

APPRAISAL REVIEW REPORT

**Reviewing an appraisal of
“Wetlands Conservation Easement
Eckert Road at Harris Ranch”**

Date of Review Report: December 1, 2023

**Prepared by:
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APPRAISAL REVIEW REPORT

Introduction

The appraisal report under review reports the easement value of a Deed of Conservation Easement described as having been granted on November 12, 2007. The appraisal report under review was developed and reported by Joe Corlett, MAI, SRA of Mountain States Appraisal and Consulting, Inc., Boise, Idaho, with an effective date of November 12, 2007, and the report's Certification was signed on August 14, 2008. The appraisal is based on analysis of the value of an 86.245-acre "larger parcel" as unencumbered in the "Before" condition, and with 10 acres of that property encumbered by the Conservation Easement in the "After" condition. The difference in these two values is represented as the market value of the Conservation Easement.

This appraisal review of that report was developed and reported by Gregory L. Graybadger, MAI, RPRA, AI-GRS with an effective date and report date of December 1, 2023, pursuant to an engagement by Harris Ranch Community Infrastructure District No. 1. This appraisal review report sets forth an analysis of the appraisal report and a determination as to whether the appraisal follows the appropriate principles, standards, and methodology.

This technical appraisal review report is presented in four sections:

- 1. APPRAISAL REPORT SUMMARY DESCRIPTION**
- 2. APPRAISAL REVIEW PURPOSE, SCOPE, AND INTENDED USE**
- 3. REVIEWER'S ANALYSES, COMMENTS, AND CONCLUSIONS**
- 4. REVIEWER'S CERTIFICATION AND QUALIFICATIONS.**

1. APPRAISAL REPORT SUMMARY DESCRIPTION

The appraisal report under review was shown in two PDF source documents provided through the Client's attorney to the reviewer. Each of these contain parts of the appraisal report under review. The first is a 51-page PDF electronic document showing scanned images of the appraisal report in black and white, ending with Addenda Pg. 2. The developer's request for reimbursement also contains a copy of the appraisal report within a larger document. The appraisal report is shown as pages 83 through 182 of that document. It includes further Addenda pages 3 through 50 (but omits appraisal report pages 23-29). This appraisal review encompasses the entirety of the appraisal report, including all Addenda. The total document size as reviewed is 99 pages, including cover, transmittal, and all addenda.

This appraisal review report incorporates the original appraisal report by reference, as the source documents are also in the possession of the client and the client's attorney. This Section 1 of the review report presents a summary description of the appraisal report without reiterating every element in detail. The appraisal report under review contains a transmittal letter, describing it as:

“The Appraisal of the Conservation Easement
Of the Wetlands Site on Eckert Road
At Harris Ranch, Boise, Idaho
MS-7822B-08”

Cover/title page of the appraisal under review shows an aerial photo of the subject, identifies the fact that this is an appraisal, and identifies the subject, date, client, appraiser, and a file number.

Letter of transmittal is dated August 13, 2008. It explains that “The Conservation Easement had been placed on the subject for the purpose of creating new wetlands to mitigate lost wetlands caused by the Ada County Highway District construction of the East Parkcenter River Crossing located westerly of the subject.” The letter asserts that it is a summary format appraisal report in conformity with the Uniform Standards of Professional Appraisal Practice. It states that this is a retrospective analysis with the appraiser's last inspection on August 10, 2008, but that the easement was granted on November 12, 2007. It states, “This valuation is based on before and after valuation analyses of the larger parcel, which is considered to be 86.245 acres.” It recites two extraordinary assumptions: assuming that the property was in similar condition to that observed during inspection, and assuming that there will be no transfers of development rights to adjoining lands. It also recites a hypothetical condition that the conservation easement is assumed not to exist for the purpose of estimating the “before” value. The letter of transmittal presents the estimated market value of the conservation easement at \$1,979,000 and it is signed by the appraiser.

Assumptions and Limiting Conditions:

This section of the appraisal report under review contains a sub-heading for “Extraordinary Assumptions” repeating the assumptions shown in the Letter of Transmittal: assuming that the property was in similar condition to that observed during inspection, and assuming that there will be no transfers of development rights to adjoining lands.

This section also contains a sub-heading for a “Hypothetical Condition” repeating the condition shown in the Letter of Transmittal: that the conservation easement is assumed not to exist for the purpose of estimating the “before” value.

This section also contains a sub-heading for “Standard Assumptions and Limiting Conditions,” which specifies 19 general assumptions and limiting conditions which are ordinary and typical of real estate appraisals generally.

Appraisal Summary in the appraisal report specifies the following elements:

“Property Location: The subject property is located on the westerly side of Eckert Road, immediately north of the Boise River in Boise, Idaho.

Owner: The property is held in ownership by the Harris Family Limited Partnership.

Site: The site is estimated to include 86.245 acres as a larger parcel, with a 10 acre area of that site devoted to a Conservation Easement.

Improvements: The subject is unimproved.

Zoning: The subject is zoned in accordance with the development plan set forth under the Harris Ranch project as illustrated in the attached exhibits. It is assumed that the subject parcel as a larger parcel would be considered as a mixed use type of property including residential and commercial development.

Highest and Best Use: The highest and best use of the subject in the before condition would be for development as a mixed use project as outlined in the attached exhibits. In the after condition, 10 acres of the subject site will be encumbered by a Conservation Easement which will relegate that portion of the property to have no development into perpetuity. It is being utilized as a wetlands mitigation site and will therefore be preserved by the grantee.

Value Indications:

Before Value: \$17,249,000

After Value: \$15,270,000

Estimated Easement Value (Loss): \$ 1,979,000

Property Rights Appraised: Fee Simple title and encumbered Fee Simple Title

Date of Value Estimate: November 12, 2007 “

Appraisal Introduction in the appraisal report describes the following elements:

Identification of the Property: This briefly described the property location, larger parcel size of 86.245 acres, and area to be encumbered at 10 acres.

Property Rights Appraised: This identified the rights as Fee Simple, but encumbered by the Conservation Easement on 10 acres in the After condition.

Date of Value Estimate: This described the effective date as November 12, 2007 and identified that, as such, it is a retrospective appraisal.

Purpose of the Appraisal: This as identified as a before and after appraisal, with the difference representing the easement value. This also stated that the client will use the report for income tax purposes for reporting a charitable non-cash donation, and identified the grantee as a qualified recipient for the donation.

Function and Intended Use: The function was described as be estimation of the market value of the easement, and the intended users were identified as the client, tax professionals, and any other entity authorized by the client.

