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OCT 21 2014

CASS COUNTY COMMISSION

## INVESTIGATION OF ABATEMENT APPLICATION

**ABATEMENT No: 4437, 4438, 4439 & 4440**

Following is a report on the investigation of the abatement application of: Douglas Burgum

Cass County Board of Commissioners and State Tax Commissioner:

The applicant is asking that the residential valuation on two tax parcels located in Stanley Twp. be reduced to \$950,000 for the years 2011, 2012, 2013, and 2014. The True and Full assessment values are \$1,881,900 for the year 2011 and \$1,736,700 for the years 2012-2014.

The applicant has submitted an appraisal indicating a value of \$835,000.

The Stanley Township Board recommended approval of the abatement applications.

Previously, the Cass County Board of Commissioners lowered the 2010 assessment to \$950,000.

I've attached my original recommendation, as the issues are essentially the same as the 2010 abatement. As you may recall, a substantial portion of the tax assessment was for a foundation that appears to be substandard, due to settlement issues. The foundation has never been built upon.

**SUGGESTED MOTION: "I move that Abatement # 4437, 4438, 4439, and 4440 be reduced to \$950,000 as requested by the applicant and as recommended by the Stanley Twp. Board and the Director of Equalization.**

Dated this 21<sup>st</sup> day of October, 2014



Frank Klein  
Director of Tax Equalization

Original Recommendation  
From 4-24-2014

## INVESTIGATION OF ABATEMENT APPLICATION

### ABATEMENT Number 4382 & 4383

Following is a report on the investigation of the abatement applications of: Douglas Burgum

Cass County Board of Commissioners and State Tax Commissioner:

The applicant is asking that the rural residential valuation be reduced from \$1,766,100 to \$541,400 for 2009 and that the valuation be reduced from \$1,769,000 to \$547,400 for 2010. The applicant states that the 2009 valuation was increased substantially due to the issuance of a building permit for a new foundation. However, the foundation is not useable due to the fact that it is unstable. In addition, the existing buildings appear to be over assessed relative to the current market and neighboring properties.

The Stanley Twp Board recommended that the foundation valuation be reduced to zero. For 2009, the foundation was valued at \$605,800; for 2010, it was valued at \$452,100. The board also recommended that the applicant obtain an appraisal and refile for abatement if aggrieved by the valuation on the existing structures.

Subsequently, the applicant obtained an appraisal and submitted it to Cass County. The appraisal valued the entire tract at \$835,000; with \$40,000 being attributed to the foundation. The County referred the abatement, along with the appraisal, back to Stanley Twp for their recommendation. The township did not change the assessment on the existing property.

The property consists of a renovated 1½ story farmhouse with finished basement and attached garage, located on 88 acres. There is also a 40x100 steel building, a horse stable, a riding arena, and the unused foundation located on the property. The steel building is used as a shop, recreation area, and office.

I reviewed the appraisal report and the local assessor's cost approach regarding the property. I've attached a comparison sheet. The major difference in values appears to be due to the appraiser deducting 10% to 30% from estimated cost new. The local assessor did not apply any depreciation and used estimated costs at the time of construction.

I also reviewed the sales in the appraiser report. Due to the nature of the property, good comparables were not available. Lack of comparables makes estimating market value more subjective.

I concur that the unstable foundation adds nominal or no value compared to its construction cost (\$750,000). It is unfortunate that the foundation is not useable for its intended purpose. I believe that some depreciation needs to be deducted from the cost new of the existing improvements.

After reviewing the appraisal and assessment, it is my recommendation to lower the foundation assessment to \$40,000 and to value the balance of the improvements and the two parcels that make up the 88 acres at \$950,000.

**SUGGESTED MOTION: "I move that abatements 4382 and 4383 be lowered to \$950,000 on parcel # 64-0000-00240-030 and 64-0000-00242-020, comprising about 88 acres."**

Dated this 24th day of April, 2014



Frank Klein  
Director of Tax Equalization

j:\tax\wp\abate

**NOTICE OF HEARING ON TAX ABATEMENT**

To: Douglas Burgum  
10 Tallgrass Trail  
Horace ND 58047

Take notice that a hearing on your applications for abatement or refund of taxes will be held by the Board of Cass County Commissioners at its meeting room in the Courthouse in the City of Fargo, North Dakota, on the 3<sup>rd</sup> day of November, 2014, beginning at 3:30 p.m.

This abatement is scheduled on the consent agenda and you are **not** required to attend the meeting, unless you want to contest the recommendation of the township or tax director.

Property described in applications: 42 acre tract in part of Government Lots 3 and 4 in Section 30 Township 138 Range 48; and 46.88 acre tract in that part of the S½ of Section 30 Township 138 Range 48, Cass County, North Dakota

Dated October 21, 2014.

*Michael Montplaisir*  
County Auditor  
Cass County, North Dakota

**AFFIDAVIT OF MAILING**

STATE OF NORTH DAKOTA    )  
  )    SS  
COUNTY OF CASS            )

Michael Montplaisir being duly sworn, deposes and says that he is above the age of eighteen years, and that on the 21<sup>st</sup> day of October, 2014, he deposited in a sealed envelope a true copy of the foregoing Notice in the post office in the City of Fargo, in the County of Cass, State of North Dakota, postage prepaid, directed to Douglas Burgum, the applicant above named at 10 Tallgrass Trail, Horace ND 58047.

Subscribed and sworn to before me this 21<sup>st</sup> day of October, 2014.

*Heather Worden*

Notary Public  
HEATHER WORDEN  
Notary Public  
State of North Dakota  
My Commission Expires July 16, 2016

My commission expires:

cc: Stanley Township Board of Supervisors

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OCT 15 2014

CASS COUNTY COMMISSION

Stanley Township  
Heather Budge  
Clerk

15 October 2014

Dear Sirs,

At the Stanley Township monthly meeting on October 14, 2014 the township Board of Supervisors discussed at length the Doug Bergum Tax Abatement application with Margaret who was present to represent Mr. Bergum. They agree with Mr. Frank Kleins Investigation of Abatement Application and with the request of Mr. Doug Bergum that the parcels together should have a valuation of \$950,000 for the 4 years requested starting with the year of 2011.

Part of our meeting minutes is attached:

"Doug Bergum Tax Abatement. Margaret was in attendance to represent Doug Bergum on this issue. Mr. Bergum has 88.88 acres on 2 parcels. He is requesting that for the years of 2011, 2012, 2013, and 2014 for the parcels numbered 64-0000-00242-020 and 64-0000-00240-030 be given a total value of \$950,000. These parcels constitute all land

(AG land and residential) and all buildings on these parcels, less an unstable basement foundation that the Stanley Township Board on February 11, 2014 deemed as a "no value". After going over Frank Kleins, Investigation of Abatement Application dated

April 24, 2014, the Board of Supervisors for the Stanley Township voted to agree with the findings and approve the valuations of these parcels together at the asking valuation of \$950,000. The motion was submitted, with Todd Ellig 1st, Paula Ekman 2nd and all other board members aye."

If you have any further questions, please feel free to contact me or any of the Stanley Township Board of Supervisors for clarifications.

Heather Budge  
Clerk

A handwritten signature in black ink that reads "Heather Budge". The signature is written in a cursive, flowing style.

# Application For Abatement Or Refund Of Taxes

North Dakota Century Code § 57-23-04

RECEIVED  
CASS CO AUDITOR  
JUN 23 2014 AM 08:07

File with the County Auditor on or before November 1 of the year following the year in which the tax becomes delinquent.

State of North Dakota  
County of Cass  
Name Douglas Burgum  
Address 10 Tallgrass Trail, Horace, ND 58047

Assessment District  
Property I.D. No. 64-000-00242-020  
64-000-00240-030  
Telephone No. 701-297-0966

Legal description of the property involved in this application:

30-138-48 42 acres (-020)  
30-138-48 - 46.88 acres (-030)

Total true and full value of the property described above for the year 2011 is:

Land \$ 431,900  
Improvements \$ 1,450,000  
Total \$ 1,881,900  
(1)

Total true and full value of the property described above for the year 2011 should be:

Land \$ 311,100  
Improvements \$ 638,900  
Total \$ 950,000  
(2)

The difference of \$ 931,900 true and full value between (1) and (2) above is due to the following reason(s):

- 1. Agricultural property true and full value exceeds its agricultural value defined in N.D.C.C. § 57-02-27.2
- 2. Residential or commercial property's true and full value exceeds the market value
- 3. Error in property description, entering the description, or extending the tax
- 4. Nonexisting improvement assessed
- 5. Complainant or property is exempt from taxation. Attach a copy of Application for Property Tax Exemption.
- 6. Duplicate assessment
- 7. Property improvement was destroyed or damaged by fire, flood, tornado, or other natural disaster (see N.D.C.C. § 57-23-04(1)(g))
- 8. Error in noting payment of taxes, taxes erroneously paid
- 9. Property qualifies for Homestead Credit according to N.D.C.C. § 57-02-08.1. Attach a copy of Homestead Credit Application.
- 10. Other (explain) \_\_\_\_\_

The following facts relate to the market value of the residential or commercial property described above. For agricultural property, go directly to question #5.

1. Purchase price of property: \$ \_\_\_\_\_ Date of purchase: \_\_\_\_\_  
Terms: Cash \_\_\_\_\_ Contract \_\_\_\_\_ Trade \_\_\_\_\_ Other (explain) \_\_\_\_\_  
Was there personal property involved in the purchase price? \_\_\_\_\_ Estimated value: \$ \_\_\_\_\_  
yes/no
2. Has the property been offered for sale on the open market? \_\_\_\_\_ If yes, how long? \_\_\_\_\_  
yes/no  
Asking price: \$ \_\_\_\_\_ Terms of sale: \_\_\_\_\_
3. The property was independently appraised: Yes Purpose of appraisal: valuation  
yes/no  
Market value estimate: \$ 835,000  
Appraisal was made by whom? Natwick Associates
4. The applicant's estimate of market value of the property involved in this application is \$ 950,000
5. The estimated agricultural productive value of this property is excessive because of the following condition(s): \_\_\_\_\_

Applicant asks that Although the appraisal was \$835,000, I am requesting the total valuation of \$950,000, which is equal to the valuation approved in May 2014 under the 2009 and 2010 abatement applications.

By filing this application, I consent to an inspection of the above-described property by an authorized assessment official for the purpose of making an appraisal of the property. I understand the official will give me reasonable notification of the inspection. See N.D.C.C. § 57-23-05.1.

I declare under the penalties of N.D.C.C. § 12.1-11-02, which provides for a Class A misdemeanor for making a false statement in a governmental matter, that this application is, to the best of my knowledge and belief, a true and correct application.

Signature of Preparer (if other than applicant) Therant Wisher Date 6/19/14  
Signature of Applicant Douglas Burgum Date 6/19/14

**Recommendation of the Governing Body of the City or Township**

Recommendation of the governing board of Stanley Township  
 On October 14, the governing board of this municipality, after examination of this application and the facts, passed a resolution recommending to the Board of County Commissioners that the application be approved. The township recommends to total valuation of \$950,000.

Dated this 14 day of October, 2014 [Signature]  
 City Auditor or Township Clerk

**Action by the Board of County Commissioners**

Application was \_\_\_\_\_ by action of \_\_\_\_\_ County Board of Commissioners.  
 Approved/Rejected

Based upon an examination of the facts and the provisions of North Dakota Century Code § 57-23-04, we approve this application. The taxable valuation is reduced from \$ \_\_\_\_\_ to \$ \_\_\_\_\_ and the taxes are reduced accordingly. The taxes, if paid, will be refunded to the extent of \$ \_\_\_\_\_. The Board accepts \$ \_\_\_\_\_ in full settlement of taxes for the tax year \_\_\_\_\_.

We reject this application in whole or in part for the following reason(s). Written explanation of the rationale for the decision must be attached. \_\_\_\_\_

Dated \_\_\_\_\_  
 County Auditor \_\_\_\_\_ Chairperson \_\_\_\_\_

**Certification of County Auditor**

I certify that the Board of County Commissioners took the action stated above and the records of my office and the office of the County Treasurer show the following facts as to the assessment and the payment of taxes on the property described in this application.

Year	Taxable Value	Tax	Date Paid (if paid)	Payment Made Under Written Protest?
				yes/no

I further certify that the taxable valuation and the taxes ordered abated or refunded by the Board of County Commissioner are as follows:

Year	Reduction in Taxable Valuation	Reduction in Taxes

County Auditor \_\_\_\_\_ Date \_\_\_\_\_

**Application For Abatement  
 Or Refund Of Taxes**

Name of Applicant Douglas Bergum

County Auditor's File No. 4437

Date Application Was Filed With The County Auditor 6/23/14

Date County Auditor Mailed Application to Township Clerk or City Auditor 6/23/14  
(must be within five business days of filing date)



Application For Abatement Or Refund Of Taxes

North Dakota Century Code § 57-23-04

RECEIVED
CASS CO AUDITOR
JUN 23 2014 AM 08:06

File with the County Auditor on or before November 1 of the year following the year in which the tax becomes delinquent.

State of North Dakota Assessment District
County of Cass Property I.D. No. 64-0000-00342-020
Name Douglas Burgum Telephone No. 761-297-0966
Address 10 Tallgrass Trail, Horace, ND 58047

Legal description of the property involved in this application:

30-138-48 42 acres (-020)
30-138-48 46.88 acres (-030)

Total true and full value of the property described above for the year 2012 is:

Land \$ 286,700
Improvements \$ 1450,000
Total \$ 1,736,700 (1)

Total true and full value of the property described above for the year 2012 should be:

Land \$ 311,100
Improvements \$ 638,900
Total \$ 950,000 (2)

The difference of \$ 786,700 true and full value between (1) and (2) above is due to the following reason(s):

- 1. Agricultural property true and full value exceeds its agricultural value defined in N.D.C.C. § 57-02-27.2
2. Residential or commercial property's true and full value exceeds the market value
3. Error in property description, entering the description, or extending the tax
4. Nonexisting improvement assessed
5. Complainant or property is exempt from taxation. Attach a copy of Application for Property Tax Exemption.
6. Duplicate assessment
7. Property improvement was destroyed or damaged by fire, flood, tornado, or other natural disaster (see N.D.C.C. § 57-23-04(1)(g))
8. Error in noting payment of taxes, taxes erroneously paid
9. Property qualifies for Homestead Credit according to N.D.C.C. § 57-02-08.1. Attach a copy of Homestead Credit Application.
10. Other (explain)

The following facts relate to the market value of the residential or commercial property described above. For agricultural property, go directly to question #5.
1. Purchase price of property: \$ Date of purchase:
Terms: Cash Contract Trade Other (explain)
Was there personal property involved in the purchase price? yes/no Estimated value: \$
2. Has the property been offered for sale on the open market? yes/no If yes, how long?
Asking price: \$ Terms of sale:
3. The property was independently appraised: Yes Purpose of appraisal: mkt valuation
Market value estimate: \$ 835,000
Appraisal was made by whom? Natwick Associates
4. The applicant's estimate of market value of the property involved in this application is \$ 950,000
5. The estimated agricultural productive value of this property is excessive because of the following condition(s):

Applicant asks that although the appraisal was \$835,000, we are requesting the total valuation of \$950,000, which is equal to the valuation approved in May 2014 under the 2009 + 2010 abatement applications.

By filing this application, I consent to an inspection of the above-described property by an authorized assessment official for the purpose of making an appraisal of the property. I understand the official will give me reasonable notification of the inspection. See N.D.C.C. § 57-23-05.1.

I declare under the penalties of N.D.C.C. § 12.1-11-02, which provides for a Class A misdemeanor for making a false statement in a governmental matter, that this application is, to the best of my knowledge and belief, a true and correct application.

Signature of Preparer (if other than applicant) Date Signature of Applicant Date



**Recommendation of the Governing Body of the City or Township**

Recommendation of the governing board of Stanley Township

On October 14, the governing board of this municipality, after examination of this application and the facts, passed a resolution recommending to the Board of County Commissioners that the application be approved. The township recommends the total valuation of \$950,000

Dated this 14 day of October, 2014.

*[Signature]*  
City Auditor or Township Clerk

**Action by the Board of County Commissioners**

Application was \_\_\_\_\_ by action of \_\_\_\_\_ County Board of Commissioners.  
Approved/Rejected

Based upon an examination of the facts and the provisions of North Dakota Century Code § 57-23-04, we approve this application. The taxable valuation is reduced from \$ \_\_\_\_\_ to \$ \_\_\_\_\_ and the taxes are reduced accordingly. The taxes, if paid, will be refunded to the extent of \$ \_\_\_\_\_. The Board accepts \$ \_\_\_\_\_ in full settlement of taxes for the tax year \_\_\_\_\_.

We reject this application in whole or in part for the following reason(s). Written explanation of the rationale for the decision must be attached.

Dated \_\_\_\_\_,

County Auditor

Chairperson

**Certification of County Auditor**

I certify that the Board of County Commissioners took the action stated above and the records of my office and the office of the County Treasurer show the following facts as to the assessment and the payment of taxes on the property described in this application.

Year	Taxable Value	Tax	Date Paid (if paid)	Payment Made Under Written Protest?
				yes/no

I further certify that the taxable valuation and the taxes ordered abated or refunded by the Board of County Commissioner are as follows:

Year	Reduction in Taxable Valuation	Reduction in Taxes

County Auditor

Date

**Application For Abatement  
Or Refund Of Taxes**

Name of Applicant Douglas Burquon

County Auditor's File No. 4438

Date Application Was Filed With The County Auditor 6/23/14

Date County Auditor Mailed Application to Township Clerk or City Auditor 6/23/14  
(must be within five business days of filing date)

**Application For Abatement Or Refund Of Taxes**  
North Dakota Century Code § 57-23-04

RECEIVED  
CASS CO AUDITOR

JUN 23 2014 AM 08:06

File with the County Auditor on or before November 1 of the year following the year in which the tax becomes delinquent.

State of North Dakota Cass Assessment District 64-0000 - 00242 - 020  
 County of Cass Property I.D. No. 64-0000 - 00240 - 030  
 Name Douglas Burgum Telephone No. 701-297-0966  
 Address 10 Tallgrass Trail, Horace, ND 58047

Legal description of the property involved in this application:  
30-138-48 42 acres (-020)  
30-138-48 46.88 acres (-030)

Total true and full value of the property described above for the year 2013 is:  
 Land \$ 286,700  
 Improvements \$ 1,450,000  
 Total \$ 1,736,700  
 (1)

Total true and full value of the property described above for the year 2013 should be:  
 Land \$ 311,100  
 Improvements \$ 638,900  
 Total \$ 950,000  
 (2)

The difference of \$ 786,700 true and full value between (1) and (2) above is due to the following reason(s):

- 1. Agricultural property true and full value exceeds its agricultural value defined in N.D.C.C. § 57-02-27.2
- 2. Residential or commercial property's true and full value exceeds the market value
- 3. Error in property description, entering the description, or extending the tax
- 4. Nonexisting improvement assessed
- 5. Complainant or property is exempt from taxation. Attach a copy of Application for Property Tax Exemption.
- 6. Duplicate assessment
- 7. Property improvement was destroyed or damaged by fire, flood, tornado, or other natural disaster (see N.D.C.C. § 57-23-04(1)(g))
- 8. Error in noting payment of taxes, taxes erroneously paid
- 9. Property qualifies for Homestead Credit according to N.D.C.C. § 57-02-08.1. Attach a copy of Homestead Credit Application.
- 10. Other (explain) \_\_\_\_\_

The following facts relate to the market value of the residential or commercial property described above. For agricultural property, go directly to question #5.

1. Purchase price of property: \$ \_\_\_\_\_ Date of purchase: \_\_\_\_\_  
 Terms: Cash \_\_\_\_\_ Contract \_\_\_\_\_ Trade \_\_\_\_\_ Other (explain) \_\_\_\_\_  
 Was there personal property involved in the purchase price? \_\_\_\_\_ Estimated value: \$ \_\_\_\_\_  
 yes/no

2. Has the property been offered for sale on the open market? \_\_\_\_\_ If yes, how long? \_\_\_\_\_  
 yes/no  
 Asking price: \$ \_\_\_\_\_ Terms of sale: \_\_\_\_\_

3. The property was independently appraised: yes Purpose of appraisal: market valuation  
 yes/no  
 Market value estimate: \$ 835,000  
 Appraisal was made by whom? Netwick Associates

4. The applicant's estimate of market value of the property involved in this application is \$ 950,000

5. The estimated agricultural productive value of this property is excessive because of the following condition(s): \_\_\_\_\_

Applicant asks that although the appraisal was \$835,000, we are requesting the total valuation of \$950,000, which is equal to the valuation approved in May 2014 under the 2009 + 2010 abatement applications.

