FCS

Fred C. Strickland & Associates LLC

VALUATION & CONSULTING

COFFELT FARM LEASE RATE AND RESERVE STUDY

Relevant to 150 acres of the 189-acre Coffelt Farm Preserve
1071 Crow Valley Road
Eastsound, WA 98245
FCS File Number: 2021-036 REV

FCS
Fred C. Strickland & Associates LLC
VALUATION & CONSULTING

October 19, 2021

Lincoln Borman
Director
San Juan County Land Bank
350 Court Street, Suite 6
Friday Harbor, WA 98250

Re: COFFELT FARM LEASE RATE AND RESERVE STUDY
Relevant to 150 acres of the 189-acre Coffelt Farm Preserve
1071 Crow Valley Road
Eastsound, WA 98245
FCS File Number: 2021-036 REV

Dear Mr. Borman:

This Report has been prepared with the intent to be in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, which includes the Uniform Standards of Professional Practice (USPAP) as promulgated by The Appraisal Foundation.

The intended purpose of the report is twofold:

1) To provide guidance to the San Juan County Land Bank in setting a lease rate at Fair Market Rent for the subject land and facilities taking into consideration the characteristics of the property to be leased.

2) Estimate the cost of maintaining the property for budget planning purposes over a ten-year time frame.

The effective prospective date relevant to the report conclusions is January 1, 2022, subject to the Extraordinary Assumption that the subject property as of this prospective date is effectively similar to the condition observed on August 3, 2021, the date of the primary physical inspection.

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Extraordinary Assumption: “an assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser’s opinions or conclusions.”

Extraordinary assumptions assume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in analysis.

CONCLUSION – RENT STUDY

The annual Fair Market Rent for the subject land and facilities taking into consideration the characteristics of the property to be leased, with an effective prospective date of January 1, 2022, is:

TWENTY-EIGHT THOUSAND THREE HUNDRED DOLLARS

$28,300

CONCLUSION – RESERVE STUDY

The cost of maintaining the property for budget planning purposes over a ten-year time frame commencing January 1, 2022 is as follows:

Year	1	2	3	4	5	6	7	8	9	10
Structures	$17,535	$1,427	$1,469	$1,513	$1,559	$1,606	$1,654	$1,703	$1,754	$1,807
Septic Systems	$740	$762	$785	$809	$2,409	$858	$884	$910	$937	$966
Water Systems	$10,740	$762	$785	$809	$833	$858	$884	$910	$937	$966
Electrical System	$65,500									
Fencing	$0	$1,906	$37,025	$24,914	$24,086	$19,302	$46,031	$9,593		
Roads Parking	$730	$752	$774	$798	$822	$846	$872	$898	$925	$952
Total	$95,245	$5,608	$40,839	$28,843	$29,708	$23,470	$50,323	$14,014	$4,554	$4,691

The report that follows summarizes the assignment, describes the area and the subject property, and explains the techniques and reasoning leading to the final opinion of market rent and the cost of maintaining the property.

Respectfully submitted

Fred C. Strickland, MAI, ASA, SRA, ARA
State of Washington Certification 1100429

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6 DAIRY BARN

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8 CHICKEN PROCESSING SHED

9 SHEEP BARN

10 SPRING WELL SHED

11 HOOP HOUSE AT GRAZING ISLAND LOCATION

12 LOAFING SHED (HEAVY USE AREA)

13 MANURE SHED (HEAVY USE AREA)

14 TWO HOOP HOUSES (MARKET GARDEN AREA)

15 TINY HOUSE

Number	Description
1	Farm Stand
2	Land Bank Office
3	Farm Manager's Residence
4	Deep Well Shed
5	Hay barn (Mobile Slaughter Site)
6	Dairy Barn
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15	Tiny House

This Report is prepared with the intent to comply with the reporting requirements set forth in the Uniform Standards of Professional Appraisal Practice.

APPRAISER Fred C. Strickland, ARA, MAI, ASA, SRA
Fred C. Strickland & Associates LLC
PO Box 2478
Gig Harbor, WA 98335

CLIENT Lincoln Borman
Director
San Juan County Land Bank
350 Court Street, Suite 6
Friday Harbor, WA 98250

INTENDED USE AND USER OF THE APPRAISAL

This report is intended to be used by the client, to provide guidance in setting lease rates at Market Rent, and estimate the cost of maintaining the property for budget planning purposes over a ten-year time frame.

Intended Use is defined as: *"The use or uses of an appraiser's reported appraisal, appraisal review, or appraisal consulting assignment opinions and conclusions, as identified by the appraiser based on communication with the client at the time of the assignment."*[1]

The intended use of the report is to provide guidance to the San Juan County Land Bank in setting lease rates at Fair Market Rent for the subject land and facilities and estimate the cost of maintaining the property for budget planning purposes over a ten-year time frame.

Intended User is defined as: *"The client and any other party as identified, by name or type, as users of the appraisal, appraisal review, or appraisal consulting report, by the appraiser on the basis of communication with the client at the time of the assignment."*[2]

The report will be used by the San Juan County Land Bank and is not authorized for any other purpose.

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[1] *Uniform Standards of Professional Appraisal Practice, 2020-2021 Edition,* Appraisal Standards Board, The Appraisal Foundation, Washington D.C.

[2] *Ibid*., p. U-3.

A **Client** is defined as: *"The party or parties who engage an appraiser (by employment or contract) in a specific assignment*."[3]

The Client is the San Juan County Land Bank.

Effective Date: Prospective rent estimate date is January 1, 2022.

Assignment Conditions:

The scope of the assignment relates to the field work, inspection, research, and analysis conducted for preparation and valuation of the subject property's estimated Market Rent. This assignment involved an inspection of the subject property. The primary inspection occurred on August 3, 2021, with the effective prospective date of this report being January 1, 2022, subject to the Extraordinary Assumption that the subject property is effectively similar to the condition observed on August 3, 2021. Fred Strickland, Jack Cory and Jonathon Quigley inspected the property in the presence of Peter Guillozet, representing the property owner and Eric Lum, the current tenant of the Coffelt farm.

Data was gathered using various informational systems such as the San Juan County Assessor's Offices in several counties, and various individuals. Information regarding comparable information was confirmed with parties involved when possible. Descriptive information relating to the subject property was obtained through public records as well as the physical inspection of the property and information provided by the client.

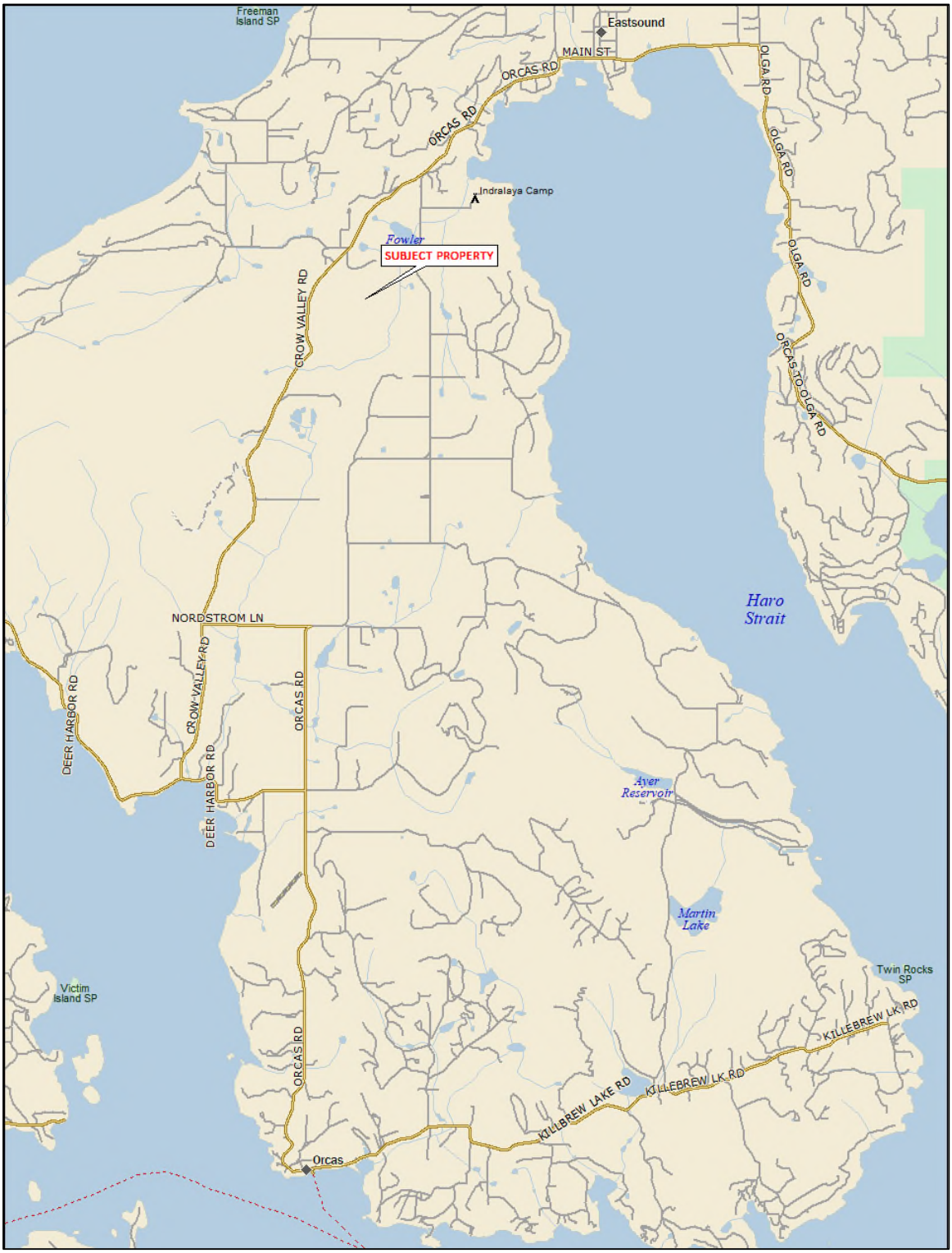
Within this report, all applicable approaches to the determination of Market Rent are considered.

The report is prepared with the intent to be in accordance with the current Uniform Standards of Professional Appraisal Practice (USPAP) as adopted by the Appraisal Foundation.

[3] *Ibid*., p. U-2.

NEIGHBORHOOD DESCRIPTION

Coffelt farm is located to the southwest of the village of Eastsound on Orcas Island in the San Juan archipelago, just on the northern periphery of the Puget Sound region.



Orcas Island is the largest of the San Juan Islands of the Pacific Northwest, which are located in the northwestern corner of Washington State in San Juan County, Washington. Orcas Island has a land area of 57.3 square miles and a population of 5,395. Orcas Island is slightly larger, but less populous, than neighboring San Juan Island. Orcas is shaped like a pair of saddlebags, separated by fjord-like Eastsound, and two prominent bays, Westsound and Deer Harbor, on the southwest side. The village of Eastsound, the largest population center on Orcas and the second largest in San Juan County is located at the northern end of the island. The subject farm is located roughly 6.5 miles north of the Orcas Island ferry terminal and is bounded by Crow Valley Road and Orcas Road. It is located within the Eastsound watershed in a glacial deposit landscape known as Crow Valley. Reportedly, Crow Valley, including the area around Coffelt Farm Preserve, has some of the highest rates of aquifer recharge on Orcas Island.

Although the general market trend for real estate (predominantly single-family residential property) has increased over the last few years, the agricultural sector has not kept pace. Due to the relative inferior nature of linkage available from a county with access highly dependent on a very crowded ferry system getting commodities to market is more difficult than other areas not impacted by this access constriction.

During the time of this report preparation, the current COVID pandemic-induced travel fervor has complicated life for Orcas Island entrepreneurs who face a shortage of both labor and affordable housing. These entrepreneurs have been able to find workers off the island. They just can't find anywhere to put them up. In the San Juans, the current tourist surge shows no sign of slowing. Despite a recent statewide spike in coronavirus infections and cuts in frequency of ferry service to the San Juan Islands, hotel rooms are filling up fast in October, a month that's usually a slow period. The flood of tourists is unusual. According to the Washington State Department of Transportation, this year's monthly ridership on the main ferry route from Anacortes to Orcas Island, when looked at year over year, has, in some months surpassed ridership numbers from 2019. And that's with one fewer ferry in service.

Lance Evans, executive director of the Orcas Island Chamber of Commerce for fifteen years, said he has never seen this much tourist traffic and doesn't foresee it tapering off since most hotels and other lodging were booked far beyond Labor Day this year.

One factor often cited by workers is the rise of short-term rentals such as Airbnb and Vrbo, and landlords who focus on that revenue stream rather than long term leases.

Landlords can make more in a week by renting to tourists than they would make in a month renting to locals. According to AirDNA, a research firm that tracks vacation rentals, the average cost to rent a vacation home on Orcas Island runs $410 a night in July.

This summer, after a contentious debate, the San Juan County Council voted unanimously to extend its moratorium on new short-term rentals on the San Juan Islands, essentially capping the current number of short-term rental permits to about 500 on Orcas. This all leads to a dearth of "year-round" residential rental properties on the island thereby exacerbating the housing shortages for on-island workers.

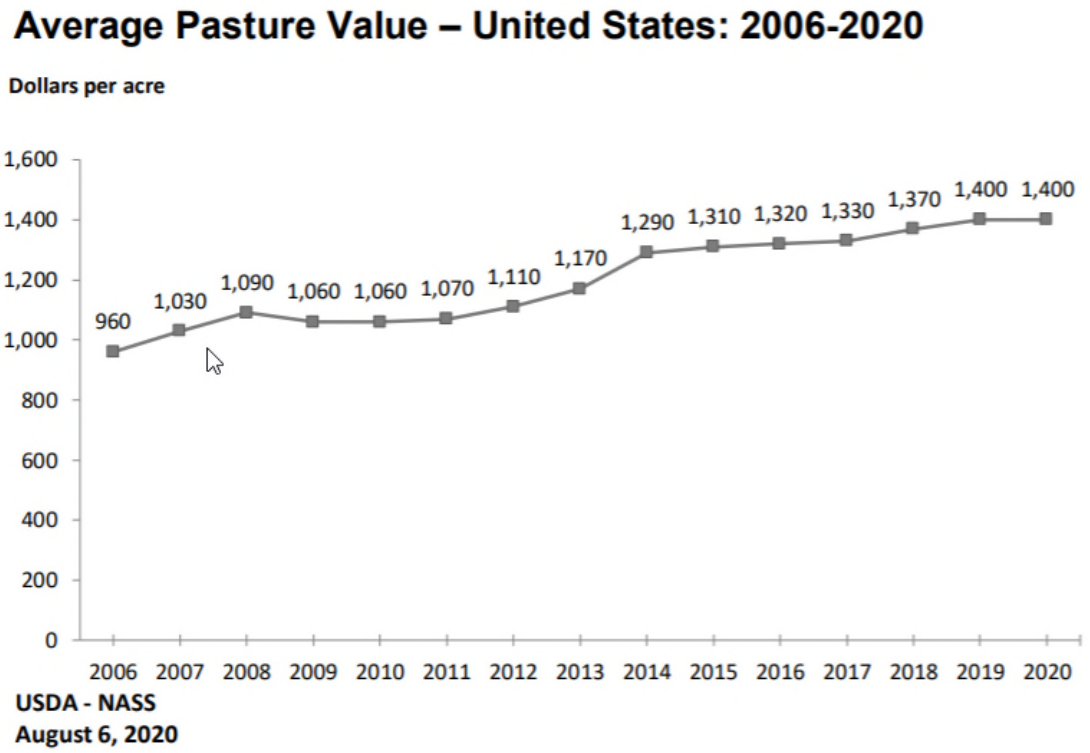
Farmland Value/Farmland Rent General Overview

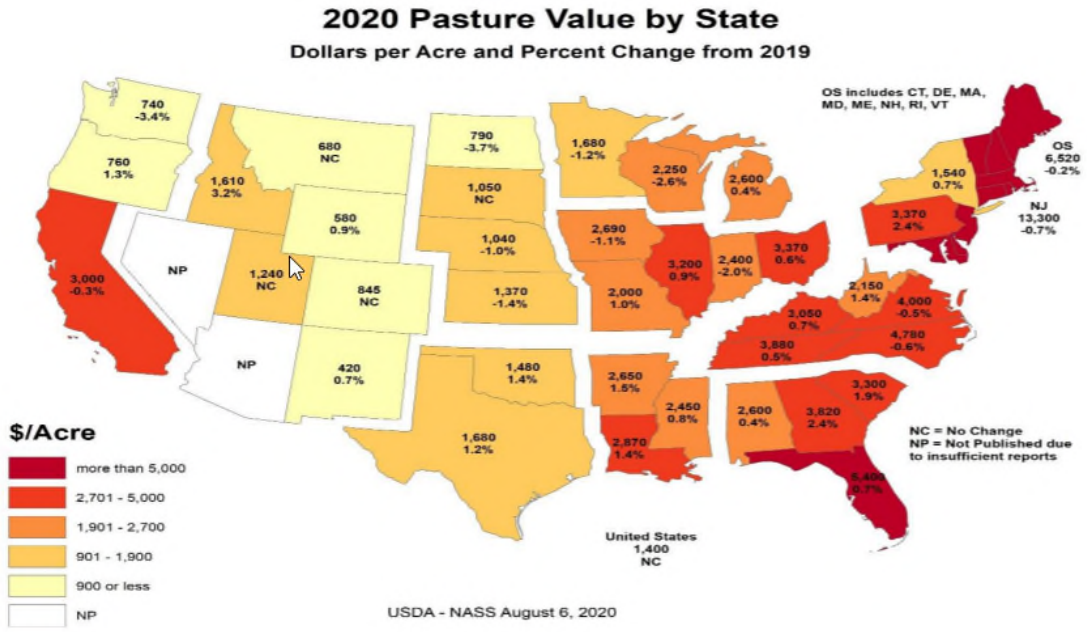
Farm real estate—including land and structures—accounted for about four-fifths of the total value of U.S. farm assets in 2020. USDA's annual June Area Survey indicates that farmland values began rising in 1988 and, except for single-year declines in 2009 and 2016, have continued rising. After adjusting historical data for inflation, however, farmland values did not begin to increase until 1993, and between 2016 and 2020 were 1.3 percent below their 2016 level on average. To recognize the impact of changes in the purchasing power of the dollar, all value-based comparisons that appear below use inflation-adjusted historical data. There is a regional variation in both farmland value levels and growth trends.

The USDA Economic Research Service studies trends in farmland values, assessing the impact of both macroeconomic factors (such as interest rates and the prices of alternative investments) and parcel-specific attributes (such as soil quality, government payments, rural amenity value and urban proximity).

U.S. farmland values remained high in 2020, averaging $3,160 per acre, a small decrease of 0.8 percent compared with 2019. At the same time, farm income was forecast to increase nationwide in 2020. This, combined with historically low interest rates, contributes to the ability of the farm sector to support farmland values.

Still, the trend for farmland over the past few years, has been at best relatively flat. Average Pasture Value is also flat for the past few years, down 3.4% in WA State.





Cash Rent Per acre in Washington State for pasture was at $8.00 acre in 2020, unchanged from 2019. Cropland cash rent for Washington State was $207 in 2020, up $6.00/acre from the previous year.

PROPERTY DESCRIPTION

The subject of this report is a selected section of the Coffelt Farm. The San Juan County Land Bank wishes to lease 150 acres of the 189-acre Coffelt Farm Preserve to a private farmer(s) beginning in 2022, as delineated in red on the following map.

This designated lease area excludes a riparian fenced area with the resulting lease area consisting entirely of pastureland, farmstead and a small crop area.

As a public entity, the Land Bank must establish fair market rental value for the 150 acres and appurtenant improvements in alignment with SJC Code 2.104.120

The purpose of this study is to:

1) Evaluate the condition of the land, agricultural buildings, one residential structure and other farm infrastructure including water and electrical systems, fencing and roads.

2) Assess current regional and local agricultural rental rates through research, interviews and other avenues.
3) Determine an appropriate lease rate informed by comparable agricultural lease rates in San Juan County and other appropriate sources.
4) Provide a detailed summary of anticipated building and infrastructure maintenance needs and their associated costs over a 10-year timeframe.

SUBJECT LAND USES

The subject growing season lasts from late March through late October. Annual precipitation is 20-28 inches. Currently farm enterprises consist of pastured animals, with goats providing for goat cheese processing and raising hens for egg production. Growing produce for on farm sales and the annual harvest of hay round out the enterprise list.

