

Town of West Yellowstone

Town Council Work Session/Joint Meeting with US Forest Service

Tuesday, May 12, 2015

West Yellowstone Town Hall, 440 Yellowstone Avenue

West Yellowstone, Montana

6:00 PM

Agenda

Public Comment Period/Council Comments

US Forest Service 80 Acres Appraisal and Purchase Process

No action will be taken, the Public is invited to attend.





File 5570/5410
Code:

Date: April 27, 2015

Subject: West Yellowstone Expansion Lands Appraisal Review

Mary Erickson
Forest Supervisor
Custer-Gallatin National Forest
P.O. Box 130
Bozeman, MT 59771

Dear Ms. Erickson,

At your request, I have completed a technical appraisal review of the appraisal report prepared by Andrew Cornish of the West Yellowstone Expansion Lands property located adjacent to West Yellowstone, Montana.

I am providing you with a copy of the appraisal review, attached hereto. I will disseminate additional copies of the review to the intended users identified in the appraisal report. The appraisal report is maintained in my files and is available for review by the intended users upon request.

If you are missing any information, have additional questions, or need further clarification, please contact me at (406) 587-6740.

Sincerely,

KIMBALL FROME, RPRA
Senior Review Appraiser, Northern Region
USDA Forest Service

Attachments

cc: John Hickey
Anna Callahan
Janne Joy
Guy Adams
Town of West Yellowstone





File 5570/5410
Code:

Date: April 27, 2015

Subject: Appraisal Review, West Yellowstone Expansion Lands

To: Forest Supervisor, Custer-Gallatin National Forest

TECHNICAL APPRAISAL REVIEW REPORT

Review of the West Yellowstone Expansion Lands Appraisal

Prepared by Kimball Frome, RPRA, Senior Review Appraiser, Region 1, R.O. – Lands

This technical appraisal review report is presented in four sections: (1) Appraisal Report Summary, (2) Appraisal Review Purpose, Scope, and Intended Use, (3) Reviewer’s Analysis, Comments, and Conclusions, and (4) Reviewer’s Certification.

As a result of my review, I **approve** the appraisal report that concludes an opinion of market value as of **March 8, 2015** of **\$1,425,000** for the subject property.

I. Appraisal Summary

a. Owner of Record

United States of America

b. Estate Appraised

All rights, title, and interest subject to exceptions as noted in Federal Land Status Report dated August 11, 2014.

c. Intended Users

Representatives of the USDA Forest Service and the Town of West Yellowstone.

d. Intended Use

The intended use of the appraisal is for decisions regarding the proposed direct sale of the property to the Town of West Yellowstone, made by the authorized Forest Service officer.

e. Legal Description and Acreage



An abbreviated legal description follows, refer to the appraisal for a complete description.

T. 13 S., R. 5 E., Gallatin County, Montana:

Section 33: E1/2NE1/4NE1/4, E1/2SE1/4NE1/4, NE1/4SE1/4

Total acreage of the above described property: 80 acres.

f. Property Characteristics

Current Use – Recreation, utilities, public lands.

Historical Use – Recreation, utilities, public lands.

Zoning – None. Appraised as if in non-Federal ownership and zoned consistent with other non-Federal properties in the market area, a mix of commercial and residential.

Location – Adjacent to the west boundary of the town of West Yellowstone.

Size – 80 acres.

Shape/Configuration – Flag-shaped, being comprised of a square and rectangular portion.

Neighborhood – Bordered by the town of West Yellowstone and the Gallatin National Forest. Yellowstone National Park within 3/4 mile. The adjacent uses are public lands and commercial/residential within West Yellowstone.

Topography/Elevation – Basically level, with some man-made terrain features including drainage ditch. Elevation around 6,650 feet above sea level.

Cover – Native grasses, shrubs, and timber (mostly lodgepole pine).

Surface Water – None.

Access – Direct access from U.S. Highway 20 and Iris Street.

Utilities – None installed on property. Power, phone, city sewer, city water available to lot line.

Structural Improvements – Fencing, water retention area, water and sewer infrastructure (not appraised).

Hazardous Materials – None assumed (as instructed).

Minerals – Mineral estate owned by U.S. is included. The mineral occurrence and development potential for the property is low.