By filing this application, I consent to an inspection of the above-described property by an authorized assessment official for the purpose of making an appraisal of the property. I understand the official will give me reasonable notification of the inspection. See N.D.C.C. § 57-23-05.1.

I declare under the penalties of N.D.C.C. § 12.1-11-02, which provides for a Class A misdemeanor for making a false statement in a governmental matter, that this application is, to the best of my knowledge and belief, a true and correct application.

Signature of Preparer (if other than applicant) Margaret [Signature] Date 6/19/14 Signature of Applicant [Signature] Date 6/19/14

**Recommendation of the Governing Body of the City or Township**

Recommendation of the governing board of Stanley Township

On October, 14, the governing board of this municipality, after examination of this application and the facts, passed a resolution recommending to the Board of County Commissioners that the application be approved. The township recommends the total valuation of \$954,000

Dated this 14 day of October, 2014

[Signature]  
City Auditor or Township Clerk

**Action by the Board of County Commissioners**

Application was \_\_\_\_\_ by action of \_\_\_\_\_ County Board of Commissioners.  
Approved/Rejected

Based upon an examination of the facts and the provisions of North Dakota Century Code § 57-23-04, we approve this application. The taxable valuation is reduced from \$ \_\_\_\_\_ to \$ \_\_\_\_\_ and the taxes are reduced accordingly. The taxes, if paid, will be refunded to the extent of \$ \_\_\_\_\_. The Board accepts \$ \_\_\_\_\_ in full settlement of taxes for the tax year \_\_\_\_\_.

We reject this application in whole or in part for the following reason(s). Written explanation of the rationale for the decision must be attached.

Dated \_\_\_\_\_

County Auditor

Chairperson

**Certification of County Auditor**

I certify that the Board of County Commissioners took the action stated above and the records of my office and the office of the County Treasurer show the following facts as to the assessment and the payment of taxes on the property described in this application.

Year	Taxable Value	Tax	Date Paid (if paid)	Payment Made Under Written Protest?
				yes/no

I further certify that the taxable valuation and the taxes ordered abated or refunded by the Board of County Commissioner are as follows:

Year	Reduction in Taxable Valuation	Reduction in Taxes

County Auditor

Date

**Application For Abatement  
Or Refund Of Taxes**

Name of Applicant Douglas Burguan  
County Auditor's File No. 4439

Date Application Was Filed With The County Auditor 6/23/14

Date County Auditor Mailed Application to Township Clerk or City Auditor 6/23/14  
(must be within five business days of filing date)



# Application For Abatement Or Refund Of Taxes

North Dakota Century Code § 57-23-04

RECEIVED  
CASS CO AUDITOR  
JUN 23 2014 AM 08:06

File with the County Auditor on or before November 1 of the year following the year in which the tax becomes delinquent.

State of North Dakota: \_\_\_\_\_ Assessment District: 64-0000 - 00242 - 020  
 County of Cass Property I.D. No. 64-0000 - 00240 - 030  
 Name Douglas Burgum Telephone No. 701-297-0966  
 Address 10 Tallgrass Trail, Horace, ND 58047

Legal description of the property involved in this application:  
30-138-48 42 acres (-020)  
30-138-48 46.88 acres (-030)

Total true and full value of the property described above for the year 2014 is:  
 Land \$ 286,700  
 Improvements \$ 1,450,000  
 Total \$ 1,736,700  
 (1)

Total true and full value of the property described above for the year 2014 should be:  
 Land \$ 311,100  
 Improvements \$ 638,900  
 Total \$ 950,000  
 (2)

The difference of \$ 786,700 true and full value between (1) and (2) above is due to the following reason(s):

- 1. Agricultural property true and full value exceeds its agricultural value defined in N.D.C.C. § 57-02-27.2
- 2. Residential or commercial property's true and full value exceeds the market value
- 3. Error in property description, entering the description, or extending the tax
- 4. Nonexisting improvement assessed
- 5. Complainant or property is exempt from taxation. Attach a copy of Application for Property Tax Exemption.
- 6. Duplicate assessment
- 7. Property improvement was destroyed or damaged by fire, flood, tornado, or other natural disaster (see N.D.C.C. § 57-23-04(1)(g))
- 8. Error in noting payment of taxes, taxes erroneously paid
- 9. Property qualifies for Homestead Credit according to N.D.C.C. § 57-02-08.1. Attach a copy of Homestead Credit Application.
- 10. Other (explain) \_\_\_\_\_

The following facts relate to the market value of the residential or commercial property described above. For agricultural property, go directly to question #5.

1. Purchase price of property: \$ \_\_\_\_\_ Date of purchase: \_\_\_\_\_  
 Terms: Cash \_\_\_\_\_ Contract \_\_\_\_\_ Trade \_\_\_\_\_ Other (explain) \_\_\_\_\_  
 Was there personal property involved in the purchase price? \_\_\_\_\_ Estimated value: \$ \_\_\_\_\_  
 yes/no

2. Has the property been offered for sale on the open market? \_\_\_\_\_ If yes, how long? \_\_\_\_\_  
 yes/no  
 Asking price: \$ \_\_\_\_\_ Terms of sale: \_\_\_\_\_

3. The property was independently appraised: yes Purpose of appraisal: market valuation  
 yes/no  
 Market value estimate: \$ 835,000  
 Appraisal was made by whom? Natwick Associates

4. The applicant's estimate of market value of the property involved in this application is \$ 950,000

5. The estimated agricultural productive value of this property is excessive because of the following condition(s): \_\_\_\_\_

Applicant asks that although the appraisal was \$835,000, we are requesting the total valuation of \$950,000, which is equal to the valuation approved in May 2014 under the 2009 + 2010 abatement applications.

By filing this application, I consent to an inspection of the above-described property by an authorized assessment official for the purpose of making an appraisal of the property. I understand the official will give me reasonable notification of the inspection. See N.D.C.C. § 57-23-05.1

I declare under the penalties of N.D.C.C. § 12.1-11-02, which provides for a Class A misdemeanor for making a false statement in a governmental matter, that this application is, to the best of my knowledge and belief, a true and correct application.

Margaret Steen 6/19/14 Douglas Burgum 6/19/14  
 Signature of Preparer (if other than applicant) Date Signature of Applicant Date

**Recommendation of the Governing Body of the City or Township**

Recommendation of the governing board of Stanley Township

On October 14, the governing board of this municipality, after examination of this application and the facts, passed a resolution recommending to the Board of County Commissioners that the application be approved. The township recommends the total valuation of \$950,000.

Dated this 14 day of October, 2014 [Signature]  
 City Auditor or Township Clerk

**Action by the Board of County Commissioners**

Application was \_\_\_\_\_ by action of \_\_\_\_\_ County Board of Commissioners.  
 Approved/Rejected

Based upon an examination of the facts and the provisions of North Dakota Century Code § 57-23-04, we approve this application. The taxable valuation is reduced from \$ \_\_\_\_\_ to \$ \_\_\_\_\_ and the taxes are reduced accordingly. The taxes, if paid, will be refunded to the extent of \$ \_\_\_\_\_. The Board accepts \$ \_\_\_\_\_ in full settlement of taxes for the tax year \_\_\_\_\_.

We reject this application in whole or in part for the following reason(s). Written explanation of the rationale for the decision must be attached.  
 \_\_\_\_\_  
 \_\_\_\_\_

Dated \_\_\_\_\_  
 \_\_\_\_\_ County Auditor \_\_\_\_\_ Chairperson

**Certification of County Auditor**

I certify that the Board of County Commissioners took the action stated above and the records of my office and the office of the County Treasurer show the following facts as to the assessment and the payment of taxes on the property described in this application.

Year	Taxable Value	Tax	Date Paid (if paid)	Payment Made Under Written Protest?
				yes/no

I further certify that the taxable valuation and the taxes ordered abated or refunded by the Board of County Commissioner are as follows:

Year	Reduction in Taxable Valuation	Reduction in Taxes

\_\_\_\_\_  
 County Auditor Date

**Application For Abatement  
 Or Refund Of Taxes**

Name of Applicant Douglas Burgum

County Auditor's File No. 4440

Date Application Was Filed With The County Auditor 6/23/14

Date County Auditor Mailed Application to Township Clerk or City Auditor 6/23/14  
(must be within five business days of filing date)

**Market Value Appraisal  
Summary Report**

**Land and Improvements  
417 112<sup>th</sup> Ave S,  
Horace, North Dakota**

**Prepared for:  
Mr. Douglas Burgum and designated assignees**

Date of Inspection:	09/25/2013
Effective Date of Appraisal	11/20/2013
Date of Report:	11/20/2013

**Prepared By:  
NATWICK ASSOCIATES APPRAISAL SERVICES  
1205 4TH AVE. SOUTH  
FARGO, ND 58103**



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Engagement Letter
Appraisal Licenses
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Excerpts from GeoTech Report
Letter on GeoTech Report



Natwick Associates  
*Appraisal Services*

Herman A. Natwick

James R. Natwick

1205 4th Avenue South • Fargo, North Dakota 58103

Phone: (701) 235-5541 • Fax: (701) 235-1573 • (800) 279-4757 • E-mail: natwick@integraonline.com

November 20, 2013

Mr. Douglas Burgum  
10 Tallgrass Trail  
Horace, ND 58047

Dear Mr. Burgum,

In accordance with your request, I have developed an opinion of the market value of the fee simple interest in the subject property, which consists of an improved rural residential site including a dwelling, a shop/office/gym building, horse stable/tack room, outdoor riding arena, and 88.88 acres, more or less, of wooded land and pasture land located in Section 30 of Stanley Township. There is also an unused foundation and basement that was constructed in 2008 and due to upward movement issues, was never utilized for the intended purpose, and it is our understanding that you have decided not to proceed with construction of the structure. As you are well aware, the Supplemental Letter to the Geotechnical Peer Review prepared by Northern Technologies Inc. states that if building were to continue there should be an allowance of 4 to 6 inches of variable movement for non-load bearing walls and systems installed on the basement floor.

As of the effective date of this appraisal, the subject property was titled in the name of Douglas J. Burgum. The subject property is appraised at its market value as of November 20, 2013, based on an extraordinary assumption that there were no significant changes to the property since September 25, 2013, which was the date of my inspection of the site and improvements. The opinion of market value was developed based on the following:

- a. Physical inspection of the site.
- b. Comparison as a process - sales comparison approach to value.
- c. Analysis of the local & regional market conditions affecting the subject property type.
- d. Cost approach
- e. An analysis of all pertinent data, some contained in this report and other data in the confidential workfile of this appraisal located in our office.

**Market Value Opinion for Subject Property**

As a result of my analysis of the market and property data gathered and my judgment and experience, it is my opinion that the market value of the fee simple interest in the subject property as of November 20, 2013 is as follows:

**EIGHT HUNDRED THIRTY FIVE THOUSAND DOLLARS  
(\$835,000)  
Land and Improvements**

Mr. Burgum,

November 20, 2013

**Breakdown of Market Value Opinion\*:**

Parcel 00240-030 w/ Dwelling, Shop/Office/Gym, Stable (46.88 acres)	\$ 648,000
Parcel 00242-020 Land with Unused Foundation & Basement (42.0 acres)	<u>\$ 187,000</u>
<b>Total Market Value Opinion of Subject Property</b>	<b>\$ 835,000</b>

\*Note: the land value portion of each of the two parcels is estimated to be \$3,500 per acre

The breakdown of market value for the east 42.0 acre parcel includes an opinion of land value of \$ 147,000 and \$ 40,000 for the unused foundation/basement. The major premise for the valuation on the foundation is that the current owner has determined it to be not usable based on engineering recommendations. In my opinion, another potential buyer of the property would not pay anything close to the replacement cost due to the issues with the foundation and basement, and probably ten percent of replacement cost new, or less. While it has not been determined to be unusable in the future, it appears that someone building on that foundation would need to sink significant additional money into engineering and specifically designed systems. In my opinion the average value per acre for the land for both parcels is \$3,500 per acre.

The value conclusion of this report is our estimate based on accepted real estate appraisal practice. This is a Market Value Appraisal utilizing a Summary Report, and conforms to the Uniform Standards of Professional Appraisal Practice (USPAP) as adopted by the Appraisal Foundation. This appraisal also conforms to the prevailing guidelines issued under Title XI of the Federal Financial Institutions Reform, Recovery and Enforcement Act of 1989 (i.e. FIRREA).

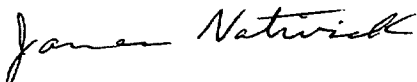
I understand that the purpose of this appraisal is to develop an opinion of market value of the entire subject property as described in this report for the intended use of financial planning in regards to the Cass County Property Tax Assessment. In those regards, you are designated as the primary intended user of this appraisal and appraisal report, along with other assignees at your direction, including any of the taxing authorities.

We hereby certify that we have no undisclosed interest in the property, and our employment and compensation are not contingent upon our findings and valuation. Possession of this report or a copy thereof, does not carry with it the right of publication, nor may the same be used for any purpose by any but the requestor without the previous written consent of the undersigned or the requestor, and in any event, only with the proper qualifications.

It has been a privilege to be of service, and appreciation is expressed for this assignment and the courtesies extended during the course of this analysis.

Sincerely,

NATWICK ASSOCIATES APPRAISAL SERVICES



James Natwick, Certified General Appraiser, Appraiser License MN #:20078604  
ND Certified General Appraiser #: CG 1170

**CERTIFICATION**

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

The statements of fact contained in this report are true and correct.

The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions and conclusions.

I have no present or prospective interest in the property that is the subject of this report; and no personal interest with respect to the parties involved.

I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.

My engagement in this assignment was not contingent upon developing or reporting predetermined results.

My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

My analyses, opinions, and conclusions were developed, and were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.

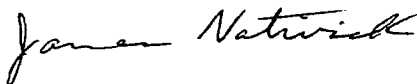
The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.

The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

James Natwick made a personal inspection of the property that is the subject of this report on September 25, 2013. No one provided professional appraisal assistance to the person(s) signing this certification.

I have the appropriate knowledge of specific market and relevant experience appraising properties similar in size and complexity to the property under consideration to complete this assignment with competence.

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



James Natwick, Certified General Appraiser  
Appraiser License MN #AP20078604; ND Certified General Appraiser #: CG 1170

## GENERAL INFORMATION

### **Purpose of the Appraisal**

The purpose of this appraisal is to develop an opinion of the market value of the fee simple interest in the subject property. The subject property consists of 88.88 acres, more or less, of residential land and improvements consisting of rural residential buildings and an unused foundation/basement located 417 112<sup>th</sup> Ave S, Horace, North Dakota. The residential site address is also known as 10 Tallgrass Trail, Horace, ND. As of the effective date of this appraisal, the subject property was titled in the name of Douglas J. Burgum.

### **Current Use of the Property**

The current use of the property as of the effective date of this appraisal is a rural residential improved site. On the 42 acre parcel, the only improvement is an unused foundation/basement that has been observed to have upward movement issues.

### **Date of Inspection**

The date of inspection our most recent inspection of the subject property was September 25, 2013.

### **Effective Date of Appraisal**

The effective date of this appraisal is November 20, 2013. The appraisal is made on the basis of an extraordinary assumption that there have been no significant physical changes in the property since that date.

### **Intended Use of the Appraisal/Intended User(s)/Client**

The intended use of this appraisal is for financial planning purposes regarding a property tax assessment. The appraisal is being done at the request of Mr. Douglas Burgum, who is the client. The intended users of this report are the client and the client's designated assigns, including taxing authorities as designated by the client.

### **Scope of the Appraisal**

This appraisal assignment requires the preparation of a market value appraisal, utilizing a summary appraisal report. This appraisal assignment is within the experience and scope of the qualifications of James Natwick. James has completed numerous commercial, industrial, agricultural, and rural residential property appraisals in Cass County and the Fargo and West Fargo area as well as Clay County, MN and other nearby counties. The appraisals include a large number of vacant land appraisals as well as improved commercial, industrial, and single family and multi-family residential properties along with rural residences. No additional steps are necessary to comply with competency provisions of USPAP.

A review of the ownership history of the property was conducted with information supplied by owner of the property as well as city and courthouse records. A physical inspection was conducted of the subject property on September 25, 2013. Regional and community characteristics affecting the subject property were considered including the social, economic, environmental, and governmental market forces that may impact the subject property's value. An opinion of the highest and best use of the subject real estate was developed.

All three approaches to value were considered in this appraisal, but it was determined that only the sales comparison and cost approaches are applicable to the subject property. The income approach was considered, but there is very little market data available concerning rural residences and vacant wooded/recreational land that are leased in this market.

Sales research was conducted in a twenty-mile radius of the subject property for rural residential property sales with a similar highest and best use as the subject. Sales were researched for a 4-year period prior to this report's effective date and the most current sales in geographic and economic proximity to the subject property were utilized in this analysis. Sale data, legal documents and filings were obtained in city offices, county courthouse records or from other sources deemed reliable. Sale data was verified with buyers, sellers, agents, MLS, appraisers or Realtors familiar with each sale. Confidence was placed in deed filings if other sources or verification were not available. Confirmation sources are listed on sale data analysis sheets in our files.

Information regarding the subject property was gathered from courthouse records, personal inspection of the appraised property and interviews with the owner. Regional, city, county and neighborhood data was compiled using several sources. The primary sources were the Cass County Assessor's Office, the Fargo Moorhead West Fargo Chamber of Commerce, the U.S. Census Bureau and additional information researched on the Internet. The neighborhood section was also based on a physical inspection of the area.

### **Market Value Defined**

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition are the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. buyer and seller are typically motivated;
2. both parties are well informed or well advised, and acting in what they consider their best interests;
3. a reasonable time is allowed for exposure in the open market;
4. payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and
5. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. \*

\**The Appraisal of Real Estate*, Thirteenth Edition, Appraisal Institute, (Chicago, 2000), 23.



### **Property Rights Appraised**

The property rights appraised in this appraisal problem are described as the *fee simple interest*, which is the most complete form of ownership. *The Appraisal of Real Estate*, Thirteenth Edition, defines fee simple interest as follows:

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.

Owners of fee simple may choose to improve or not to improve their property. They have the complete bundle of rights inherent in the ownership, which include the following:

- The right to sell an interest
- The right to lease an interest and to occupy the property
- The right to mortgage an interest
- The right to give an interest away
- The right to do none of these things

When a fee owner dies, the property passes to his or her heirs or to others named in the will. This transfers an estate, a right or interest in property.

### **Market Area, Reasonable Exposure Time & Marketing Period**

The subject property consists of a rural residential improved property on 88.88 acres of land, more or less. Improvements include a good quality one and one-half story dwelling, a multi-purpose building uses as a shop, gym & office, a horse stable/tack room, and an outdoor riding arena. There is also an unused foundation/basement to the east of the existing dwelling and other outbuildings. The foundation was determined to have upward movement, and the current owner has decided not to move forward with construction due to the movement problems on the foundation. The market participants for a rural residential property like this include individuals looking for a good quality rural residential property, especially those interested in raising horses, at least for a hobby. Other participants might possibly include investors in this type of property for speculation who anticipate increasing land values in this area. It is possible that there could be some development or further subdividing of the property, but not likely, other than perhaps using the area where the foundation lies. With the problems with the upward movement and recommendations to allow for up to 6 inches of movement of the foundation, it is doubtful that there would be many buyers for that particular tract willing to use a foundation such as that.

In regards to the existing dwelling and outbuildings on the 46.88 acre tract, similar properties are generally exposed to the market for a period of six months to eighteen months prior to sale according to area Realtors, listing agents and buyer's agents. It is our opinion that a reasonable exposure time and the marketing period for the subject property are both twelve months.

Reasonable exposure time and reasonable marketing time are two concepts that should be noted at this point. Exposure time is the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based upon an

analysis of past events assuming a competitive and open market. In contrast, marketing time is an opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. In other words, exposure time exists **before** the effective date of the appraisal, whereas marketing time exists **after** the effective date. (Source: 2012-2013 USPAP)

### Assumptions and Limiting Conditions

This appraisal report has been made with the following general assumptions.