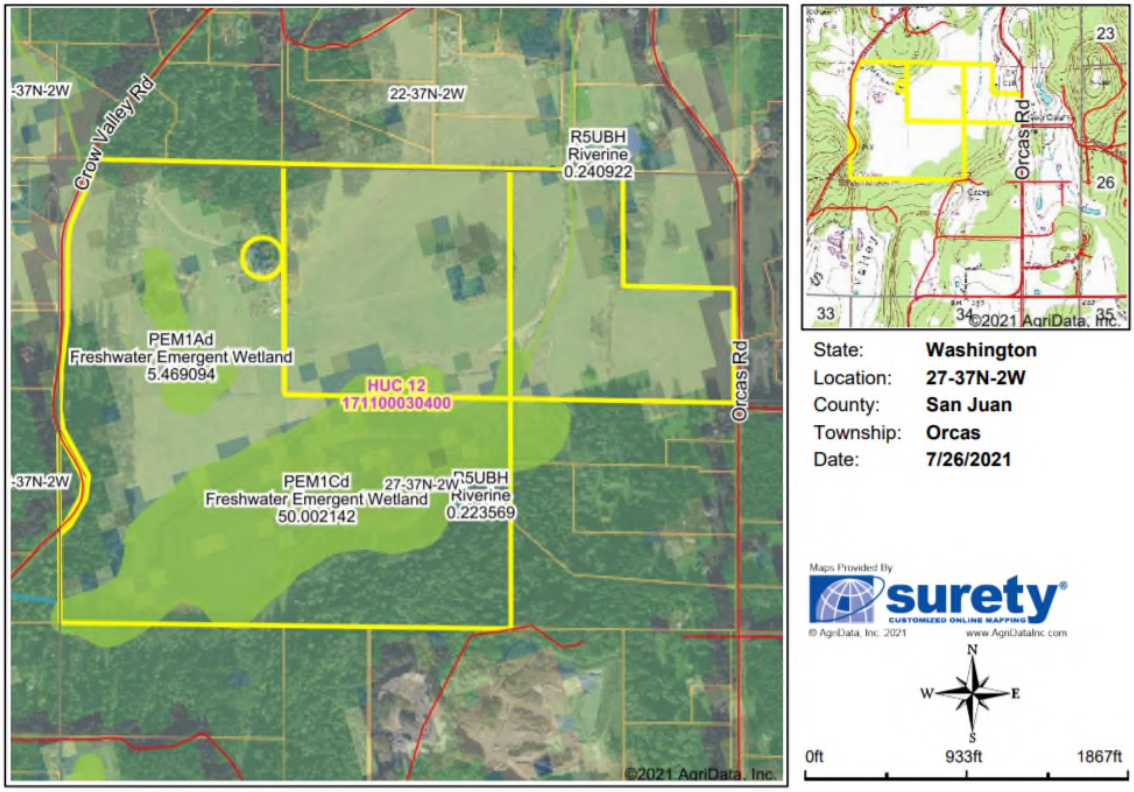
Extensive use of temporary electric fencing and electric netting allow maximum flexibility in this pasture-based operation. Perimeter fencing is standard woven mesh with barbwire upper wire. In the Farmstead area two barns and associated structures provide dairy operation space and a Heavy Use Area. Sheep, lambing and pig farrowing, are in adjacent structures and areas. Storage for feed, machinery and a small milking parlor space, are in the larger barn. Beef cattle are on pasture almost all year with a high and dry rock outcrop serving as a Heavy Use Area during the wet winter months. Manure and waste hay are collected from at least two winter feeding sites and spread on pastures. Animal waste and chicken waste from the various field use locations and timelines is processed in the compost facility. Finished compost is field applied to provide some soil inputs for the pastures and hay production.

Animals/Poultry currently in place at Coffelt Farm

	Type	Number
1	Dexter Cows	21
2	Sheep	200
3	Hogs	11
4	Chickens	500
5	Horses	2
	Total	734

The property is not in the Flood Plain, but is impacted by 52.07acres of wetlands, as delineated on the map below:

Wetlands Map

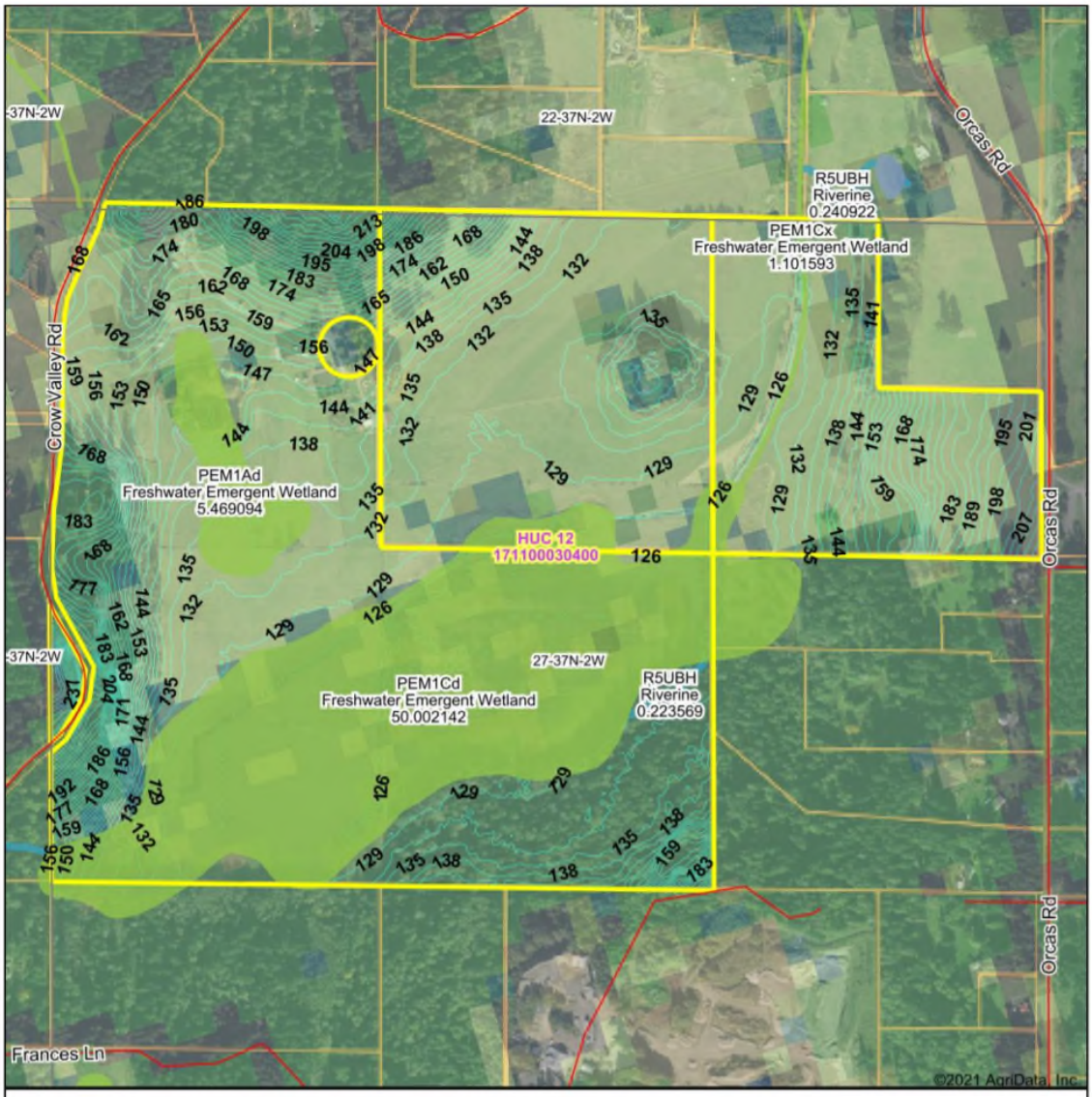


	Classification Code	Type	Acres
	PEM1Cd	Freshwater Emergent Wetland	45.89
	PEM1Ad	Freshwater Emergent Wetland	5.46
	PEM1Cx	Freshwater Emergent Wetland	0.50
	R5UBH	Riverine	0.22
		Total Acres	52.07

Data Source: National Wetlands Inventory website. U.S. DoI, Fish and Wildlife Service, Washington, D.C. http://www.fws.gov/wetlands/

The minimum elevation contour is 124.8 feet, the maximum is 253.6 feet, with a range of 128.8 feet:

Topography Contours



Source: USGS 3 meter dem
Interval(ft): 3.0
Min: 124.8
Max: 253.6
Range: 128.8
Average: 142.6
Standard Deviation: 21.82 ft

0ft 612ft 1223ft

7/26/2021

27-37N-2W
San Juan County
Washington

Map Center: 48° 40' 21.07, -122° 56' 11.28

Maps Provided By surety CUSTOMIZED ONLINE MAPPING
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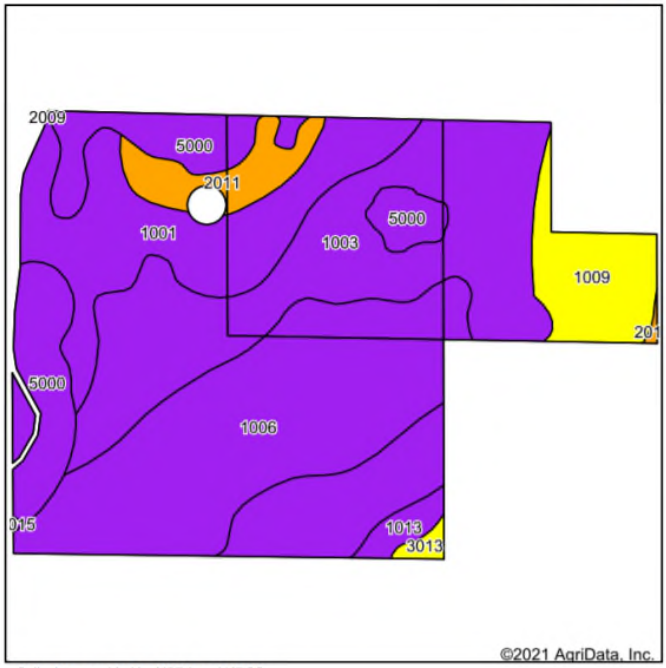
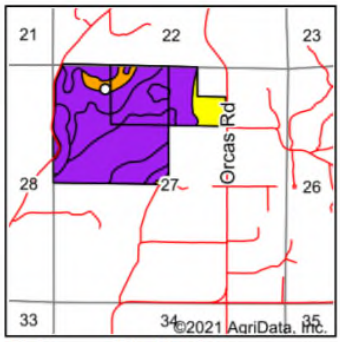
Crop data provided by USDA National Agricultural Statistics Service Cropland Data Layer. Watershed Boundary Dataset provided by USDA-NRCS, USGS and EPA

Soils consist of predominantly Class VI soils, as delineated in the following exhibit:

Soils Map





State: **Washington**
County: **San Juan**
Location: **27-37N-2W**
Township: **Orcas**
Acres: **187.58**
Date: **7/26/2021**

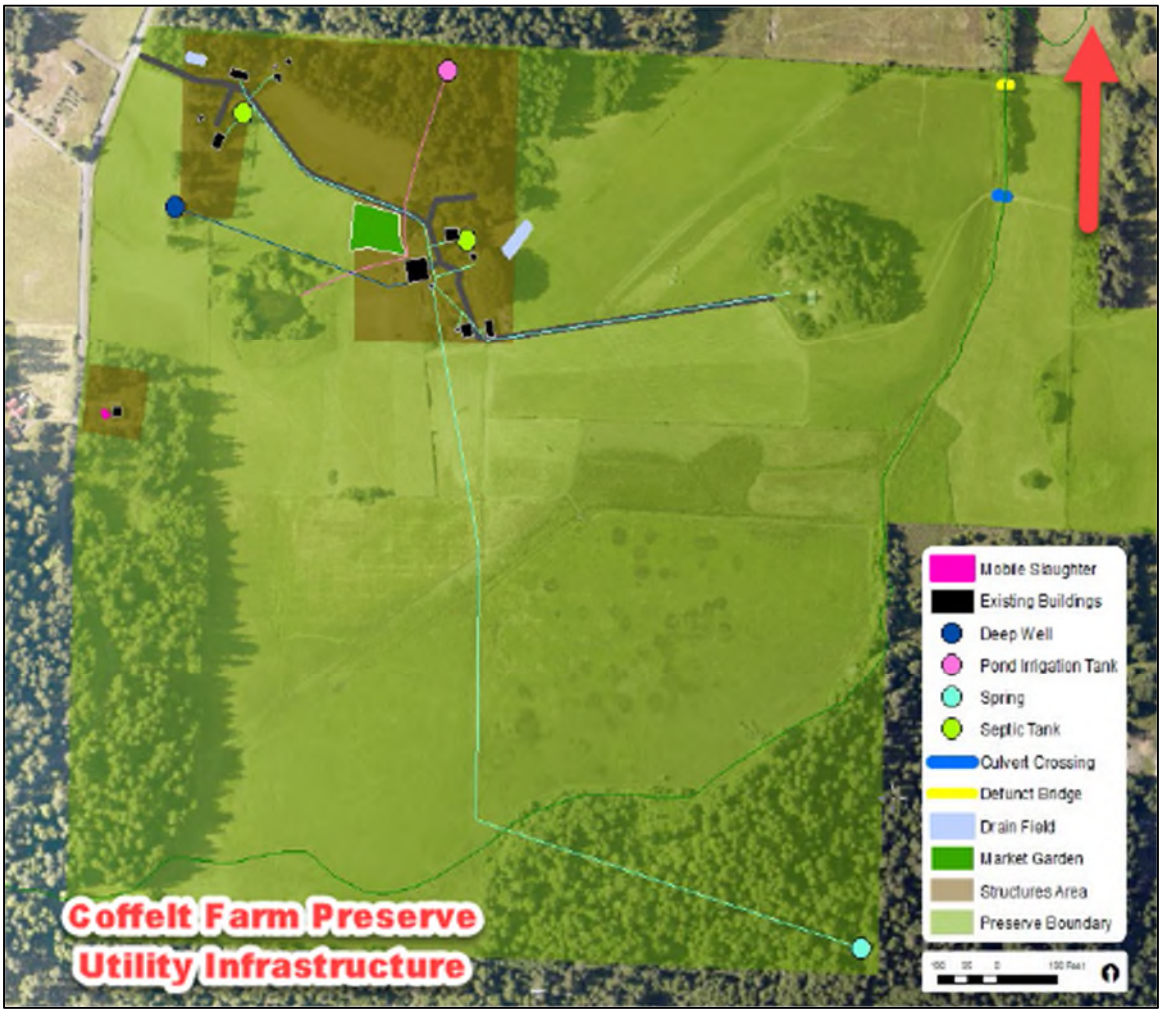
Maps Provided By surety® CUSTOMIZED ONLINE MAPPING © AgriData, Inc. 2021 www.AgriDataInc.com

Soils data provided by USDA and NRCS.

Area Symbol: WA055, Soil Area Version: 21

Code	Soil Description	Acres	Percent of field	Non-Irr Class Legend	Water Table	Restrictive Layer	Foundation Limits	Soil Drainage	Non-Irr Class *c	Grass legume hay	Pasture
1003	Coupeville loam, 0 to 5 percent slopes	62.04	33.1%		0.2ft.	4.1ft. (Densic material)	very limited	Poorly drained	VIw	3	7
1006	Semiahmoo muck, 0 to 2 percent slopes	50.70	27.0%		0ft.	> 6.5ft.	very limited	Very poorly drained	Vw	3	8
1001	Coveland loam, 0 to 5 percent slopes	28.88	15.4%		0.3ft.	3.6ft. (Densic material)	very limited	Somewhat poorly drained	VIw	3	7
5000	Cady-Rock Outcrop complex, 5 to 30 percent slopes	23.39	12.5%		> 6.5ft.	1.3ft. (Lithic bedrock)	very limited	Well drained	VIs	1	2
1009	Coveland-Mitchellbay complex, 2 to 15 percent slopes	11.80	6.3%		1ft.	3.6ft. (Densic material)	very limited	Somewhat poorly drained	IVw	3	6
2011	Roche-Killebrew complex, 2 to 10 percent slopes	7.27	3.9%		1.3ft.	3.2ft. (Densic material)	very limited	Moderately well drained	IIIw	2	4
1013	Bazal-Mitchellbay complex, 0 to 5 percent slopes	2.45	1.3%		0.3ft.	3.2ft. (Densic material)	very limited	Poorly drained	Vw	3	7
3013	Everett sandy loam, warm, 3 to 20 percent slopes	0.97	0.5%		> 6.5ft.	> 6.5ft.	somewhat limited	Somewhat excessively drained	IVs	2	3
1015	Deadmanbay-Bazal-Cady complex, 2 to 20 percent slopes	0.08	0.0%		0.2ft.	4.7ft. (Densic material)	very limited	Somewhat poorly drained	VIw	3	6
									Weighted Average	**2.7**	**6.4**

*c: Using Capabilities Class Dominant Condition Aggregation Method
Soils data provided by USDA and NRCS.



Structural improvements

Structural improvements on the property include a two-bedroom farm manager's residence, a farm worker tiny house, a farm stand, the Land Bank office and tool shed, a dairy barn, a sheep barn and two pump houses. Other existing structures include several agricultural sheds. The Coffelt residence is on the property but is subject to a life estate and the residence and life estate area (including the smaller hoop house in the Market Garden area) is not considered in this report.

Each improvement is described briefly in the order presented earlier in the report:

1-Farm Stand/shop - The overall dimensions are 28' in width, and 62.5' in length for a total area of 1,750 square feet. A 12' x 28' area is the sales and office area, adjacent to a 23.5' x 28' covered unsurfaced area open on one side, adjacent to a 27' x 28' shop/storage area with a concrete floor. An 8' x 14' covered lean-to area has a wood floor and a metal roof. This structure has electrical service throughout. Construction is wood frame metal roof, metal surfaced side except the office front which is wood sided.

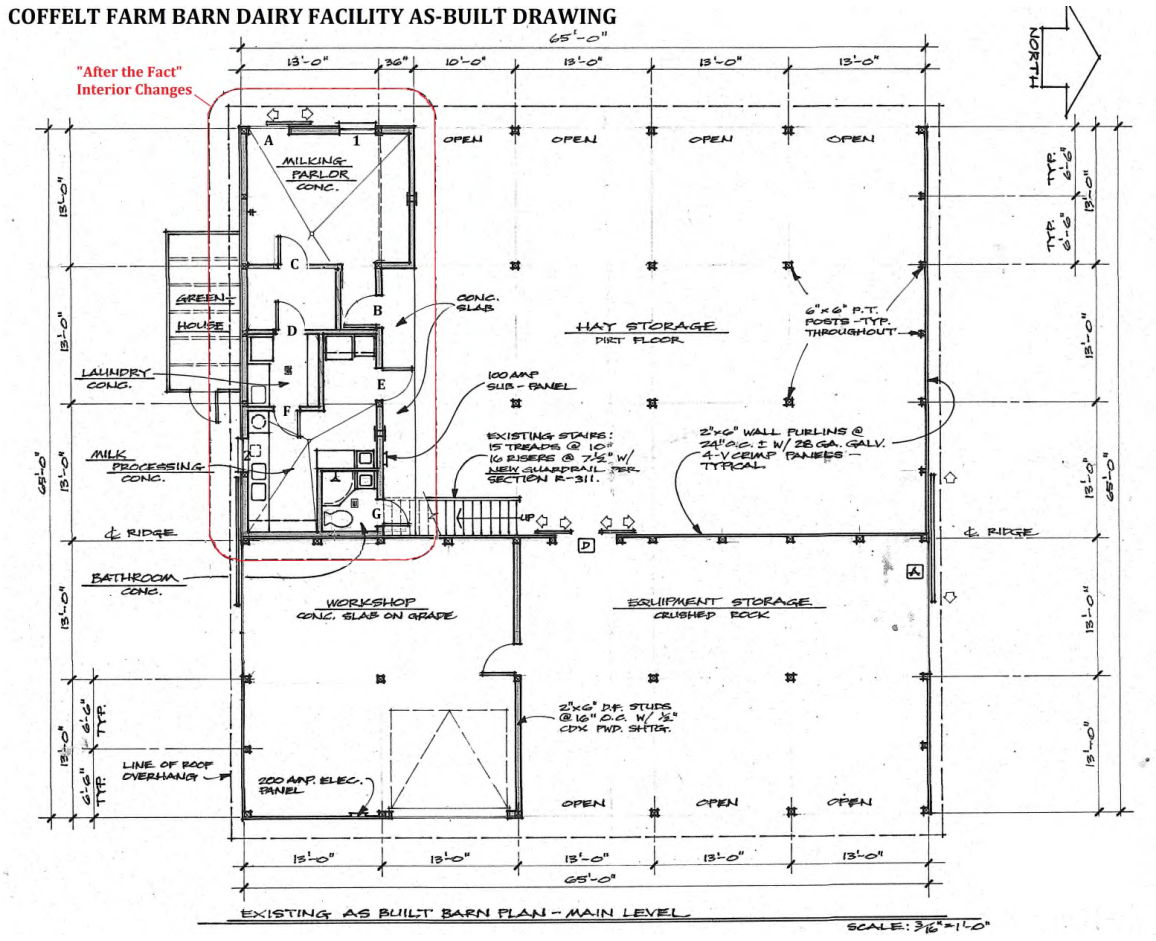
2-Land Bank Office - The overall dimensions are 12' in width, and 23.5' in length for a total area of 282 square feet. A 9.5' x 9.5' area is the attached covered and enclosed storage area. This structure has electrical service throughout. Construction is wood frame metal roof, wood sided. This improvement is not utilized by the tenant and is not considered further in the rent analysis.