Appraisal Development and Reporting Process (Scope of Work): The report describes that the appraiser was retained to value the easement. The appraiser inspected the site numerous times with the last inspection on August 13, 2008. The appraisal report presents the analyses of sales of other riparian sites with mixed-use development potential. Sales data was verified. The scope included before and after valuation of the larger parcel defined, with no effect on other property in the Harris Ranch project. The report states that the Income Approach and Cost Approach are not applicable. The report affirms compliance with USPAP reporting standards Rule 2-2(b), and it briefly explains the before and after methodology. It specifically states, "According to city personnel, the donation was not required in order to receive potential benefits as a result of the Parkcenter Bridge crossing of the Boise River, or as a potential for density bonuses on the remaining unencumbered land area." This section of the report reiterates the Extraordinary Assumption regarding development rights.

Compliance Provision: This affirms that the appraiser is certified in Idaho and has the necessary education and experience.

Market Value Defined: The report provides the definitions of market value from Treasury Regulations, citing §1.170A-1(c)(2). It also describes a discussion from *The Appraisal of Real Estate*, 11th ed. and it quotes a summarized definition from that source.

Exposure Time Defined: The definition is provided from *The Dictionary of Real Estate Appraisal*, Third Edition, describing the estimated time needed for typical marketing immediately prior to the effective date of appraisal.

Marketing Time Defined: The definition is provided from *The Dictionary of Real Estate Appraisal*, Third Edition, describing the estimated time needed for typical marketing

immediately subsequent to the effective date of appraisal. Comments were also included regarding marketing time in relation to market value and disposition value.

Exposure Time Comments: The report briefly describes the Harris Ranch development and its access, and the appraiser's opinion that the relevant exposure time predating the date of appraisal would be one to two years.

Regional and City Description - Boise

The appraisal report contains a detailed analysis and explanation of the subject's market influences. It cites a list of internet resources, and provides a map and a table with driving and flying times to major cities in the region. The Boise and Ada County areas are described and demographic data are provided for the years 2000, 2007 and 2012.

Neighborhood Description

This section of the appraisal report under review describes the Harris Ranch vicinity and includes 8 pages of tabular demographic data within a 1-mile radius, a 3-mile radius, and a 5-mile radius from the subject. This section shows the Ada County Assessor's tax parcel data for the 86.245 acre subject larger parcel, and various maps. Flood hazard data and mapping are also presented.

Property Data

This section of the appraisal report describes the subject larger parcel property as unimproved pasture land with 86.245 acres unencumbered in the "before" condition. In the "after" condition, with the Conservation Easement in place, it is described as 76.245 acres of unencumbered site area and 10 acres of encumbered site area.

Zoning: The appraisal report states, "The subject site is zoned according to the development plans submitted by the Harris Ranch developers." And describes it as permitting a wide variety of uses. The flood hazard zone is also described, specified as lying in both AE and Zone X, with brief descriptions and comment. There is also a description of the Ada County Assessor's categorization as agricultural property and citations of the assessed value and annual tax amount.

Property History: The report states, "The subject property has been under the control of the Harris Family Limited Partnership or related entities for a period of greater than three years. There are no know sales that have occurred on the subject property." Placement of the Conservation Easement is cited as part of the property history.

Two internet pages are shown from http://www.harrisranch.org/wildlife_mitigation.htm dated 8/7/2008, showing questions and answers apparently intended for public information about wetlands, wildlife, and environmental concerns. A map is shown on page 31 of the appraisal report, which appears to identify various areas within the Harris Ranch development, but the labels are indecipherable in the documents presented to the reviewer.

Highest and Best Use

Defined The definition is provided from *The Dictionary of Real Estate Appraisal*, Third Edition, as, “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.” Further commentary and quotes are provided from the same source.

Analysis The appraisal report describes the allowable uses under the development plan. A conclusion is presented that the highest and best use in the Before condition is for a mixed use development, and in the After condition is for a mixed use development except for 10 acres as undevelopable wetlands.

Valuation

Appraisal Process Valuation Methods: The Cost Approach, Income Approach and Sales Comparison Approach are explained.

Appraisal Methods Used The report explains that the appraisal is based on analysis of the value of the subject as unencumbered in the “Before” condition, and with 10 acres of that property encumbered by the Conservation Easement in the “After” condition. The Cost Approach and Income Approach are described as “not applicable.”

The subject property “larger parcel” is identified as the area contained within the Ada County Assessor’s tax parcel, consisting of 86.245 acres. Other parcels in the same ownership were excluded because they “would not benefit nor suffer as a result of the placement of this easement.”

Estimated Market Value of the Property – Before Condition

“In this analysis, sales of undeveloped riparian sites are analyzed to estimate a market value for the subject in the before condition.” Five comparable sales are analyzed and adjustments are applied to reflect the effects of differences in locational attributes, changing market conditions over time, and relative size and development density. A narrative description of each sale is presented including applicable adjustments and a value indication.

Summary and Conclusion A narrative summary states that the range of value indications after adjustments is \$186,748 per acre to \$229,392 per acre. A conclusion of \$200,000 per acre is reported. That rate is multiplied by the subject larger parcel size of 86.245 acres. The appraisal report states, “Thus, the subject’s value in the before condition is estimated at \$17,249,000.”

A table or “grid” is presented showing the characteristics, adjustments and value indications of each of the five comparable sales for the before analysis.

Estimated Market Value of the Property – After Condition

“In the after condition, the subject will include 76.245 acres of mixed use development area plus 10 acres of encumbered property that will be perpetually preserved as a wetlands and therefore totally undevelopable. In this analysis, the sales used include the previous five sale used in the before condition for the analysis of the 76.245 acre parcel. However, three additional sales are presented for the valuation of the wetlands area which is considered to be a low economic value since it cannot be developed.” Three comparable sales are presented and analyzed to develop a value indication for the 10 acre area to be encumbered by the Conservation Easement. Adjustments are applied to reflect the effects of differences in changing market conditions over time, differences in property size, and differences in characteristics such as remoteness of access.