Encroachments/Easements/Exceptions – Numerous uses authorized by special use permit, including utilities, drainage, streets, roads. Overall effect is to reduce effective acreage by 5 acres.

g. Larger Parcel

The appraiser concluded the subject property comprises the larger parcel. He cited Forest Service Handbook guidelines which state: “for agency conveyances the larger parcel shall be considered to be the area encumbered by the interest proposed for conveyance by the United States.”

h. Extraordinary Assumptions and Hypothetical Conditions

Extraordinary Assumptions

- No hazardous materials exist.
- The actual language of the proposed road and trail reservations will be similar to that contained in the samples in the *Appraisal Assignment Package*.

Hypothetical Conditions

- For purposes of zoning, the property is in non-Federal ownership and zoned consistent with similar non-Federal properties in the market area.
- The disposition of the special use permits affecting the property as described in the *Appraisal Assignment Package* is in effect as of the date of value.

i. Highest and Best Use

The appraiser defined and explained the highest and best use concept. Uses initially considered include residential, commercial, municipal, and utility. Physical characteristics of the property such as location, access, and configuration were considered as to their effect on highest and best use. The appraiser then described the probable zoning of the property as if in non-Federal ownership and its effect on potential uses. After considering which use meets the legally permissible, physically possible, financially feasible, and maximally productive tests, he concluded that the highest and best use of the property is speculative investment for future mixed use development.

Since the property is essentially unimproved, an analysis of highest and best use “as improved” was not done.

j. Date of the Appraisal Report

April 16, 2015

k. Date of Value

March 8, 2015

l. Appraiser

Andrew Cornish, MAI, SRA
Rocky Mountain Appraisals

155 E. Pearl, Ste. 10
Jackson, WY 83001
Montana Certified General Real Estate Appraiser (Temp. No. REA-TPG-LIC-6532)

m. Valuation Approach Selection

The appraiser relied on the Sales Comparison Approach to value the appraised property.

n. Sales Comparison Approach

The appraiser selected five sales from the market data for comparison to the subject, all of which are residential or residential/commercial properties. Two of the sales are rural residential properties within 10 miles of West Yellowstone. One of the sales is a commercial/residential type property in Island Park, Idaho. The other two sales are residential development properties in or near Bozeman. The appraiser explained that the search area for sales was expanded due to the scarcity of data in the immediate West Yellowstone vicinity.

The appraiser analyzed the sales on a price/effective acre basis. Two of the sales had effective acreages less than the actual acreage due to surface disturbance and terrain issues. The effective acreage of the subject was estimated at 75 acres, due to numerous uses associated with permitted roads, utilities, etc.

Elements of comparison considered include financing, conditions of sale, market conditions, location, zoning and size.

Quantitative adjustments were made for the elements of comparison where substantive differences were noted between the sale and the subject. The adjustments were extracted from market data using paired sales analysis.

The sales used range in price from \$7,630 to \$31,246 per acre. Sales 1 and 2 were adjusted for location, zoning and size, resulting in adjusted prices per acre of \$26,373 and \$18,743 respectively. Sale 3 was adjusted for location, resulting in an adjusted price per acre of \$19,076. Sales 4 and 5 were adjusted for market conditions, location, zoning and size, resulting in adjusted prices per acre of \$19,997 and \$16,092 respectively. Giving some weight to all the sales, the appraiser concluded a value of \$19,000 per acre, which is within the range bracketed by the sales. The concluded value of \$19,000 per acre equates to \$1,425,000 when applied to the subject effective acreage of 75 acres ($\$19,000/\text{acre} \times 75 \text{ acres} = \$1,425,000$).

o. Value

\$1,425,000

2. Appraisal Review Purpose, Scope, and Intended Use:

a. Effective Date of the Review

March 8, 2015.

b. Intended Users

Representatives of the USDA Forest Service and the Town of West Yellowstone.

c. Intended Use

To assist the intended users in the decision making process relative to the proposed conveyance of the lands involved in the West Yellowstone Expansion Lands project on the Gallatin National Forest.

d. Purpose of the Review Assignment

To judge the appraisal report's compliance with the issued appraisal instructions, the *Uniform Appraisal Standards for Federal Land Acquisitions* (UASFLA), and the *Uniform Standards of Professional Appraisal Practice* (USPAP) and to develop a credible opinion of the adequacy of the data and appropriateness of the analysis of the data relative to the final conclusions.

e. Scope of Work

I was assigned this appraisal review by memo, dated September 3, 2014, signed by John Hickey, Region 1 Regional Appraiser.