1. No responsibility is assumed for the legal description provided or for matters pertaining to legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.
2. The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated.
3. Responsible ownership and competent property management are assumed.
4. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.
5. All engineering studies are assumed to be correct. The plot plans and illustrative material in this report are included only to help the reader visualize the property.
6. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for obtaining the engineering studies that may be required to discover them.
7. It is assumed that the property is in full compliance with all applicable federal, state, and local environmental regulations and laws unless the lack of compliance is stated, described, and considered in the appraisal report.
8. It is assumed that the property conforms to all applicable zoning and use regulations and restrictions unless a non-conformity has been identified, described and considered in the appraisal report.
9. It is assumed that all required licenses, certificates of occupancy, consents, and other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.
10. It is assumed that the use of the land and improvements is confined within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.
11. Unless otherwise stated in this report, the existence of hazardous materials, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, and other potentially hazardous materials may affect the value of the property. The value estimated is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for such conditions or for any expertise or engineering knowledge required to discover them. The intended user is urged to retain an expert in this field, if desired.

**This appraisal report has been made with the following general limiting conditions and extraordinary assumptions.**

1. Any allocation of the total value estimated in this report between the land and the improvements applies only under the stated program of utilization. The separate values allocated to the land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.
2. Possession of this report, or a copy thereof, does not carry with it the right of publication.
3. The appraiser, by reason of this appraisal, is not required to give further consultation or testimony or to be in attendance in court with reference to the property in question unless arrangements have been previously made.
4. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news, sales, or other media without the prior written consent and approval of the appraiser.
5. The Americans with Disabilities Act (ADA) became effective January 26, 1992. The appraiser has not made a specific compliance survey or analysis of the property to determine whether or not it is in conformity with the various detailed requirements of ADA. It is possible that a compliance survey of the property and a detailed analysis of the requirements of the ADA would reveal that the property is not in compliance with one or more of the requirements of the act. If so, this fact could have a negative impact upon the value of the property. Since the appraiser has no direct evidence relating to this issue, possible noncompliance with the requirements of ADA was not considered in estimating the value of the property.
6. Any opinions of value provided in the report apply to the entire property, and any proration or division of the total into fractional interests will invalidate the opinion of value, unless such proration or division of interests has been set forth in the report.
7. The appraiser assumes that the reader or user of this report has been provided with copies of all leases and amendments, if any, that encumber the property.
8. The forecasts, projections, or operating estimates contained herein are based on current market conditions, anticipated short-term supply and demand factors, and a continued stable economy. These forecasts are, therefore, subject to changes with future conditions.
9. The subject property is appraised at its market value as of November 20, 2013, based on an extraordinary assumption that there were no significant changes to the property since September 25, 2013, which was the date of my inspection of the site and improvements.

Reference: *The Appraisal of Real Estate*, Thirteenth Edition (The Appraisal Institute, 2008) pp 580-581

## Legal Description and Property Tax Information

### Legal Description

#### PARCEL 1

A 46.88 acre tract in Section 30, Township 138, Range 48, Cass County, North Dakota. That part of the S ½ of Section 30 lying East of a line that lies 2510' East of & parallel with the West line of said Section 30 excepting the following described tract of land: from the SW corner existing iron monument of Section 30, bear N 89°42'32" E (assumed bearing) along the South line of said Section 30 for a distance of 2640' to an iron monument, the SE corner of the SW ¼ of said Section 30 then bear N 89°26'54" E along the South line of said Section 30 for a distance of 301.36' to an iron monument the Point of Beginning of the Tract of land herein described then North 01°04'11" East for a distance of 1043.77' to an iron monument to an iron monument then North 36°12'49" West for a distance of 363.37' to an iron monument, then North 19°35'11" East for a distance of 250.86' to an iron monument then North 70°53'31" East for a distance of 340.60' to an iron monument then North 02°19'11" East for a distance of 159.63' to an iron monument then South 85°00'46" East for a distance of 791.67' more or less to a point of intersection with the bank of the Red River of the North, then SE'ly, S'ly, SW'ly, W'ly & S'ly along said West Bank to a Point of Intersection with the South Line of said Section 30, then South 89°27'54" West along the South line of said Section 30 for a distance of 697.33' more or less to the Point of Beginning, except therefrom the South 75' taken for Highway Right of Way. Said tract of land contains 42 acres more or less and is subject to easements of record. Said tract of land contains 46.88 acres more or less, 7.88 in the SW ¼ & 39 acres in the Fractional SE1/4. Said tract of land is subject to easements Recorded and Unrecorded. \*\*2-8-99, Corrected Legal – Split from 64-0000-00242-000 & 64-0000-00242-010.

#### PARCEL 2

A 42 acre tract in Section 30, Township 138, Range 48, Cass County, North Dakota. Part of Government Lots 3 & 4 described as from the Southwest corner of Section 30 bearing North 89°55'34" East along the centerline of Cass Co Highways #14 & #16 for a distance of 2640' then bear North 89°24'24" East along said County Highway centerline for 301.16' to an iron monument & the Point of Beginning of tract of land, then North 01°04'11" East for 1053.50' to an iron monument then North 36°12'49" West for 363.37' to an iron monument, then North 19°35'11" East for 250.86' to iron monument, then North 70°53'31" East for 340.60' to an iron monument, then North 02°19'11" East for 159.63' to an iron monument, then South 85°00'46" East for 791.67' to a point of intersection with the West bank of the Red River of the North, then SE'ly, S'ly, SW'ly, W'ly & S'ly along the West bank to a point of intersection with the said centerline of Cass County Highway then South 89°24'24" West along highway centerline for 697.33' to the Point of Beginning. \*\*1-24-96 split from 64-0000-00242-010

### Ownership and Property Tax Information:

**Owner of Record:**

Douglas J. Burgum

**Property Tax and Assessment Data:**

Tax Parcel No.	Acres	Assessor's Value (2012)	2012 Real Estate Taxes (Payable 2013)
64-0000-00242-030	46.88	Land \$ 151,200 Bldgs \$ 947,900 Total \$ 1,099,100	\$15,648.65
64-0000-00242-020	42.00	Land \$ 135,000 Improv \$ 502,100 Total \$ 637,600	\$9,078.18
Total	88.88	\$ 1,736,700	\$24,726.83

**Property Ownership History:**

The subject property is currently titled in the name of Douglas J. Burgum. To the knowledge of the appraiser there have been no ownership changes on the subject property within the three year period that precedes the effective date of this appraisal.



**SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS**

**Property Type:** Rural Residence with Dwelling, Shop/Office Building, Horse Stable, Other Site Improvements, and Land

**Location:** 417 112<sup>th</sup> Ave S,  
Horace, North Dakota

**Date of Inspection:** September 25, 2013

**Effective Date of Appraisal:** November 20, 2013

**Date of Appraisal Report:** November 20, 2013

**Property Rights Appraised:** Fee Simple

**Owner of Record:** Douglas J. Burgum

**Tax Parcel #(s):** 64-0000-00242-030 and 64-0000-00242-020

**Site Size:** 88.88 acres, more or less

**Building Sizes and Ages:** Dwelling - 2,213 SF above grade plus basement  
Shop/Office/Gym - 4,000 SF  
Stable & Tack Rm - 1,200 SF

**Zoning:** Residential

**Flood Hazard Area:** Zone A20 and Zone B – Flood Insurance Rate Map  
Community Panel Number 380258 0005 B, dated  
September 27, 1985

**Highest & Best Use:** Current Use as Rural Residential Property

**Value Indications:**

Cost Approach	\$ 859,000
Sales Comparison Approach	\$ 835,000
Income Capitalization Approach	Not Applicable

**Reconciled Market Value Opinion:** **\$ 835,000**

**Breakdown of Market Value Opinion\*:**

Parcel 00240-030 w/ Dwelling, Shop/Office/Gym, Stable (46.88 acres)	\$ 648,000
Parcel 00242-020 Land with Unused Foundation & Basement (42.0 acres)	\$ 187,000
<b>Total Market Value Opinion of Subject Property</b>	<b>\$ 835,000</b>

\*Note: the land value portion of each of the two parcels is estimated to be \$3,500 per acre

## SUBJECT PROPERTY DESCRIPTION

### Location:

The subject property is an improved rural residence in a rural area about south of Fargo, ND . The site consists of 88.88 acres, more or less, located along the Red River on the north side of Cass County Highway 16 about three-fourths of a mile east of US Highway 81. Its location is outside of the City of Fargo Extraterritorial limits but it has good access to the south part of Fargo, other parts of the city, and the neighboring City of Moorhead with the existing county, US and Interstate Highways. Interstate Highway I-29 is located three miles west of the subject property. Adjacent and nearby properties are mainly agricultural land, several other rural building sites, and a couple of suburban/semi-rural residential developments.

### Land Description:

The subject tract is an irregular shaped tract that is bordered on the east by the Red River and a dead river meanders through the central part of the tract. The western border of the subject property is nearly level agricultural land and the southern border is Cass County Highway 16. The property includes a considerable amount of dense woods along the Red River, especially towards the north end of the two tracts. To the north and northwest of the existing dwelling horse barn and shop/gym /office there are some open pasture/grassland areas. The original soils in this area present some difficulty for building due to the shrink/swell nature of the clay underlying the area. With adequate preparation of the site and proper installation of footings, foundations and basements, there should be no problems with settling of structures. However, there were some problems in the area where the unused foundation and basement that were poured in 2008.

The FSA soil map for the subject tracts indicate that the topsoils on the subject tracts consist mainly of Wahpeton-Cashel silty clays, wooded, 1 to 15 percent slopes, occasionally flooded, in the eastern and northernmost areas of the subject 88.88 acre tract (near the river and through the dead river ground, and Wahpeton silty clay, 0 to 2 percent slopes, occasionally flooded in the areas where buildings are located, along with Hegne-Fargo silty clay loams on the areas further west on the site. A soil map is included in this section of the report.

### Drainage:

The subject property is reported to, and appears to have good drainage of excess surface water. However, in times of flooding along the Red River, there is some water that will pond around the main building site and inundates much of the wooded areas north and east of the building sites, as verified by looking at photographs from flooding in the area in 2009. It was reported that on the 42 acre parcel where the unused foundation and basement area is located, the general site grade was raised from about 908 to 913 feet to allow the 1<sup>st</sup> floor grade to be at 914 feet USGS, about three feet above the 100-year flood plain elevation (911 feet).

**Easements:**

The subject property is subject to easements of record, but is not limited to those of record. Easements on the subject property include the standard easements for roads, ditches, telephone, and electric lines. No easements that would be detrimental to property value are known to exist.

**Minerals:**

No known mineral deposits of commercial value are present on the subject property. This appraisal concerns itself solely with surface rights and values. Any potential value of mineral deposits is not included in this report.

**Environmental Hazards:**

No environmental hazards were noted in my inspection of the subject property. I am not a qualified environmental inspector. If any concern exists on the part of the reader, please consider contracting the services of a qualified environmental inspector.

**Water Wells and Utilities:**

Cass County Rural Water provides water to the site. There is also one well in good working order. The septic system for the house is reportedly in good working order. Electrical and telephone services are also provided to the subject property, both at the main rural residential site and at the east parcel where the un-used foundation and basement is located.

**Improvements:**

The house (dwelling) located on the farmstead consists of a two- story home that was originally built around 1912 in a different location and reportedly was moved to the current site in 1998 and placed on a new basement and foundation. The house has had a number of additions and recent renovations. The house contains 1,406 square feet on the main floor and approximately 807 square feet on the second, for a total of 2,213 square feet total. The house has permanent siding that was installed in 1998 and is in good condition. The asphalt shingles are also in good condition. The dwelling has a poured concrete foundation and the basement is nearly all finished nicely, with a bedroom, full bathroom, and family room. We have estimated the basement area under the dwelling to be about 1,042 square feet. The square footage calculations were based on physical measurements of the exterior of the footings.

The interior finish of the home on the main and second floors has good quality hardwood floors throughout and textured drywall on the walls and ceilings. The breezeway between the garage and house has ceramic tile floor covering. The house was completely renovated in 1998 and has very good quality cabinets, counter-tops, hardwood trim, hardwood solid wood panel doors, and all new double hung and casement windows were installed when renovated. The west side and south side one story portions of the dwelling were porches at one time but are now finished and fully headed living areas. There is a one-half bathroom and laundry on the main floor, and the second floor has a full bathroom, master bath, and two other bedrooms. There is a bedroom, full

bath and family room in the finished portion of the basement along with the partially finished mechanical room. The heating and cooling systems includes central air , hot water boiler system for heating and also a heat recovery ventilation unit. There is an outside wood fired boiler as well. The overall quality of construction of the house is considered to be good, with low levels of physical depreciation and no observed deferred maintenance. The house includes a two stall - plus attached garage that is 576 square feet. The garage is insulated and finished with drywall.

There is an existing 4,000 square foot Morton multi-purpose building, which was built in about 1998. The building is a Class D Post-Frame building with steel siding, steel roof, heated and insulated , one overhead door, restrooms with a shower and a finished office area on the mezzanine level above and exercise room, shop area, and a gymnasium between the office/exercise room area and the shop. The gymnasium is basically rubber tile type floor with one basketball hoop, scoreboard, and the interior walls in the gym area consist of a composite wood panel material. The mezzanine and exercise room take up the north 22' of the 40' x 100' building.

There is an existing wood-framed horse stable with attached finished tack room that was built in about 1998. The horse stable is a Class D, wood frame building. The barn section has four box stalls, and there is a semi-finished tack room at the north end (10' x 30') as well as a covered roof-only section on the south 10 feet.

The property's 46.88 acre site also includes a gravel graded outdoor riding arena that has a older wooden corral or fencing around it, but there are also a number of portable corral panels that would be considered personal property. There are also some trails around the north part of the subject property along the edge and through the wooded areas.

The property also includes a 7,000 square foot, more or less, foundation and basement on the east 42 acre parcel that was poured in 2008, with the intention of constructing a house at that location. The foundation and basement has experienced some upward movement of the foundation and foundation walls, and the owners decided not to proceed with the construction of the house. A geotechnical review was conducted by AECOM of Vernon Hills, IL in February of 2010 and there is also a separate review by the Geotechnical Engineer of Record, Northern Technologies, Inc. The Northern Technologies, Inc. report concludes that the owner and builder should provide an allowance for movement to preclude future heave related distress to the structure . It states that while exceeding their estimate of worst case movement, they recommend that the construction is modified, allowing no less than 4 and preferably 6 inches of variable movement for non-load bearing walls and systems installed on the basement floor. This includes any pipes leading to the main or second floors of building, any plenum ducts from furnaces/air handling equipment, framed non-load bearing walls on basement slab and stairs leading up to the main level. Further discussion of such systems and allowance for differential heave is recommended.

#### **Property Ownership History:**

The subject property is currently owned by Douglas J. Burgum. To the knowledge of the appraiser there have been no sales of the subject property in the past three years.

**Photographs:**

Photographs of the subject property are included in this section of the report to aid the reader's comprehension of narrative material. They were taken by James Natwick on September 25, 2013.

**Zoning:**

The subject property is designated as residential property. Previously part of the land was designated as agricultural land, but in 2012 it was changed to being designated as residential lots.

**Flood Zone:**

According to FEMA Flood Insurance Rate Map Community Panel 380258 005 B, with an effective date of September 27, 1985, part of the subject site is located in Special Flood Hazard A20, which include areas of the 100-year flood/ base flood elevations and flood hazard factors determined. The other parts of the subject site are on Zone B, which includes areas between limits of the 100-year flood and 500-year flood; or certain areas subject to 100-year flooding with average depths less than one foot or where the contributing drainage area is less than one square mile; or areas protected by levees from the base flood.

It was reported that on the 42 acre parcel, general site grade was raised from about 908 to 913 feet to allow the 1<sup>st</sup> floor grade to be at 914 feet USGS, about three feet above the 100-year flood plain elevation (911 feet). In the 2009 flood, floodwaters from the Red River rose to levels that inundated much of the yard around the existing dwelling, stable and shop, but did not appear to be at the main floor levels of the buildings, nor of the unused foundation on the east parcel. However, they were very close. This was observed from the photographs taken at the time and conversations with representatives of the owner.



Google earth

feet  
meters





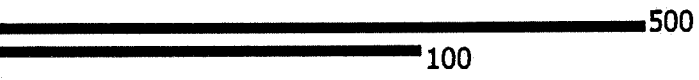
© 2013 Google

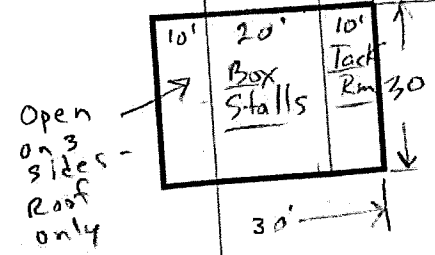
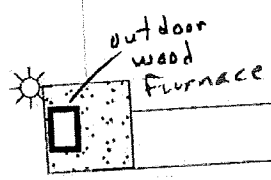
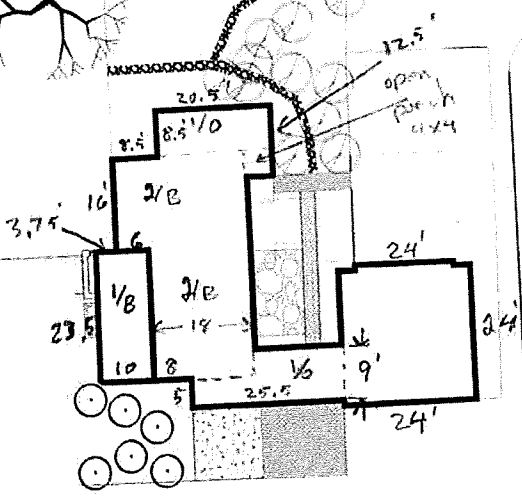
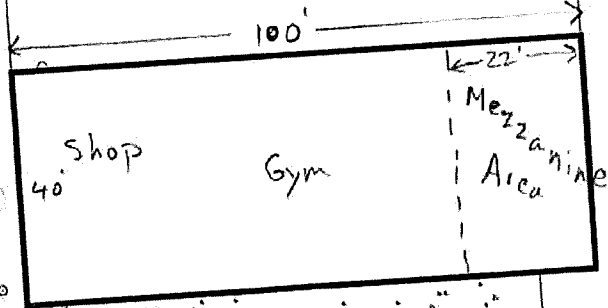
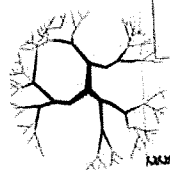
Google earth

8

Google earth

feet  
meters





Main Floor

1/8	10 x 23.5 =	235
2/8	16 x 24 =	384
1/10	8.5 x 20.5 =	174.25
2/10	18 x 23.5 =	423
1/10	5 x 10 =	50
1/10	9 x 15.5 =	139.5
		<u>1,405.75</u> ✓

2nd Floor

16 x 24 =	384
18 x 23.5 =	423
<u>807</u> ✓	

Stable

30 x 30 =	900 SF
10 x 30 =	300 SF
Roof only	

Basement

10 x 23.5 =	235
16 x 24 =	384
18 x 23.5 =	423
<u>1,042</u> ✓	

Total G L A Above Grade

1st = 1,405.75  
 2nd = 807  
 Total 2,212.75 → 2,213 ✓

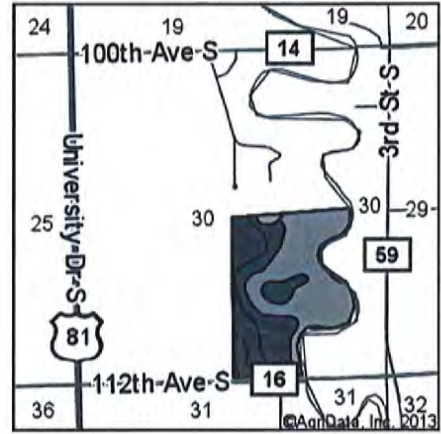
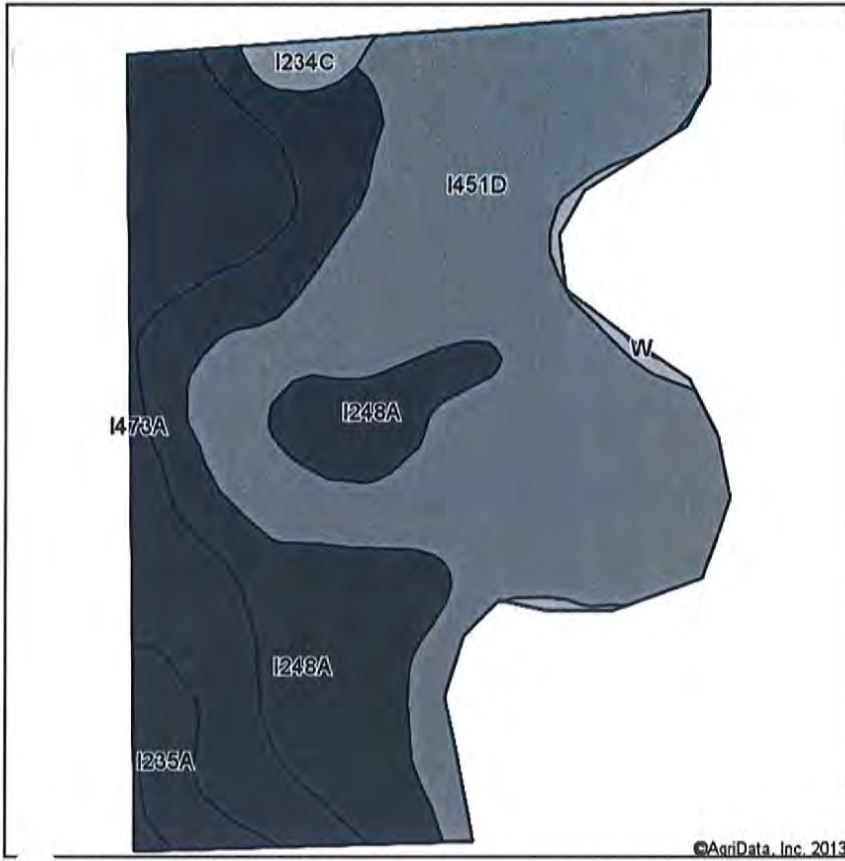




Google earth



# Soil Map



State: **North Dakota**  
 County: **Cass**  
 Location: **30-138N-48W**  
 Township: **Stanley**  
 Acres: **91.94**  
 Date: **11/24/2013**



Maps Provided By:  
  
 CUSTOMIZED ONLINE MAPPING  
 © AgriData, Inc. 2013 www.AgriDataInc.com

ata provided by USDA and NRCS.

