



**DEPARTMENT OF
NATURAL RESOURCES**

**OFFICE OF THE
COMMISSIONER OF PUBLIC LANDS**
1111 WASHINGTON ST SE
MS 47001
OLYMPIA, WA 98504-7001

December 1, 2023

The Honorable Bernard Dean
Chief Clerk of the House
338B Legislative Building
Olympia, WA 98504

The Honorable Sarah Bannister
Secretary of the Senate
312 Legislative Building
Olympia, WA 98504

Dear Chief Clerk Dean and Secretary Bannister:

Please accept the enclosed legislative report, submitted by the Department of Natural Resources, regarding the appraisal of the Washington National Guard Facility in Spokane, and the appraisal of Parcel Number 55161.9025 in Liberty Lake. The Legislature provided \$40,000 in funding from Section 3134 of the 2023-2025 Capital Budget (C 472, L 23) to conduct land appraisals of the two identified parcels and report the findings of those appraisals to the Legislature by December 1, 2023.

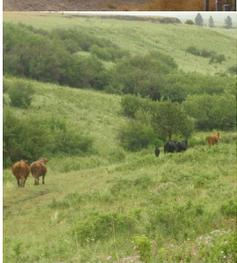
Should you have any questions, please contact me at 360-486-3469 or Brian.Considine@dnr.wa.gov.

Sincerely,

Brian Considine
Legislative Director
Office of the Commissioner of Public Lands

Enclosure: Legislative Report – Land Appraisal of Washington National Guard Facility in Spokane
Legislative Report – Land Appraisal of Parcel Number 55161.9025 in Liberty Lake

cc: Members of the Senate Ways and Means Committee
Members of the House Capital Budget Committee
Members of the 4th Legislative District
Members of the 6th Legislative District
Ruth Musgrave – Senior Policy Advisor, Natural Resources, Office of the Governor
Jim Cahill – Senior Budget Assistant, Natural Resources, Office of Financial Management
Lisa Borkowski – Budget Assistant, Natural Resources, Office of Financial Management



Appraisal Report



AN APPRAISAL OF

**Washington National `Guard Facility
8700 W Electric Avenue
Spokane, Spokane County, Washington 99224**

PREPARED BY
Robert M. Greene, CRE, MAI, SRA, AI-GRS, Ph.D.
Chief Appraiser
Washington State Certified General Real Estate Appraiser
Department of Natural Resources
1111 Washington Street SE
Olympia, WA 98504-7014

AT THE REQUEST OF
Washington State Department of Natural Resources
Strategic Planning Group
P.O. Box 47014
Olympia, WA 98504-7014

Date of Valuation: October 31, 2023
Date of Report: December 1, 2023



WASHINGTON STATE DEPARTMENT OF
NATURAL RESOURCES



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December 1, 2023

Mr. Brian Considine
Legislative Director
Department of Natural Resources
1111 Washington Street SE
Olympia, Washington 98504

SUBJECT: Appraisal of Real Property
Washington National Guard Facility
8700 W Electric Avenue
Spokane, Spokane County, Washington 99224
DNR File No. 2023-026B

Dear Mr. Considine:

We are pleased to submit the accompanying appraisal of the above-referenced property. The purpose of the appraisal is to develop an opinion of the market value of the fee simple interest in the property as of October 31, 2023. The client for the assignment is the State of Washington Department of Natural Resources, and the intended use is for asset valuation purposes to assist in a proposed trade with another property.

The appraisal is intended to conform with:

- The Uniform Standards of Professional Appraisal Practice (USPAP);
- The Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute;
- Applicable state appraisal regulations;

To report the assignments results, we use the appraisal report option of Standards Rule 2-2 of USPAP. Accordingly, this report contains summary discussions of the data, reasoning, and analyses that are used in the appraisal process; supporting documentation is retained in our file. The depth of discussion contained in this report is specific to the needs of the client and the intended use of the appraisal.

The subject property is an irregularly shaped parcel of land located near the southwest corner of Spokane International Airport. It contains approximately 889,930 square feet or 20.43 acres of land area. The site is currently improved with six primary buildings of various ages and sizes, primarily warehouse, storage, and office finish, that have been built for and used by the State of Washington National Guard. There are additionally three smaller storage sheds. The buildings



are considered special-use improvements. The property is zoned LI, Light Industrial District, by the City of Spokane with an Airport Overlay District.

Based on the valuation analysis in the accompanying report, and subject to the definitions, assumptions, and limiting conditions expressed in the report, our opinion of value is as follows:

VALUE CONCLUSION			
Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
Market Value	Fee Simple*	21-Oct-23	\$2,000,000
		Less Demolition Costs	(\$750,000)
Market Value	Fee Simple As Is		\$1,250,000
*As though unimproved and available for development for its highest and best use			

EXTRAORDINARY ASSUMPTIONS AND/OR HYPOTHETICAL CONDITIONS	
The value conclusions are subject to the following extraordinary assumptions and/or hypothetical conditions, which may affect the assignment results.	
The property has been valued as though it has no environmental contamination. However, a potential purchaser would and should obtain sufficient environmental survey and analysis. Any costs of remediation for contamination and/or stigma should be deducted from the estimate of value.	

Exposure Period	
Exposure Period (Months)	12

If you have any questions or comments, please contact the undersigned. Thank you for the opportunity to be of service.

Respectfully submitted,

Robert M. Greene, CRE, MAI, SRA, AI-GRS, Ph.D.
State of Washington Certified General Appraiser
WA Certificate #1101792 (exp. 12/18/2023)



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Summary of Salient Facts and Conclusions

SUMMARY OF SALIENT FACTS	
Property Name	Washington National Guard Facility
Address	8700 W Electric Avenue
City	Spokane
County	Spokane
State	Washington
Property Type	Special-Use
Owner of Record	Washington State Department of the Military
Tax ID Number(s)	240052.9070
Physical Data:	
Gross Land Area	20.43 acres; 889,931 square feet
Zoning	LI, Light Industrial District; Airport Overlay District
Flood Map Panel	53063C0700D
Flood Map Date	July 6, 2010
Flood Plain	Not in the flood plain
Highest and Best Use	
As If Vacant	Industrial Development
As Improved	Demolish Existing Improvements
Exposure Time	12 months
Date of Report	November 10, 2023
Property Interest Appraised	Fee Simple Estate
Market Value Indications	
Land Value as if Unimproved	\$2,000,000
Land Value As Is	\$1,250,000
Market Value	\$1,250,000
Date of Value	October 31, 2023

General Information

Identification of Subject

PROPERTY IDENTIFICATION			
Assessor's Parcel Number	Location	Size (Acres)	
24052.907	8700 W Electric Avenue	20.43	

Current Ownership and Sales History

The owner of record is:

- Washington State Department of the Military

To the best of our knowledge, no sale or transfer of ownership has occurred within the past ten years, and as of the effective date of this appraisal, the property is:

- Not subject to an agreement of sale or option to buy, nor is it listed for sale. It is, however, under consideration for a proposed exchange with another property.

Type of Value, Property Rights and Effective Date

- The purpose of the appraisal is to develop an opinion of the market value of the fee simple interest in the property as of the effective date of the appraisal. The appraisal is valid only as of the stated effective date or dates.

Definition of Value

- **Market value** is “the most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress.” *The Dictionary of Real Estate Appraisal*, 6th Edition, 2015, p. 141.

Definition of Property Rights Appraised

Fee simple estate is defined as, “Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.” (Source: *The Dictionary of Real Estate Appraisal*, Sixth Edition, Appraisal Institute, Chicago, Illinois, 2015, p. 90).

Client, Intended User and Intended Use

The client is:

- The State of Washington Department of Natural Resources

The intended users are:

- The client;
- The State of Washington Legislature.

The intended use is:

- To estimate asset value for consideration of a proposed exchange for another property.