My review of this appraisal report is based on the material submitted in the report, discussions with the appraiser, discussions with Forest Service personnel and others, my knowledge of the real estate market, and my inspection of most of the comparable sales.

The selection of Andrew Cornish as appraiser by the Town of West Yellowstone was approved by John Hickey, Regional Appraiser after a review of his qualifications, work history with the Forest Service, and other experience doing UASFLA-compliant appraisals. As outlined in the *Request for Appraisal*, it was agreed the Town of West Yellowstone would provide the appraisals for this proposed conveyance.

Initial discussions with the appraiser regarding the estate to be appraised were held at a pre-work meeting December 18, 2014. Appraisal instructions were provided and discussed. These are entitled *West Yellowstone Expansion Lands Appraisal Assignment Package* dated December 9, 2014, and include the estate to be appraised, specialist reports, Forest Service appraisal specifications, and other pertinent information. The appraiser and I participated in the meeting, along with John Hickey and Anna Callahan of the Forest Service. Representatives of the Town of West Yellowstone were in attendance.

I personally inspected the subject property by foot and vehicle on December 18, 2014, accompanied by the appraiser along with Anna Callahan and John Hickey of the Forest Service. Representatives of the town of West Yellowstone were invited to attend but declined.

I personally inspected the comparable sales on April 7 and 9, 2015.

The appraisal was reviewed by me and discussed with the appraiser. Some changes were made to the appraisal resulting from the initial review and discussion, including items such as typographical errors, inconsistencies, omissions, and other items where the appraisal was unclear or did not conform to the relevant standards.

3. Reviewer's Analysis, Comments, and Conclusions:

a. Adherence to Appraisal Standards

The appraiser inspected the property and provides a good written and photographic description of it in his report. He correctly labeled the appraisal an "appraisal report", as called for in the new USPAP regulations concerning report types. It should be noted the Forest Service *Appraisal Specifications* have not been updated to reflect current USPAP and use the phrase "self-contained appraisal report".

The appraiser accurately described the estate to be appraised, and all reservations, encumbrances, or title exceptions of record, and adequately described any possible affect on value due to those. The use of extraordinary assumptions and hypothetical conditions was appropriate and as instructed, other than a discrepancy in the wording of the extraordinary assumption dealing with special use disposition on Page 9 of the appraisal. As specified in the appraisal instructions, which the appraiser incorporated by reference, this should be a hypothetical condition, worded as follows: "The property is appraised as if the disposition of each special use permit as described in the Special Uses Disposition Supplement is effective as of the date of value."

The appraisal conforms to the provided appraisal instructions, as well as applicable USPAP and UASFLA standards, except as noted herein.

b. Larger Parcel Determination

The appraiser correctly adhered to the direction in the appraisal specifications, where it states that a larger parcel determination is required. The appraiser described the three tests in larger parcel determination (ownership, contiguity, and use), but did not apply these tests to the subject property. The appraiser simply cited Forest Service guidelines to determine the larger parcel.

While the conclusion of the subject property as one larger parcel is reasonable, it would have been preferable for the appraiser to discuss the three larger parcel tests as they relate to the subject along with the referenced guidelines in his larger parcel determination.

c. Highest and Best Use Determination

The appraiser's highest and best use conclusion is reasonable and market-supported. The appraiser was instructed to ignore the existing improvements, so the lack of a highest and best use as improved analysis is acceptable.

The sales used have a similar highest and best as the subject, insomuch as each sale shares at least some components of the subject's highest and best use.

d. Subject Sales and Use History

The appraiser adhered to UASFLA guidelines as to reporting the 10-year sale history of the subject, explaining that the subject has been in the public domain since 1902.