Summary and Conclusion A narrative summary states that the range of value indications after adjustments is \$2,190 per acre to \$2,253 per acre for the 10 acres to be encumbered by the Conservation Easement. A conclusion of \$2,250 per acre is applied for that area. The appraisal report states,

“Therefore, the subject’s value is estimated as follows:

76.245 acres at \$200,000 per acre=	\$15,249,000
Add 10 acres at \$2,250 per acre=	\$ 22,500
Total After Value=	\$15,271,500
Rounded To:	\$15,270,000 “

A table or “grid” is presented showing the characteristics, adjustments and value indications of each of the five comparable sales for the unencumbered 76.245-acre area in the After analysis. Another table or “grid” is presented showing the characteristics, adjustments and value indications of each of the three comparable sales for the encumbered 10-acre area in the After analysis.

Reconciliation and Final Market Value Estimate

The report states, “The difference in the before and after values results in an indication of the easement value...” The report also states the following:

“Thus, the subject’s value is estimated as follows:

Before Value	\$17,249,000
Less After Value	\$15,270,000
Easement Value	\$ 1,979,000

Therefore, subject to the Assumptions and Limiting Conditions set forth, and based on the information and analyses presented in this report, the estimated market value of the easement as of November 12, 2007, was:

ONE MILLION NINE HUNDRED SEVENTY NINE THOUSAND DOLLARS
(\$1,979,000) “

Certification

The appraisal report contains a Certification, with various statements and signed by the appraiser on August 14, 2008.

ADDENDA

Photographs of the Subject

Nine photographs show the subject property and views from the subject.

Deed of Conservation Easement

The Addenda of the appraisal report under review contains a copy of the Deed of Conservation Easement as it existed prior to it having been recorded to the public records.

Department of the Army 404 Permit

The Addenda of the appraisal report under review contains an unsigned copy of Permit Number NWW-2006-615-B01 issued under Section 404 of the Clean Water Act, describing a project which is a component of the Conservation Easement appraised in this appraisal report. The first page of this document is stamped “Exhibit A” because this document is so referenced in the text of the Deed of Conservation Easement.

The Addenda of the appraisal report under review contains a copy of plans and drawings for Ada County Highway District Proposed East Parkcenter River Crossing, in association with the Permit described above.

A letter from Idaho Department of Environmental Quality to Ada County Highway Department is also shown in the Addenda, with comments and conditions associated with the Permit described above.

The Addenda of the appraisal report under review contains a copy of an unsigned form entitled “Notification of Administrative Appeal Options and Process and Request for Appeal” in association with the Permit described above.

The Addenda of the appraisal report under review contains a copy of a metes-and-bounds legal description for the 10-acre area to be encumbered by the Conservation Easement, stamped by Professional Land Surveyor Peter W. Lounsbury, together with a survey drawing of this property. The first page is stamped “Exhibit B” because this document is so referenced in the Deed of Conservation Easement.

The Addenda of the appraisal report under review contains a signature page for the Deed of Conservation Easement, containing the signature of the President of Idaho Foundation for Parks

and Lands, Inc. and the signature of the President of Ada County Highway District, together with notary statements. An aerial photo map is also shown for the vicinity of the subject property.

Sales and Location Map

The Addenda of the appraisal report under review contains a map identifying the locations of the subject and the comparable sales analyzed in the Sales Comparison Approach.

Qualifications of Appraiser

The Addenda of the appraisal report under review contains a summary of the appraiser's biographical data, education, business activities and positions, affiliations and memberships, accreditation, list of major clients served, appraisal emphasis, areas of previous experience, areas of current practice, and a copy of the appraiser's Idaho Certified General Appraiser license. This 4-page section appears twice, as Addenda Pg. 43 through Pg. 46 and again as Addenda Pg. 47 through Pg. 50, which is the final page of the appraisal report under review.

(End of Section 1. Appraisal Report Summary Description.)

2. APPRAISAL REVIEW PURPOSE, SCOPE, AND INTENDED USE

The review appraiser and author of this appraisal review report is Gregory L. Graybadger, MAI, RPRA, AI-GRS as engaged by Harris Ranch Community Infrastructure District No. 1.

Identification of the Client:

The reviewer's client is Harris Ranch Community Infrastructure District No. 1. The reviewer was engaged through a letter signed by Lynda Lowry, Treasurer, Harris Ranch Community Infrastructure District No. 1 dated June 20, 2023.

Identification of Intended Users:

Intended users of the appraisal review include Harris Ranch Community Infrastructure District No. 1 and its legal counsel. Any other party receiving a copy of the appraisal report or appraisal review report does not become an intended user of either report unless the appraiser or reviewer identifies such party as an intended user.

Intended Use of the reviewer's opinions and conclusions:

The intended use of the appraisal review report is to analyze the appraisal report under review and make a determination as to whether the appraisal follows the appropriate principles/standards/appraisal methodology. The client and intended users may utilize that determination in evaluating the credibility of the conclusions presented in the appraisal report under review. The opinions and analyses expressed in this appraisal review are objective and free of bias or advocacy, as required by professional standards and affirmed in the signed Certification within this appraisal review report.

Purpose of the Review Assignment:

The purpose of this appraisal review is to make a determination as to whether the appraisal follows the appropriate principles/standards/appraisal methodology, in order for the Client and Intended Users to evaluate the credibility of the conclusions, and particularly the credibility of the value conclusion. The review assignment does not include independent development of the reviewer's own opinion of value.

Identification of the work under review:

Section 1 of this appraisal review report identifies the appraisal report under review, including property ownership, report date, effective date, and the physical, legal, and economic characteristics of its subject property.

Extraordinary Assumptions and Hypothetical Conditions

The appraisal report under review contains extraordinary assumptions and a hypothetical condition, as described in Section 1 of this appraisal review report. This appraisal review itself is not subject to any extraordinary assumption or hypothetical condition regarding the development and reporting of the appraisal review. The ordinary and typical assumptions and limiting conditions applicable to the review are shown in another part of this review report.

Scope of Work:

The applicable scope of work for this appraisal review includes identification of the elements described above, which aid in establishing the appraisal review problem to be solved. As stated previously, this review report does not set forth an independent separate opinion of value. The research and analyses utilized in this review assignment meet or exceed the expectations of regularly intended users of similar assignments, and the typical actions of the reviewer's peers. Information presented in the appraisal report under review was independently confirmed to the extent practicable. However, some elements were not verifiable due to the passage of time and other factors, as this review is occurring roughly 15 years after the appraisal.