The appraisal is not intended for any other use or user.

Applicable Requirements

This appraisal is intended to conform to the requirements of the following:

- *Uniform Standards of Professional Appraisal Practice (USPAP)*;
- Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute;
- Applicable state appraisal regulations.

Prior Services

USPAP requires appraisers to disclose to the client any services they have provided in connection with the subject property in the prior three years, including valuation, consulting, property management, brokerage, or any other services.

- We have performed no other services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.

Scope of Work

To determine the appropriate scope of work for the assignment, we considered the intended use of the appraisal, the needs of the user, the complexity of the property, and other pertinent factors. Our concluded scope of work is described below. On-site inspection of the property.

- Review and analysis of applicable regulations, including zoning and other applicable requirements of the jurisdictions in which the property lies.
- A survey of comparable sales, comparable listings for sale, comparable rentals if relevant to the assignment, review and analysis of income and expense history of the subject if relevant.

- Investigation, research, and analysis of the local market, including market trends and activity.

Property Inspection

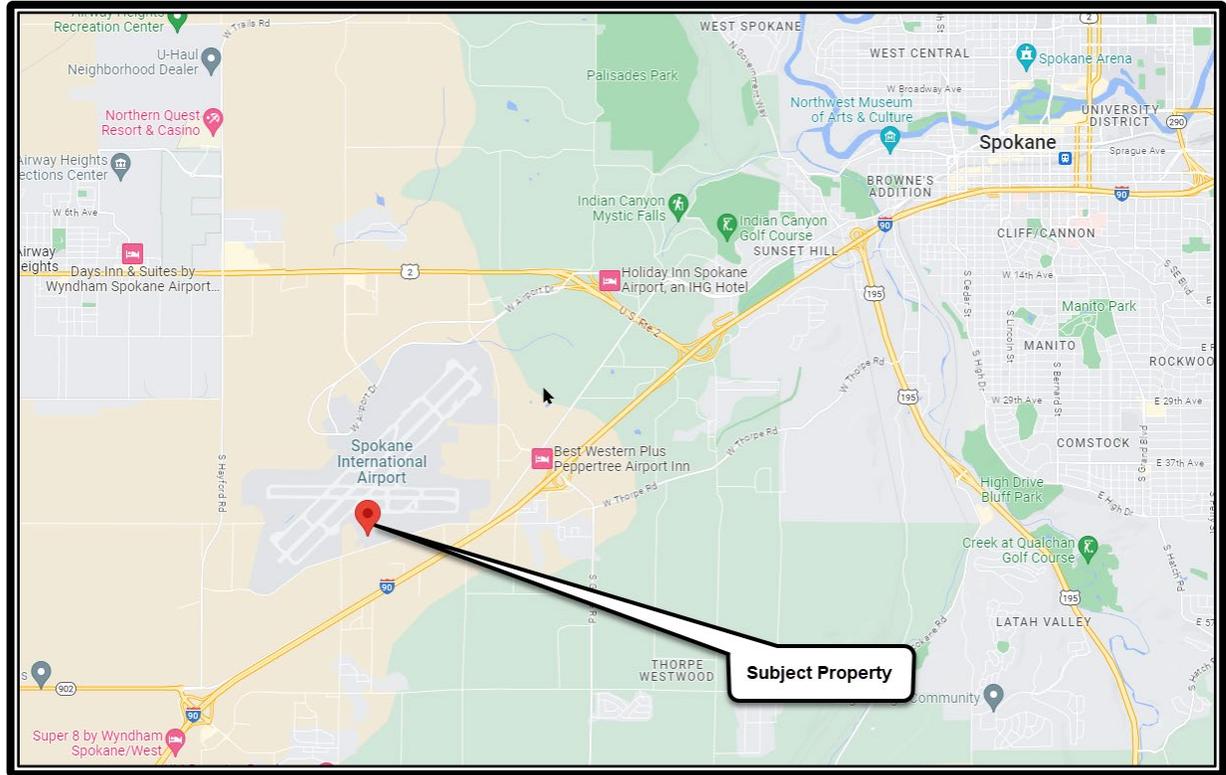
Robert M. Greene, CRE, MAI, SRA, AI-GRS, Ph.D., conducted an on-site inspection of the property on October 31, 2023.

Report Format

The report has been prepared under the appraisal report option of Standards Rule 2-2(b) of USPAP. As such, it contains summary discussions of the data, reasoning, and analyses that are used in the appraisal process, and supporting documentation is retained in our file. The depth of discussion contained in this report is specific to the needs of the client and the intended use of the appraisal.

Economic Analysis

AREA MAP



Surrounding Area Analysis

LOCATION

The dominant neighborhood feature is the Spokane International Airport, with its attendant runways, terminal, repair, storage, and automobile and aircraft parking areas. It dominates the north half of the aerial view immediately below. The airport and the subject are both in the City of Spokane, with parcels farther north, west, and south mostly in the County. The subject does not have direct access to the airport, including taxiways. It is used as a national guard facility.



There are some additional industrial buildings north of the airport (not shown), as well as a manufactured housing project (also not shown). There is an expansive block of largely undeveloped industrial land south of the subject (but with a mini-storage facility). West of

that tract is an industrial subdivision with several recently completed distribution facilities. Newer Amazon Distribution and Caterpillar Centers are also nearby.

Towards the south of the previous aerial there are several infill single-family subdivisions.

There is a significant amount of undeveloped land. Zoning is predominantly for additional industrial development (and some portions zoned for office and retail) on these tracts. However, lands west of the airport and outside the city limits include agriculturally oriented/rural parcels. Many of these sites lack public water and sewer service, and will be developed only in the very long term.

ACCESS AND LINKAGES

Primary highway access to the area is via Interstate 90, which extends from Seattle on the west, through Spokane, and continues to the east to Idaho and beyond.

OUTLOOK AND CONCLUSIONS

Neighborhoods typically develop through four stages: growth; stability; decline; and revitalization. The area is in the stability stage of its life cycle. We anticipate that property values will remain stable to slightly appreciating consistent with inflation in the near future.

MARKET ANALYSIS

The appraiser surveyed the industrial land market in the larger Spokane area and particularly in the immediate vicinity of the Spokane International Airport. There has been a slow and steady market, particularly for potential development sites for light industrial uses. Most notably, Amazon purchased nearby land for a mega distribution facility on July 18, 2018, for \$0.58 per square foot of land area. There have also been sales outside the city limits of Spokane, which are considered inferior to the subject due to the lack of municipal water and sewer. However, the availability of large tracts of land in the County constitute competitive supply which acts as an impediment to higher prices in the vicinity of the subject.

Immediately south of the subject is the so-called “West Plains Commerce Park,” approximately 93 acres of light industrial land, which has been marketed for unit prices ranging from \$6.00 to \$8.14 per square foot of land area. However, there has been only one sale: a 2.53-acre site, listed at \$8.00 per square foot, sold for \$5.00 per square foot on November 1, 2023. I have had conversations with the managing partner of the partnership that owns the site, and it appears that the site is largely a “hold for future investment” parcel of land. The current asking prices appear to be above current market value levels, but the ownership is content to hold until demand rises. For them, it is a long-term investment.

Property Analysis

Land Description and Analysis

The subject site is an irregularly shaped and mostly level property located adjacent to the Spokane International Airport. The following table summarizes salient features of the site.