Code	Soil Description	Acres	Percent of field	PI Legend	Non-Irr Class	Productivity Index
I451D	Wahpeton-Cashel silty clays, wooded, 1 to 15 percent slopes, occasionally flooded	46.84	50.9%		Ile	78
I248A	Wahpeton silty clay, 0 to 2 percent slopes, occasionally flooded	23.82	25.9%		Ile	90
I473A	Hegne-Fargo silty clay loams, 0 to 1 percent slopes	16.06	17.5%		IIw	88
I235A	Fargo silty clay, depressionnal, 0 to 1 percent slopes	3.02	3.3%		IIIw	86
I234C	Nutley silty clay, 6 to 9 percent slopes	1.19	1.3%		IIle	64
IWa	Water	1.00	1.1%			0
Weighted Average						82.1

Field borders provided by Farm Service Agency as of 5/21/2008. Aerial photography provided by Aerial Photography Field Office.



Looking N along W Side of Subject Site



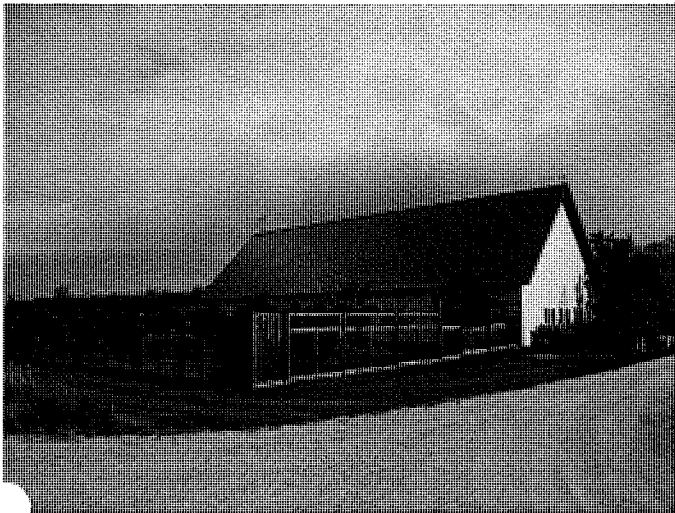
Looking E towards the Subject Dwelling



Looking E along S Side of Subject Site



Looking NE towards the Subject Dwelling



Looking NE towards the Orchard and Shop/Gym/Office Building



Looking SW towards Stable/Tack Room, Corral and Dwelling



Looking W towards the Office/Gym/Shop Building



The Stable with Tack Room viewed from the SW looking NE





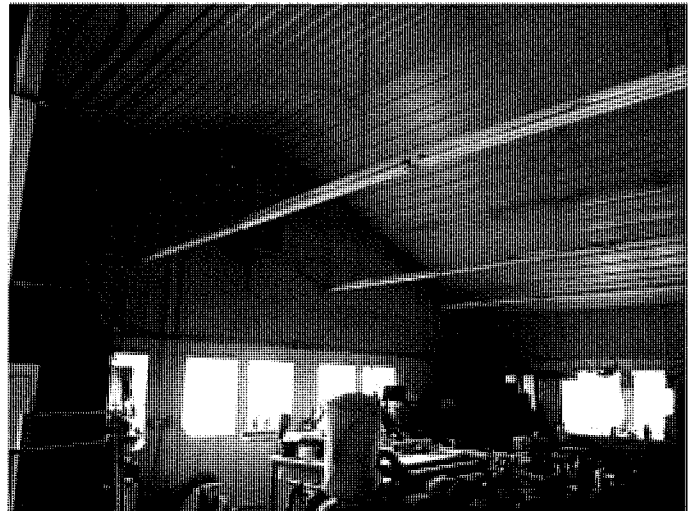
Tack Room



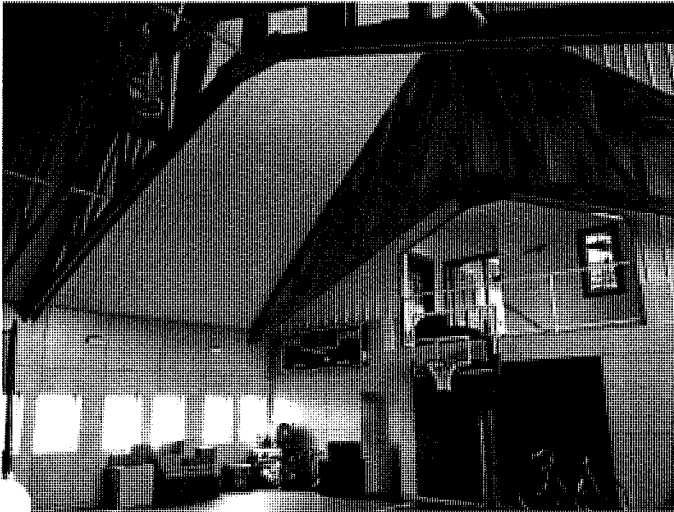
Dwelling and Attached Garage from the NW looking SE



Two of the Box Stalls in Stable



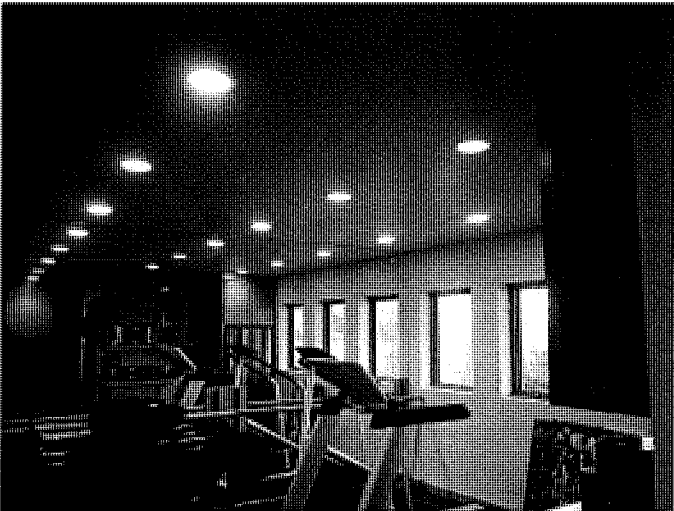
Interior of Shop/Office/Gym-Shop Section



Interior of Shop/Office/Gym – Gym Section with Basketball Court



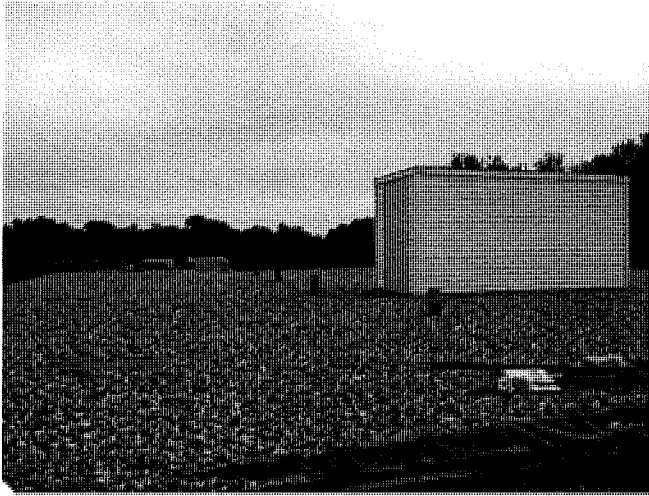
Outdoor Horse Riding Arena and Looking Towards the N part of Subject Site



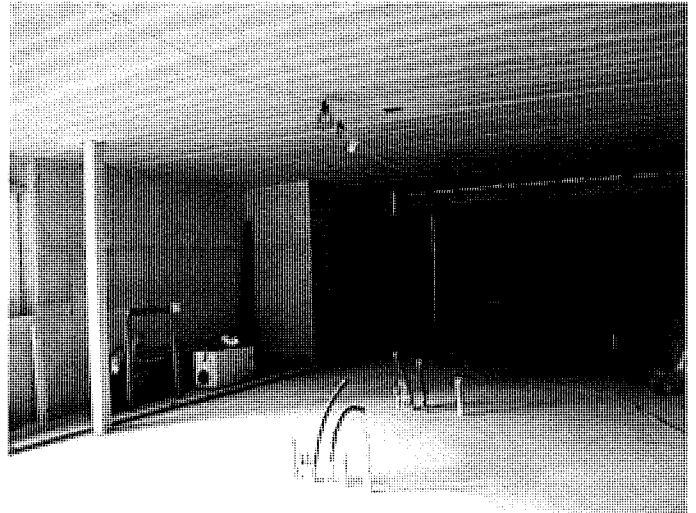
Fitness Room below Offices on the N end of Shop/Office/Gym



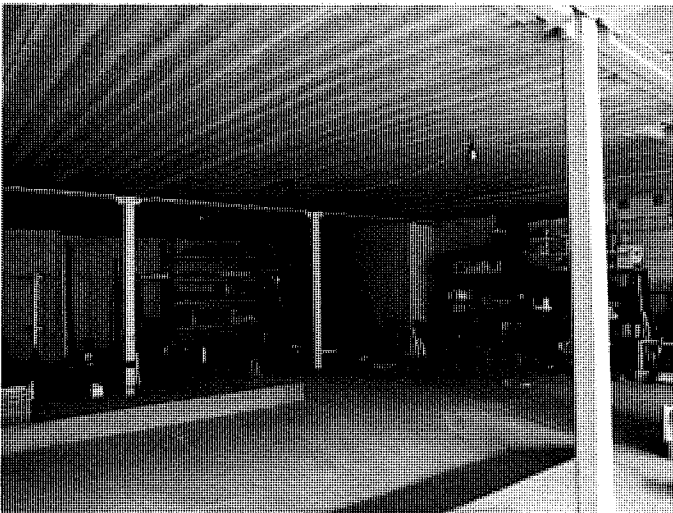
Trail going North from Outdoor Riding Arena



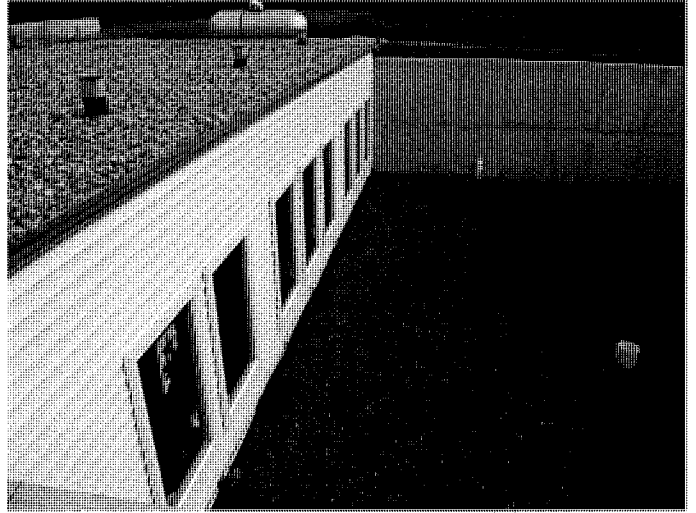
Insulation and Basement on the East Parcel – Concrete Deck over Basement with a Rubber Membrane Roof



Interior of Basement on East Parcel



Interior of Basement on East Parcel



S Side of Foundation/Basement – Egress Windows



Looking S from Foundation/Basement on East Parcel



Looking N towards the dead river from area near unused foundation/basement



Looking E from the Unused Foundation and Basement on East Parcel



Looking N towards the N End of Subject Site from the Area N of Outdoor Riding Arena – Dead River to the Right



**REGIONAL AND CITY DATA**

**Geographical Location**

The subject property consists of an improved rural residential site with several outbuildings, some open grass/pasture land, and river bottom land along with an unused foundation/basement on a separate site from the other buildings. The property located in Stanley Township of Southeastern Cass County, ND near the small City of Horace, ND and approximately five miles south of the City of Fargo, ND. The site is outside of the Fargo City Limits and also outside of the Extra-Territorial Limits. The City of Fargo is located about 220 miles Northwest of Minneapolis/St. Paul, Minnesota. Fargo is the county seat of Cass County.

**Identification of Forces Affecting Subject Property**

The four forces that may affect the subject property type and the property itself are social, economic, governmental and environmental.

**Social and Demographic**

Social forces include demographics and trends that have been occurring in the Cass County area over recent years. The total number of farms in Cass County has been decreasing and size of farms has been increasing in the past several years, which is typical throughout the Upper Midwest. According to the USDA 2007 Census of Agriculture, the number of farms was 913 with the average farm size being 1,138 acres. However, the population of Fargo and the MSA as a whole continue to grow at a strong rate. The Horace population grew at a very high rate, along with West Fargo. The following table summarizes the local population data from the last three US Census reports.

	1990	2000	2010	2012	Change in Population 2000-2010
City of Horace	662	915	2,430	2,496	+62.4%
City of Fargo	74,084	90,599	105,549	190,779	+16.5%
City of West Fargo	12,287	14,940	25,830	27,478	+72.9
Fargo/Mhd MSA	153,296	174,367	208,777	216,312	+19.8%
Cass County	102,874	123,138	149,778	156,157	+22.0%
North Dakota	638,800	642,200	672,591	699,628	+4.7%

The housing and population statistics have an effect on the subject property, which is considered rural residential property. As the development goes further south, there would eventually be potential for further subdivision, but this would appear to be quite a while in the future. However, since the population continues to grow in this part of the county, there will be more demand for rural residences, including those set up where the owner can have enough acres to raise horses, or run a hobby farm. The major factors affecting the value of tillable farm crop land are the economic forces related to the agricultural economy on a local and national level as well as supply and demand for farm crop land.

The subject may be considered to have some potentially tillable land, but it has been in grass/pasture land for a number of years and is designated by taxing authorities as residential land. This area of Cass County, ND is one of the most productive areas of the county in terms of agricultural land, and it is apparent that the average sale prices of farm crop land in all parts of the county and state have been increasing in recent years to record highs. This potentially affects a small part of the subject site that could be tilled, but since the majority of the 88.88 acres are wooded, it would be considered more like recreational and rural residential property.

### **Economic Forces**

The economic forces and trends that may affect real estate values include the economic base of the area, current anticipated supply and demand, employment and wage levels, and cost and availability of credit. Current interest rates are low and have a positive influence on real estate values and expansion of business and industry. While private, non-farm employment is a vital part of Fargo/Moorhead economic well-being, agriculture will continue to be a key part of this area's future. As stated above, the local, regional and national agricultural economy is the primary factor affecting the farm land values in this part of Cass County. Farm land values have been increasing steadily in this part of the state and the most recent market information indicates a healthy increase over the past two years. Farmland prices have continued to rise into 2013 for a number of reasons including:

- High crop prices, particularly corn prices have pushed up farmland values.
- 2012 Crop yields in the Red River Valley were at or above historical averages despite the drought which affected much of the corn-belt.
- The safety net that is provided by Federal Crop Insurance.
- Current agricultural economics encourages farmers to expand their operations
- The rate of return on competing investments such as CD's is extremely low.
- Low interest rates

The recent surveys also suggested that cash rents had risen over the same period. With commodity prices remaining high, it is expected that the farm cropland values will continue to rise as well as cash rental rates, at least for the near term.

In regards to rural residential property in this part of the county, it appears that there has been a strong, active market for good quality rural residences with functional outbuildings. While the sale prices do not always reflect the replacement cost new for shop structures and stables, there appears to be buyers willing to pay more for rural dwellings with good outbuildings if they can use them. In general, the last six months of activity reported by the Fargo-Moorhead Area Association of Realtors indicates that in the Rural ND Area South of Highway 10 in the first three Quarters of 2013, there were 91 sales with the average days on the market of 92 and the Sale Price % of Listing was 96.2%. The Rural ND Area N of Highway 10 had a similar average days on the market and sale price % of listing price. In our research for comparable sale properties to the subject, we were able to find several sales over the past few years that had at least somewhat comparable outbuildings to the subject, some with superior dwellings, and some with inferior. Most, if not all, of the comparable sales had a significantly smaller site, but we also were able to find a few comparable land sales that were a combination of wooded, vacant cropland, or rural sites.

### **Governmental and Environmental Forces**

The governmental forces influencing value are the provisions for public services, the extent and nature of zoning, building and health codes, fiscal policies and special legislation such as environmental, handicap access, etc. The Cass County government appears to be strong and the services good.

Environmental and geographical/physical forces may affect real property as well. The climate conditions of this area of North Dakota do affect the nature of business, industry and the population, as well as the topography, soils, natural barriers like lakes and rivers, and the transportation systems. The topography and soil types make agriculture significant in the area economy. One major environmental factor affecting the subject is the Red River of the North bordering the site on the east. While the buildings and unused foundation appear to be built above levels that would be affected by the 500 year flood, many areas of the 88.88 acre site are subject to occasional flooding.

### **Conclusions:**

An analysis of the trends in the four forces that have a significant effect on the subject property has been performed. Conclusions as to the probable future of the city and surrounding area have been drawn as to how the forces will affect the subject property. The increases in the population in the Fargo/Moorhead and Cass County area since 2000 and the strong growth of the business sector have a generally positive influence on the subject property as rural residential property. A second economic factor affective the value of the subject property are the local, regional, and national farm economy along with low interest rates. The demand for agricultural land has been very strong the past few years, both from area farmers and investors, and it appears that demand for rural residential property remains strong.

### **Neighborhood Analysis:**

The subject neighborhood is in a rural area of Cass County, and is discussed in the subject property description section of the appraisal. The subject property is surrounded by agricultural land and a few scattered rural residences.

## Highest and Best Use Analysis

Market forces create market value, so the analysis of market forces that have a bearing on the determination of highest and best use is crucial to the valuation process. When the purpose of an appraisal is to develop an opinion of market value, highest and best use analysis identifies the most profitable, competitive use to which the property can be put.

The highest and best use of a specific parcel of land is not determined through subjective analysis by the property owner, the developer, or the appraiser; rather, highest and best use is shaped by the competitive forces within the market where the property is located. Therefore, the analysis and interpretation of highest and best use is an economic study market forces on the subject property.\*

Highest and best use is defined as follows in *The Appraisal of Real Estate, Thirteenth Edition* (Chicago: Appraisal Institute, 2008):

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

Because the use of land can be limited by the presence of improvements, highest and best use is determined separately for the land or site as though vacant and available to be put to its highest and best use and for the property as improved. Land value is derived from potential land use. Land has limited value unless there is a present or anticipated use for it; its value depends on the nature of the land's anticipated use, according to the concept of surplus productivity. Highest and best use of land as though vacant is the use that brings the highest return to the land after the three other agents of production (labor, capital and coordination) have been compensated.