The appraiser described the historical and current use of the property, and considered historical and current uses in his analysis of highest and best use.

e. Valuation Approach Selection

The appraiser adequately justified using the Sales Comparison Approach as the most appropriate approach to value. He provided a satisfactory explanation for not using the Cost Approach to value, explaining that the property is essentially unimproved. The appraiser provided justification for not using the Income Approach, stating the forecasting variables involved with this approach would not reflect the market.

f. Contributory Values

The appraiser used acceptable methods to estimate any contributory value of minerals and timber, doing so as part of the whole while avoiding the summation approach.

g. Sales Comparison Approach

The appraiser located and analyzed sales that include characteristics similar to the appraised property. The appraiser made appropriate, market-based adjustments to the comparable sales for those elements of comparison where differences were noted. However, the location adjustment from Bozeman to West Yellowstone relies on pairings of sales located in Manhattan with sales outside of West Yellowstone. It would have been preferable for the appraiser to pair sales more proximate to Bozeman (since that is where the sales are located that are adjusted for this element of comparison...Sales 4 and 5, located in and near Bozeman) with sales in West Yellowstone. A search of my database for sales in Bozeman provided the following pairings:

Sale ID	Size, Acres	Sale Price	Difference	% Difference	Location
3103 Summerset	0.19	\$ 137,000			Bozeman
513 Campanula	0.21	\$ 78,000	\$ 59,000	-43%	West Yellowstone
Ellis View	0.32	\$ 145,000			Bozeman
Grouse Court	0.32	\$ 73,500	\$ 71,500	-49%	West Yellowstone
1026 Brookdale	0.19	\$ 135,000			Bozeman
413 W. Sylvan	0.19	\$ 73,500	\$ 61,500	-46%	West Yellowstone
1322 Boylan	0.24	\$ 135,000			Bozeman
604 Electric	0.26	\$ 67,000	\$ 68,000	-50%	West Yellowstone

As indicated in the preceding table, there is support for the appraiser’s conclusion of a 50% downward location adjustment between Bozeman and West Yellowstone.

The appraiser incorrectly labeled two items in the zoning adjustment grid and narrative on Page 104. He states “a mean of 94% and mode of 102%.” These should be *median* of 94% and *mean* of 102%. This does not appear to have affected the appraiser’s adjustment for zoning, which is reasonable in light of the data presented.

The appraisal includes a detailed sale adjustment grid on Page 106 showing each sale’s comparison to the subject and the adjustments made for the elements of comparison.

The appraiser explained his reasoning for selecting the concluded value from the range indicated by the sales.

He provided complete sale data sheets, as well as maps and photographs of each of the comparable sales.

h. Conclusion of Value

The appraiser provided acceptable justification for not using the Cost and Income Approaches to value. Because only the Sales Comparison Approach was used, no reconciliation of values was needed. Therefore, the \$1,425,000 opinion of value determined by the Sales Comparison Approach is the appraiser’s conclusion of value.

i. Overall Review Summary and Action Taken

The last table on Page 80 cites Teton County MLS as the source for lot sales. This should be Southwest Montana MLS, as stated on Page 81. On Page 81, the period 2004 – 2007 is referenced. This should be 2011 – 2014, as shown on Page 80.

According to UASFLA, it is recognized that technical deficiencies can be found in nearly every appraisal report. Minor technical non-conformance with USPAP, UASFLA, or the appraisal specifications should not be the cause of disapproval of an appraisal report, unless the deficiency affects the reliability of the value opinion, or the value opinion itself.

Other than a few minor exceptions discussed previously, I note no significant departures or deficiencies with respect to compliance with the Uniform Standards of Professional Appraisal Practice and the Uniform Standards for Federal Land Acquisitions.

In my opinion:

- the completeness of the appraisal under review is adequate,
- the data and adjustments in the appraisal under review are adequate and relevant,
- the appraisal methods and techniques used are appropriate,
- the analyses, opinions, and conclusions in the appraisal under review are appropriate and reasonable.

I **approve** the appraisal report which is the subject of this review.

4. Reviewer Assumptions and Limiting Conditions:

- This appraisal review is based on information and data contained in the appraisal report that is the subject of this review.
- It is assumed that such data and information are factual and accurate.
- The reviewer reserves the right to consider any new or additional data or information that may subsequently become available.
- Unless otherwise stated, all assumptions and limiting conditions contained in the appraisal report, which is the subject of this appraisal review, are also conditions of this review.

5. Reviewer Certification:

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

- The facts and data reported by the reviewer and used in the review process are true and correct.
- The analysis, opinions, and conclusions in this review report are limited only by the assumptions and limiting conditions stated in this review report, and are my personal, impartial, and unbiased professional analysis, 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 with respect to the parties involved.