LAND SUMMARY	
Land Area	20.43 acres
Source of Land Area	Assessment records
Access	Electric Avenue
Shape	Irregular
Topography	Mostly level
Drainage	Appeared adequate; there is an area of wetlands along the west property line.
Environmental Hazrds	None known, BUT ENVIRONMENTAL ASSESSMENT RECOMMENDED.
Ground Stability	Appeared adequate
FLOOD INSURANCE INFORMATION	
Flood Area Panel Number	53063C0700D
Date	July 6, 2010
Zone	Zone X
Description	Area of Minimal Flood Hazard
Insurance required?	No
ZONING INFORMATION	
Zoning Jurisdiction	City of Spokane
Zoning Designation	LI
Description	Light Industrial
Permitted Uses	Commercial outdoor recreation; commercial parking; drive-through facility; office, quick vehicle servicing, vehicle repair, industrial service, manufacturing and production, warehouse and freight movement, wholesale sales, basic utilities, colleges, community service, daycare, medical centers, parks and open areas, religious institutions, schools, agriculture, aviation and surface passenger terminals, rail lines and utility corridors. <i>Site is also subject to restrictions of an airport overlay zone (including maximum height).</i>
Legally Conforming?	Yes
UTILITIES	
	Provider
Electricity	Public
Water	Public
Sewer	Public
Natural Gas	Public

EASEMENTS, ENCROACHMENTS AND RESTRICTIONS

No title report was provided to the appraiser. We have assumed typical utility easements with no adverse affect on value.

CONCLUSION OF LAND ANALYSIS

Overall, the physical characteristics of the site and the availability of utilities result in functional utility suitable for a variety of uses including those permitted by zoning. There are no other known restrictions on development except those noted in the analysis.

Improvements Description and Analysis

The subject site is a Washington National Guard facility, sometimes identified as Geiger Field, and it is improved with five primary buildings and three small storage sheds.



Building 2514



Building 402



Storage Sheds 304 and 305



Building 300



Building 300



Storage Building 400



Building 301



Interior of Typical Office Space



Interior of Typical Warehouse Space



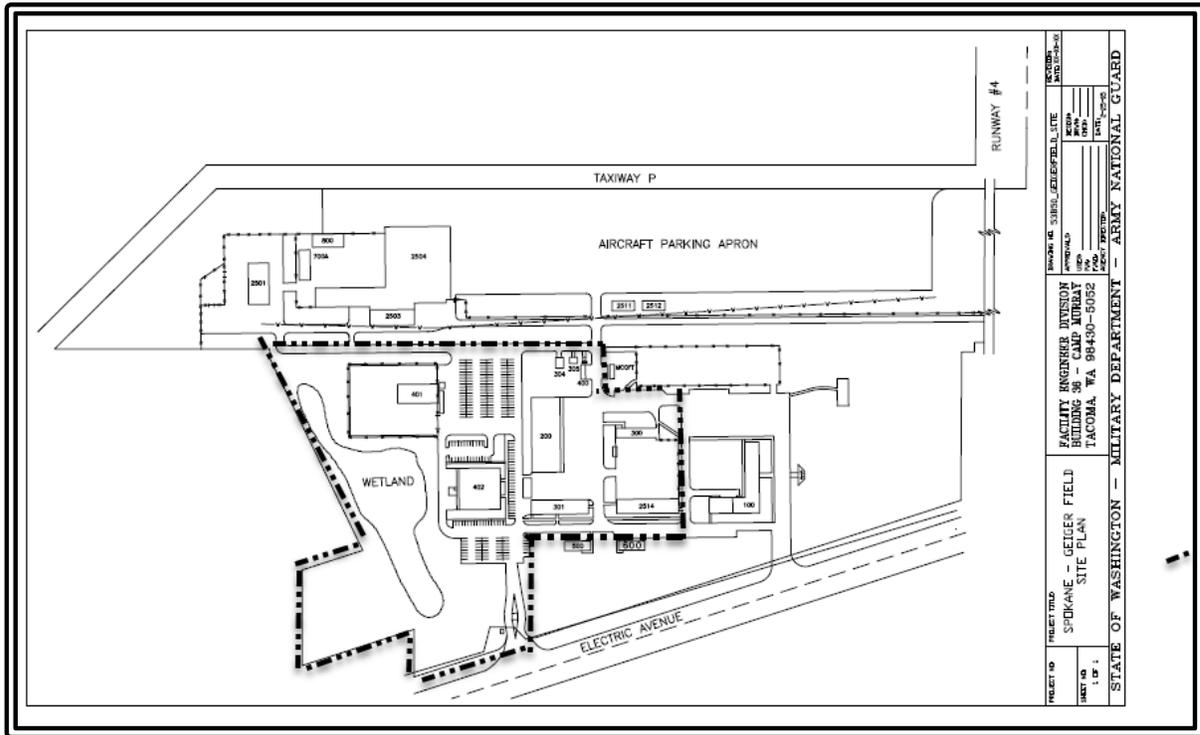
Interior of Typical Warehouse Space

AERIAL VIEW OF THE PROPERTY

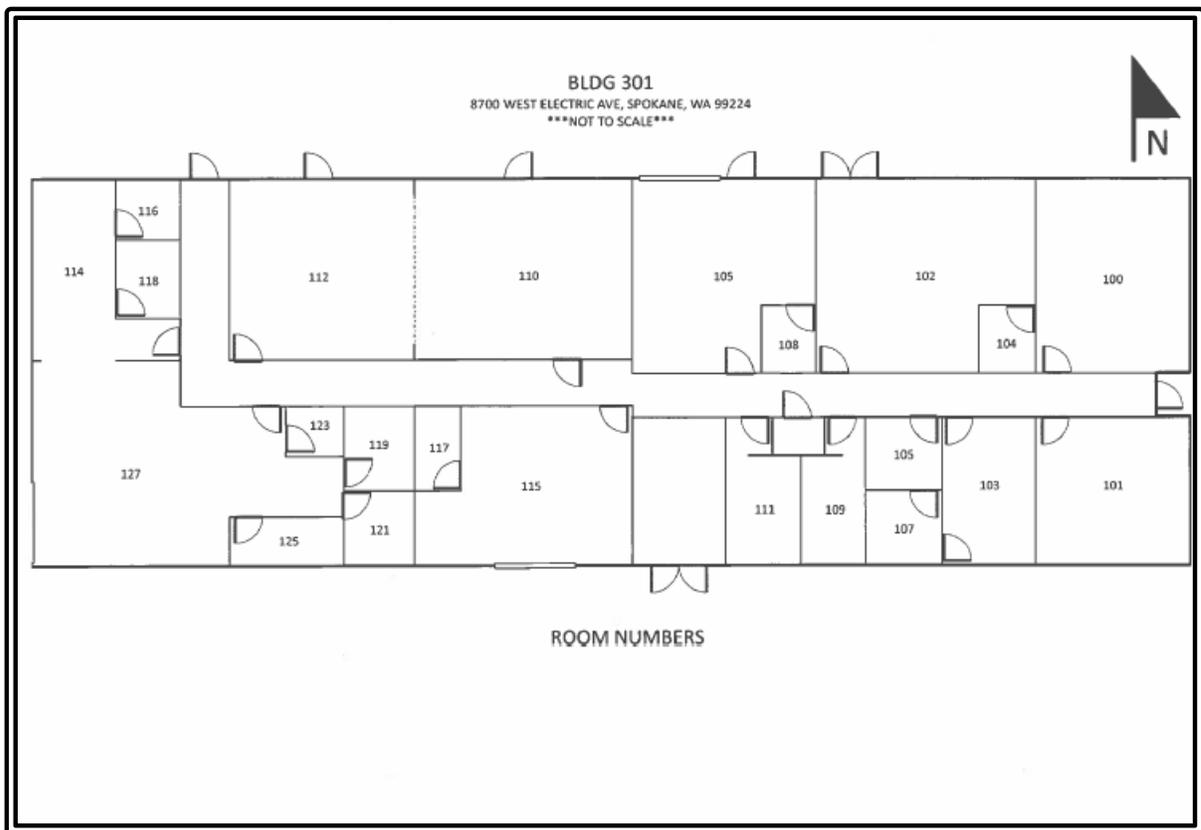
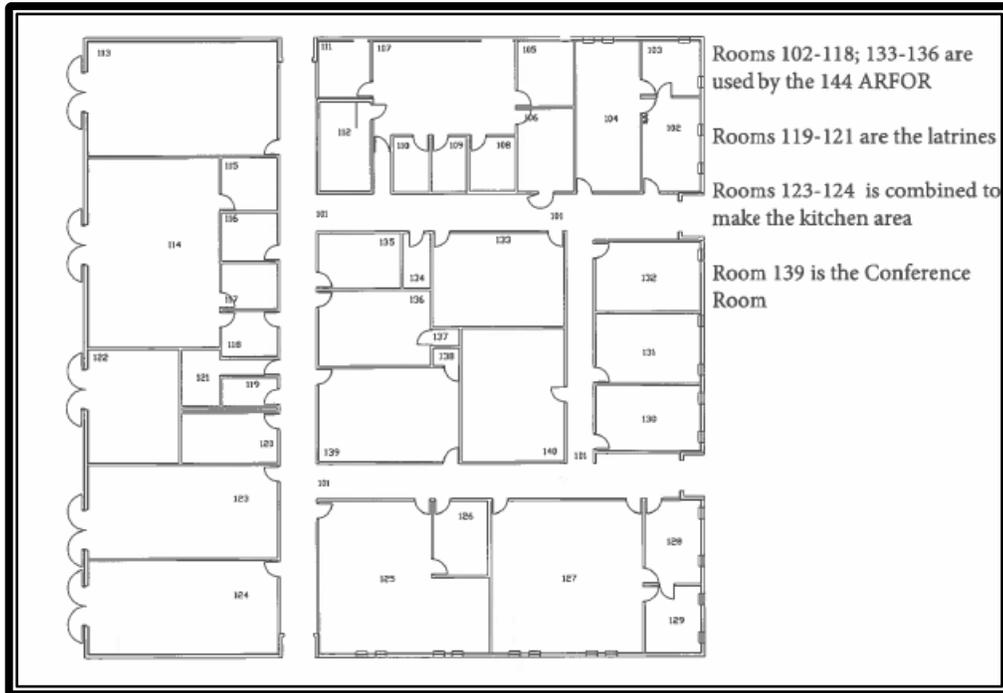


