

# THE APPRAISAL GROUP, LTD.

Real Estate Appraisers and Consultants

"A Sound Appraisal is Investment Insurance"

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

State Certified Residential Appraiser  
Jody J. Déines-Pierce

Mr. Jeff Bollman, Land Use Planner  
Montana Department of Natural Resources and Conservation  
Southern Land Office  
1371 Rimtop Drive  
Billings, MT 59105

07 May 14

Re: New Assignment of a Prior Appraisal Assignment of DNRC Property located in  
Billings Heights, Billings, MT  
Portion of Skyview Ridge Subdivision

Dear Jeff:

This Appraisal Report will serve as a new assignment of a prior Appraisal Report on a portion of the above captioned property. This new report was made to the Department's request to estimate the market value of the above captioned property to aid in decision making purposes involving the disposition of property pursuant to certain Land Banking statutes. The effective date of this Appraisal Report is 27 Apr 14 – the last date of the inspection of the property; I am forwarding this copy of the appraisal plus an electronic format (CD) to you. This Letter of Transmittal must remain attached to the Appraisal Report of 34 pages plus related exhibits, for the value opinion set forth to be considered valid.

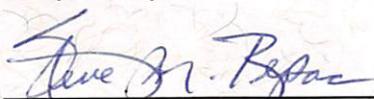
Careful consideration has been made to the valuation methods employed and to an accurate analysis of the subject property and market. The as-is, surface right and fee simple interest value estimates for the subject property as of 27 Apr 14 are estimated within the body of the report.

This report contains certain *Extraordinary Assumptions* and *Hypothetical Conditions* that if found to be false, could alter the appraiser's opinions or value conclusions. Please read these carefully.

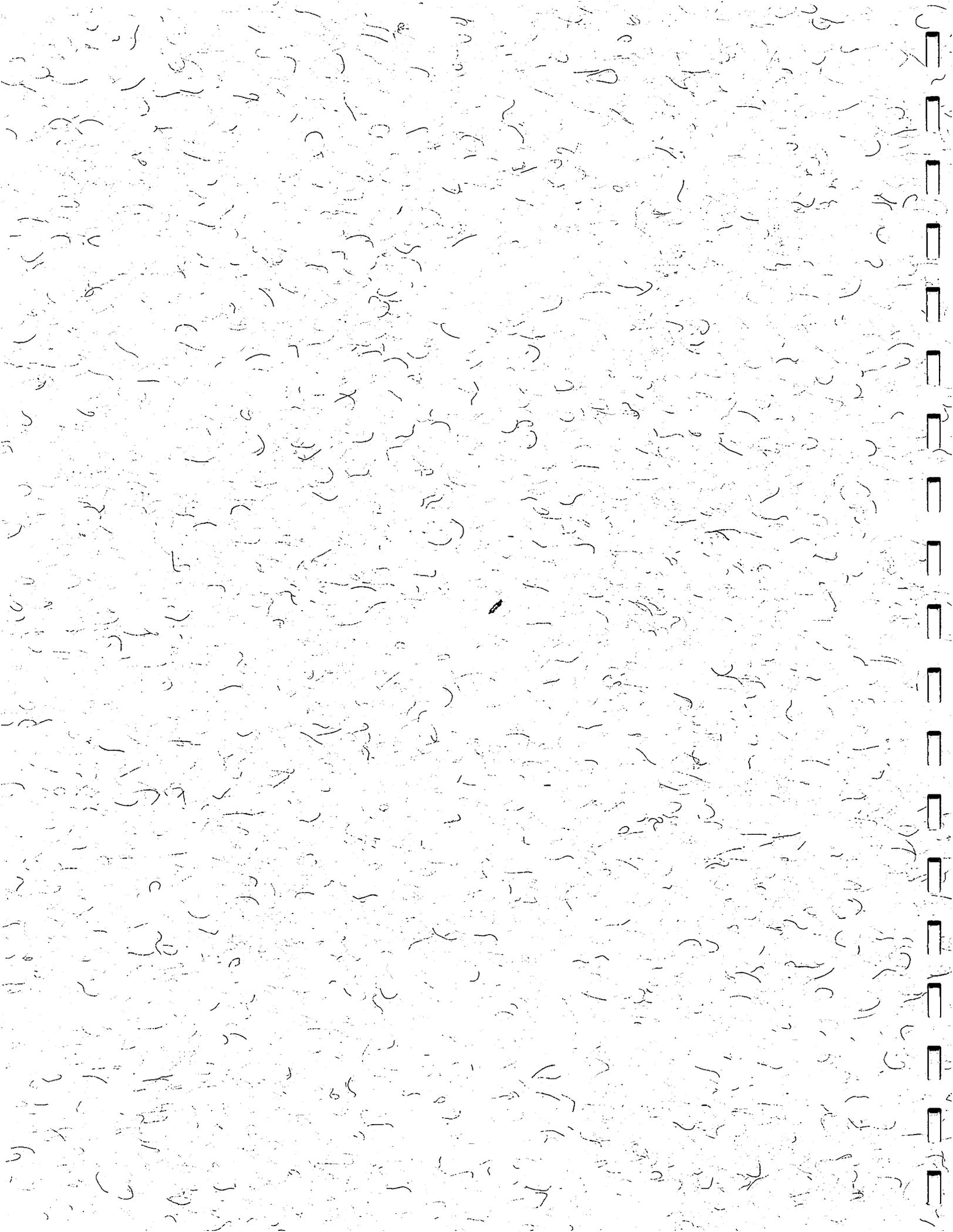
This report has been prepared in compliance with the Uniform Standards for Professional Appraisal Practice (USPAP) and incorporates by reference specified information/analysis from a prior report so that, in combination, the referenced portions and the new information/analysis added satisfies the applicable reporting requirements. This report complies with the reporting requirements set forth under Standards Rule 2-2 (a) of USPAP for an Appraisal Report. This reporting option states information relating to the description of the subject property, along with data and analyses of factors pertinent to the request for the appropriate estimate of market value.

Should you have any questions or need additional information pertaining to this appraisal assignment, please contact me at your convenience.

Respectfully,



Steven M. Repac  
MT. General Certification No. 058



**SUMMARY OF SALIENT FACTS AND IMPORTANT CONCLUSIONS**

**SUBJECT PROPERTY:** Portions of the Plat of Skyview Ridge Subdivision, 1<sup>st</sup> Filing

**PROPERTY ADDRESS:** Located south adjacent to Wicks Lane and west of Governor's Boulevard, Billings, Montana 59105

**LEGAL DESCRIPTION:** The land appraised for sale is *residentially zoned* lots described as follows:

- Lots 5 – 9, Block 1,
- Lot 1, Block 3
- Lot 1, Block 4
- Lot 1, Block 5
- Lot 1, Block 6
- Lot 1, Block 7, and
- Lot 1, Block 8 of the Plat of Skyview Ridge Subdivision, 1<sup>st</sup> Filing, located in Yellowstone County, Montana.

**POLITICAL ENTITY:** City of Billings

**OWNER OF RECORD:** State of Montana

**IMPROVEMENTS:** There are no above-ground improvements on the real estate that is the subject of this report. As far as the appraiser is aware, there are no utilities stubbed into any of the real estate that is the subject of this report.

**ZONING:** Varied – see *Highest & Best Use* section

**HIGHEST AND**

<b>BEST USE:</b>	Lots 5 – 9, Block 1	R-6000
	Lot 1, Block 3	R-9600
	Lot 1, Block 4	R-9600

Lot 1, Block 5            R-7000R  
Lot 1, Block 6            R-7000R  
Lot 1, Block 7            R-7000R  
Lot 1, Block 8            R-7000R

of the Plat of Skyview Ridge Subdivision, 1<sup>st</sup> Filing, located in Yellowstone County, Montana.

**PROPERTY TAX DATA:**    Tax ID: X00427: \$3,694.00 (2013 total). No delinquency noted.  
No SID's.

**FINAL CONCLUSIONS OF VALUE:**

Value range (\$28,000 to \$29,167 per acre) represents a total value for the subject of between \$897,260 and \$934,657. For purposes of this report, the probable selling range is considered to be from \$900,000 to \$935,000 (rounded), and the most probable selling price at auction would be at the lower end of the selling range at **\$900,000**, or near \$28,000 per acre.

**EFFECTIVE**  
**DATE OF VALUE:**            27 Apr 14

## **BACKGROUND**

The Appraisal Group, Ltd., was asked to perform a contemporary appraisal of the value of the real property rights of selected real estate for the purpose of eventual sale. The Appraisal Group, Ltd., was officially retained by the client on 30 Jun 13 and the contract was later extended on 27 Mar 14.

## **IDENTITY OF THE CLIENT AND INTENDED USERS**

The client and the intended users are the State of Montana, the Montana Board of Land Commissioners, and the Montana Department of Natural Resources and Conservation (DNRC), and their assigns. The authorizing agent was Mr. Jeff Bollman of the DNRC's Southern Land Office, 1371 Rimtop Drive, Billings, MT 59105.

## **PURPOSE AND INTENDED USE OF THE APPRAISAL**

The purpose of the appraisal is to provide the clients with a credible opinion of current fair market value of the appraised subject property and the intended use of the appraisal shall be to aid in or support decisions related to the disposition of property pursuant to the Land Banking statutes found in MCA 77-2-362, et.seq.

## **PROPERTY RIGHTS APPRAISED**

The property rights appraised are those of the fee simple rights of the property ownership subject to any easements or reservations of record. Fee simple estate is 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.<sup>1</sup>

<sup>1</sup> The Dictionary of Real Estate, 4<sup>th</sup> Edition, Appraisal Institute, Chicago: 2002, p. 113.

## PURPOSE OF APPRAISAL AND DEFINITION OF VALUE

Current Fair Market Value, as used in the following report, is defined in MCA 70-30-313 as:

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

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

## EFFECTIVE DATE OF APPRAISAL AND DATE OF REPORT

The effective date of the value estimate contained in this report is contemporary – as of the last date of inspection – 27 Apr 14. Photographs of the subject property included in this report were taken on the last date of inspection. This written appraisal document was completed, with oral permission from the client's liason, Mr. Bollman – to 07 May 14.

## SCOPE OF WORK USED TO DEVELOP THE APPRAISAL

This appraisal report incorporates by reference specified information/analysis from a prior report so that, in combination, the referenced portions and the new information/analysis added satisfies the applicable reporting requirements.<sup>2</sup>

The <i>prior</i> report was identified as:	<i>Portions of the <u>Preliminary</u> Plat of Skyview Ridge Subdivision, 1<sup>st</sup> Filing (emphasis added)</i>
Client was:	<i>MT DNRC</i>
Intended Users were:	<i>State of MT; MT Board of Land Commissioners</i>
Intended Use was:	<i>To aid in or support decisions related to the disposition of property pursuant to the Land Banking statures found in MCA 77-2-362, et.seq., and to utilize the property for long-term rental uses; for the determination of the compensation to be paid for the lease or license on said subject property.</i>
The appraiser was:	<i>Steven M. Repac, of The Appraisal Group, Ltd.</i>
The effective date of value was:	<i>04 May 09</i>
The date of the report was:	<i>20 Jun 09</i>
The interest appraised was:	<i>Surface rights of the property ownership, subject to any easements.</i>

<sup>2</sup> Advisory Opinion 3 (Update of a Prior Appraisal), USPAP 2014-2015 Edition, The Appraisal Foundation, pp. A-7-9.

The appraisal problem to be solved is this: the client desires to know the value of certain real property, as described herein, for the purpose of selling same at public auction. This valuation involves assumptions or conditions which do not exist as of the date of appraisal – but are assumed for the purposes of this report.

The scope of this appraisal, specifically, the extent of the process of collecting, confirming, and reporting data, is presented as a means of conveying the methodology employed in assembling data. The scope of this appraisal included a detailed inspection of the subject site and the subject improvements and a current review and analysis of neighborhood development trends. The subject property was previously analyzed using all appropriate, accepted valuation techniques and the appraisal process included the assemblage, verification and analysis of all appropriate market data; and finally, reconciliation of the property's value.

In this particular appraisal, the *prior* appraisal report was primarily utilized for both general and detailed information pertaining to the subject property, the comparable sales and rental information and the area real estate market. Data sources included, but were not limited to, office files, market participants including brokers, agents, investors, buyers and sellers, lenders, the Yellowstone County Clerk and Records Office, the Yellowstone County Assessor's Office, the Billings/Yellowstone County Planning Department, and information from property owners.

Cost estimates derived from the engineering offices of Sanderson Stewart, Inc., were relied on to project construction cost estimates for infrastructure that relate to this specific appraisal. Any off-site development costs are assumed to be negligible for the purposes of this report (see *Assumptions and Limiting Conditions*).

Portions of the *prior* appraisal report included an income or subdivision development approach to value. The *prior* appraisal report contained no analysis of project feasibility with respect to project analysis or supply and demand analysis; this new report mirrors that approach – none was undertaken for this appraisal report. The *prior* appraisal report conducted no housing demand forecasts or analyses of competing projects or project absorption – this appraisal report does not either (see *Assumptions and Limiting Conditions*).

## PERSONAL PROPERTY / FIXTURES / INTANGIBLE ITEMS

No items of personal property, fixtures or intangible items are included in the value estimates provided herein.

## ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal report has been made with the following *general assumptions*:

1. No responsibility is assumed for the legal description or for matters including legal or title consideration. Title to the property is assumed to be good and marketable unless otherwise stated.
2. The property is appraised as if free and clear of any and all liens or encumbrances unless otherwise stated. ***No title report was provided to the appraiser.***
3. Responsible ownership and competent property management are assumed.
4. The information furnished by others is believed to be reliable. However, no warranty is given for its accuracy.
5. All engineering and architectural data is assumed to be correct. The plot plans, building plans, and all other illustrative material in this report are included only to assist the reader in visualizing the material.
6. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for arranging engineering studies that may be required to discover them.
7. It is assumed that there is full compliance with all applicable federal, state and local environmental regulations and laws unless noncompliance is stated, defined, and considered in the appraisal report.
8. Unless otherwise stated in this report, the existence of hazardous substances, including without limitation asbestos, polychlorinated biphenyl's, petroleum leakage, or agricultural chemicals, which may or may not be present on the property, or other environmental conditions, were not called to the attention of nor did the appraiser become aware of such during the appraiser's inspection. The appraiser has no knowledge of the existence of such materials on or in the property unless otherwise stated. The appraiser, however, is not qualified to test such substances or conditions. If the presence of such substances, such as asbestos, urea formaldehyde foam insulation, or other hazardous substances or environmental conditions, may affect the value of the property, the value estimated herein is predicated on the assumption that there is no such condition on or in the property or in such proximity thereto that it would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them.
9. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a non-conformity has been stated, defined, and considered in the appraisal report.

