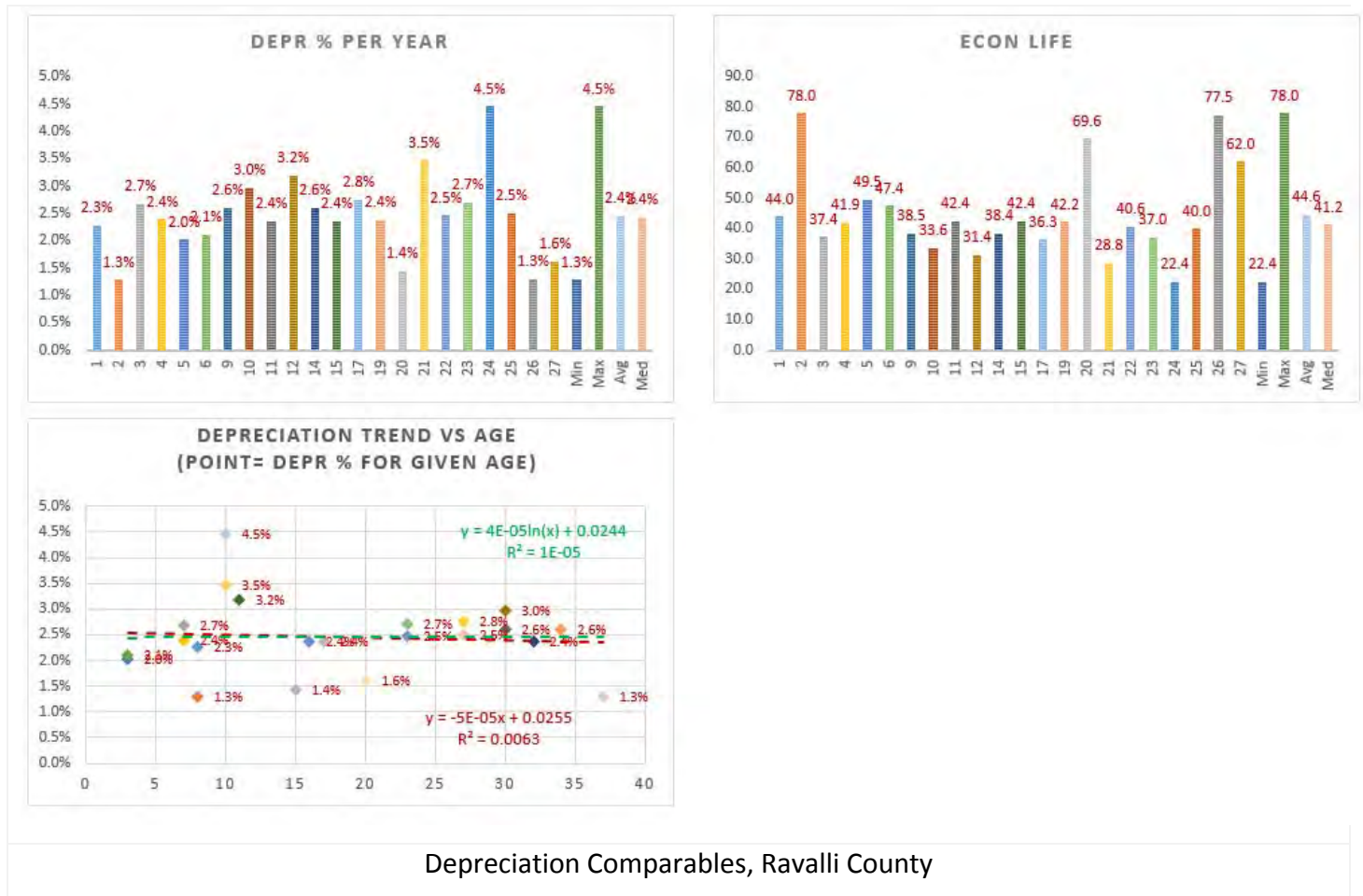
2.10.3.1 Economic Age-Life Method

Depreciation as estimated by the age-life method is calculated as $1\text{-year} \div 45\text{-year Economic Life} = 2.2\%\pm$ annual straight line depreciation rate.

2.10.3.2 Market Extraction Method

The market extraction method relies on the availability of comparable sales from which depreciation estimates can be extracted. It makes use of direct comparisons with market sales. Depreciation comparables have been presented, both from the comparable sales presented in the sales comparison approach, and, with sales outside of the sales comparison approach data set; use of sales from outside of the data set allow greater reliability and eliminates potential inter-breeding of the resultant data.

2.10.3.2.1 Depreciation Comparables



2.10.3.2.2 Depreciation Rate Derivation

The depreciation comparables available are indicative of a depreciation rate, from all causes, of 2-4%± annually.

2.10.3.3 Depreciation Reconciliation

Depreciation of 2-4%± annually is viewed as reasonable in the subject market area given constraints of available sales as of the date of appraisal.

2.10.4 Cost Approach Summary:

A summary of the cost approach calculation is as follows:

Subject Property: 910 W Main, Hamilton				Quality: Avg	
Building Name: Ham Res Center				Condition: Avg	
Date: 7/21/2016				Year Built: 1970s Estimated.	
Cost Data Source: Marshall Valuation Service; Local Costs				Eff. Age: 20	
Occupancy: Armory		Gross Bldg Area (GBA): 8,076		Net of Basement	
Class: Class C		Perimeter: 345			

Base Per Unit Cost	Section: 14	Page: 22		\$120.34	
HVAC Adjustment				\$5.95	
Elevator/Other Adjustment				\$0.00	
Other Adjustment				\$3.06	
SUBTOTAL				\$129.35	
Number of Stories Adjustment	1.000				
Height Per Story Adjustment	1.041				
Perimeter Adjustment	1.009				
Refined Per Unit Cost	1.050	x	\$129.35	=	\$135.84
Subject GBA x Refined Per Unit Cost	8,076	x	\$135.84	=	\$1,097,039

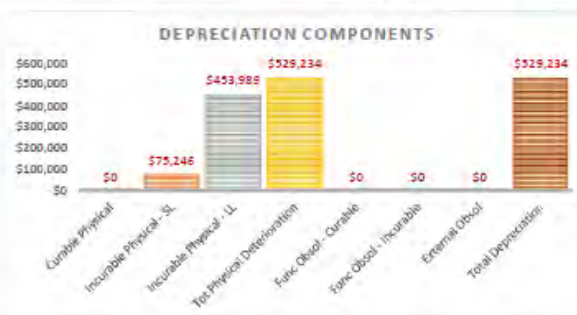
Soft Costs				
Item	% Cost	Percent Type	Total	
Engineering	0.0%	% Bldg Cost	\$0	
Permitting	0.0%	% Bldg Cost	\$0	
			\$0	

Lump Sums					
Sheds	976	x	\$30.00	=	\$29,280
Fencing	500	x	\$23.97	=	\$11,985
Landscaping		x	\$15,000	=	\$15,000
Basement	1,647	x	\$30.80	=	\$50,728
					\$106,993

SUBTOTAL					\$1,204,031
Current Cost Multiplier	1.010				
Local Cost Multiplier	0.960				
	0.970	x	\$1,204,031	=	\$1,167,429
Contingency Allowance	2.0%				
Entrepreneurial Incentive	0.0%				
	2.0%	x	\$1,167,429	=	\$23,349
REPLACEMENT COST NEW ESTIMATE					\$1,190,777

DEPRECIATION						
Curable Physical Deterioration (Deferred Maintenance)						
	x		=		\$0	0.0%
					\$0	
Incurable Physical - Short Lived Items						
	Age	Life	% Depr.	Cost	Depr Amount	Annually
Floor Covering	20	40	50%	\$26,247	\$13,124	\$656
Interior Finishes	20	40	50%	\$5,572	\$2,786	\$139
HVAC	20	40	50%	\$19,221	\$9,610	\$481
Electrical & Plumbing Fixtures	20	40	50%	\$48,882	\$24,441	\$1,222
Exterior Finishes	20	40	50%	\$5,572	\$2,786	\$139
Roofing	5	40	13%	\$23,824	\$2,978	\$596
Paving	20	30	67%	\$29,280	\$19,520	\$976
Total Accrued Short Lived Depreciation (Physical Incurable)				\$156,599	\$75,246	6.3%
					\$4,209	
					\$1,032,178	
Cost of Long Lived Items (Total Cost Less Cost of Physical Curable & Incurable Items)						
	Physical	Eff. Age				
Age/Life Physical Deterioration (Age/Life % x Age x RCN)	Deterioration					
	2.2%	x	20	=	44%	\$529,234
Incurable Physical - Long Lived Items						\$453,989

Cost of Building Less Physical Losses (Physically Depreciated Cost)		\$661,543
Functional Obsolescence, Curable	\$0	0.0%
Functional Obsolescence, Incurable	\$0	0.0%
Cost of Building Less Physical & Functional Losses		\$661,543
Economic Obsolescence (External)	\$0	0.0%
Cost of Building Less Physical, Functional & External Losses		\$661,543
Total Physical, Functional & Economic Depreciation		\$529,234
Net Contributory Value of Site Improvements		\$20,000
Net Contributory Value of Other Buildings		\$0
Land Value, Lots 1 & 30 Block 12 Westview Addition		\$110,000
Excess Land, Remainder		\$425,000
Fee Simple Value Indication		\$1,216,543
Adjustment for Property Rights, If Any		\$0
Adjustment for Lease-Up, If Any		\$0
Cost Approach Value Indication		\$1,216,543
COST APPROACH INDICATION OF VALUE, AS ROUNDED		\$1,220,000



Cost Approach Analysis Grid

2.10.5 Cost Approach Conclusion

Based on the analysis detailed on the preceding pages, I have reconciled to a cost approach value of \$ 1,220,000, as of 07/21/2016, subject to all Limiting Conditions and Assumptions of this appraisal. The cost approach value presented includes the improvements subject to appraisal, the commercial site whereupon the subject armory improvements are located, and excess land.

2.11 SALES COMPARISON APPROACH

The Sales Comparison Approach is defined as:

Sales Comparison Approach

The process of deriving a value indication for the subject property by comparing market information for similar properties with the property being appraised, identifying appropriate units of comparison, and making qualitative comparisons with or quantitative adjustments to the sale prices (or unit prices, as appropriate) of the comparable properties based on relevant, market-derived elements of comparison.

Source: Appraisal Institute, The Dictionary of Real Estate Appraisal, 5th ed. (Chicago: Appraisal Institute, 2010).

The Sales Comparison Approach is based on the premise that a buyer would pay no more for a specific property than the cost of obtaining a property with the same quality, utility, and perceived benefits of ownership. It is based on the principals of supply and demand, balance, substitution, and externalities. The following steps describe the applied process of the Sales Comparison Approach.

1. The market in which the subject property competes is investigated; comparable sales, contracts for sale, and current offerings are reviewed. All sales in subject market area in the 2010-present time period have been reviewed as a component of this assignment.
2. The most pertinent data is further analyzed and the quality of the transaction is determined. Few timely comparable sales are available in the subject market area; as such, sales dated to 2010 and located from throughout the Ravalli County area have been considered.
3. The most meaningful unit of value for the subject property is determined. As is quantified following, the sale price per unit of net rentable area is calculated as the most meaningful unit of comparison.
4. Each comparable sale is analyzed, and where appropriate, is adjusted to equate with the subject property. All sales required significant adjustment, particularly for market conditions from the contract date of the sale to the date of appraisal. There were no better, timelier, or more physically comparable sales available for this assignment.
5. The value indication of each comparable sale is analyzed and the data reconciled for a final indication of value via the Sales Comparison Approach.

All of Ravalli County was analyzed to find potential sales with a similar highest and best use potential similar to the subject. The subject is located in an area with a low year over year sale density of commercial properties. Due to an absence of timely comparable sales in the subject market area, development and application of the sales comparison approach is not possible.

2.12 INCOME CAPITALIZATION APPROACH

The Income Capitalization Approach is defined as:

Income Capitalization Approach

A set of procedures through which an appraiser derives a value indication for an income-producing property by converting its anticipated benefits (cash flows and reversion) into property value. This conversion can be accomplished in two ways. One year's income expectancy can be capitalized at a market-derived capitalization rate or at a capitalization rate that reflects a specified income pattern, return on investment, and change in the value of the investment. Alternatively, the annual cash flows for the holding period and the reversion can be discounted at a specified yield rate.

Source: Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 5th ed. (Chicago: Appraisal Institute, 2010).

The steps involved in capitalizing the subject's net operating income are as follows:



1. Develop the subject's Potential Gross Income (PGI) through analysis of the subject's actual historic income and an analysis of competitive current market income rates.
2. Estimate and deduct vacancy and collection losses to develop the Effective Gross Income (EGI).
3. Develop and subtract operating expenses to derive the Net Operating Income (NOI).
4. Develop the appropriate capitalization rate (R_o).
5. Divide the net operating income by the capitalization rate for an opinion of value through direct capitalization.



Direct capitalization is widely used when properties are operating on a stabilized basis. This methodology may be less useful for properties going through an initial lease-up or when income and/or expenses are expected to change in an irregular pattern, indicative that a yield capitalization technique may be more appropriate to the analysis.


2.12.1 Potential Gross Income (PGI) Determination

2.12.1.1 Market Rental Potential

In order to determine the subject's market rent, I have researched the following rental comparisons from the subject market area.

Comparable	Rent	Notes/Description		
Rental Comp # 1: 	\$16.67 #101	109 N 4 th Street, Hamilton		
	\$11.51 #103	6,428- sf Office/Retail Lease Space		
	\$12.00 #105	18% Vacancy		
	\$VAC #106	Insurance 2.3% PGI; Refuse 1.0% PGI		
	\$VAC #107	Power 2.1% PGI; Water 1.0% PGI		
	\$14.57 #201	Snow/Lawn Mtc. 0.7% PGI		
	\$14.26 #202	3-5 Year Lease Standard; Annual +4%		
	\$12.00 #203	Adjustment		
		Sale 02/2009 at \$750,000; 8.1% OAR based upon reconstructed operating statement; ~		
		2.4% annual depreciation from all causes.		
		<u>Expenses</u>	<u>Lessor</u>	<u>Lessee</u>
		Taxes	✓	
		Insurance	✓	
		CAM	Pass Thru	
		Utilities		✓
Rental Comp # 2: 	\$9.67 #A1	117 N 4 th Street, Hamilton		
	\$12.10 #A2	5,820- sf Office/Retail Lease Space		
	\$15.63 #B	0% Vacancy		
	\$12.34 #E	Insurance 2.7% PGI; Refuse 1.8% PGI		
	\$550/mo. #C	Power 2.1% PGI; Water/Sewer 1.5% PGI		
	\$550/mo. #D	Taxes 8.8% PGI; Maintenance 0.6% PGI		
		3-5 Year Lease Standard; Annual +4%		
		Adjustment		
		Sale 04/2008 at \$525,000; 7.53% OAR based upon reconstructed operating statement.		

		Indicative of ~ 2%± annual depreciation from all causes.		
		<u>Expenses</u>	<u>Lessor</u>	<u>Lessee</u>
		Taxes	✓	
		Insurance	✓	
		CAM	Pass Thru	
		Utilities		✓
Rental Comp # 3: 	\$10.50 psf Unit #A \$9.60 psf Unit #B \$6.82 psf Unit #C & #D combined unit.	1151 N 1 st St, Hamilton 14,000 sf total; 100% Occupancy Unit A ~ 4,000 sf; B ~ 1,400 sf; C & D ~ 3,872 sf 9,272 sf leasable area. Retail area w/ancillary shop space. 25.7% Lot Coverage Ratio		
		<u>Expenses</u>	<u>Lessor</u>	<u>Lessee</u>
		Taxes	✓	
		Insurance	✓	
		CAM	✓	
		Utilities	H ₂ O, Sewer	✓
Rental Comp # 4: 	\$4,300 per month; \$5.73 psf annually.	NHN Old Corvallis Road, Hamilton 9,000 sq.ft. warehouse. 7% lot coverage ratio. Month to month rental agreement.		
		<u>Expenses</u>	<u>Lessor</u>	<u>Lessee</u>
		Taxes	✓	
		Insurance	✓	
		CAM	-	
		Utilities		✓
Rental Comp # 5:	7,475 sf @ \$8.83 psf	1659 N 1 st Street, Hamilton MT 59840 20 year NNN lease w//2 yr renewal cycle. Retail area. 7,475 sf GBA, good quality, constructed c. 1999.		

		<u>Expenses</u>	<u>Lessor</u>	<u>Lessee</u>
		Taxes		✓
		Insurance		✓
		CAM		✓
		Utilities		✓

2.12.1.2 Analysis of Comparable Rents

The minimum rent is ~\$6.00± psf for shop space and the maximum rent is ~\$12.00+ psf for good quality office space psf. The subject has a combination of space including office space, storage space, and a central 'drill' area capable of usage as a central 'cubicle' office space location. As such, the mid-range of rental potential is deemed reasonable as of the date of appraisal.

2.12.2 Vacancy and Collection Loss

Vacancy and Collection Loss is defined as:

Vacancy and Collection Loss

A deduction from potential gross income (PGI) made to reflect income reductions due to vacancies, tenant turnover, and nonpayment of rent; also called vacancy and credit loss or vacancy and contingency loss. Often vacancy and collection loss is expressed as a percentage of potential gross income and should reflect the competitive market. Its treatment can differ according to the interest being appraised, property type, capitalization method, and whether the property is at stabilized occupancy.

Source: Appraisal Institute, The Dictionary of Real Estate Appraisal, 5th ed. (Chicago: Appraisal Institute, 2010).

Vacancy and collection loss is estimated at 10-20% in the subject market area.

2.12.3 Current Expenses

The subject is owner occupied without a historical expense structure.

2.12.4 Expenses Analysis and Projection

The subject is currently owner occupied by a tax exempt entity. Real estate taxes if sold are estimated to be \$10,000 - \$15,000 annually. Expense ratios are typically in the 20% - 30% of effective gross income range in the subject market area, or, typically \$2.00 - \$3.00 psf of net rentable area. The subject expense ratio is estimated at 25%± of EGI, or, \$2.01± psf of net rentable area.

2.12.5 Overall Capitalization Rate (R_o)

The overall capitalization rate is defined as:

Overall Capitalization Rate (R_o)

An income rate for a total real property interest that reflects the relationship between a single year's net operating income expectancy and the total property price or value ($RO = IO / VO$).

Source: Appraisal Institute, The Dictionary of Real Estate Appraisal, 5th ed. (Chicago: Appraisal Institute, 2010).

The capitalization rate is the factor that converts the stabilized net operating income (NOI) to a present value. It is the ratio of net income to value or sale price.

$$NOI \div \text{Sale Price} = \text{Capitalization Rate } \%$$

For example, if a property sells for \$500,000, and has a stabilized NOI of \$50,000, the indicated capitalization rate is 10%.