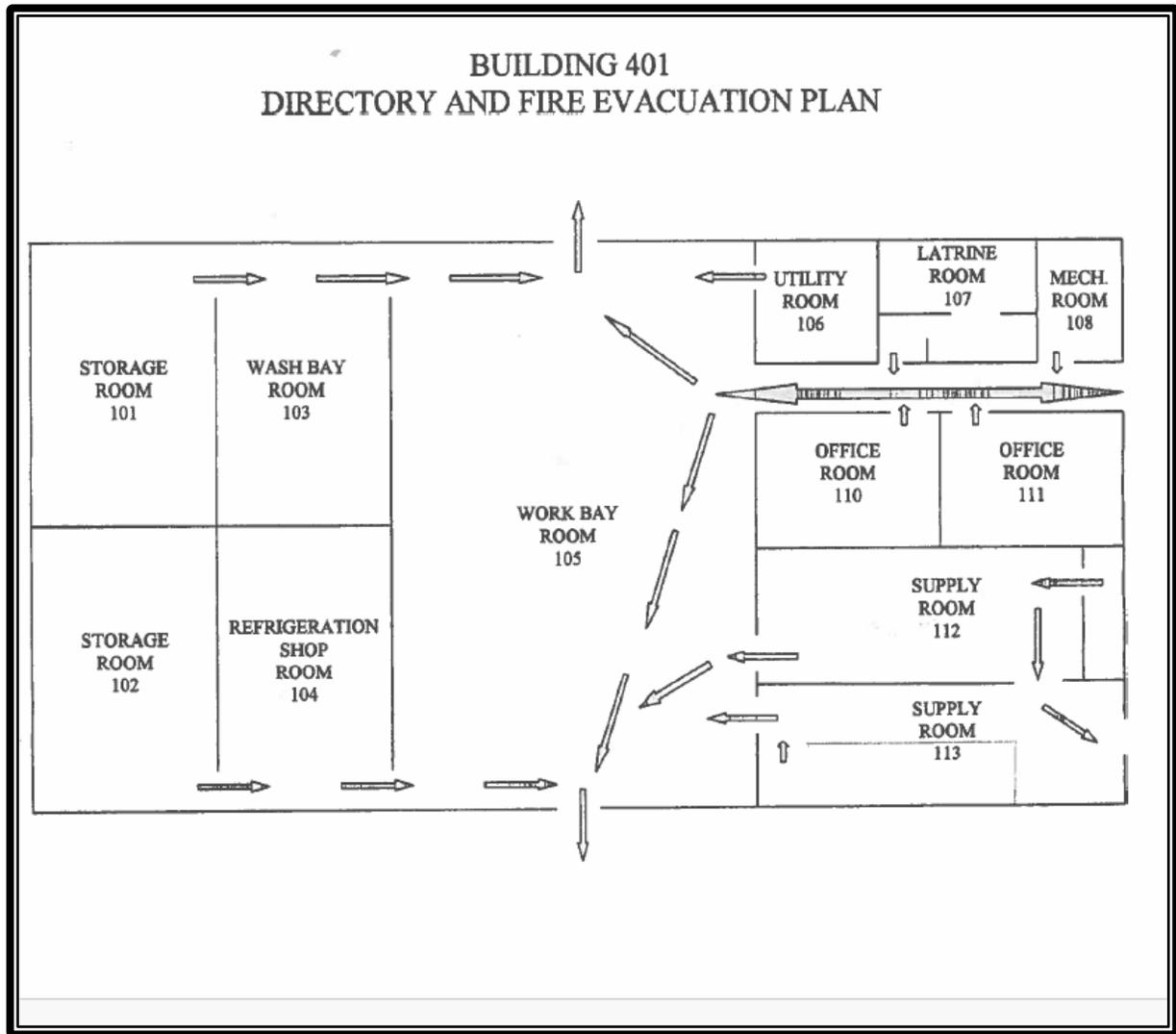
...
Aerial View of the Subject Property: Boundaries are approximate.