The reviewer examined the appraisal report under review, in detail, to ensure that the appraisal methods and techniques presented in the appraisal report under review comply with the *Uniform Standards of Professional Appraisal Practice* (USPAP) and the generally accepted principles and appraisal methodology for such appraisal assignments. Compliance with USPAP requires numerous mandatory elements in the development and reporting of an appraisal. An Idaho real estate appraiser professional occupational certification or license requires compliance with USPAP for all appraisal assignments and for appraisal review assignments. The appraisal under review was governed by the requirement of the 2008-2009 Edition of USPAP, and its compliance is evaluated on that basis. The appraisal review is performed in compliance with the edition of USPAP in effect at the time of the appraisal review. That edition is titled as the 2020-2021 edition, but it has been extended to remain in effect to the end of 2023.

The specific comparable sale transactions utilized in the appraisal under review were investigated. A search for alternative transactions was conducted to determine whether the comparable sales used were the best indicators of the subject's value, based on being recent, similar to the subject and proximate to the subject property. The adjustments applied to the comparable sales were analyzed to determine if they encompassed the most relevant and significant effects on property values, to determine if the magnitude of the adjustments was supported in the market data, and to determine if the adjustments were applied correctly in the analysis. Investigation was conducted to determine if the Income Approach to value was truly not applicable, as stated in the appraisal report. In particular, the market was surveyed for properties valued for their potential for development of salable wetland mitigation credits. If

extant, sales of such properties would be the best indicators of value for the 10 acres to be encumbered by the Conservation Easement, in the “after” condition.

The use of before-and-after methodology for valuation of conservation easements and other partial takings is well established. It is supported by extensive litigation case law, guidelines from various State and Federal government sources, training from professional appraisal organizations, and it is in common use by appraisers. The reviewer revisited authoritative sources such as the extensive legal citations found in the *Uniform Appraisal Standards for Federal Land Acquisitions* (UASFLA). Compliance with those standards is not required within the appraisal under review, but the procedures described there are well-accepted as correct methodology. The reviewer also revisited relevant parts of *Real Estate Valuation in Litigation* by J.D. Eaton, published by the Appraisal Institute.

The effective date of value in the appraisal under review is November 12, 2007. As such, the present-day current physical and legal characteristics of the subject larger parcel or of the subject Conservation Easement area are not relevant to the appraisal under review or to the appraisal review assignment. Consequently, no inspection of the subject property or the comparable sales was conducted by the reviewer. The reviewer is a long-term resident of the subject market area, and has observed the subject property on numerous occasions, including 2007.

The reviewer has developed an opinion as to the appropriateness of the analyses and the credibility of the opinions and conclusions presented in the appraisal under review within the scope of work applicable to that appraisal assignment, and the data presented in the appraisal report. The reviewer has developed an opinion of whether the report under review is appropriate and not misleading. These opinions and the reasoning supporting these opinions are presented in the following section of this appraisal review report. This appraisal review report is prepared in compliance with USPAP, and no compliance is precluded by any law or regulation.

As previously stated, the opinions and analyses expressed in this appraisal review are objective and free of bias or advocacy, as required by professional standards and affirmed in the signed Certification within this appraisal review report.

Effective Date and Report Date of Review:

The Effective Date is the date to which the conclusions apply, and the Report Date is the date that the appraisal report was completed. The report date of this appraisal review report is December 1, 2023 which is also the effective date of the review. The report date of the appraisal report under review is August 14, 2008 (based on signature date of Certification) and the effective date of the value opinion presented in the appraisal under review is November 12, 2007.

Subject of the Appraisal Review Assignment:

The appraisal report under review is identified and summarized in the preceding section of this appraisal review report. It consists of the entire appraisal report, with a total document size of 99 pages, including cover, transmittal, and all addenda, valuing a 10-acre Conservation Easement on Eckert Road at Harris Ranch, Boise, Idaho, with an effective date of November 12, 2007, and a report date August 14, 2008 (signature date of Certification).

Assumptions and Limiting Conditions of the Review:

This appraisal review itself is not subject to the extraordinary assumptions and hypothetical condition presented in the appraisal report under review. This appraisal review is subject to the following ordinary and typical assumptions and limiting conditions:

- The reviewer assumes that all information and materials provided by others are accurate, credible, and reliable, and not fraudulent. Information presented in the appraisal report under review was independently confirmed to the extent practicable. However, the appraiser does not guarantee the accuracy of any such information. If any information is subsequently discovered to be false, the reviewer reserves the right to revise this report.
- No title report has been examined for the property which is the subject of the appraisal report under review. The reviewer assumes that the ownership is correctly represented and that no other parties hold rights affecting the subject property, other than the typical powers of government. The reviewer assumes no responsibility for any elements arising from defects of title, liens, deed restrictions, encroachments, or easements other than the Conservation Easement addressed in the appraisal report under review.
- It is assumed that there are no hidden or unapparent conditions of the property that may render it more or less valuable. The reviewer assumes no responsibility for such conditions, not for obtaining the engineering or environmental studies that may be required to discover them.
- It is assumed that the subject property does not contain any threatened or endangered species, nor critical habitat for such species.
- It is assumed that the property which is the subject of the appraisal report under review is in full compliance with all relevant laws and regulations, and the requirements of any party having jurisdiction over the property.
- The appraisal report under review is evaluated based on the circumstances in effect at the time of the appraisal and do not consider subsequent events or their effects, including events expected and projected to occur.
- This appraisal review report is to be considered only in its entirety, with no excerpt or part of the report utilized separately or out of the context of the entire report.

- No consideration is given to changes in market conditions or the purchasing power of the dollar which may have occurred from the effective date of the appraisal under review and to the effective date of this appraisal review.
- Additional assumptions or limiting conditions may be expressed elsewhere within this appraisal review report, and their effect is not diminished if omitted from this list.
- This appraisal review report is not to be used in any matter involving the U.S. Internal Revenue Service (IRS). IRS is specifically excluded as an intended user. No assertion is made as to the applicability or lack of applicability of the appraisal report under review for any use governed or regulated by IRS.
- This appraisal review report is prepared for the exclusive use of the Client and Intended Users identified within this report, and may not be relied upon by others without the written consent of the appraisal reviewer.
- Any actions or claims arising out of, relating to, or in any way pertaining to this assignment, this report, or any values or information contained herein, are strictly limited and shall not exceed the amount of the fee paid for the preparation of this report. The author of this review report shall not be held liable for any consequential damages or losses.