Highest and best use as improved refers to the optimum use that could be made of the property considering the existing structures. Analysis of the highest and best use of a property as improved implies that the existing improvement should be renovated or retained as is so long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing building and constructing a new one.

In addition to being reasonably probable, the highest and best use of both the land as though vacant and the property as improved must meet four implicit criteria. That is, the highest and best use must be:

1. Physically possible.
2. Legally permissible
3. Financially feasible
4. Maximally productive

*The Appraisal of Real Estate, Thirteenth Edition, pages 278-279*

Highest and best use analysis is a process involving three major steps:

- Step one involves the determination of highest and best use of a site as though it was vacant.
- A determination must be made to leave the site vacant or to improve the site. If the highest and best use is to improve the site, step two involves the determination of the ideal improvement.
- The third step is a comparison between the existing improvement and the ideal improvement. It must be determined if the property should be maintained in its present form or if it should be modified to more closely conform to the ideal improvement(s).

### Highest and Best Use as Vacant

The subject site consists of 88.88 acres, more or less, of land located near U.S. Highway 81 just a few miles south of Fargo, ND and along the west side of the Red River of the North. If the site were vacant, it is my opinion that a rural residential property or a small to medium sized farm headquarters would be the highest and best use due to the surrounding property, access off of a main highway, and available utilities. Rural residential and farm production are legally permitted. There is a potential for future development of other rural residences or a small subdivision, but there are plenty of other areas like this in the neighborhood, and this is too far south to be currently part of the Fargo Extraterritorial limits. In my opinion, the highest and best use of the subject property if it were vacant would be rural residential and possibly interim use as agricultural land on the open areas.

### Highest and Best Use as Improved

#### Current Use

The subject property consists of an 88.88 acre rural site with improvements. The improvements consist of a modern home that has been updated nicely and is well maintained, along with a good quality 4,000 square foot Morton building with offices, workout room, a gymnasium, and shop area. There is also a 1,200 square horse stable and tack room, along with a gravel graded outdoor riding arena. In addition to the building improvements, there is a significant amount of landscaping done near the dwelling and shop/gym/office building. The property has been well maintained and there is significant economic life remaining with all of the improvements. On the easternmost part of the subject land, there is a relatively large, unused foundation and basement that was constructed in 2008, but the owner has determined that he will not go ahead with construction of a new dwelling there due to the subsurface conditions and shifting/upward movement of the foundation and basement. The issues surrounding the condition of that foundation are addressed in the property description section of this report.

#### Legally Permissible

The subject property is in a rural area of Cass County that is designated as residential land. The legally permissible uses of the property include rural residential property and agricultural production and related activities. The existing use is legally permissible.

**Physically Possible**

The subject property being used as a rural residential and recreational use is physically possible. Also, further rural residential development by the way of a new house is physically possible, although some parts of the property is prone to flooding by the adjacent Red River.

**Financially Feasible**

A rural residence/horse property or a small to medium sized farm headquarters appears to be financially feasible on the subject property, especially with the current strong commodity prices and cost of replacing with all new construction. It appears that a either owner-occupied or tenant-occupied rural site is feasible at this time. A complete study of development feasibility is beyond the scope of this appraisal.

**Maximally Productive**

In my opinion, the maximally productive use on the subject site and existing buildings is its continued use as a rural residence set up to have horses if desired and use the related site and outbuildings for recreational use. There is no reason to do a detailed feasibility analysis on whether it would be better as owner-occupied or tenant-occupied. Further residential development could be an option at some point, but many times with a property like this, an owner would prefer to have the privacy and use of an eighty acre partially wooded site.

**Conclusion of Highest and Best Use as Improved**

It is my opinion that the continued rural residential use of the subject site where the existing dwelling and related improvements are located, is the highest and best use of the subject property.

The potential use of the unused foundation and basement is another issue that is difficult to conclude a highest and best use. The current owner has determined it to be not usable based on engineering recommendations. In my opinion, another potential buyer of the property would not pay anything close to the replacement cost due to the issues with the foundation and basement. While it has not been determined to be unusable in the future, it appears that someone building on that foundation would need to sink significant additional money into engineering and specifically designed systems. In my opinion, it would be necessary to complete additional engineering studies to determine the exact highest and best use of the unused foundation and basement.

## **APPROACHES TO VALUE**

In appraising real estate for market value, the professional appraiser has three approaches from which to select- the cost, sales comparison and income capitalization approaches. Although all three valuation procedures are generally given consideration, the inherent strengths of each approach and the nature of the subject property must be evaluated to determine which will provide supportable estimates of market value. The appraiser is then free to select one or more of the appropriate approaches in arriving at a final value estimate.

### **THE SALES COMPARISON APPROACH**

The sales comparison approach estimates the value of a property by comparing it to similar properties recently sold on the open market. To obtain a supportable estimate of value, the sales price of a comparable property must be adjusted to reflect any dissimilarities between the comparable and the subject property. The adjustments are market extracted and, theoretically convert the sales prices of the comparables into a value indication for the subject. The adjusted sales prices are reconciled resulting in a value estimate for the subject property.

The sales comparison approach may provide a very useful value estimate for simple forms of real estate, such as vacant land and single-family homes, where the properties are homogeneous and the adjustments are few in number and relatively simple to compute. It is most useful when a number of similar properties have recently been sold or are currently for sale in the subject market. In the case of more complex investments, such as industrial buildings or facilities, shopping centers, office buildings, restaurants and lodging facilities, where the adjustments are numerous and more difficult to quantify, the sales comparison approach may lose some of its reliability.

In this appraisal the sales comparison approach was used to develop an opinion of the value of the subject property since it is a rural residential property in a market where there is normally adequate activity to find some good comparable sales. It is the most credible method of estimating the land portion of a real estate appraisal.

### **THE INCOME CAPITALIZATION APPROACH**

The income capitalization approach is based on the present value of anticipated benefits or earnings attributed to the property. In most income producing properties, the benefits are the forecasted net income before debt service and a resale value or reversion. This approach is often selected as the preferred valuation method for selected income-producing properties because it most closely reflects the investment thinking of knowledgeable buyers.

In this appraisal, the income approach was considered but not developed due to lack of market data related to establishing a lease rate for the improvements. There is very little rural residential property in this market that is under lease and in my opinion, the income approach is not applicable in this appraisal.



## THE COST APPROACH

The cost approach estimates market value by computing the current cost of replacing a property and subtracting any depreciation resulting from physical deterioration, functional obsolescence and external (or economic) obsolescence. The value of the land, as if vacant and available, is then added to the depreciated value of the improvements to produce a total value estimate. The cost approach may provide a reliable estimate of value for newly constructed improved properties. However, as buildings and other forms of improvements increase in age and begin to deteriorate the resultant loss in value becomes increasingly difficult to quantify accurately.

In this appraisal where the subject property consists of an improved rural residential site with good quality, relatively new or recently renovated improvements, I feel the cost approach has some validity and it was used to develop an indication of value. The actual age of the original parts of the dwelling are over 50 years old, but it was totally renovated in 1998 when it was moved on to a new basement and an attached garage was built along with a finished breezeway. In my opinion the effective ages of the improvements vary from 6 to 8 years and the cost approach should provide a reasonable value indication if we can find a reasonable land value and determine if there should be any external or functional obsolescence.

I feel that there is a very large factor of functional obsolescence for the unused foundation and basement located on the 42 acre parcel. There appears to be limited value with the foundation and basement to the current owner and I feel it would be reasonable to assume that there is limited value to anyone else at this time. While it has not been determined to be totally unusable in the future, it appears that someone building on that foundation would need to sink significant additional money into engineering and specifically designed systems.

## SALES COMPARISON APPROACH

### Introduction

The sales comparison approach to value is based on the principle of substitution. That is, that the value of a property tends to be set by the price that would be paid to acquire a substitute property of similar utility and desirability within a reasonable amount of time. This principle implies that the reliability of the sales comparison approach is diminished if substitute properties are not available in the market. The validity of the findings by this approach depends on the quantity and quality of available data and the appraiser's experience and judgment.

The sales comparison approach is applicable to all types of property interests when there are sufficient recent, reliable transactions to indicate value patterns or trends in the market. For property types that are bought and sold regularly, this approach often provides a reliable indication of market value and is the most direct and systematic approach to value estimation. The most common method of estimating rural residential sites and related property is sales comparison and it is the preferred method when adequate comparable sales are available.

### Technique and Application

The estimation of value for land and improvements, using this method, is best and most accurately accomplished if a sufficient number of recent comparable land sales can be found. In the case of the subject property, I feel that there were several reasonably good comparable sales of improved rural residential property in Eastern Cass County, ND from 2011 to 2013 for a reasonable sales comparison analysis. The one drawback to the available comparable rural residential sites with outbuildings is that all of them had much smaller sites than the subject. We did try to find comparables with stables or good horse barns, and a good shop with finished office areas if possible. Most of the comparable sales are located in the Eastern Cass County area where the subject tract is located, and one was located further west, near Enderlin, ND. If a sufficient number of similar comparable sales are available and properly analyzed, the resulting pattern provides a good indication of market value. None of the improved comparable sales had any type of unused foundation and basement like the subject has, but in our opinion there is little market for a basement that has been constructed for a specific home design and shifted upwards.

The primary characteristics used in the selection of the comparables are adjusted for items of difference compared to the subject. The elements of comparison include property rights, financing terms, conditions of sale (motivation), market conditions (sale date), location, and physical characteristics. Physical characteristics of the site and improvements include its size, soil types, size and shape, topography, surface drainage, type and condition of improvements and others. Finally, the adjusted values are applied to the subject to estimate a value or range of values for the subject property.

### Adjustments to Rural Residential Sales:

Because no two properties are ever truly identical, the unit prices of the comparable sales should be adjusted to reflect significant differences in the size and type of dwellings and out-buildings, utility, age and effective age, other physical characteristics, location, time of sale, conditions of sale, financing terms, real property rights conveyed, and motivation of the parties. Adjustments

for differences are made to the price of each comparable property to make the comparables equal to, or “look like”, the subject on the effective date of the value estimate. Adjustments are calculated by comparing various characteristics of the comparable sales to each other to measure the magnitude of the individual adjustments, and in the case of market conditions, the adjustment is based a larger number of sales in the area and region over the past few years. A sales comparison grid reflecting the elements of comparison and showing the adjustments to the comparable sales follows a brief description of the comparable rural residential sales. The detailed comparable sale data sheets follow the sales comparison analysis spreadsheet.

**Description of Comparable Rural Residential Sales**

I have researched the market area for comparable sales of improved rural residential property that included dwellings plus the better sized and quality of outbuildings as part of the sales property. Because there were a limited number of sales in the same township as the subject, I had to use comparables from surrounding townships as well.

Sale	Sale Date	House Size	Primary Outbuildings	Sale Price	Sale Price after Adjustments
1	June-2011	3,100	Stable, Shop	\$500,000	\$771,205
2	Mar-2013	2,600	5,000 SF Shop	\$400,000	\$743,830
3	Oct-2012	1,812	Steel Bldg, Stable	\$409,900	\$750,395
4	Oct-2012	3,000	Stable, Shop	\$712,000	\$888,050
5	Oct-2013	2,680	2 Large Riding Arenas (enclosed) & tack rooms	\$580,000	\$835,230
Subject		2,213	Shop/Gym/Office and Horse Barn/Stable	-	-

**Financing Terms and Condition of Sale Adjustments Rural Residential:**

None of the improved comparable sales required adjustment for financing because the comparable sales were cash sales. Condition of sale is used to adjust for highly motivated buyers and sellers as well as physical condition of the property. The comparables all appeared to be arms length sales and no adjustments were made.

**Market Conditions (Time) Adjustment Rural Residential:**

The comparable improved sales occurred between June, 2011 and October, 2013. During that time, prices of agricultural land has increased substantially, but in my opinion, rural residential property in this part of the county has stayed relatively stable to increased slightly and I do not feel it is necessary to make adjustments for the market conditions (time).

**Land Size Adjustment Rural Residential:**

We have adjusted all of the sales for the difference in site sizes at \$ 3,500 per acre. There were no recent comparable sales with a site as large as the subject, and the best comparable improved rural residential sales were in the ten acre range for the site size. While the first one to ten acres of the sites would probably have a higher unit value, the unit value for additional acres over the

first 10 acres would typically not be as important to the buyer. The land adjustment resulted in excessive adjustments for all of the sales, but at an estimated value of land at \$3,500 per acre, I feel we are reasonable using this method for concluding a value indication for the subject property.

**Age and Condition of Property Adjustment, House Size and Outbuildings:**

The rural residential sale properties varied somewhat in the physical condition characteristics. Included in the condition of property adjustment would be factors related to the effective and actual age of the home, the condition, size, and type and number of outbuildings. The five comparable sales were all in average to good condition so the adjustments for age, size and condition were large, but not excessive, in my opinion. Homes that were superior were adjusted downwards, and homes that were inferior to the subject were adjusted upwards. There was considerable variation in the types and conditions of the outbuildings for many of the sales. Adjustments were made for the variation in the number and type of outbuildings as well as the age and condition of the outbuildings. See the chart after this section for the adjustments that were made for these factors.

**Bracketing the Subject within the Comparables**

Sale	Adjusted Price	Overall Comparability
2	\$743,830	Inferior
3	\$750,395	Slightly Inferior
1	\$771,205	Slightly Inferior
<b>Subject Rural Residential Site and Improvements</b>		
5	\$835,230	Slightly Superior
4	\$888,050	Slightly Superior

**Conclusions for the Rural Residential, Outbuildings and Site**

I have made what I feel to be the most reasonable conclusion of indicated market value for the subject land plus the existing improvements based on the comparable sale information available. In my opinion, the most reasonable indication of value for the entire subject property including the dwelling, outbuildings, other site improvements, and land is \$835,000 using the sales comparison approach. Sales 1, 4 and 5 were given slightly more weight in the selection of \$835,000 for value of the subject rural residential site and improvements.

**Concluded Value of the 88.88 acre Subject Site and Improvements Indicated by the Sales Comparison Approach = \$ 835,000**

The value indication for the subject property by sales comparison does not have a specific adjustment in the chart for the unused foundation and basement on the 42 acre parcel. However, it is my opinion that there should be \$40,000 or less allocated to the as is value for that part of the property. Please see the following Improved Sales Comparison Chart for a breakdown of the adjustments.

IMPROVED SALES COMPARISON CHART

Sale	1	2	3	4	5	SUBJECT
Property Address	5615 County Rd 3 Kindred, ND	5386 137th AVE SE Enderlin, ND	7113 28 ST N Moorhead, MN	7225 70th ST S Horace, ND	2673 88th Ave S Fargo, ND	417 112th Ave S Horace, ND
Sale Date	Jun-11	Mar-13	Oct-12	Oct-12	Oct-12	Oct-13
Sale Price	\$500,000	\$400,000	\$409,900	\$710,000	\$580,000	
Seller's Concessions	\$0	\$0	\$0	\$0	\$0	
Adjusted Sales Price	\$500,000	\$400,000	\$409,900	\$710,000	\$580,000	
Land Size (Acres)	10.25	3.5	17.31	10.58	9.10	88.88
<b>Dwelling Improvements:</b>						
Style	1 Story	1 Story	1 1/2 Story	1 Story	Bi-Level	2 Story
Gross Living Area (S.F.)	3,100	2,600	1,821	3,000	2,680	2,213
Year Built	1991	1996	1915	2001	1975	1910 (w/ recent additions & Updates)
Basement	Full	Full	Full	Full	N/A	Partial (1,042 SF)
Condition	Similar	Similar	Inferior	Superior	Similar	
Garage	3 Car Attached	3 Stall Attached	2 Stall Attached	3 Stall Attached	3 Stall Attached	3 Stall Attached
<b>Primary Outbuilding(s):</b>						
Description	Horse Stable /Shop	Metal Shop	Steel Building/Stable	Horse Stable	Riding Arena & Tack Room	Shop/Office/Gym
Bldg Age (Year built)	Early 2000's Est	2000 Est	1980's est	2001	1993/1998	1998
Building Size (SF)	2,160	5,000	6,000	960	12,704	4,000
Heated	Yes	Yes	Yes	Yes	Yes	Yes
Description	None	None	Steel Building/Stable	Shop/Garage	Riding Arena	Stable/Tack Room
Bldg Age (Year built)			1980's est	2001	2001	1998
Building Size (SF)			4,800	2,400	11,250	1,200
Heated			Yes	Yes	Yes	Partial
<b>Secondary Outbuilding(s):</b>						
Description	None	None	Grain Bins	None	None	None
Year Built			1970's			
Size (SF)						
<b>Other Improvements:</b>						
	None	None	None	None	None	Unused Foundation & Basement
<b>Land:</b>						
Building Site	10.25	3.5	17.31	10.58	9.1	88.88
Acres Tillable	0	0	0	0	0	0
Acres of Roads & Waste	0	0	0	0	0	0
Property Rights Appraised	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Condition of Sale	Normal	Normal	Normal	Normal	Normal	
Financing	Cash	Cash	Cash	Cash	Cash	
<b>Adjustments:</b>						
Financing/Cond of Sale Adjust.	\$0	\$0	\$0	\$0	\$0	
Market Conditions (Time) Adjust.	\$0	\$0	\$0	\$0	\$0	
Subtotal -	\$500,000	\$400,000	\$409,900	\$710,000	\$580,000	
<b>Other Adjustments:</b>						
Site/Additional Land	\$275,205	\$298,830	\$250,495	\$274,050	\$279,230	
House Size/Age/Condition	(\$54,000)	\$0	\$90,000	(\$96,000)	(\$24,000)	
Outbuildings/Garages	\$50,000	\$45,000	\$0	\$0	\$0	
Net Adjustment	\$271,205	\$343,830	\$340,495	\$178,050	\$255,230	
Adjusted Price	\$771,205	\$743,830	\$750,395	\$888,050	\$835,230	
Indicated Value Range of Subject Property (House, Outbuildings & 88.88 acre Site): \$ 743,830 to \$ 888,050						
Total Indicated Value of the Subject 88.88 Acre Site & Improvements: \$ 835,000						

## Comparable Rural Residential Sale #1



5615 County Road 3, Kindred, ND 58051  
Parcel in the NE ¼ 13-136-51, Richland County, ND

<b>Seller:</b>	Merhiy, Dean and Kathy	<b>Sale Price:</b>	\$ 500,000
<b>Buyer:</b>	Olson, Barry and Gail	<b>Sale Date:</b>	6/9/2011
<b>Parcel #:</b>	04-0000-01049.050	<b>Instrument:</b>	WD 340020

<b>Design:</b>	1 Story	<b>Year Built:</b>	1991
<b>GLA (above grade):</b>	3,100 S.F.	<b>Basement:</b>	Full
<b>Site Size:</b>	10.25 Acres		

<b>Rooms (total:bedrooms:bathrooms):</b>	7:3:3
<b>Quality of Construction:</b>	Good
<b>Condition:</b>	Good
<b>Heating/Cooling:</b>	GFA/Central
<b>Finished Area Below Grade:</b>	2,400

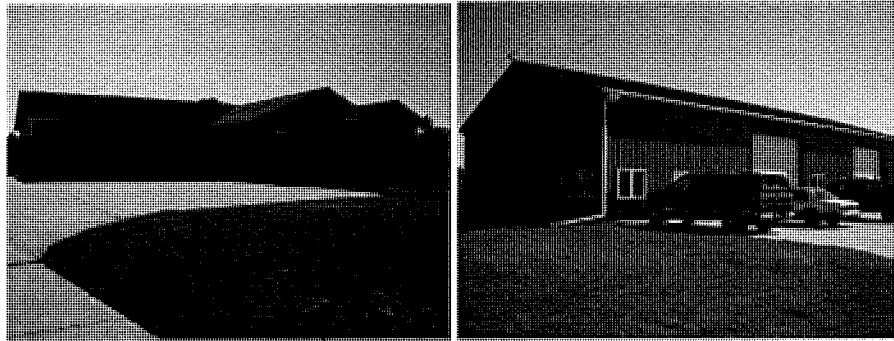
**Deck/Patio:** Yes

**Garage:** 3 Stall Attached

**Other Outbuildings:** 36' x 60' Morton Building that includes a Shop and a Horse barn.

**Comments:** A very well maintained 10.25 acre horse property located south of Kindred, ND. The horse stalls have heated floors.