3-Farm Manager's Residence - The overall dimensions are 28' in width, and 40' in length for a total first floor area of area of 1,120 square feet. A loft is reached by an atypically steep staircase with an area of 148 square feet. There are two bedrooms and one bathroom on the main level. This structure has electrical service throughout. Construction is wood frame metal roof, wood sided. There is an open 8' x 52' deck on the east side and a 4' x 28' open deck on the west side. The interior floor surface is concrete with hydronic heat installed. A wood stove is also in place. County records state that this structure was constructed in 2009.

4-Deep Well Shed - The overall dimensions are12' in width, and 8.5' in length for a total area of 102 square feet. Construction is wood frame metal roof, wood sided.

5-Hay Barn (Mobile Slaughter Site) - The overall dimensions are 26' in width, and 28' in length for a total area of 728 square feet. Construction is wood frame metal roof, open sided.

6-Dairy Barn - The overall dimensions are 65’ in width, and 65’ in length for a total area of 4,225 square feet. Construction: wood frame metal roof, mostly open sided, however, the southwest 624 square feet is improved with a milking parlor, a milk processing area and a bathroom with a shower. This area is also improved with a heat pump A/C system. A 676 square feet area is a workshop with a concrete floor and a 200 Amp service. The balance of the structure is either hay storage or equipment storage. There is a loft over the milking parlor area. Historically this area was utilized for the production of raw cow’s milk. Currently it is utilized for the processing and sale of goat cheese derived from the herd of 22 goats currently at the farm.



7-Composting Shed - The overall dimensions are 28’ in width, and 62’ in length for a total area of 1,736 square feet, plus a 7’ x 62’ lean-to cover. Construction is wood frame metal roof, mostly open sided.

8-Chicken Processing Shed - The overall dimensions are 8’ in width, and 30’ in length for a total area of 240 square feet. Construction is wood frame metal roof, wood sided, building has electricity and a sink. No bathroom.

9-Sheep Barn - The overall dimensions are 32' in width, and 40' in length for a total area of 1,280 square feet. Construction is wood frame metal roof, partially open sided. There is an 8' x 19' (152 sf) wood frame metal surfaced shed attached to one end of the Sheep Barn.

10 Spring Well Shed - The overall dimensions are12.5' in width, and 8' in length for a total area of 100 square feet. Construction is wood frame metal roof, wood sided.

11 Hoop House (Grazing Island) - The overall dimensions are 20' in width, and 20' in length for a total area of 400 square feet. Construction is metal hoops, fabric cover.

12 Loafing Shed (Heavy Use Area) - This is a relatively new structure with overall dimensions of 24' in width, and 13' in depth for a total area of 312 square feet. Construction is wood frame, metal roof, open front, no floor.

13 Manure Shed (Heavy Use Area) - This is a relatively new structure. Construction: Wood frame, metal roof, open, no walls, 10' x 10' = 100 square feet.

14 Two Hoop Houses (Market Garden) - The overall dimensions for the two improvements are 1- 14' in width, and 24' in length for a total area of 336 square feet (not considered further in the study because it is utilized in conjunction with the life estate), and 2 - 22' in width, and 50' in length for a total area of 1,100 square feet. Construction is metal hoops, translucent plastic cover.

15 Tiny House - The overall dimensions are 8' in width, and 20' in length for a total area of 160 square feet. Construction is wood frame metal roof, wood sided. This is a non-permanent R/V type of equipment which is not part of the real estate. Regulation relevant to this road licensed trailer is that it cannot be permanently attached and cannot be lived in permanently. Because of these issues, and because this Tiny House is equipment, not real property it is not considered further in this analysis. If any rent is to be paid assuming the tenant is interested in using this equipment, it is assumed this would be negotiated separately, similar to the use of a tractor or other movable equipment.

The estimated total area of the improvements relevant to the subject property is 12,073 square feet, excluding the 336 sf hoop house utilized by the life estate.

Septic Systems

There are two septic systems on the property. Both were installed prior to the Land Bank's ownership. The first known septic system was installed in 1980 to serve the main farmhouse and barn. The septic tank is located just east of the farmhouse and a gravity line leads to a drain field approximately 120 feet east of the tank. In 2007, a second system was installed to serve the farm manager's house. The tank is located northeast of the house and the drain field is located to the northwest on the north side of the entrance road.

Water Rights and Systems

There are three separate water systems on the property. These include a spring-fed domestic system, a deep well system and a pond irrigation system. The spring is in the forested southeast corner of the property and its associated water right includes a certificate for domestic supply and stock watering. A pipeline transports the spring water to a pump house and then across the property to the Coffelt residence, the farm stand, the Land Bank office and to several hose bibs and hydrants throughout the developed portion of the farm.

Surface water from the one-acre pond is piped to a storage tank, located near the northern property boundary, and then to the fenced market garden. These irrigation lines were installed and in use pre-2015. In 2015, a deep well water system was installed to supply water to the dairy barn. The well reportedly reaches a depth of 405 feet, has a 288 gallon per day capacity, and is designated as a Class B water system. In 2019, a new water line from the deep well system to the mobile slaughter site near Crow Valley Road was added to enable hand and equipment washing.

Although there are several water sources and systems that have been used on the farm, water remains a key limiting resource. A potable spring provides water to the residences, livestock, and up to ½ acre of non-commercial gardens. In 1968 a water right was established for the use of this spring, which allows for up to 2 acre-feet (651,702 gallons) per year to be used for livestock and residential purposes. In addition to the spring, there is a low capacity (300 gpd) deep well that has a Group B permit for use in the dairy facility and a pond that has been historically been used for garden and orchard irrigation. A water right application for the pond was submitted in late 2019 for irrigation of 1 acre of market garden and orchard, but this water right as of the date of this report has not been perfected.

Electrical Systems

An OPALCO electrical line enters from Crow Valley Road and runs underground to meters located near the farm stand and east of the Coffelt residence. An underground line also runs eastward from the Coffelt residence to a small, isolated forested area referred to as the "Grazing Island" because it is used as a rotational grazing hub. The utility line powers electrical fencing in and around the Grazing Island. Power utilities were installed prior to current ownership and portions of the electrical system require upgrades for safety and code compliance.

Roads and Parking Areas

The main gravel access road extends from the entrance on Crow Valley Road eastward to the Coffelt residence and then to the dairy and sheep barns. Spur roads lead to the farm manager's residence, the farm stand and the Land Bank office, and the Grazing Island. A small, lightly graveled road also leads from the Grazing Island across a stream to access the easternmost pastures. The parking area is located between the farm stand and the Land Bank office and can accommodate eleven vehicles.

Fencing

The Preserve's perimeter fence extends for approximately 13,000 lineal feet. It combines materials such as cedar and metal posts as well as barbed and woven wire. An estimated 8,000 lineal feet of the perimeter fence is in poor condition and will eventually require either replacement or repair. In addition to the permiter fence, the interior fencing extends for approximately 15,000 lineal feet and ranges in age, material, condition and use. Older fencing again combines materials and is used primarily to delineate pastures. The most recent fencing installed surrounds the farm's main riparian area and is comprised of metal posts and woven wire. A more detailed description of the fencing is provided in the Reserve Study section of this report.

Historical Lease Abstract

Lease Term:

The term of the leasehold interest terminates on December 1, 2021.

Renewals:

None.

Rent

$1,500 per month which may be offset by infrastructure improvements calculated at an hourly rate, subject to prevailing wage requirements. Tenant to maintain existing structures in current condition, except for the Land Bank Orcas field office. The landlord will provide maintenance, repairs and improvements on the farm. Tenant is responsible for utilities, including irrigation water charges. Tenant pays for a $1,000,000 insurance on the farm. The cost for the farm insurance was $1,149.65 for the past year.

Assumed Proposed Lease Abstract

Lease Term:

To be negotiated

Renewals:

To be negotiated

Rent

Rent per month which may be offset by infrastructure improvements calculated at an hourly rate, subject to prevailing wage requirements. Tenant to maintain existing structures in current condition, except for the Land Bank Orcas field office. The landlord will provide maintenance, repairs and improvements on the farm. Tenant is responsible for utilities, including irrigation water charges.

Utilities

The tenant will pay for use of all utilities furnished to the Premises, including, without limitation, electricity, other power, water, cable, telephone and other communication services, sewage, and waste removal.

Market Rent

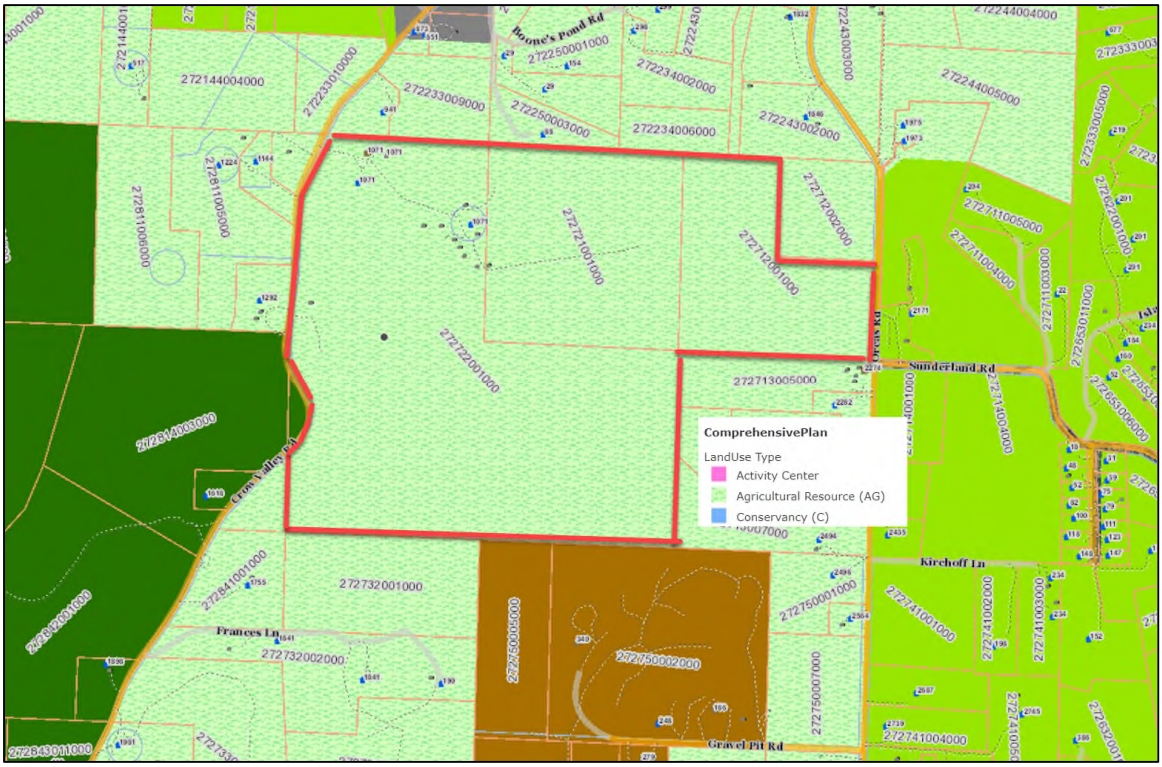
The most probable rent, as of a specific date, in cash or in terms equivalent to cash, for which the property to be leased, under the terms and conditions of the lease, should rent for its highest and best permitted use after reasonable exposure in a competitive market under all conditions requisite to a fair leasing opportunity, with the lessor and the lessee each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress.[4]

Zoning

The subject property is zoned by the San Juan County Planning Department as Agricultural Resource (AG). Resource Lands includes three designations:

1. Agricultural resource (AG).
2. Forest resource (FOR).
3. Mineral resource lands (MRL) overlay (see SJCC 18.35.005).

Agricultural and Forest Resource Lands. On all agricultural or forest resource lands (AG and FOR), the maximum area of development which is not related to agricultural, or forestry uses, and activities shall be limited to 20 percent of the parcel area, but not less than one acre, regardless of the assigned density. Further, in the division of a parcel by any means, the allowable area for conversion of the parent parcel to nonfarm and/or nonforestry use shall not be exceeded. Agricultural use is a legal use, as is single family residential use, at a density of one unit per 20 acres.



ZONING MAP – COFFELT FARM
OUTLINED IN RED

TAXES/ASSESSMENTS

The San Juan County Tax and Assessment Roll identifies the total Coffelt Farm property as follows:

SAN JUAN COUNTY ASSESSOR'S DATA

Parcel	Address	Size (acres)	Land Value	Improved Value	Total Value	2021 Taxes
272722001000	1080 Crow Valley Road	119.33	$509,000	$474,450	$983,450	$94.18
272721001000		40.36	$221,600	$0	$221,600	$94.18
272712001000		30.16	$0	$0	$0	$7.70
Total		189.85	$730,600	$474,450	$1,205,050	$196.06

The taxes for 2021 are based on the 2020 assessed valuation of the subject property and the current levy rate.

HIGHEST AND BEST USE

By identifying and interpreting the market forces that affect a specific property in a local and regional context, the appraiser determines the property's highest and best use. Highest and best use is a fundamental concept in real estate appraisal because it focuses market analysis on the subject property and allows the appraiser to consider the property's optimum use in light of market conditions on a specific date.

Highest and best use is defined as: *"The reasonably probable and legal use of vacant land or improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value."* This definition introduces the four key criteria that a property use must satisfy to qualify as the highest and best use. These include requirements that a particular use must be:

- Legal under zoning, building and other codes or other restrictions;
- Physically possible as determined by analysis of access, shape, topography, soils and other considerations;
- Financially feasible in that it produces a positive return on invested capital; and,
- Maximally productive, whereby the use produces the highest residual land value corresponding to the market return for such use.

With the subject property subject to the existing conservation easement and the Coffelt Life Estate, and with this study including the Coffelt Life Estate area, the highest and best use appears to be agricultural in nature with continued use similar to the historical use for the foreseeable future.

Based on this highest and best use conclusion, the analysis now turns to the determination of Market Rent.

DETERMINATION OF MARKET RENT:

A direct analysis is utilized where the rent for similar property is analyzed and compared to the potential rent for the subject property. This is the most supportable analysis and is most reliable when adequate similar rented properties are available. There are several sources available for direct comparison. The USDA provides Cropland Cash Rent reports. The 2021 release provides the following:

Cash Rent Expense per Acre — Idaho, Oregon, Washington, and United States: 2017-2021

State and land type	2017	2018	2019	2020	2021	Change 2020-2021
	(dollars)	(dollars)	(dollars)	(dollars)	(dollars)	(percent)
Idaho						
Cropland	160.00	160.00	159.00	171.00	180.00	5.3
Irrigated cropland	215.00	216.00	216.00	225.00	236.00	4.9
Non-irrigated cropland	58.00	56.00	56.00	62.00	63.00	1.6
Pasture	12.00	11.00	11.00	12.00	13.00	8.3
Oregon						
Cropland	152.00	159.00	152.00	160.00	181.00	13.1
Irrigated cropland	205.00	215.00	215.00	220.00	245.00	11.4
Non-irrigated cropland	90.00	93.00	95.00	100.00	95.00	-5.0
Pasture	11.00	12.00	11.00	15.00	11.00	-26.7
Washington						
Cropland	198.00	203.00	201.00	207.00	222.00	7.2
Irrigated cropland	350.00	358.00	360.00	390.00	395.00	1.3
Non-irrigated cropland	73.00	75.00	75.00	80.00	75.00	-6.3
Pasture	8.00	(D)	8.00	8.00	8.00	-
United States						
Cropland	136.00	138.00	140.00	139.00	141.00	1.4
Irrigated cropland	212.00	215.00	220.00	216.00	217.00	0.5
Non-irrigated cropland	123.00	125.00	127.00	126.00	128.00	1.6
Pasture	12.50	12.50	13.00	13.00	13.00	-

- Represents zero.
(D) Withheld to avoid disclosing data for individual operations.

Pasture/Cropland Cash Rent

Cash rent expense for all pasture land in Idaho is estimated at $13 per acre for 2021, up $1 the prior year. Irrigated cropland is estimated at $236 per acre, up $11.00 per acre from 2020. Non irrigated cropland is estimated at $63 per acre, up $1.00 per acre from 2020. In Oregon, cash rent expense for all pasture is estimated at $11 per acre for 2021, down $4 from the prior year. Irrigated cropland is estimated at $245 per acre, up $25.00 per acre from 2020. Non-irrigated cropland rental expense is $95.00 per acre, down $5.00 per acre from last year. In Washington, cash rent expense for all pasture is estimated at $8 per acre for 2021, the same as the prior year. Irrigated cropland is estimated at $395 per acre, up $5.00 per acre from 2020. Non-irrigated cropland rental expense is $75.00 per acre, down $5.00 per acre from the prior year.

This information cannot be utilized directly in San Juan County primarily because the economic focus in San Juan is not on agriculture as it is in more agriculturally oriented counties, and also because San Juan County is in a rain shadow area which makes non-irrigated cropland less desirable than in other counties which are not in a rain shadow environment (San Juan County compared to Skagit, Snohomish or Whatcom for instance).

Cash Rents by County, Washington State

Cash Rent Expense per Acre by County — Washington: 2020 and 2021

County	Irrigated cropland		Non-irrigated cropland		Pasture	
	2020	2021	2020	2021	2020	2021
	(dollars)	(dollars)	(dollars)	(dollars)	(dollars)	(dollars)
Adams	384.00	387.00	44.00	40.00	3.10	3.60
Asotin	(D)	(D)	(D)	31.50	(D)	3.40
Benton	390.00	466.00	(D)	(D)	(D)	43.50
Chelan	(D)	(D)	(D)	(D)	(D)	(D)
Clallam	(D)	95.00	(D)	(D)	(D)	(D)
Clark	(D)	225.00	(D)	72.00	63.00	57.00
Columbia	(D)	(D)	(D)	62.00	(D)	(D)
Cowlitz	(D)	(D)	(D)	55.00	(D)	(D)
Douglas	(D)	(D)	(D)	40.00	(D)	4.00
Ferry	(D)	(D)	21.00	(D)	(D)	2.60
Franklin	(D)	550.00	(D)	(D)	(D)	(D)
Garfield	(D)	(D)	58.50	69.00	(D)	4.90
Grant	(D)	432.00	77.50	(D)	(D)	6.00
Grays Harbor	(D)	(D)	(D)	50.00	29.00	48.00
Island	(D)	122.00	(D)	76.50	(D)	(D)
Jefferson	(D)	(D)	(D)	55.00	(D)	(D)
King	(D)	(D)	(D)	111.00	74.00	91.50
Kitsap	(D)	342.00	(D)	(D)	(D)	(D)
Kittitas	210.00	199.00	(D)	(D)	34.00	59.50
Klickitat	220.00	347.00	(D)	(D)	5.00	6.80
Lewis	(D)	97.00	(D)	51.00	39.50	35.50
Lincoln	(D)	(D)	51.50	53.50	3.60	4.50
Mason	(D)	(D)	(D)	(D)	(D)	(D)
Okanogan	(D)	232.00	(D)	32.50	3.20	3.00
Pacific	(D)	(D)	(D)	45.00	22.00	23.00
Pend Oreille	(D)	(D)	27.50	(D)	(D)	(D)
Pierce	(D)	315.00	(D)	(D)	(D)	70.00
San Juan	(D)	(D)	(D)	23.00	(D)	21.00
Skagit	(D)	303.00	(D)	250.00	94.00	90.00
Skamania	(D)	(D)	(D)	(D)	(D)	(D)
Snohomish	(D)	235.00	(D)	150.00	105.00	100.00
Spokane	(D)	79.50	52.50	54.50	9.00	11.50
Stevens	(D)	83.00	38.00	43.00	6.80	7.10
Thurston	(D)	371.00	(D)	(D)	(D)	(D)
Wahkiakum	(D)	(D)	(D)	20.00	(D)	42.00
Walla Walla	(D)	260.00	(D)	60.00	25.00	(D)
Whatcom	(D)	440.00	(D)	159.00	70.00	(D)
Whitman	(D)	(D)	(D)	87.00	5.50	6.90
Yakima	(D)	200.00	(D)	150.00	(D)	20.00
Other counties [1]	(X)	156.00	(X)	39.50	(X)	30.00
Washington	390.00	395.00	80.00	75.00	8.00	8.00

(D) Withheld to avoid disclosing data for individual operations.
(X) Not applicable.
[1] Beginning in 2021, district level estimates have been discontinued. Other counties are a combination of counties that could not be published at the

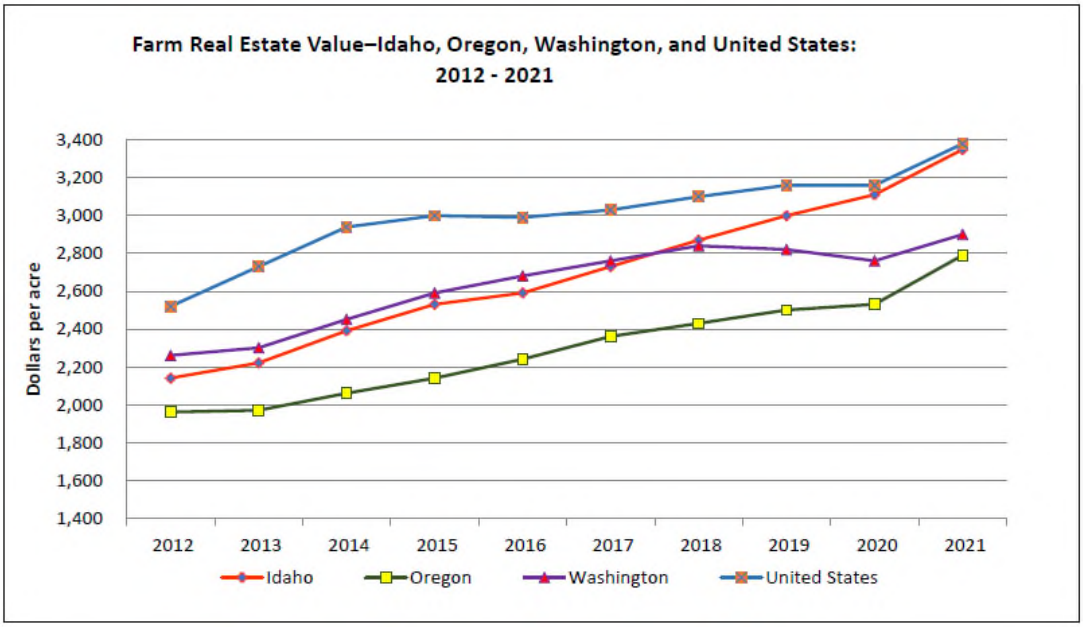
Pasture land rents in San Juan County for 2021 are at $21/acre and non-irrigated cropland leases at $23 per acre. Neighboring Skagit County reports 2021 pasture land rents at $90 per acre, down from $94 per acre in 2020. Snohomish County pasture rents are at $100 per acre for 2021 down from $105 per acre in 2020.