(End of Section 2. Appraisal Review Purpose, Scope and Intended Use)

3. REVIEWER’S ANALYSES, COMMENTS, AND CONCLUSIONS

The appraisal report under review does not contain a table of contents, and a table of contents is not required by the applicable Standards. The reviewer has constructed this table of contents to assist the reader’s understanding of the appraisal report under review, as follows:

Cover Page	Not numbered
Letter of Transmittal	Not numbered
Assumptions and Limiting Condition	iv
Appraisal Summary	vi
Appraisal Introduction	Page 1
Regional and City Description	Page 6
Neighborhood Description	Page 9
Property Data	Page 28
Highest and Best Use	Page 32
Valuation	Page 33
Certification	Page 43
Photographs of the Subject	Addenda Pg. 1
Deed of Conservation Easement (not recorded)	Addenda Pg. 3
Department of the Army 404 Permit (unsigned)	Addenda Pg. 13
Permit Plans and Drawings	Addenda Pg. 19
Letter from Idaho Dept. of Environmental Quality	Addenda Pg. 31
Notice regarding appeals of Permit	Addenda Pg. 34
Legal description of the Wetlands Mitigation Site	Addenda Pg. 36
Survey drawing	Addenda Pg. 38
Deed of Conservation Easement addl. signatures	Addenda Pg. 39
Aerial photo map of the subject vicinity	Addenda Pg. 41
Location Map of sales analyzed in the Valuation	Addenda Pg. 42
Qualifications of Appraiser	Addenda Pg. 43 through 50

Applicable Mandatory Standards Compliance

Although the appraisal under review is generally properly developed and reported and produces a reasonable valuation, it contains numerous elements which are specifically problematic. All Idaho real estate appraisers’ professional occupational licensing requires compliance with the *Uniform Standards of Professional Appraisal Practice* (USPAP) for all appraisal assignments. Furthermore, the appraisal report under review contains statements in the Transmittal Letter and in the Certification asserting USPAP compliance. The appraisal under review was governed by the requirements of the 2008-2009 Edition of USPAP, and its compliance is evaluated on that basis. The reviewer does possess a copy of the 2008-2009 Edition of USPAP and refers to it in

the citations for this review. Several occurrences of non-compliance are cited below, and are explained and discussed.

Before and After Methodology

The appraisal under review is developed and reported to provide the value of a Conservation Easement on 10 acres of land, reportedly granted on November 12, 2007. The appraisal utilizes “before and after” methodology. The use of before-and-after methodology for valuation of conservation easements and other partial takings is well established. It is supported by extensive litigation case law, guidelines from various State and Federal government sources, training from professional appraisal organizations, and it is in common use by appraisers. Its fundamental aspects are contained in the decision of *Calvo v. United States* stating, “...we suggest that the measure of the appellant’s detriment should be the difference, if any, between the fair market value of his land immediately before and after the perpetual easements were imposed...”

Larger Parcel

The use of before-and-after appraisal methodology requires that the appraisal report identify the “larger parcel” which is the total area to be considered and valued. The larger parcel is defined as that tract of land that possesses a unity of ownership and has the same, or an integrated, highest and best use. In the appraisal under review, the larger parcel is identified as the area contained within the Ada County Assessor’s tax parcel, consisting of 86.245 acres. Other parcels in the same ownership were excluded because they “would not benefit nor suffer as a result of the placement of this easement.” While it may be arguable to include adjacent property within the larger parcel, this does not rise to the level of a provable error. The reviewer believes that including additional area in the larger parcel would not create a significant difference in the value conclusion.

Report Date

USPAP requires that two important dates are stated in an appraisal report: The Effective Date is the date to which the value opinion applies, and the Report Date is the date that the appraisal report was completed. In the appraisal report under review, the Transmittal Letter is dated August 13, 2008 and the Certification is dated August 14, 2008 but neither of these is explicitly stated to be the report date. USPAP Standards Rule 2-2(b)(vi) requires that the appraisal report states the date of the report, and the appraisal report does not explicitly comply. This is a technical deficiency which does not affect the value conclusion and is not particularly significant, particularly because the two possible indications are only one day apart. The actual report date is assumed to the August 14, 2008 based on the fact that it is the later date and that it is attached to the signed Certification.. The Effective Date is a separate matter addressed in the next section of these review findings.

Issues with Effective Date of Appraisal

The Effective Date is the date to which the value opinion applies. The effective date of the appraisal is a condition and premise of the analyses and conclusions presented in the appraisal report. Typically, the effective date of value for a Conservation Easement is the date when the conveyance occurs. The Deed of Conservation Easement shown in the appraisal report, beginning on Addenda Pg. 3, was not yet recorded nor dated. Item VIII of the Deed of Conservation Easement states in part, “*Upon the recordation hereof, this Conservation Easement constitutes a real property interest immediately vested in Holder.*” Item XIII of the Deed of Conservation Easement also states in part, “*This Conservation Easement shall be effective upon recording.*” This is important because the value of the Conservation Easement may change over time, and it is affected by the market conditions on the date it came into effect. This is an important reason that the effective date is required to be identified in an appraisal.

A records search at the time of this review shows the Deed of Conservation Easement was recorded as instrument 108117302 on 10/23/2008. That document has a handwritten date on its face of 28th day of November, 2007. The last signature is notarized on November 28, 2007 as shown in both the appraisal report (Addenda Pg. 40) and in the recorded document.

The appraisal report under review utilizes an effective date of November 12, 2007. In the transmittal letter it states, “The easement was officially granted as of November 12, 2007.” This date reflects the date of the last signature by parties of Harris Family Limited Partnership, the owner, assumably releasing their interests. However, this easement is not a unilateral matter. There are burdens on the recipient/holder of the easement, and on Ada County Highway District, and the absence of acceptance by those parties would render the Deed of Conservation Easement invalid. The last signature by those parties is notarized on November 28, 2007.

Determination of the actual correct effective date of the Conservation Easement is a legal issue, outside the scope of this appraisal review. If the effective date of the Conservation Easement is determined to be anything other than November 12, 2007 then the appraisal **should not be considered valid**. Even if the value conclusion was considered by a user to be credible and adequately supported 16 days later, that is not the valuation that is presented by the appraiser. The effective date of the appraisal is a condition of the analyses and conclusions presented in the appraisal report. Appraisal standards require the effective date of the appraisal to be clearly stated. If the effective date of value is determined to be the recording date of 10/23/2008 (which appears to be most likely), then the value conclusion very certainly **does not remain valid**, as there were significant changes in market conditions occurring over the intervening period.

Clean Water Act 404 Permit

A copy of the Army Corps Clean Water Act 404-permit is attached as Exhibit A (beginning on appraisal report Addendum Pg. 13) within the Deed of Conservation Easement but it remains unsigned in the appraisal report and in the recorded Easement. Subsequent investigation found that the permit was issued and signed consistent with the document shown in Exhibit A.