2.12.5.1 Historic Market Derived Capitalization Rates:

Property	CAP RATE	Notes
305 S 1 st Street Hamilton:	6.8%	Office Per grantor; reconstructed operating statement at time of sale.
1900 N 1 st Street Hamilton:	8.0%	Office/Retail Per grantor; reconstructed operating statement at time of sale.
102 Main Street Victor:	7.5%	Retail Per Selling Agent/MLS.
117 N 4 th Street Hamilton:	7.5%	Office/Retail Per grantor; reconstructed operating statement at time of sale.
109 N 4 th St Hamilton:	8.1%	Office/Retail

		Per grantor; reconstructed operating statement at time of sale.
185 Westgate Way Florence:	7.6%	Office Per Grantor; Listing Agent at time of sale.

Historic local capitalization rates range from 6.8%-8.0%±, as rounded.

2.12.5.2 Band of Investment

This technique utilizes lender and real estate investor investment criteria to develop, or synthesize a capitalization rate. There are four key inputs necessary for this method:

1. The loan-to-value ratio (M)
2. The mortgage interest rate (i)
3. The loan term (n)
4. The equity cap rate or equity dividend rate (R_E)

The mortgage variables are used to build the mortgage constant (R_M), which is the total amount of the payments made in one year, expressed as a percentage of the original loan amount.

$$\text{Payments} \times 12 / \text{Original Loan Amount} = \text{Mortgage Constant } (R_M)$$

The equity cap rate is the annual return to the investor, expressed as a percent of the original amount invested. The annual return to the investor is also known as the equity dividend rate; it is the profit remaining after debt service and all other expenses.

$$\text{After Debt Service Profit} / \text{Equity Investment} = \text{Equity Cap Rate } (R_E)$$

Note that the equity cap rate is not the same (usually, that is) as the equity yield rate. The equity yield rate reflects the total return to the investor over the life of the investment. Factors such as appreciation and mortgage pay down affect and usually increase this return to a point higher than the equity dividend rate. In markets where substantial appreciation is expected, investors will often accept a low or even negative equity dividend rate, anticipating a compensating payoff when the property is eventually sold. In markets where little appreciation is expected, much more weight is given to the annual equity dividend.

Formula:

$$R_M \times M = \text{rate}$$

$$R_E \times (1-M) = \text{rate}$$

$$\text{Sum Thereof} = \text{Cap Rate } (R_o)$$

2.12.5.3 Debt Coverage Ratio Analysis

This technique develops a capitalization rate based on typical mortgage terms. There are four variables necessary for this method:

1. The loan-to-value ratio (M)
2. The mortgage interest rate (i)
3. The loan term (n)
4. The debt coverage ratio (DCR)

Items 1 through 3 are discussed above under the Band of Investment section. In this method it is also used to develop the mortgage constant (R_M). The debt coverage ratio is the factor by which income exceeds debt on an annual basis.

Formula:

$$\text{Debt Coverage Ratio} \times \text{Loan to Value Ratio} \times \text{Mortgage Constant} = R_o, \text{ or, } \text{DCR} \times M \times R_M = R_o$$

I have researched mortgage rates and terms typical of the subject market segment for the local area. The table presented details the Band of Investment and Debt Coverage Ratio Analyses calculations.

Capitalization Rate Calculations:

Capitalization Rate Variables	
Mortgage Interest Rate	5.00%
Loan Term	20 Years
Loan To Value Ratio	70%
Debt Coverage Ratio	1.25
Equity Dividend Rate	7.50%

Band of Investment Analysis			
Mortgage Constant	Loan Ratio	Contributions	
0.07919	x	70.0%	= 5.54%
Equity Dividend Rate	Equity Ratio		
7.50%	x	30%	= 2.25%
Indicated Capitalization Rate			= 7.79%

Debt Coverage Ratio Analysis					
Debt Coverage Ratio x Loan to Value Ratio x Mortgage Constant					
1.25	x	70.0%	x	0.07919	= 0.06930
Indicated Capitalization Rate					= 6.93%

Band of Investment and Debt Coverage Ratio Analysis**2.12.5.4 Published Rate Surveys****Economic Indicators | PwC Real Estate Investor Survey, Q4 2015**

	Regional Mall		CBD Office		Warehouse		Apartment	
	Q4 2015	Q3 2015	Q4 2015	Q3 2015	Q4 2015	Q3 2015	Q4 2015	Q3 2015
Discount Rate (IRR)^a								
Range (%)	5.00–12.00	5.75–12.00	5.25–11.00	5.25–11.00	5.50–9.25	5.25–9.00	5.00–10.00	5.00–11.00
Average (%)	7.65	7.78	7.20	7.21	6.99	6.93	7.26	7.30
Change (bps)		-13		-1		+6		-4
Overall Cap Rate (OAR)^a								
Range (%)	4.00–9.00	4.00–9.00	3.50–8.00	3.50–8.00	3.00–7.00	4.00–7.00	3.50–8.00	3.50–8.00
Average (%)	6.03	6.03	5.68	5.66	5.48	5.56	5.35	5.39
Change (bps)		0		+2		-8		-4
Residual Cap Rate								
Range (%)	4.00–9.00	4.25–9.00	4.50–8.00	4.50–8.00	5.25–8.50	5.25–7.25	4.25–8.50	4.25–8.50
Average (%)	6.53	6.63	6.11	6.11	6.28	6.19	5.84	5.88
Change (bps)		-10		0		+9		-4

^aRate on unleveraged, all-cash transactions. Definitions: bps, basis points; Discount Rate (IRR), Internal rate of return in an all-cash transaction, based on annual year-end compounding; Overall Cap Rate (OAR), Initial rate of return in an all-cash transaction; Residual Cap Rate, overall capitalization rate used in calculation of residual price; typically applied to the NOI in the year following the forecast. Source: PwC Real Estate Investor Survey; Personal survey conducted by PwC during October 2015. For subscription information, please visit www.pwc.com/us/realestatesurvey or call 1-800-654-3387.

Price Waterhouse Cooper Rate Survey**2.12.5.5 Capitalization Rate Conclusion**

A capitalization rate of 7.0%± is deemed reasonable for the subject property and market area as of date of appraisal.

2.12.6 Excess Land/Surplus Land Adjustment

Surplus Land

Land that is not currently needed to support the existing improvement but cannot be separated from the property and sold off. Surplus land does not have an independent highest and best use and may or may not contribute value to the improved parcel.

Source: Appraisal Institute, The Dictionary of Real Estate Appraisal, 5th ed. (Chicago: Appraisal Institute, 2010).

Excess Land

Land that is not needed to serve or support the existing improvement. The highest and best use of the excess land may or may not be the same as the highest and best use of the improved parcel. Excess land may have the potential to be sold separately and is valued separately.

Source: Appraisal Institute, The Dictionary of Real Estate Appraisal, 5th ed. (Chicago: Appraisal Institute, 2010).

The contributory value of excess land has been adjusted at \$425,000; see prior discussion.

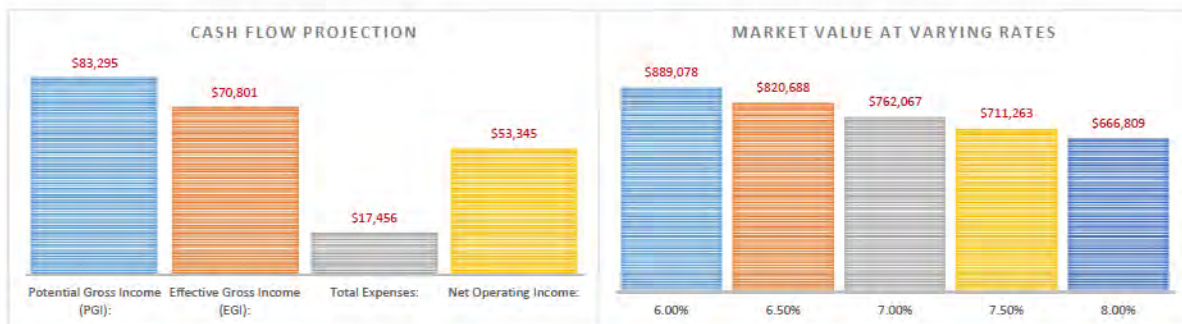
2.12.7 Leased Fee Adjustment²¹

A leased fee adjustment is not required.

²¹ Also called a 'property rights' adjustment.

2.12.8 Income Approach Grid:

Income Analysis					
Analysis Date: 7/21/2016		Efficiency Ratio: 89.5%			
Property Address: 910 W Main, Hamilton		Gross Building Area: 9,723			
Net Rentable Area: 8,706		No. Units: 1			
Unit	Estimated Market Rent	Rent Type	# Units or SF Size	Annual	% of PGI
Potential Office Use Area	\$9.00	\$/SF	8,706	\$78,354	94.1%
Basement Storage Area	\$3.00	\$/SF	1,647	\$4,941	5.9%
				\$0	0.0%
				\$0	0.0%
				\$0	0.0%
				\$0	0.0%
Potential Gross Income (PGI):			10,353	\$83,295	100%
Vacancy & Collection Loss: 15.00%				\$12,494	
Other Income:				\$0	
Effective Gross Income (EGI):				\$70,801	85%
Expenses	Amount \$ or %	Expense Type	Annual	\$/SF	
Real Estate Taxes, Estimated	\$12,500	Lump Sum	\$12,500	\$1.44	
Insurance	3.0%	% of EGI	\$2,124	\$0.24	
Reserve Account	2.0%	% of EGI	\$1,416	\$0.16	
Repairs, Maintenance	2.0%	% of EGI	\$1,416	\$0.16	
			\$0	\$0.00	
			\$0	\$0.00	
			\$0	\$0.00	
Total Expenses:			\$17,456	\$2.01	
Expense Ratio (Expenses/EGI):			24.66%		
Reimbursable Expenses:			\$0		
Net Operating Income:			\$53,345	Per Unit \$6.13	
Capitalization Rate:			7.00%		
Value:			\$762,067	\$87.53	
Contributory Value of Excess Land:			\$425,000		
Rounded:			\$1,190,000	\$136.69	



Income Approach Analysis

2.12.9 Income Approach Summary

Based on the preceding analysis, I have reconciled to an income approach value of \$1,190,000, as of 07/21/2016, subject to all Limiting Conditions and Assumptions of this appraisal.

2.13 RECONCILIATION AND FINAL VALUE OPINION

Final reconciliation discusses the strengths and weakness of each approach and reconciles them into a value that is best supported by the approaches. Final reconciliation is defined as:

Final Reconciliation

The last phase in the development of a value opinion in which two or more value indications derived from market data are resolved into a final value opinion, which may be either a final range of value or a single point estimate.

Source: Appraisal Institute, The Dictionary of Real Estate Appraisal, 5th ed. (Chicago: Appraisal Institute, 2010).

In this assignment, two approaches to value were considered: the cost approach, the sales comparison approach, and the income capitalization approach. The quality and applicability of data, the significance of each approach in relation to the simulation of market behavior, and the strengths and weaknesses of each approach are considered. Each approach will be compared separately and comparatively to each other.

2.13.1 Value Indications

Cost Approach	\$ 1,220,000
Sales Comparison Approach	Not Applicable
Income Capitalization Approach	\$ 1,190,000

The most significant risk in the reconciliation is that the reliability of the value conclusion may be impacted by a lack of quality data. In a slower market, which characterizes the subject market area, there are fewer transactions and less market evidence available for analysis with respect to land sales in the cost approach, improved sales in the sales comparison approach, and capitalization rates in the income approach. With this being the case, those most timely, physically similar, and proximate sales available have been analyzed.

2.13.1.1 Cost Approach

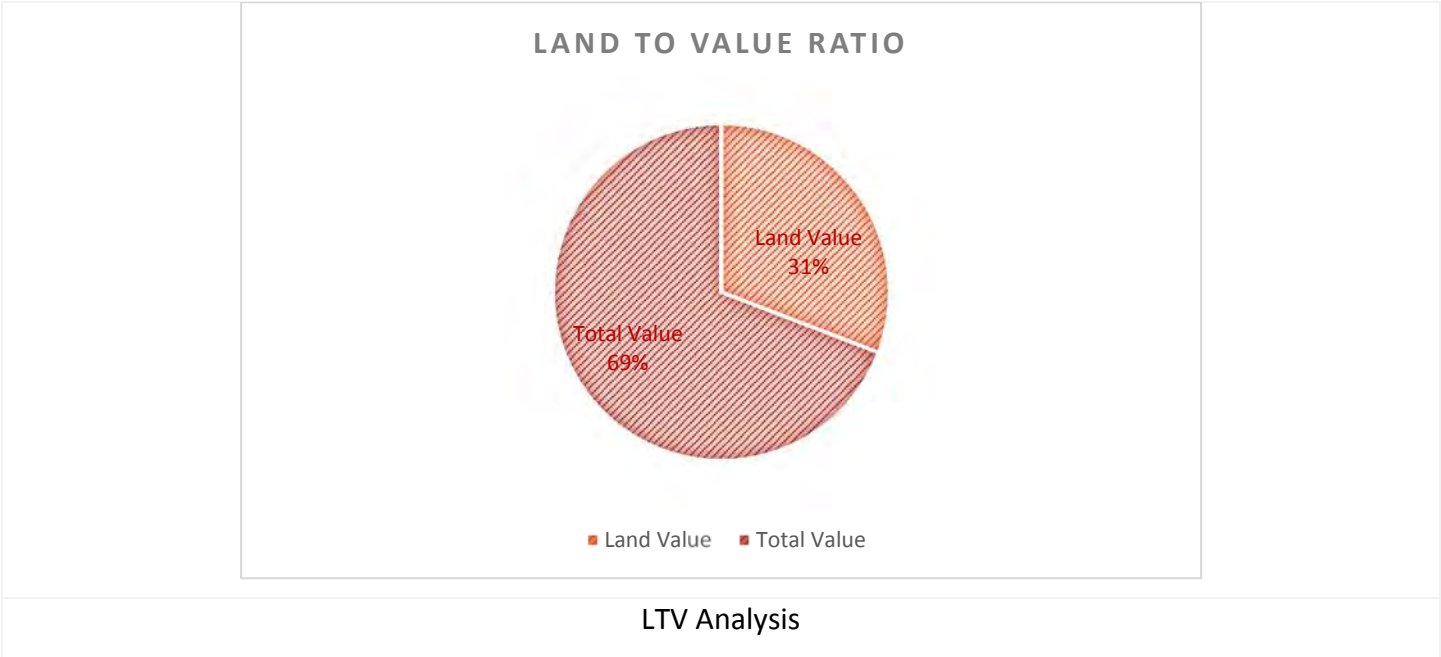
The subject is located in a typically owner occupied market with significant emphasis placed upon the cost approach to value. Land sale data is available with which to estimate site value of the two lots upon which the Armory is located, and of the excess land comprising the remainder of the subject site. Of the land sales available, few were viewed as having commercial potential. Replacement cost data was provided by Marshall Valuation Service, which is timely. Depreciation data is available from a range of property types, none of which are surplus Armory properties. No surplus Armory sales are available in the subject immediate or expanded

market area. The conclusions of the cost approach are generally consistent with the conclusions provided by the alternate approaches presented.

2.13.1.2 Income Capitalization Approach

The subject property is viewed as having highest and best use, if exposed for sale on the open market, as an office use property with minimal conversion required. As such, comparable quality office and shop rentals were considered, as available. The greatest limitation of the income approach is lack of timely market derived capitalization rates. The income approach was adjusted for significant excess land. Due to current RS zoning, it is likely that the excess land would be developed for residential use if exposed for sale on the open market. As previously discussed, the RS zoning of the subject would allow subdivision into approximately 20-29 residential lots, pending approval from the City of Hamilton. The client has specifically stated to not include any contributory value of existing park-related improvements herein; the park-related improvements have no financial contributory value. Client has also stated to not include potential demolition costs of park-related improvements, which may or may not be minimal. The results of the income approach are consistent with the results of the alternate approaches presented and the highest and best use conclusion presented.

The subject land to building ratio is estimated at 31%, which is commensurate with market expectations and includes significant excess land.



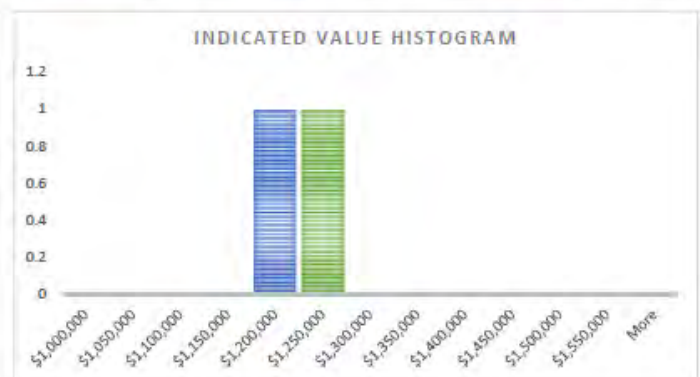
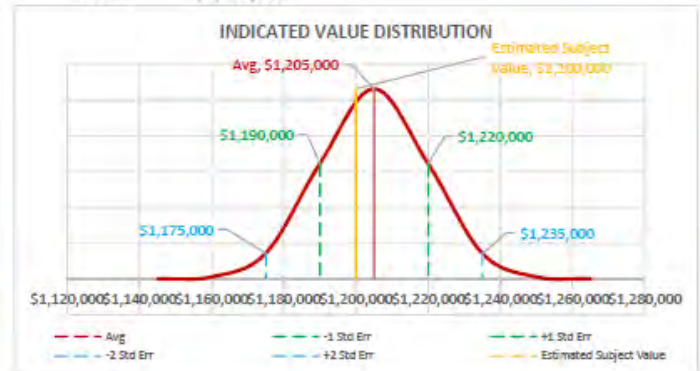
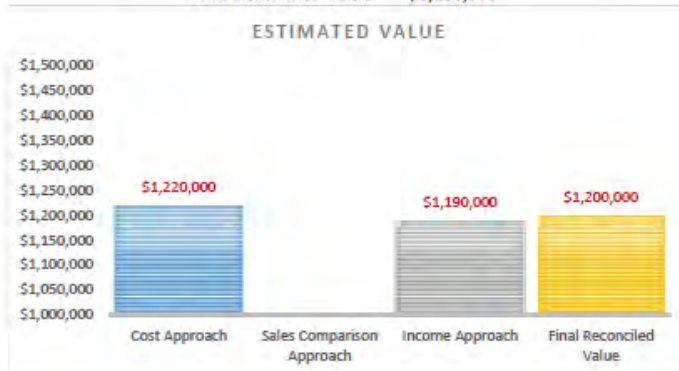
Overall pros and cons of the various approaches are summarized as follows:

Approach Pro/Con Array:

	<u>Pro</u>	<u>Con</u>	<u>Relative Consideration</u>
Cost Approach	Timely, Reliable MVS Cost Data Timely Contractor Cost Estimate Significant Emphasis Due to Owner Occupancy Market Trends/Adj Identifiable	Limited Depreciation Data	High
Income Approach	Local Rental Data Replication of 'Investor' Thinking Built Up Cap Rate Data Cap Rate Trends Available	Dated Market Capitalization Rates Lack of Market Cap Rate Data	High

Pros & Cons of Approaches Presented**2.13.2 Value Conclusion****Reconciliation:**

Approach	Estimated Value	Weight (1 - 10)	Relative Emphasis	Product
Cost Approach	\$1,220,000	10	50%	\$610,000
Sales Comparison Approach				
Income Approach	\$1,190,000	10	50%	\$595,000
Final Reconciled Value	\$1,200,000		100%	\$1,200,000

**Reconciliation Analysis**

The range of value indicated by the approaches herein utilized is thereby \$ 1,190,000 to \$ 1,220,000. I have given most emphasis to the cost approach, and supporting consideration to the income approach. Based on the data and analyses developed and presented in this appraisal, the final opinion of the market value of the subject

fee simple equivalent interest, subject to all Limiting Conditions and Assumptions of this appraisal, as a cash or cash equivalent sale, as of 07/21/2016 is:

Value Conclusion, As-Is ²²	\$ 1,200,000
---------------------------------------	--------------

²² Improvements, lots, excess land included.