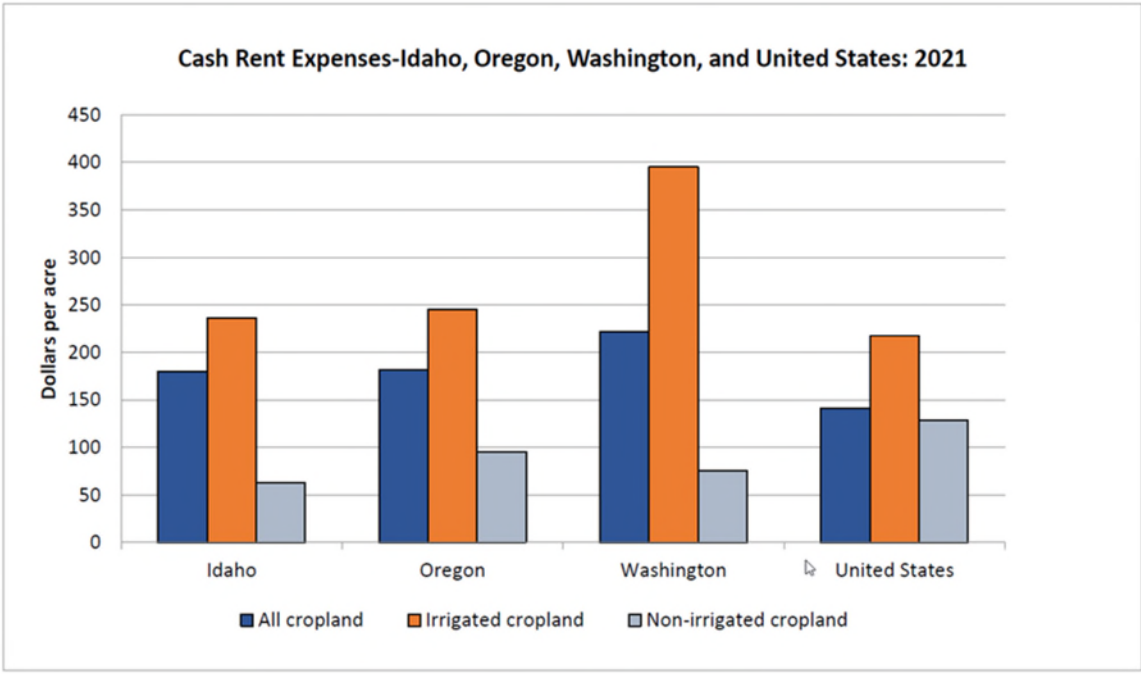
Multi state average land values are also reported as detailed on the following table:

Land Values, Average Value per Acre — Idaho, Oregon, Washington, and United States: 2017-2021

State and land type	2017	2018	2019	2020	2021	Change 2020-2021
	(dollars)	(dollars)	(dollars)	(dollars)	(dollars)	(percent)
Idaho						
Cropland	3,570	3,740	3,930	4,070	4,450	9.3
Irrigated cropland	5,410	5,690	6,020	6,210	6,800	9.5
Non-irrigated cropland	1,530	1,590	1,650	1,720	1,890	9.9
Pasture	1,420	1,490	1,560	1,610	1,700	5.6
Farm real estate [1]	2,730	2,870	3,000	3,110	3,350	7.7
Oregon						
Cropland	2,920	3,000	3,080	3,120	3,310	6.1
Irrigated cropland	4,950	5,180	5,290	5,430	5,800	6.8
Non-irrigated cropland	2,170	2,200	2,220	2,220	2,340	5.4
Pasture	715	728	750	760	830	9.2
Farm real estate [1]	2,360	2,430	2,500	2,530	2,790	10.3
Washington						
Cropland	2,660	2,630	2,630	2,610	2,700	3.4
Irrigated cropland	8,000	7,930	7,690	7,650	7,800	2.0
Non-irrigated cropland	1,270	1,260	1,260	1,240	1,310	5.6
Pasture	782	766	766	740	750	1.4
Farm real estate [1]	2,760	2,840	2,820	2,760	2,900	5.1
United States [2]						
Cropland	4,030	4,050	4,100	4,100	4,420	7.8
Irrigated cropland	(NA)	(NA)	(NA)	(NA)	(NA)	(NA)
Non-irrigated cropland	(NA)	(NA)	(NA)	(NA)	(NA)	(NA)
Pasture	1,330	1,370	1,400	1,400	1,480	5.7
Farm real estate [1]	3,030	3,100	3,160	3,160	3,380	7.0

(NA) Not available.
[1] Includes value of all land and buildings.
[2] Excludes Alaska and Hawaii.





The USDA Cropland Cash Rent Report suggests that market rent for the average pastureland in Washington State is $8.00 per acre, and the average pastureland value in Washington State is $750 per acre.

A study of multi county cash rent per acre for the average pastureland shows that over the last four years rents have been relatively stable with minimal movement in cash rent per acre.

NEIGHBORING COUNTY STUDIES

A search of agricultural properties in neighboring Western Washington counties provided rentals applicable to pastureland, cropland, farm outbuildings and farm residences. The multi-state studies and neighboring county studies provide general supporting information, and with the dearth of information available in San Juan County, this relatively nearby information is useful.

	Location	Area (acres)	Improvement (square feet)	Annual rent
1	Snohomish County farm - 160 acre crop	160.00		$12,000
2	Snohomish County farm - good quality		5,600	
3	Snohomish County farm - ancilary		832	
4	Whatcom good quality freestall barn lease		35,450	$26,400
5	Whatcom freestall barn lease		3,450	$5,340
6	Whatcom cropland lease			$71,250
7	Lewis cropland lease			$5,750
8	Whatcom cropland lease			$40,055
9	Whatcom dry cropland lease	68.98		$6,898
10	Whatcom good 2 story house rent 4 bed 2		2,844	$21,000
11	Whatcom fair 2 story house rent 3 bed		1,468	$14,400
12	Whatcom fair 2 story house rent 4 bed 1		1,392	$7,800
13	Whatcom cropland lease (1/2 potatoes),	132.04		$52,816
14	Lewis irrigated cropland lease	100.00		$16,000
15	Pierce irrigated cropland lease	200.00		$20,000
16	Cowlitz irrigated cropland lease, Class I	180.00		$27,000
17	Cowlitz irrigated cropland lease, Class I, III	560.00		$44,800
18	Cowlitz average 1 story house rent 2 bed 1		770	$9,600
19	Cowlitz average 1 story house rent 3 bed 1		840	$12,000
20	Cowlitz average 1 story house rent 3 bed 1		1,064	$12,000
21	Skagit cropland lease	40.00		$8,000
22	Skagit cropland lease, Class II and IV	34.00		$8,500
23	Whatcom cropland lease, Class III soils	213.99		$64,197
24	Whatcom fair main floor house rent 3 bed 1		1,404	$9,600
25	Whatcom fair daylight basement house		1,404	$5,400
26	Whatcom machine shed/shop lease Pole		5,000	$6,600
27	Whatcom blended rate, irr cropland, older	72.00		$36,000
28	Lewis county forage lease one			
29	Lewis county forage lease two			

	Location	Area (acres)	Improvement (square feet)	Annual rent
30	Island County non irrrigated cropland/forage	10.00		$300
31	Island County non irrrigated cropland/forage	65.00		$2,925
32	Island County non irrrigated cropland/forage	70.00		$3,500
33	Island County non irrrigated cropland/forage	200.00		$13,000
34	Island County non irrrigated cropland/forage	28.00		$1,820
35	Island County non irrrigated cropland/forage	45.00		$2,925
36	Island County non irrrigated cropland/forage	28.00		$1,820
37	Island County non irrrigated cropland/forage	30.00		$2,148
38	Island County non irrrigated cropland/forage	5.30		$318
39	Island County non irrrigated cropland/forage	3.70		$222
40	Island County non irrrigated cropland/forage	33.20		$1,992
41	Island County ag buildings: machine shed/barns/loafing shed/equipment shed	15.78	65,190	$6,400

This information is helpful, especially in the case of agricultural buildings as lease information relevant to these types of structures is notoriously difficult to obtain. However, the best information is to be found in the more localized market area, when adequate data is available. A survey of local property owners and agricultural tenants provides additional information at the local level. Repeatedly, those participating in this study requested that the location and the landlord/tenant relation be kept confidential. With the confidentiality requirement in mind the following results of the study are provided. This information was gathered during the interview process with these local farmers engaged in the leasing of agricultural land similar to the subject property.

	Location	Site Area (acres)
1	Orcas Island free except tenant pay $60/year electicity for irrigation pump.	2.00
2	Orcas Island irrigated cropland @ $250/acre/year, pasture at $30/acre/year	18.00
3	Orcas Island lease smaller acreage all for free except for one with a 864 sf barn with a 500 bale capacity. This parcel is fenced and is free with the barn, with the tenant repairing the fence as needed.	
4	15 acres pasture 1/2 fenced $500/year or trade for fencing	15.00
5	Lopez Island 50 acres - six acres cropland 44 acres pasture improved with farm structure built with landlord's materials and tenant's labor.	50.00
6	Lopez Island free - many leased sites, pasture, dryland crop	
7	Lopez Island - 440 acres for $6,000 per year ($13.64 acre) includes small house and barn	440.00
8	Lopez Island - irrigated cropland, water supplied by landlord	0.50
9	San Juan Island - 10 acres non irrigated cropland at $97.59/acre	10.00
10	San Juan Island - 1.5 acres with water and electricity for no payment.	1.50
11	San Juan Island - lease very small plots for atypcial use, not r	
12	San Juan Island - A range of free to $14.00 per year for grazing and hay production.	1000.00
13	San Juan Island - $9/per AU per month, with a maximum of 45 Animal Units = $405/month x 12 months $4,860 per year. With 159 acres, that is $30.37/acre per	159.00
	Improvements	
14	San Juan Island - 2 bed I bath $900 to $1,200	
15	San Juan Island - 2 bed I bath $1,000 to $1,250	
16	San Juan Island - 7,500 sf metal clad hay storage, $1,200/year $0.16/sf/year.	
17	San Juan Island - 2 bed 2 bath $1,400	

Lease Format

In each case, the tenant pays all farming expenses but does not pay real property tax or real property insurance on any of these leases. It is assumed that the expense format relevant to these leases is similar to the expense allocation between owner and lessee at the subject property.

A few of the local farmers provided additional insight into the San Juan County agricultural market relevant to leasing agricultural property as follows (names and places are redacted):

CONTRIBUTOR ONE

Farming in San Juan County is not a profitable venture, but a labor of love. Depending on the demands of the landowner or the limitations on the farmer, it quickly becomes a scenario where the farmer should be getting paid to maintain open space and aesthetics by the landowner. Generally, in order for farm leases to work, leasing should be free with the landowner paying for improvements. I know this doesn't necessarily fit your model, but I cannot think of one farm in the County that has paid for itself without outside subsidization. Farmers that do pay for land use have other businesses that support their farming such as excavating, retirement pensions, county jobs, fish businesses, family trusts, construction, and so on and if a farmer is expected to operate and maintain a large farm in a way to satisfy a land bank or trust, that farmer is going to have a hard time maintaining an outside job to help pay for farm improvements and costs.

Lease One: We lease (130 acres, Pasture, grain & hay). We added permanent fencing paid for by the landowner. The land owner paid for materials out of pocket and labor was paid for by sales of logs from the property. A pond and seasonal marsh water are available. No payment is made, however we put the property into open space and maintain paperwork with the assessor which includes a farm plan.

There is a seasonal pond. Soil amendments and reseeding (value $500 per acre after 6 years of leasing) is paid for by us, the lessee. No other lease payment is made.

Lease Two: (~80 acres hay, grain, pasture) We added permanent fencing paid for by the landowner. There is a pond available along with well water. We pay $50 per acre per year which we charge back for land improvements per year.

Lease Three: (~35 acres pasture). We added permanent fencing paid for by the landowner. 2 ponds are available for use. No payment is made.

Lease Four: (12 acres, grain, hay) Partial permanent fencing was existing, no pond or water. No cash payment is made. We added soil amendments and reseeding at $500 per acre.

Lease Five: We recently stopped leasing this parcel which included fields, barn and corral, after 15 years of use. We rebuilt the corral and all of the permanent fences and paid for them in exchange for rent. This farm included well water and seasonal marsh water along with power.

I'm not saying that a lease should not be charged but it has to be seriously considered if the goal is to keep a farmer in place and ensure they are not unfairly burdened by regular payments. As for a house on site it should probably be close to a fair market-rate rental or it can be wrapped into an overall general 'farm' lease so as to make it appear inclusive as it is just a part of the whole and necessary for the operation of the farm.

We end up with no out of pocket expenses. Two parcels have no houses and are just farmland and forest land. Another parcel has a home on it, but it is used on weekends by the family. Another piece has a second home on it and the small field on two adjacent parcels that have primary homes for the owners. On Lopez in particular, but overall in the San Juans, the aesthetics of farmland or a view corridor is valuable. Here on Lopez, we have the extra benefit of having many landowners value farming and therefore want to support it. Each of the large parcels we use are in Open Space tax status giving a significant tax break to the landowners. This requires that a farm plan is filed with the assessor and that the landowner file a schedule F on their taxes to show an intent to make a profit. Some landowners in the county may charge for farmland, but it would have to have improvements (water, fencing and some fertility) to be of interest to a farmer. Farming is marginal here because of the low rainfall (and therefore limited production), the added challenge of the ferry systems and distance from markets and infringing wealthy-second home-community. We do have some advantages which create niche opportunities for the creative, resourceful, and hard-working.

I do understand the desired structure of a lease in place for a property like the Coffelt's, but I hope it would be structured in such a way as to provide the exchange needed to keep both parties in check- whether that is monetary or some other form of tracking. The buildings and infrastructure are the most valuable assets of the farm. As those are the hardest to secure, perhaps a lease should be tied directly to them.

CONTRIBUTOR TWO

Very little irrigated pasture or crop land out here. Water is our weak link. The whole county is considered an aquifer re-charge area. Two farms on SJI have large water rights and irrigate pastures from lakes, a third does it without a water right. Lopez has one farm with lake water right for irrigation and Orcas has none that I know of. Most agriculture production for vegetable crops is done on a small scale as CSA or Farmers Market outlets and use drip pumped from ponds some with water rights the majority without. That is why livestock is such a large percentage of our agricultural production. We can grow good grass with adequate rains.

CONTRIBUTOR THREE

I only know of a few "historic" lease rates. Three 40 acre parcels along with another contiguous 80 acres cattle was run on the majority of the land and harvested hay on two parcels. Rent was $500 per year ($4.16/acre) for the 120 acres with no requirement for any stewardship deliverables. No soil testing, no forage testing, just ran the cows around on it year-round and beat it into a mess.

We felt the houses should be rented at the fair and current prices we see in the community which averages up to $1,200 but can go as low as $900 a month, depending on the size and condition of the rental. (We are not talking about shoreline mega homes, just plain inland houses mostly in the Urban Growth Areas such as Friday Harbor, Eastsound, Lopez Village).

Land lease for farmland is all over the place with almost half of the leases having no fees at all. Personally, I would not pay a great deal, if any, money to lease Coffelt farm land. It is worn out from the historic management which was mostly reducing fertility over time with little to no inputs, no soil tests, no nutrient cycle management and bringing in off-farm feed to keep animals through the winter months with no capture of waste for compost and re-application.

Non-irrigated pasture / forage land.

ANALYSIS

The leasing of the Coffelt Farm includes several components: The pastureland, the ½ acre cropland, the farm residence, and the outbuildings. The land supporting the residence and the outbuildings is considered at the pastureland rate.

Agricultural landowners in San Juan County typically have a motivation to be able to prove at least some minimal income from their acreage "farms" to be able to qualify for a real property tax abatement available under the Opens Space/Agricultural Classification administrated by County Assessor as promulgated by RCW 84.34. This results in the unusual practice of some owners not requiring any lease payment from farmers who use the land for hay production and or grazing. In both instances, the lessees often augment the aesthetics of the property for the landowners. In spite of this practice, there are leases in place that do include payment for the use of the land in support of hay production and grazing. Some of the San Juan County participants in the survey expressed an opinion that the days of free use of the land are waning to a point, with more and more landowners insisting on some form of payment.

Irrigated cropland generally is only leased for a monetary return, as is the case for a residence and functioning outbuildings. Rent for each of these segments will be estimated next, and the sum of the each of the lease amounts for the various components will provide the estimated rental amount applicable to the subject property for year 2022.

Pasture/Farmstead Rent per acre:

The following rent comparables are the most relevant for the pastureland and farmstead portion of the subject property:

	Location	Site Area (acres)	Pasture Acreage	Pasture Rent/year
1	San Juan Island - 100 acres	100.00	100.00	$6.25
2	Orcas Island - 43 acres	43.00	43.00	$11.63
3	San Juan Island - A range of free to $14.00 per month for grazing and hay production.	1000.00	1000.00	$14.00
4	Lopez Island 50 acres - six acres irrigated cropland 44 acres pasture improved with farm structure buiilt with landlord's	50.00	44.00	$19.32
	San Juan Island - 40.06 acres	40.06	40.06	$22.46
5	San Juan Island - 111 acres	111.00	111.00	$26.67
6	Orcas Island irrigated cropland @ $250/acre/year, pasture at $30/acre/year farmstore at $400/month	18.00	15.00	$30.00
7	15 acres pasture 1/2 fenced $500/year or trade for fencing	15.00	15.00	$33.33
8	Lopez Island free - many leased sites, pasture, dryland crop			
9	San Juan Island - $9/per AU per month, with a maximum of 45 Animal Units = $405/month x 12 months $4,860 per year. With 159 acres, that is $30.57/acre per year.	159.00	159.00	$30.57
10	San Juan Island - 70 acres	283.00	70.00	$42.86
11	San Juan Island - 44.8 acres	57.90	44.80	$80.36
	Mean			**$28.86**
	Median			**$26.67**

These eleven lease comparables in San Juan County range from $6.25 per acres to $80.36 per acre. The central tendencies include a mean of $28.86/acre and a median of $26.67/acre. The lower end leases are either for a very large holding (1,000 acres), and/or are influenced heavily by the availability, in some cases, for free use of the land or near free use of the land on nearby sites. Lease 10 at a maximum of $30.57/acre with 45 Animal Units is interesting in that the lease amount is based on Animal Units (A cow/calf pair or bred cow is one animal unit. Unbred heifers and steers count as one half of a unit) supported by the availability of the lease area to sustain agricultural use rather than a flat $/acre. The lease area is 159 acres, similar in size to the subject land area. According to the contact on this comparable leased property, the tenant cannot maximize the number of Animal Units so the payment varies. It's usually between 35 to 40 Animal Units. The average income from this lease is closer to $26/acre per year.