USPAP Non-Compliance in the Extraordinary Assumptions and Hypothetical Condition

USPAP Standards Rule 2-2(b)(x) requires that the appraisal “clearly and conspicuously: state all extraordinary assumptions and hypothetical conditions; and state that their use might have affected the assignment results...” The appraisal report under review clearly and conspicuously stated two Extraordinary Assumptions and one Hypothetical Condition. However, the report does not include a statement that their use might have affected the assignment results. This is a technical deficiency which would not affect the value conclusion. However, the appraisal report under review does not comply with this Standards requirement in USPAP.

Definition of Market Value

USPAP Standards Rule 2-2(b)(v) requires that the appraisal “state the type and definition of value and cite the source of the definition. The appraisal under review contains a section entitled “Market Value Defined.” That section quotes a definition of market value from the Treasury Regulations and provides a citation of that source. This appears to meet the requirement under USPAP.

Description of Purpose Not Applicable

USPAP does not require a statement of the purpose of the appraisal. On Page No. 1 within the appraisal report under review, the paragraph describing Purpose of the Appraisal states, in part “The client will use this report for income tax purposes for reporting a charitable non-cash donation. The grantee is a qualified recipient for the donation.” The appraisal is now actually being used for a different purpose: as support for a claim for reimbursement from Harris Ranch Community Infrastructure District #1.

Also, the Reconciliation on appraisal report Page No. 42 presents this statement: “The difference in the before and after values results in an indication of the easement value utilized in the Charitable Non-Cash Donation calculation for the grantor.” Again, this appraisal report is actually being presented as support for a claim for reimbursement from Harris Ranch Community Infrastructure District #1. The quoted verbiage is inconsistent with this use. As such, this section of the appraisal report is not relevant, accurate or applicable to the actual use to which the appraisal report is being applied.

Insufficient Description of Larger Parcel

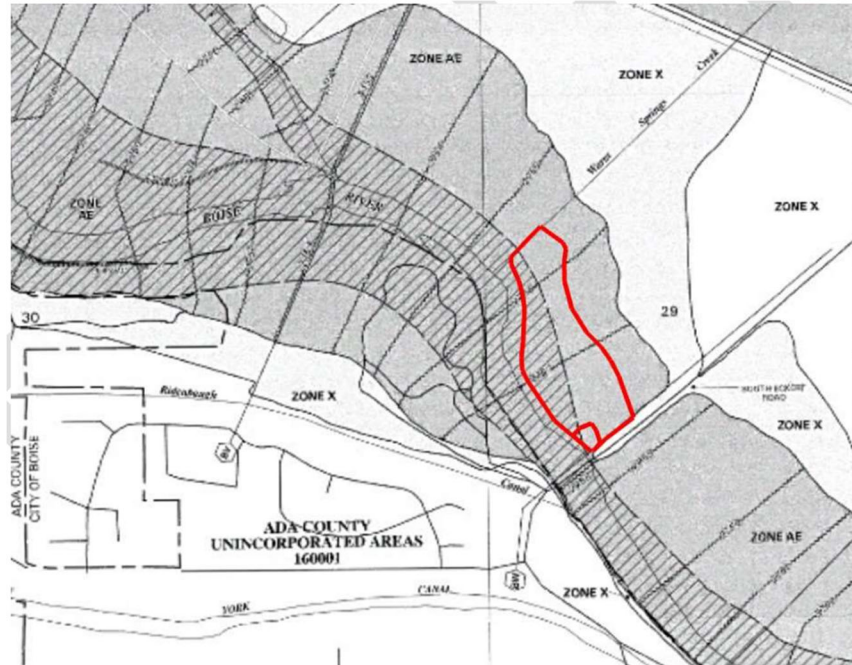
The appraiser inspected the subject property and provided a written and photographic description of it in the report. The appraisal report accurately described the estate to be appraised. The subject larger parcel is the area within the tax parcel boundary as it existed at the time of appraisal. A complete metes-and-bounds legal description is not included in the appraisal report, but an aerial photo from Google and a tax plat map are used to illustrate its approximate boundaries. A printout of the tax record Property Description utilizes a reference to a parcel description found only within the land records division of the Ada County Assessor's Office. No Record of Survey or Deed is included or referenced in the appraisal report. The absence of an actual legal description to identify the subject larger parcel's location and boundaries is a deficiency. USPAP Standards Rule 2-2(b)(iii) requires, at a minimum: "summarize the information sufficient to identify the real estate involved in the appraisal, including the physical and economic property characteristics relevant to the assignment;"

For the area included within the Conservation Easement, a complete legal description is included in the appraisal report, on Addenda pages 36 and 37, with an apparently unrecorded survey drawing on Addenda Pg.38. This is sufficient to identify the real property within the Conservation Easement.

Erroneous Flood Hazard Mapping

The appraisal report under review includes a Flood Hazard Map from a service called InterFlood by Alamode, depicting the Flood Zone as X and citing map panel 16001C0305H dated February 19, 2003. However, the subject conservation easement area is actually about 0.4 mile southwest of the location identified on that map, and it is beyond the border of that map. The nearest "larger parcel" boundary is actually about 0.2 mile west of the location identified on that map. Under "Zoning" on page 28, the appraisal under review states, "The subject is located both in AE, High Flood Risk floodplain area and Zone X, with nominal risk of flooding. The Boise River is a controlled flow waterway based on the impounded storage areas of Luck Peak, Arrowrock, and Anderson Ranch Dams. Therefore, the subject is typically not subject to severe flooding as a result of these controlled projects."

The correct flood map is the adjacent panel to the west of the map shown, on map panel 16001C0284H. This map shows approximately 3.8 acres of the Conservation Easement area lying within the Floodway (in which no development would be allowed), and approximately 6.2 acres within Flood Zone AE. Flood Zone AE is essentially the 100-year flood hazard area, in which development is usually possible with flood insurance and/or site work such as levies or fill to raise the homesite elevation. In the excerpt from the correct flood map below, the approximate location of the 10-acre conservation easement area is outlined in red; the cross-hatched area is the floodway, and the shaded area is Zone AE.



The actual flood hazard status is significantly different than the status reported in the appraisal report under review, and it would probably have a significant effect on the value conclusion. The valuation of a conservation easement is based on the difference between the value of the larger parcel “before” the easement and “after” the easement. The correct flood hazard information indicates that the appraisal report under review overstates the value in the “before” valuation. This indicates that the valuation of the conservation easement in the appraisal report under review is also probably overstated. As such, the erroneous information renders the value conclusion not credible.