10. It is assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained herein is based.

11. It is assumed that the utilization of the land and improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.

12. This appraisal report has been made with the following **extraordinary assumptions**:

- This appraisal assumes that all zoning in Skyview Ridge Subdivision reflects the highest and best use of the lots as platted in the preliminary plat.
- No analysis of project feasibility with respect to project analysis or supply and demand analysis was undertaken in this report. No housing demand forecasts or analyses of competing projects or project absorption were conducted. This appraisal assumes that Skyview Ridge Subdivision is an economically viable project and reflects the highest and best use of the lots as platted in the preliminary plat.

13. This appraisal report has been made with the following **hypothetical conditions**:

- This appraisal report assumes that the State of Montana will participate in subdivision infrastructure costs to enable legal and physical access off Wicks Avenue to the north. It is also assumed that no off-site improvement costs apply to the property that is subject to this appraisal report.

This appraisal report has been made with the following **general limitations**:

1. The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated program of utilization. The separate allocations for land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.

2. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event only with proper written qualification and only in its entirety.

3. The appraiser herein by reason of this appraisal is not required to give further consultation, testimony, or be in attendance in court with reference to the property in question unless arrangements have been previously made.

4. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, sales, or other media without the prior written consent and approval of the appraiser.

## IDENTIFICATION OF THE REAL ESTATE INVOLVED IN THE APPRAISAL

This appraisal report concerns approximately 32.045 acres of real estate that is composed of a first filing of a much larger conceptual subdivision located in the "Heights" area of Billings. The subdivision's name is Skyview Ridge Subdivision; the larger and remaining portion of the subdivision (some 223.335 acres +/-) has yet to receive preliminarily plat status.

**Sales History:** The State of Montana has owned all the real estate that is the subject of this report for many years. A review of public records reveals no change of ownership with respect to the subject properties in the three-year period preceding the effective date of this appraisal report.

**Tax Information:** The Yellowstone County Assessor's records for the subject property reflect the following:

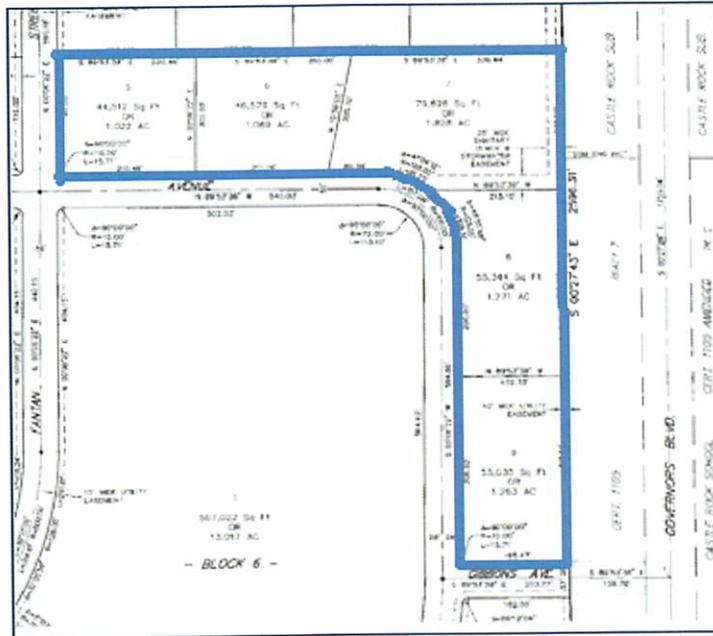
<b>Assessment and Tax Information</b>			
<b>Tax Code</b>		<b>Market Value</b>	<b>2013 Taxes</b>
<b>X00427</b>	Land (All other)	\$17,358	
	Improvements	<u>0</u>	
<b>Total</b>		<b>\$17,358</b>	<b>\$3,694.00</b>

Taxes reported above are for the 2013 tax year and pertain to real property only. Public records indicated that taxes were current as of the effective date of this appraisal report.

**Assessments:** There are no ongoing maintenance charges for SID's.

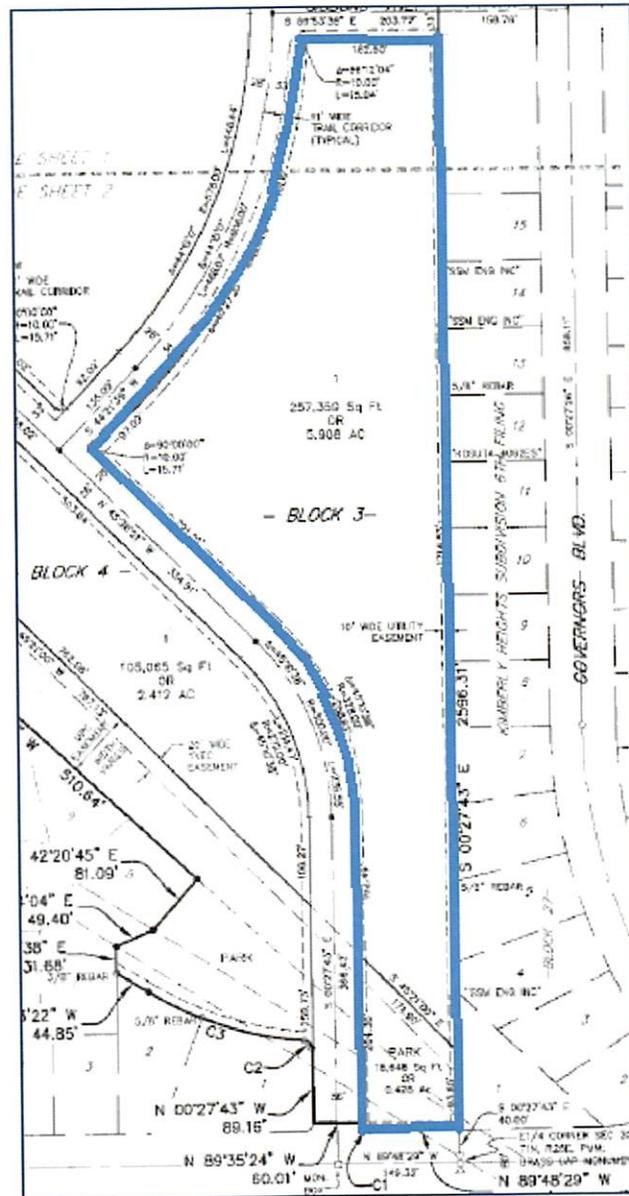
**Individual Tract/Parcel Descriptions:** There are several parcels that are the subject of this report. Below is the legal description and representative plat of each parcel within the Plat of Skyview Ridge Subdivision, 1<sup>st</sup> Filing. The outline of each respective lot is bordered in blue and factual information for each lot is listed below its respective plat depiction.

**Legal Description:** Lots 5, 6, 7, 8, and 9, Block 1, Skyview Ridge Subdivision, 1<sup>st</sup> Filing



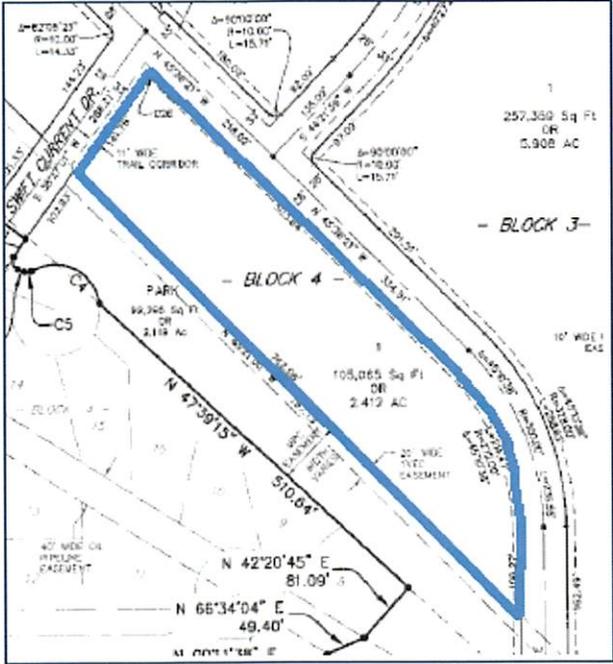
Lot Size: 6.453 acres (+/-), or 281,096 sq.ft. (+/-)  
Zoning: R-6000 (Residential, Medium-Density)

**Legal Description:** Lot 1, Block 3, Skyview Ridge Subdivision, 1<sup>st</sup> Filing



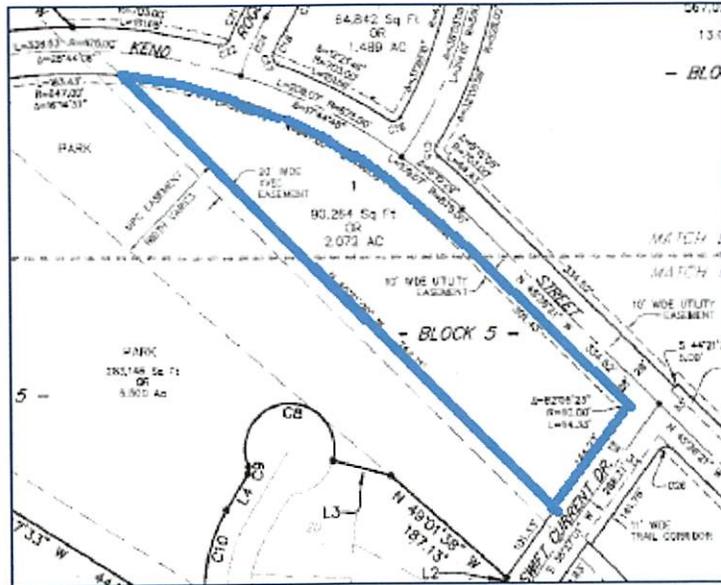
Lot Size: 5.908 acres (+/-), or 257,359 sq.ft. (+/-)  
 Zoning: R-9600 (Residential, Single-Family)

**Legal Description:** Lot 1, Block 4, Skyview Ridge Subdivision, 1<sup>st</sup> Filing



Lot Size: 2.412 acres (+/-), or 105,065 sq.ft. (+/-)  
Zoning: R-9600 (Residential, Single-Family)

**Legal Description:** Lot 1, Block 5, Skyview Ridge Subdivision, 1<sup>st</sup> Filing

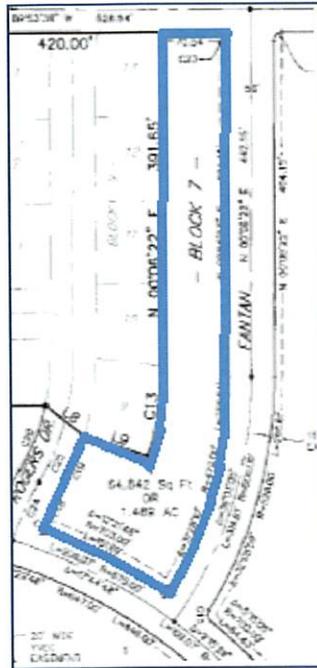


Lot Size: 2.072 acres (+/-), or 90,254 sq.ft. (+/-)

Zoning: R-7000-R (Residential, Single-Family – Smaller Lots)

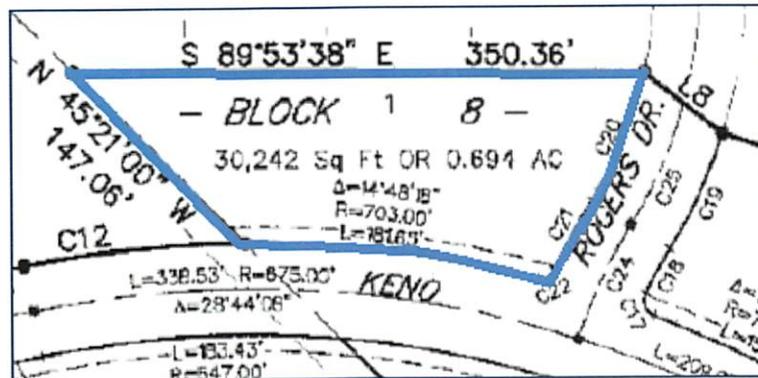


**Legal Description:** Lot 1, Block 7, Skyview Ridge Subdivision, 1<sup>st</sup> Filing



Lot Size: 1.489 acres (+/-), or 64,842 sq.ft. (+/-)  
Zoning: R-7000-R (Residential, Single-Family – Smaller Lots)

**Legal Description:** Lot 1, Block 8, Skyview Ridge Subdivision, 1<sup>st</sup> Filing



Lot Size: 0.694 acres (+/-), or 30,242 sq.ft. (+/-)  
Zoning: R-7000-R (Residential, Single-Family – Smaller Lots)

**Composition of Identified Land within Subdivision by Area**

<i>Item</i>	<i>Area (Acres)</i>	<i>Area (Sq. Ft.)</i>	<i>% of Total</i>
<i>Lots 5, 6, 7, 8, and 9, Block 1</i>	6.453	281,093	20.1
<i>Lot 1, Block 3</i>	5.908	257,352	18.4
<i>Lot 1, Block 4</i>	2.412	105,067	7.5
<i>Lot 1, Block 5</i>	2.072	90,256	6.5
<i>Lot 1, Block 6</i>	13.017	567,021	40.6
<i>Lot 1, Block 7</i>	1.489	64,861	4.6
<i>Lot 1, Block 8</i>	<u>0.694</u>	<u>30,231</u>	<u>2.2</u>
<i>Total</i>	32.045	1,395,881	100.0 (rnd.)

**Composition of Identified Land within Subdivision by Zoning**

<i>Item</i>	<i>Zoning</i>	<i>Area (Sq. Ft.)</i>	<i>% of Total</i>
<i>Lots 5, 6, 7, 8, and 9, Block 1</i>	R-6000	281,093	20.1
<i>Lot 1, Block 3</i>	R-9600		
<i>Lot 1, Block 4</i>	R-9600	362,419	26.0
<i>Lot 1, Block 5</i>	R-7000 R		
<i>Lot 1, Block 6</i>	R-7000 R		
<i>Lot 1, Block 7</i>	R-7000 R	<u>752,369</u>	<u>53.9</u>
<i>Lot 1, Block 8</i>	R-7000 R		
<i>Total</i>		1,395,881	100.0 (rnd.)