3 PART III: CERTIFICATION AND ADDENDA

3.1 CERTIFICATION

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 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.
- 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 property that is the subject of this report.
- No one provided significant real property appraisal assistance to the person signing this certification.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, I Scott Spear have completed the continuing education program for Designated Members of the Appraisal Institute.



Scott Spear, MAI
Certified General Appraiser #REA-RAG-LIC-521

Scott Spear, MAI
Certified General Appraiser
#REA-RAG-LIC-521
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(406) 369-1969
spear@bitterrootappraisal.com
www.bitterrootappraisal.com



3.2 QUALIFICATIONS OF THE APPRAISER

The persons signing this report are licensed to appraise real property in the state the subject is located. They affirm they have the experience, knowledge, and education to complete this assignment. Resume of appraiser is included in addenda to this report.

3.3 GLOSSARY²³

Actual Age	The number of years that have elapsed since construction of an improvement was completed; also called <i>historical</i> or <i>chronological age</i> .
Age-life Method	A method of estimating depreciation in which the ratio between the effective age of a building and its total economic life is applied to the current cost of the improvements to obtain a lump-sum deduction; also known as the <i>economic age-life method</i> .
Appraisal	1. The act or process of developing an opinion of value. 2. An opinion of value. (USPAP, 2010-2011 ed.)
Assumption	That which is taken to be true. (USPAP, 2010-2011 ed.)
Capitalization Rate	Any rate used to convert income into value.
Client	The party or parties who engage an appraiser (by employment or contract) in a specific assignment.

²³Source: Appraisal Institute, The Dictionary of Real Estate Appraisal, 5th ed. (Chicago: Appraisal Institute, 2010).

Coefficient of Correlation (r)	A statistical measure of the relationship between two variables and the degree to which they move together. The correlation coefficient can range in value from -1 (perfect negative correlation) to 0 (independence) to +1 (perfect positive correlation).
Coefficient of Determination (r ²)	A statistic indicating the proportion of the total variance in the dependent variable accounted for by the independent variable(s).
Comparables (Comps)	A shortened term for similar property sales, rentals, or operating expenses used for comparison in the valuation process. In best usage, the thing being compared should be specified, e.g., comparable sales, comparable properties, comparable rents.
Cost	<p>1. The total dollar expenditure to develop an improvement (structure); applies to either reproduction of an identical improvement or replacement with a functional equivalent, not exchange (price).</p> <p>2. The amount required to create, produce, or obtain a property. (USPAP, 2010-2011 ed.) In USPAP, the term <i>cost</i> is used either as a historic fact or as an appraisal estimate of current future or historic reproduction or replacement cost.</p>
Curable Functional Obsolescence	An element of depreciation; a curable defect caused by a flaw in the structure, materials, or design, which can be practically and economically corrected.
Curable Physical Deterioration	A form of physical deterioration that can be practically and economically corrected as of the date of appraisal.
Depreciation	<p>i) In the context of asset valuation, <i>depreciation</i> refers to the adjustments made to the cost of reproducing or replacing the asset to reflect physical deterioration and functional (technical) and economic (external) obsolescence in order to estimate the value of the asset in a hypothetical exchange in the market when there is no direct sales evidence available. In financial reporting, <i>depreciation</i> refers to the charge made against income to reflect the systematic allocation of the depreciable amount of an asset over its useful life to the entity. It is specific to the particular entity and its utilization of</p>

	<p>the asset, and is not necessarily affected by the market.</p> <p>ii) The systematic allocation of the depreciable amount of an asset over its useful life. (IAS 16, 6; IAS 36, 6; IPSAS 17, 13; IPSAS 21.14)</p>
Economic (External) Obsolescence	An element of depreciation; a diminution in value caused by negative externalities and generally incurable on the part of the owner, landlord, or tenant.
Effective Age	The age of property that is based on the amount of observed deterioration and obsolescence it has sustained, which may be different from its chronological age.
Effective Gross Income (EGI)	The anticipated income from all operations of the real property after an allowance is made for vacancy and collection losses and an addition is made for any other income.
Excess Land	Land that is not needed to serve or support the existing improvement. The highest and best use of the excess land may or may not be the same as the highest and best use of the improved parcel. Excess land may have the potential to be sold separately and is valued separately.
Exposure Time	<p>1. The time a property remains on the market.</p> <p>2. The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based on an analysis of past events assuming a competitive and open market.</p> <p>(Days on Market (DOM) references exposure time)</p>
Extraordinary Assumption	An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property such as market conditions or trends; or about the integrity of data used in an analysis. (USPAP, 2010-2011 ed.)

Fee Simple Estate	Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.
FSBO	<u>F</u> or <u>S</u> ale <u>B</u> y <u>O</u> wner
Functional Obsolescence	A loss in value within a structure due to changes in tastes, preferences, technical innovations, or market standards. Functional obsolescence includes excess capital costs and excess operating costs. It may be curable or incurable.
GBA	<u>G</u> ross <u>B</u> uilding <u>A</u> rea. Total floor area of a building, excluding unenclosed areas, measured from the exterior of the walls of the above-grade area. This includes mezzanines and basements if and when typically included in the region.
Highest and Best Use (HBU)	The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity. Alternatively, the probable use of land or improved property—specific with respect to the user and timing of the use—that is adequately supported and results in the highest present value.
Hypothetical Condition	That which is contrary to what exists but is supposed for the purpose of analysis. Hypothetical conditions assume conditions contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. (USPAP, 2010-2011 ed.)
Improvements	Buildings or other relatively permanent structures or developments located on, or attached to, land.
Incurable Functional Obsolescence	An element of depreciation; a defect caused by a deficiency or superadequacy in the structure, materials, or design that cannot be practically or economically corrected.
Incurable Physical Deterioration	A form of physical deterioration that cannot be practically or economically corrected as of the date of appraisal.
Inspection Date	The date on which the complete physical property inspection or viewing, usually including both the interior and exterior, is performed; distinct from, but often the same as, the date of the report or the date of the value opinion.

Intended Use	The manner in which the intended users expect to employ the information contained in a report.
Intended User	<p>1. The client and any other party as identified, by name or type, as users of the appraisal, appraisal review, or appraisal consulting report by the appraiser on the basis of communication with the client at the time of the assignment. (USPAP, 2010-2011 ed.)</p> <p>2. A party who the appraiser intends will employ the information contained in a report.</p>
Leased Fee Interest	A freehold (ownership interest) where the possessory interest has been granted to another party by creation of a contractual landlord-tenant relationship (i.e., a lease).
Leasehold Interest	The tenant's possessory interest created by a lease.
Marketing Time	An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal. (Advisory Opinion 7 of the Appraisal Standards Board of The Appraisal Foundation and Statement on Appraisal Standards No. 6, "Reasonable Exposure Time in Real Property and Personal Property Market Value Opinions" address the determination of reasonable exposure and marketing time.)
Net Operating Income (NOI)	The actual or anticipated net income that remains after all operating expenses are deducted from effective gross income but before mortgage debt service and book depreciation are deducted. Note: This definition mirrors the convention used in corporate finance and business valuation for EBITDA (earnings before interest, taxes, depreciation, and amortization).
Obsolescence	One cause of depreciation; an impairment of desirability and usefulness caused by new inventions, changes in design, improved processes for production, or external factors that make a property less desirable and valuable for a continued use; may be either functional or external.
Operating Expenses	The periodic expenditures necessary to maintain the real property and continue production of the effective gross income, assuming prudent and competent management.

Overall Capitalization Rate (R_o)	An income rate for a total real property interest that reflects the relationship between a single year's net operating income expectancy and the total property price or value ($R_o = I_o / V_o$).
Overall Yield Rate (Y_o)	The rate of return on the total capital invested, including both debt and equity. Also called <i>property yield rate</i> . When applied to cash flows, it is called a <i>discount rate</i> .
Physical Deterioration	The wear and tear that begins when a building is completed and placed into service.
Potential Gross Income (PGI)	The total income attributable to real property at full occupancy before vacancy and operating expenses are deducted.
PSF	<u>P</u> er <u>S</u> quare <u>F</u> oot
Remaining Economic Life	The estimated period during which improvements will continue to represent the highest and best use of the property; an estimate of the number of years remaining in the economic life of the structure or structural components as of the date of the appraisal; used in the economic age-life method of estimating depreciation.
Report	The written or oral communication of an appraisal.
SF	<u>S</u> quare <u>F</u> oot
Site	Land that is improved so that it is ready to be used for a specific purpose.
Surplus Land	Land that is not currently needed to support the existing improvement but cannot be separated from the property and sold off. Surplus land does not have an independent highest and best use and may or may not contribute value to the improved parcel.
Types of Value	Aggregate of retail values; business value; disposition value; fair value; going-concern value; goodwill value; insurable value; investment value; liquidation value; market value; prospective value; retrospective value; transaction value; use value; value as is; value in use; value as-proposed.
Value	The price most likely to be concluded by the buyers and sellers of a good or service that is available for purchase. Value establishes the hypothetical or notional price that buyers and sellers are most likely to conclude for the good or service. Thus, value is not a fact, but an estimate of the likely price to be paid for a good or service available for purchase at a given time.

Value in Exchange	<p>i) The value as recognized by a market in which exchange of asset ownership hypothetically, or notionally, takes place. The IVSC definition of <i>Market Value</i> appropriate for financial reporting is based upon the principle of <i>value in exchange</i>, not <i>value in use</i>.</p> <p>ii) The value, in terms of cash, of a property which is bartered for another asset or assets, cash being the yardstick by which the comparative value of each can be assessed.</p>
Yield Rate (Y)	<p>The rate of return on the total capital invested, including both debt and equity. Also called <i>property yield rate</i>. When applied to cash flows, it is called a <i>discount rate</i>.</p>

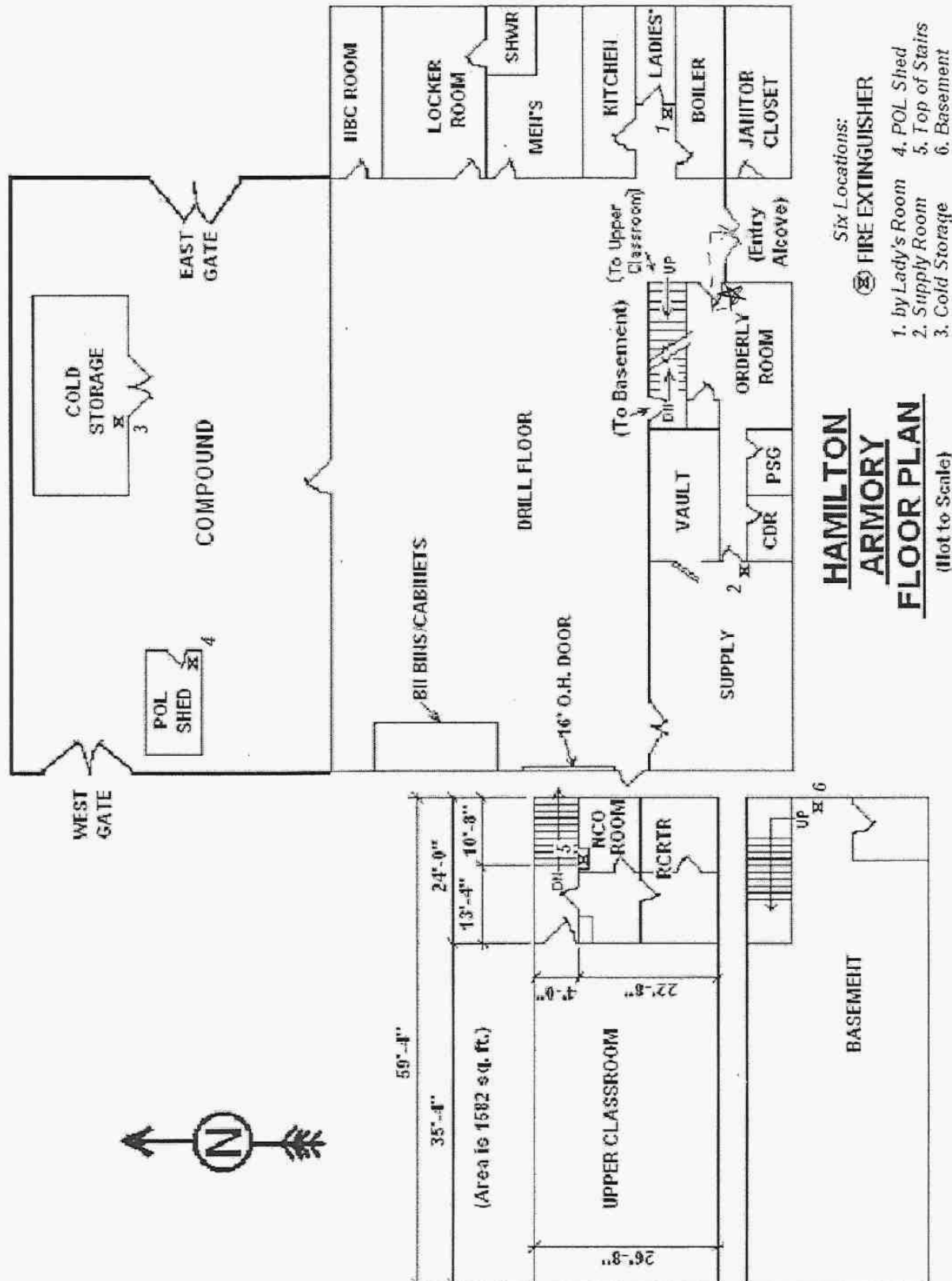
3.4 ADDENDA

Building Sketch

Client	State of Montana Dept. of Military Affairs				
Property Address	910 W Main St				
City	Hamilton	County	Ravalli	State	MT
Owner	State of Montana				
				Zip Code	59840

LAYOUT NOT TO SCALE AND PROVIDED FOR DEMONSTRATIVE PURPOSES ONLY



Hamilton Armory Floorplan - Page 1

Photograph Addendum

Client	State of Montana Dept. of Military Affairs					
Property Address	910 W Main St					
City	Hamilton	County	Ravalli	State	MT	Zip Code 59840
Owner	State of Montana					



Main Street



9th Street



9th Street



Address



Front



Rear



Front



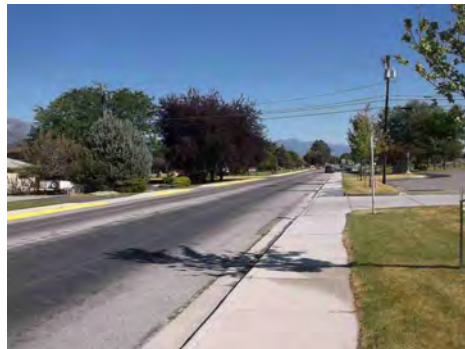
Side



Side



Uncov. Parking



10th Street



Gravel Parking

Photograph Addendum

Client	State of Montana Dept. of Military Affairs				
Property Address	910 W Main St				
City	Hamilton	County	Ravalli	State	MT
Owner	State of Montana				
				Zip Code	59840



Utility Connection



AC Unit



Rear



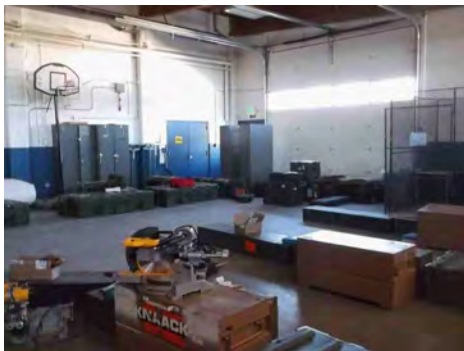
Shed



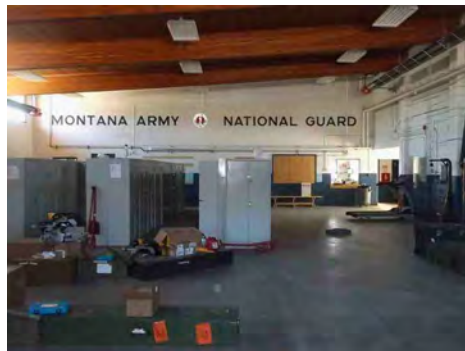
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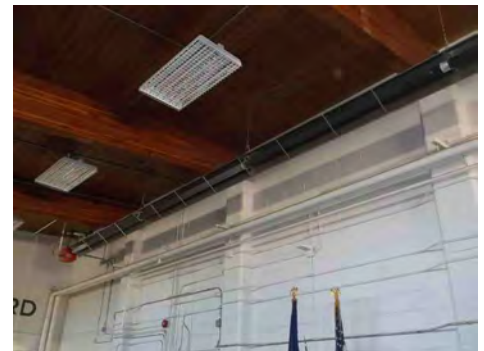
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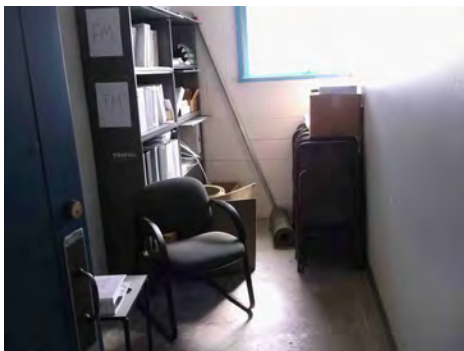
Drill Floor