In consideration of this information a unit rent relevant to the subject pasture/farmstead area is reconciled near to, but slightly lower than the central tendencies, at $26/acre per acre per year.

Cropland per acre:

The following rent comparables are the most relevant for the ½ acre cropland area of the subject property. The cropland rent/year is annual:

Location	Site Area (acres)	Cropland Acreage	Cropland Rent
Lopez Island 50 acres - six acres irrigated cropland 44 acres pasture improved with farm structure buiilt with landlord's materials and tenant's labor.	50.00	6.00	$275
Orcas Island irrigated cropland @ $250/acre/year,	18.00	3.00	$250
Lopez Island - irrigated cropland, water supplied by landlord	0.50	0.50	$250

These three lease comparables in San Juan County range from $250 per acres to $275 per acre per year. The last lease in this list of San Jan County comparables is the same size as the subject property cropland area at $250/acre.

A unit rent relevant to the subject cropland at $250/acre/year is well-supported.

Farm Manager's Residence Rental Amount:

The following rent comparables are the most relevant for the Farm Manager's residence with a total first floor areas of area of 1,120 square feet. A loft is reached by an atypically steep staircase with an area of 148 sq. ft. There are two bedrooms and one bathroom on the main level, and an upper area loft utilized as a bedroom without a bathroom. Unlike the crop and pastureland leases residential leases are typically quoted on a monthly rent basis.

Farm residence	Rent/month
Whatcom fair 2 story house rent 4 bed 1 bath	$650
Cowlitz average 1 story house rent 2 bed 1 bath	$800
San Juan Island - 2 bed I bath $900 to $1,200	$900
San Juan Island - 2 bed I bath $1,000 to $1,250	$1,000
Cowlitz average 1 story house rent 3 bed 1 bath w/336 carport	$1,000
Cowlitz average 1 story house rent 3 bed 1 bath w/700 sf attached garage	$1,000
Whatcom average 2 story house rent 3 bed and 1 and 3/4 bath	$1,200
San Juan Island - 2 bed 2 bath $1,400	$1,400
Snohomish County farm - ancilary residence, $1,700/month	$1,700
Whatcom fair 2 story house rent 4 bed 2 bath 2 story, attached garage	$1,750

The monthly rent for comparable residences covers a wide range from $650/month for houses in poor condition and fair quality to a $1750/month larger 4-bedroom 2 bath residence with an attached garage. The three San Juan County comparables are from $900 per month to $1,400 per month.

With the most weight on the San Juan County comparables, recognizing the housing rentals are higher in San Juan County compared to farming areas in Cowlitz and Whatcom Counties, the market rent for the residence is reconciled at $1,400 per month, or $16,800 per year.

Farm Outbuildings Rental Amount

The following rent comparables are the most relevant for the Farm Outbuildings. This is predictably one of the more difficult categories to get rent comparables for. Farm utility structures are rarely leased, in comparison to land and/or residences. Nevertheless, the lease comparables listed below were researched with the following results:

Location	Improvement (square feet)	Outbuildings	$/sf
Island County ag buildings: machine shed/barns/loafing shed/equipment shed	65,190	$6,400	$0.10
San Juan Island - 7,500 sf metal clad hay storage, $1,200/year $0.16/sf/year.	7,500	$1,200	$0.16
Whatcom machine shed/shop lease Pole frame concrete floor	5,000	$6,600	$1.32
Whatcom freestall barn lease	3,450	$5,340	$1.55
Snohomish County farm - very good quality 5,600 sf hay barn	5,600	$9,600	$1.71

The total size of the structures leased ranged from 3,450 square feet to 65,190 square feet, bracketing the total footprint to the subject improvements at 12,073 square feet.

Compared to the subject improvements, the only rent comparable which has a larger footprint is the Island Agricultural Building Complex at 65,290 sq. ft. Typically, larger complexes lease for a lower rate than smaller complexes, all other factors being equal. This is clearly true from this data set, suggesting that the subject improvements would lease for a materially higher rate than suggested by this one comparable.

The 7,500 square foot metal-clad haybarn in San Juan County is commensurate with the lower grade structures on site, but some of the structures such as the dairy barn, have more expensive improved areas, and a few structures are fairly new, and this suggests that the subject lease rate for the improvements complex should be materially higher than the rate indicated by this lower quality single pole barn.

The remaining three lease structures are all smaller than the subject improvements complex, and of good quality suggesting that the subject leased improvements would command a substantially lower lease rate. The range in which the subject lease rate should fall is between $0.16/sf and $1.32/sf.

With such a large range within which the subject property lease amount for the farm improvements is likely to fall, a second approach is utilized.

CAPITALIZATION OF VALUE TO DETERMINE MARKET RENT

The second method utilizes a rate of return based on the improvement's collective depreciated value in order to estimate market rent. This method is more complex in that the value of the subject property improvements is first ascertained through a Cost Analysis.

This building valuation first requires an estimate of the replacement cost new of the improvements, then depreciation due to wear and tear (physical deterioration), design and plan (functional obsolescence) and neighborhood defects (external obsolescence). Entrepreneurial profit is added to complete the Cost Approach applicable to the improvements.

Replacement cost new is the cost of construction at current prices of a building having utility equivalent to the building being valued but built with modern materials and according to current standards, design and layout. The use of the replacement cost concept presumably eliminates all functional obsolescence, and the only depreciation to be measured is physical deterioration and external obsolescence.

The Marshall Valuation Service is a nationally recognized cost service which is utilized to estimate the replacement cost. Each item listed has its prorated share of other miscellaneous costs included, namely:

a) Average architect's and engineer's fees, including plans, plan check and building permits, and surveying to establish building lines and grades are included.

b) Normal interest on building funds during periods of construction and processing fee or service charge is included.
c) Sales taxes on materials are included.
d) Normal site preparation including excavation for foundation and backfill.
e) Utilities from structure to lot line figured for typical setback.
f) Contractor's overhead and profit, including job supervision, workmen's compensation, fire and liability insurance, unemployment insurance, et cetera, are listed.

They do not include such indirect costs as:

a) Costs of buying or assembling land such as escrow fees, legal fees, property taxes, demolition, storm drains, or rough grading, which are considered costs of doing business or land improvement costs.
b) Interest during typical rent-up periods.
c) Costs of land planning or preliminary concept and layout for large developments are not included, nor are interest or taxes on the land.
d) Off-site costs including roads, utilities, jurisdictional hook-up fees and assessments, etc.
e) Appraisal fees.
f) Entrepreneurial Profit and Overhead compensates the developer for project risk and management. It is unlikely that a developer would proceed with a development unless adequate profit is available to justify the effort. This cost component includes office overhead, staff, and profit. Entrepreneurial Profit generally ranges between 5% and 20% of the replacement costs, depending upon project size, location, and marketability. Considering the overall scope of the subject project, a developer's profit of 5% of the replacement cost is considered appropriate for the subject property.

The Marshall Valuation Service is utilized in estimating the replacement cost of the improvements. After the replacement cost is estimated, Entrepreneurial Profit is added, and any depreciation is applied.

The resultant value indication is then capitalized to arrive at a rental projection, at a higher rate than utilized for non-irrigated unimproved cropland. Investors in the market surveyed suggest that these rates should be between 4% and 10%. Several investors stated that improved properties are not as desirable as pure cropland because of the added level of effort involved in management. Direct capitalization rate comparables of improved agricultural properties surveyed have a mean of 4.49%, supporting a capitalization rate in this instance of 4.5%.

The Marshall and Swift analysis of replacement costs follows as applied to each pertinent improvement type. Note that the numbering of the improvements is the same as that used in the property description portion of the report:

MARSHALL VALUATION SERVICE - CALCULATOR METHOD - SQUARE FOOT COSTS

	Improvement	1	4	5	6
	Section	17-P14	17-P12	17-P33	17-P38
		472	456	565	316
	Marshall Swift	D Pole Average	D Good	Average D	D Pole Average
		Farmstand/Shop	Deep Well Shed	Hay Shed	Dairy Barn
	SIZE (Square feet)	1,750	102	728	4,225
	EFFECTIVE AGE (Years)	15	5	10	15
	Economic Life	30	20	15	25
1	**BASIC SQUARE FOOT COST**	$6.20	$24.55	$4.25	$37.50
2	Heat	$0.00	$0.00	$0.00	$0.00
3	Roof surface	$0.00	$0.00	$0.00	$0.00
4	Floor surface	$0.00	$0.00	$0.00	$0.00
5	Subtotal	$6.20	$24.55	$4.25	$37.50
6	**HEIGHT AND SIZE REFINEMENTS**				
5	Number of stories-multiplier	1.000	1.000	1.000	1.000
6	Story height multiplier	1.000	1.000	1.000	1.000
7	Floor area-perimeter multiplier	0.980	1.000	1.200	0.950
8	Combined height & size multiplier (Lines 4 x 5 x 6)	0.980	1.000	1.200	0.950
9	**FINAL CALCULATIONS**				
10	Refined square foot cost	**$6.08**	**$24.55**	**$5.10**	**$35.63**
11	Current cost multiplier	1.070	1.070	1.070	1.070
12	Local multiplier	1.190	1.190	1.190	1.190
13	Total Adjustments (lines 11, and 12)	1.273	1.273	1.273	1.273
14	Final square foot cost (Line 10 x 14)	**$7.74**	**$31.26**	**$6.49**	**$45.36**
15	**BUILDING REPLACEMENT COSTS**	**$13,539**	**$3,188**	**$4,728**	**$191,652**
16	Add Profit	5%	5%	5%	5%
17					
18	Replacement Cost New with Profit	$14,216	$3,348	$4,964	$201,234
19	Less: Depreciation	35%	18%	40%	48%
20	TOTAL OF ALL BUILDINGS	$9,240	$2,745	$2,978	$104,642
21	**TOTAL BUILDING & OTHER IMPROVEMENTS COSTS**	**$5.28**	**$26.91**	**$4.09**	**$24.77**
22	**Capitalization Rate**				
23	**TOTAL**				
	Rounded				

Internal calculations provide a greater degree of accuracy than as shown

MARSHALL VALUATION SERVICE - CALCULATOR METHOD - SQUARE FOOT COSTS

	Improvement	7	8	9	10
	Section	17-P11	17-P14	17-P30	17-P12
		473	472	102	456
	Marshall Swift	Low Cost D	D Average	Low Cost D Pole	D Average
		Composting Shed	Chicken Processing	Sheep Barn	Spring Well Shed
	SIZE (Square feet)	1,736	240	1,280	100
	EFFECTIVE AGE (Years)	5	15	30	10
	Economic Life	15	30	15	15
1	**BASIC SQUARE FOOT COST**	$7.00	$26.00	$16.70	$52.50
2	Heat	$0.00	$0.00	$0.00	$0.00
3	Roof surface	$0.00	$0.00	$0.00	$0.00
4	Floor surface	$0.00	$0.00	$0.00	$0.00
5	Subtotal	$7.00	$26.00	$16.70	$52.50
6	**HEIGHT AND SIZE REFINEMENTS**				
5	Number of stories-multiplier	1.000	1.000	1.000	1.000
6	Story height multiplier	1.500	1.077	1.350	1.000
7	Floor area-perimeter multiplier	1.000	1.000	1.100	1.000
8	Combined height & size multiplier (Lines 4 x 5 x 6)	1.500	1.077	1.485	1.000
9	**FINAL CALCULATIONS**				
10	Refined square foot cost	**$10.50**	**$28.00**	**$24.80**	**$52.50**
11	Current cost multiplier	1.070	1.070	1.070	1.070
12	Local multiplier	1.190	1.190	1.190	1.190
13	Total Adjustments (lines 11, and 12)	1.273	1.273	1.273	1.273
14	Final square foot cost (Line 10 x 14)	**$13.37**	**$35.65**	**$31.58**	**$66.85**
15	**BUILDING REPLACEMENT COSTS**	**$23,210**	**$8,557**	**$40,419**	**$6,685**
16	Add Profit	5%	5%	5%	5%
17					
18	Replacement Cost New with Profit	$24,370	$8,985	$42,440	$7,019
19	Less: Depreciation	18%	35%	80%	40%
20	TOTAL OF ALL BUILDINGS	$19,984	$5,840	$8,488	$4,211
21	**TOTAL BUILDING & OTHER IMPROVEMENTS COSTS**	**$11.51**	**$24.33**	**$6.63**	**$42.11**
22	**Capitalization Rate**				
23	**TOTAL**				
	Rounded				

Internal calculations provide a greater degree of accuracy than as shown

MARSHALL VALUATION SERVICE - CALCULATOR METHOD - SQUARE FOOT COSTS

	Improvement	11	12	13	14	
	Section	17-P22	17-P33	17-P33	17-P22	
		135	113	565	135	
	Marshall Swift	S Low Cost	D Good	D Good	S Cheap	
		Hoop House	Loafing Shed	Manure Shed	Hoop House	
	SIZE (Square feet)	400	312	100	1,100	
	EFFECTIVE AGE (Years)	5	2	2	5	
	Economic Life	10	25	25	10	
1	**BASIC SQUARE FOOT COST**	$3.88	$9.29	$7.62	$3.45	
2	Heat	$0.00	$0.00	$0.00	$0.00	
3	Roof surface	$0.00	$0.00	$0.00	$0.00	
4	Floor surface	$0.00	$0.00	$0.00	$0.00	
5	Subtotal	$3.88	$9.29	$7.62	$3.45	
6	**HEIGHT AND SIZE REFINEMENTS**					
5	Number of stories-multiplier	1.000	1.000	1.000	1.000	
6	Story height multiplier	1.000	1.000	1.000	1.000	
7	Floor area-perimeter multiplier	1.000	1.000	1.000	1.000	
8	Combined height & size multiplier (Lines 4 x 5 x 6)	1.000	1.000	1.000	1.000	
9	**FINAL CALCULATIONS**					
10	Refined square foot cost	**$3.88**	**$9.29**	**$7.62**	**$3.45**	
11	Current cost multiplier	1.070	1.070	1.070	1.070	
12	Local multiplier	1.190	1.190	1.190	1.190	
13	Total Adjustments (lines 11, and 12)	1.273	1.273	1.273	1.273	
14	Final square foot cost (Line 10 x 14)	**$4.94**	**$11.83**	**$9.70**	**$4.39**	
15	**BUILDING REPLACEMENT COSTS**	**$1,976**	**$3,691**	**$970**	**$4,832**	**$303,446**
16	Add Profit	5%	5%	5%	5%	
17						
18	Replacement Cost New with Profit	$2,075	$3,875	$1,019	$5,074	**$318,619**
19	Less: Depreciation	42%	5%	5%	42%	
20	TOTAL OF ALL BUILDINGS	$1,203	$3,681	$968	$2,943	
21	**TOTAL BUILDING & OTHER IMPROVEMENTS COSTS**	**$3.01**	**$11.80**	**$9.68**	**$2.68**	**$166,924**
22	**Capitalization Rate**					**4.50%**
23	**TOTAL**					**$7,512**
	Rounded					**$7,500**

Internal calculations provide a greater degree of accuracy than as shown

The range in which the subject lease rate should fall based on the improved lease comparables is between $0.16/square foot and $1.32/square foot based on the direct comparison analysis employed prior to this cost capitalization analysis. The suggested lease amount for the subject improvements by applying a capitalization rate to the depreciated value of the improvements is $7,500 per year, or $0.62/sf per year, bracketed and supported by the lease survey.

The subject property lease amount for the farm improvements is thus reconciled at $7,500 per year.

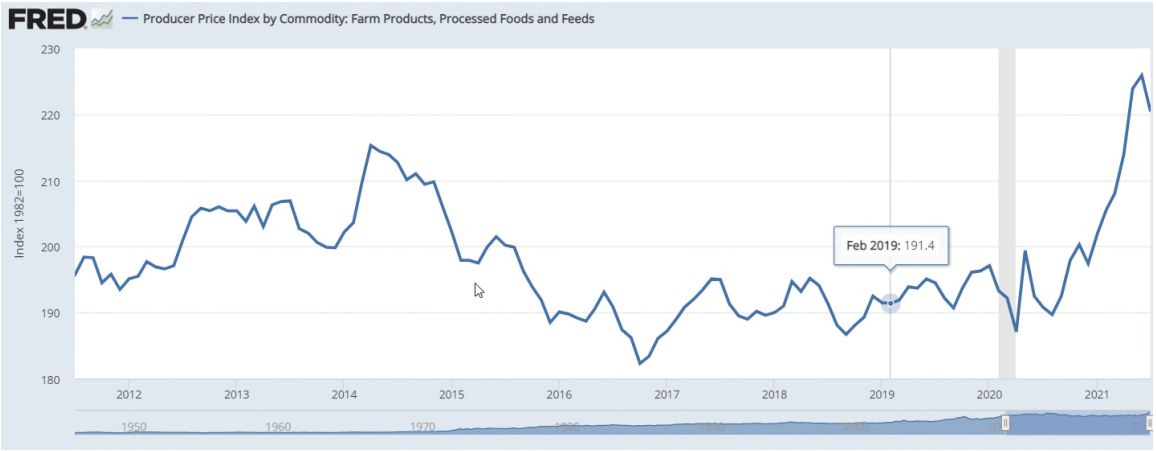
Conclusion

The components of the subject property when combined provide an estimated annual market rent of $28,300 (rounded) as delineated below:

		Site Area (acres)	Improvement (square feet)	Rent/ Acre	Annual Land rent
Rent for land					
1	Pasture/farmstead	149.50		$26	$3,887
2	Cropland	0.50		$250	$125
	Sub total	**150.00**			**$4,012**
Farm Manager's Residence					
3	1,120 sf + 148 sf loft = 1,268 sf. Fair quality/condition		1,268		$16,800
	Sub total				**$16,800**

			Annual Impr. Rent Per Year
Farm Support Structures			
4	Farm Stand Shop No. 1	1,750	
5	Deep well shed No. 4	102	
6	Hay Barn (mobile slaughter site) No. 5	728	
7	Dairy barn No. 6	4,225	
8	Composting Shed No. 7	1,736	
9	Chicken Processing Shed No. 8	240	
10	Sheep barn No. 9	1,280	
11	Spring well shed	100	
12	Loafing shed (heavy use area) No. 12	312	
13	Hoop house (grazing island) No. 11	400	
14	Manure shed (heavy use area) No. 13	100	
15	Hoop house (market garden) No. 14	1,100	
	Sub total	**12,073**	**$7,500**
	Total rent		**$28,312**

This is an indication of the rent relevant to the property as of the prospective date of January 1, 2022, with lease terms assumed that the landlord would be responsible for property taxes, building insurance, and improvement maintenance, and utility expenses would be the responsibility of the tenant. In the event of a longer-term lease (in excess of one year), some annual adjustment mechanism is assumed. In commercial leasing, this adjustment is frequently tied to a Consumer Price Index. This is not a suggested method for the subject property. The chart below is the most recent Producer Price Index applicable to Commodity Farm Products, which is more relevant to non-urban ag properties. This chart shows an increase of 17.35% over the last year. Over the graphed last ten years there is considerable volatility, making such an index not reliable for tracking future rent adjustments for a leased farm.



In the case of agricultural property such as the subject property, a suggested methodology is to tie future lease rate adjustments to change in USDA Cash Rent Expense per Acre for pastureland in WA State, as agricultural rents frequently do not track well with CPI or PPI changes. For instance, in Washington State, irrigated cropland rent increased over the last year by 1.3%, non-irrigated cropland rent decreased over the last year by 6.3%, and there has been no change in pastureland over the past three years. The latter is the recommended category to reference future annual changes to overall land rents applicable to the subject property.

The Reserve Study section of this report considered the agricultural buildings, one residential structure and other farm infrastructure including water and electrical systems, fencing and roads. The purpose of the Reserve Study is to estimate anticipated maintenance and replacement costs over the next ten-year period.