## Comparable Rural Residential Sale #2



5386 137<sup>th</sup> Ave. SE, Enderlin, ND 58027  
Parcel in the SW ¼ 35-137-55, Cass County, ND

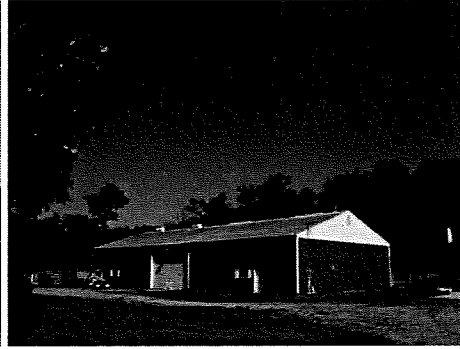
<b>Seller:</b>	Pfaff, Shirley	<b>Sale Price:</b>	\$ 400,000
<b>Buyer:</b>	Lemna, Michael	<b>Sale Date:</b>	3/1/13
<b>Parcel #:</b>	580000010656040	<b>Instrument:</b>	WD 1380235

<b>Design:</b>	1 Story	<b>Year Built:</b>	1996
<b>GLA (above grade):</b>	2,600 S.F.	<b>Basement:</b>	Full
<b>Site Size:</b>	3.5 Acres		

<b>Rooms (total:bedrooms:bathrooms):</b>	9:5:4
<b>Quality of Construction:</b>	Good
<b>Condition:</b>	Good
<b>Heating/Cooling:</b>	GFA/Central
<b>Finished Area Below Grade:</b>	2,600
<b>Deck/Patio:</b>	Yes
<b>Garage:</b>	3 Stall Attached
<b>Other Outbuildings:</b>	50' x 100' Heated Shop with Offices

**Comments:** Very nice home with a number of high end amenities.

### Comparable Rural Residential Sale #3



7113 28<sup>th</sup> ST, N, Moorhead, MN 56560  
Parcel in the SE ¼ 9-140-48, Clay County, MN

**Seller:** Hall, Carol  
**Buyer:**  
**Parcel #:** 2300094401

**Sale Price:** \$ 409,900  
**Sale Date:** 10/1/2012  
**Instrument:** WD

**Design:** 1 ½ Story  
**GLA (above grade):** 1,821 S.F.  
**Site Size:** 17.31 Acres

**Year Built:** 1915  
**Basement:** Full

**Rooms (total:bedrooms:bathrooms):** 9:5:4  
**Quality of Construction:** Good  
**Condition:** Good  
**Heating/Cooling:** GFA/Central  
**Finished Area Below Grade:** 800

**Deck/Patio:** Yes

**Garage:** 2 Stall Attached

**Other Outbuildings:** 50' x 96' and 60' x 100' steel buildings set up for horses. Includes 13 stalls and offices. Buildings are heated. Also includes outdoor riding arena

**Comments:** Older home that has had some renovations. Home is considered average.



## Comparable Rural Residential Sale #4



7225 70<sup>th</sup> ST S, Horace, ND 58047  
Brinks 3<sup>rd</sup> Sub. Lot 1 BLK 2, Cass County, ND

<b>Seller:</b>	David & Kathy Selland	<b>Sale Price:</b>	\$ 710,000
<b>Buyer:</b>	Bryant & Patti Smith	<b>Sale Date:</b>	10/19/2012
<b>Parcel #:</b>	15-0267-00040-000	<b>Instrument:</b>	WD

<b>Design:</b>	1 Story	<b>Year Built:</b>	2001
<b>GLA (above grade):</b>	3,000 S.F.	<b>Basement:</b>	Full
<b>Site Size:</b>	10.58 Acres		

<b>Rooms (total:bedrooms:bathrooms):</b>	9:5:4
<b>Quality of Construction:</b>	Good
<b>Condition:</b>	Good
<b>Heating/Cooling:</b>	GFA/Central
<b>Finished Area Below Grade:</b>	3,000

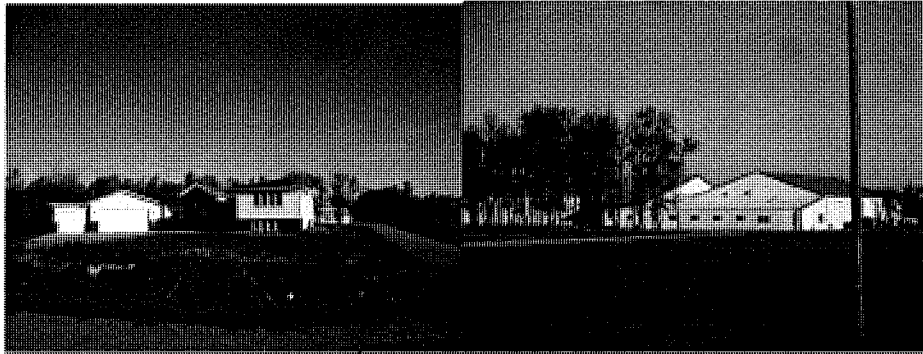
**Deck/Patio:** Yes

**Garage:** 3 Stall Attached

**Other Outbuildings:** 30' x 80' Steel Building, 24' x 40' Horse Stable

**Comments:** Good quality home with heated outdoor swimming pool. Property has a finished walk out basement, and there is a steel shop building and a horse stable.

## Comparable Rural Residential Sale #5



2673 88<sup>th</sup> Ave S, Fargo, ND 58104  
Parcel in SE ¼ 14-138-49, Cass County, ND

<b>Seller:</b>	Sterling Rose Stables	<b>Sale Price:</b>	\$ 580,000
<b>Buyer:</b>	Arneson, Cale	<b>Sale Date:</b>	4/8/12
<b>Parcel #:</b>	64-0000-0147-2020, 64-0000-0147-2010	<b>Instrument:</b>	WD 1367701

<b>Design:</b>	Bi-level	<b>Year Built:</b>	1975
<b>GLA (total):</b>	2,680 S.F.	<b>Basement:</b>	Split Level
<b>Site Size:</b>	9.1 Acres		

<b>Rooms (total:bedrooms:bathrooms):</b>	7:3:2
<b>Quality of Construction:</b>	Good
<b>Condition:</b>	Good
<b>Heating/Cooling:</b>	GFA/Central
<b>Finished Area Below Grade:</b>	None

**Deck/Patio:** Yes

**Garage:** 3 Stall Attached

**Other Outbuildings:**

- 1) Original Enclosed Riding Area = 50' x 115' with a 24' x 48' Tack room (estimated to be built in 1993)
- 2) Added on to the Original Arena in 1998 to make it a total of 80' x 130' plus 48' x 48' Tack Room
- 3) New Enclosed Riding Arena Bldg Constructed in 2001 - to the West of Existing Arena = 75' x 150'

**Comments:** Confirmed Sale Transaction with Char Burnside, at Cass County Assessment Office. The building information is from the property card, a drive by inspection, and aerial photographs.

## Sales Comparison Approach to Land Value

### Introduction

The purpose of this segment of the appraisal is to estimate the land value for the subject property under the existing improvements as well as the surrounding land. The subject total land area is 88.88 acres, more or less, with about forty percent of that being wooded/river bottom land. To our knowledge, there are no legal restrictions that would prohibit the subject vacant land from being developed to its highest and best use. In the sales comparison approach, land value can be determined from vacant land sales or from improved sales where it is possible to extract land value (extraction). Other procedures that may be used are allocation and income capitalization.

### Technique

The most common method of estimating land value is the sales comparison approach and it is the preferred method when adequate comparable sales are available. This technique is based on the assumption that an informed purchaser will pay no more for a property (or land) than the cost of acquiring a similar property with the same utility (principle of substitution). The development of an opinion of market value using this method is best and most accurately accomplished if a sufficient number of recent comparable and similarly situated land sales can be found. Individual sales may deviate from a market norm, but a sufficient number of sales tend to produce a value pattern which reflects the actions of typical buyers and sellers. If a sufficient number of similar sales are available and properly analyzed, the resulting pattern provides a good indication of market value. The primary characteristics used in the selection of the comparables are adjusted for items of difference compared to the subject. The elements of comparison include property rights, financing terms, conditions of sale (motivation), market conditions (sale date), location, physical characteristics, available utilities, and zoning. Physical characteristics of the site include its size and shape, frontage, topography, location and view. Finally, the adjusted values are applied to the subject to estimate a value or range of values for the subject property.

The subject land is compared with several recent sales of other vacant land in this part of southeastern Clay County that had a similar highest and best use at the time of sale, and the sales are summarized in Exhibit 1, which is a sales comparison grid. In the adjustment grid, the necessary adjustments are made to develop an indication of market value.

### Units of Comparison

The unit of comparison selected for the subject site is acres, and unit prices and values are expressed in \$ per acre. It is a common unit of comparison for larger tracts of agricultural land as well as land dedicated for rural residential use and the site sizes for all of the comparable sales were expressed in acres.

## **Application**

The subject neighborhood is in a relatively stable stage and consists of mostly agricultural land and some scattered rural residences. There are some small residential development areas to the north, which are closer to the Fargo Extraterritorial Limits. The subject is situated about three-fourths of a mile east of US Highway 81, which turns into University Drive in Fargo, which is a main thoroughfare that runs north and south in the east part of the city. Agricultural and residential land values in this part of the county are considered to be rising over the past several years, with the most rapid increase being with the agricultural land that can be used for crop production.

This immediate neighborhood is not undergoing rapid development for residential use, and the rural residence and recreational land values appear to be more stable than the farm crop land values in recent years. Market research yielded several vacant rural residential and potential hobby farm land sales in Cass County. Of these sales, three of the most recent and most similar tracts of vacant land were used in estimating the value of the subject land as if it were vacant.

## **Adjustments to Comparable Land Sales**

Each of the land sales is considered for items of difference in comparison to the subject property. These adjustments include:

- Property Rights
- Financing
- Condition of Sale
- Market Conditions (Time)
- Location
- Physical Characteristics- Land Size, Topography, Property Condition

Explanations of the adjustments follow.

### **Property Rights**

Upon confirmation of each of the sales, it is concluded that fee simple interest was or is intended to be conveyed in all of the cases, therefore an adjustment is not necessary.

### **Financing Terms/Conditions of Sale**

Financing terms may affect price. Market value is based on cash or its equivalence; therefore sales that were financed with terms that are not cash equivalent must be adjusted. None of the sales had financing which was considered other than normal terms and therefore did not require adjustment. Conditions of sale reflect the motivations of the buyer and the seller. An arm's length transaction is one where both the buyer and seller are typically motivated and no undue pressure is influencing either party, the transactions were considered to be arm's length sales.

**Time/Market Conditions**

This adjustment, commonly known as the time adjustment, reflects the change in inflation, deflation, and supply and demand over a period of time. The sales occurred between June, 2012 and the September, 2013. An analysis indicates real estate values of vacant rural residential land and vacant agricultural land in and around the Fargo area have been increasing slightly over the time period the sales occurred. However, since all three sales are quite recent, I have made no adjustments for market conditions.

**Location**

The location adjustment considers general neighborhood attributes access from good roads, visibility and demand in each area of the comparable sale. The subject has a good location relative to transportation links, but in my opinion, the comparables had similar access, visibility, and desirability of location.

**Physical Characteristics**

The physical components of the comparable sites were all generally similar, except that a portion of the subject tract appears to be in the 100- year flood zone. While some of the areas of the subject will not be usable for construction due to the lower elevations, the land can still be used for recreational purposes, and we are taking that into consideration when we reconcile the value indication for the entire site.

**Adjustment Grid**

The comparable sales are summarized and adjusted for the explained items of difference on the following chart.

**Conclusions of Sales Comparison Approach to Land Value:**

Of a large number of vacant land sales researched, three recent sales of the most comparable vacant land sales in this part of the state were selected for the sales analysis. In the adjustment grid each sale is compared and adjusted on a quantitative basis. This is the typical method of comparison of vacant land. All of these comparable sales are in locations that have fairly good overall comparability to the subject even though none are located in the immediate neighborhood. These comparable sales were all vacant land at the time of sale and had been used for interim uses, but all appear to have the potential for rural residential development.

After adjustments, the range of indicated values for the subject land is \$ 1,400 to \$ 4,958 per square foot. I feel it is reasonable to conclude a value of \$ 3,500 per acre, which results in a total overall value of \$310,080 (88.88 acres x \$3,500 per acre). I selected a unit value slightly above the middle of the range of indicated values because of the desirable location for the subject as a rural residential site, despite that fact that part of the property is subject to occasional flooding.

SALES COMPARISON APPROACH TO LAND VALUE  
Summary of Comparable Land Sales

Sale	1	2	3	SUBJECT
	Rural	Rural	Rural	10 Tallgrass Trail
<b>Property Location</b>	Leonard, ND	Walcott, ND	Hickson, ND	Horace, ND
Sale Date	Sep-13	Aug-13	Jun-12	Sep-13
Sale Price	\$49,900	\$53,466	\$300,000	
Demolition Cost	\$0	\$0	\$0	
Sale Price - Land + Demolition	\$49,900	\$53,466	\$300,000	
Land Size (Acres)	14.70	38.19	60.51	88.88
Unit Price Per Acre	\$3,395	\$1,400	\$4,958	
Financing	Cash	Cash	Cash	Cash
Property Rights	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Condition of Sale	Normal	Normal	Normal	Normal
Intended Use	Residential	Residential	Residential	
Access	Similar	Similar	Similar	Average
<u>Adjustments to Sale Price per acre:</u>				
Financing Terms	\$0	\$0	\$0	
Condition of Sale	\$0	\$0	\$0	
Market Conditions	\$0	\$0	\$0	
Subtotal	\$3,395	\$1,400	\$4,958	
<u>Other Adjustments per acre:</u>				
Location Adjustment	\$0	\$0	\$0	
Size Adjustment	\$0	\$0	\$0	
View and Access	\$0	\$0	\$0	
Physical Condition Adjust.	\$0	\$0	\$0	
Total Other Adjustments	\$0	\$0	\$0	
Indicated Values	\$3,395	\$1,400	\$4,958	
<b>Range of Indicated Unit Values Per Acre After Adjustments = \$ 1,400 to \$ 4,958 per Acre</b>				
<b>INDICATED UNIT VALUE OF SUBJECT LAND PER ACRE : \$ 3,500 per acre</b>				
<b>TOTAL INDICATED VALUE OF SUBJECT LAND - 88.88 Acre Tract: \$3,500 x 88.88 = \$ 311,080</b>				

**COMPARABLE LAND SALE 1**

**Type of Property/Present Use:** Vacant Land – Larger Tracts of Rural Residential

**Proposed Use:** Residential

**Property Address:** RR Maple River Street  
Leonard, ND

**Legal Description:** 33-138-52 PT OF W1/2 OF E1/2 N 758' OF W 845' AC  
14.70

**Parcel No.:** 52.0000.08847.010

**Seller/Grantor:** Brown Revocable Living Trust  
**Buyer/Grantee:** C.L. Belter Farm

**Financing Terms/Cond. Of Sale:** Cash/Normal

**Date of Sale:** 9/18/2013  
**Sale Price:** \$49,900

**Land Area:** 14.7 acres  
**Sale Price/Unit of Comparison:** \$3,995 per acre

**Confirmed to:** Brian Natwick, Appraiser  
**Confirmed by:** Assessor

**Zoning:** Agricultural

**Topography:** Rolling

**Access and Visibility:** Average

**Views & Traffic Exposure:** Average

**Easements:** Typical

**Tillable Acres:** 11.0

**Comments:** Abandoned farmstead with no buildings. Included 11.0 acres that are tillable.

**COMPARABLE LAND SALE 2**

**Type of Property/Present Use:** Vacant Land

**Proposed Use:** Residential/Recreational

**Property Address:** Rural 59<sup>th</sup> ST SE  
Walcott, ND

**Legal Description:** W70A NW1/4 EXC 31.81A 33 136 50

**Parcel No.:** 02.0000.00674.100

**Seller/Grantor:** Keith and Karen Thue  
**Buyer/Grantee:** Cooper Anderson

**Financing Terms/Cond. Of Sale:** Cash/Normal

**Date of Sale:** 8/12/2013  
**Sale Price:** \$53,466

**Land Area:** 38.19 acres  
**Sale Price/Unit of Comparison:** \$1,400 per acre

**Confirmed to:** Brian Natwick, Appraiser  
**Confirmed by:** Assessor

**Zoning:** Agricultural

**Topography:** Undulating

**Access and Visibility:** Average

**Views & Traffic Exposure:** Average

**Easements:** Typical

**Tillable Acres:** 0

**Comments:** Potential building sites - acreage has a stock pond and partially wooded. It was listed as a good property for a hobby farm or rural residence.



**COMPARABLE LAND SALE 3**

**Type of Property/Present Use:** Vacant Land  
**Proposed Use:** Ag Land and Potential Residential/Recreational

**Property Address:** Rural 49<sup>th</sup> ST SE  
 Hickson, ND

**Legal Description:** South 60.51 acres of Gov. Lots 1, 2, 3 and all of lots 4, 9 and 10, 6-137-48

**Parcel No.:** 57.0000.10201.115

**Seller/Grantor:** Stensgard Family Revoc. Living Trust  
**Buyer/Grantee:** Mark Nyquist

**Financing Terms/Cond. Of Sale:** Cash/Normal

**Date of Sale:** 6/5/2012  
**Sale Price:** \$300,000

**Land Area:** 38.19 acres  
**Sale Price/Unit of Comparison:** \$4,958 per acre

**Confirmed to:** Brian Natwick, Appraiser  
**Confirmed by:** Assessor

**Zoning:** Agricultural

**Topography:** Nearly Level to Undulating

**Access and Visibility:** Average

**Views & Traffic Exposure:** Average

**Easements:** Typical

**Tillable Acres:** 54.9

**Comments:** This tract had about 55 acres of tillable land but is located near the Red River in Section 6 of Pleasant Township east of US 81 and has the potential for rural residential development, especially with the wooded areas on the east part of the tract. There is more intense rural and suburban development less than a mile south of this tract.

## COST APPROACH

Like the sales comparison approach, the cost approach is based on the appraisal principle of substitution. In the cost approach, the appraiser compares the cost to develop a new property or a substitute property with equivalent utility as the subject. The estimated replacement cost for the subject improvements are adjusted for differences in the age, condition, and utility, and added to the land value as if vacant to generate an indication of value by the cost approach.

The cost approach theoretically should reflect market thinking because market participants often relate value to cost, and buyers tend to judge the value of an existing structure or structures not only by considering the prices and rents of similar facilities, but also by comparing the cost to create a new structure with optimal physical condition and functional utility. Also, buyers often adjust the prices they are willing to pay by estimating the costs to bring an existing structure up to the physical condition and functional utility they desire. It is commonly emphasized in appraisals for relatively new buildings and other improvements, for renovation purposes, and for the valuation of special purpose properties that may lack in comparable sales and/or rental data needed to otherwise conclude value.

In my opinion, the cost approach has some applicability to the subject because of the type and age of the improvements on the property, especially the heated, insulated and partially finished shop/office/gym building that was built in about 1998 and the horse stable/tack room that is also quite new. The dwelling was originally constructed in about 1910 but was moved on to the subject site in 1998 over a new basement and was completely renovated and an attached garage was also built on site. Even though the sales comparison approach is most applicable to the residential dwelling on its own, I feel the cost approach provides a somewhat reasonable indication of value for the entire subject property based on replacement cost of improvements of similar utility. The cost approach is a method of valuation using three components:

1. Reproduction Cost New or Replacement Cost New (RCN) including hard costs, soft costs and entrepreneurial profit.
2. Less accumulated depreciation that results from physical, functional and external obsolescence.
3. Summation of depreciated value of the improvements and land value as vacant and available for development to its highest and best use.

The cost of a building and/or site improvements may be estimated by using Reproduction Cost New or Replacement Cost New. In this appraisal, we are using the Replacement Cost for the subject improvements, and the Marshall Valuation Service is used to estimate the replacement costs. In my opinion, replacement cost is more reasonable than trying to use reproduction cost.

The Comparative-unit Method is used to estimate the replacement cost of the subject dwelling, the existing shop, the proposed machine shed, and site improvements. This method is based on known costs of similar structures and adjusted for time and physical differences. The base costs are adjusted by applying the total cost multipliers, which are factors that adjust the comparative costs for location, story heights, perimeter vs. building size, and current price indexes. The total base costs are multiplied times the gross building area and miscellaneous costs are added, resulting in the total replacement cost for the subject improvements.