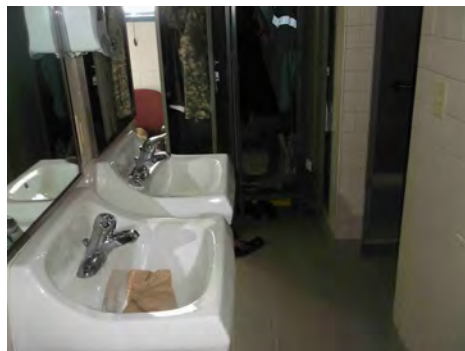
Drill Floor



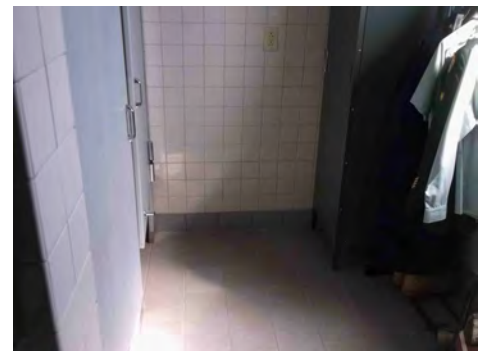
Heating System



Storage



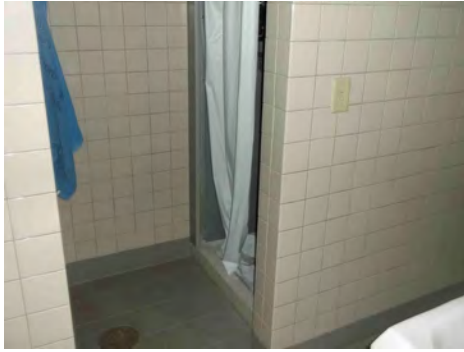
Restroom



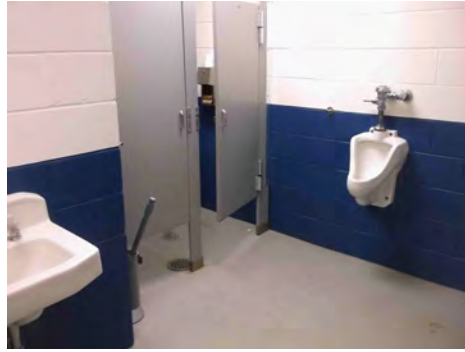
Restroom

Photograph Addendum

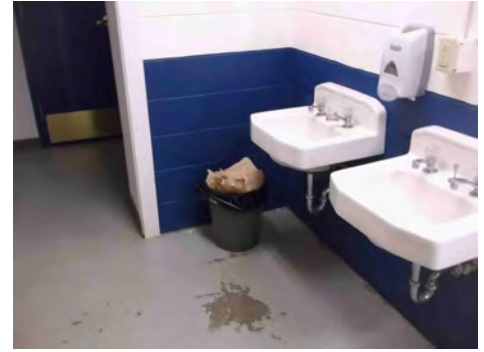
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Property Address	910 W Main St				
City	Hamilton	County	Ravalli	State	MT
Owner	State of Montana				
				Zip Code	59840



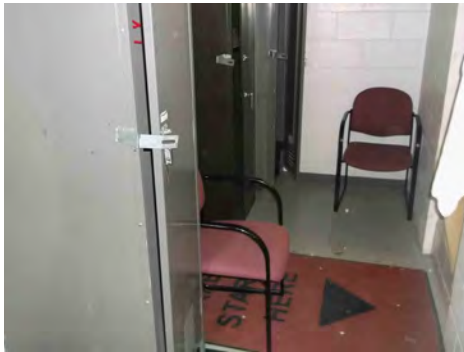
Restroom



Restroom



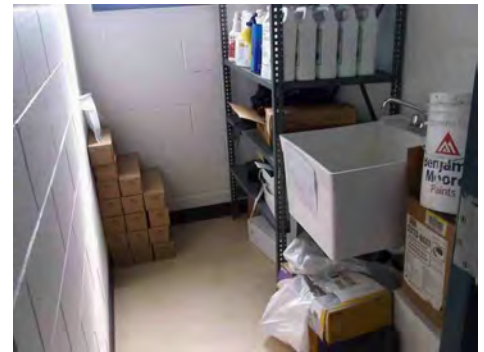
Restroom



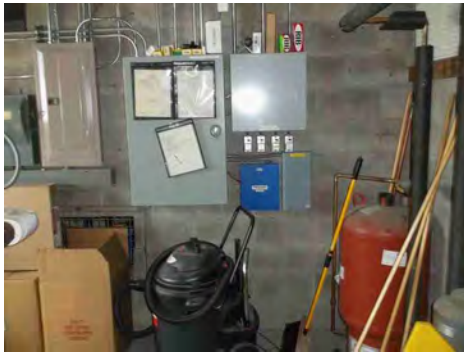
Locker Rm



Kitchen



Kitchen



Utility



Utility



Utility



Utility



Utility



Office Area

Photograph Addendum

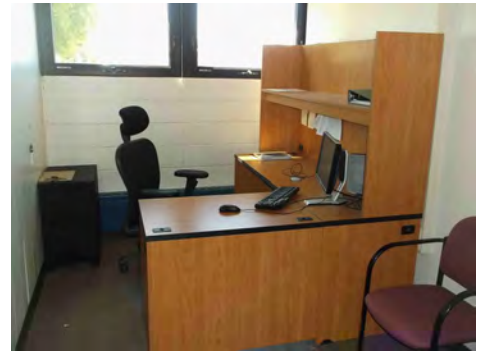
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Property Address	910 W Main St				
City	Hamilton	County	Ravalli	State	MT Zip Code 59840
Owner	State of Montana				



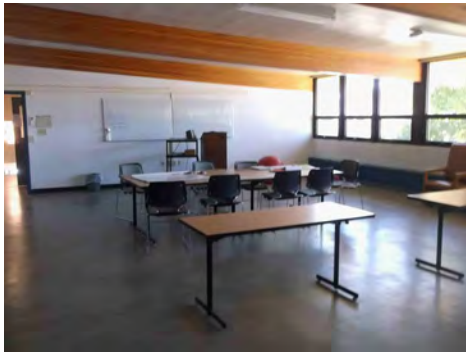
Office Area



Office Area



Office Area



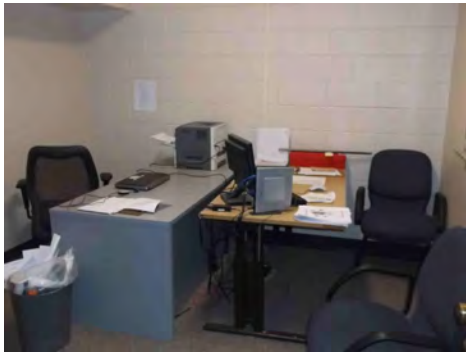
Classroom Area



Classroom Area



Office Area



Office Area



Office Area



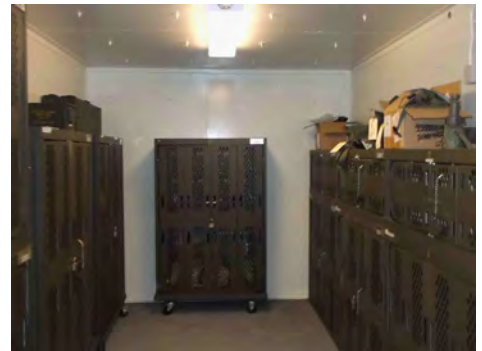
Office Area



Storage



Vault



Vault

Photograph Addendum

Client	State of Montana Dept. of Military Affairs				
Property Address	910 W Main St				
City	Hamilton	County	Ravalli	State	MT Zip Code 59840
Owner	State of Montana				