Structures

There are serval categories considered in the study starting with the buildings identified as being relevant to the Reserve Study, (for instance the Coffelt residence is not included as it is subject to a life estate, and the Tiny House is not included because it is equipment, effectively a trailer). The Land Bank office is not included in the rent study section, but comments are included in this Reserve Study. Much of the information provided below is the result of an inspection report prepared by Jonathon Quigley of San Juan Islands Home Inspection LLC, which is relied upon in the preparation of this report.

1. FARM STAND

EXTERIOR

The building has had some fairly recent renovation, including newer standing seam metal roofing, combination of newer wood siding which is in good condition and some recycled sheet metal which is in fair condition, and metal gutters & downspouts on the south side only. There is no fascia board or gutter on the north side of the building, which is likely contributing to decay / deterioration of the wood nailer boards. The sliding barn door on the south side / southeast area is somewhat heavy/difficult to operate, potentially as a result of some corrosion of the metal track and/or roller hardware, that this may have been exposed to roof run-off before the current gutter was installed. The track / hardware may require repair/replacement in the near future to maintain function.

STRUCTURE

This is an older building, built as a pole barn. As such, the structural columns of the building are partly below the grade of existing soil which can be conducive to decay. Some decay is in evidence in one of the wood columns on the south side near the grade of soil. There is also apparent decay of the wood horizontal nailer board along the bottom of the north wall. There is soil in contact with these boards on the north and west sides, which can be conducive to decay. There is evidence of boring insect (Anobiid beetle) damage to some of the structural timbers of this building. The expectation is that the building, as currently configured, would last more than 10 years. However, substantial capital investment may be required beyond the 10-year study period to maintain the structure.

Decay in bottom of structural column below grade

Extension cord run to outside shed

No fascia board or gutter on north side

decay in siding nailer, Soil contact along bottom of north wall

RECOMMENDATIONS

- Add fascia boards and gutters to north side to control roof drainage
- Maintain roofs & gutters to ensure proper function of roof drainage.
- Consider further evaluation of damaged siding nailer boards at bottoms of north and west walls. Improve grading to eliminate soil contact and/or replace nailer boards with pressure treated material.

2. LAND BANK OFFICE

EXTERIOR

The office building has had some fairly recent renovation, including newer standing seam metal roofing, combination of plywood and wood shingle siding which is in good condition, and metal gutters & downspouts. There is staining in the roof plywood visible at the eave at the west side of the southeast shed of the office building; it is unclear if there is ongoing leaking, periodic problems such as gutter overflowing when blocked with debris, or a prior leak that was repaired.

STRUCTURE

The sub-structure is concealed by skirting and could not be inspected. It is assumed the condition of the sub-structure is adequate to its current use and not currently in need of material maintenance or repairs.

HEATING

There is a wood burning stove as well as an electric fan forced wall heater, both of which should have periodic maintenance / cleaning.

exterior receptacle has "Open ground"

interior receptacle has "Open ground"

Staining in eaves at roof corner

RECOMMENDATIONS

- Monitor area of staining in eaves for indications of active leaking.
- Monitor and maintain roofs & gutters to ensure proper function of roof drainage.
- Clean wood stove & chimney pipe annually and electric wall heater twice annually.

3. FARM MANAGER'S RESIDENCE

EXTERIOR

County records state that this structure was constructed in 2009. Standing seam metal roofing and wood siding are in good condition. With one small exception, the building lacks gutters; however, the building generally has good roof overhangs. There is a small gutter above the side porch, which is one area which would be most vulnerable from damage from roof run-off. There is organic debris in the gutter and on the south side of the roof which should be cleared periodically. There is water damage / decay in door jambs on the east side of the building. The exterior French door is in need of replacement at a cost of $3,500.

STRUCTURE / INTERIOR

The building has substantial/modern concrete foundation and slab on grade floor. Interior finishes are generally in good condition. The stairs to the loft, which is being used as a sleeping room, are not consistent with modern code requirements. There is no in-fill/balusters in the guard railing, the stairs are too steep, and there are large openings between the risers / no riser trim. The cost to remedy this is $2,000.

PLUMBING

The plumbing, where visible, is modern PEX. The faucet drips in the sink in the bathroom. This should be repaired to prevent wasting water and/or overwhelming the septic system. The 50-gallon electric water heater was manufactured in 2015 – these typically last around 20 years.

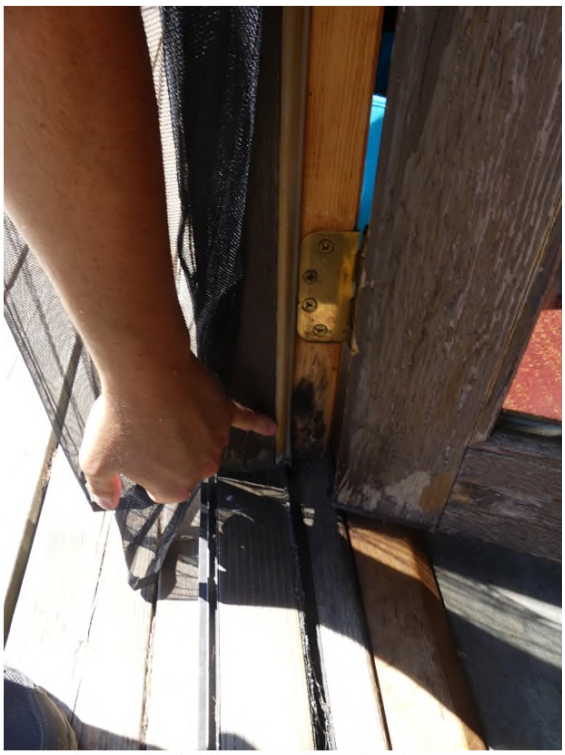
HEATING

There is an electric boiler in the closet off the master bedroom, and PEX tubing apparently for in-floor radiant heat. These should be periodically serviced by a mechanical contractor to ensure proper operation, no leaking, etc. There is some staining on the north exterior below what appears to be the discharge line from the boiler's pressure relief valve. Discharge from this device may indicate a problem with the system which should be further evaluated. There is a wood burning stove which appears to be in good condition and installed in a professional manner. It is generally recommended that wood burning stoves and associated chimney/flue be professionally inspected and cleaned annually.

Evidence of discharge from boiler

loft stairs

Deteriorating exterior finish on French door



Decay in bottom of door jamb

RECOMMENDATIONS

- Have boiler system serviced and evaluate evidence of discharge.
- Monitor and maintain roofs & gutters to ensure proper function of roof drainage.
- Clean wood stove & chimney pipe annually.
- Consider further evaluation of decay in door jamb as well as condition of exterior finish, and repair to prevent further deterioration

4. DEEP WELL PUMP HOUSE

EXTERIOR

The building is of newer construction, with plywood board & batten siding and standing seam metal roofing which are in good condition.

STRUCTURE

No structural deficiencies were observed. The building has a concrete foundation, slab on grade floor, and apparent modern construction.

PLUMBING

There is water treatment/chlorination system in this pump house which typically requires periodic maintenance including plumbing components. There is a shut-off valve in this building for the Dairy barn and possibly for the farm manager's residence as well.

Document with well maintenance info

extension cord is pinched by door

RECOMMENDATIONS

- Consider adding additional electrical receptacles on the exterior of the building and/or a distribution system to the nearby pasture.
- Check with the water system installer and/or a well specialist about maintenance needs. There is a document posted inside this building with some information about maintaining the system.

5. HAY BARN / MOBILE SLAUGHTER

EXTERIOR

The building is of older construction, the corrugated sheet metal roofing appears to be in deteriorating condition and appears to be repurposed; there are rows of unused fastener holes in the roof panels. This may be sufficient for its current purpose, but longevity is unpredictable and occasional repairs may be required in the future. There is a plastic gutter system; I noted one small section of gutter is not adequately supported at the northeasterly corner of the building. Plastic gutters are fairly short-lived and typically require periodic maintenance/repair which is relatively inexpensive.

STRUCTURE

The wood columns appear to be creosoted at their bottoms where in contact with grade. There appears to be some decay / deterioration in the upper portions of some of these columns. The building is in generally good condition, typical of smaller barns of this age.

deterioration in wood pole at NW corner

deterioration in wood poles at middle of south side

RECOMMENDATIONS

- Repair small section of gutter at NE corner.
- Monitor and maintain gutters to ensure proper function of roof drainage. Monitor roofing for indications of damage/failure.
- Consider further evaluation of the deterioration of structural posts to determine if repair is necessary/feasible.

6. DAIRY BARN

EXTERIOR

The building appears to be about 35 years old but has had some recent renovation enclosing the southwest portion. The sheet metal roofing and siding are in good to fair condition. It is common with this type of roofing to find the washer-headed fasteners begin to deteriorate around this age and may allow leaking. Consider having a roofing contractor or other suitable professional further evaluate these fasteners.

STRUCTURE

No structural deficiencies were observed. The wood columns appear to be creosoted or treated timbers which should be resistant to decay. The building is in generally good condition, typical of barns of this age. There is no railing on the open side of the stairs to the tack room/loft. This is fairly common in agricultural buildings but present as a hazard and should be remedied at a cost of $2,000.

PLUMBING

The plumbing, where visible, is modern PEX. The water heater is concealed inside a cabinet and was not inspected. I assume it is from the time of remodeling – these typically last around 20 years

Older electrical sub-panel in east bay

no railing on open side of stairs to tack room

RECOMMENDATIONS

- Monitor and maintain roofs & gutters to ensure proper function of roof drainage. Monitor for indications of failing grommeted roofing screws

7. COMPOSTING SHED

EXTERIOR

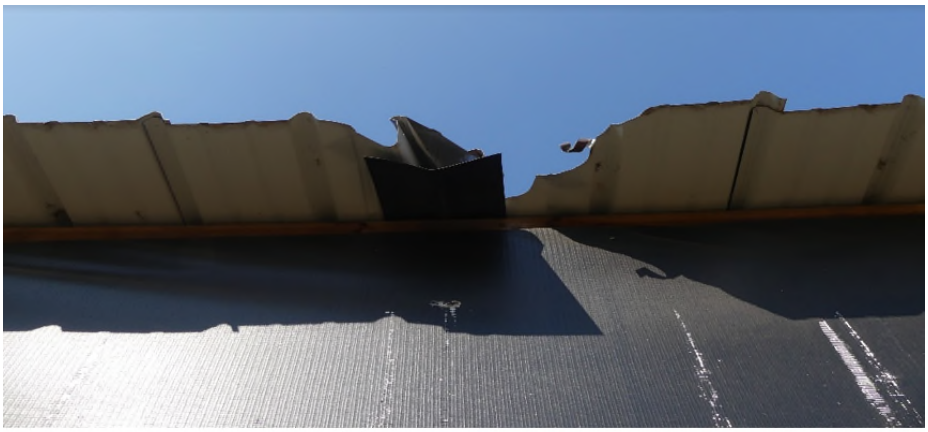
The building appears to be of fairly recent construction. Sheet metal roofing and siding are in good condition. There is a tarp wall at the back (east) of the building protecting hay storage which is in poor condition. There is some relatively minor damage to the roof at the east side, which has been repaired in a rudimentary manner, but is likely sufficient.

STRUCTURE

The building has substantial/modern concrete foundation, pressure treated columns, and a truss roof, consistent with modern best practices for a pole barn.

Wiring splice at electrical drop not in box

tarp in poor condition



roof damage

RECOMMENDATIONS

- Monitor and maintain roofs & gutters to ensure proper function of roof drainage.
- Replace tarp on back wall.
- Consider further evaluation of the roof damage, for example within the context of other roof repairs on the property.

8. CHICKEN PROCESSING SHED

EXTERIOR

The building appears to be of fairly new construction, with wood board & batten siding and corrugated sheet metal roofing which are in good condition. There is no gutter system, but the roof seems designed with large overhangs and angle cuts on ends of rafter tails to minimize the potential for related damage. There is a storage shed attached by a breezeway which does have some apparent water damage to ends of rafter tails and could use improvement to roof drainage.

STRUCTURE

The structure, where visible, appears to be well constructed in modern/professional manner with slab on grade foundation/floor and wood framed walls.

PLUMBING

Water was not flowing at the time of inspection. Visual inspection of plumbing shows equipment is modern. No deficiencies were observed.

Water damage in rafter tails of storage building

RECOMMENDATIONS

- Monitor and maintain roofs & gutters to ensure proper function of roof drainage.
- Consider improvement to eaves/fascia and roof drainage of attached storage shed

9. SHEEP BARN

EXTERIOR

The building is of older construction, with wood board & batten siding and corrugated sheet metal roofing which are in fair condition. There is a plastic gutter system which is good for the longevity of the siding. Plastic gutters are fairly short-lived and typically require periodic maintenance/repair which is relatively inexpensive. I noted the ridge cap on the roof is wood, which may be prone to deterioration and may require repair in the future.

STRUCTURE

No structural deficiencies were observed. The wood columns appear to be creosoted timbers which should be resistant to decay. The building is in generally good condition, typical of smaller barns of this age.

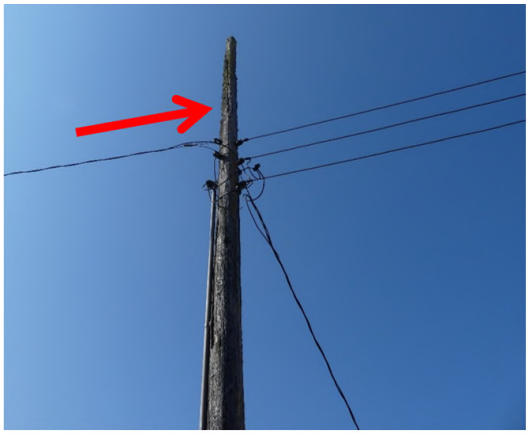
Wood ridge cap

RECOMMENDATIONS

- Monitor and maintain roofs & gutters to ensure proper function of roof drainage and any indications of damage/failure.

HEN HOUSE

This building is not included as part of the rent study, and also not included in the list of structures for the reserve study, however some potential electrical deficiencies were observed that potentially impact the total Coffelt farm complex. There is a potential hazard with the aerial electric service to this building which may merit repair. One unused, energized conductor of the aerial service is simply covered with electrical tape where it terminates near the eaves of the building. If the tape were to fail and the end of the conductor exposed, it could become a hazard, especially if it came into contact with the metal roofing. At the time of inspection, the tape covering was in fair condition. The utility pole in front of this building, which supports aerial service lines to several outbuildings in this area, is showing signs of deterioration and may be due for replacement. There is a GFCI receptacle at the base of this post which did not trip when tested and may be due for replacement to maintain proper protection. Also, the metal roof panels are in deteriorating condition, and some improvements to fastening seem needed in the near future.



Wood utility pole showing deterioration near top

Unused energized conductor only capped with tape

GFCI receptacle did not trip when tested

roof panels appear to need minor repairs

RECOMMENDATIONS

- Consider further evaluation of aerial electric feed by an electrician to understand scope and urgency of repairs.
- Evaluate / repair roofing panels as needed.

10. SPRING WELL HOUSE

EXTERIOR

The building is of newer construction, with wood board & batten siding and corrugated sheet metal roofing which are in good condition. There is a gutter system which is being damaged by contact with adjacent vegetation on the south side of the building. The tree may also eventually cause damage to the roofing and/or roof structure.

STRUCTURE

No structural deficiencies were observed. The building has a concrete foundation and modern construction.

PLUMBING

There is water filtration/treatment equipment in this pump house, including both UV treatment and particulate filters, which typically require periodic maintenance. There are shut-off valves in this building for the Coffelt residence as well as the nearby barns/outbuildings.

Tree in contact with gutter

shut-off valves

UV treatment equipment

Particulate filter

RECOMMENDATIONS

- Clearance to the overhanging tree should be improved and the gutter repaired/restored to improve function.
- Check with the water system installer and/or a well specialist about maintenance needs of the water system.

11. HOOP HOUSE @ GRAZING ISLAND

STRUCTURE

This is an industrial metal hoop storage structure with poly tarp sheeting. The metal frame is in good condition, the tarp sheeting is showing early signs of deterioration and will likely require replacement in the near future.

Tarp beginning to deteriorate

Small hole in tarp

12. LOAFING SHED

EXTERIOR

This building is of fairly recent construction. Corrugated sheet metal roofing is in good condition.

STRUCTURE

The building has substantial concrete foundations, pressure treated columns, and wood framed roofs, consistent with modern best practices for a pole barn.

13. MANURE SHED

EXTERIOR

This building is of fairly recent construction. Corrugated sheet metal roofing is in good condition.

STRUCTURE

The building has substantial concrete foundations, pressure treated columns, and wood framed roofs, consistent with modern best practices for a pole barn.

14. HOOP HOUSE / MARKET GARDEN

STRUCTURE

This is a metal hoop structures with plastic sheeting. The metal frames are in good condition, the plastic sheeting will require replacement.

Septic Systems

There are two septic systems on the property. Both were installed prior to the current ownership. The first known septic system was installed in 1980 to serve the main farmhouse and barn. The septic tank is located just east of the farmhouse and a gravity line leads to a drainfield approximately 120 feet east of the tank. In 2007, a second system was installed to serve the farm manager's house. The tank is located northeast of the house and the drainfield is located to the northwest on the north side of the entrance road. These two systems require annual septic inspections. One pump out for each system is assumed and applied in year five.

Annual inspections per inspection: $370 per field total $740 per year.

Pump out $700 per system x 2 systems = $1,400, today's dollars.

Water Systems

The three separate water systems are considered. These include a spring-fed domestic system, a deep well system and a pond irrigation system. The spring is in the forested southeast corner of the Preserve and its associated water right includes a certificate for domestic supply and stock watering. A pipeline transports the spring water to a pump house and then across the property to the Coffelt residence, the farm stand, the Land Bank office and to several hose bibs and hydrants throughout the developed portion of the farm.

Surface water from the one-acre pond is piped to a storage tank, located near the northern property boundary, and then to the fenced market garden. These irrigation lines were installed and in use prior to current ownership.

The deep well and system is reportedly a "Class B" water system, required in this case because of the commercial kitchen/slaughter activities. In 2015, the Land Bank developed the deep well water system to supply water to the dairy barn. The well reaches a depth of 405 feet, has a 288 gallon per day capacity, and is designated as a Class B water system. In 2019, the current owner hired a contractor to add a new water line from the deep well system to the mobile slaughter site near Crow Valley Road to enable hand and equipment washing.

Other than the main PVC line from the spring, most of the branch supply lines for this older system are thin-wall poly pipe that should be replaced. Reportedly about a year ago some work was done to this end with an expenditure of approximately $7,000. It is anticipated than an additional $10,000 expenditure is probable in year one to replace this older thin wall PV.

Other than these issues the water system is reportedly reliable. In the event a new well is required the cost is estimated at about $30,000 per well, worst case, $60,000 total in the event of a dry well issue.

To maintain the system, the service provider, has charged an annual fee of $300 plus two tests at $35, for a total annual fee of $370. Two tests are taken per year - Bacterial and Nitrate. This is applied to two systems: total annual cost in year one, $740.

Electrical System

Some of the electrical system require upgrades for safety and code compliance. An OPALCO electrical line enters from Crow Valley Road and runs underground to meters located near the farm stand and east of the Coffelt residence. An underground line also runs eastward from the Coffelt residence to a small, isolated forested area referred to as the "Grazing Island" because it is used as a rotational grazing hub. The utility line powers electrical fencing in and around the Grazing Island. Power utilities were installed prior to current ownership and portions of the electrical system require upgrades for safety and code compliance, assumed to be required in year one.

1. FARM STAND ELECTRICAL

Electrical service has been updated in the recent past and is fairly consistent with modern standards. There are several refrigerators and chest freezers in operation in this building. At the west end, several of these appliances are connected to receptacles by extension cords, prone to physical damage and/or overheating. There may not be sufficient circuits and receptacles in this area to support the current use. There is a possibility that the circuitry in the east end of the building could also be considered overloaded, considering the amount of refrigeration equipment in operation. There are several receptacles/switches which are missing cover plates.

INITIAL RECOMMENDATIONS

- Have electrical distribution further evaluated by an electrician. Add circuits and receptacles to meet the needs of current and/or planned future usage, including exterior GFCI protected receptacles where suitable. Add electrical cover plates/trim plates where needed.

ELECTRICIAN RECOMMENDATIONS AND COST ESTIMATES

The estimated year-one cost for Farmstand/Shop repairs is $5,000.
Including:

- Main panel – bring into compliance with cleanup
- Sub panel – bring into compliance with cleanup
- Fix light switch/outlet in shop behind door, repair/add switch to bank of lights along north wall, cover/fix 240 outlet on west wall, add outlet under farmstand sub panel, add 2 additional outlets as needed.