The entrepreneurial incentive portion of the cost normally reflects the projected return that is required to attract an entrepreneur to invest capital in a project, based on market expectations. A developer requires a profit as motivation or incentive to undertake a particular development and for the subject property, and this typically part of the unit cost in Marshall and Swift calculations. Total accrued depreciation due to physical deterioration and functional and/or external obsolescence is then calculated and deducted from the cost, resulting in the depreciated value for the improvements.

The economic lives for the existing subject buildings and site improvements are based on market information and Marshall and Swift guidelines. The physical depreciation is based on the age-life method, using an effective age of 6 years for the both the shop/gym/office building and the stable, with an economic life of 40 years, resulting in a depreciation rate of 15% ( $6 \div 40$ ). For the dwelling, we are estimating an effective age of 8 years, with a total economic life of 40 years for a depreciation rate of 20% ( $8 \div 40$ ). External or Economic Obsolescence is related to factors external to the property. In the case of the subject property, the site is in an average to good location for a rural residence and horse property with outbuildings. It is located in an agricultural area of Cass County where there should be good demand for a good rural residential property with outbuildings, especially one that might be used for raising and training and/or boarding horses. In my opinion there is some external obsolescence associated with the subject house and outbuildings because of their rural location and not all persons interested in a residential farmstead would utilize the outbuildings to the extent that they were constructed for a specific user. The total depreciation is deducted from the replacement cost, and the land value (as estimated by sales comparison) is added to give an estimated value of the subject property as indicated by the Cost Approach. The calculations of building and site improvement replacement costs follow and after the calculations is the indication of value for the subject property by the cost approach.

#### Estimated Replacement Cost of Improvements:

<u>Shop/Office/Gym</u> (Morton Bldg - Class D - Post Frame) (4,000 S.F. x \$64.75 per S.F.), - Includes adjustment for 880 SF mezzanine with finished offices & workout room below plus adjustment for the gym area between shop and mezzanine)	\$ 259,000
<u>Horse Barn/Stable/Tack Room</u> (Wood Frame) (1,200 S.F. x \$38.22 per S.F.)	\$ 45,864
<u>Dwelling</u> (Ave to Good Class D Dwelling) (1,406 S.F. x \$109.62 per S.F. + 807 S.F. x \$100.85 per S.F.)	\$ 235,512
plus: Garage (576 S.F. x \$46.75 per SF)	\$ 26,928
plus: Basement (1,042 SF x \$62.33 per S.F.)	<u>\$ 64,948</u>
Total, RCN of Dwelling with Garage and Basement	\$ 327,380
Riding Arena (graded gravel + depreciated value of wood corral)	\$ 30,000
Plus: As Is Value of Site Improvements	
- Septic System	\$ 6,000
- Well	\$ 5,000
- Other Utilities	<u>\$ 2,000</u>
Subtotal, Site Improvements	<u>\$ 13,000</u>
<b>Total Replacement Cost New of Improvements</b>	<b>\$ 675,244</b>

**Less: Physical Depreciation & Obsolescence (next page)****Less: Physical Depreciation & Obsolescence**

Physical depreciation applicable to shop (15% of RCN)	\$ 38,850
Physical depreciation applicable to stable (15% of RCN)	\$ 6,880
Physical depreciation applicable to existing dwelling (20% of RCN)	\$ 65,476
External Obsolescence (10% of physically depreciated RCN)	\$ 56,404
<b>Total Depreciation (physical and external obsolescence)</b>	<b>(\$ 167,610)</b>
<b>Estimated Depreciated Cost of Improvements:</b>	<b>\$ 507,634</b>
Plus: Land Value (88.88 acres x \$3,500 per Acre)	\$ 311,080
Plus: Estimated "As Is" Value of Unused Foundation and Basement **	\$ 40,000
<b>Total Value of Improvements and Land</b>	<b>\$ 858,714</b>

**Rounded, \$ 859,000**

\*\*We have estimated the current "as is" market value of the unused foundation and basement at \$40,000. This improvement obviously has a much reduced utility due to the apparent heaving issue with the foundation and foundation walls. The current property owner has determined that it is not feasible to build on the foundation and basement due to the unequal movement/heaving due to unstable subsurface conditions. A geotechnical report by AECOM dated February 1, 2010 and a supplemental letter to the Geotechnical Report by Northern Technologies, Inc., the Geotechnical Engineer of Record, confirms the problem with the improvement. They specifically site the upward movement of the foundations and foundation walls. The Northern Technologies, Inc. report concludes that the owner and builder should provide an allowance for movement to preclude future heave related distress to the structure. It states that while exceeding their estimate of worst case movement, they recommend that the construction is modified, allowing no less than 4 and preferably 6 inches of variable movement for non-load bearing walls and systems installed on the basement floor. This includes any pipes leading to the main or second floors of building, any plenum ducts from furnaces/air handling equipment, framed non-load bearing walls on basement slab and stairs leading up to the main level. Further discussion of such systems and allowance for differential heave is recommended.

While the original design, earthwork and construction of the basement and foundation was reported to have cost in excess of \$400,000, it is our opinion that there is a much lower value remaining due to the structural problems with the subsurface conditions and movements. In our opinion, the market value of a foundation and basement would be no more than ten percent of replacement cost, which would appear to be \$40,000 at the most. While it has not been determined to be totally unusable in the future, it appears that someone building on that foundation would need to sink significant additional money into engineering and specifically designed systems.

**Land Value for Cost Approach:**

The 88.88 acre site value is estimated based on comparable sales data for similar type rural sites in the area.

**Summary of Marshall & Swift Valuation Service Data:**

The applicable sections for the estimated replacement cost calculations are as follows and include the applicable base cost multipliers for current cost, floor area perimeter, wall height, and local multiplier:

Shop - Marshall & Swift Valuation Service, Section 14, page 35, Average Post-Frame Commercial/Industrial Bldg with appropriate adjustment for the finished office areas on the mezzanine level, the exercise room, floors, interior liner throughout and mezzanine, gymnasium and HVAC.

Stable - Marshall & Swift Valuation Service, Section 17, page 36, Average Cost Stable Building with adjustments.

Dwelling - Marshall & Swift Valuation Service Section 12, page 26, Single Family Residences with second story and basement.

## RECONCILIATION OF VALUE INDICATIONS

### General

The reconciliation is the last step in the appraisal process in which the appraiser develops a final opinion of market value for the subject property based on the indications of value found in the cost, sales comparison and income capitalization approaches, whichever are applicable. The relative significance, applicability and defensibility of each indicated value is analyzed, with the greatest weight given to that approach deemed most appropriate for the property being appraised. Based on the preceding data and analyses set forth in this report, the following value indications were developed.

### Summary of Indicated Values:

Cost Approach	\$ 859,000
Sales Comparison Approach	\$ 835,000
Income Capitalization Approach	Not Applicable

In the analysis of the information in this report, and in the files in the office of the appraiser, it is the opinion of this office that the real estate under review lies within the application of standard practices in estimating value. The subject property is a rural residential property located on a site that includes 88.88 acres of wooded and pasture land along the river. The improvements include a nice shop/office/gym building and a horse stable as well as an outdoor horse arena, a property type that is usually owner-occupied. In this appraisal, the three approaches to value were considered, but only the sales comparison and income approaches to value were considered applicable to the subject land.

### Cost Approach

The cost approach estimate is most reliable when dealing with improvements comprised of new or nearly new construction that fulfills the highest and best use of the site. The cost approach was considered, and it was determined to be somewhat applicable to the subject property due to the low effective age of the improvements. Replacement cost calculations were based on the Marshall Valuation Service and physical depreciation estimates were made using the age life method. The major drawback to the cost approach might be the difficulty in estimating external and functional obsolescence, especially for the unused foundation and basement on the 42 acre parcel.

### Income Capitalization Approach

In the income capitalization approach, the appraiser analyzes the subject property's potential net operating income before debt service and income taxes and capitalizes it into an indication of market value using market derived rates. I have considered the income capitalization approach in this appraisal but have determined that it is not applicable due to lack of rental market information for this type of rural residential property.

### **Sales Comparison Approach**

The value indication in the sales comparison approach is generally the most reliable, well documented value available. In this appraisal we were able to develop an indication of value for the subject rural residential property with a good deal of confidence. A number of comparable sales of improved rural residential property were found in this part of Cass County as well as neighboring counties in the case of rural improved sales and were analyzed. Of the numerous comparable rural residential sales, five of the most comparable sales were selected as most representative of the subject property. After adjustments for differences, a range of values was determined from which to value the subject property by the sales comparison approach.

### **Summary of Additional Information**

In resolving final estimate of value, the following additional pertinent facts were recognized in valuing the property:

1. The location of the subject property in the southeastern part of Cass County, in a good agricultural production area of Eastern North Dakota and the number of other rural residential properties in the area.
2. Good accessibility from county, state and interstate highways for access to Fargo, West Fargo, and Moorhead all within the Fargo/Moorhead MSA. Interstate Highway I-29, a main north/south highway is located about 2.5 miles west of the subject tracts and US Highway 81 north/south is only about  $\frac{3}{4}$  mile from the subject.
3. The economic profile of Cass County, North Dakota, especially concerning rural residential and agricultural land values. Farm land values have remained at near record highs the past few years. Farmland cash rental rates have increased substantially with the higher land prices.
4. The study and analysis of the data compiled for this report, and the data on file in this office, including many files on appraisal assignments completed in North Dakota.

### **Conclusions:**

The final market value opinion for the subject improvements and land is based primarily on the sales comparison approach, with some support from the cost approach. In the reconciliation of my value opinion, the most weight is placed on the sales comparison analysis. I feel that there have been an adequate number of recent comparable sales of this type of property in this part of Cass County to have good confidence in the sales comparison value indication.

### **Market Value Opinion for Subject Property**

As a result of my analysis of the market and property data gathered and my judgment and experience, it is my opinion that the market value of the fee simple interest in the subject property as of November 20, 2013 is as follows:

**EIGHT HUNDRED THIRTY FIVE THOUSAND DOLLARS  
(\$835,000)**

**Land and Improvements**



**Breakdown of Market Value Opinion:**

Parcel 00240-030 w/ Dwelling, Shop/Office/Gym, Stable (46.88 acres)	\$ 648,000
Parcel 00242-020 Land with Unused Foundation & Basement (42.0 acres)	<u>\$ 187,000</u>
<b>Total Market Value Opinion of Subject Property</b>	<b>\$ 835,000</b>

The breakdown of market value for the east 42.0 acre parcel includes an opinion of land value of \$ 147,000 and \$ 40,000 for the unused foundation/basement. The major premise for the valuation on the foundation is that the current owner has determined it to be not usable based on engineering recommendations. While it has not been determined to be unusable in the future, it appears that someone building on that foundation would need to sink significant additional money into engineering and specifically designed systems. In my opinion, another potential buyer of the property would not pay anything close to the replacement cost, and probably ten percent of the replacement cost new, or less.

**QUALIFICATIONS OF JAMES NATWICK****LICENSES:**

Minnesota Certified General Real Property Appraiser, License #20078604  
North Dakota Certified General Real Property Appraiser, License #1170  
South Dakota Certified General Real Property Appraiser, License #787CG  
Iowa Certified General Real Property Appraiser, License #CG02596  
Nebraska Certified General Real Property Appraiser, License #CG2900050R  
Illinois Certified General Real Property Appraiser, License #553.002283  
Georgia Certified General Real Property Appraiser, License #338629

**EDUCATION:**

North Dakota State University, Fargo, ND:

-credits in accounting, ag economics, marketing & farm management, 1984-87

Tulane University, New Orleans, LA:

-Finance and Accounting, 1975-1976

U.S. Coast Guard Academy, New London, CT:

-B.S., Civil Engineering, 1972

Appraisal Institute Courses:

-Course 510; Advanced Income Capitalization, Sacramento, CA

-Course 520; Highest & Best Use and Market Analysis, Chicago, IL

-Course 530; Advanced Sales Comparison & Cost Approach, Amherst, MA

-Course 540; Report Writing and Valuation Analysis, Chicago, IL

-Course 550; Advanced Applications, Minneapolis, MN

-Courses 410, 420; Standards of Professional Practice Parts A & B, Oak Brook, IL

Prosource Educational Services, St. Paul, MN Courses:

-Appraisal 101, 102; Introduction to Appraisal Principles I and II

-Appraisal 103, 104; Introduction to Appraisal Practices I and II

-Appraisal 105; Introduction to Appraisal Standards and Ethics

ASFMRA Courses:

- Sales Analysis Seminar, Fargo, ND

- Uniform Standards of Professional Appraisal Practice, Fargo, ND

**PROFESSIONAL ORGANIZATIONS**

Appraisal Institute

-General Associate Member # 396037

-MAI Candidate

**BACKGROUND AND EXPERIENCE:**

Natwick Associates Appraisal Services

-Principal and staff appraiser

Skaurud Grain Farms, Gary MN

-all phases of farm crop production

-machinery repairs and coordination of preventive maintenance program

Natco, Inc., Ada MN; family owned grain farm and feedlot operation

-farm and feedlot management, finance, accounting

U.S. Coast Guard

-Merchant Marine Technical Branch, New Orleans LA, machinery section plan review, working with commercial shipbuilding industry

-shipboard engineer, administration and supervision

**APPRAISAL EXPERIENCE:**

- Staff Appraiser and Principal, Natwick Associates Appraisal Services
- Commercial, Industrial, Farmland, and Residential Appraisal
- Review Appraisal
- Experience in the Appraisal of Ethanol Plants including Cellulosic, Biodiesel Plants, Oilseed Crush and Process Facilities, Wheat Gluten Processing Facilities, Grain Elevators, Feedmills, Fertilizer Plants, Meat Packing and Processing Facilities, Feedlots, School Buildings, Medical Offices, Freestanding Surgical Centers, Cemeteries, Funeral Homes, and Other Special Use Property Appraisals.
- Market Analysis for commercial, industrial and residential.
- Subdivision Analysis

## Natwick Associates Appraisal Services - Partial List of Clients

### **Regional and National Firms -**

Alabama Funeral Home, Dadeville, AL  
AgStar Financial Services, Rochester  
Ag Country Farm Credit Services, Fargo, ND  
Alliance Pipeline, Calgary, Alberta, Canada  
American Foods Group, Green Bay, Wisconsin  
Bank of America, Pleasant Hill, California  
Basin Electric Coop, Bismarck, North Dakota  
Becker Funeral Home, Lawton, Oklahoma  
Broin Enterprises, Sioux Falls, South Dakota  
Burlington Northern Railroad, Minneapolis, Minnesota  
Carrollton Cemetery, Carrollton, Texas  
Charter Funeral Homes, Kansas City, Missouri  
Christian Funeral Services, Indianapolis, Indiana  
CoBank, Omaha, Nebraska  
Corn-er Stone Farmers Cooperative, Luverne, Minnesota  
Diocese of Dallas, Dallas, Texas  
Dougherty Funding, LLC, Minneapolis, Minnesota  
EXOL Corp., Albert Lea, Minnesota  
Farmland Industries, Kansas City, Missouri  
First Dakota National Bank, Yankton, SD  
First Interstate Bank, Billings, Montana  
First National Bank of ND, Fargo, North Dakota  
First National Bank of Omaha, Omaha, Nebraska  
Firststar Bank of St. Louis, St. Louis, MO  
Great Plains Software, Fargo, North Dakota  
Greenlawn Memorial Park, Groves, Texas  
Heritage Family Funeral Services, Elizabethton, Tennessee  
Highland Memorial Park, New Berlin, Wisconsin  
High Plains Corporation, Wichita, Kansas  
Home Federal Savings Bank, St. Cloud, Minnesota  
Killeen Memorial Park, Killeen, Texas  
Lakeland Place Garden Park, Jackson, Mississippi  
The Loewen Group, Trevese, Pennsylvania  
Met Life, Overland Park, Kansas  
Mojave Valley Resort, Palm Desert, California  
National Canada Finance, St. Louis, Missouri  
Norwest Bank, North Dakota and Minnesota  
Presentation Sisters, Fargo, North Dakota  
PRO Corn LLC, Preston, Minnesota  
Saber Management, Carmel, Indiana  
Shrine of Remembrance, Colorado Springs, Colorado  
St. Francois Memorial Park, Bonne Terre, Missouri  
Stearns Bank, N.A., St. Cloud, Minnesota  
Student Loan Finance Corporation, Aberdeen, South Dakota  
Toedtman & Grosse Funeral Homes, Hermann, Missouri

United Bankers Bank of Minneapolis, Minneapolis, MN  
US Bank, Fargo, North Dakota  
US Bank – Food & Agri Business Group, Denver, CO  
US Bank, Moorhead, Minnesota  
Valley Park Inc., St. Marie, Montana  
Wells Fargo Bank, San Francisco, California  
West LB, AG, New York, New York  
Wisconsin Business Bank, De Pere, Wisconsin



Natwick Associates  
*Appraisal Services*

Herman A. Natwick

James R. Natwick

1205 4th Avenue South • Fargo, North Dakota 58103

Phone: (701) 235-5541 • Fax: (701) 235-1573 • (800) 279-4757 • E-mail: natwick@integraonline.com

July 29, 2013

Mr. Doug Burgum  
10 Tallgrass Trail  
Horace, ND 58047

via email: Margaret@kilbournegroup.com

RE: Appraisal of two parcels of land with improvements (total of 88.88 acres) in Section 30, Stanley Township of Cass County, North Dakota. Tax parcel numbers are 64-0000-00240-030 and 64-0000-00242-020.

Dear Mr. Burgum,

This office proposes to appraise the following:

<b>The Property:</b>	Land and Improvements at 417 112 <sup>th</sup> Ave S, Horace, North Dakota (Parcel numbers 64-0000-00240-030 and 64-0000-00242-020)
<b>Client(s):</b>	Doug Burgum
<b>Intended User(s):</b>	Doug Burgum and Designated Assignees
<b>Purpose of the Appraisal:</b>	To develop an opinion of the current market value of the fee simple interest in the subject property.
<b>Intended Use of Appraisal:</b>	For Financial Planning in Regards to the Cass County Property Tax Valuation.
<b>The Fee:</b>	\$ 1,000

**General Information:**

The appraisal report will be prepared in accordance with the Uniform Standards of Professional Appraisal Practice as promulgated by The Appraisal Foundation and accepted by the five federal regulatory agencies in response to the Financial Institution Reform Recovery and Enforcement Act enacted by Congress in 1989, plus revisions. The assignment requires preparation of a Market Value Appraisal utilizing a Summary Report.

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

**Time of Completion:**

The appraisal report can be completed by October 1, 2013, provided adequate information concerning the subject property is made available to us in a timely manner.

Please sign below and return to this office if accepted.

Respectfully,

NATWICK ASSOCIATES APPRAISAL SERVICES



James Natwick, Certified General Appraiser, ND #: CG-1170, MN#: 20078604

ACCEPTED BY   
Doug Burgum

DATE: 7/31/13

# NORTH DAKOTA REAL ESTATE APPRAISER QUALIFICATIONS AND ETHICS BOARD

PO BOX 1336

BISMARCK, NORTH DAKOTA 58502-1336

Telephone & Fax: (701) 222-1051

E-mail: [lcampbell@bis.midco.net](mailto:lcampbell@bis.midco.net)

Website: [www.ndreab.org](http://www.ndreab.org)

## MEMORANDUM:

**TO:** State Certified, Licensed, and Apprentice Appraisers

**FROM:** Jodie R. Campbell, Executive Secretary  
North Dakota Appraisal Board

**DATE:** December 2012

**RE:** 2013 Renewal


At the bottom of the page is your "2013" pocket card. Review your pocket card, if you note any errors on your card, please contact the Appraisal Board office and a corrected card will be sent immediately. Sign your card, cut and laminate if desired.

Your "2013" gold seal is also enclosed. This seal should be placed in the lower left corner of your wall permit. Please be advised that your wall permit, as stated in the Rules and Regulations, must be prominently displayed at your principal place of business.

A copy of your ND Continuing Education Summary Report is also enclosed. It is your responsibility to update the ND form with education you have completed within your two-year continuing education cycle. Your two-year continuing education cycle is noted in the upper right-hand corner of the form. When submitting your continuing education, please list your education on the form and remember to attach a copy of your certificate of completion.

As indicated in the "Application Instructions" you received with your renewal application, as soon as your application is processed the National Registry will be updated. Please check your information on the Registry which is located on the Appraisal Subcommittee website at <https://www.asc.gov> to verify your credential information is current and correct. If you note errors after reviewing your information, notify the Appraisal Board office and corrections will be made promptly.