Roof



Asphalt Parking



Playground Area



Playground Area



Well



Interior Alleyway



Park Area



Park Area



Park Area

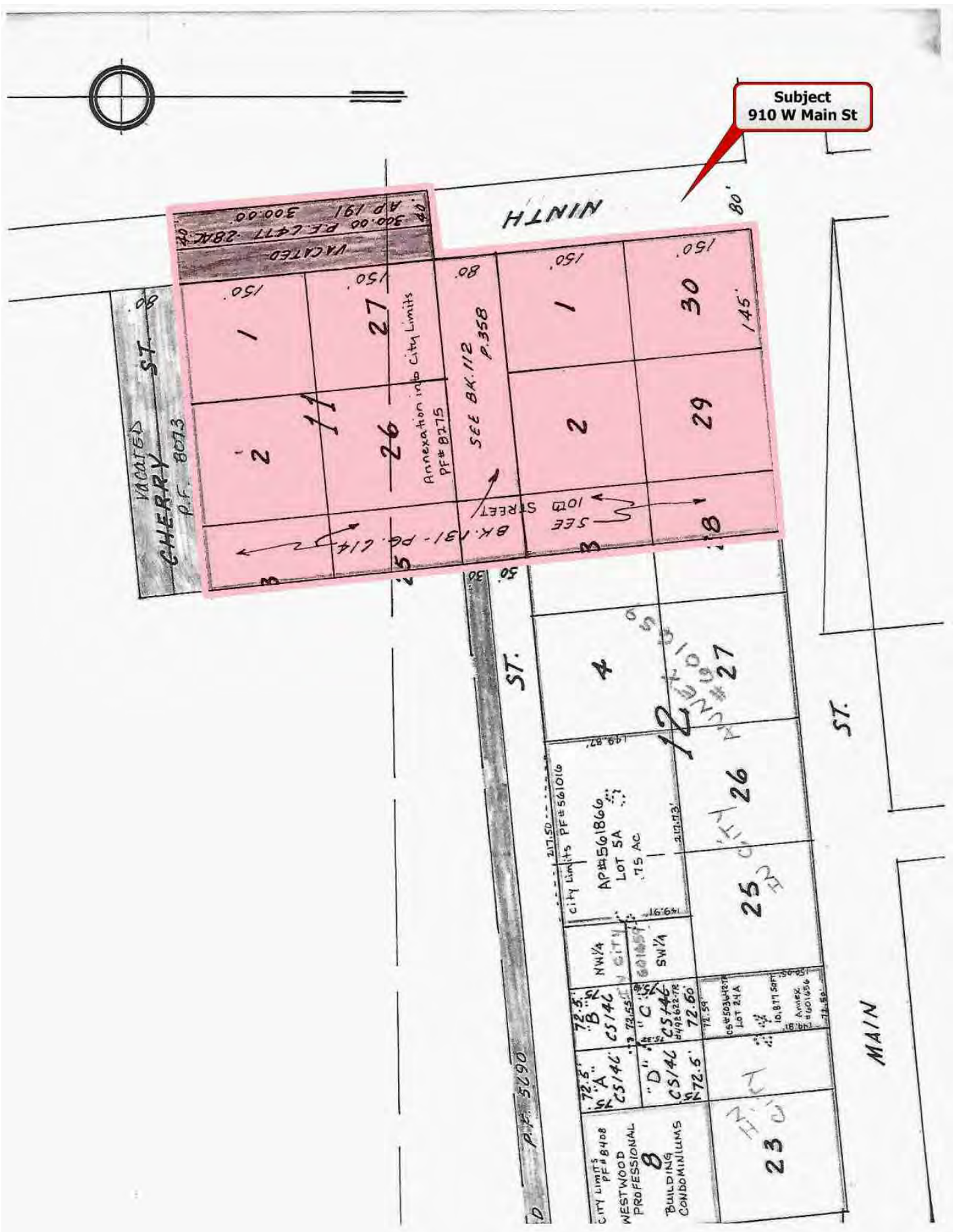


Park Area



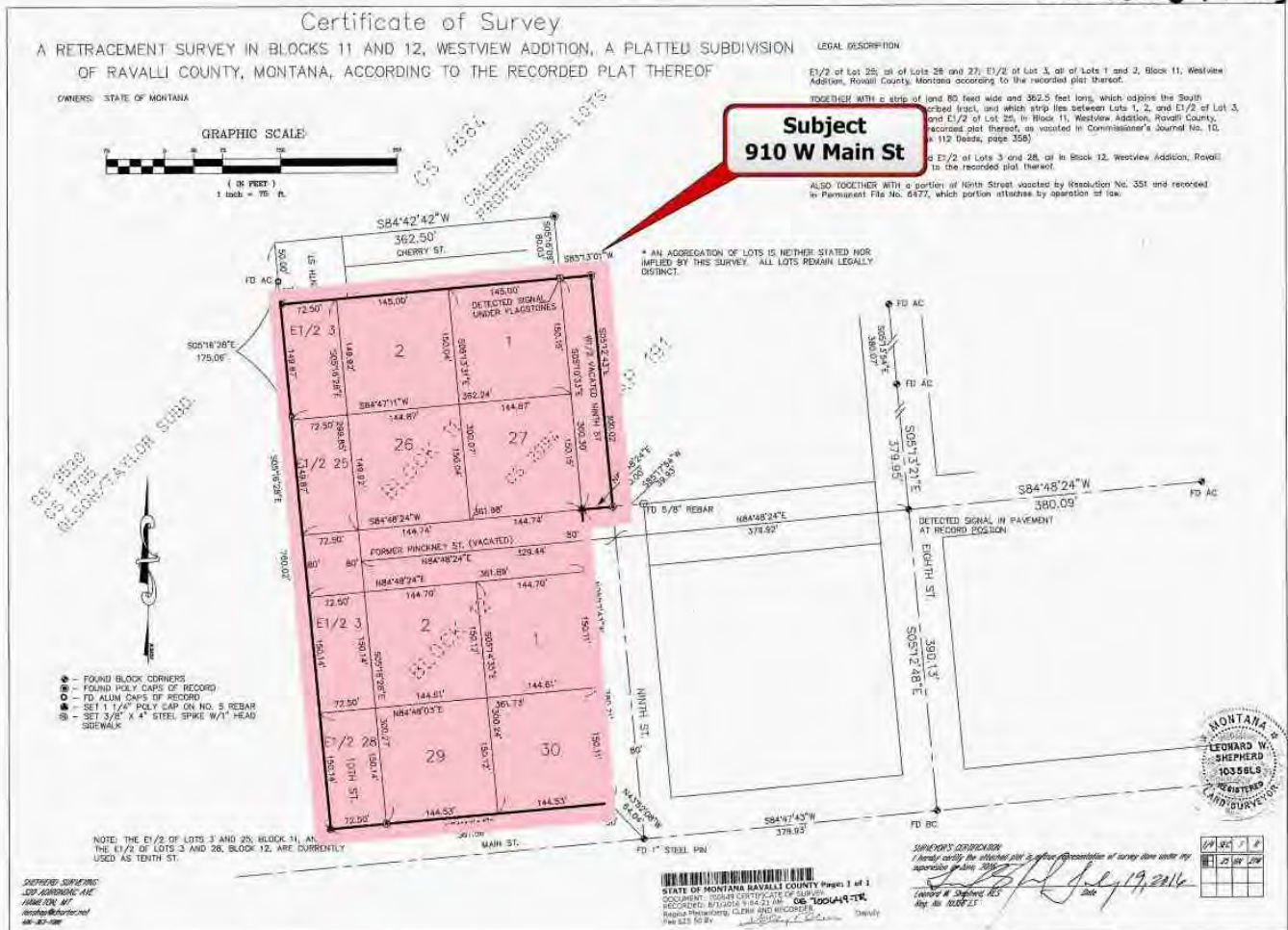
Park Area

Plat Map, Westview Addition

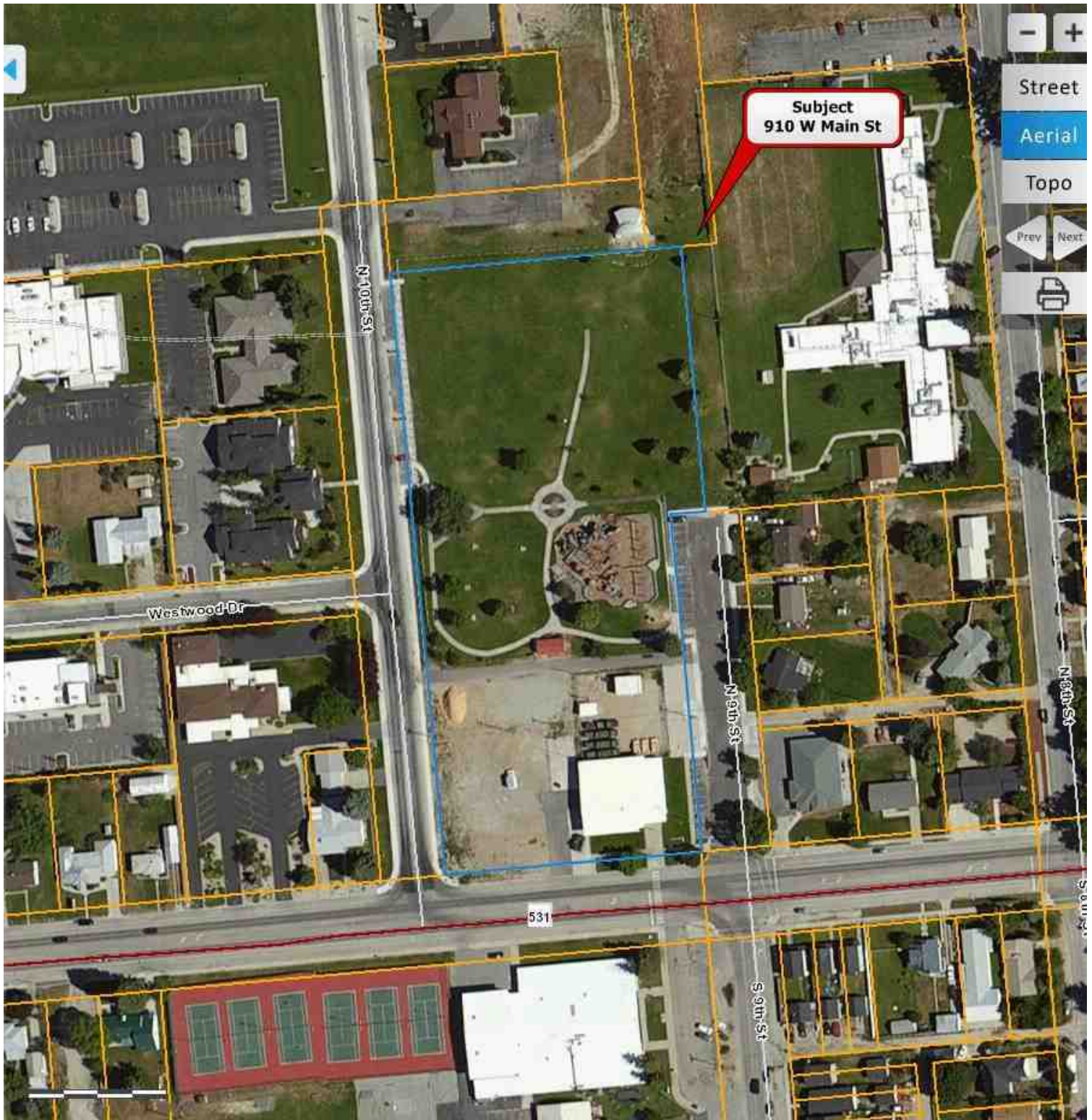


Plat Map, Retracement CS #700649-TR

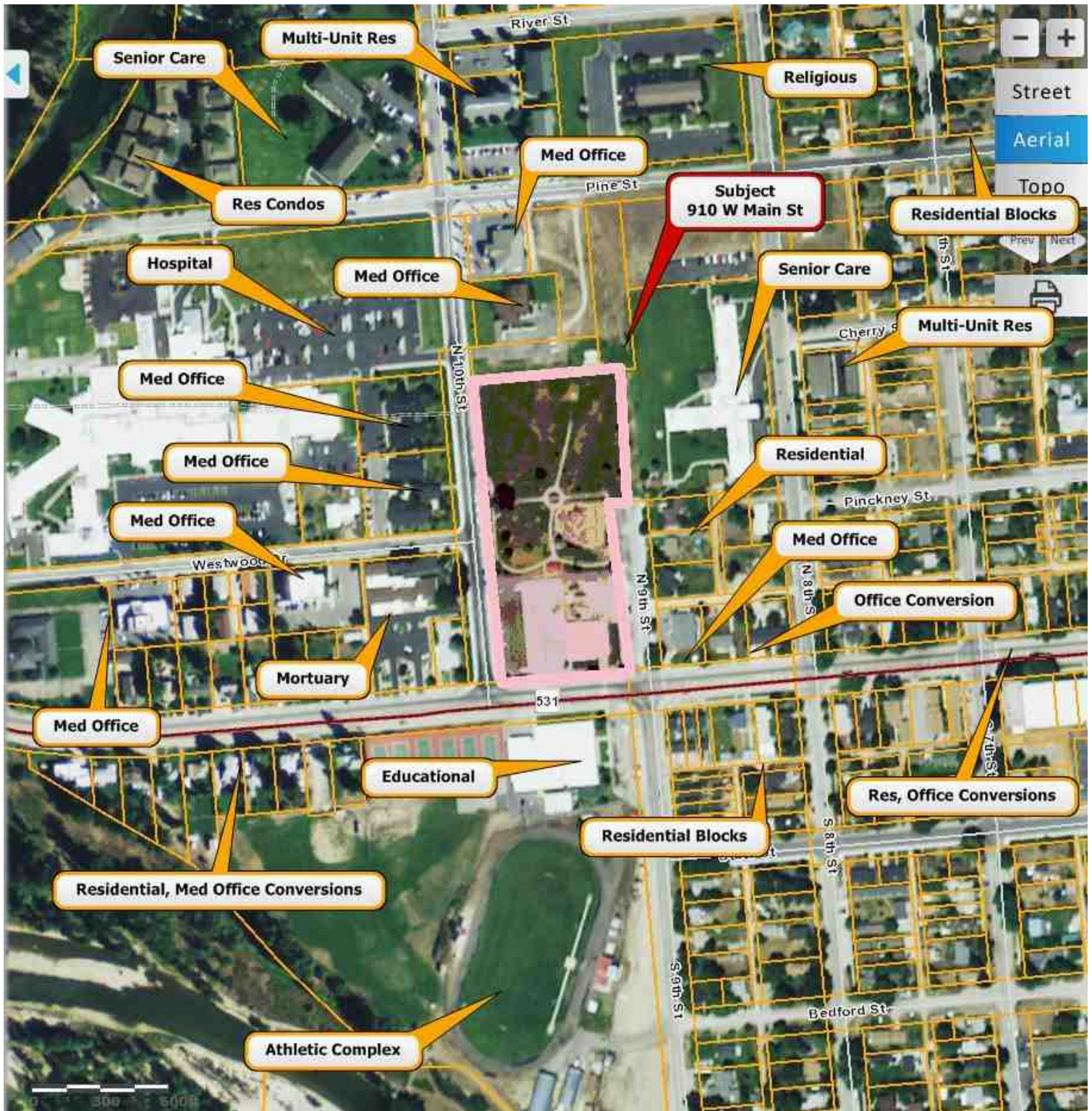
CS 700649-TR



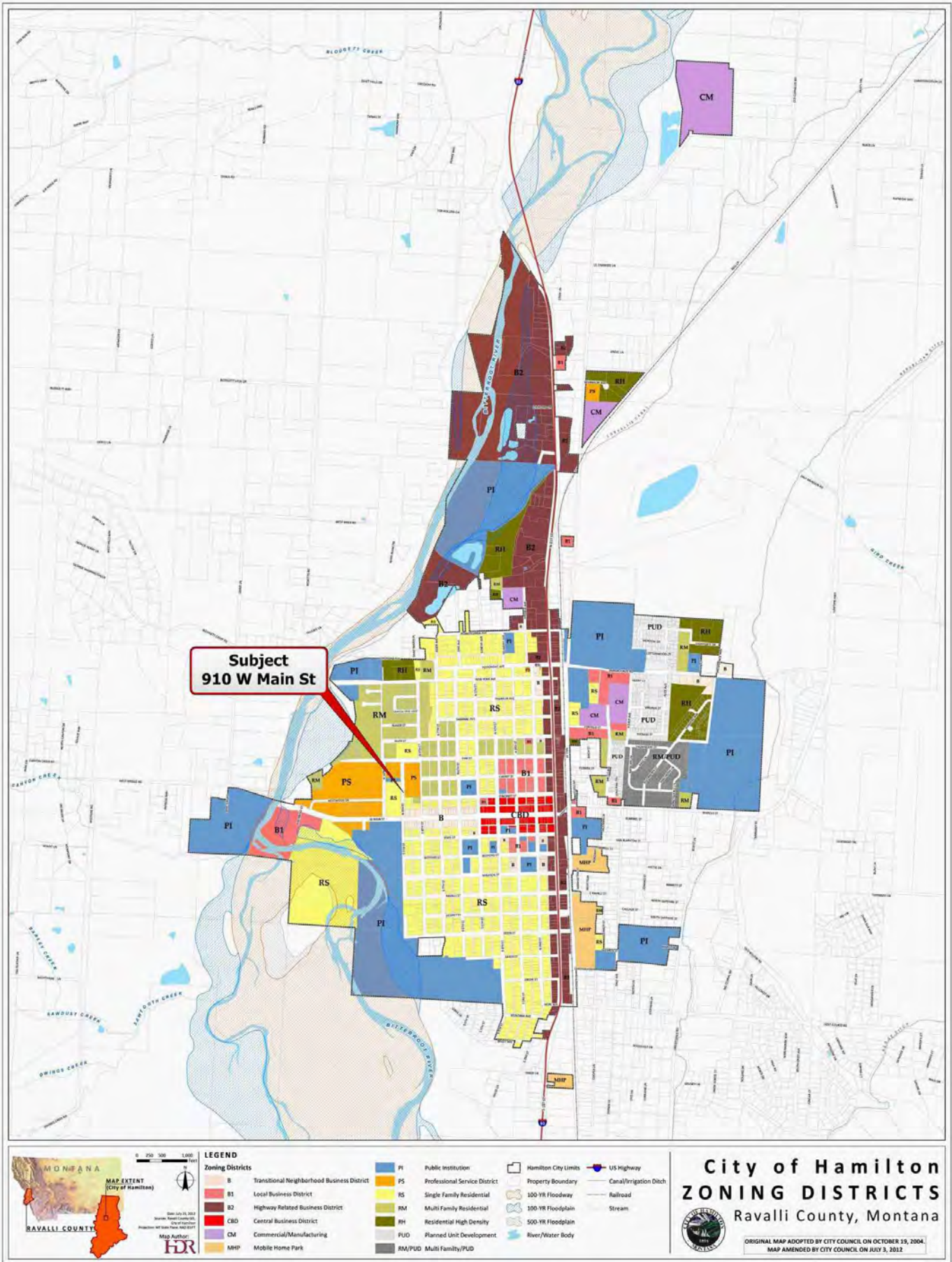
Aerial Map



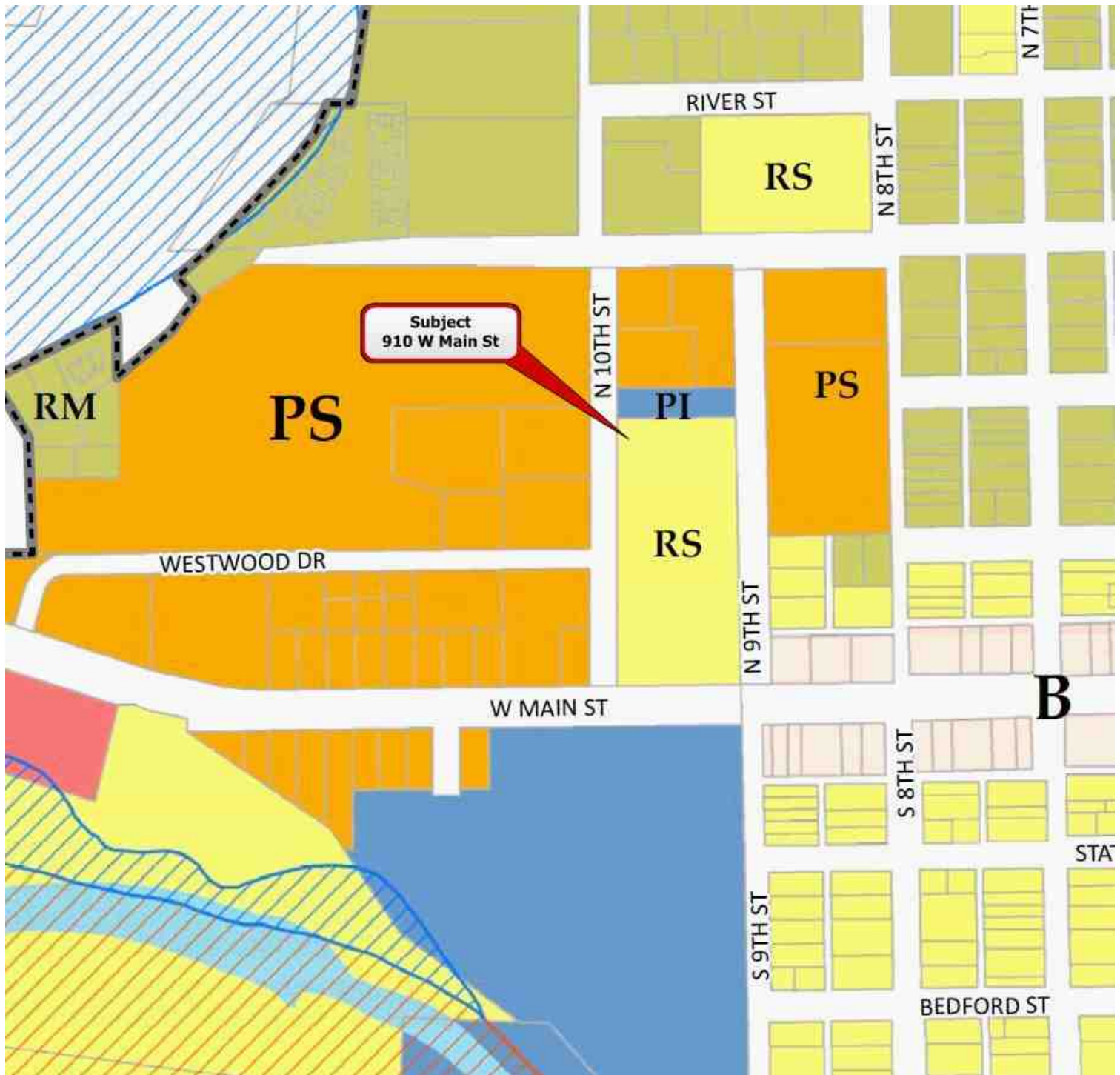
Aerial Map, Competing Uses



City of Hamilton Zoning Map



Zoning Map, Subject Property



City of Hamilton Zoning Regulations - Page 1

Chapter 17.16 - GENERAL REGULATIONS AND DEVELOPMENT STANDARDS FOR ALL DISTRICTS

Sections:

17.16.010 - General regulations for all districts.

- A. Buildings erected, altered or moved after the effective date of the ordinance codified in this title shall meet the requirements specified in the chapter governing the district in which each are located.
- B. A yard required by this chapter for one building shall not be included as part of the yard required for another building.
- C. Control and disposal of surface run-off is the responsibility of each property owner and shall not be directed onto adjoining lots or public rights-of-way.
- D. Reserved.
- E. Title 13 shall also apply to each and every district established by this Title 17.
- F. No "livestock" as defined in Section 17.04.040, of the Hamilton Municipal Code (HMC), shall be kept within the city limits at any time for any purpose.
- G. The construction, reconstruction, modification or placement of a building in the City of Hamilton is subject to the provisions of the building code(s) adopted by the city as well as the provisions of the applicable zone district and all other requirements of the Hamilton Municipal Code.
 - 1. At a minimum, any application for the establishment of a new land use or the construction, reconstruction, modification or placement of a building in the City of Hamilton shall contain the following information.
 - a. The appropriate application form.
 - b. The name and address of the landowner and a legal description of the subject property.
 - c. A site plan, drawn to scale, indicating the following:
 - i. The location of any property line, streets, roads and easements located on and adjacent to the subject property.
 - ii. Geographic features.
 - iii. Any existing wells, septic systems or any other subsurface facilities.
 - iv. Existing utility lines on and adjacent to the property.
 - v. Existing and proposed buildings on the property.
 - vi. A statement assessing the significant impacts on the surrounding physical environment and human population in the area to be affected including conditions, if any, that may be imposed to avoid or minimize potential significant impacts that are identified.
 - d. Application forms and application submittal information for any required city permits including, but not limited to, public works permits, building permits and floodplain permits needed to establish a land use or to construct, reconstruct, modify or place a building on the property.
 - 2. Prior to approving a land use or the construction, reconstruction, modification or placement of a building the City of Hamilton shall:
 - a. Verify and require that the property is served by adequate emergency, medical, fire protection services and law enforcement services for the proposed use of the property.

City of Hamilton Zoning Regulations - Page 2

- b. Verify and require that the property has adequate legal and physical access for the proposed use.
- c. Verify and require that the proposed land use or building is in compliance with the city public works standards, city floodplain regulations, zoning regulations and other city regulations.
- d. Impose conditions on the issuance of any city permit that mitigate significant adverse impacts of the proposed land use or building on the surrounding physical environment and human population in the area of the subject property.

(Ord. 225 (part), 2003)

(Ord. No. 290, 5-15-07; Ord. No. 294, 1-8-08; Ord. No. 375, 2-18-13; Ord. No. 378, Exh. A, 2-4-14)

17.16.020 - General development standards for all districts.

- A. The director of public works shall determine the need for infrastructure, and the property owner shall be responsible for the construction and/or maintenance of such improvements (including curb, gutter, sidewalk and paving) to the centerline of all contiguous streets or alleys in circumstances involving:
 - 1. Any development of vacant land;
 - 2. Any main building the square footage of which is increased by one hundred twenty (120) square feet or more; or
 - 3. The construction of or addition to an accessory building which involves one hundred twenty (120) square feet or more.
- B. The director of public works shall determine whether a consent to agree to the formation of a special improvement district shall be accepted in lieu of the construction of the improvements identified in subsection A of this section. Such consent shall be recorded with the Ravalli county clerk and recorder's office and shall bind transferees, successors and assigns.

(Ord. 225 (part), 2003)

17.16.030 - General regulations in residential districts (RS, RM, RH, HD, MHP).

- A. An accessory building may be built in an established yard, but it may only occupy a maximum of thirty (30) percent of the established yard. All accessory buildings shall have the following setbacks:
 - 1. Front: Twenty (20) feet measured from the front property line.
 - 2. Interior lot side: Five feet measured from property lines on each side.
 - 3. Rear: Five feet measured from rear property line; ten feet measured from the rear property line where detached garages open to alley.
 - 4. Corner lot side yard: Fifteen (15) feet measured from the side property line adjacent to the non-primary street.
- B. In the residential zone in which each is situated, freestanding television satellite dishes and radio antennas shall be located in rear yards and shall meet the setback requirements for rear yards.
- C. Every part of a required setback shall be open to the sky, except for architectural projections of fireplaces and roof eaves which may project into any required setback a maximum of thirty (30) inches.
- D. Uncovered terraces, patios or decks, if less than thirty (30) inches above the average finish grade of any affected yard, may be constructed within the required setback.

City of Hamilton Zoning Regulations - Page 3

- E. A lot having frontage on two parallel or approximate parallel streets (double frontage lot) shall have the minimum front yard setback from each of the parallel streets.
- F. Minimum interior dwelling area.
 - 1. Minimum interior dwelling area for a residential unit in buildings up to a four-plex shall be eight hundred (800) square feet.
 - 2. Average interior dwelling area for individual units in multiple-family residences in a four-plex structure or larger shall be a minimum of six hundred (600) square feet, but no unit shall be smaller than four hundred (400) square feet.
 - 3. Interior dwelling area shall not include garages.
- G. Single-family dwellings are intended to be a building with one individual dwelling unit.
- H. Multiple-family dwellings are intended to be a building with two or more individual dwelling units. Multiple-family zoning is not intended to allow a single-family dwelling and a multiple-family dwelling to occupy the same building lot.

(Ord. 225 (part), 2003)

17.16.040 - General regulations in commercial and manufacturing districts (RVP, PS, B, B1, B2, CBD, CM, MI).