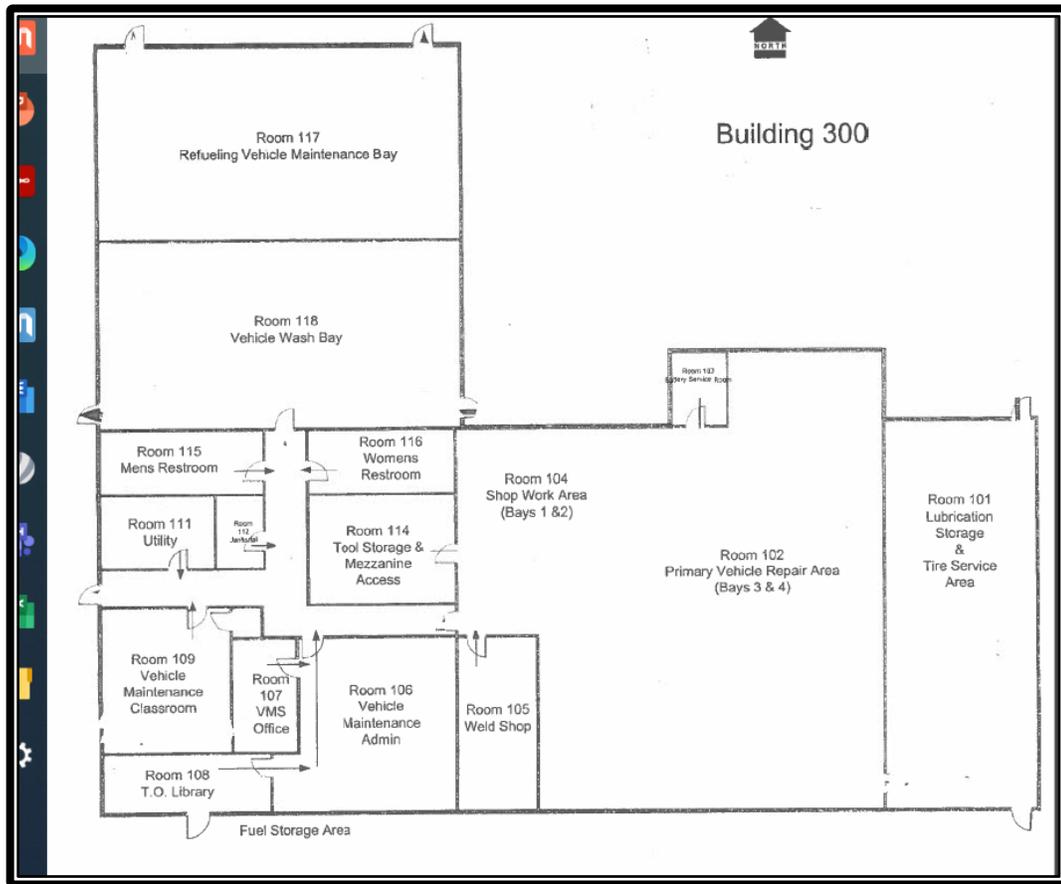
SITE PLAN



BUILDING DIAGRAMS







The following table summarizes the size and construction type of the identified improvements:

IMPROVEMENTS			
Building #	Construction	Size (SF)	
200	Masonry	28,800	
300	Masonry	9,148	
301	Metal	8,424	
304	Metal	1,792	
305	Metal	1,440	
306	Metal	195	
400	Masonry	588	
401	Masonry	1,740	
402	Masonry	9,800	
402	Masonry	17,424	
2415	Masonry	9,800	
	Total	89,151	

Real Estate Tax Analysis

Real estate assessment for tax purposes in Washington is administered by the counties, and real property is appraised and assessed at market value. However, the subject property is owned by a government entity and is exempt from taxation. The following table summarizes the assessor's records for the subject property.

REAL ESTATE ASSESSMENT AND TAXATION INFORMATION							
	Tax ID	Land	Improvements	Total AV	Tax Rate	Taxes	
	24052.9070	\$1,334,900	Not Assessed	\$1,334,900	0.865%	Exempt	

Highest and Best Use Analysis

The highest and best use of the property is defined as “the reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.” (*The Dictionary of Real Estate Appraisal*, Fifth Edition, Appraisal Institute, 2010.)

As If Vacant

Physically Possible

The subject property:

- Size: 20.43 acres
- Shape: Very irregular
- Topography: Mostly level
- Water and/or wetlands: An area of wetlands lies near the southwest corner of the property (see site plan above).
- Utilities: Typical (electricity, water, sewer, natural gas)
- Access: Public right of way, W Electric Avenue; additional access to the adjoining taxiways of the Spokane International Airport.

The subject property appears physically suitable for a wide variety of uses and developments. *However, its highly irregular shape and existence of a significant portion of wetlands will make its utility less than ideal.*

Legally Permissible

Restrictions on the physically possible uses can be both public, such as zoning and other statutory requirements, and/or private, such as deed restrictions or subdivision restrictions.

- The property is zoned LI, Light Industrial District, by the City of Spokane. Permitted uses include a wide variety of commercial and institutional uses, but notably including:
 - commercial parking;
 - office;
 - quick vehicle servicing;
 - industrial service;

- aviation and surface passenger terminals;
 - manufacturing and production;
 - warehouse and freight movement; and
 - wholesale sales.
- Additional public restrictions include the following:
 - Aviation zoning overlay: the overlay references various use and height limitations and restrictions.

Financially Feasible

Based upon the physically possible and the legally permissible uses and restrictions cited above, and also in consideration of the pattern of surrounding development, we estimate that the potentially feasible uses of the subject include the following:

- Any of the industrial or commercial uses consistent with the permitted uses listed in the zoning ordinance.

Maximally Productive

Based upon the pattern of surrounding development and other considerations, we estimate that the *maximally* profitable of the cited feasible uses are light industrial uses.

Conclusion

The highest and best use of the subject property as though vacant is light industrial development.

As Improved

- The subject property is improved with a variety of industrial and office buildings specifically designed and built over a period of years for the specific uses of the Washington National Guard. Due to the age, condition, and special-use design of the facilities, which are not typical of light industrial or airport use, the present improvements are estimated to contribute no, negligible, or negative value to the property as though unimproved and ready for development consistent with the site's highest and best use. The appraiser surveyed sales of vintage industrial buildings (built before 1980) and analyzed two:
 - a 94,720-square-foot warehouse built in 1966 at 4020 E Main Avenue, Spokane, sold 4/1/22) for \$20.10 PSF including land; and
 - a 78,558-square-foot manufacturing facility built in 1978 at 2425 E Magnesium Road, Spokane, sold 8/1/22 for \$20.08 PSF including land.

At \$20.00 PSF for the subject's 69,551 square feet, the indicated value would be less than \$1,400,000, or 30 percent less than the estimated land value of \$2,000,000. A

typical purchaser would likely purchase the subject for its redevelopment potential and its current highest and best use. Therefore, the property will be appraised as though vacant, and a deduction from that value for estimated cost of demolition will be calculated to estimate the value of the property as is. *Please note that demolition costs are only rough approximations, and expert contractor's estimates would be required for a more accurate estimate. Moreover, the improvements are older, they have been used by the military, and the likelihood of environmental contamination, including asbestos, underground storage tanks, and other hazards are a possibility. Demolition costs in that case could be significantly higher. The appraiser recommends that, at a minimum, Phase II and Phase III environmental surveys and contractors' professional estimates for demolition and remediation be commissioned prior to any purchase or exchange.*

MOST PROBABLE BUYER

Taking into account the size and characteristics of the property, the likely buyer is a local or regional developer or an owner-user.

Valuation Methodology

Appraisers usually consider three approaches to estimating the market value of real property. These are sales comparison approach, the income capitalization approach, and the cost approach,

The Three Approaches to Value

The **sales comparison approach** assumes that an informed purchaser would pay no more for a property than the cost of acquiring another existing property with the same utility. This approach is especially appropriate when an active market provides sufficient reliable data. The sales comparison approach is less reliable in an inactive market or when estimating the value of properties for which no directly comparable sales data is available. The sales comparison approach is often relied upon for owner-user properties.

- The subject property is improved with older, heavily depreciated improvements that make no or negligible contribution to value. The sales comparison approach was used to estimate the value of the property as though unimproved and available for its highest and best use; and the estimated cost of demolition was deducted from that value. *Please note the demolition costs are only rough estimates for information purposes only, and professional contractors' estimates should be obtained. Moreover, if the site requires environmental remediation, demolition costs could be extremely high. A purchaser should obtain environmental surveys, Phase I and Phase II at a minimum, and obtain demolition cost estimates based on the results.*

The **income capitalization approach** reflects the market's perception of a relationship between a property's potential income and its market value. This approach converts the anticipated net income from ownership of a property into a value indication through capitalization. The primary methods are direct capitalization and discounted cash flow analysis, with one or both methods applied, as appropriate. This approach is widely used in appraising income-producing properties.

- However, the property is an owner-user facility, and it does not generate, and is not likely to generate, rental income. Therefore, the income capitalization approach is not considered applicable.

The **cost approach** assumes that the informed purchaser would pay no more than the cost of producing a substitute property with the same utility. This approach is particularly applicable when the improvements being appraised are relatively new and represent the highest and best use of the land or when the property has unique or specialized improvements for which there is little or no sales data from comparable properties.