No Mention of the Upheaval in Market Conditions

The appraisal report under review does not mention the 2007–2008 global financial crisis which led to a severe economic recession. The effective date of value for the appraisal report under review is November 12, 2007. By that date, national and local media were reporting on the economic crisis. It was triggered by the collapse of a housing bubble, leading to curtailed mortgage lending or much more restrictive qualifying criteria and higher interest rates, declining home values, mortgage delinquencies, foreclosures, and curtailed residential construction. In July 2007, the median home price in Ada County is reported at \$239,400. In November 2007 the median home price in Ada County is reported at \$210,000. This represents a decline at the rate of 3.2% per month.

The collapse of the housing bubble also diminished the value of residential development land such as the subject larger parcel. As of the effective date of appraisal, this effect was not yet clearly demonstrated in the greater Boise market data, but it was heavily discussed in the media

and was known by the report date. The appraisal under review used comparable sales from the period prior to this trend. The absence of more recent comparable sales activity may be evidence of problems in the market for residential development land, but this was not discussed in the appraisal report. The absence of any discussion of this influence on value is a deficiency. However, the reviewer did not identify any comparable sales transactions which should have been used to demonstrate such an influence on values.

Absence of Income Approach to Value

The appraisal report states that the income approach to value is not applicable. However, the subject larger parcel is mixed-use development land, as affirmed by the appraisal's Highest and Best Use analysis. The Subdivision Development Approach is an income approach typically used for such properties. It uses a discounted cash flow analysis to arrive at a land residual which reflects the value of land proposed for development.

The income approach would also be applicable to the valuation of the 10-acre area to be encumbered by the Conservation Easement, as there is a potential for profitable use of this land in wetland mitigation banking. Some market participants consider Discounted Cash Flow analysis to be unreliable due to its sensitivity to multiple input details. The absence of the Income Approach is allowable under the standards, if there is a supporting rationale. USPAP Standards Rule 2-2 (b)(viii) states, "...exclusion of the sales comparison approach, cost approach or income approach must be explained." The appraisal report under review gives no reasoning for excluding this approach beyond stating that it is not applicable.

Sales Comparison Approach to Value

- Methodology and Calculations

The appraisal report under review uses the Sales Comparison Approach, in which sales of comparable properties are analyzed and utilized as a basis to arrive at an indication of the value of the subject property. Generally, the criteria for selection of comparable sales are that they should be recent, similar to the subject, and reasonably proximate. Typically, differences between the comparable sales and the subject property are identified, and adjustments are applied to account for those differences which may affect market value.

In the Before analysis, five sales were described and analyzed using price per acre as the unit of comparison, although total sales price was also described for each sale. These five sales occurred between January 2004 and June 2006. Unadjusted sale prices were from \$100,543 to \$500,000 per acre. After adjustments were applied, the indicated value range was narrowed to \$186,748 to \$229,392 per acre. The appraisal report under review presents a concluded value for the subject at \$200,000 per acre. The calculation was shown as:

“86.245 acres @ \$200,000 per acre = \$17,249,000

Thus, the subject’s value in the before condition is estimated at \$17,249,000.”

In the After analysis, the sales described above were used to value 76.245 acres as the area of the larger parcel unencumbered by the Conservation Easement. To value the 10 acres within the Conservation Easement, three sales were analyzed. These three sales occurred from January 2005 to August 2007. Unadjusted sales prices were from \$1,759 to \$5,006 per acre. After adjustments were applied, the indicated value range was \$2,190 to \$2,253 per acre.

The appraisal report under review presents the calculations as:

“76.245 acres at \$200,000 per acre =	\$15,249,000
Add 10 acres at \$2,250 per acre =	<u>\$ 22,500</u>
Total After Value =	\$15,271,500
Rounded To:	\$15,270,000”

- Misstatement

On Page No. 38 within the appraisal report under review, in the paragraph describing Sale No. 6, the report states, “This is an undeveloped site that is in an RP zone, which typically limits development to no less than one unit per 40 acres.” This is a misstatement, and should read, “...limits development to no more than one unit per 40 acres.” It appears that the property rights were correctly considered in the analysis, so this error does not rise to the level of a substantial or material error and it does not affect the valuation.

- Issue Associated with Rounding

In developing and reporting the “after” values, 10 acres is valued at \$2,250 per acre as encumbered by the Conservation Easement. This conclusion was based on the range of adjusted comparable sales from \$2,190 to \$2,253 per acre. Total After Value is calculated as \$15,271,500 Rounded To: \$15,270,000. This is the concluded total value of the 86.245-acre larger parcel as encumbered in the After condition. The rounding applied here has the effect of reducing the value of the encumbered area to \$2,100 per acre, which is below the range of values indicated by the adjusted comparable sales. It also has the effect of increasing the final value conclusion for the easement by \$1,500. Rounding practices vary significantly, but it is preferred procedure to apply rounding only at the final value conclusion, and not at intermediate points in the analyses. The fact that the effective value per acre for the 10 acres is reduced to a rate that is below the entire range of value indications undermines the credibility of the conclusion. However, this does not rise to the level of provable error.

- Questionable Selection of Comparables

The comparable sales used to value the unencumbered portion of the subject larger parcel are all potential development properties with riparian influences. This significantly limits the number of potential comparables. It would be possible to utilize sales without riparian influences and adjust for that difference, in order to utilize sales which are more similar in other characteristics, more proximate to the subject, and more recent to the effective date of value. As noted earlier in these analyses, the effect on values due to the collapse of the housing bubble is not reflected in the appraisal under review, largely because of the sale dates of the comparables used.

The three comparable sales used to develop indications of value for the area to be encumbered are problematic. These sales are not very similar to the subject. Their significant characteristic is that they are in some way limited in terms of potential for development. The 10 acres to be encumbered by a Conservation Easement may be suitable for development of wetlands mitigation credits which are salable, and this element is likely to support a higher market value. The appraisal report under review contains no discussion of that characteristic, and no similar comparables were used.

- Reconciliation and Final Market Value Estimate

Reconciliation of the valuation on report Page No. 42 presents this statement: “The difference in the before and after values results in an indication of the easement value utilized in the Charitable Non-Cash Donation calculation for the grantor.” The actual use of this appraisal report is to support a claim for reimbursement from Harris Ranch Community Infrastructure District #1. The quoted verbiage is inconsistent with this use. The appraisal report under review continues, “Thus, the subject’s value is estimated as follows:

Before Value	\$17,249,000
Less After Value	<u>\$15,270,000</u>
Easement Value	<u>\$ 1,979,000”</u>

Unfortunately, the value estimate is not considered by the reviewer to be credible, based on the issues and errors presented above. The most significant of these elements are the possible effect of the questionable effective date of value and the possible effect of the erroneous flood zone mapping.