2. LAND BANK OFFICE ELECTRICAL

The electrical service to the building is underground and the visible equipment is modern. One of the interior receptacles as well as the receptacle on the exterior of the office show "open ground" when tested. It may be that some of the wiring in the building does not have a 3rd "grounding" wire. The grounding wire provides extra protection against electrocution in the event of a fault in the appliance. It also provides some protection against damage to sensitive equipment such as electronics from electrical surges. There are some options for improving protection, such as adding GFCI devices, although this would not protect against damage from electrical surges.

INITIAL RECOMMENDATIONS

- Consider further evaluation of electrical circuits by an electrician to understand options for eliminating open ground

ELECTRICIAN RECOMMENDATIONS AND COST ESTIMATES

The estimated year-one electrical cost for the Land Bank office is $3,000.
Including: Main panel – bring into compliance with cleanup

3. FARM MANAGER'S RESIDENCE ELECTRICAL

There appears to be no Carbon Monoxide detector in evidence. Generally, the landlord should provide a CO and functioning smoke detectors before renters take occupancy, and then maintenance of these becomes the tenant's responsibility. Smoke detectors were present but not tested.

4. DEEP WELL PUMP HOUSE ELECTRICAL

The electrical service to the building is underground and the equipment is modern. No further action required.

5. HAY BARN / MOBILE SLAUGHTER ELECTRICAL

The electrical equipment is modern, no deficiencies noted. No further action required.

6. DAIRY BARN ELECTRICAL

The electrical service to this building is underground. There is a newer service panel for the SW area, and older equipment in the east side. The electric distribution/ sub-panel in the open bay on the east side is older and would no longer be suitable for new installations but does not seem to require replacement at this time. The equipment at the west side appears to be new from the time of recent renovation. The aerial feed to nearby outbuildings originates from this barn.

INITIAL RECOMMENDATIONS

- Consider further evaluation of electrical sub-panel in east bay by an electrician to understand benefits of updating. The configuration of the breakers is no longer acceptable by electrical code for new installation, for some of the breakers the "Off" position is up.

ELECTRICIAN RECOMMENDATIONS AND COST ESTIMATES

The estimated electrical year-one cost for the Dairy Barn and surrounding buildings is $50,000.

Including:

Wiring is to be undergrounded to replace overhead wire on poles between barn and outbuildings and separate farm buildings from farmhouse.

- Re-route farmhouse to new 200 amp meter base near transformer northeast of house. Maintain 2021 tiny house connection to farmhouse meter by add an EZ Meter to allow for usage tracking.

- Establish new 320 amp service near transformer and add new trenched lines to existing 200 amp Dairy barn shop panel. Add new 200 amp Dairy barn panel to replace current sub panel mounted on post near hay storage (fire risk).

- Bring existing Dairy barn main panel into compliance with cleanup

- Add yard panel (~24-space) and circuits to sheep barn, chicken processing shed and compost shed.

- Address in-ground splice chicken processing shed by adding compliant ground box.

7. COMPOSTING SHED ELECTRICAL

The aerial electrical service to this building, while fairly consistent with what is typical of many agricultural out-buildings in this region, could be improved for better safety and reliability. There is a wiring splice where the aerial service meets the building which is not inside a junction box, some of the receptacles are loose, and it does not appear there is GFCI protection.

8. CHICKEN PROCESSING SHED ELECTRICAL

The electrical service to the building is underground, equipment is modern. No deficiencies were observed. No further action required.

9. SHEEP BARN ELECTRICAL

The electrical service to the building is aerial. Several receptacles are missing cover plates.

RECOMMENDATIONS

- Add electrical cover plates where missing. No further action required.

10. SPRING WELL HOUSE ELECTRICAL
The electrical service to the building is underground and the equipment is modern. No further action required.

11. HOOP HOUSE @ GRAZING ISLAND ELECTRICAL - none

12. LOAFING SHED ELECTRICAL - none

13. MANURE SHED ELECTRICAL - none

14. HOOP HOUSES / MARKET GARDEN ELECTRICAL - none

Fencing

Much of the recommended exterior perimeter fencing maintenance issues will be phased in over ten years. Some fencing is outside the lease area, and some is associated with a future trail project. Most interior fencing depends on the needs of the long-term lessee. In the case of the current lessee, electro-netting is a primary tool. The following exhibit details the subject property fencing:

Fences		Size
Perimeter starting from the northwest corner		**lineal feet**
1	No fence	300
2	barbed wire on metal posts (serviceable for cattle, but not in current lease area).	820
3	mostly woven field fence topped with barbed wire on metal posts, poor condition, patched to keep sheep in.	1,615
4	no fence through the ditch.	65
5	good woven wire topped with barbed wire on metal posts.	275
6	(west and south lines of parcel 272712002000) no fence.	1,320
7	good woven wire topped with barbed wire on metal posts.	660
8	serviceable woven wire on metal posts topped with barbed wire - a couple of patches.	1,320
9	1320' to SE corner, and about 400' proceeding west on the south line - no fence (wooded, not in current lease).	1,320
10	barbed wire on metal posts, poor, but keeps cattle in.	920
11	1320' to SW corner remnants of barbed on rotten cedar posts	1,320
12	1320' barbed on metal posts, poor, many spots knocked down by forest debris (wooded, not in current lease).	1,320
13	440' woven wire on metal posts, serviceable.	440
14	barbed wire on a mix of metal posts and rotted cedar, held up by brush, would not hold animals.	850
	Total perimeter	**12,545**
Interior fences, NW 40 :		
15	250' south side of driveway wood rail fence, serviceable.	250
16	220' deer fenced orchard, serviceable.	220
17	590' market garden, 470' new, 120' needs replacing.	590
18	480' ram pen, woven wire on cedar posts, posts rotted, metal posts added to support.	480
19	535' garden and orchard, rotted cedar -falling down.	535
20	1320' south line, good woven with barbed top.	1,320
21	340' east side of slaughter site, woven wire topped with barbed, good.	340
22	400' north side of slaughter site, barbed on mixed posts, held up by brush.	400
	Total NW 40	**4,135**
Interior fences, North Central 40 :		
23	640' west line, woven wire on metal posts, serviceable.	640
24	960' diagonal line, Woven wire on metal posts, rusted and patched, animals routinely go through it.	960
25	1485' "Island" woven wire topped with barbed wire, good shape.	1,485
26	1320 Rusty barbed on rotted cedar, with supplemental metal posts, holds cattle only.	1,320
	Total North Central 40	**4,405**
Interior fences, NE 30:		
27	1300' west side of ditch, woven wire topped with barbed on metal posts, good shape.	1,300
28	980' east side of ditch, deer fence, almost new.	980
29	620' south half of dividing fence, barbed mixed posts, poor, holds cattle	620
30	700' north half of dividing fence, falling down, unuseable.	700
	Total NE 30	**3,600**
Interior fences, SW 40:		
31	1,160' east line woven wire on wood posts, good condition.	1,160
32	160' north part of east line, woven wire on cedar, becoming rotten, but serviceable.	160
33	1,100' diagonal woven wire topped with barbed on metal posts, good condition.	1,100
34	730' bordering woods, rusty barbed on rotten cedar, held up by brush.	730
	Total SW 40	**3,150**
	Total of all fences	**27,835**

Based on an on-site inspection, supplied documentation, and discussions with the current tenant, landlord, and others familiar with the property, the following cost estimates apply as expected in the year as depicted in the right-hand columns:

Fences	Size	Cost		Year							
Perimeter	lineal feet	per section	Remarks	1	2	3	4	5	6	7	8
1	300	$0	1 No fence, but not in lease area								
2	820	$8,200	2 Not in lease area, but needed to control animals in lease area,	replace in five years				$8,200			
3	1,615	$16,150	3 Replace in seven years							$16,150	
4	65	$650	4 Fence required in year two		$650						
5	275	$0	5 Good for over ten years								
6	1,320	$13,200	6 No fence because current lessee also leases adjacent property				$13,200				
7	660	$0	7 Good for over ten years								
8	1,320	$13,200	8 Replace in seven years							$13,200	
9	1,320	$13,200	9 Fence due for replacement, but not in lease area								
10	920	$9,200	10 Replace in seven years							$9,200	
11	1,320	$13,200	11 Fence due for replacement			$13,200					
12	1,320	$13,200	12 Fence due for replacement, but not in lease area			$13,200					
13	440	$0	13 Good for over ten years								
14	850	$8,500	14 Fence due for replacement			$8,500					
	12,545	**$108,700**	**Total Cost**		**$650**	**$34,900**	**$13,200**	**$8,200**		**$38,550**	
Interior fences, NW 40 :											
15	250	$0	15 Good for over ten years								
16	220	$0	16 Good for over ten years								
17	590	$5,900	17 120 feet due for replacement		$1,200						
18	480	$4,800	18 Not due for replacement								
19	535	$5,350	19 Fence due for replacement year six						$5,350		
20	1,320	$13,200	20 Good for over ten years								
21	340	$3,400	21 Good for over ten years								
22	400	$4,000	22 Fence due for replacement year six						$4,000		
	4,135	**$36,650**	**Total Cost**		**$1,200**				**$9,350**		
Interior fences, North Central 40 :											
23	640	$6,400	23 Good for over ten years								
24	960	$9,600	24 Fence due for replacement year four				$9,600				
25	1,485	$14,850	25 Good for over ten years								
26	1,320	$13,200	26 Fence due for replacement year five					$13,200			
	4,405	**$44,050**	**Total Cost**				**$9,600**	**$13,200**			
Interior fences, NE 30:											
27	1,300	$13,000	27 Good for over ten years								
28	980	$9,800	28 Good for over ten years								
29	620	$6,200	29 Fence due for replacement , year eight								$6,200
30	700	$7,000	30 Fence due for replacement, but not required when 6 is added								
	3,600	**$36,000**	**Total Cost**								
Interior fences, SW 40:											
31	1,160	$11,600	31 Good for over ten years								
32	160	$1,600	32 Fence due for replacement , year eight								$1,600
33	1,100	$11,000	33 Good for over ten years								
34	730	$7,300	34 Fence due for replacement , year six						$7,300		
	3,150	**$31,500**	**Total Cost**						**$7,300**		**$1,600**
	27,835	**$256,900**	**Total Costs per period**	**$0**	**$1,850**	**$34,900**	**$22,800**	**$21,400**	**$16,650**	**$38,550**	**$7,800**

Some fencing requires replacement and or construction in year two. Other areas in years three, through seven. Other sections do not require replacement within the ten-year time frame. Replacement costs including the removal of older fencing when necessary is based on a survey at $10.00/lf.

	Fence repair and replacement costs per lineal foot	
1	Orcas fence repair and replacement	**$9.50**
2	San Juan Island repair and replacement	**$10.00**
3	Lopez Island repair and replacement	**$15.00**
	Mean	**$11.50**
	Median	**$10.75**
	With the most weight on 1 and 2,	
	Concluded estimated cost per lineal foot for fence removal and replacement	**$10.00**

This study evaluated all fencing on the property and provides recommendations and cost estimates associated with specific fence sections based on current condition and perceived need. However, Land Bank decisions regarding the timing of fencing repairs or replacement may reflect additional factors such as the timing of related projects, contractor availability and budget constraints. Exterior fencing may be considered essential and is needed to contain animals or to prevent unauthorized entry. Interior fencing may be more or less important to a future lessee based on livestock type and other factors. Some of the needed perimeter fencing is associated with a future trail project and installation timing will depend on that project.

Roads and Parking Areas

The Preserve's main gravel road extends from the entrance on Crow Valley Road eastward to the Coffelt residence and then to the dairy and sheep barns. Spur roads lead to the farm manager's house, the farm stand and the Land Bank office, and the grazing island. A small, lightly graveled road also leads from the grazing island across the stream to access the easternmost pastures. The publicly accessible parking area is located between the farm stand and the Land Bank office and can accommodate 11 vehicles.

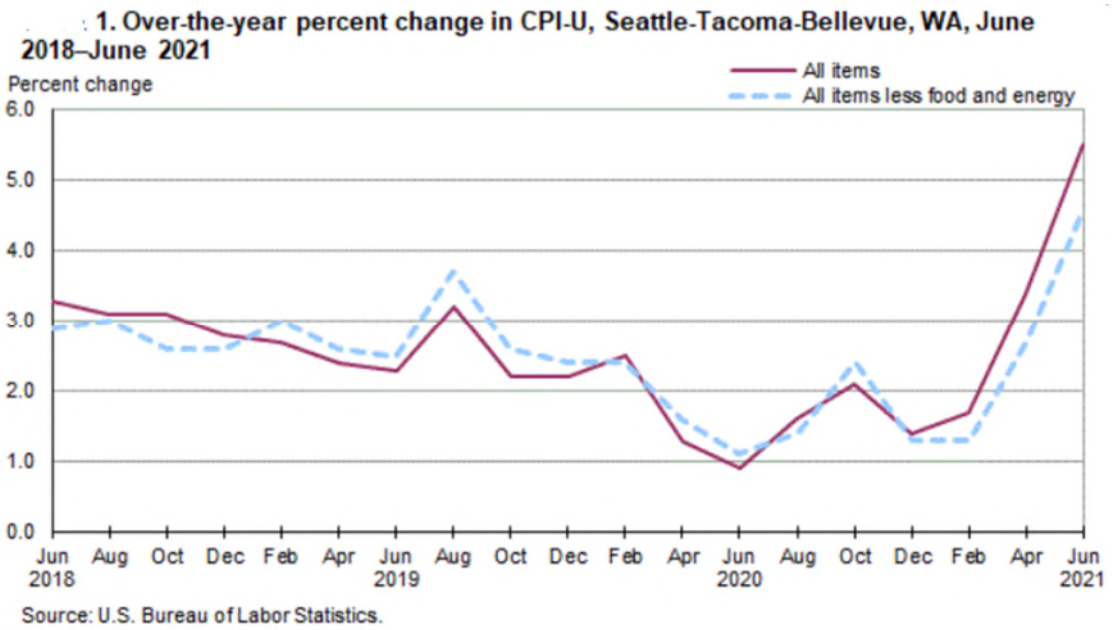
The roads and parking areas are in relatively adequate condition similar to other competing properties, with no atypical expenses anticipated over the next decade, however, it is anticipated that there will be a need for light coating of crushed gravel on the heavily traveled areas, most probably 10 yards annually, plus the cost of spreading anticipated. The total annual estimate is $730, considered a reserve amount for each of the ten years in the study period.

10 yards of crushed driveway gravel:	$550.00
Labor to rake and spread as needed: 2 hours @ $90.00	$180.00
Total annual requirement year one	$730.00

RESERVE STUDY CONCLUSIONS

Some repairs are recommended in year one, while others are spread out over the ten-year study period, as shown on the following exhibits.

The cost estimates are in today's dollars as of the prospective date of January 1, 2022. In the case of future expenses, costs are tied to a Consumer Price Index. The closest published data is for the Seattle-Bellevue-Tacoma area. Prices in this area, as measured by the Consumer Price Index for All Urban Consumers (CPI-U), advanced 2.2 percent for the two months ending in June 2021, the U.S. Bureau of Labor Statistics reports. Over the last 12 months, the CPI-U advanced 5.5 percent. Food prices advanced 5.0 percent. Energy prices jumped 25.1 percent, largely the result of an increase in the price of gasoline. The index for all items less food and energy rose 4.6 percent over the year.



Looking at a broader view however, the index shows a lower percent rise per year, win an increase of 3.5% from 2016 to 2017, 2.8% from 2017 to 2018, 2.2% from 2018 to 2019, and 1.4% from 2019 to 2020. Taking all of this into consideration an annual cost adjustment of 3% per year is applied to all reserve costs in today's dollars for expected expenses in future years during the reserve study ten-year study period.

The results of the study are presented below:

STRUCTURAL ISSUES

Buiilding	Name	Remarks
1	**Farm Stand**	Add fascia boards and gutters to north side to control roof drainage Maintain roofs & gutters to ensure proper function of roof drainage Damaged siding nailer boards at bottoms of north and west walls
2	**Land Bank Office**	Maintain roofs & gutters to ensure proper function of roof drainage Clean wood stove & chimney pipe annually and electric wall heater twice annually
3	**Farm Residence**	Have boiler system serviced and evaluate evidence of discharge Monitor and maintain roofs & gutters to ensure proper function of roof drainage. Clean wood stove & chimney pipe annually Decay in door jamb as well as condition of exterior finish, and repair to prevent further deterioration Infill /balusters ($2,000) and replace French door ($3,500)
4	**Deep well Pump House**	No action required
5	**Hay barn**	Repair small section of gutter at NE corner Monitor and maintain gutters to ensure proper function of roof drainage. Monitor roofing for indications of damage/failure
6	**Dairy Barn**	Monitor and maintain roofs & gutters. Monitor for indications of failing grommeted roofing screws Add railing to interior loft stairs not to code ($2,000)
7	**Composting Shed**	Monitor and maintain roofs & gutters to ensure proper function of roof drainage
8	**Chicken Shed**	Monitor and maintain roofs & gutters to ensure proper function of roof drainage Improvement to eaves/fascia and roof drainage of attached storage shed
9	**Sheep Barn**	Monitor and maintain roofs & gutters to ensure proper function of roof drainage
10	**Spring Well House**	Clearance to the overhanging tree should be improved and the gutter repaired/restored to improve function.
11	**Hoop House**	Replace tarp which is neer the end of its economic life - tarped shipped to property plus installation
12	**Manure Shed**	No action required
13	**Loafing Shed**	No action required
14	**Hoop House**	Replace tarp which is neer the end of its economic life - tarped shipped to property plus installation
15	**Tiny House**	This is equipment, a trailer and is not considered further

Appreciation		3.00%										
Buiilding	Name	Repair Cost	Year 1	2	3	4	5	6	7	8	9	10
1	Farm Stand		$1,200									
			$100	$103	$106	$109	$113	$116	$119	$123	$127	$130
			$250									
2	Land Bank Office		$100	$103	$106	$109	$113	$116	$119	$123	$127	$130
			$300	$309	$318	$328	$338	$348	$358	$369	$380	$391
3	Farm Residence		$200									
			$75	$77	$80	$82	$84	$87	$90	$92	$95	$98
			$150	$155	$159	$164	$169	$174	$179	$184	$190	$196
			$750									
			$5,500									
4	Deep well Pump House											
5	Hay barn		$100									
			$150	$155	$159	$164	$169	$174	$179	$184	$190	$196
6	Dairy Barn		$275	$283	$292	$300	$310	$319	$328	$338	$348	$359
			$2,000									
7	Composting Shed		$75	$77	$80	$82	$84	$87	$90	$92	$95	$98
8	Chicken Shed		$60	$62	$64	$66	$68	$70	$72	$74	$76	$78
			$1,000									
9	Sheep Barn		$100	$103	$106	$109	$113	$116	$119	$123	$127	$130
10	Spring Well House		$350									
11	Hoop House		$4,250									
12	Manure Shed											
13	Loafing Shed											
14	Hoop House		$550									
15	Tiny House											
	Total Reserve Costs appreciated over time for all buildings		**$17,535**	**$1,427**	**$1,469**	**$1,513**	**$1,559**	**$1,606**	**$1,654**	**$1,703**	**$1,754**	**$1,807**

Septic Systems

	Remarks
	Two systems, annual inspection $370 each
Septic Systems	One pump out on each system - year five base cost $700 x 2 systems + $1,400 increased 3% per year

	Year 1	2	3	4	5	6	7	8	9	10
	$740	$762	$785	$809	$833	$858	$884	$910	$937	$966
					$1,576					
Total Reserve Costs appreciated over time for septic systems	**$740**	**$762**	**$785**	**$809**	**$2,409**	**$858**	**$884**	**$910**	**$937**	**$966**

Water Systems	Remarks
	Annual tests on both systems
	Replace thin wall PVC

Water Systems	Year 1	2	3	4	5	6	7	8	9	10
	$740	$762	$785	$809	$833	$858	$884	$910	$937	$966
	$10,000									
Total Reserve Costs appreciated over time for water systems	**$10,740**	**$762**	**$785**	**$809**	**$833**	**$858**	**$884**	**$910**	**$937**	**$966**

Electrical Buiilding	Name	Remarks	Year 1
1	**Farm Stand**	Update panels, add circuits and receptacles	$5,000
2	**Land Bank Office**	Main panel – bring into compliance with cleanup	$3,000
3	**Farm Residence**	French door and stair railings	$5,500
4	**Deep Well Pump House**	No action required	
5	**Hay barn**	No action required	
6	**Dairy Barn**	Substantial upgrades	$52,000
7	**Composting Shed**	No action required	
8	**Chicken Shed**	No action required	
9	**Sheep Barn**	Substantial upgrades incuded in dairy barn costs	
10	**Spring Well House**	No action required	
11	**Hoop House**	No action required	
12	**Manure Shed**	No action required	
13	**Loafing Shed**	No action required	
14	**Hoop House**	No action required	
15	**Tiny House**	This is equipment, a trailer and is not considered further	
	Total Reserve Costs		**$65,500**