## REGIONAL AND CITY DATA

The following information is updated from the *prior* appraisal report:

Item	Prior Report (04 May 09)	This Report (27 Apr 14)
National Unemployment Rate	8.1%	6.7% <sup>3</sup>
Montana Unemployment Rate	6.0%	5.2%
Yellowstone Co. Unempl.Rate	3.5%	4.4%
Federal Funds Target Rate	0.25	0.25
Dow Jones Industrial Avg.	8,575	16,558
Consumer Confidence	Pessimistic	Optimistic
Growth rate expected next yr.	0.05%	3.0%
Billings' SFR Home Permits	261 (2008)	409 (2013)
Billings' Multi-Family Permits	30 (2008)	30 (2013)
Rental Occupancy Levels	95%	98%, but with softening
30-yr. FHA loan rate	4.5% – 5.0%	4.0% – 4.3%
Mortgage Insurance Premium	Waived if > 12% down	11 yrs. to life of loan
Credit Score Minimum	620	620
Bulk of SFR loans for:	Refinancing	Purchasing
Billings SFR Avg. Sale Price	\$198,582	\$225,966
Non-Resident Visitors	10,000,000	11,020,000

### *Montana's Current Overall Outlook –*

The Bureau of Business and Economic Research summed up the outlook for Montana (and the construction industry in particular) in 2013 a while ago:

The construction industry in the Billings area was not hit as hard as elsewhere in the state. Our outlook for the state calls for the stronger growth experienced in 2012 to continue. Statewide we expect to see growth in inflation-adjusted nonfarm earnings build to a peak of 3.0 percent by 2014... (e)arly evidence suggests that new construction, especially multifamily units serving rental markets, has responded with modest increases. It has experienced continued moderate growth since the cycle trough in 2009. We expect residential construction to improve significantly in 2013.<sup>4</sup>

<sup>3</sup> U.S. Dept. of Labor, Bureau of Labor Statistics

<sup>4</sup> Much of the material in this section was condensed from Montana & Yellowstone County's Economic Outlook, Bureau of Business and Economic Research, University of Montana, Missoula, MT. Retrieved 6 Dec 13 from the BBER website: <http://www.bber.umt.edu/data/Forecasts.asp>

## *Yellowstone County / Billings' Current Outlook –*

### New Construction

As numbers go, the pace of new construction permitting for Billings' single-family housing has increased approximately 56.7% over the year just prior to the effective date of the previous appraisal report (2009). Billings' home construction returned to its pre-recession levels last year. The 409 housing starts permitted by the City were the most since 2007, when 427 were recorded.<sup>5</sup> Home sales have increased 27% since 2009 even though thirty percent of first-time homebuyers cannot get financed for low or no down payment FHA loans. Homeowner's in Billings are also tackling remodeling projects at a faster pace than last year, according to some local builders.<sup>6</sup> Montana's annual growth is a full percentage point higher than the national rate, but it still lags behind the 89.2 percent growth seen between 2001 and 2008.<sup>7</sup> The average sales price for the first three months of 2014 was \$223,650, about 8 percent more than the same period the previous year, according to the Realtors association.<sup>8</sup>

### Rental Units / Property Managers

Construction of rental housing has really taken off over the last two years.<sup>9</sup> Permits for multi-family new construction are on par with that noted in the prior report; reports are just now coming in, however, that note a "softening" in high-end rents in the area – presumably due to the effects of the new construction of multi-family units in town. One property manager noted an increase in vacancies just this past quarter.<sup>10</sup> On balance, however, rental property may remain hot because home construction is still recovering.

### Bakken Influence

North Dakota is now the country's No. 2 oil-producing state and predictions are that production will double again by 2017. Seven years into the Bakken boom, oil producing and service companies are opening regional offices in Billings.<sup>11</sup> Two major announcements in October of 2013 suggest energy could give the local economy a boost in 2014. Burlington Northern Santa Fe Railroad announced that it expected Bakken oil development to intensify on the Montana side

<sup>5</sup> Billings Gazette, Building on Success, (4 May 14), pp. D1-D3.

<sup>6</sup> Billings Gazette, Moving Up without Moving Out, (5 May 13), pp. 1-6.

<sup>7</sup> Billings Gazette, Montana's Economy sees Stronger Growth in 2013, (22 Dec 13), pp. 1-4.

<sup>8</sup> Billings Gazette, Billings Housing Market Back on Pace after Record Winter, (20 Apr 14), pp. D1, D5.

<sup>9</sup> Billings Gazette, Rental Resurgence, (2 Mar 14), p. C1, C5.

<sup>10</sup> Conversations with Bob Leach of Dual Agents Property Management (406.254.2468), and Tamarack Property Management (406.252.3773)

<sup>11</sup> Billings Gazette, Bakken Boom Benefits Billings, (22 Dec 13), pp. 13-15.

of the border. Accordingly, the railroad opened an economic development office in Billings to meet demand for new or expanding rail facilities, specifically rail industrial parks 80 to 200 acres in size. In Yellowstone County, manufacturers have done well, primarily because of strong economic growth in the petroleum and agriculture industries. The booming economy of the Bakken oilfield and Canadian tar sands is a significant driver of manufacturing demand. Yellowstone County's manufacturing economy was the only one in the state to see positive growth through the recession, according to the Research and Analysis Bureau of the State Department of Labor and Industry.<sup>12</sup>

*Interviews with Local Area Developers / Builders / Lenders –*

Building activity is the best it has been for quite some time; nonetheless, the builders that were interviewed for this assignment expressed a cautious optimism about the future – they definitely remember the sharp recessionary period and depressed markets for real estate just five years ago. The tendency to purchase land and hold it for speculation is tempered with the desire to build out lots that are already in inventory. All builders interviewed related that it is the sale of the last few lots in any development that are able to show a profit on the whole purchase of land – and a mistake on the "going in price" will drastically affect profit margins in the land component of a development. There have not been any new sales of development land in the Heights since the effective date of the *prior* report. All developers referenced the older sales and commented on whether any newer offers might be significantly different than the offers during that earlier period. Most opined that they couldn't rationalize spending any more for land than in the earlier period because they had "lost" so much by holding inventory before.

Lenders are still loaning money for residential customers in Billings, but credit requirements have stiffened again. Lenders are still reporting that residential borrowers need to have a minimum credit score of 620 points to secure a loan. The FHA loan threshold is currently \$271,050 and the down payment needs to be 3.5% of the purchase price. People continue to not have larger sums of cash for a down payment however, and this – coupled with credit tightening – underscores the continued buoyancy of the rental market. Mortgage insurance premiums (MIP) have been changed: now MIP can be reduced to a term of 11 years only when the equity is over 10% of the property's value. Most lenders report that they are busier now with purchases than

<sup>12</sup> Billings Gazette, Energy Industry Boosts Yellowstone County Economy, (22 Dec 13), pp. 13, 15.

before – when refinancing comprised most of the activity. Home loan rates are yielding 4.0% for a first-time homeowner on a 30-year fixed FHA loan.

### Conclusion

After a frustratingly slow recovery from the severe recession of 2007 to 2009, the national economy is projected to grow at a solid pace in 2014 and for the next few years. The CBO estimates that the national economy will continue to have considerable unused labor and capital resources (or “slack”) for the next few years.<sup>13</sup> Nationally, the median home price for a house rose to \$184,300, which represented an 11.8 percent increase from a year earlier. New home sales were 18.5 percent higher than during the same period last year, and economists generally expect construction of new homes to gain momentum this year.<sup>14</sup>

Regionally, Montana benefits from the “ripple effects” of being located adjacent the Bakken oilfield. North Dakota has been going through one of the largest economic booms of any state in the last few years due to increased activity in the Bakken formation. Bismarck has reaped the benefits of this boom. The metro area's GMP grew by 8.5% in 2012, the seventh largest growth rate of any metropolitan area that year. As of November of 2013, no metropolitan area had a lower unemployment rate than Bismarck, where just 2.4% of the labor force was without a job. According to The Bismarck Tribune, the pace of the oil boom in the region has slowed but is still expanding rapidly. IHS Global Insight (an economic think tank) estimates Bismarck's GMP will increase by 3.5% this year – one of the largest increases of any metro area.<sup>15</sup> Development in the Bakken oil fields have created demand for housing all the way to Billings, with some people looking for second homes or permanent homes for their families in Yellowstone County.<sup>16</sup>

Montana, by most accounts, has been spared the effects of sharp unemployment rises due to its location in the desirable upper northwest and its varied economic profile: a general lack of major employment in secondary sectors of the economy (this includes manufactured goods, processing, and construction). As stated in the previous appraisal report, most areas of the U.S. where secondary employment sectors are located have had significant employment layoffs and stagnation – locations such as the upper mid-west (Michigan and Ohio), the west coast (California), southwest (Arizona and Nevada), and the southeast (Florida).

<sup>13</sup> The Budget and Economic Outlook: 2014 to 2024, Congressional Budget Office, <http://www.cbo.gov/publication/45010>.

<sup>14</sup> Billings Gazette, Homes in Demand Again, (16 Jun 13), pp. D1, D4.

<sup>15</sup> America's 10 Fastest-Growing Economies, USA Today, 1 Feb 14, <http://www.usatoday.com/story/money/business/2014/02/01/america-growing-shrinking-economies/5089373/>

<sup>16</sup> Billings Gazette, Billings Housing Market Back on Record Pace after Record Winter, op. cit.

Montana continues to be fairly diversified economically and has significant amounts of its employment in primary (raw materials and agriculture), secondary (service industries), tertiary (government and education), and quaternary (universities and healthcare) sectors of the economy. Most banks in this region have continued to exercise prudent lending: they've not overextended themselves with problem loans or injudicious management.

Locally, employment has picked up in Yellowstone County and home prices have advanced for more than a year; the shortage of housing inventory has created upward pressure on housing prices. The shift in both commercial and residential real estate construction starts is evident: housing starts are rivalling the upswings of the past decade and commercial real estate has shown a strong presence. Records were being set in 2013 for the rapid pace of commercial construction in Billings, based on the dollar invested. Through November of 2013, the city of Billings issued nearly \$395 million in commercial and residential building permits. The hotel building spree is likely to top the six hotels built during the last boom in 2006; and at least three major oil producing and service companies opened regional offices in Billings.<sup>17</sup> Even so, developing real estate continues to be a risky business, albeit less so in good times. For example, local engineering firms and contractors estimate that the cost to bring infrastructure improvements to new subdivisions – averaging \$3.00 to \$4.00 per sq.ft. as of the effective date of the previous appraisal report – is a “wildcard” that is buffeted by the price of oil, raw materials, and labor costs.<sup>18</sup>

As it concerns the focus of this assignment, it is fair to say that Billings' real estate market is thought to have changed and is now a “seller's market;” multiple offers and full-price offers are becoming more common. Houses priced at the higher end of the market are also seeing a rebound. More buyers are shopping for homes priced from \$300,000 to \$500,000, and both hospitals are recruiting in the medical field.<sup>19</sup>

<sup>17</sup> Billings Gazette, Raising Roofs, (29 Dec 13), pp. D1, D4.

<sup>18</sup> Interview with developers and their lead real estate agents.

<sup>19</sup> Billings Gazette, Homes in Demand Again, op.cit.

## NEIGHBORHOOD DESCRIPTION

The subject properties are situated in a newer and developing neighborhood located approximately three miles north of the Billings central business district. For the most part, neighborhood characteristics remain the same as during the period of the *prior* appraisal report. The following is a brief overview of the neighborhood characteristics:

The neighborhood developed approximately 20 to 30 years ago as a moderate-income residential area, with commercial land uses limited to areas along Wicks Lane; the focus of the development had been Lake Elmo State Park, but it gave way to the general development of the Heights area and the connectivity to Billings Skyview High School. Since the mid-1990's, new construction dominated; the majority of the residential lots and subdivisions were built during the period from 1994 through 2006. Subsequent commercial construction and supporting land uses followed to capitalize on the relatively young population cluster found in this area.

The area is included in the five-year capital improvement program (until 2018) for the City of Billings. The March 2006 Inner Belt Loop Connection Planning Study lists two separate estimates of average daily traffic count for Wicks Lane west of Governors/Glen Eagles Boulevard: the estimates range from 8,500 to 9,400 vehicles in year 2027. This future projection assumes that: 1) Skyview High School reaches peak enrollment, 2) the area adjacent to this intersection continues to grow at a rapid pace, and 3) the inner belt loop has been constructed by year 2015. The construction of the Inner Belt Loop will be built in phases: Phase 1 of the Inner Belt Loop will construct the roadway from Wicks Lane to Alkali Creek Road; Phase 1 was bid in September 2013 and construction is anticipated to be complete by May/June 2014. The City of Billings has \$3,000,000 approved in its FY14-18 Capital Improvement Program for Construction from Wicks Lane to Alkali Creek Road on the Inner Belt Loop designation.

The area features a preponderancy of high-voltage electric lines which crisscross the neighborhood. Historically, residential lots near the power lines and towers sell last in a subdivision; however, most all remaining lots in older subdivisions eventually fill in below tower structures. To a great extent, it appears that the utility lines have been accepted as part of the features of the neighborhood, however, some discounts to land pricing proximate to the power line corridor are not unexpected.

In summary, the neighborhood is best characterized as a newer residential neighborhood with limited amounts of commercial and professional land uses. Infrastructure is newer and in many cases is in need of extension to areas within the neighborhood that are newly annexed. No observable trend toward feature properties, such as newer restaurants, hotels, retail stores, entertainment centers, educational or medical institutions, etc., is noted to have occurred in the area since the effective date of the *prior* appraisal report. The viability of this neighborhood for residential and light commercial land uses is expected to continue into the foreseeable future – particularly along the major arterials of Wicks Lane and Governor’s Boulevard.

## HIGHEST AND BEST USE

The Appraisal of Real Estate, 13<sup>th</sup> Edition, published by the Appraisal Institute defines "Highest and Best Use" as follows:

"The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value."

It is to be recognized that in cases where a site has existing improvements on it, the highest and best use may very well be determined to be different from the existing use. The existing use will continue, however, unless and until land value in its highest and best use exceeds the total value of the property in its existing use.

Implied within the above definition is recognition of the contribution of that specific use to community environment or to community development goals in addition to wealth maximization of individual property owners. Also implied is that the determination of highest and best use results from the appraiser's judgment and analytical skill, i.e., that the use determined from analysis represents an opinion, not a fact.

The highest and best use analysis is a progressive process whereby the determined highest and best use is found to meet each of the following four criteria:

**Physically Possible** - Are there any physical characteristics that would preclude development or limit potential uses?

**Legally Permissible** - What uses are permitted by local zoning regulations and private deed restrictions?

**Financially Feasible** - Which possible and permissible uses will produce a net return to owner of the subject property?

**Maximally Productive** - Among the feasible uses, which will produce the highest net return or highest present worth?

For the purposes of this report, all zoning that is stated is assumed to be the highest and best uses of the properties; the client has requested an analysis of the subject parcels based upon pre-established zoning criteria. No analysis is therefore made of the above listed four criteria in reference to any of the parcels. Please review the *Extraordinary Assumptions* and *Hypothetical Conditions* in this report for further clarification.