Appraiser’s Certification:

The appraisal report under review includes a signed Certification as required by USPAP which includes the required elements and includes the appraiser’s signature and date.

Adherence to Appraisal Standards

The appraisal report reviewed herein was produced by an Idaho Certified General Appraiser, who was required to comply with the Uniform Standards of Professional Appraisal Practice (USPAP) in effect as of the date of the appraisal report in 2008, which is the 2008-2009 edition. The practice of real estate appraisal is heavily regulated in great detail, and minor compliance errors or omissions are not uncommon. To the extent that such issues do not affect the credibility of the value conclusion, they may be considered insignificant. However, USPAP Standards Rule 1-1(c) states that an appraiser must “not render appraisal services in a careless or negligent manner, such as by making a series of errors that, although individually might not significantly affect the results of an appraisal, in the aggregate affect the credibility of those results.”. The reviewer does not characterize the appraisal report under review as “careless or negligent” but the appraisal report does contain errors and unresolved matters which affect the credibility of the results.

Reviewer’s Opinions and Conclusions

As developed and reported in detail above, the reviewer has noted elements of the appraisal under review which fail to comply with the *Uniform Standards of Professional Appraisal Practice* (USPAP) in effect at the time of the appraisal. The reviewer has also noted areas of concern that may not rise to the level of being provable errors, but which undermine the credibility of the report. The stated engagement of the reviewer is to perform “***reviews which analyze the Appraisals and make a determination as to whether the Appraisals follow the appropriate principles/standards/appraisal methodology.***” It is the reviewer’s opinion and conclusion that the appraisal under review does not entirely follow the appropriate Standards, principles, and appraisal methodology. As noted above, the practice of real estate appraisal is heavily regulated in great detail and minor compliance errors or omissions are not uncommon.

It is the reviewer’s opinion that the analyses, opinions and conclusions presented in the appraisal under review are not appropriate and are not credible within the scope of work applicable to that appraisal assignment and the data presented.

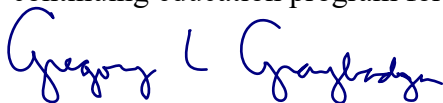
The most significant issues are the questionable effective date of value, the erroneous flood zone status and its effect on value, and the undiscussed effect of rapidly changing market conditions. The appraiser in this case is highly skilled and trained and is highly regarded. There is no evidence to indicate any intent to mislead, and no intent should be inferred from the results of this review. Many of the issues and areas of concern are the result of circumstances which were not foreseeable at the time of appraisal. Some of the issues noted in this review are minor compliance issues which would not affect the value conclusions.

(End of Section 3: Reviewer’s Analyses, Comments, and Conclusions)

4. REVIEW APPRAISER'S CERTIFICATION

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

1. The statements of fact contained in this review report are true and correct.
2. The reported analyses, opinions, and conclusions in the review report are limited only by the reported assumptions and limiting conditions, and are my 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 the work under review and no personal interest with respect to the parties involved.
4. 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 the agreement to perform this assignment.
5. I have no bias with respect to the property that is the subject of the work under review or to the parties involved with this assignment.
6. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. My compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in this review or from its use.
8. My compensation for completing this assignment is not contingent upon the development or reporting of predetermined assignment results or the assignment results that favors the cause of the client, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal review.
9. My analyses, opinions, and conclusions were developed and this review report was prepared in conformity with the *Uniform Standards of Professional Appraisal Practice*.
10. I have not made a personal inspection of the property that is the subject of the appraisal report under review.
11. No one provided significant appraisal review assistance to the person signing this Certification.
12. The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute; the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives; and as of the date of this report, I have completed the continuing education program for Designated Members of the Appraisal Institute.



December 1, 2023

Gregory L. Graybadger, MAI, RPRA, AI-GRS, Idaho CGA#1834

Date

GREGORY L. GRAYBADGER
QUALIFICATIONS AND LICENSING

Licenses:

- CERTIFIED GENERAL REAL ESTATE APPRAISER, CGA-1834
Idaho Real Estate Appraiser Board, Bureau of Occupational Licenses
- FHA Appraiser Roster, Number IDCGA1834
U.S. Department of Housing and Urban Development
- Certified Tax Appraiser #856, Idaho State Tax Commission
- Idaho Real Estate License SP23303 (inactive), Idaho Real Estate Commission

Professional Designations:

- MAI, Appraisal Institute
- RPRA (Real Property Review Appraiser)
American Society of Farm Managers and Rural Appraisers
- AI-GRS, Appraisal Institute (Reviewer of all property types)

Professional Appraisal Experience:

U.S. General Services Administration, Chief Appraiser, 2021-2023
USDA Forest Service, Regional Appraiser for Oregon, Washington & Alaska, 2015-2021
The Appraisal Foundation, Appraisal Practices Board of Directors, 2016
U.S. Department of the Interior, Review Appraiser, 2014-2015
Idaho Transportation Department, Senior Right of Way Appraiser and Reviewer, 2007-2014
Integra Realty Resources, Senior Appraisal Analyst/Certified General Appraiser, 2006-2007
Canyon County Assessor, Senior Commercial Appraiser/Deputy Assessor, 2005-2006
Ada County Assessor, Appraiser/Deputy Assessor, 2001-2004
Gem State Appraisers, Residential Appraiser, 1998-2001

Publications:

“When You Buy or Sell a Hangar” article in Airport News, June 2006
“Collection and Verification of Residential Data in the Sales Comparison Approach” co-author
published by The Appraisal Foundation, 2016

Awards:

Federal Highway Administration, “Excellence in Right of Way” 2014

Specialized Appraisal Training Courses:

Uniform Standards of Professional Appraisal Practice, update biennially since 1998
Separating Real & Personal Property from Intangible Business Assets, 2019
Uniform Appraisal Standards for Federal Land Acquisitions, 2007 and 2017
Valuation of Conservation Easements & Partial Interests, 2013
Attacking and Defending an Appraisal in Litigation, 2008
Review Theory – General, Appraisal Institute, 2017
Reviewing Timberland Appraisals, Western Forestry & Conservation Assn. 2015