- A. Where a lot in a commercial or manufacturing district abuts a residential district, the side and rear yards in that lot within the commercial district shall conform to those required in the residential district.
- B. Where the frontage on one side of a block is zoned partially commercial or manufacturing and partly residential, the front yard in the commercial district shall conform to that required in the residential district.
- C. Commercial/manufacturing or manufacturing developments which are adjacent to any public street or alley shall be responsible for improvements to the center line of the adjacent public street or alley including the construction and/or reconstruction of curb, gutter, sidewalk and paving.
- D. In a commercial/manufacturing or manufacturing/industrial district, any outdoor area used for the storage of materials or vehicles shall be completely enclosed by a decorative fence, a minimum of six feet in height, to screen the outside storage area. The area designated for outside storage shall be indicated on the site plan submitted for city review and approval.
- E. In a commercial/manufacturing or manufacturing/industrial district, a minimum of five percent of the total site shall be devoted to landscaping. The landscaping shall be designed to provide for a screening of the development from the public rights-of-way and adjacent residential properties.
- F. All accessory buildings in all commercial and manufacturing zoning districts shall have the following setbacks:
 - 1. Front: Twenty (20) feet measured from the front property line.
 - 2. Interior lot side: Five feet measured from the property lines on each side.
 - 3. Rear: Five feet measured from the rear property line; ten feet measured from the rear property line where detached garages open to alley.
 - 4. Corner lots side yard: Ten feet measured from the side property line adjacent to the non-primary street.
- G. Commercial building construction including commercial accessory buildings shall comply, to the extent possible, with all applicable provisions of the *City of Hamilton Building and Site Design Guidelines*. The city director of public works and the city building inspector in consultation with other city officials shall determine compliance with the

City of Hamilton Zoning Regulations - Page 4

Building and Site Design Guidelines. A property owner may apply for approval of a special use which, if approved, may include conditions of approval that may vary from the guidelines in the *City of Hamilton Building and Site Design Guidelines*. The conditions of approval of a special use may include specific building design requirements not contained in the *City of Hamilton Building and Site Design Guidelines* but which are necessary to integrate the proposed building into the building site, neighborhood and into the city as a whole. Property owners desiring to construct (or remodel the exterior of) buildings which do not conform to the *City of Hamilton Building and Site Design Guidelines* may apply for a special use permit to allow construction of such nonconforming buildings. Any exterior building renovation visible from a public street or pedestrian way shall comply with the *City of Hamilton Building and Site Design Guidelines*.

(Ord. 225 (part), 2003)

(Ord. No. 286, Exh. A, 4-17-07)

17.16.050 - Fences.

Fences erected after the effective date of this title shall meet the requirements specified within this chapter and shall require a fence permit.

- A. Front property line.
 - 1. Sight-obstructing fences shall not exceed four feet in height.
 - 2. Non-sight-obstructing fences shall not exceed six feet in height.
 - 3. Fences constructed on a front property line shall be set back a minimum six inches from that property line.
- B. Side property line.
 - 1. Sight-obstructing fences shall not exceed four feet in height to a distance of ten feet set back from the front yard property line.
 - 2. Non-sight-obstructing fences shall not exceed six feet in height on the side property line.
- C. Rear property line.
 - 1. Sight-obstructing or non-sight obstructing fences located on the rear property line shall not exceed six feet in height.
 - 2. Fences constructed on the rear property line shall be set back six inches from the rear property line.
- D. Definitions.
 - 1. Fence means a structure constructed of wood, metal, block, brick, stone or any other material other than natural vegetation to create a barrier.
 - 2. Sight-obstructing shall mean any fence structure where the fence material obstructs twenty-five (25) percent or more of the clear visibility through the fence.
 - 3. Non-sight-obstructing shall mean any fence structure where the fence material obstructs twenty-five (25) percent or less of the clear visibility through the fence blocked.
- E. Fences constructed more than six feet high shall require a variance approved by the zoning board of adjustment.
- F. Fence permit approved by the zoning administrator and/or designee is required for all fence construction within the City of Hamilton boundaries.

City of Hamilton Zoning Regulations - Page 5

- G. Property owner is responsible for providing proof of property boundaries prior to construction of fence.
- H. Fences constructed on public rights-of-way, streets or alleys are prohibited and shall be required to be removed.
- I. In all cases for the placement, construction and/or the removal of a fence, the owner must call line locators at 1-800-424-5555 prior to the start of the project.

(Ord. 225 (part), 2003)

City of Hamilton Zoning Regulations, RS District - Page 1

Chapter 17.24 - SINGLE-FAMILY RESIDENTIAL DISTRICT (RS)

Sections:

17.24.010 - Intent.

The single-family residential district (RS) establishes zoning for single-family dwellings on urban lots.

(Ord. 225 (part), 2003)

17.24.020 - Uses allowed.

- A. Single-family dwellings, accessory buildings and uses incidental to allowed uses.
- B. Accessory buildings and uses incidental to the uses allowed in this district.
- C. Home occupations. See Chapter 17.108.

(Ord. 225 (part), 2003)

17.24.030 - Uses not allowed.

- A. Commercial buildings.
- B. Manufacturing facilities.
- C. Mobile homes.
- D. Recreational vehicles or camper trailers used on a permanent or continuous occupancy basis.
- E. All other uses not described specifically set forth in Section 17.24.020 or 17.24.040 of this chapter.

(Ord. 225 (part), 2003)

17.24.040 - Conditional uses and conditional use structures.

The following conditional uses and conditional use structures must comply with the maximum height regulations of Section 17.24.060 and the regulations set forth in Chapter 17.124. Approval of these conditional uses and conditional use permits must be obtained from the zoning board of adjustment prior to the building permit being issued.

- A. Within the original town site of Hamilton and later additions that were platted before 1957 as small urban lots of thirty by one hundred forty (30×140) feet and had densities of ten dwelling units per net acre the following uses may be allowed subject to the following conditions:
 - 1. Single-family dwellings, accessory buildings and uses incidental thereto on existing lots with the area dimensions of:
 - a. Minimum lot area: Four thousand two hundred (4,200) square feet.
 - b. Minimum lot frontage: Thirty (30) feet as measured at the front property line.
 - c. Minimum yard setbacks:
 - (1) Front yard: Twenty (20) feet measured from the front property line, exclusive of un-enclosed front porches used as such.

City of Hamilton Zoning Regulations, RS District - Page 2

- (2) Rear yard: Twenty (20) feet measured from the rear property line for a main building; five feet measured from the rear property line for an accessory buildings; ten feet measured from the rear property line for detached garages with opening to alley.
 - (3) Side yard: Three feet measured from property line on each side.
 - d. Corner lots. Corner lots to be used for single-family dwellings on a lot with a minimum area of four thousand two hundred (4,200) square feet and with a minimum thirty (30) foot frontage or duplex dwellings on a lot with a minimum area of eight thousand four hundred (8,400) square feet and with a minimum sixty (60) foot frontage are required to satisfy the fifty (50) foot by twenty (20) foot clear view triangle requirements of First Street for both the primary and secondary street directions.
2. Duplex dwellings, accessory buildings and uses incidental thereto on those existing lots with the area of and dimensions as follows:
- a. Minimum lot area: Eight thousand four hundred (8,400) square feet.
 - b. Minimum lot frontage: Sixty (60) feet as measured at the front property line.
 - c. Minimum yard setbacks:
 - (1) Front yard: Twenty (20) feet measured from the front property line, exclusive of unenclosed front porches used as such.
 - (2) Rear yard: Five feet measured from the rear property line for a main building; five feet measured from the rear property line for an accessory buildings; ten feet measured from the rear property line for detached garages with opening to alley.
 - (3) Side yard: Five feet measured from property line on each side.
- B. Churches;
- C. Community centers;
- D. Day care centers, preschool and nursery schools;
- E. Foster care and licensed family day care homes with six or less full time children;
- F. Community residential facilities and licensed group day care homes with twelve (12) or less full time children;
- G. Libraries, schools (public and private; and
- H. Parks, playgrounds and recreational facilities not for profit but ancillary to residential uses.

(Ord. 225 (part), 2003)

17.24.050 - Minimum area regulations.

- A. Minimum lot area: Seven thousand (7,000) square feet.
- B. Minimum lot frontage: Fifty (50) feet as measured at the front property line.
- C. Minimum yard setbacks:
 1. Front yard: Twenty (20) feet measured from the front property line.
 2. Rear yard: Twenty (20) feet measured from the rear property line for a main building; five feet measured from the rear property line for an accessory building; ten feet measured from the rear property line for detached garages opening to alley.
 3. Side yards: Five feet measured from the property line on each side.

City of Hamilton Zoning Regulations, RS District - Page 3

4. Corner lots side yard: Ten feet measured from the property line adjacent to the non-primary street.

(Ord. 225 (part), 2003)

17.24.060 - Maximum height regulations.

- A. Main building: Two and one-half stories or thirty-five (35) feet, whichever is less, excluding chimneys, which may extend five feet above the roofline.
- B. Accessory buildings: One and one-half stories or eighteen (18) feet, whichever is less.
- C. Churches, when allowed by a conditional use permit: Forty-five (45) feet.

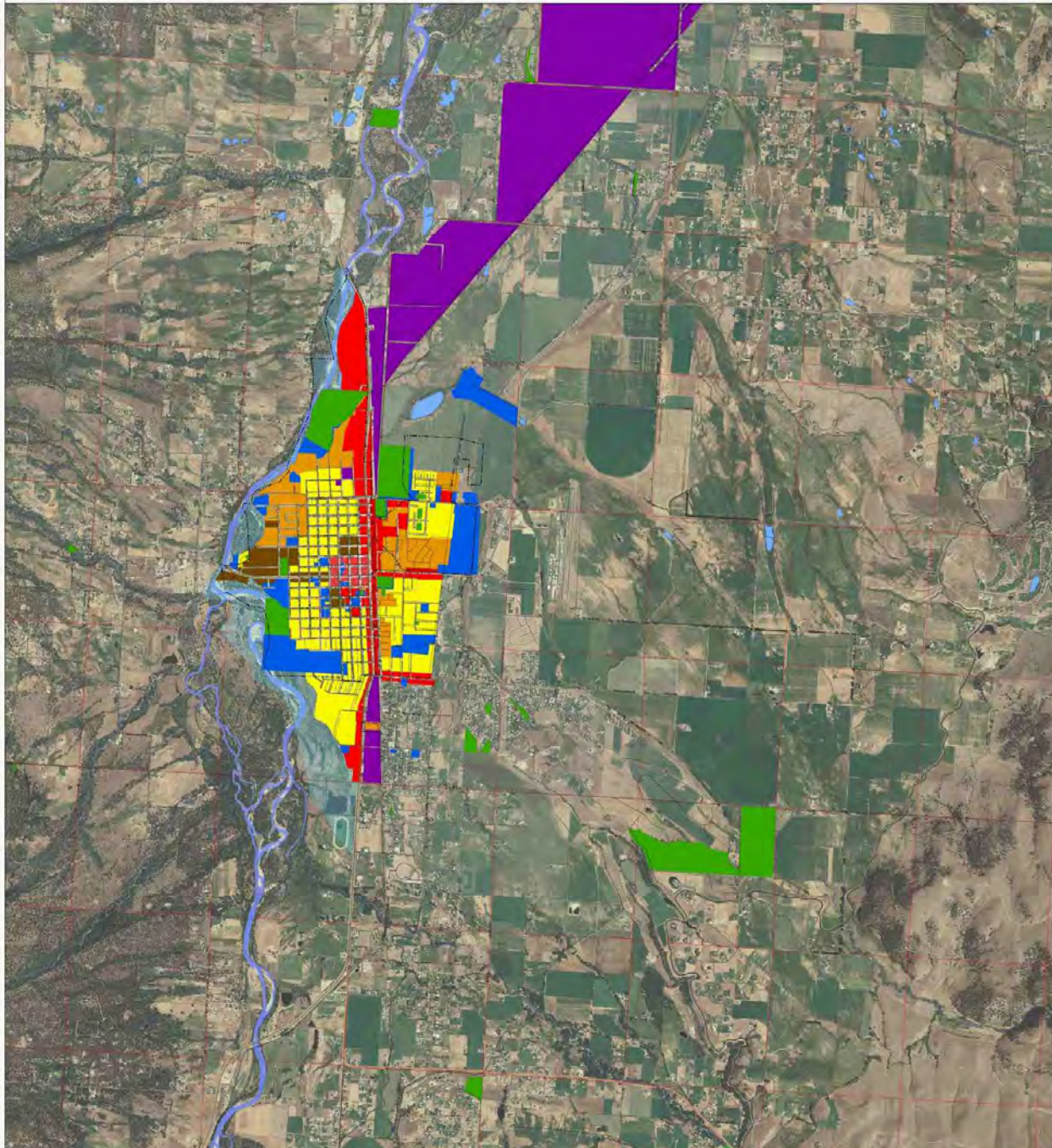
(Ord. 225 (part), 2003)

Planning Area Use Map



City of Hamilton Planning Area Existing Land Use, City of Hamilton Ravalli County, Montana

Map produced by
Mobile
LoGistics
Mapping
WWW.MLMGIS.COM



Legend

- General Commercial
- Downtown Commercial
- Office/Professional Services
- Industrial
- Park/Open Space
- Single Family
- Multi-Family
- Rural
- Public Facility
- Flood Zone Area

- Stream
- River
- Pond
- Hamilton City Limits
- PLSS Section Lines
- State Highway
- Local Road
- Railroad

Data Sources:



Mobile Logistics Mapping
Applied Communications
Ravalli County GIS Department
Montana Cultural Mapping Project
Montana Natural Resource Information System (NRIS)
United States Geological Survey, National Hydrography Dataset (NHD)
Federal Emergency Management Agency (FEMA)
US Fish & Wildlife Service, National Wetlands Inventory (NWI)

0 0.25 0.5
Miles



Ravalli County
Montana State Plane Coordinate System
Lambert Conformal Conic Projection
North American Datum 1983

License

	State of Montana Business Standards Division Board of Real Estate Appraisers	This certificate verifies licensure as: CERTIFIED GENERAL APPRAISER
	License #: REA-RAG-LIC-521	
	Status: Active	
	Expiration Date: 03/31/2017	
SCOTT SPEAR PO BOX 423 HAMILTON, MT 59840		 Montana Department of LABOR & INDUSTRY
		RENEW OR VERIFY YOUR LICENSE AT: https://ebiz.mt.gov/pol/

To use license as a Wall License, cut off excess paper and affix the above to wall for display.

Remember to renew online if possible. Benefits of renewing online include:

- The ability to print license(s) the same day as the renewal
- The ability to print multiple licenses including one for a pocket card if desired
- The ability to print in color (if you have a color printer)
- The ability to print additional licenses for no additional charge up to 45 days following the end of the renewal cycle

To verify licenses or renew online: <https://ebiz.mt.gov/pol>

Appraiser Resume

SCOTT SPEAR, MAI, SRA

CERTIFIED GENERAL APPRAISER #REA-RAG-LIC-521

EDUCATION

University of Montana • 1993

- B.S. - Business Administration

University of Montana • 1997

- M.B.A. - Business Administration, Finance Emphasis



EXPERIENCE

Owner/Appraiser • 1998 – Present

- Bitterroot Appraisal, LLC

Supervisor of Field Operations; Appraisal Specialist/Modeler • 1993 – 2002

- MT Department of Revenue

APPRAISAL EDUCATION

▪ January, 2016	Appraisal Institute	USPAP	7h
▪ October, 2015	IRWA	Valuation of Partial Acquisitions	32h
▪ October, 2015	Appraisal Institute	Appraisal Litigation	15h
▪ September, 2014	Appraisal Institute	Residential Applications II	7h
▪ January, 2014	Appraisal Institute	USPAP	7h
▪ September, 2013	Appraisal Institute	Bus. Practices & Ethics	4h
▪ November, 2013	Hagar Institute	Mortgage Fraud	8h
▪ November, 2013	Hagar Institute	Appraisal Adjustments	4h
▪ November, 2013	Hagar Institute	Appraiser Independence	4h
▪ March, 2013	Appraisal Institute	Practical Regression	14h
▪ March, 2013	Appraisal Institute	USPAP	7h
▪ September, 2012	Appraisal Institute	Appraising the Appraisal	7h
▪ January, 2011	Appraisal Institute	USPAP	7h
▪ October, 2010	Appraisal Institute	Hotel Appraising	7h
▪ October, 2010	Appraisal Institute	Discounted Cash Flow Modeling	7h
▪ September, 2009	Appraisal Institute	Appraisal Curriculum Overview	15h
▪ Jan, 2009	Appraisal Institute	USPAP	7h
▪ May, 2007	Appraisal Institute	Report Writing 540	40h
▪ August, 2006	Appraisal Institute	Advanced Applications 550	40h
▪ March, 2006	Appraisal Institute	National USPAP	7h
▪ March, 2006	Appraisal Institute	Bus. Practices & Ethics	7h
▪ October, 2005	Appraisal Institute	Highest & Best Use 520	40h
▪ August, 2005	Appraisal Institute	Adv. Sales Comparison 530	40h
▪ February, 2005	Appraisal Institute	Adv. Income Capitalization 510	40h
▪ February, 2005	McKissock	USPAP	7h
▪ April, 2004	Appraisal Institute	Convenience Store Valuation	7h
▪ September, 2003	IAAO	Environmental Contamination	15h
▪ January, 2002	MDOR	Market Modeling	40h
▪ March, 2001	Thimgan	Advanced SPSS Modeling	26h
▪ November, 2000	Thimgan	Intro. SPSS Modeling	26h
▪ October, 2000	MDOR	Land Valuation	7h
▪ February, 2000	Chicopee	USPAP	15h
▪ February, 2000	McKissock	Regression Analysis	15h
▪ April, 1998	IAAO	Comm. & Industrial Modeling	40h
▪ March, 1998	MDOR	Cost Approach Workshop	15h
▪ March, 1998	MREI	Direct Capitalization	32h
▪ February, 1998	NAIFA	USPAP	15h
▪ October, 1996	IAAO	Income Approach to Value	40h
▪ October, 1996	MDOR	Agricultural Appraisal	40h
▪ January, 1996	MDOR	Adv. Market Modeling	15h
▪ October, 1995	MDOR	Intro. Market Modeling	15h
▪ July, 1995	MDOR	Cost Approach to Value	15h
▪ June, 1994	IAAO	Fundamental of RE Appraisal	40h

P.O. Box 423, Hamilton MT 59840 • (406) 369-1999 • spear@bitterrootappraisal.com

Title Report - Page 1

OLD REPUBLIC NATIONAL TITLE INSURANCE

TITLE REPORT

SCHEDULE A

Prepared for: Debra La Fountaine – Military Affairs

Inquiries should be directed to: First Montana Title Company of Hamilton

Commitment No. RAV- 48585

1. Effective Date: **June 14, 2016 at 5:00 p.m.**
2. Policy or Policies to be issued:

	<u>Amount</u>	<u>Premium</u>
(a) Owner Policy, Form 1190-2	\$	\$ 180.50
Proposed Insured:		
(b) Loan Policy, Form 1191-2	\$	
Proposed Insured:		
3. **The estate or interest in the land described** or referred to in the Commitment and covered herein is Fee Simple and is at the effective date hereof vested in:

The State of Montana
4. The land referred to in this Commitment is situated in the County of Ravalli, State of Montana, and described as follows:

LEGAL DESCRIPTION ATTACHED...