- However, the subject improvements are relatively old and exhibit significant depreciation, including physical deterioration, functional obsolescence, and, possibly, external obsolescence. Moreover, reliably estimating total accrued depreciation relies on the sales comparison approach. Due to the unreliability of estimates for large

amounts of accrued depreciation, the cost approach is not considered sufficiently reliable for estimating the value of the subject property, and it has not been utilized.

Reconciliation of the various indications into a conclusion of value is based on an evaluation of the quantity and quality of available data in each approach and the applicability of each approach to the property type.

Land Value (Sales Comparison)

The sales comparison approach develops an indication of value by comparing the subject to sales of similar properties. The steps taken to apply this approach are:

- Identify relevant property sales;
- Research, assemble, and verify pertinent data for the most relevant sales;
- Analyze the sales for material differences in comparison to the subject;
- Reconcile the analysis of the sales into a value indication for the subject.

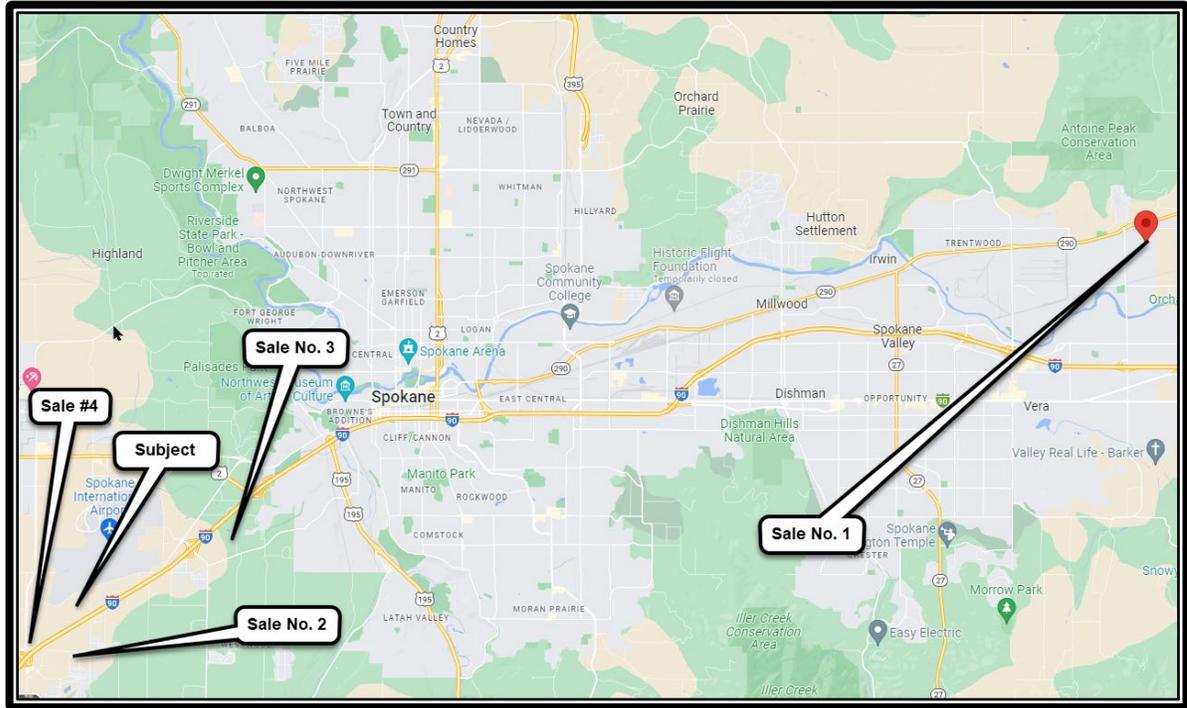
For this analysis, we use the following units of comparison as the appropriate units of comparison because market participants typically compare sale prices and property values on this basis.

- price per gross square foot of land area.

The most relevant sales are summarized in the following table. More complete descriptions of the sales are included in the appraiser's files.

SUMMARY OF COMPARABLE LAND SALES						
No.	Name/Address	Sale Date	Effective Sale Price	Size (SF)	Zoning	\$/SF
Subject Property		Current Date		23.00	LI	
	8700 W Electric Ave.					
	Spokane					
	Spokane					
	Washington					
	Comments: Irregularly shaped parcel adjacent to but without direct access to the Spokane International Airport. Located in an area of primarily industrial uses.					
1	Industrial Land	Dec-22	\$1,929,300	526,205	I	\$3.67
	S of 4424 N Barker Rd					
	Spokane Vallley					
	Spokane					
	Washington					
	Grantee: Forks Properties, LLC					
	Grantor:					
	Comments: The I (Industrial) zoning is similar to the subject's LI (Light Industrial) zoning. Adjacent properties are mostly industrial uses, and the highest and best use is considered industrial.					
2	Industrial Land	Dec-22	\$2,346,680	935,669	LI	\$2.51
	N of 6120 S Thomas Mallen Road					
	Spokane (county)					
	Spokane					
	Washington					
	Grantor: Hawkins Edwards, Inc.					
	Grantee: RCS Development					
	Comments: The county LI (Light Industrial) zoning is similar to the subject's zoning. Adjacent properties are mostly industrial uses, including recent development, but is adjacent to rural residential development. The highest and best use is considered industrial.					
3	Industrial Land	Dec-21	\$1,100,000	629,006	I-2	\$1.75
	6901 W. Thorpe Road					
	Spokane					
	Spokane					
	Washington					
	Grantor: Pamp & Barbara Maiers					
	Grantee: Millsap Enterprises					
	Comments: This is the sale of industrial land located immediately south of Interstate 90. This sale is the oldest of the comparable sales and the unit price should be adjusted up for current values.					
4	Name	Nov-21	\$1,957,320	870,188	OF-70	\$2.25
	3520 S Geiger Blvd.			19.98		
	Spokane					
	Spokane					
	Washington					
	Grantor: Spokane Ai'rport					
	Grantee: PIVO, LLC					
	Comments: This is a large irregularly shaped parcel located at the intersection of W Flightline Blvd. and S Geiger Blvd. As of the current date it is still undeveloped. It is zoned primarily for office and retail uses, but it is located near the subject and in the area of the airport.					

COMPARABLE LAND SALES MAP



Analysis and Adjustment of Sales

The sales are compared to the subject and adjusted to account for material differences that affect value. Adjustments are considered for the following factors, in the sequence shown below.

ADJUSTMENT FACTORS	
Transaction Adjustments	
Effective Sale Price	Accounts for atypical economics of a transaction, such as demolition cost, expenditures by the buyer at time of purchase, or other similar factors. Usually applied directly to sale price on a lump sum basis. In the case of timber, this adjustment could account for the value of merchantable timber.
Real Property Rights	Fee simple, leased fee, leasehold, partial interest, etc.
Financing Terms	Seller financing, or assumption of existing financing, at non-market terms.
Conditions of Sale	Extraordinary motivation of buyer or seller, assemblage, forced sale, related parties transaction.
Market Conditions	Changes in the economic environment over time that affect the appreciation and depreciation of real estate. Sometimes referred to as the "time adjustment."
Property Adjustments	
Location	Market or submarket area influences on sale price; surrounding land use influences.
Access/Exposure	Convenience to transportation facilities; ease of site access; visibility from main thoroughfares; traffic counts (if applicable).
Size	Inverse relationship that often exists between parcel size and unit value; sometimes called size regression.
Shape and Topography	Primary physical factors that affect the utility of a site for its highest and best use.
Zoning	Government regulations that affect the types and intensities of uses allowable on a site.
Entitlements	The specific level of governmental approvals attained pertaining to development of a site.

The following paragraphs summarize the adjustments we make to each sale.

Land Sale #1 is a sale zoned for industrial use (including heavy industrial use) and located east of Spokane. Adjacent uses are primarily industrial uses. It is smaller than the subject property, and smaller sites typically have a higher unit value than larger parcels. It was purchased by Avista Utilities for development of the Boulder Park Generating Station. The unit price for this sale is considered higher than is appropriate for the subject site.