Although the USDA Forest Service is my employer, I am acting without prejudice towards that party.

- I have no bias with respect to the property that is the subject of this report or to the parties involved in this assignment.
- I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of the work under review within the three-year period immediately preceding acceptance of this assignment.
- My engagement on this assignment was not contingent upon developing or reporting predetermined results.
- My compensation is not contingent on an action or event resulting from the analyses, opinions, and conclusions in this review or from its use.
- My analysis, opinions, and conclusions were developed and this review report was prepared in conformity with the *Uniform Appraisal Standards for Federal Land Acquisitions*.
- My analysis, opinions, and conclusions were developed and this review report was prepared in conformity with the Appraisal Foundation's *Uniform Standards of Professional Appraisal Practice*, except to the extent that the *Uniform Appraisal Standards for Federal Land Acquisitions* required invocation of USPAP's Jurisdictional Exception Rule, as described in Section D-1 of the *Uniform Appraisal Standards for Federal Land Acquisitions*.
- My report preparation and presentation conforms to the requirements of the Code of Professional Ethics and Standards of the American Society of Farm Managers and Rural Appraisers.
- I am a member of the American Society of Farm Managers and Rural Appraisers and am current on all continuing education requirements.
- I have made a personal inspection of the subject property under review.
- I have made a personal inspection of the comparable sales contained in the appraisal report. I did not verify and analyze all the sales contained in the appraisal report.
- No one provided significant appraisal or appraisal review assistance to the person signing this certification.

I approve the appraisal report which is the subject of this review, with a concluded value opinion of \$1,425,000 as of March 8, 2015.



Kimball Frome, RPRA
USFS Senior Review Appraiser
Northern Region
Wyoming State-Certified General Appraiser
Permit No. 281, Expires 05/18/2017

The approved value is effective for up to twelve months from the date of value, i.e., from March 8, 2015 through March 7, 2016. Any use of the appraisal or appraisal review subsequent to that time period may require an appraisal update or reappraisal of the property. Any change in the estate to be appraised from that described in the appraisal may require an appraisal update, supplement, or reappraisal of the property.

Enc.: Appraiser Qualifications, Kimball Frome

cc: John Hickey
Anna Callahan
Janne Joy
Guy Adams
Town of West Yellowstone

RESUME AND APPRAISER QUALIFICATIONS

KIMBALL D. FROME
P.O. Box 130
Bozeman, MT 59771
(406) 587-6740
kdfrome@fs.fed.us

Business:

January 2005 to Present:

Senior Review Appraiser, USDA Forest Service, Region 1, P.O. Box 130, Bozeman, MT 59771

September 1999 to January 2005:

Qualified Appraiser, USDA Forest Service, Region 1, P.O. Box 130, Bozeman, MT 59771

May 1996 to September 1999:

Owner/Member, Hoffman & Associates LLC, P.O. Box 7436, Jackson, WY 83002

June 1990 to May 1996:

Associate Appraiser, Hoffman & Associates, P.O. Box 7436, Jackson, WY 83002

Education:

Bachelor of Arts Degree, Marketing, 1989

Utah State University, Logan, UT

Specialized Appraisal Education:

American Society of Farm Managers and Rural Appraisers

A-18, Income Capitalization Unleveraged, 22 hrs., 1993

A-28, Income Capitalization Leveraged, 22 hrs., 1994

Appraising Rural Residential Properties, 16 hrs., 1996

Federal Land Exchanges & Acquisitions, 19 hrs., 1999

A-12(II), Standards of Professional Practice, 16 hrs., 2000

A-35, Advanced Appraisal Review, 50 hrs., 2000

A-20, Principles of Rural Appraisal, 44 hrs., 2001

A-25, Eminent Domain, 22 hrs., 2001

A-29, Highest and Best Use, 16 hrs., 2001

The Yellow Book – UASFLA, 8 hrs., 2001

A-30, Advanced Rural Appraisal, 47.5 hrs., 2002

A-12 (I), ASFMRA Ethics, 8 hrs., 2003

A-12 (III), USPAP Update, 7 hrs., 2003

Appraising Unique Properties (II), 1 hr., 2004

Appraising Unique Properties (III), 1 hr., 2004

A-12 (III), USPAP Update, 7 hrs., 2005

Timber and Timberland Valuation, 8 hrs., 2005

Yellow Book – UASFLA, 8 hrs., 2005

Appraising Agricultural Land in Transition, 12 hrs., 2005

Montana Access Laws & Conservation Easements, 4 hrs., 2006

Discounting & Leases, 8 hrs., 2006

A-112, ASFMRA Ethics, 7 hrs., 2007

A-114, USPAP Update, 7 hrs., 2007

08RE0102, Subdivision Analysis, 4 hrs., 2008

ASFMRA Code of Ethics, 4 hrs., 2008
A-114, USPAP Update, 7 hrs., 2008
Requirements of UASFLA – The “Yellow Book”, 24 hrs., 2008
Cost Approach, 8 hrs., 2009
What’s Missing, 4 hrs., 2009
Wind Leases, 2 hrs., 2009
Water Rights, 2 hrs., 2009
Wind Power, 8 hrs., 2010
Understanding Conservation Easement Valuation, 7 hrs., 2010
A-114, USPAP Update, 7 hrs., 2010
Sales Comparison Approach, 8 hrs., 2011
Ag Trends in Ag Finance, 2 hrs., 2011
Meandering Waterways, 2 hrs., 2011
A-114, USPAP Update, 7 hrs., 2012
GIS for Real Estate and Appraisal, 4 hrs., 2012
Montana Access and Easement Law, 4 hrs., 2012
Best in Business Ethics, 4 hrs., 2013
A-114, USPAP Update, 7 hrs., 2014

American Institute of Real Estate Appraisers

1A-1, Real Estate Appraisal Principles, 39 hrs., 1990
1A-2, Basic Valuation Procedures, 39 hrs., 1990

Miscellaneous

2000 Montana Economic Outlook, BBER, 4 hrs., 2000
Conservation Easements, CNR, 4 hrs., 2000
ALL215, Appraisal Report Writing, ASA, 30 hrs., 2000
Public Road & Federal Access Law, WS, 2000
Plotting of Legal Descriptions, IRWA, 8 hrs., 2003
Problems in the Valuation of Partial Acquisitions, IRWA, 8 hrs., 2012

Appraisal Institute

8-2, Residential Valuation, 39 hrs., 1991
I-410, Standards of Professional Practice A, 16 hrs., 1993
I-410, Standards of Professional Practice A, 16 hrs., 1997
I-420, Standards of Professional Practice B, 11 hrs., 1997
Understanding Limited Appraisals, 1997
Data Confirmation & Verification Methods, 7 hrs., 1999
USPAP Update, 7 hrs., 2006
Condemnation Appraising: Principles and Applications, 22 hrs., 2012

McKissock

The Dirty Dozen, 3 hrs., 2014
Land and Site Valuation, 7 hrs., 2014
Relocation Appraisal, 6 hrs., 2014
Appraising FHA Today, 7 hrs., 2014

Business and Professional Organizations:

June 2004 to Present:

Accredited Member (Real Property Review Appraiser), American Society of Farm Managers and Rural Appraisers

May 1994 to Present:

Certified General Real Estate Appraiser, Wyoming Permit No. 281

Representative Appraisal Clients:

Lenders

American General Finance
Bank of New York
Boston Safe Deposit and Trust
Charter Mortgage
DMS Financial Services
First Professional Bank
Fleet Mortgage
Lender's Services, Inc.
Norwest Bank
PHH U.S. Mortgage
Rocky Mountain F.S. Bank
Security First S&L
Snake River Mortgage
Bank of Jackson Hole
Jackson State Bank

Private

Attorneys
Certified Public Accountants
Estate Planners
Jackson Hole Land Trust
Rocky Mountain Elk Foundation
Trout Unlimited

Government

FDIC
State of Wyoming Dept. of Transportation
State of Wyoming Land Board
Teton County, Wyoming School District
U.S. Government, Forest Service
U.S. Government, Internal Revenue Service
U.S. Government, National Park Service

Types of Appraisal Experience:

Commercial and Industrial
Residential
Farm and Ranch
Rights-of-Way

Partial Interests
Recreational
Conservation Easements
Subdivisions