Perimeer Fencing		Size lineal feet	Cost per section	Remarks
	1	300	$0	No fence, but not in lease area
	2	820	$8,200	Not in lease area, but needed to control animals in lease area, replace in five years
	3	1,615	$16,150	Replace in seven years
	4	65	$650	Fence required now
	5	275	$0	Good for over ten years
	6	1,320	$13,200	No fence because current lessee also leases adjacent property
	7	660	$0	Good for over ten years
	8	1,320	$13,200	Replace in seven years
	9	1,320	$13,200	Fence due for replacement, but not in lease area
	10	920	$9,200	Replace in seven years
	11	1,320	$13,200	Fence due for replacement
	12	1,320	$13,200	Fence due for replacement, but not in lease area
	13	440	$0	Good for over ten years
	14	850	$8,500	Fence due for replacement
		12,545	**$108,700**	

Interior Fencing		Size lineal feet	Cost per section	
	15	250	$0	Good for over ten years
	16	220	$0	Good for over ten years
	17	590	$5,900	120 feet due for replacement
	18	480	$4,800	Not due for replacement
	19	535	$5,350	Fence due for replacement
	20	1,320	$13,200	Good for over ten years
	21	340	$3,400	Good for over ten years
	22	400	$4,000	Fence due for replacement
		4,135	**$36,650**	
	23	640	$6,400	Good for over ten years
	24	960	$9,600	Fence due for replacement
	25	1,485	$14,850	Good for over ten years
	26	1,320	$13,200	Fence due for replacement
		4,405	**$44,050**	
	27	1,300	$13,000	Good for over ten years
	28	980	$9,800	Good for over ten years
	29	620	$6,200	Replace in five years
	30	700	$7,000	Fence due for replacement, but not required when 6 is added
		3,600	**$36,000**	
	31	1,160	$11,600	Good for over ten years
	32	160	$1,600	Replace in five years
	33	1,100	$11,000	Good for over ten years
	34	730	$7,300	Fence due for replacement
		3,150	**$31,500**	
Total		**27,835**	**$256,900**	

Fences	Size	Cost	Year										
Perimeter	lineal feet	per section		1	2	3	4	5	6	7	8	9	10
1	300	$0	1										
2	820	$8,200	2					$8,200					
3	1,615	$16,150	3							$16,150			
4	65	$650	4		$650								
5	275	$0	5										
6	1,320	$13,200	6				$13,200						
7	660	$0	7										
8	1,320	$13,200	8							$13,200			
9	1,320	$13,200	9										
10	920	$9,200	10							$9,200			
11	1,320	$13,200	11			$13,200							
12	1,320	$13,200	12			$13,200							
13	440	$0	13										
14	850	$8,500	14			$8,500							
	12,545	**$108,700**			**$650**	**$34,900**	**$13,200**	**$8,200**		**$38,550**			
Interior fences, NW 40 :													
15	250	$0	15										
16	220	$0	16										
17	590	$5,900	17		$1,200								
18	480	$4,800	18										
19	535	$5,350	19						$5,350				
20	1,320	$13,200	20										
21	340	$3,400	21										
22	400	$4,000	22						$4,000				
	4,135	**$36,650**			**$1,200**				**$9,350**				
Interior fences, North Central 40 :													
23	640	$6,400	23										
24	960	$9,600	24				$9,600						
25	1,485	$14,850	25										
26	1,320	$13,200	26					$13,200					
	4,405	**$44,050**					**$9,600**	**$13,200**					
Interior fences, NE 30:													
27	1,300	$13,000	27										
28	980	$9,800	28										
29	620	$6,200	29								$6,200		
30	700	$7,000	30										
	3,600	**$36,000**											
Interior fences, SW 40:													
31	1,160	$11,600	31										
32	160	$1,600	32								$1,600		
33	1,100	$11,000	33										
34	730	$7,300	34						$7,300				
	3,150	**$31,500**							**$7,300**		**$1,600**		
	27,835	**$256,900**		**$0**	**$1,850**	**$34,900**	**$22,800**	**$21,400**	**$16,650**	**$38,550**	**$7,800**		

Roads and Parking Areas	Year									
	1	2	3	4	5	6	7	8	9	10
	$730	**$752**	**$774**	**$798**	**$822**	**$846**	**$872**	**$898**	**$925**	**$952**

The result of this cost estimation process over the ten-year study period is presented for the entire property as follows:

Year	1	2	3	4	5	6	7	8	9	10
Structures	$17,535	$1,427	$1,469	$1,513	$1,559	$1,606	$1,654	$1,703	$1,754	$1,807
Septic Systems	$740	$762	$785	$809	$2,409	$858	$884	$910	$937	$966
Water Systems	$10,740	$762	$785	$809	$833	$858	$884	$910	$937	$966
Electrical System	$65,500									
Fencing	$0	$1,906	$37,025	$24,914	$24,086	$19,302	$46,031	$9,593		
Roads Parking	$730	$752	$774	$798	$822	$846	$872	$898	$925	$952
Total	$95,245	$5,608	$40,839	$28,843	$29,708	$23,470	$50,323	$14,014	$4,554	$4,691

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

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

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

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

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

5. Engagement in this assignment was not contingent upon developing or reporting predetermined results.

6. Compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

7. I have made a personal inspection of the property that is the subject of this report.

8. Jonathan Quigley, Jack W. Cory and Thomas Leonard provided real property appraisal assistance to the person signing this report in the preparation of and research contained within this report.

9. 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, which include the Uniform Standards of Professional Appraisal Practice.

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

11. This assignment was not based on a requested minimum rental amount or a specific rental amount.

12. The consultant is competent and qualified to perform the assignment.

13. I have not appraised or consulted regarding this property within the past three years.

14. The Appraisal Institute conducts a voluntary program of continuing education for its designated members. MAIs and SRAs who meet the minimum standards of this program are awarded periodic educational certification. As of the date of this report, Fred C. Strickland has completed the requirements of the continuing education program of the Appraisal Institute.

Fred C. Strickland, MAI, ASA, SRA, ARA
State of Washington Certification 1100429
State of Oregon Certification C001348
State of California Certification 3043276

FREDERICK C. STRICKLAND, MAI, ASA, SRA, ARA

PROFESSIONAL EDUCATION:

American Institute of Real Estate Appraisers

All courses successfully completed as a prerequisite to the designation MAI; plus, various other courses, including specific Appraisal Institute material relevant to computer use for appraisal purposes, Discounted Cashflow, statistical analysis, etc.

American Association of Appraisers

Courses primarily oriented towards business valuation, and asset segregation, valuation of intangibles

Society of Real Estate Appraisers

All courses successfully completed as a prerequisite to the designation SREA.

State of Washington Appraisal Courses

Various courses on appraisal of land, residential and commercial real property, and machinery and equipment valuation, taken primarily at Central Washington University.

International Association of Assessing Officers

All courses required for the CAE and RES designations plus instructor's courses for real property appraising and statistical analysis in real property appraisal.

Various Appraisal Institute Seminars, including:

Uniform Appraisal Standards for Federal Land Acquisitions (Yellow Book)
Valuation of Conservation Easements

PROFESSIONAL DESIGNATIONS AWARDED:

MAI	American Institute of Real Estate Appraisers
ASA	American Association of Appraisers
SRPA	Society of Real Estate Appraisers
SRA	Society of Real Estate Appraisers
ARA	American Society of Farm Managers and Rural Appraisers
CAE	International Association of Assessing Officers
RES	International Association of Assessing Officers
Broker	Licensed Washington State Real Estate Broker

CERTIFICATIONS:

General Classification - Washington State Certified Real Estate Appraiser
Certification 1100429
General Classification - Oregon State Certified Real Estate Appraiser
Certification C001348
General Classification - California State Certified Real Estate Appraiser
Certification 3043276

EXPERIENCE:

Fred C Strickland & Associates LLC (2016)

Managing partner with the appraisal firm of Strickland, Heischman & Hoss, Inc. (1989-2015)

Commercial real estate appraiser with Charles E. Anderson & Associates (1984-1989)

Owner/Manager of San Juan Appraisal Services (1979-1984)

Appraiser for San Juan County Assessor's Office (1977-1979)

Instructor of real estate courses for State of Washington, Land Appraisal Course at The Evergreen State College; IAAO Course 1, Residential Appraising at Central Washington University; and IAAO Course 302, Appraisal of Income Property (utilizing statistical analysis) at Central Washington University.

COURT EXPERIENCE:

Testified before arbitration boards, mediations, numerous County Boards of Equalization, and the Washington State Board of Tax Appeals. Qualified as expert witness on real estate values in United States District Court, Western District of Washington, Seattle, King County, Pierce County Superior Court, Thurston County Superior Court, San Juan County Superior Court, and Clallam County Superior Court, all in Washington State, and Yellowstone County Superior Court, Montana. Also qualified as expert witness on real estate values in Sonoma County Superior Court, Santa Rosa, CA.

PARTIAL LIST OF CLIENTS:

San Juan County Conservation Land Bank
US Department of Fish and Wildlife
Federal Deposit Insurance Corporation
U.S. Department of Commerce
WA Department of Natural Resources
WA Department of Fish and Wildlife
University of Washington
Attorney General of Washington
Metro (Seattle)
King County Open Space
Kitsap County
Pierce County Real Property Management
City of Bellevue
City of Tacoma
Port of Tacoma
US Department of Justice
Other institutions, attorneys, and individuals
US Department of the Interior
National Park Service
US Army Corps of Engineers
Washington State Farm Service Agency
Friends of the Columbia Gorge Land Trust
Northwest Farm Credit Services
Island County Commissioners
Great Peninsula Conservancy
Western Washington University
U.S. Bureau of Reclamation
Port of Orcas
WA State Parks and Recreation Commission
Port of Kingston
Nature Conservancy
Whatcom County Public Works
Port of Friday Harbor

JACK W. CORY

EDUCATION

Graduate courses:
Philosophy, Art History,
English and Master of Fine Arts classes
University of California at Berkeley

Bachelor of Arts
Philosophy
U. C. Berkeley

Associate of Arts
Iron Working/High Rise Construction

PROFESSIONAL EXPERIENCE
San Juan County, Washington

Member
Building Department Board of Appeals
Town of Friday Harbor

Chairman
Airport Advisory Committee,
Friday Harbor Port Commission

Chairman
Town of Friday Harbor Planning Commission

Chairman
Land Use Subcommittee San Juan County
Energy Project

Chairman
Noise Ordinance Subcommittee Airport
Friday Harbor Port Commission

Chairman
Bio-Solids Advisory Committee
San Juan County Public Works

Chairman
Technical Advisory Committee
on the Permit Center for Planning, Building & Health

Member
Technical Advisory Committee
Rules & Regulations - Comprehensive Plan

Citizen Advisory Committee Member
Proposed Comprehensive Plan

Citizen Advisory Sub-Committee Advisor: Shoreline Regulations/Law/Policy

Review Committee S. J. County Water Ordnance

Drinking Water Advisory Committee
Environmental Health Department

Executive Committee
San Juan Islands Tidal Power Committee.

Architectural Improvement Committee
San Juan Chamber of Commerce.

Board Member
SJC Public Access
(Cable TV)

Ex officio, San Juan County Tourism
Planning Committee.

Member
SJC Veterans Advisory Board
SJC County Council

PROFESSIONAL QUALIFICATIONS

Practice Permit: 5000443
Professional Engineers & Land Surveyors
On-site Septic Designer

Registered Architect Exam Candidate
Candidate 24392

Professional Member
International Conference of Building Officials.
License 14370-0
Member International Association of Electrical Inspectors
Membership No. 003403

Member of Plumbing & Mechanical Officials
Senior Installer, On-Site Sewage Systems
San Juan County, WA
General Contractor
License JWCORC*251L

Commercial Pesticide Consultant
License 42806
Licensed to perform Structural Inspections
Aquatic Pest Control License
(Aquatic: 42806)
WA State Dept. of Agriculture

Senior Designer, On-Site Sewage Systems
San Juan County, WA

Designer, Water Systems
San Juan County,

DESIGN

1978 to present
Owner, J.W. Cory & Associates
Design and Drafting

1969 to 1978
Berkeley Homes
Design and Drafting

INSPECTION EXPERIENCE

1989 to present
President, First Inspect Inc.
Home inspection and Planning Consulting.

CONSTRUCTION EXPERIENCE

1971-1989
Owner, J.W. Cory Construction Company
General Contacting Company

Owner, GEM (General Earth Moving)
Excavating contracting company

JONATHAN QUIGLEY

EDUCATION

University of Pittsburgh
Pittsburgh PA
Bachelor of Science, Biology

School of Professional Home Inspection
Seattle / Burien WA
929 SW 152nd St, Burien, WA 98166
Home Inspection Fundamentals

Field training
Buell Inspections / Charles Buell

Seminars, Training, Continuing education including
- WSU Structural Pest Inspector Workshop
- Fundamentals of Thermography for Home Inspection
- Fiber Cement Siding Inspection with James Hardie Representative
- Electrical, Heat pumps, Masonry veneer systems

Certifications

Washington State Home Inspector License 1578
Washington State Department of Agriculture Pest Inspector License 94356

Unless noted otherwise in the body of the report, this appraisal is subject to the following assumptions and limiting conditions.

1. No responsibility is assumed for legal or title considerations. Title to the subject property is marketable and free and clear of all liens, encumbrances, encroachments, easements and restrictions. The property is assumed to be under responsible ownership and competent management and is assumed available for its highest and best use.

2. There are no existing judgments or pending or threatened litigation that impact the value of the property.

3. There are no hidden or undisclosed conditions of the land or of the improvements that impact the value of the property.

4. Information, public and private, relevant to sale price indications is assumed to be correct.

5. The property is in compliance with all applicable building, environmental, zoning, and other federal, state and local laws, regulations and codes.

6. Information, estimates and opinions contained in the report, obtained from others, including third-party sources, are assumed to be reliable and have not been independently verified and no warranty is given for accuracy.

7. An appraisal is inherently subjective and represents our opinion as to the value of the property appraised.

8. The conclusions stated in our appraisal apply only as of the effective date of the appraisal, and no representation is made as to the effect of subsequent events.

9. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated.

10. When environmental impact studies are not provided in conjunction with the appraisal, we reserve the right to revise or rescind any of the value opinions based upon any subsequent environmental impact studies. If any environmental impact statement is required by law, the appraisal assumes that such statement will be favorable and will be approved by the appropriate regulatory bodies.

11. Unless otherwise agreed to in writing, we are not required to give testimony, respond to any subpoena or attend any court, governmental or other hearing with reference to the property without compensation relative to such additional employment.

12. I have made no survey of the property and assume no responsibility in connection with such matters. Any sketch or survey of the property included in this report is for illustrative purposes only and should not be considered to be scaled accurately for size. The appraisal covers the property as described in this report, and the areas and dimensions set forth are assumed to be correct.

13. No opinion is expressed as to the value of subsurface oil, gas or mineral rights, if any, and we have assumed that the property is not subject to surface entry for the exploration or removal of such materials, unless otherwise noted in our appraisal.

14. I accept no responsibility for considerations requiring expertise in other fields. Such considerations include, but are not limited to, legal descriptions and other legal matters such as legal title, geologic considerations such as soils and seismic stability, and civil, mechanical, electrical, structural and other engineering and environmental matters.

15. The distribution of the total valuation in the report between land and improvements applies only under the reported highest and best use of the property. The allocations of value for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used. The appraisal report shall be considered only in its entirety. No part of the appraisal report shall be utilized separately or out of context.

16. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers, or any reference to the Appraisal Institute) shall be disseminated through advertising media, public relations media, news media or any other means of communication (including without limitation prospectuses, private offering memoranda and other offering material provided to prospective investors) without the prior written consent of the person signing the report.

17. Any income and expense estimates contained in the appraisal report are used only for the purpose of estimating value and do not constitute predictions of future operating results.

18. If the property is subject to one or more leases, any estimate of residual value contained in the appraisal may be particularly affected by significant changes in the condition of the economy, of the real estate industry, or of the appraised property at the time these leases expire or otherwise terminate.

19. No consideration has been given to personal property located on the premises or to the cost of moving or relocating such personal property; only the real property has been considered.

20. The current purchasing power of the dollar is the basis for the value stated herein. We have assumed that no extreme fluctuations in economic cycles will occur.

21. The analyses contained in the report necessarily incorporate numerous estimates and assumptions regarding property performance, general and local business and economic conditions, the absence of material changes in the competitive environment and other matters. Some estimates or assumptions, however, inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by our analysis will vary from our estimates, and the variations may be material. The *Americans with Disabilities Act (ADA)* became effective in the 1990s. We have not made a specific survey or analysis of the property to determine whether the physical aspects of the improvements meet the *ADA* accessibility guidelines. We claim no expertise in *ADA* issues, and render no opinion regarding compliance of the subject with *ADA* regulations. Inasmuch as compliance matches each owner's financial ability with the cost to cure the non-conforming physical characteristics of a property, a specific study of both the owner's financial ability and the cost to cure any deficiencies would be needed for the Department of Justice to determine compliance.

22. No studies have been provided to us indicating the presence or absence of hazardous materials on the subject property or in the improvements, and our valuation is predicated upon the assumption that the subject property is free and clear of any environmental hazards including, without limitation, hazardous wastes, toxic substances and mold. No representations or warranties are made regarding the environmental condition of the subject property and the person signing the report shall not be responsible for any such environmental conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because we are not experts in the field of environmental conditions, the appraisal report cannot be considered as an environmental assessment of the subject property.

23. The person signing the report may have reviewed available flood maps and may have noted in the appraisal report whether the subject property is located in an identified Special Flood Hazard Area. We are not qualified to detect such areas and therefore do not guarantee such determinations. The presence of flood plain areas and/or wetlands may affect the value of the property, and the value conclusion is predicated on the assumption that wetlands are non-existent or minimal.

24. The appraisal report and the value conclusion within the appraisal is predicated upon the assumption that the satisfactory completion of construction, repairs or alterations will be performed in a workmanlike manner.

25. It is expressly acknowledged that in any action which may be brought against Fred C. Strickland & Associates LLC or their respective officers, owners, managers, directors, agents, subcontractors or employees the “Fred C. Strickland & Associates LLC ", parties arising out of, relating to, or in any way pertaining to this engagement, the appraisal reports, or any estimates or information contained therein, the "Fred C. Strickland & Associates LLC " parties shall not be responsible or liable for an incidental or consequential damages or losses, unless the appraisal was fraudulent or prepared with gross negligence. It is further acknowledged that the collective liability of the Fred C. Strickland & Associates LLC , parties in any such action shall not exceed the fees paid for the preparation of the appraisal report unless the appraisal was fraudulent or prepared with gross negligence. Finally, it is acknowledged that the fees charged herein are in reliance upon the foregoing limitations of liability.

26. Fred C. Strickland & Associates LLC, an independently owned and operated company, has prepared the appraisal for the specific purpose stated elsewhere in the report. The intended use of the appraisal is stated in the report. The use of the appraisal report by anyone other than the Client is prohibited except as otherwise provided. Accordingly, the appraisal report is addressed to and shall be solely for the Client's use and benefit unless we provide our prior written consent. We expressly reserve the unrestricted right to withhold our consent to your disclosure of the appraisal report (or any part thereof including, without limitation, conclusions of value and our identity), to any third parties. Stated again for clarification, unless our prior written consent is obtained, no third party may rely on the appraisal report (even if their reliance was foreseeable).

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

28. Any prospective value estimates presented in this report are estimates and forecasts which are prospective in nature and are subject to considerable risk and uncertainty. In addition to the contingencies noted in the preceding paragraph, several events may occur that could substantially alter the outcome of our estimates such as, but not limited to changes in the economy, interest rates, and capitalization rates, behavior of consumers, investors and lenders, fire and other physical destruction, changes in title or conveyances of easements and deed restrictions, etc. It is assumed that conditions reasonably foreseeable at the present time are consistent or similar with the future.

29. The value estimate herein is subject to these and to any other assumptions or conditions set forth in the body of this report but which may have been omitted from this list of Assumptions and Limiting Conditions.

1) Extraordinary Assumption: *"an assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions."*[4]

Extraordinary assumptions assume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in analysis.

The effective prospective date of this report is January 1, 2022, subject to the Extraordinary Assumption that the subject property as of this prospective date is effectively similar to the condition observed on August 3, 2021.

2) Hypothetical Conditions: *"that which is contrary to what exists but is supposed for the purpose of analysis."*[5]

A hypothetical condition assumes conditions contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in analysis.

There are no hypothetical conditions relevant to this report.

[4] *Uniform Standards of Professional Appraisal Practice*, *2020-2021 Edition,* Appraisal Standards Board, The Appraisal Foundation, Washington D.C., p. U-3.

[5] Ibid., p. U-3.

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Fred C. Strickland & Associates LLC

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