FIRST MONTANA TITLE COMPANY OF HAMILTON, P.O. BOX 513, Hamilton, MT 59840, (406) 363-2661

Countersigned: _____

Authorized Officer of Agent

Valid only if Schedule B and cover are attached

Schedule A Form 4308

Title Report - Page 2

Old Republic National Title Insurance Company

RAV -48585

LEGAL DESCRIPTION

E ½ of Lot 25; all of Lots 26 and 27; E ½ of Lot 3, all of Lots 1 and 2, Block 11, Westview Addition, Ravalli County, Montana according to recorded plat thereof.

TOGETHER WITH a strip of land 80 feet wide and 362.5 feet long, which adjoins the South boundary of the above-described tract, and which strip lies between Lots 1, 2 and E ½ of Lot 3, Block 12 and Lots 26, 27 and E ½ of Lot 25, in Block 11, Westview Addition, Ravalli County, Montana, according to recorded plat thereof, as vacated in Commissioner's Journal No. 10, page 155.

Deed Reference: Book 112 Deeds, page 358.

ALSO Lots 1, 2, 29, 30 and the E ½ of Lots 3 and 28, all in Block 12, Westview Addition, Ravalli County Montana, according to recorded plat thereof.

Deed Reference: Book 91 Deeds, page 286.

ALSO TOGETHER WITH a portion of Ninth Street vacated by Resolution No. 351 and recorded in Permanent File No. 6477; which portion attaches by operation of law.

Title Report - Page 3

Old Republic National Title Insurance Company

RAV -48585

SCHEDULE B

Schedule B of the policy or policies to be issued will contain exceptions to the following matters unless the same are disposed of to the satisfaction of the company:

GENERAL EXCEPTION:

Defects, liens, encumbrances, adverse claims or other matters, if any created, first appearing in the public records or attaching subsequent to the effective date hereof but prior to the date the proposed insured acquires of record for value the estate or interest or mortgage thereon covered by this commitment.

STANDARD EXCEPTIONS:

1. Any fact, rights, interest or claims which are not shown by the public records but which could be ascertained by an inspection of the land or which may be asserted by persons in possession, or claiming to be in possession, thereof.
2. Easements, liens, encumbrances, or claims thereof, which are not shown by the public records.
3. Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey of the land would disclose, and which are not shown by the public records.
4. Any lien, or right to a lien, imposed by the law for services, labor or material heretofore or hereafter furnished, which lien, or right to a lien, is not shown by the public records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in acts authorizing the issuance thereof; (c) Indian treaty or aboriginal rights, including but not limited to, easements or equitable servitudes; or, (d) water rights, claims or title to water, whether or not the matters excepted under (a), (b), (c) or (d) are shown by the public records.
6. Taxes or assessments which are not now payable or which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records.
7. Any service, installation, connection, maintenance or construction charges for sewer, water, electricity, or garbage collection or disposal or other utilities unless shown as an existing lien by the public records.
8. Defects, liens, encumbrances, adverse claims or other matters, if any created, first appearing in the public records or attaching subsequently to the effective date hereof but prior to the date the proposed insured acquires of record for value the estate or interest or mortgage thereon covered by this commitment.

Title Report - Page 4

Old Republic National Title Insurance Company

RAV -48585

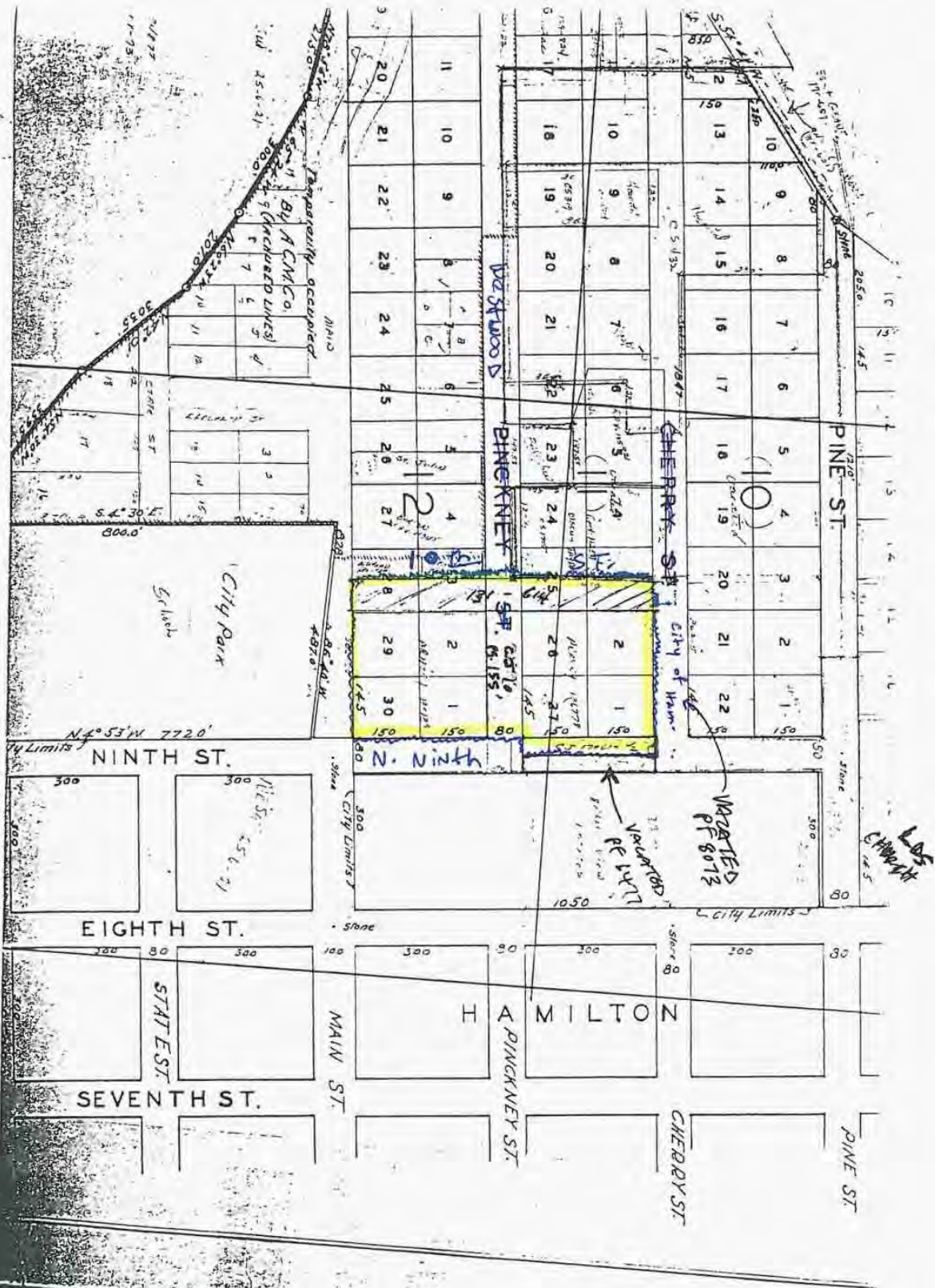
SPECIAL EXCEPTIONS:

9. a) Any right, title or interest in any minerals, mineral rights or related matters, including but not limited to oil, gas, coal and other hydrocarbons.
- b) Tax exempt. (Parcel No. 729460)
- c) Subject to PW/OCD Resolution No. 25-11 approving application for conditional use permit request # 25-06 for permission to construct new playground equipment in an existing park in an RS Zoning District as recorded in Document No. 551427.
- d) Subject to Resolution # 654 extending the boundaries of the City of Hamilton and Incorporating therein by annexation No. 96-03, as recorded in Permanent File No. 8275 on December 6, 1996.
- e) Subject to waterline Easement to Valley Water Company, a Montana utility company, as recorded in Book 147 Deeds, page 911.
- f) Subject to a nonexclusive permanent Easement and right of way for the purpose of constructing, maintaining and replacing a sewer line to the City of Hamilton, as recorded in Book 147 Deeds, page 820.
- g) Subject to an Easement for road purposes to Marcus Daly Hospital as recorded in Book 131 Deeds, page 614.
- h) Subject to county roads. (10th Street and Main Street)

NOTE: NO LIABILITY IS ASSUMED HEREUNDER UNTIL FULL POLICY PREMIUM IS PAID.

Title Report - Page 5

This sketch is provided without charge, for your information. It is not intended to show all matters related to the property, including, but not limited to, area, dimensions, easements, encroachments or location of boundaries. It is not a part of, nor does it modify, the commitment or policy to which it is attached. The company assumes NO LIABILITY for any matter related to this sketch. Reference should be made to an accurate survey for further information.



Title Report - Page 6

136777½

Commissioner's Journal #10,
page 155
June 3, 1957

The following petition to close a certain platted road was received;

A road which has been platted and dedicated to the public but which road has never been constructed and which road lies between two parcels of ground, parcel No. 1, described as E½ Lot 25 and all of Lots 26 and 27, Block 11, and parcel No. 2, described as E½ Lot 3, and all of Lots 1 and 2 of Block 12, Westview Addition, Ravalli County, Montana, according to recorded plat thereof.

Hamilton Lions Club, a
Montana Corporation
By Robert J. Miller, President

The State of Montana
By Forrest H. Anderson
Attorney General

Fred Bernatz
Gladys Bernatz

Commissioners R. M. Wonnacott and A. Anfinson were appointed viewers and reported as follows:

Report of Commissioners:
We have investigated the pertinent facts regarding the closing of this platted and dedicated right of way and find no objections. Therefore we recommend that the petition be granted and that this right of way be vacated and abandoned.

R. M. Wonnacott, County Comm.
A. Anfinson, County Comm.
Lester Weisner, Acting Co. Surv.

Upon motion made and seconded, report was accepted and right of way or road be abandoned and vacated, as petitioned for.

Title Report - Page 7

Lions Club of Hamilton,
Montana, a Montana cor-
poration, Hamilton, Montana

To

WARRANTY DEED
136778

The State of Montana

Dated May 31, 1957
Consideration \$1. & ovc

Recorded June 10, 1957:3:05 A.M.
Volume 112 Deeds, page 358

Grant, bargain, sell, convey and confirm

E $\frac{1}{2}$ of Lot 25; All of Lots 26 and 27; E $\frac{1}{2}$ of Lot 3, all of Lots 1 and 2, Block 11, Westview Addition, Ravalli County, Montana according to recorded plat thereof.

Together with a strip of land 80 feet wide and 362.5 feet long, which adjoins the south boundary of the above-described tract, and which strip lies between Lots 1, 2 and E $\frac{1}{2}$ of Lot 3, Block 12 and Lots 26, 27 and E $\frac{1}{2}$ of Lot 25, in Block 11, Westview Addition, Ravalli County, Montana, according to recorded plat thereof.

Sole Purpose and Object of this Deed is to furnish additional land as a site for construction of an Armory and in event said second party, or any of its agencies, successors or assigns fail to commence construction of said Armory within 5 years from date hereof, title to premises is to revert to first parties herein, and this instrument is to be null and void.

Tenements, hereditaments and appurtenances.

COVENANTS: Warrant and defend.
Consideration less than \$100.00, No Revenue stamps required.
In Witness Whereof, first party herein has caused its corporate name to be signed by its President thereunto duly authorized and its corporate seal to be affixed and attested by its Secretary.

(Seal)

Lions Club of Hamilton, Montana
a Montana Corporation
By Robert J. Miller, President (Seal)
Attest: Jack E. Coulter, (Seal)
Secretary

Title Report - Page 8

136778 - 2

Acknowledged May 31, 1957 by Robert J. Miller, President of the Lions Club of Hamilton, Montana, a Montana corporation, before D. W. McKenna, Notary Public for Montana, residing at Hamilton. Commission expires 5-2-58. (Seal)

Attached is the following:

RESOLUTION

Whereas, Lions Club of Hamilton, Montana, a Montana Corporation has been deeded a parcel of land in Westview Addition, Ravalli County, Montana;

Whereas, said land was so deeded to said corporation without cost, expense, or consideration on the part of said corporation, said land being held solely for purpose of clarifying title to property which is to be used as a site for a National Guard Armory;

Whereas, in order to accomplish purposes of said transfer, it is necessary to execute a conveyance from the corporation to State of Montana;

Therefore, be it resolved, that the president and secretary of this corporation are directed to make and execute a deed conveying to State of Montana, the property now standing in name of this corporation and located in Vestview Addition, Ravalli County, Montana

Attached is the following:

CERTIFICATE

I, Jack E. Coulter, do hereby certify that I am the duly elected, qualified and acting Secretary of Lions Club of Hamilton, Montana, a Montana Corporation; that the attached is a correct copy of a resolution duly and regularly passed by the Board of Trustees of said Corporation at a regular meeting of said corporation, that said resolution has not been rescinded or modified. Dated June 10, 1957. (Seal)

Jack E. Coulter, Secretary

Acknowledged June 10, 1957 by Jack E. Coulter, before D. W. McKenna, Notary Public for Montana, residing at Hamilton. Commission expires 5-2-57. (Seal)

Title Report - Page 9

Fred S. Bernatz and Gladys
Bernatz, husband and wife

To

BARGAIN & SALE DEED
135159

The State of Montana

Dated Oct. 2, 1956
Consideration \$10.00.

Recorded Nov. 8, 1956; 3:35 P.M.
Volume 91 Deeds, page 286.

- - -

Grant, bargain, sell and convey

Lots 1, 2, 29, 30 and the East 1/2 of Lots 3 and 28, all in
Block 12, West View Addition, Ravalli County, Montana, ac-
cording to recorded plat thereof.

The Sole Purpose and Object of this Deed is to furnish the
site for the construction of an Armory and in the event said
second party, or any of its agencies, successors, or assigns
fails to commence construction of said Armory within 5 years,
from date hereof, title to said premises is to revert to
first parties herein, and this instrument is to be null and
void.

Tenements, hereditaments and appurtenances.

Fred Bernatz (Seal)
Gladys Bernatz (Seal)

Acknowledged Oct. 2, 1956 by Fred S. Bernatz and Gladys
Bernatz, husband and wife, before Hugh Elmore, Notary Public
for Montana, residing at Hamilton. Commission expires 3-10-59
(Seal)

Title Report - Page 10

MIN 12 & 13 WESTVIEW

COMMISSIONERS JOURNAL 130250½

Dated May 2, 1955

Filed Volume 9 Misc., page 628

- - -

Petition for County road by L. W. Jepson, et al, commencing at 9th Street on West Main, Hamilton, Montana, and continuing west to the end of Main street or where the road commences to narrow, was received and Lester Meisner, I. E. Nordheim, Benn Rowe and R. M. Womnocott were appointed, upon motion made and seconded, as viewers as follows:

"This road has been built and gravel surfaced and will not place an undue burden on the County. Therefore we recommend that the petition be granted and that this road be declared a County road. Upon motion made and seconded, report of viewers accepted and declared a County Road.

Title Report - Page 11**FIRST MONTANA TITLE COMPANY OF HAMILTON**

P.O. Box 513 Hamilton, Montana 59840 firstmttitle@qwestoffice.net Phone 406-363-2661 FAX 406-363-6960

Ordered by: Debra La Fountaine - Military Affairs

State of Montana**Date:** June 20, 2016**RAV - 48585**

Please detach and return upper portion with your check

	CHARGES	PAYMENTS	BALANCE
Premium or Fees for Owner Policy:			
Mortgagee Policy:			
Owner/Buyer: STATE OF MT			
Legal Description: Parcels in Westview Addition			
TITLE REPORT	\$ 180.50		
ALTA			
Endorsements			
Inspection			
Document Preparation			
Closing Costs:			
Filing & Copies:			
Prelim Date: June 14, 2016			
Final Date:			
Underwriter:			
Amount due:	\$180.50		\$180.50

FIRST MONTANA TITLE COMPANY OF HAMILTON

P.O. Box 513 Hamilton, Montana 59840 firstmttitle@qwestoffice.net Phone 406-363-2661 FAX 406-363-6960

1233

Together with all and singular the tenements, hereditaments and appurtenances thereunto belonging or in anywise appertaining, and the revision and revisions, remainder and remainders, rents, issues and profits thereof; and also all the estate, right, title and interest property, possession, claim and demand whatsoever, as well in law as in equity

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Resolution #551427 - Page 1

STATE OF MONTANA RAVALLI COUNTY

551427

Page 1 of 6

RECORDED: 04/04/2005

3:39 RESOLU-MUN

Nedra P. Taylor

CLERK AND RECORDER BY:

Tana L. Miller

FEE: \$0.00

PW/OCD RESOLUTION NO. 25-11

A RESOLUTION OF THE ZONING BOARD OF ADJUSTMENT FOR THE CITY OF HAMILTON, APPROVING APPLICATION FOR CONDITIONAL USE PERMIT REQUEST #25-06 FOR: PERMISSION TO CONSTRUCT NEW PLAYGROUND EQUIPMENT IN AN EXISTING PARK IN AN RS ZONING DISTRICT LOCATED AT 200 N. 10TH STREET, KNOWN AS THE CLAUDIA DRISCOLL PARK.

WHEREAS, an application by The Community Playground, hereinafter referred to as Applicant(s), for Conditional Use Permit Request #25-06 for property located at 200 N 10th Street and legally described in Exhibit "A", was filed in accordance with certain ordinances and regulations found in Municipal Code of the City of Hamilton and regulations and statutes of the State of Montana; and

WHEREAS, the Community Development Department of the City of Hamilton has given proper notice to all adjacent property owners to the proposed conditional use permit request and advertised in a newspaper of general circulation the time, date and place of a public hearing for said variance request; and

WHEREAS, the Zoning Board of Adjustment of the City of Hamilton finds that the applicant has submitted all information necessary for evaluation and documentation of said conditional use permit request as required by the City of Hamilton Municipal Code; and

WHEREAS, the Zoning Board of Adjustment of the City of Hamilton has held a public hearing on said conditional use permit request at its March 28, 2005 meeting in the City Council Chambers, 223 South 2nd Street, Hamilton, MT, for which notice was properly given as required by State and local law; and

WHEREAS, the Zoning Board of Adjustment of the City of Hamilton has determined that the proposed conditional use permit request is consistent with the requirements of the City of Hamilton's zoning ordinance and regulations.

NOW, THEREFORE, BE IT RESOLVED AS FOLLOWS:

The Zoning Board of Adjustment for the City of Hamilton hereby adopts PW/OCD Resolution #25-11 approving the application for Conditional Use Permit Request #25-06 and the related Site Plan, dated February 28, 2005 and hereby attached to and made part of this PW/OCD Resolution as Exhibit "B", for use of said site as a playground subject to the requirements of Zoning District RS as described in the City of Hamilton Zoning Manual and subject to the conditions as described below:

GENERAL CONDITIONS:

1. This PW/OCD Resolution shall become effective only when signed by the Applicant indicating and acknowledging that they:
 - a) understand the conditions imposed herein,
 - b) waive all rights to challenge any condition imposed as unfair or unreasonable, and
 - c) accept the benefits conferred by this PW/OCD Resolution subject to the conditions imposed herein.