Land Sale No. 2 is the sale closer to the subject property, located on S Thomas Mallen Road just south of Interstate 90. It is zoned Light Industrial like the subject. It is a level but irregularly shaped site, with a large rectangular portion connecting to a triangular portion at its NW corner. The triangular parcel has direct exposure to Interstate 90. This unit price for this parcel is considered to be the upper limit of value for the subject.

Land Sale No. 3 is the sale of an irregular, dog-leg shaped parcel at the northwest corner of W Thorpe Road and South Cheatham Road. It was described as an investment purchase. It had a few steel sheds of negligible value. It is located one block southeast of Interstate 90 near the eastern edge of Spokane International Airport. It is, however, some distance from an I-90 interchange, and the unit price is considered to be somewhat lower than the unit value of the subject property.

Land Sale No. 4 is the sale an irregularly shaped parcel located at the intersection of South Geiger Road and W Flightline Boulevard. The zoning permits commercial uses, and the highest and best use is likely to commercial: the immediate area includes the Sunset Hill Post Office, a Denny's Restaurant, and a Best Western Plus motel. It is included here because of its proximity to the subject. It had been owned by the airport, and was sold for development; however, it is still unimproved. The unit value of this property is considered to be at or near the unit value of the subject property.

Land Value Indication

After consideration of size, location, topography, time, and other factors affecting value, I estimate the unit value of the subject site to range from \$2.00 to \$2.50 per square foot of land area. The subject site contains 889,9331 square feet of land area, indicating a range of value from \$1,779,862 to \$2,224,828. **A value near the midpoint of the indicated range is considered to be market value, or \$2,000,000.**

Please note this is a value of the site as though unimproved and available for development for its highest and best use. The improvements would need to be demolished to be available for development, and a deduction for that estimated cost is described below.

Demolition Cost Estimates

The following table summarizes the size and construction for the identified buildings.

IMPROVEMENTS			
Building #	Construction	Size (SF)	
200	Masonry	28,800	
300	Masonry	9,148	
301	Metal	8,424	
304	Metal	1,792	
305	Metal	1,440	
306	Metal	195	
400	Masonry	588	
401	Masonry	1,740	
402	Masonry	9,800	
402	Masonry	17,424	
2415	Masonry	9,800	
	Total	89,151	

The following table summarizes the calculations for demolition of each of the buildings. Cost estimates were based on costs reported in the Marshall Valuation Service, which indicates a range of typical costs. The resulting estimates are considered only rough estimates, they do not take into account any remediation of environmental hazards that might be necessary, and they do not include demolition or removal of site improvements such as paving, underground tanks or other costs.

Building	Size (SF)	Construction	Base Cost (Low)	Base Cost (High)	Current & Location	Minimum	Maximum
200	28,800	Masonry	5.52	8.82	1.15	\$182,822	\$292,118
300	9,148	Masonry	5.52	8.82	1.15	\$58,072	\$92,788
301	8,424	Metal	4.21	5.97	1.15	\$40,785	\$57,835
304	1,792	Metal	4.21	5.97	1.15	\$8,676	\$12,303
305	1,440	Metal	4.21	5.97	1.15	\$6,972	9886.32
306	195	Metal	4.21	5.97	1.15	\$944	\$1,339
400	588	Masonry	5.52	8.82	1.15	\$3,733	\$5,964
401	1,740	Masonry	5.52	8.82	1.15	\$11,046	\$17,649
402	17,424	Masonry	5.52	8.82	1.15	\$110,608	\$176,732
2415	9,800	Masonry	5.52	8.82	1.15	\$62,210	\$99,401
<i>Marshall Valuation Service, Section 66, p. II, Section 99, p. 3.</i>					Total:	\$485,867	\$766,016
<i>Marshall Valuation Service, Section 66, p. II; Section 99, p. 3</i>							

A final estimate near the top of the indicated range has been selected due to the uncertainty of estimates without a professional contractor’s estimate and the unknown cost of removal of site improvements such as described above. The estimate does not take into account any remediation for possible environmental hazards. **Cost of demolition is estimated at \$750,000.**

Reconciliation and Conclusion of Value

The values indicated by our analyses are as follows:

VALUE CONCLUSION			
Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
Market Value	Fee Simple*	21-Oct-23	\$2,000,000
		Less Demolition Costs	<u>(\$750,000)</u>
Market Value	Fee Simple As Is		\$1,250,000
*As though unimproved and available for development for its highest and best use			

EXTRAORDINARY ASSUMPTIONS AND/OR HYPOTHETICAL CONDITIONS	
The value conclusions are subject to the following extraordinary assumptions and/or hypothetical conditions, which may affect the assignment results.	
The property has been valued as though it has no environmental contamination. However, a potential purchaser would and should obtain sufficient environmental survey and analysis. Any costs of remediation for contamination and/or stigma should be deducted from the estimate of value.	

Please note that estimated demolition costs are only rough estimates, and more reliable estimates as prepared by qualified and experienced contractors should be considered. Moreover, the demolition costs do not consider the possibility of environmental contamination and required remediation, which could greatly increase the costs of demolition.

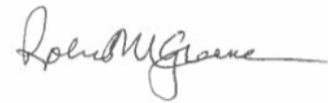
Our estimate of exposure time is as follows:

Exposure Period		
Exposure Period (Months)	12	

Certification

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

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. We have performed no other services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
5. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. Our 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.
8. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal practice as well as applicable state appraisal regulations.
9. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
10. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
11. Robert M. Greene, CRE, MAI, SRA, AI-GRS, Ph.D., made a personal inspection of the property that is the subject of this report.
12. No one provided significant real property appraisal assistance to the persons signing this certification. Mr. John Wooden, MAI, provided research assistance.
13. We have experience in appraising properties similar to the subject and are in compliance with the Competency Rule of USPAP.
14. As of the date of this report, Robert M. Greene, CRE, MAI, SRA, AI-GRS, Ph.D., has completed the continuing education program of the Appraisal Institute.

A handwritten signature in black ink, appearing to read "Robert M. Greene". The signature is written in a cursive style with a long horizontal stroke extending to the right.

Robert M. Greene, CRE, MAI, SRA, AI-GRS, Ph.D.
Washington Certified General Appraiser
WA Certificate # 1101792 (exp. 12/18/23)

Assumptions and Limiting Conditions

This appraisal is based on the following assumptions, except as otherwise noted in the report.

1. The title is marketable and free and clear of all liens, encumbrances, encroachments, easements and restrictions. The property is under responsible ownership and competent management and is available for its highest and best use.
2. There are no existing judgments or pending or threatened litigation that could affect the value of the property.
3. There are no hidden or undisclosed conditions of the land or of the improvements that would render the property more or less valuable. Furthermore, there is no asbestos in the property.
4. The property is in compliance with all applicable building, environmental, zoning, and other federal, state and local laws, regulations and codes.
5. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.

This appraisal is subject to the following limiting conditions, except as otherwise noted in the report.

1. An appraisal is inherently subjective and represents our opinion as to the value of the property appraised.
2. The conclusions stated in our appraisal apply only as of the effective date of the appraisal, and no representation is made as to the effect of subsequent events.
3. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated.
4. No environmental impact studies were either requested or made in conjunction with this appraisal, and we reserve the right to revise or rescind any of the value opinions based upon any subsequent environmental impact studies. If any environmental impact statement is required by law, the appraisal assumes that such statement will be favorable and will be approved by the appropriate regulatory bodies.
5. Unless otherwise agreed to in writing, we are not required to give testimony, respond to any subpoena or attend any court, governmental or other hearing with reference to the property without compensation relative to such additional employment.
6. We have made no survey of the property and assume no responsibility in connection with such matters. Any sketch or survey of the property included in this report is for illustrative purposes only and should not be considered to be scaled accurately for size. The appraisal covers the property as described in this report, and the areas and dimensions set forth are assumed to be correct.
7. No opinion is expressed as to the value of subsurface oil, gas or mineral rights, if any, and we have assumed that the property is not subject to surface entry for the exploration or removal of such materials, unless otherwise noted in our appraisal.