**Highest and Best Use as If Vacant**

*Physically Possible:* Not considered (see above comments).

*Legally Permissible:* Not considered (see above comments).

*Financially Feasible:* Not considered (see above comments).

*Maximally Productive:* As below (see above comments).

Plat of Skyview Ridge Subdivision, 1<sup>st</sup> Filing, located in Yellowstone County, MT:

Lots 5-9, Block 1	R-6000 (Multi-Family up to 10 units)
Lot 1, Block 3	R-9600 (Single Family Residential)
Lot 1, Block 4	R-9600 (Single Family Residential)
Lot 1, Block 5	R-7000-R (Single Family Restricted)
Lot 1, Block 6	R-7000-R (Single Family Restricted)
Lot 1, Block 7	R-7000-R (Single Family Restricted)
Lot 1, Block 8	R-7000-R (Single Family Restricted)

**Highest and Best Use as Improved**

*Physically Possible:* Not considered (see above comments).

*Legally Permissible:* Not considered (see above comments).

*Financially Feasible:* Not considered (see above comments).

*Maximally Productive:* As below (see above comments).

Plat of Skyview Ridge Subdivision, 1<sup>st</sup> Filing, located in Yellowstone County, MT:

Lots 5-9, Block 1	R-6000 (Multi-Family up to 10 units)
Lot 1, Block 3	R-9600 (Single Family Residential)
Lot 1, Block 4	R-9600 (Single Family Residential)
Lot 1, Block 5	R-7000-R (Single Family Restricted)
Lot 1, Block 6	R-7000-R (Single Family Restricted)
Lot 1, Block 7	R-7000-R (Single Family Restricted)
Lot 1, Block 8	R-7000-R (Single Family Restricted)

Definitions and Characteristics of Applicable Zoning in this Report<sup>20</sup>

**Residential 6,000 (R-6000)**

A zone intended to provide for medium density residential dwellings on lots served by public water and sewer services, with provisions for multi-family dwellings with a maximum of ten (10) dwelling units per structure. The number of units placed on the property depend on the size of the lot.

**Residential 7,000 Restricted (R-7000-R)**

A residential zone intended to primarily provide a single family residential environment on smaller lots at a medium density that are served by a public water and sewer service. One single family home is allowed on a lot of 7,000 sq.ft. or greater; no duplexes are allowed; modular homes are allowed.

**Residential 9,600 (R-9600)**

A zone intended to promote primarily a single-family residential environment on lots that are served by public water and sewer service. It is the most restrictive residential zoning in the city.

<sup>20</sup> Unified Zoning Regulations, City of Billings and Yellowstone County Jurisdictional Area

## THE APPRAISAL PROCESS

The valuation process is a systematic procedure employed to provide the client with an indication of real property value. It is accomplished by following specific steps, the number of which depends on the nature of the appraisal assignment and the availability of data necessary to complete it. In assignments to estimate market value, the ultimate goal of the valuation process is a well-supported conclusion that reflects the appraiser's study of all influences on the market value of the property being appraised.

It is important to note that the subject property is being appraised *as-is*: that is, the real estate is reflective of raw land that is improved to a slightly higher state. True raw land typically hasn't any improvements that accrue to it – it is simply land that has never been improved to any extent; it hasn't any infrastructure, platting, zoning, roadways or streets, etc. The subject real estate, however, is decidedly different: it does have a plat, and is approved for several different types of zoning. In addition, the subject has gone through many hours of critical analysis at the engineering level, so as to maximize its potential and minimize some of its more detrimental aspects (high-power electrical and gas line easements). At this juncture, the subject has no infrastructure improvements or interior streets, and has not participated in any off-site improvement costs – all of which need to be developed or incurred in order for the subject to be represented as a viable subdivision, ready for retail sale. This appraisal report assumes that the State of Montana will participate in subdivision infrastructure costs to enable legal and physical access off Wicks Avenue to the north. It is also assumed that no off-site improvement costs apply to the property that is subject to this appraisal report. (See *Extraordinary Assumptions & Hypothetical Conditions*)

The *prior* appraisal report included the various procedures applicable for the valuation of the subject property as of that earlier effective date of value. This report need only update the results of the conclusions based on any newer and germane data that was uncovered since the *prior* report. The appraiser will therefore (1) skip to the earlier conclusions of value and concentrate on those portions of that assignment applicable to the current assignment, and (2) ascertain the value of the land involved in the current assignment.

## MARKET ANALYSIS AND CONCLUSIONS

The subject tracts are valued as if vacant and available for development to their highest and best use. Normally, this is best accomplished by making a direct comparison to comparable residential land sales that have taken place in the Billings Heights real estate market. The Billings Heights neighborhood was researched for sales data that could be used to estimate the value of the parcels on this project. After reviewing available sales information, it was determined that the sales summarized in the *prior* appraisal's Sales Catalog (not included within this appraisal) are still the only valid land sale comparisons in the Heights, albeit being older sales. Newer sales of larger tracts of raw and undeveloped land were not noted in the Heights per se.

The *prior appraisal report* reflected the following values for the subject property:

<u>Legal Description</u>	<u>Zoning Class</u>	<u>Estimated Value</u>
Lots 5-9, Block 1	R-6000	\$425,000
Lots 1, Blocks 3 & 4	R-9600	\$ 85,000
Lots 1, Blocks 5, 6, 7, & 8	R-7000R	<u>\$365,000</u>
of the Preliminary Plat of Skyview Ridge Subdivision, 1 <sup>st</sup> Filing, located in Yellowstone County, Montana.		
Total		\$875,000

That value (\$875,000) represented \$27,305 per acre for the subject's 32.045 acres. The question now to be answered is: Has this value changed since the effective date of the *prior* appraisal report? Once again, the Heights was canvassed for developmental land sales that have occurred since the *prior* report – no sales of similar land were able to be identified. Indeed, there have been few land sales that were purchased by developers *in the city of Billings* since the effective date of the *prior* report. Of these, nearly all have been on the west-end of Billings. Four sales and one expired listing are listed in the table on the following page – all are located on Billings' west-end.

**Selected Sales of Larger Tracts for Residential Subdivision Purposes**

Item	Sale 1	Sale 2	Sale 3	Sale 4	Listing 1
Location	SEC Rimrock Road & 54 <sup>th</sup> St. West	East side of 54 <sup>th</sup> St. West	NEC Grand Ave. & 60 <sup>th</sup> St. West	South side of Grand Ave., east of 56 <sup>th</sup> St. West	SWC Rimrock & 62 <sup>nd</sup> St. West
Legal	Tracts 1 & 2 of COS No. 2054	Lots 1-10, B 1; Lots 5-14; B 2; Lots 1 & 2, B 3; Lot 5, Block 4, Grand Peaks Subdivision, 5 <sup>th</sup>	Lots 1-7, Block 1; Lots 1-16 Block 2, and Lots 1 & 2 in Block 3, Foxtail Subdivision	E2W2NW4NW4, N2E2NW4NW4 of Sec. 4, T1S, R25E, M.P.M.	Lots 9, 10 and 23, Sunny Cove Fruit Farms Subdivision
Grantor	Pinnacle Bank of WY, Inc.	Bishop Fox Co.	Kenmark Corp.	Bell Real Estate Holdings, LLC	Granata
Grantee	Dorn, et.al.	J & S Development Co.	Kunkel	Regal Land Development, Inc.	N/A
Cash Eq. Price	\$2,310,000	\$325,000	\$350,000	\$751,947	\$750,000
Sale Date	18 Jun 13	28 Mar 11	1 Nov 11	9 Oct 13	N/A
Size	63.89 acres	9.1744 acres	9.33 acres	20.00 acres	28.43 acres
Zoning	PUD	R-7000	R-9600 & R-7000	A-0	R-15000
\$/Ac.	\$36,207	\$35,425	\$37,513	\$30,000	\$26,381

Sale 1 is the sale of a property that was bank-owned and sold at advertised public auction in June of 2013. At the time of sale the property had preliminary plat approval and had been annexed into the city limits with PUD zoning (underlying zoning was a mixture of residential multi-family and single family). All city services are readily available to the property. The sale was purchased by a partnership of real estate developers who have other subdivisions throughout Billings.

Sale 2 is located adjacent to the east of Phase 2 of the Grand Peaks Subdivision. The buyers were motivated to acquire this property as it provided a much cheaper alternative to the second access point for their Phase 2 project. Without this parcel, it would have been necessary to develop Grand Peaks Drive through Phases 3 and 4 in order to access 54<sup>th</sup> St. West – that scenario was a costly and undesirable alternative given market conditions in late 2010. The parcel had been annexed into the city and had R-7000 zoning, and 54<sup>th</sup> St. West had city water and sewer trunk lines – all it needed was a plat. The buyers also obtained an option to purchase Lot 4 of the Bishop Fox Subdivision at the same time as this transaction. Lot 4 has 9.1447 acres and

the terms are identical to the above sale; the buyer had one year to exercise the option. This parcel is also zoned R-7000.

Sale 3 is located adjacent to the west of Foxtail Village Subdivision, 1<sup>st</sup> Filing. City water and sewer lines will be extended from Phase 1 to this property. Lots 1 and 2, Block 3 are intended for patio home development while the lots are slated for single-family development. The developer will be required to pay for the build-out of the east half of 60<sup>th</sup> Street West at the time of development and will also be required to make a cash-in-lieu payment for their portion of the eventual build-out of Grand Avenue. These are the two primary off-site costs associated with development. This sale was first offered for purchase in December, 2009 at \$650,000; the price was lowered to \$550,000 in October of 2010; and eventually sold for \$350,000.

Sale 4 is located along the south side of Grand Avenue just east of 56<sup>th</sup> St. West. The parcel had a 3,027 sq. ft. one-level ranch-style home on it that was built in 1976, along with some outbuildings. The home was leased at the time of sale and the property sold on a contract for deed with a short-term payout; the interest was added into the purchase price. The contributory value of the improvements was estimated at \$150,000, leaving approximately \$30,000 per acre for the value of the land. The land was purchased by a well-known local developer who plans on annexing and bringing city services into the property in a few years.

Listing 1 is located at the SWC of Rimrock Road and 62<sup>nd</sup> St. West. The listing was contracted for a little over a year, beginning 7 Mar 13 and it expired on 25 Feb 14 with no reductions in price. The property is outside of the city limits, but in close proximity to Copper Ridge Subdivision. Most of the interest in the property was reported to be from individuals wanting to build one or two homes on the property; several developers contacted the Realtor but nothing more transpired. The property has a higher water table and an irrigation ditch runs through the property, which may have hampered development aspirations.

The indicated values per acre from the Billings west-end sales range from \$30,000 to \$37,813; the mean price is \$34,786 and the median price is \$35,816 per acre. A fundamental problem exists, however, in making comparisons with land sales located on Billings' west-end with land sales in the Heights – west-end land sales consistently reflect more value per acre. The appraiser has compared sales prices of finished lots on the west-side with sales of finished lots in the Heights: sales prices for R-9600 zoned lots in a new subdivision in the Heights will commonly exhibit a 25% differential between similarly sited lots on the Billings west-end. This type of difference is thought to accrue to the bulk of larger land sales as well, although the magnitude of difference is harder to quantify. Older sales of land parcels from the west-end and the Heights were

also studied, but enough differences in the quality of entitlements remained that it was hard to project an exact percentage difference. The appraiser interviewed a good quantity of market participants, e.g., knowledgeable Realtors, developers, etc., and all stated developable land on the west-end of Billings would merit some degree of price difference in excess of comparable land in the Heights.

In the appraiser's view, several additional factors should be considered:

1. The contributory value of platting, accruing engineering costs, and zoning approval already obtained by the seller.
2. The likely effect that a sale to one buyer would have on the purchase price of the subject, when the lack of competition is accounted for.
3. The effect that current market conditions have on the value of the subject land.
4. What lessons have been learned from the previous recession and how do they impact purchase decisions for developers going forward?
5. A significant amount of land sales transactions for development are purchased in "stages," with options on future phases.

These factors are discussed below in more detail:

1. The fact that the subject is already platted, zoned, and preliminary cost estimates have been compiled saves a potential buyer/developer approximately eight months to a year of time and several thousands of dollars. There is consensus regarding these points, and all else equal, this should add value. The market is "hot" at the present time, and it appears that it may stay that way for an extended period, but conditions can change and risk is abated when development can proceed during times that market participants are purchasing property. The DNRC estimates that they have spent the equivalent of \$21,000 for engineering, platting, etc., on the subject's 32 acre portion – this would equate to a little more than \$650 per acre. The relative mix of zoning classifications on the subject property could have a degree of impact on the bidding process; as earlier related however, this appraisal report assumes that the zoning as-described is, in fact, the highest and best use of the subject property.<sup>21</sup>

<sup>21</sup> The *prior* appraisal report contained no analysis of project feasibility with respect to project analysis or supply and demand analysis; this new report mirrors that approach – none was undertaken for this appraisal report. The *prior* appraisal report conducted no housing demand forecasts or analyses of competing projects or project absorption – this appraisal report does not either (see *Assumptions and Limiting Conditions*).

2. Few developers in this city have the wherewithal to develop 32 acres at one time; especially when developers may be already involved with build-out on their own projects they've already had in inventory. It may be that the lack of competition for capable buyers/developers could hamper a bidding process – thereby creating a “discount” for lack of effective participation.
3. There is little question that the housing industry has accelerated in Billings from the time of the effective date of the *prior* appraisal report. Lots are now selling that in earlier times (2009 – 2011) would not have sold; however, it appears that the lots are not selling for much more than they did prior to the recession – it just seems that once again, “the ball is rolling.” Accordingly, the appraiser did not make a market conditions adjustment a priority issue in this appraisal. To a very large extent this whole issue becomes a moot point when considering the more recent sales of land on Billings’ west-end as guide posts for value; viewed in this context no market condition adjustment is needed.
4. During the recession, developers and Realtors involved with holding subdivision land were caught flat-footed; holding costs and financing charges quickly ate into any profit margins that might have been realized. It is a maxim in the real estate development industry that the last few lots to sell out are the only lots that provide a true rate of return on the purchase of land. The rest of the lot sales provide revenue to pay holding and financing costs. Even though the general real estate market has rebounded, developers are still reluctant to pay more than common sense would dictate is prudent for raw land – knowing that the vagaries of the marketplace can turn against them in a hurry.
5. The requirement of an all-cash sale may impose a restriction on the “top-end” of value. Options allow the developer flexibility with capital outlays and free up monies for infrastructure improvements. The big “plus” however, is that if the developer has a hard “go” with the development’s early stages, he can opt out of the option and not have to pay for additional land – he just forfeits his option money. Also, with a land contract the buyer typically doesn't have to pay closing costs to the seller in the same way that he would if he were borrowing the money from a bank or mortgage lending company.