Ret: City of Hamilton

Resolution #551427 - Page 2

STATE OF MONTANA RAVALLI COUNTY
RECORDED: 04/04/2005 3:39 RESOLU-MUN

551427

Page 2 of 6

2. The failure of the Applicant to sign this PW/OCD Resolution shall in no way be deemed to confer any greater benefits and privileges pertaining to the proposed approved land use under conditional use permit request #25-06 that are contained within this PW/OCD Resolution.
3. The Applicant agrees to indemnify, hold harmless, and defend the City, its officers, agents and employees, from any and all liability or claims that may be brought against the City arising out of its approval of this Resolution, save and except that caused by City's active negligence.
4. The Applicant shall comply with all federal, state, and local laws. Violations of any of those laws in connection with the use will be cause for revocation of this PW/OCD Resolution #25-11.
5. Any modifications of the approved site plan shall require consideration by the Zoning Board of Adjustment.

ANALYSIS:

Claudia Driscoll Park is owned by the State of Montana under the Montana Department of Military Affairs and is home the National Guard Armory on the front of the property located along West Main Street.

Claudia Driscoll Park was established via a Memorandum of Understanding (MOU) between the State of Montana, Department of Military Affairs, and the City of Hamilton Concerning Use of a certain parcel of land in the City owned by the Guard for Public Recreation established by signature of the agreement on January 10th, 2002.

The established zoning district is RS-Single Family Zoning District whereby Chapter 17.24 Single Family Residential District (RS) stipulates uses allowed, uses not allowed and conditional uses and conditional use structures.

17.24.040 Conditional Uses and Conditional Use Structures: Item H. Parks, playgrounds and recreational facilities not for profit but ancillary to residential uses requiring the installation of the playground equipment will require issuance of a Conditional Use Permit.

Discussion:

The surrounding uses are:

North: Commercial (Eye Clinic)
South: Commercial (Old Westview School)
East: Residential
West: Mixed uses of Commercial and Residential (some in Ravalli County)

The proposed fencing for the parameter of the playground facility is 15' feet west of the North 9th Street property line. The playground equipment location is approx. 30' setback from the North 9th Street property line.

20' setback required 30' provided (Meets setback requirement)

The proposed fencing for the parameter of the playground facility is + 40 feet north from the alley property line.

Resolution #551427 - Page 3

STATE OF MONTANA RAVALLI COUNTY
RECORDED: 04/04/2005 3:39 RESOLU-MUN

551427

Page 3 of 6

Karla Rocheleau and Associates presented the playground project as a community project to enhance the park with a playground and related equipment for the enjoyment of the park by children.

The playground project will be funded by Karla Rocheleau and Associates through fund raising efforts. Upon completion of installation of the playground facility and final inspection and acceptance by the City of Hamilton, the playground facility will be turned over to the City of Hamilton for care, maintenance and repair there after.

The playground location provides ample setback from the dedicated North 9th Street right of way and the 20' alleyway and poses no intrusion into the clear view triangle of the North 9th Street and alley intersection.

The alley is not a platted dedicated public alley, but rather a private driving lane provide for the National Guard Armory and Park.

Total square foot area of the park is: 87,000 square feet including the driveway lane.

The site plan indicates that approx. 14,400 square feet will be required to install the playground facility.

The proposed playground and parameter fence pose no setback or safety issues relevant to the approval of the Conditional Use permit. The playground equipment is not considered structure, but rather play equipment.

Equipment proposed by this project has been reviewed by the city's insurance provider "Montana Municipal Insurance Authority" and have found the equipment meets pertinent safety standards for this type of installation. This project has been reviewed by Terry Cole, City of Hamilton Park, Recreation and Cemetery Director, City of Hamilton Parks Board and has received their approval for this project.

The parameter of the proposed playground will be fenced with a safety fence and sectioned of per age groups

The proposed playground facility is identified within the "City of Hamilton "Master Plan for the Development of Recreational Facilities" and is in keeping with the master plan that was revised in January 2003 and approved by the City of Hamilton Parks Board.

The City of Hamilton Parks Department provides care and maintenance of the park and facilities located within the park. Funding for ongoing care and maintenance will be provided within City of Hamilton General Fund Budget with the annual Parks and Recreation Department budget on an annual basis.

Board Action:

Approve the Conditional Use Permit listing all conditions for approval
Table the Conditional Use Permit pending additional information
Deny the Conditional Use Permit.

Recommended Conditions for approval of the Conditional Use Permit:

Recommend approval of the Conditional Use Permit.

Resolution #551427 - Page 4

STATE OF MONTANA RAVALLI COUNTY
RECORDED: 04/04/2005 3:39 RESOLU-MUN

551427

Page 4 of 6

This project poses no detrimental issues pertinent to the RS Single Family Zoning District and no special conditions are recommended.

Recommendation of Director of Public Works / Community Development:

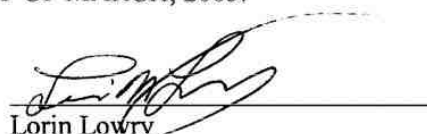
Recommend approval of the Conditional Use permit conditional of the above listed conditions.

This PW/OCD Resolution #25-11 approving Conditional Use Permit request #25-06 shall be recorded with the Ravalli County Clerk and Recorder's office and shall be binding upon any future owners of the subject property. All agreements and restrictions required by the City for this conditional use permit shall also be recorded.

APPROVED, ADOPTED AND SIGNED THIS 28TH DAY OF MARCH, 2005.



Acting John Bailey She Smith
Zoning Board of Adjustment
Chairman



Lorin Lowry
Director of Public Works/
Community Development



Terry Cole

3-29-05
Date

Resolution #551427 - Page 5

STATE OF MONTANA RAVALLI COUNTY
RECORDED: 04/04/2005 3:39 RESOLU-MUN

551427

Page 5 of 6

EXHIBIT "A"

Lots 1, 2, 26 and 27, Block 11, Westview

AND

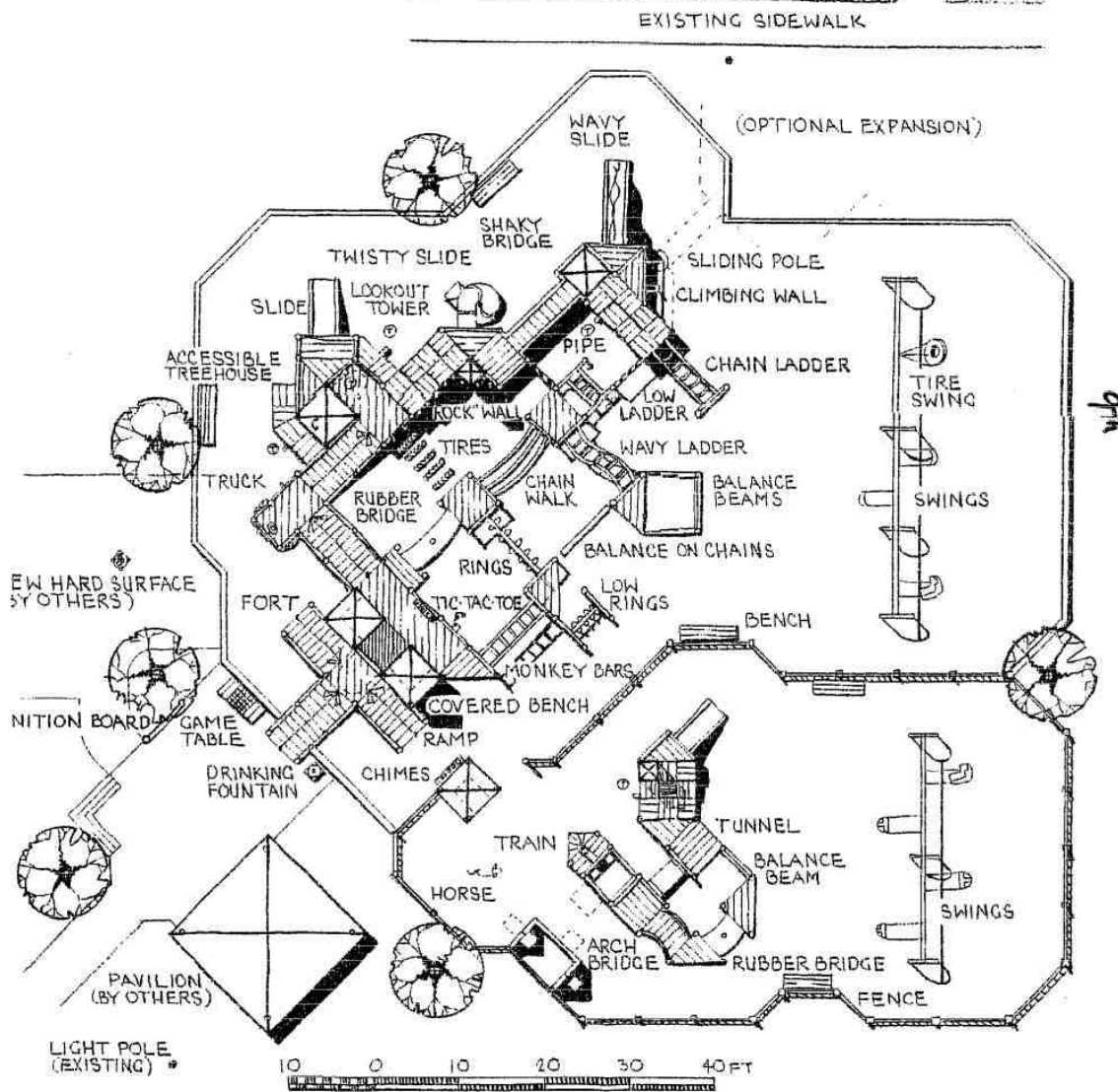
Lots 1 and 2, Block 12, Westview

Resolution #551427 - Page 6

STATE OF MONTANA RAVALLI COUNTY
 RECORDED: 04/04/2005 3:39 RESOLU-MUN

551427

Page 6 of 6

EXHIBIT "B"

PF #8275 - Page 1

FILED DECEMBER 6, 1996 2:10PM PERM FILE
Betsy T. Lund CLERK AND RECORDER BY *Patty Hedford*
RESOLUTION #654

8275

no fee
DEPUTY

A RESOLUTION OF THE CITY OF HAMILTON CITY COUNCIL EXTENDING THE BOUNDARIES OF THE CITY OF HAMILTON, AND INCORPORATING THEREIN, BY ANNEXATION NO. 96-03 PURSUANT TO 7-2-4601 M.C.A., ANNEXATION BY PETITION BY LANDOWNER: The State of Montana for property known as The Armory/Claudia Driscoll Park

WHEREAS, the City has received a petition of Annexation from the landowner pursuant to 7-2-4601 M.C.A., certain hereinafter described land which is contiguous to the city limits of the City of Hamilton, which land is described more particularly in Exhibit "A" attached hereto, incorporated herein by reference, and specifically made a part hereof; and,

WHEREAS, no part of said area is included within the boundary of another incorporated municipality; and

WHEREAS, the applicant has submitted in conjunction with this annexation a request to zone the annexation area RS, Single Family Residential in keeping with the adjacent land uses in the City of Hamilton; and

WHEREAS, the Community Development Department of the City of Hamilton has given notice to all adjacent property owners to the proposed annexation; and

WHEREAS, the Planning Board on October 9, 1996 held a hearing on the proposed annexation of the noted property.

WHEREAS, the Planning Board approved Resolution #9607 recommending to the City Council the annexation approval.

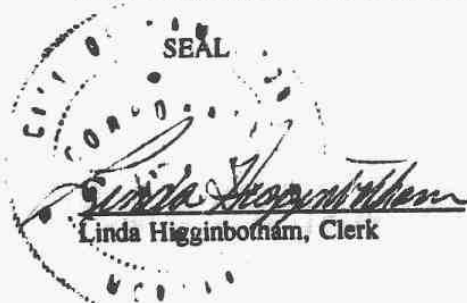
NOW THEREFORE, BE IT RESOLVED by Planning Board of the City of Hamilton, Montana, that the parcel of land as described be embraced within the corporate limits of the City of Hamilton and the boundaries of the corporate limits of the City of Hamilton be so extended to include said parcels of land; and,

BE IT FURTHER RESOLVED that the City Council has reviewed the Planning Board Resolution #9607 of recommending annexation No. 96-03 and found that the City of Hamilton can provide public services in accordance with the "PLAN FOR PROVISION OF SERVICES", Exhibit "B", prepared for the annexation area without a negative effect on the City of Hamilton; and,

BE IT FURTHER RESOLVED that the City Council has reviewed the adjacent land uses to the annexation area to find that the proposed RS zone is in keeping with the land use pattern for the area; and,

BE IT FURTHER RESOLVED that the City Council approves of annexation No. 96-03 subject to rezoning of the annexation area to RS, Single Family residential.

APPROVED, ADOPTED AND SIGNED THE 3RD DAY OF DECEMBER, 1996.



Laurel Hegstad-Deschamps
Laurel Hegstad-Deschamps, Mayor

PF #8275 - Page 2

FILED DECEMBER 6, 1996

2:10PM

PERM FILE

8275

EXHIBIT "A"

The said territory to be annexed is described as follows:

The Armory:

Lot one (1), two (2), twenty-nine (29), thirty (30) and the east one-half (½) of Lots three (3) and twenty-eight (28), all in Block Twelve (12), West View Addition, Ravalli County, Montana, according to the recorded plat thereof, on file and of record in the Office of the County Clerk and Recorder.

Claudia Driscoll Park:

East half of Lot twenty-five (25); all of Lots twenty-six (26) and twenty-seven (27); East half of Lot three (3); all of Lots one (1) and two (2), Block Eleven (11), West View Addition, Ravalli County, Montana, according to the recorded plat thereof.

PF #8275 - Page 3

FILED DECEMBER 9, 1990

EXHIBIT "B"

PLAN FOR PROVISION OF SERVICES

Subject: The Armory/Claudia Driscoll Park
910 W. Main Street
Hamilton, MT 59840

The State of Montana is requesting, per the initiation of the City of Hamilton, annexation for the above named property. Per the existing plat map, the property is described as follows:

The Armory:

Lot one (1), two (2), twenty-nine (29), thirty (30) and the east one-half (½) of lots three (3) and twenty-eight (28), all in Block Twelve (12), WestView Addition, Ravalli County, Montana, according to the recorded plat thereof, on file and of record in the Office of the County Clerk and Recorder.

Claudia Driscoll Park:

East half of Lot twenty-five (25); all of Lots twenty-six (26) and twenty-seven (27); East half of Lot three (3); all of Lots one (1) and two (2), Block Eleven (11), West View Addition, Ravalli County, Montana, according to the recorded plat thereof.

The request is petitioned by the City under Title 7, Chapter 2, Part 46 of the Montana Codes Annotated-Annexation by Petition. As is required under this method of annexation, the City is required to provide a long range plan for provision of services and for the acquisition of properties outside the corporate limits. The plan should show anticipated development on a yearly basis, a minimum of five years into the future.

Surrounding Land Uses

Property to the south is partially unzoned and is part of Ravalli County. Partially, it is zoned RS, Single Family Residential, within City limits. Property to the west is unzoned and is part of Ravalli County. Property to the north is zoned OPS, Offices of Professional Services, as well as zoned RM, Multi Family Residential. Property to the east is zoned RS, Single Family Residential within City limits.

Police Protection

City police protection currently includes the property in question.

Fire Protection

The property is already covered by the City fire department through an inter-local agreement with the county. This annexation would not add any additional coverage for the fire department. As a result the fire department will be unaffected by this proposal.

Garbage Collection

Garbage is currently collected by Bitterroot Disposal, a private company. They have indicated that they have sufficient capacity to provide services and is currently providing services to the properties

Streets and Street Maintenance

The streets surrounding the property are 10th Street, Main Street and Pine Street. Pine street and 10th Street travelling south to Westwood are streets already maintained by the City. 10th

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FILED **DECEMBER 6, 1998** **2:10PM** **PERM FILE** **8275**
Street travelling south towards Main Street is maintained by the Ravalli County Street Department. Main Street is maintained by the State of Montana.

Sewer

The restrooms located at Claudia Driscoll Park are currently hooked onto a City sewage line and will remain connected.

The Armory is currently operated on a septic system. The City will provide City sewage service in the future. In the event of a problem with the current septic system, the City will at that time provide a sewer line to the Armory.

Water

There is currently available to the subject parcels a water line on 10th Street. The Armory is currently connected to the City water system.

Claudia Driscoll Park has an well on site which provides water service used for irrigation purposes.

Utility Services

Montana Power currently has both electrical and gas in the adjacent streets to the subject properties and can provide service as needed in the future. U. S. West has communication lines in the area also which can provide future services.

Financing the Development

The developer is responsible for paying for all future improvements to the development. This would include water, sewer, natural gas, phone, cable TV, drains, and any other improvements required by the City. The City's General Fund will pay for police protection and fire protection. The cost paid by the City will be paid out of the operating budgets of the affected departments. Fire protection is currently provided. Police protection should be a very minimal cost. Garbage is done privately and will be paid for by the property owners.

Tax Burden

This area, once annexed, if the area was to be developed privately would be assessed for taxes in the same manner as other properties in the City. The Armory is a governmental agency and is exempt from property tax. Claudia Driscoll Park is a City park and is exempt from property tax. The entire municipality will share in the cost of providing the base essential services. No bond issue will be needed to pay for any provision of services as a result of this annexation.

PRIVACY NOTICE

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

Types of Nonpublic Personal Information We Collect

In the course of performing appraisals, we may collect what is known as "nonpublic personal information" about you. This information is used to facilitate the services that we provide to you and may include the information provided to us by you directly or received by us from others with your authorization.

Parties to Whom We Disclose Information

We do not disclose any nonpublic personal information obtained in the course of our engagement with our clients to nonaffiliated third parties, except as necessary or as required by law. By way of example, a necessary disclosure would be to our employees, and in certain situations, to unrelated third party consultants who need to know that information to assist us in providing appraisal services to you. All of our employees and any third party consultants we employ are informed that any information they see as part of an appraisal assignment is to be maintained in strict confidence within the firm. A disclosure required by law would be a disclosure by us that is ordered by a court of competent jurisdiction with regard to a legal action to which you are a party. The signatory appraiser is a MAI Designated Member of the Appraisal Institute; as such, any appraisal reports prepared by the signatory appraiser are subject to peer review by the Appraisal Institute.

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We will retain records relating to professional services that we have provided to you for a reasonable time so that we are better able to assist you with your needs. In order to protect your nonpublic personal information from unauthorized access by third parties, we maintain physical, electronic and procedural safeguards that comply with our professional standards to insure the security and integrity of your information. Please feel free to call us any time if you have any questions about the confidentiality of the information that you provide to us.