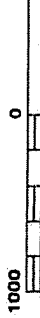
If you have any questions, feel free to contact the Appraisal Board office.

<b>North Dakota Real Estate Appraiser Qualifications and Ethics Board</b>	
<b>This is to certify that: James Natwick</b>	
<b>Is fully qualified in the State of North Dakota as a: Certified General Appraiser</b>	
<b>Permit Number:</b>	<b>CG-1170</b>
<b>Date of Issuance:</b>	<b>01/01/13</b>
<b>Expiration Date:</b>	<b>12/31/13</b>
<small>Unless sooner suspended or revoked, as provided by law.</small>	
	
<small>Appraiser Signature</small>	





APPROXIMATE SCALE



T. 137 N.

MI. 106 W.

NATIONAL FLOOD INSURANCE PROGRAM

# FIRM FLOOD INSURANCE RATE MAP

TOWNSHIP OF  
STANLEY,  
NORTH DAKOTA  
CASS COUNTY

PANEL 5 OF 10  
(SEE MAP INDEX FOR PANELS NOT PRINTED)

COMMUNITY PANEL NUMBER  
380258 0005 B

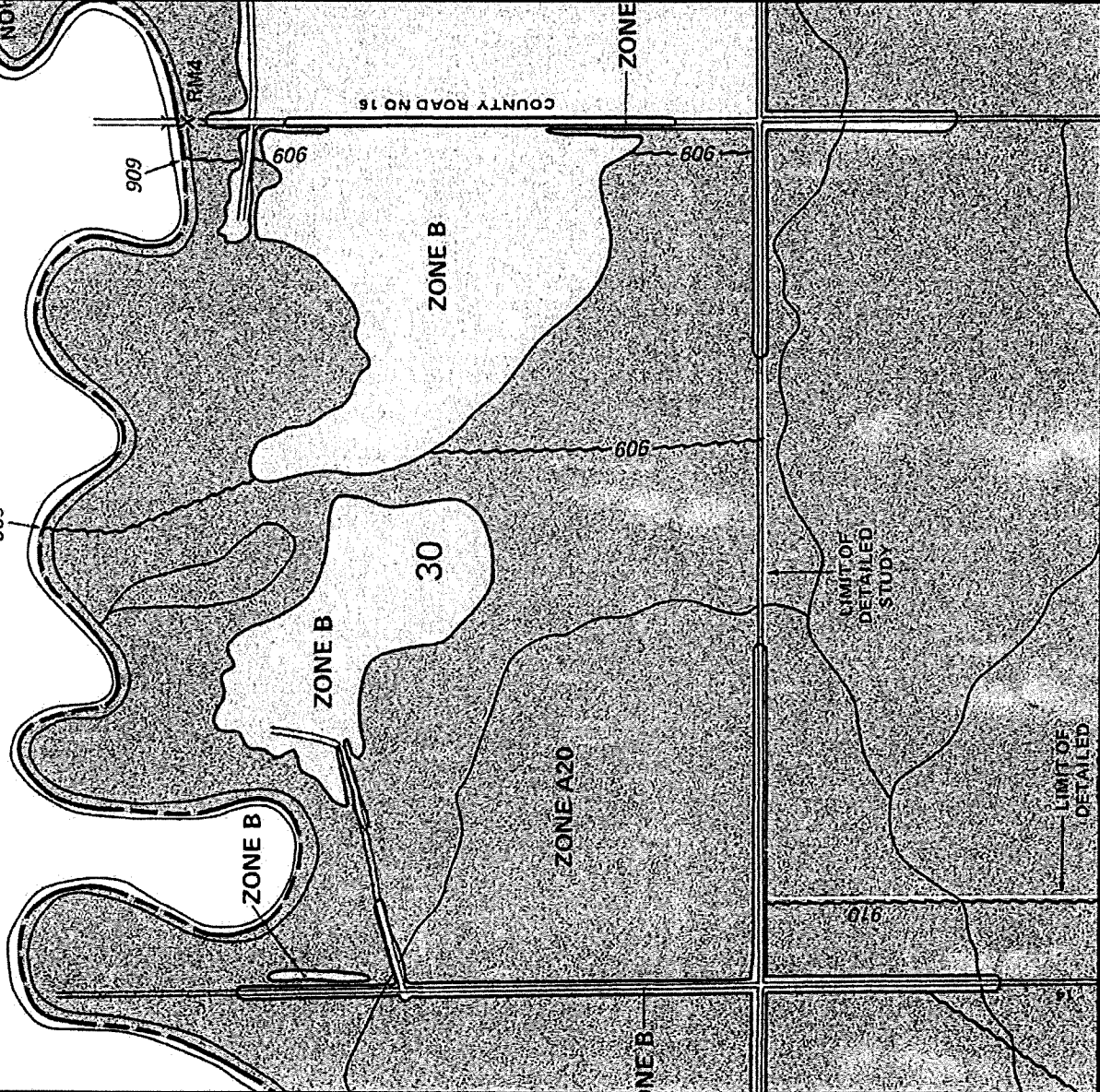
MAP REVISED:  
SEPTEMBER 27, 1995



Federal Emergency Management Agency

This is an official copy of a portion of the above referenced flood map. It was extracted using F-MIT On-Line. This map does not reflect changes or amendments which may have been made subsequent to the date on the title block. For the latest product information about National Flood Insurance Program flood maps check the FEMA Flood Map Store at [www.mtc.fema.gov](http://www.mtc.fema.gov)

PLEASANT TOWNSHIP



### KEY TO MAP

500-Year Flood Boundary	_____	<b>ZONE B</b>
100-Year Flood Boundary	_____	<b>ZONE A1</b>
Zone Designations		<b>ZONE A5</b>
		<b>ZONE B</b>
100-Year Flood Boundary	_____	
500-Year Flood Boundary	_____	
Base Flood Elevation Line With Elevation In Feet**	~~~~~513	
Base Flood Elevation in Feet Where Uniform Within Zone**	(EL 987)	
Elevation Reference Mark	RM7X	
Zone D Boundary	_____	
River Mile	→ M1.5	

\*\*Referenced to the National Geodetic Vertical Datum of 1929

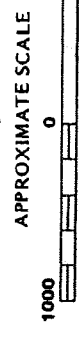
### EXPLANATION OF ZONE DESIGNATIONS

ZONE	EXPLANATION
<b>A</b>	Areas of 100-year flood; base flood elevations and flood hazard factors not determined.
<b>A0</b>	Areas of 100-year shallow flooding where depths are between one (1) and three (3) feet; average depths of inundation are shown, but no flood hazard factors are determined.
<b>AH</b>	Areas of 100-year shallow flooding where depths are between one (1) and three (3) feet; base flood elevations are shown, but no flood hazard factors are determined.
<b>A1-A30</b>	Areas of 100-year flood; base flood elevations and flood hazard factors determined.
<b>A99</b>	Areas of 100-year flood to be protected by flood protection system under construction; base flood elevations and flood hazard factors not determined.
<b>B</b>	Areas between limits of the 100-year flood and 500-year flood; or certain areas subject to 100-year flooding with average depths less than one (1) foot or where the contributing drainage area is less than one square mile; or areas protected by levees from the base flood. (Medium shading)
<b>C</b>	Areas of minimal flooding. (No shading)
<b>D</b>	Areas of undetermined, but possible, flood hazards.
<b>V</b>	Areas of 100-year coastal flood with velocity (wave action); base flood elevations and flood hazard factors not determined.

**NOTATION**  
 by disk stamped "V 31 the Chicago, Milwaukee, and Rice, 3.6 feet west of center of the center of the track, 2 feet south of a disk set in center bridge Road 16 over Red River  
 of timber bridge tely 600 feet west from 138 N., R. 49 W. Establishment of bridge on U.S. and approximately 1,800 Section 24, T. 138 N., inc.  
 of bridge over Wild Rice brth of southeast section Established by John W. team abutment of bridge tely 1,000 feet east of 138 N., R. 49 W. Estab-  
 ey disk stamped "F 375 approximately 1.1 mile ice in northwest quarter and Chicago-Milwaukee-er of Section 25, T. 138

T. 137 N.

PLEASANT TOWNSHIP



**NATIONAL FLOOD INSURANCE PROGRAM**


**FIRM FLOOD INSURANCE RATE MAP**

**TOWNSHIP OF STANLEY, NORTH DAKOTA CASS COUNTY**

**PANEL 5 OF 10**  
SEE MAP INDEX FOR PANELS NOT PRINTED

**COMMUNITY-PANEL NUMBER 380258 0005 B**

**MAP REVISED: SEPTEMBER 27, 1985**



Federal Emergency Management Agency

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*Mar*



Water

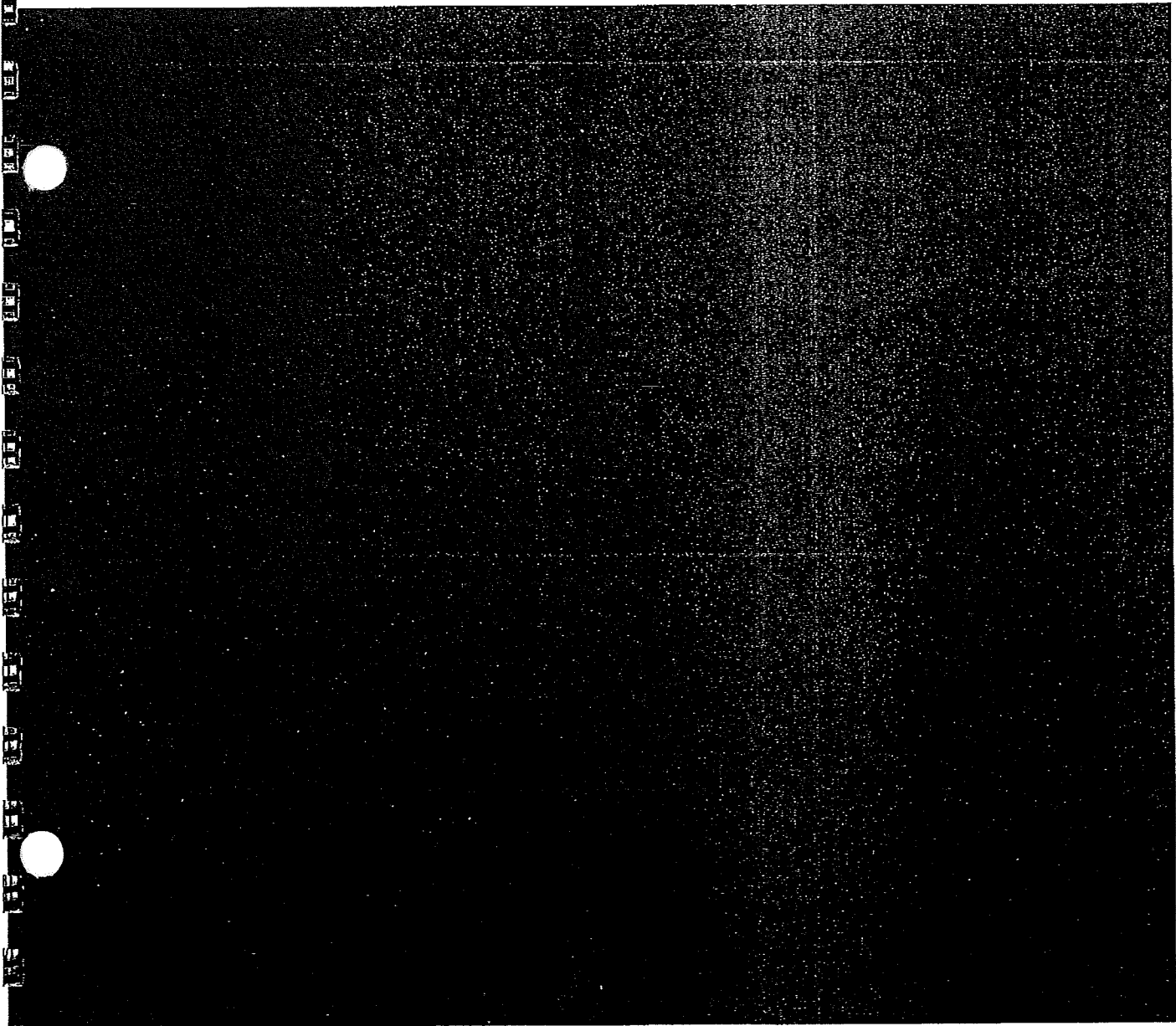
Submitted to:  
Owner's Representative  
Land Elements  
Fargo, ND

Submitted by:  
AECOM  
Vernon Hills, IL  
60094149  
February 2010

# Geotechnical Peer Review

Foundation Movement – Residence Under Construction  
10 Tallgrass Trail, Horace, ND

Prepared by: Elliott E. Drumright, Ph.D, P.E., Associate Engineer





Water

Submitted to:  
Owner's Representative  
Land Elements  
Fargo, ND

Submitted by:  
AECOM  
Vernon Hills, IL  
60094149  
February 2010

February 1, 2010

Mr. Mike Allmendinger  
Owner's Representative  
Land Elements  
P.O. Box 9617  
Fargo, ND 58106

RE: Geotechnical Peer Review – Foundation Movement, Residence Under Construction, 10 Tallgrass Trail, Horace,  
ND – AECOM Project No. 200805194 / 60094149

Dear Mr. Allmendinger:

In accordance with your authorization, AECOM has completed an independent peer review of certain documents related to observed upward movement of foundations and foundation walls for the above referenced project. This report presents the results of our review.

If you have any questions or comments with regard to this information, please do not hesitate to contact us.

Respectfully,

*Elliott E. Drumright*

Elliott E. Drumright, Ph.D., P.E.  
Associate Engineer

*Clyde N. Baker, Jr.*

Clyde N. Baker, Jr., P.E.  
Senior Principal Engineer

cc: Mr. Bret R. Anderson, P.E.  
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## 3.0 Conclusions

### 3.1 Causes of Observed Movement

We understand that a decision is being made on whether to proceed with construction in Spring 2009 using the current foundation system, or perhaps to replace the foundation with an alternate design. Based on results of the data provided to us to date (listed in Section 2.0), AECOM concludes the following:

- 1) Assuming that the measured elevation differentials are based on a reproducible benchmark, in spite of the periodic rain events, there was a net drying of the basement subgrade from its in-situ moisture content while the excavation was open during the Summer and Fall of 2008. Drying of the excavation subgrade could not reasonably have been prevented with the open-cut method of basement construction utilized. The photographs taken near the end of excavation on July 22 already show numerous desiccation cracks in the surface of the CH clay subgrade, and the photograph of the west foundation wall formwork on August 13, 2008, shows a noticeably dry (light brown) color to the flowable fill working surface at the base of the excavation, indicating net drying of the subgrade in the summer sun.
- 2) We understand that due to the blocky nature of the CH clays, the controlled-density-fill was used to provide a more level working surface, free of mud, at the base of the excavation, although the excess mix water typical of controlled-density-fill, and more importantly the rain events, rewetted the subgrade, causing the CH clays to swell. The amount of swell cannot be directly back-calculated from the consolidation/swell tests completed in November 2008, since the starting moisture contents for those tests were similar to or higher than those that existed before the basement was excavated (mostly in the range of 42-49% in the 2006 Geotechnical Investigation). Setting aside the sample with 17.3% swell, the other four samples indicate that the CH clays at this location are able to gain 3 to 5% of moisture by direct inundation, with resulting swell values on the order of 4-8%. ← TO
- 3) With the basement foundation walls backfilled and the basement slab-on-grade cast (with an underlying sheet vapor barrier), the moisture content of the subgrade soils below the foundations and below the basement slab will be forced to come to equilibrium with the climate and with the underlying groundwater table. The time for this to occur cannot be reasonably predicted from soil tests because the laboratory swell samples are quite thin compared to an insulated subgrade seeing effects from solar drying (a surface effect) and capillary wetting (from below). From this point forward, the best indirect indicator would be on-going elevation ←

- 4) Based on the upward movement measured to date and the measured swell pressures, we consider it unlikely that the dead-load plus live-load of the structure will be sufficient to overcome the swell pressure of this particular CH clay subgrade. Further, the nominal weight of the basement floor slab will not be sufficient to overcome additional swell under the floor, if it occurs. The decision to continue with the current foundation and slab-on-grade design should separate expected performance of the frame of the structure, i.e., the foundation movement, from the performance of the basement slab-on-grade and underslab utilities. The least risk for foundation and floor slab movement would be to support the frame of the structure with, in the existing soil regime, a friction-type drilled pier and grade beam system, with voidform placed below the grade beams between the piers. The basement floor would then either be a structural floor, constructed over a crawl space or narrower void space, or some sort of modified slab-on-grade. Also, the structural design of the basement foundation wall should be checked with respect to anticipated lateral swelling pressure from the CH soils.
- 5) We understand that as of the date of closure of the basement in December 2008, the only obvious cracks on the inside face of the basement foundation walls consisted of occasional thin (and generally vertical) shrinkage cracks expected for cast-in-place concrete construction. With differential vertical movements of at least 1 to 2 inches along the top of the foundation walls, we would expect significant structural cracks, diagonally-trending, to be visible on the inside face of the basement walls, although it is possible that during the summer of 2008, the foundation walls were cast on what was effectively an upward moving target. In other words, it was not that the foundations and foundations walls were cast and then the structure moved; it was moving slowly upward all the while.
- If additional vertical movement is not witnessed over the winter of 2008/2009, it may be possible to level the sill plate at the top of the foundation wall and proceed with construction, possibly considering replacing the basement floor with an alternate design. The decision to proceed or replace the foundation system, including the basement slab-on-grade, must be balanced with the Owner's tolerance for risk associated with further upward movement (or settlement), should such occur.



Review of laboratory heave curves and Table 2 findings support general conclusion that future heave of structure foundations is of low risk due to existing heave that occurred since excavation of site and applied confining load from present construction. We expect any future movement of foundations would be of reduced magnitude, especially with addition of structural load from above grade framing / finishes.

We understand you intend to place a variable thickness structural topping to precast concrete plank with start of spring 2009 construction [for leveling of varied heave prior to placement]. This will be followed by above grade framing and enclosure of structure, installation of other systems, finishes, and equipment. This includes installation of a non-bonded architectural concrete floor over structural topping. Any differential future heave of structure could impact the architectural floor, other masonry, tile or counter top finishes sensitive to movement. You should review such systems as a minimum and install details allowing relief from differential movement wherever possible.

While above grade structure supported systems should experience limited future heave related distress, the light load imparted by basement at-grade floor provides minimal confining pressure to underlying clay. Future moisture absorption by clay will produce varied differential heave of at grade basement floor and any non-load bearing walls, furnishing or finishes applied to basement.

The Table 2 findings are provided solely for consideration and highly subjective with impact actually dependent on distribution / cation exchange between Na and Ca present within montmorillonite, and availability of water made for absorption.

As part of swell potential, soils of higher insitu unit weight and having confinement normally develop higher swell pressures as compared to soils of lower insitu unit weight and of lesser confinement. For your project, a majority of the basement floor was unloaded uniformly with excavation of site, have near uniform exposure due to presence of lean concrete topping slab, and should have become exposed to free water on a near uniform basis with installation of perforations through the lean concrete slab. Moisture absorption by underlying smectite clays should have been nearly uniformly distributed due to listed findings.

We understand observation of site by Tomlinson field staff indicated near uniform upward lift of the lean concrete slab within the SW portion of project with similar but of less dramatic movement occurring in the NE portion of basement level. This non-constrained heave of the lean concrete slab prior to placement of sand fill and casting of at-grade floor would provide partial relief from high swell pressures at later date. Similarly, heave of supporting clays prior the casting of at-grade floor should reduce overall heave potential should free moisture become available to underlying clays.

This reduction in swell pressure and partial relief of heave are beneficial in reducing future distress of at-grade basement floor. However, you should provide an allowance for movement to preclude future heave related distress to structure. *While exceeding our estimate of worst case movement, we recommend that you modify construction allowing no less than 4 and preferably 6 inches of variable movement for non-load bearing walls and systems installed on the basement floor.*

This includes any pipes leading to the main or second floors of building (including roof level venting), any plenum ducts for furnaces / air handling equipment, framed non-load bearing walls on basement slab [includes provision of slip connection with stud framing against foundation walls] and stairs leading to upper levels. *Further discussion of such systems and allowance for differential heave is recommended.*