The ramifications from each consideration listed above are assumed to have the following effects:

**Likely Ramifications from Considerations Discussed Above**

No.	Consideration	Likely Effect	Likely Value Trend
1	Contributory Value of Entitlements	Increase Value	
2	Sale to One Bidder Likely	Decrease Value	
3	Current Market Conditions	Status Quo	
4	Lessons Learned from Recession	Status Quo	
5	Financing Restrictions	Decrease Value	

The net effect of these considerations is probably to emphasize the lower end of a value range, as opposed to the higher end; even though at first glance the thought might be that the valued added from the entitlements would indicate an emphasis on the higher end of the identified range of value. After deliberation, a discount of between 20 to 25 percent is considered to best represent the relationship between the west-end sales cited in this report versus similar sales in the Heights. Accordingly, the mid-point between the aforementioned mean and the median of the west-end sales will be utilized as a starting point before discounting for location:

<u>Starting Point</u>	<u>Discounted by 25%</u>	<u>Value of Subject</u>
\$35,000/acre	\$35,000 / 1.25	\$28,000

<u>Starting Point</u>	<u>Discounted by 20%</u>	<u>Value of Subject</u>
\$35,000/acre	\$35,000 / 1.20	\$29,167

As stated previously, the value of this same parcel in the *prior* report was concluded to be \$27,305 per acre for the subject's 32.045 acres. By contrast, the values concluded above indicate \$28,000 to \$29,167 per acre, which calculate from a 2.55 to a 6.82 percent increase over the value in the *prior* report; or stated differently, from a 0.506 to a 1.33 percent per year increase

compounded over roughly five years. These conclusions of value seem to track with the consensus of the economic indicators previously discussed in this report, plus fit into the scope of the percentage discount demonstrated to exist between the west-end sales at the upper end of value.

This value range (\$28,000 to \$29,167 per acre) represents a total value for the subject of between \$897,260 and \$934,657. Given the ramifications of the considerations discussed on the previous page, the lower end of the range is emphasized for this analysis.

### RECONCILIATION OF VALUES

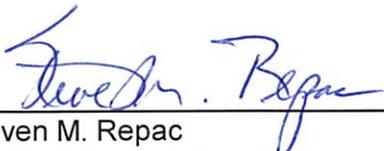
For purposes of this report, the probable selling range is considered to be from \$900,000 to \$935,000 (rounded), and the most probable selling price at auction would be at the lower end of the selling range at \$900,000, or near \$28,000 per acre.

## 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 I have no personal interest or bias with respect to the parties involved.
- I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three (3) year period immediately preceding acceptance of this assignment. I did appraise a portion of the subject property earlier however, with an effective date of value of 4 May 09.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.
- I have made a personal inspection of the properties that are the subject of this report.
- No one provided significant real property appraisal assistance to the person signing this certification.

Respectfully submitted,

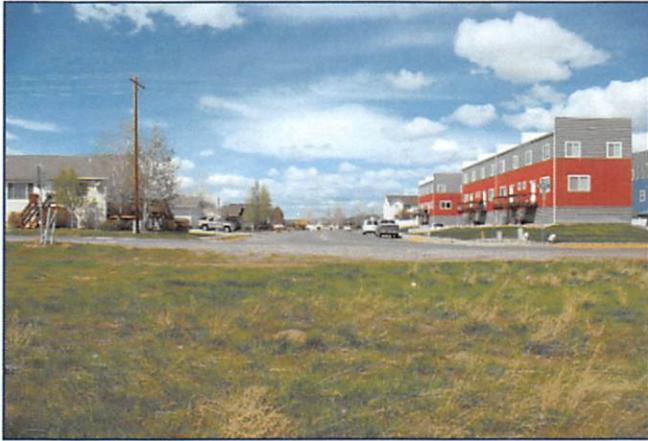


Steven M. Repac  
Certified General Appraiser  
MT #058  
SSN: 517-70-1313

Date 7 May 14

*Addenda*

**Subject Photographs – Proposed Skyview Ridge Subdivision, Billings, MT**



Looking from northern edge of subject property north onto future Fantan Street connection; the photo shows its varied residential nature.



Photo looking north from point near center of Lot 1, Block 6 showing land slated for R-7000 R zoning



Looking from Wicks Lane ROW east past the future Fantan Street connection with subject land. Subject land is to right in photo.



Looking due south from near Lot 1, Block 6 showing land zoned for R-7000 R purposes, and further on to land zoned R-9600 (single family).



Looking due south from Fantan Street onto future connection / entryway into subject land parcels.



Looking northwest from near Lot 1, Block 4 to the powerlines that traverse the subject property from southeast to northwest.

# PLAT OF SKYVIEW RIDGE SUBDIVISION, FIRST FILING

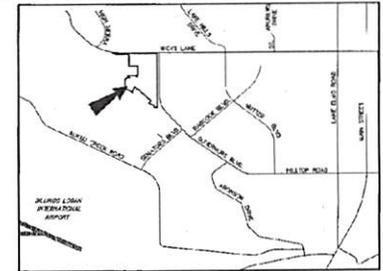
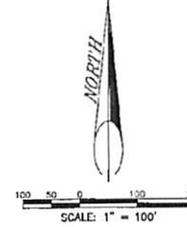
SITUATED IN THE NE1/4 OF SECTION 20, T. 1 N., R. 26 E., P.M.M.  
IN THE CITY OF BILLINGS, YELLOWSTONE COUNTY, MONTANA

PREPARED FOR : MONTANA DEPARTMENT OF NATURAL RESOURCES & CONSERVATION

JULY 2013

PREPARED BY : SANDERSON STEWART

BILLINGS, MONTANA



THE BASIS OF BEARING FOR THIS SURVEY HAS BEEN DERIVED FROM GPS OBSERVATIONS AND IS BASED ON A NAD 83 LAMBERT CONFORMAL CONIC SINGLE PARALLEL LOW DISTORTION PROJECTION FOR THE CITY OF BILLINGS HAVING A POINT OF ORIGIN AT 45°07'00" N LATITUDE AND 108°05'00" W LONGITUDE WITH A SCALE FACTOR OF 1.000025. DISTANCES ARE GIVEN IN METERS AND FEET. GREY TO GROUND COMBINED FACTOR IS 1.000005. THE CONVERSION ANGLE AT THE RE CORNER OF SECTION 20 - 073534"

- FIELD SURVEY MONUMENT, AS NOTED
  - SET 5/8" x 1 1/2" REBAR WITH CAP MARKED WITH THE LICENSE NUMBER OF THE LICENSED LAND SURVEYOR AND "SANDERSON STEWART" SET 1/4" BELOW
  - SET INTERSECTION MONUMENT, 3/8" x 1/8" IRON WITH CAP MARKED WITH THE LICENSE NUMBER OF THE LICENSED LAND SURVEYOR AND "SANDERSON STEWART" WILL BE REPLACED WITH BRASS CAP MONUMENT BOX UPON COMPLETION OF STREET IMPROVEMENTS
- NOTE: THIS IS AN ONGOING DEVELOPMENT AND ALL NEW MONUMENTS WHICH WILL BE DISTURBED BY CONSTRUCTION WILL BE SET OR RE-SET UPON THE COMPLETION OF CONSTRUCTION ACTIVITIES.

### OUTSIDE BOUNDARY LINE & CURVE DATA

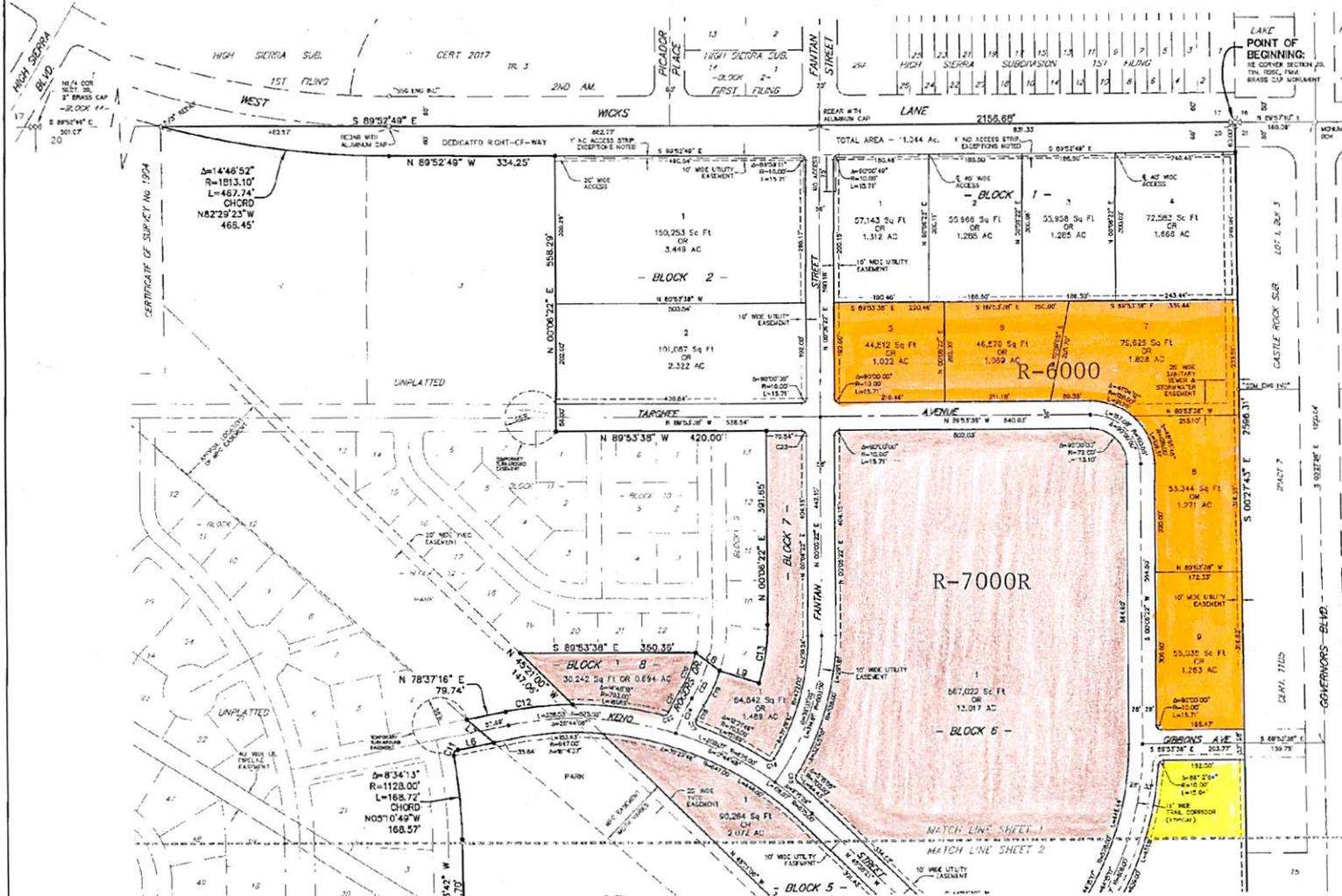
Line #	Bearing	Distance
1	N 89°52'49" E	334.25'
2	N 89°53'35" W	420.00'
3	N 89°53'38" E	350.39'
4	N 89°53'31" W	420.00'
5	N 89°53'38" E	350.39'
6	N 89°53'31" W	420.00'
7	N 89°53'38" E	350.39'
8	N 89°53'31" W	420.00'
9	N 89°53'38" E	350.39'
10	N 89°53'31" W	420.00'
11	N 89°53'38" E	350.39'
12	N 89°53'31" W	420.00'
13	N 89°53'38" E	350.39'
14	N 89°53'31" W	420.00'
15	N 89°53'38" E	350.39'
16	N 89°53'31" W	420.00'
17	N 89°53'38" E	350.39'
18	N 89°53'31" W	420.00'
19	N 89°53'38" E	350.39'
20	N 89°53'31" W	420.00'

Curve #	Date	Radius	Length	Chord Bearing	Chord Distance
C1	8/20/04	15.00'	15.00'	N 45°00'00" E	14.08'
C2	8/18/04	15.00'	14.81'	N 42°51'51" W	13.07'
C3	2/27/07	442.00'	201.88'	N 72°10'07" W	200.12'
C4	1/31/04	55.00'	108.72'	N 64°34'24" W	91.81'
C5	2/4/07	15.00'	8.46'	S 85°59'51" W	8.11'
C6	1/22/07	15.00'	17.96'	N 14°13'41" E	15.11'
C7	5/30/08	212.00'	26.12'	N 33°41'56" E	26.11'
C8	2/12/07	55.00'	208.72'	S 86°12'24" W	104.18'
C9	2/4/07	15.00'	3.46'	S 69°25'14" W	3.11'
C10	2/23/07	150.00'	87.81'	N 17°52'34" E	83.00'
C11	8/20/04	15.00'	15.37'	N 34°04'41" E	13.90'
C12	1/22/07	25.00'	133.46'	N 84°02'21" E	133.24'
C13	1/23/07	30.00'	112.27'	N 84°02'21" E	118.81'

Curve #	Date	Radius	Length	Chord Bearing	Chord Distance
C15	5/24/07	10.00'	14.50'	N 14.50'	14.50'
C16	8/12/04	10.00'	15.85'	N 15.85'	15.85'
C17	8/4/04	10.00'	16.02'	N 16.02'	16.02'
C18	4/28/11	272.00'	21.20'	N 21.20'	21.20'
C19	1/24/07	308.00'	77.44'	N 77.44'	77.44'
C20	1/20/07	262.00'	63.87'	N 63.87'	63.87'
C21	2/27/07	228.00'	58.82'	N 58.82'	58.82'
C22	8/4/04	18.20'	14.12'	N 14.12'	14.12'
C23	8/20/04	18.20'	16.74'	N 16.74'	16.74'
C24	1/4/11	30.00'	78.80'	N 78.80'	78.80'
C25	1/23/07	180.00'	96.12'	N 96.12'	96.12'
C26	5/24/07	10.00'	17.38'	N 17.38'	17.38'

PLAT DATA:  
GROSS AREA ..... 63,450 AC.  
LOT AREA ..... 43,399 AC.  
PARK AREA ..... 9,047 AC.  
DEDICATED RIGHT-OF-WAY ..... 11,044 AC.