8. We accept no responsibility for considerations requiring expertise in other fields. Such considerations include, but are not limited to, legal descriptions and other legal matters such as legal title, geologic considerations such as soils and seismic stability, and civil, mechanical, electrical, structural and other engineering and environmental matters.
9. The distribution of the total valuation in the report between land and improvements applies only under the reported highest and best use of the property. The allocations of value for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used. The appraisal report shall be considered only in its entirety. No part of the appraisal report shall be utilized separately or out of context.
10. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers, or any reference to the Appraisal Institute) shall be disseminated through advertising media, public relations media, news media or any other means of communication (including without limitation prospectuses, private offering memoranda and other offering material provided to prospective investors) without the prior written consent of the person signing the report.
11. Information, estimates and opinions contained in the report and obtained from third-party sources are assumed to be reliable and have not been independently verified.
12. Any income and expense estimates contained in the appraisal report are used only for the purpose of estimating value and do not constitute predictions of future operating results.
13. If the property is subject to one or more leases, any estimate of residual value contained in the appraisal may be particularly affected by significant changes in the condition of the economy, of the real estate industry, or of the appraised property at the time these leases expire or otherwise terminate.
14. No consideration has been given to personal property located on the premises or to the cost of moving or relocating such personal property; only the real property has been considered.
15. The current purchasing power of the dollar is the basis for the value stated in our appraisal; we have assumed that no extreme fluctuations in economic cycles will occur.
16. The value found herein is subject to these and to any other assumptions or conditions set forth in the body of this report but which may have been omitted from this list of Assumptions and Limiting Conditions.
17. The analyses contained in the report necessarily incorporate numerous estimates and assumptions regarding property performance, general and local business and economic conditions, the absence of material changes in the competitive environment and other matters. Some estimates or assumptions, however, inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by our analysis will vary from our estimates, and the variations may be material.

18. The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific survey or analysis of the property to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. We claim no expertise in ADA issues, and render no opinion regarding compliance of the subject with ADA regulations. Inasmuch as compliance matches each owner's financial ability with the cost to cure the non-conforming physical characteristics of a property, a specific study of both the owner's financial ability and the cost to cure any deficiencies would be needed for the Department of Justice to determine compliance.
19. The appraisal report is prepared for the exclusive benefit of the Client, its subsidiaries and/or affiliates. It may not be used or relied upon by any other party. All parties who use or rely upon any information in the report without our written consent do so at their own risk.
20. No studies have been provided to us indicating the presence or absence of hazardous materials on the subject property or in the improvements, and our valuation is predicated upon the assumption that the subject property is free and clear of any environment hazards including, without limitation, hazardous wastes, toxic substances and mold. No representations or warranties are made regarding the environmental condition of the subject property and the person signing the report shall not be responsible for any such environmental conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because we are not experts in the field of environmental conditions, the appraisal report cannot be considered as an environmental assessment of the subject property.
21. The person signing the report may have reviewed available flood maps and may have noted in the appraisal report whether the subject property is located in an identified Special Flood Hazard Area. We are not qualified to detect such areas and therefore do not guarantee such determinations. The presence of flood plain areas and/or wetlands may affect the value of the property, and the value conclusion is predicated on the assumption that wetlands are non-existent or minimal.
22. The appraiser is not a building or environmental inspector. We do not guarantee that the subject property is free of defects or environmental problems. Mold may be present in the subject property and a professional inspection is recommended.
23. The appraisal report and value conclusion for an appraisal assumes the satisfactory completion of construction, repairs or alterations in a workmanlike manner.
24. The intended use of the appraisal is stated in the General Information section of the report. The use of the appraisal report by anyone other than the Client is prohibited except as otherwise provided. Accordingly, the appraisal report is addressed to and shall be solely for the Client's use and benefit unless we provide our prior written consent. We expressly reserve the unrestricted right to withhold our consent to your disclosure of the appraisal report (or any part thereof including, without limitation, conclusions of value and our identity), to any third parties. Stated again for clarification, unless our prior written consent is obtained, no third party may rely on the appraisal report (even if their reliance was foreseeable).

25. The conclusions of this report are estimates based on known current trends and reasonably foreseeable future occurrences. These estimates are based partly on property information, data obtained in public records, interviews, existing trends, buyer-seller decision criteria in the current market, and research conducted by third parties, and such data are not always completely reliable. The undersigned is not responsible for these and other future occurrences that could not have reasonably been foreseen on the effective date of this assignment. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance. While we are of the opinion that our findings are reasonable based on current market conditions, we do not represent that these estimates will actually be achieved, as they are subject to considerable risk and uncertainty. Moreover, we assume competent and effective management and marketing for the duration of the projected holding period of this property.
26. The appraisal is also subject to the following:

EXTRAORDINARY ASSUMPTIONS AND/OR HYPOTHETICAL CONDITIONS	
The value conclusions are subject to the following extraordinary assumptions and/or hypothetical conditions, which may affect the assignment results.	
The property has been valued as though it has no environmental contamination. However, a potential purchaser would and should obtain sufficient environmental survey and analysis. Any costs of remediation for contamination and/or stigma should be deducted from the estimate of value.	

Addendum A
APPRAISER QUALIFICATIONS

Experience

Robert M. Greene, MAI, SRA, AI-GRS, Ph.D., is the Chief Appraiser for the State of Washington Department of Natural Resources. Prior to his present position, Mr. Greene was the President of G&A Valuation, Inc., in Portland, Oregon; Director of Litigation Support Services for IRR—Portland; Director of the Real Estate Advisory Group for the Chicago office of Stout, Risius, Ross, Inc.; and an appraiser in the offices of MaRous and Company, a suburban Chicago appraisal firm specializing in litigation-oriented appraisal. From 1983 to 1996, he owned and operated Robert M. Greene and Associates, a real estate appraisal firm in Kalamazoo, Michigan, that specialized in single-family residential appraisal.

Mr. Greene has experience appraising a wide variety of properties, including industrial, retail, office, service, and multifamily residential property. He has special expertise in eminent domain, including full and partial takings. He has appraised in several states and in Europe. He serves on the national Comprehensive Examination Panel and the University Relations Panel of the Appraisal Institute. He has also served as an adjunct professor at Portland State University Center for Real Estate and the Pamplin School of Business at the University of Portland, and he was the 2012 President of the Greater Oregon Chapter of the Appraisal Institute. He has served on the faculty of the annual Oregon Eminent Domain Seminar in 2009, 2012, and 2013. His scholarly article “Market Conditions Adjustments for Residential Development Land in a Declining Market” appeared in the Winter 2012 issue *The Appraisal Journal*, and his article “Determining Value in a Depressed Market” appeared in *The Daily Journal of Commerce*, July 17, 2012; he is also featured and quoted in *Valuation: Insights and Perspectives for Real Estate Appraisers*, First Quarter 2013. He is a member of the review panel of *The Appraisal Journal*, the leading scholarly publication for real estate valuation professionals. In 2013 he was awarded the Swango Award for “the best article published in *The Appraisal Journal* during the previous year on residential, general, or technology-related topics or for original research of benefit to real estate analysts and valuers.”

Licenses

Washington, Certified General, 1101792, expires December 2023

Education

Ph.D., University of Kansas

B.A., Kalamazoo College

Additional Certifications

Valuation of the Components of a Business Enterprise, Appraisal Institute

Valuation of Conservation Easements, Appraisal Institute