SHEET 1 OF 3  
04/02/12 1/23/14 PDC



PLAT OF  
**SKYVIEW RIDGE SUBDIVISION, FIRST FILING**  
 SITUATED IN THE NE1/4 OF SECTION 20, T. 1 N., R. 26 E., P.M.M.  
 IN THE CITY OF BILLINGS, YELLOWSTONE COUNTY, MONTANA

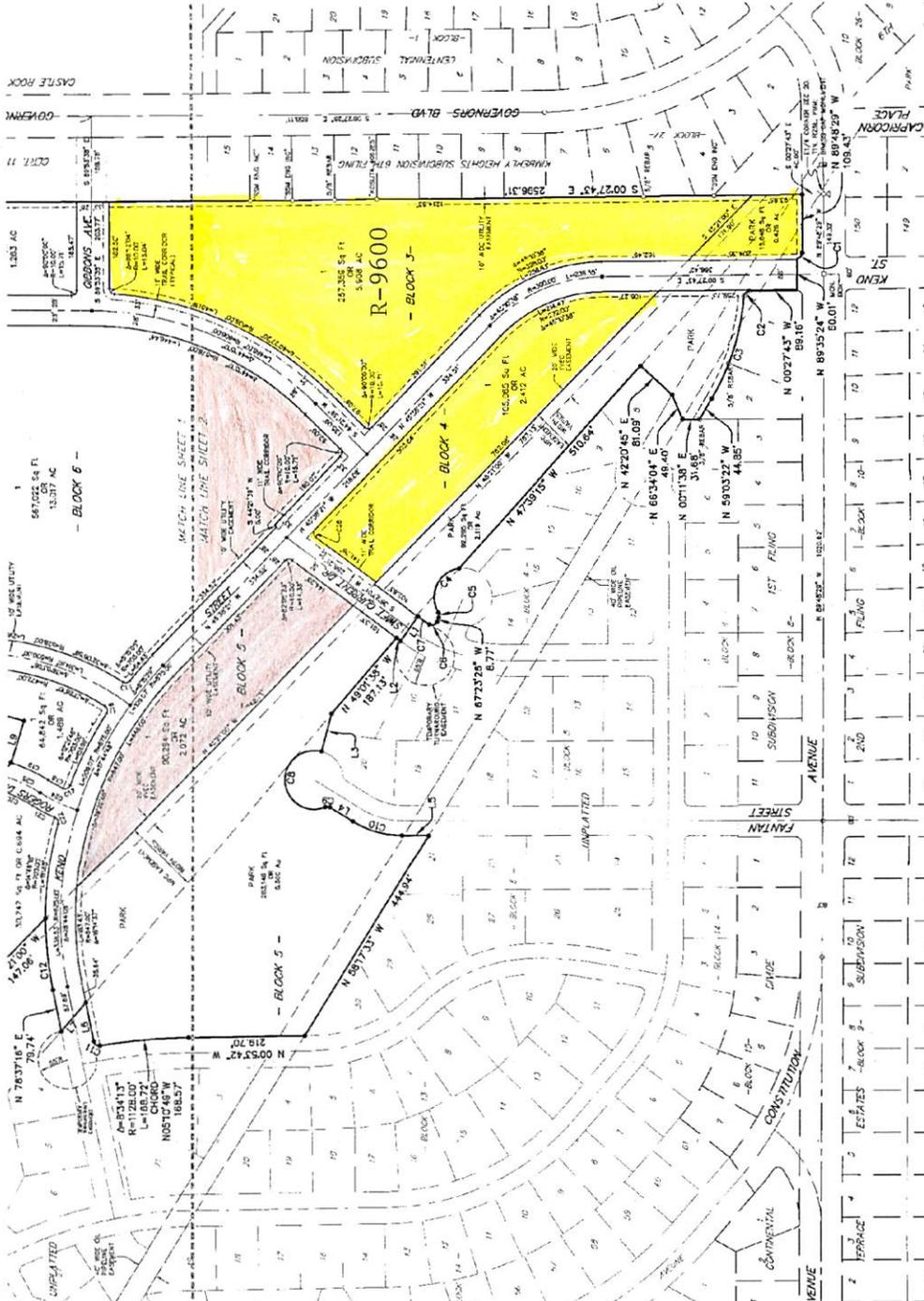
PREPARED FOR : MONTANA DEPARTMENT OF NATURAL RESOURCES & CONSERVATION  
 PREPARED BY : SANDERSON STEWART

JULY 2013  
 BILLINGS, MONTANA



THE BASIS OF REARINGS FOR THIS SURVEY HAS BEEN DERIVED FROM GPS OBSERVATIONS AND A QUOTE  
 OF BILLINGS, MONTANA. THE SURVEY WAS CONDUCTED ON 07/15/13. THE SURVEY WAS CONDUCTED WITH A  
 SCALE FACTOR OF 1.000000. THE SURVEY WAS CONDUCTED WITH A SCALE FACTOR OF 1.000000.  
 THE CONVERGENCE ANGLE AT THE RE CORNER OF SECTION 20 IS -003324".

- FOUND SURVEY MONUMENT, AS NOTED
  - SET 6" X 6" X 18" REBAR WITH CAP MARKED WITH THE LICENSE NUMBER OF THE UNDERSIGNED LAND SURVEYOR AND "SANDERSON STEWART". SEE LOCUS BELOW
  - SET INTERSECTION MONUMENT 3/4" X 1/8" REBAR WITH CAP MARKED WITH THE LICENSE NUMBER OF THE UNDERSIGNED LAND SURVEYOR AND "SANDERSON STEWART". SEE LOCUS BELOW
  - SET INTERSECTION MONUMENT 3/4" X 1/8" REBAR WITH CAP MARKED WITH THE LICENSE NUMBER OF THE UNDERSIGNED LAND SURVEYOR AND "SANDERSON STEWART". SEE LOCUS BELOW
  - COMPLETION OF STREET IMPROVEMENTS.
- NOTE: THIS IS AN Ongoing DEVELOPMENT AND ALL NEW MONUMENTS  
 WILL BE SET UP UPON THE COMPLETION OF CONSTRUCTION ACTIVITIES.



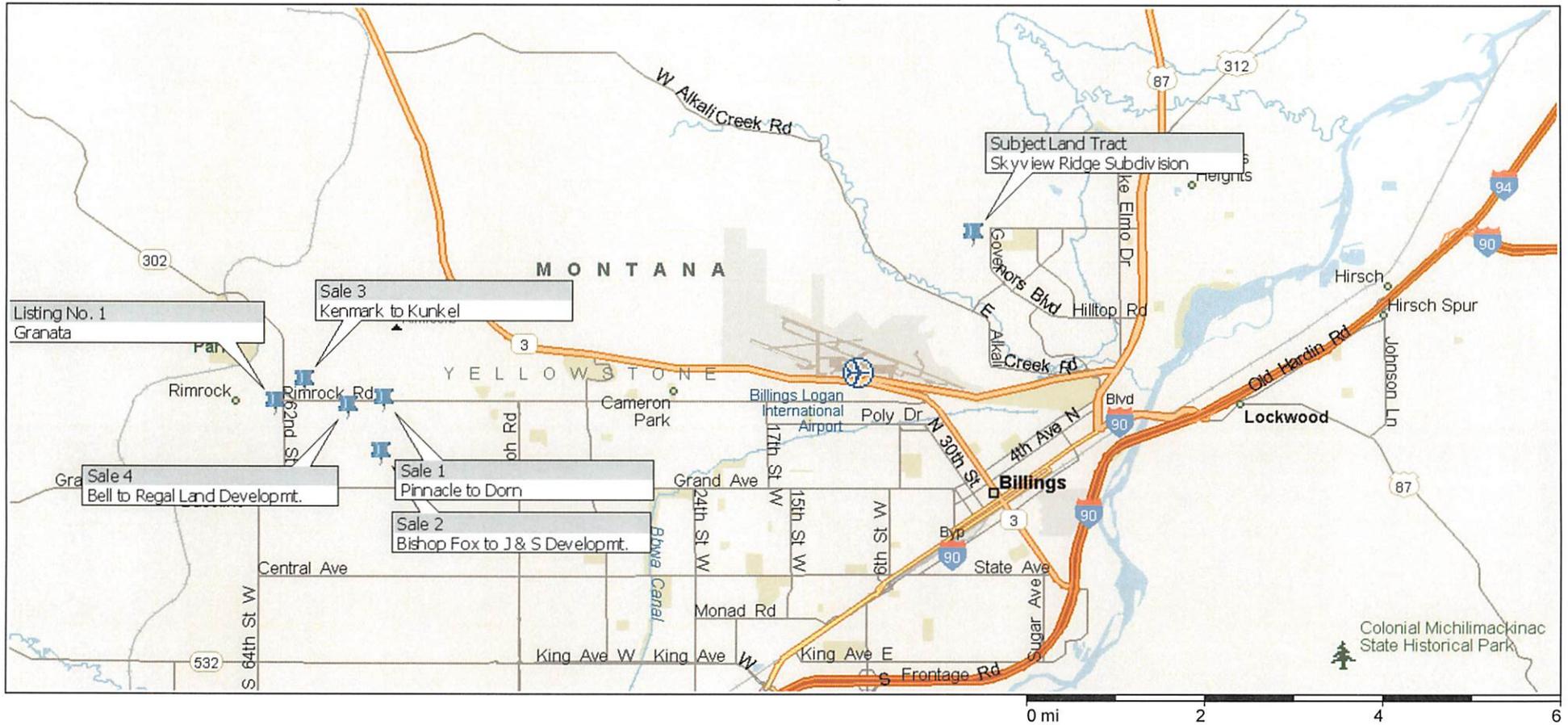
OUTSIDE BOUNDARY LINE & CURVE DATA

Line #	Remarks	Intersection	Length	Chord Bearing	Chord Distance
1	6/25/13	13	11.000	N 89°49'27" W	11.000
2	6/25/13	13	11.000	N 89°49'27" W	11.000
3	6/25/13	13	11.000	N 89°49'27" W	11.000
4	6/25/13	13	11.000	N 89°49'27" W	11.000
5	6/25/13	13	11.000	N 89°49'27" W	11.000
6	6/25/13	13	11.000	N 89°49'27" W	11.000
7	6/25/13	13	11.000	N 89°49'27" W	11.000
8	6/25/13	13	11.000	N 89°49'27" W	11.000
9	6/25/13	13	11.000	N 89°49'27" W	11.000
10	6/25/13	13	11.000	N 89°49'27" W	11.000
11	6/25/13	13	11.000	N 89°49'27" W	11.000
12	6/25/13	13	11.000	N 89°49'27" W	11.000
13	6/25/13	13	11.000	N 89°49'27" W	11.000
14	6/25/13	13	11.000	N 89°49'27" W	11.000
15	6/25/13	13	11.000	N 89°49'27" W	11.000
16	6/25/13	13	11.000	N 89°49'27" W	11.000
17	6/25/13	13	11.000	N 89°49'27" W	11.000
18	6/25/13	13	11.000	N 89°49'27" W	11.000
19	6/25/13	13	11.000	N 89°49'27" W	11.000
20	6/25/13	13	11.000	N 89°49'27" W	11.000
21	6/25/13	13	11.000	N 89°49'27" W	11.000
22	6/25/13	13	11.000	N 89°49'27" W	11.000
23	6/25/13	13	11.000	N 89°49'27" W	11.000
24	6/25/13	13	11.000	N 89°49'27" W	11.000
25	6/25/13	13	11.000	N 89°49'27" W	11.000
26	6/25/13	13	11.000	N 89°49'27" W	11.000
27	6/25/13	13	11.000	N 89°49'27" W	11.000
28	6/25/13	13	11.000	N 89°49'27" W	11.000
29	6/25/13	13	11.000	N 89°49'27" W	11.000
30	6/25/13	13	11.000	N 89°49'27" W	11.000
31	6/25/13	13	11.000	N 89°49'27" W	11.000
32	6/25/13	13	11.000	N 89°49'27" W	11.000
33	6/25/13	13	11.000	N 89°49'27" W	11.000
34	6/25/13	13	11.000	N 89°49'27" W	11.000
35	6/25/13	13	11.000	N 89°49'27" W	11.000
36	6/25/13	13	11.000	N 89°49'27" W	11.000
37	6/25/13	13	11.000	N 89°49'27" W	11.000
38	6/25/13	13	11.000	N 89°49'27" W	11.000
39	6/25/13	13	11.000	N 89°49'27" W	11.000
40	6/25/13	13	11.000	N 89°49'27" W	11.000
41	6/25/13	13	11.000	N 89°49'27" W	11.000
42	6/25/13	13	11.000	N 89°49'27" W	11.000
43	6/25/13	13	11.000	N 89°49'27" W	11.000
44	6/25/13	13	11.000	N 89°49'27" W	11.000
45	6/25/13	13	11.000	N 89°49'27" W	11.000
46	6/25/13	13	11.000	N 89°49'27" W	11.000
47	6/25/13	13	11.000	N 89°49'27" W	11.000
48	6/25/13	13	11.000	N 89°49'27" W	11.000
49	6/25/13	13	11.000	N 89°49'27" W	11.000
50	6/25/13	13	11.000	N 89°49'27" W	11.000
51	6/25/13	13	11.000	N 89°49'27" W	11.000
52	6/25/13	13	11.000	N 89°49'27" W	11.000
53	6/25/13	13	11.000	N 89°49'27" W	11.000
54	6/25/13	13	11.000	N 89°49'27" W	11.000
55	6/25/13	13	11.000	N 89°49'27" W	11.000
56	6/25/13	13	11.000	N 89°49'27" W	11.000
57	6/25/13	13	11.000	N 89°49'27" W	11.000
58	6/25/13	13	11.000	N 89°49'27" W	11.000
59	6/25/13	13	11.000	N 89°49'27" W	11.000
60	6/25/13	13	11.000	N 89°49'27" W	11.000
61	6/25/13	13	11.000	N 89°49'27" W	11.000
62	6/25/13	13	11.000	N 89°49'27" W	11.000
63	6/25/13	13	11.000	N 89°49'27" W	11.000
64	6/25/13	13	11.000	N 89°49'27" W	11.000
65	6/25/13	13	11.000	N 89°49'27" W	11.000
66	6/25/13	13	11.000	N 89°49'27" W	11.000
67	6/25/13	13	11.000	N 89°49'27" W	11.000
68	6/25/13	13	11.000	N 89°49'27" W	11.000
69	6/25/13	13	11.000	N 89°49'27" W	11.000
70	6/25/13	13	11.000	N 89°49'27" W	11.000
71	6/25/13	13	11.000	N 89°49'27" W	11.000
72	6/25/13	13	11.000	N 89°49'27" W	11.000
73	6/25/13	13	11.000	N 89°49'27" W	11.000
74	6/25/13	13	11.000	N 89°49'27" W	11.000
75	6/25/13	13	11.000	N 89°49'27" W	11.000
76	6/25/13	13	11.000	N 89°49'27" W	11.000
77	6/25/13	13	11.000	N 89°49'27" W	11.000
78	6/25/13	13	11.000	N 89°49'27" W	11.000
79	6/25/13	13	11.000	N 89°49'27" W	11.000
80	6/25/13	13	11.000	N 89°49'27" W	11.000
81	6/25/13	13	11.000	N 89°49'27" W	11.000
82	6/25/13	13	11.000	N 89°49'27" W	11.000
83	6/25/13	13	11.000	N 89°49'27" W	11.000
84	6/25/13	13	11.000	N 89°49'27" W	11.000
85	6/25/13	13	11.000	N 89°49'27" W	11.000
86	6/25/13	13	11.000	N 89°49'27" W	11.000
87	6/25/13	13	11.000	N 89°49'27" W	11.000
88	6/25/13	13	11.000	N 89°49'27" W	11.000
89	6/25/13	13	11.000	N 89°49'27" W	11.000
90	6/25/13	13	11.000	N 89°49'27" W	11.000
91	6/25/13	13	11.000	N 89°49'27" W	11.000
92	6/25/13	13	11.000	N 89°49'27" W	11.000
93	6/25/13	13	11.000	N 89°49'27" W	11.000
94	6/25/13	13	11.000	N 89°49'27" W	11.000
95	6/25/13	13	11.000	N 89°49'27" W	11.000
96	6/25/13	13	11.000	N 89°49'27" W	11.000
97	6/25/13	13	11.000	N 89°49'27" W	11.000
98	6/25/13	13	11.000	N 89°49'27" W	11.000
99	6/25/13	13	11.000	N 89°49'27" W	11.000
100	6/25/13	13	11.000	N 89°49'27" W	11.000

LOT LINE CURVE DATA

Curve #	Start	End	Radius	Length	Chord Bearing	Chord Distance
C1	13	14	11.000	11.000	N 89°49'27" W	11.000
C2	14	15	11.000	11.000	N 89°49'27" W	11.000
C3	15	16	11.000	11.000	N 89°49'27" W	11.000
C4	16	17	11.000	11.000	N 89°49'27" W	11.000
C5	17	18	11.000	11.000	N 89°49'27" W	11.000
C6	18	19	11.000	11.000	N 89°49'27" W	11.000
C7	19	20	11.000	11.000	N 89°49'27" W	11.000
C8	20	21	11.000	11.000	N 89°49'27" W	11.000
C9	21	22	11.000	11.000	N 89°49'27" W	11.000
C10	22	23	11.000	11.000	N 89°49'27" W	11.000
C11	23	24	11.000	11.000	N 89°49'27" W	11.000
C12	24	25	11.000	11.000	N 89°49'27" W	11.000
C13	25	26	11.000	11.000	N 89°49'27" W	11.000
C14	26	27	11.000	11.000	N 89°49'27" W	11.000
C15	27	28	11.000	11.000	N 89°49'27" W	11.000
C16	28	29	11.000	11.000	N 89°49'27" W	11.000
C17	29	30	11.000	11.000	N 89°49'27" W	11.000
C18	30	31	11.000	11.000	N 89°49'27" W	11.000
C19	31	32	11.000	11.000	N 89°49'27" W	11.000
C20	32	33	11.000	11.000	N 89°49'27" W	11.000
C21	33	34	11.000	11.000	N 89°49'27" W	11.000
C22	34	35	11.000	11.000	N 89°49'27" W	11.000
C23	35	36	11.000	11.000	N 89°49'27" W	11.000
C24	36	37	11.000	11.000	N 89°49'27" W	11.000
C25	37	38	11.000	11.000	N 89°49'27" W	11.000
C26	38	39	11.000	11.000	N 89°49'27" W	11.000
C27	39	40	11.000	11.000	N 89°49'27" W	11.000
C28	40	41	11.000	11.000	N 89°49'27" W	11.000
C29	41	42	11.000	11.000	N 89°49'27" W	11.000
C30	42	43	11.000	11.000	N 89°49'27" W	11.000
C31	43	44	11.000	11.000	N 89°49'27" W	11.000
C32	44	45	11.000	11.000	N 89°49'27" W	11.000
C33	45	46	11.000	11.000	N 89°49'27" W	11.000
C34	46	47	11.000	11.000	N 89°49'27" W	11.000
C35	47	48	11.000	11.000	N 89°49'27" W	11.000
C36	48	49	11.000	11.000	N 89°49'27" W	11.000
C37	49	50	11.000	11.000	N 89°49'27" W	11.000
C38	50	51	11.000	11.000	N 89°49'27" W	11.000
C39	51	52	11.000	11.000	N 89°49'27" W	11.000
C40	52	53	11.000	11.000	N 89°49'27" W	11.000
C41	53	54	11.000	11.000	N 89°49'27" W	11.000
C42	54	55	11.000	11.000	N 89°49'27" W	11.000
C43	55	56	11.000	11.000	N 89°49'27" W	11.000
C44	56	57	11.000	11.000	N 89°49'27" W	11.000
C45	57	58	11.000	11.000	N 89°49'27" W	11.000
C46	58	59	11.000	11.000	N 89°49'27" W	11.000
C47	59	60	11.000	11.000	N 89°49'27" W	11.000
C48	60	61	11.000	11.000	N 89°49'27" W	11.000
C49	61	62	11.000	11.000	N 89°49'27" W	11.000
C50	62	63	11.000	11.000	N 89°49'27" W	11.000
C51	63	64	11.000	11.000	N 89°49'27" W	11.000
C52	64	65	11.000	11.000	N 89°49'27" W	11.000
C53	65	66	11.000	11.000	N 89°49'27" W	11.000
C54	66	67	11.000	11.000	N 89°49'27" W	11.000
C55	67	68	11.000	11.000	N 89°49'27" W	11.000
C56	68	69	11.000	11.000	N 89°49'27" W	11.000
C57	69	70	11.000	11.000	N 89°49'27" W	11.000
C58	70	71	11.000	11.000	N 89°49'27" W	11.000
C59	71	72	11.000			

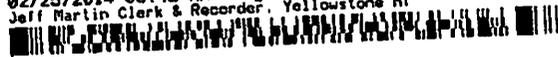
# Sales Map



SIA

NS SIA 16  
3698532

02/25/2014 08:42 AM Pages: 1 of 16 Fees: 5.00  
Jeff Martin Clerk & Recorder, Yellowstone MT



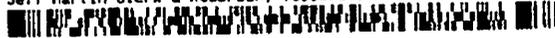
**SUBDIVISION IMPROVEMENTS AGREEMENT  
SKYVIEW RIDGE SUBDIVISION, FIRST FILING  
CITY OF BILLINGS  
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SIA

3698532

02/25/2014 08:42 AM Pages: 2 of 16 Fees: 5.00  
Jeff Martin Clerk & Recorder, Yellowstone MT



Return to:  
Sanderson Stewart.  
1300 North Transtech Way  
Billings, MT 59102

## SUBDIVISION IMPROVEMENTS AGREEMENT

### SKYVIEW RIDGE SUBDIVISION, FIRST FILING

THIS AGREEMENT is made and entered into this 10th day of February, 2014, by and between the STATE OF MONTANA DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION, whose address for the purpose of this agreement is 1625 Eleventh Avenue, Helena, Montana 59601, hereinafter referred to as "Subdivider," and the CITY OF BILLINGS, Billings, Montana, hereinafter referred to as "City."

#### WITNESSETH:

WHEREAS, at a regular meeting conducted on 24th day of July, 2007, the Board of Planning recommended conditional approval of a preliminary plat of Skyview Ridge Subdivision, First Filing; and

WHEREAS, at a regular meeting conducted on 13th day of August, 2007, the City Council conditionally approved a preliminary plat of Skyview Ridge Subdivision, First Filing; and

WHEREAS, a Subdivision Improvements Agreement is required by the City prior to the approval of the final plat.

WHEREAS, the provisions of this agreement shall be effective and applicable to Skyview Ridge Subdivision, First Filing, upon the filing of the final plat thereof in the office of the Clerk and Recorder of Yellowstone County, Montana. The subdivision shall comply with all requirements of the City of Billings Subdivision Regulations, the rules, regulations, policies, and resolutions of the City of Billings, and the laws and administrative rules of the State of Montana.



THEREFORE, THE PARTIES TO THIS AGREEMENT, for and in consideration of the mutual promises herein contained and for other good and valuable consideration, do hereby agree as follows:

I. VARIANCES

- A. Subdivider has requested, and the City hereby grants, the following variances by the City Council from the strict interpretation of the City's Subdivision Regulations (Section 23.1101, BMCC):

None

II. CONDITIONS THAT RUN WITH THE LAND

- A. Lot owners will be required to construct that segment of the required sidewalk that fronts their property at the time of lot development.
- B. Lot owners should be aware that this subdivision is being built in close proximity to prime deer and antelope habitat and it is likely that homeowners will experience problems with damage to landscaped shrubs, flowers, and gardens. The Montana Fish, Wildlife, and Parks Department does not provide damage assistance unless there is damage to commercial crops and/or a threat to public health and safety.
- C. Lot owners should be aware that soil characteristics within the area of this subdivision, as described in the 1972 Yellowstone County Soil Survey, indicate that there could be potential limitations for proposed construction on the lots, which may require a geotechnical survey prior to construction.
- D. There is attached hereto a Waiver waiving the right to protest the creation of the special improvement district or districts, which by this reference is expressly incorporated herein and made as much a part hereof as though fully and completely set forth herein at this point. The Waiver will be filed with the plat, shall run with the land, and shall constitute the guarantee by the Subdivider and property owner or owners of the developments described herein. Said Waiver is effective upon filing and is not conditioned on the completion of the conditions set forth in this agreement. The Subdivider and owner specifically agree that they are waiving valuable rights and do so voluntarily.
- E. There is a petroleum gas pipeline located through the subject property located within a dedicated park. Future lot owners should be aware that it

may be necessary for the pipeline company to inspect, test, maintain, and possibly replace the pipeline at times.

- F. There are two (2) electrical line easements across the subject property within dedicated parks. Future lot owners should be aware that it may be necessary for the electric company to inspect, test, maintain, and possibly replace these lines at times.
- G. Individual lot owners are responsible for maintenance of the boulevards adjacent to the trails within public right-of-way on the south side of Swift Current Drive, on the northeast side of Keno Street, on the southeast side of Targhee Avenue, and on the south side of Gibbons Avenue within the subdivision.
- H. Portions of the trail system within the subdivision lie within trail corridors located within rights-of-way. In order to mitigate potential issues with vehicles parked across the trail at these locations, the building setback requirements for lots at those locations shall be 23 feet minimum. Those areas with increased setbacks include portions of the south side of Swift Current Drive, the northeast side of Keno Street, the southeast side of Targhee Avenue, and the south side of Gibbons Avenue within the subdivision.

### III. TRANSPORTATION

#### A. Streets

1. All internal roads and site improvements within the subdivision will be in accordance with the City of Billings Site Development Ordinance, City Zoning Ordinance, Uniform Building Code, the *Stormwater Management Manual (SWMM)*, and other applicable City codes, rules, and regulations.
2. Targhee Avenue, Fantan Street, Keno Street, Swift Current Drive, Rogers Drive, and Gibbons Avenue within the subdivision shall be built to grade with a satisfactory sub-base, base course, curb and gutter, and asphalt surface. The design cross-sections of said streets shall be submitted to, and approved by, the City of Billings Public Works and Fire Departments.
3. West Wicks Lane, adjacent to the subdivision, is a designated arterial street. Wicks Lane will be constructed with an "urban" section. The design cross-section of West Wicks Lane shall be

submitted to, and approved by, the City of Billings Public Works and Fire Departments.

4. A traffic accessibility study has been completed for the subdivision. All required improvements and permits identified therein shall be completed by the developer at the developer's expense. These are more specifically identified as follows:
  - a. A stop sign and dedicated right-turn lane should be installed on the new northbound approach to the intersection of Wicks Lane and Fantan Street.
  - b. As an interim improvement at the intersection of Governors Boulevard and the access to Skyview Ridge/Castle Rock Middle School, it is recommended that the intersection operate under two-way stop control with a stop sign installed on the new eastbound approach to the intersection. A new school crossing should be installed across Governors Boulevard on the south side of the intersection and shall include high-visibility striping and school crossing signs. The new crossing should be located on the south side of the access where it would line up with the proposed trail, and where it would be further away from the existing school bus loading zone on the north side of the intersection. Because it would be an arterial crossing, consideration should be given to the use of flashing beacons and/or a school crossing guard at this location. As previously discussed, this intersection should be re-evaluated for signalized control, as Skyview Ridge Subdivision builds out and through volumes increase on Governors Boulevard.
  - c. As discussed in the original study, some form of traffic calming measure should be provided along Constitution Avenue and High Sierra Boulevard. Detailed descriptions of some possible traffic calming measures were provided in the original study.
  - d. Appropriate signing and striping should be provided at all locations where the trail system intersects interior roadways.
  - e. Intersections of internal local streets shall be uncontrolled.



- f. Portions of the street frontages along Gibbons Avenue, Targhee Avenue, Keno Street, and Swift Current Drive, within the subdivision, have linear trail corridors within the right-of-way which will accommodate a bike and pedestrian trail. Those portions of the trail system will be constructed as part of the private contract to construct the adjacent street improvements and shall be constructed at the time of street construction. All traffic control improvements shall be designed and constructed in accordance with the City of Billings standards, MDY standards and the *Manual on Uniform Traffic Control Devices* (MUTCD).

**B. Sidewalks**

The developer shall install handicap access ramps where necessary as part of improvements. Interior sidewalks shall be 5-foot boulevard walk and shall be installed by the lot owner at the time of lot development. The sidewalks along the streets fronting the parks shall be constructed as part of the park improvements, as defined in the park masterplan to be submitted prior to filing of the plat.

Portions of the street frontages along Gibbons Avenue, Targhee Avenue, Keno Street, and Swift Current Drive, within the subdivision, have linear trail corridors within the right-of-way which will accommodate a bike and pedestrian trail. Sidewalk will not be required in these areas. The trail will be constructed as outlined within the approved park master plan, and as outlined herein:

**C. Street Lighting**

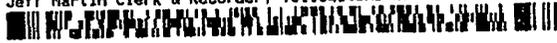
Street lighting will not be installed at this time, but is included in the Waiver.

**D. Access**

A 1-foot vehicular no access strip shall be shown on the plat along West Wicks Lane, with exceptions as noted.

**E. Billings Area Bikeway & Trail Master Plan**

1. Constitution Avenue is designated as a proposed bicycle boulevard within the Billings Area Bikeway & Trail Master Plan.



Constitution Avenue shall be designed to accommodate a bikeway as outlined within the Billings Area Bikeway & Trail Master Plan. This requirement does not affect this filing, but shall be for future development of the masterplan.

2. West Wicks Lane is designated as a proposed short range bike lane within the Billings Area Bikeway & Trail Master Plan. Roadway design shall accommodate a bikeway as outlined within the Billings Area Bikeway & Trail Master Plan.
3. The approved park masterplan includes a trails system within the subdivision, both within the rights-of-ways and within the dedicated park areas. Construction of the trail system within the subdivision shall be by SID, as outlined within the park masterplan.
4. Portions of the trail system within the subdivision lie within trail corridors located within rights-of-way. In order to mitigate potential issues with vehicles parked across the trail at these locations, the building setback requirement in those areas shall be 23 feet minimum.

**F. Public Transit**

This subdivision does not require improvements to ensure public transit service.

**IV. EMERGENCY SERVICE**

Construction of buildings made of combustible materials shall have adequate fire apparatus access roads and fire hydrant(s) in place to allow for fire suppression requirements. Prior to issuance of a building permit for construction using combustible materials (i.e. lumber, plywood, wood trusses, etc.), fire apparatus access roads, and water supply requirements shall be provided in accordance with the International Fire Code as adopted by the City of Billings.

At a minimum, the following is required:

- An unobstructed gravel road or gravel road base must be within 150-feet of the furthest portion of a building under construction as measured along an approved route.

- The access roads are required to support fire apparatus vehicle loading (40 tons) during all weather conditions and shall be a minimum of 20-foot-wide.
- An operational fire hydrant shall be located within 600-feet of the furthest portion of a residence under construction or within 400-feet of the furthest portion of a commercial building under construction as measured along the access roads to the site.
- The above requirements do not alter or effect the current minimum subdivision requirements for fire apparatus access and water supply.

**V. STORM DRAINAGE**

All drainage improvements shall comply with the provisions of the *Stormwater Management Manual* and Chapter 28, BMCC, a stormwater management plan shall be submitted to and approved by the engineering division prior to approval of the final plat.

**VI. UTILITIES**

The Subdivision Improvements Agreement does not constitute an approval for extension of or connection to water mains and sanitary sewers. The property owner shall make application for extension/connection of water mains and sanitary sewers to the City of Billings Engineering Division. The extension/connection of/to water mains and sanitary sewers is subject to the approval of the applications and the conditions of approval. Applications shall be submitted for processing prior to the start of any construction and prior to review and approval of any project plans and specifications.

The developer/owner acknowledges that the subdivision shall be subject to the applicable system development fees and franchise fees in effect at the time a new building permit is issued.

The design/installation of sanitary sewers and appurtenances, and water mains and appurtenances (fire hydrants, etc.) shall be in accordance with design standards, specifications, rules, regulations of and as approved by the City of Billings Public Works Department, Fire Department, and the Montana Department of Environmental Quality.

**A. Power, Telephone, Gas, and Cable Television**

Private utility facilities currently exist to serve the subdivision. Easements shall be included on the plat as requested by the utility companies.

**B. Water**

The subdivision masterplan area lies within two pressure zones of the City's distribution system. The existing water distribution system shall be evaluated to determine the pressure zone boundaries and the necessary system improvements required to adequately serve the subdivision.

**C. Sanitary Sewer**

To minimize impacts to local services, additional information regarding sanitary sewer capacities shall be submitted for review and approval during the design phase of utility construction.

**VII. PARKS/OPEN SPACE**

Section 76-3-621 of the Montana Subdivision and Platting Act requires a park dedication of 11-percent of the land proposed to be subdivided into parcels of one-half acre or smaller. This requirement shall be met by dedication of park areas as indicated on the plat. A Park Maintenance District will be set up for maintenance of said park areas at the time of the initial park development.

A park and open space master plan has been provided by the subdivider, reviewed by the Parks Department, with recommendation for approval and approved by City Council on September 14, 2009. All parks and open space shall be constructed to Parks Department guidelines and standards, and the developer shall assure standards are met and provide for City construction supervision. Except as otherwise provided, Subdivider shall install and construct required park improvements with cash or utilizing the mechanics of a special improvement district or private contracts secured by letters of credit or a letter of commitment to lend funds from a commercial lender. All engineering and legal work in connection with such improvements shall be paid by the contracting parties pursuant to said special improvement district or private contract, and the improvements shall be installed as approved by the Parks Department. Timing of the park and open space improvements shall be as outlined within the approved park and open space master plan.

The required park dedication is 0.67 acres; the proposed park dedication is 9.05 acres.

The park dedication for the subdivision is in excess of the required dedication. The Skyview Ridge Subdivision Masterplan has been reviewed and approved in conjunction with the review of the subdivision. The masterplan park area is in excess of the required park dedication for the Skyview Ridge Subdivision



Masterplan area. It is anticipated that the masterplan will be subdivided in several future filings. Each filing may not meet the required park dedication, while others will be in excess. The overall park dedication upon completion of all filings shall be as shown on the masterplan (exhibit C), and as depicted on the approved park masterplan referenced herein.

**VIII. IRRIGATION**

No irrigation ditches, field laterals, or irrigation easements exist on the subdivision.

**IX. SOILS/GEOTECHNICAL STUDY**

A soils/geotechnical study for the subdivision has been provided to the City of Billings by the Subdivider as required by the City of Billings subdivision regulations.

**X. TIMING OF IMPROVEMENTS**

The Subdivider does not desire to commence development of lots within the subdivision, but does desire to file the approved final plat of Skyview Ridge Subdivision, First Filing, and to sell and convey lots in said subdivision at some future date. In accordance with the foregoing, the Subdivider and the City agree as follows.

**A. First Filing Improvements**

First Filing improvements shall be constructed utilizing private contracts. There will be multiple phases of development. Each phase shall construct those street and utility improvements adjacent to that particular phase, or any off-site improvements identified within the traffic impact study that are determined to be necessary to support the development of a particular phase.

The Subdivider agrees not to sell or convey any lots in the subdivision to be served by the First Filing improvements, and the Subdivider further acknowledges that no building permits for any First Filing lot shall be issued until a private contract has been executed for the construction and installation of the public improvements to serve a particular phase, and to provide necessary access and traffic circulation for the traffic generated by those lots.

Pursuant to the foregoing agreement, the Subdivider shall execute and

record a Declaration of Restriction on Transfers and Conveyances for said First Filing (attached hereto) to be recorded concurrently with the recording of this agreement. Said Declaration notifies all third parties that said lots and blocks may not be legally sold, conveyed, or transferred until a release executed by the City of Billings and substantially in the form of Exhibit A attached hereto has been recorded in the office of the Clerk and Recorder of Yellowstone County, Montana. No lots shall be released until a certificate substantially in the form of Exhibit B attached hereto has been executed by the Department of Public Works stating that the above conditions have been met, which certificate must accompany any request for a release. By the acceptance and recording of the agreement, the City does hereby authorize the Department of Public Works, Mayor, and City Clerk of the City to review any request for release and to execute such certificates and releases as may be necessary to evidence a release from the restriction against sale, conveyance, and transfer of lots in the subdivision.

**XI. FINANCIAL GUARANTEES**

Except as otherwise provided, Subdivider shall install and construct said required improvements with cash or private contracts secured by letters of credit or a letter of commitment to lend funds from a commercial lender. All engineering and legal work in connection with such improvements shall be paid by the contracting parties pursuant to said private contract, and the improvements shall be installed as approved by the city engineer and utility department manager.

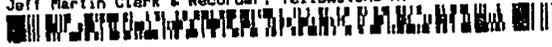
**XII. LEGAL PROVISIONS**

- A. Subdivider agrees to guarantee all public improvements for a period of one year from the date of final acceptance by the City of Billings.
- B. The owners of the properties involved in this proposed subdivision, by signature subscribed herein below, agree, consent, and shall be bound by the provisions of this agreement.
- C. The covenants, agreements, and all statements in this agreement apply to and shall be binding on the heirs, personal representatives, successors, and assigns of the respective parties.
- D. In the event it becomes necessary for either party to this agreement to retain an attorney to enforce any of the terms or conditions of this agreement or to give any notice required herein, then the prevailing party

**SIA**

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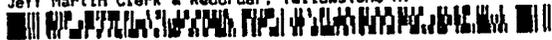


or the party giving notice shall be entitled to reasonable attorney fees and costs.

- E. Any amendments or modifications of this agreement, or any provisions herein, shall be made in writing and executed in the same manner as this original document and shall after execution become a part of this agreement.
- F. Subdivider shall comply with all applicable federal, state, and local statutes, ordinances, and administrative regulations during the performance and discharge of its obligations. Subdivider acknowledges and agrees that nothing contained herein shall relieve or exempt it from such compliance.







WAIVER OF RIGHT TO PROTEST

FOR VALUABLE CONSIDERATION, the undersigned, being the Subdivider and all of the owners of the hereinafter described real property, does hereby waive the right to protest the formation of one or more special improvement districts for street light construction, sidewalks, parks, curbs and gutters, street light maintenance, and energy, driveway approaches, traffic lights, and traffic control devices, streets, water lines, sanitary sewer, storm drain (to provide drainage for runoff water within or from outside of the subdivision), park maintenance, and other improvements incident to the above which the City of Billings may require.

This Waiver and Agreement is independent from all other agreements and is supported by sufficient independent consideration to which the undersigned are parties, and shall run with the land and shall be binding upon the undersigned, their successors and assigns, and the same shall be recorded in the office of the County Clerk and Recorder of Yellowstone County, Montana.

The real property hereinabove mentioned is more particularly described as follows:

SKYVIEW RIDGE SUBDIVISION, FIRST FILING

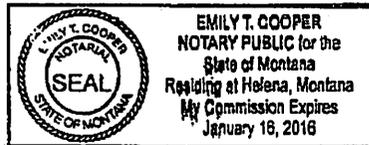
STATE OF MONTANA DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION

By: [Signature] Attest: [Signature]  
Its: Director Title: Administrator

STATE OF MONTANA )  
Lewis + Clark : ss  
County of Yellowstone )

On this 27<sup>th</sup> day of January, 2014, before me, a Notary Public in and for the State of Montana, personally appeared John E. Tubbs, known to me to be the Director and Shawn Thomas as Trust Lands Administrator of the STATE OF MONTANA DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION, who executed the foregoing instrument and acknowledged to me that he/she executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Notarial Seal the day and year hereinabove written.



[Signature]  
Notary Public in and for the State of Montana  
Printed name: Emily T. Cooper  
Residing at: Helena  
My commission expires: 01-18-2016



PREPARED FOR:

# MASTER PLAN

# SKYVIEW RIDGE SUBDIVISION

## EXHIBIT C

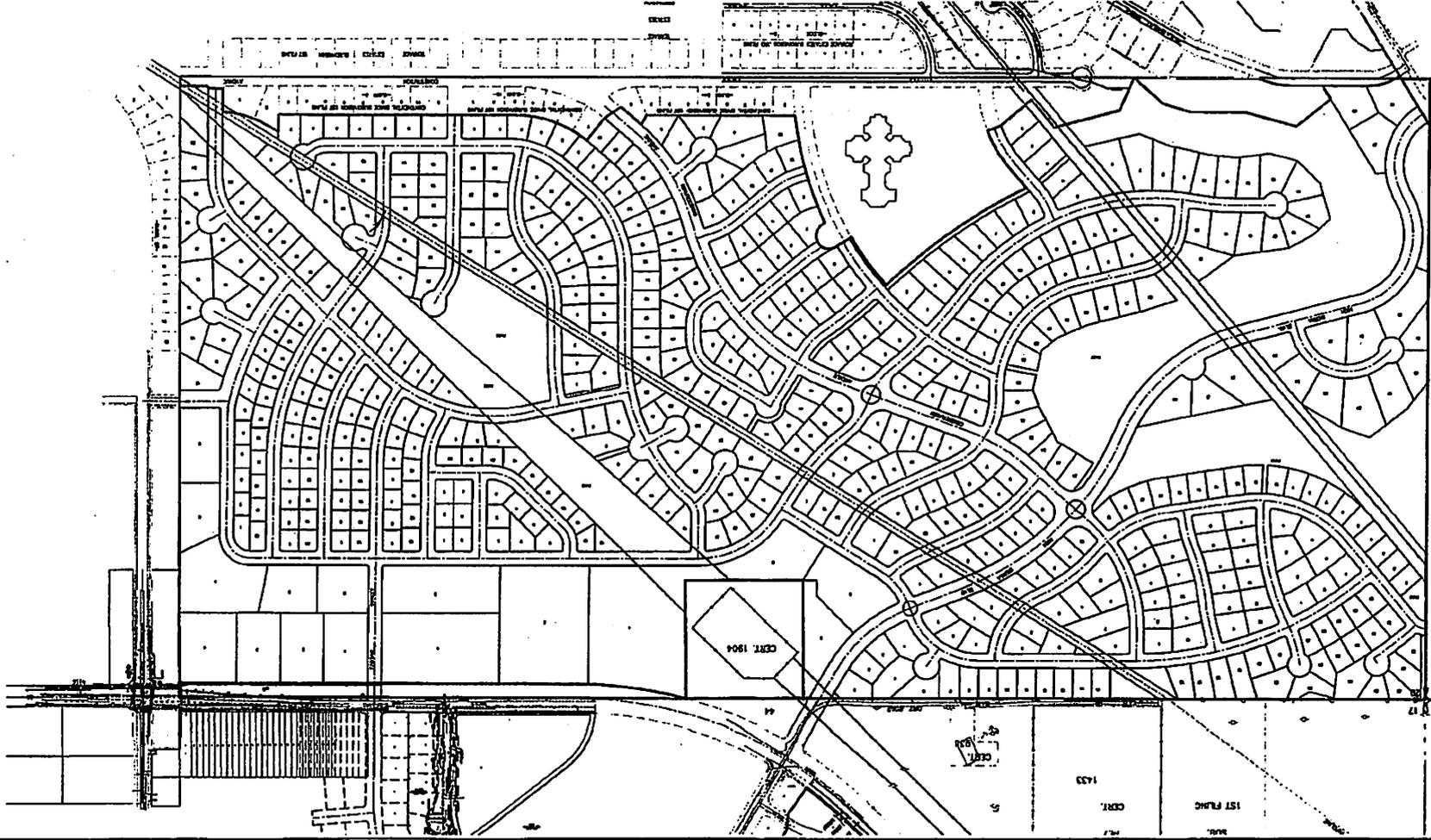
SANDERSON



PREPARED BY:

www.sandersonstewart.com

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