

MARKET RENT SURVEY



Dickinson Reservoir (Patterson Lake) Cabin Sites Stark County, North Dakota

SUBMITTED TO

Steve Murphy, Review Appraiser
Office of Valuation Services
1340 Financial Blvd., Reno, NV 89502

IVIS: PROJECT / CASE NUMBERS

R14024 / 00065189

EFFECTIVE DATE OF VALUE

October 8, 2014

DATE OF REPORT

October 31, 2015

SUBMITTED BY

Charles LaFlamme, MAI
Adam Bradshaw
Office of Valuation Services
2180 Harvard Street, Suite 380
Sacramento, CA 95815



United States Department of the Interior

Office of Valuation Services

2180 Harvard, Suite 380

Sacramento, CA 95815

October 31, 2015

Steve Murphy, Review Appraiser
Office of Valuation Services
1340 Financial Boulevard
Reno, NV 89502

Re: Market Rent Survey
Dickinson Reservoir Cabin Sites
Stark County, ND

Dear Mr. Murphy:

Per the request of the Bureau of Reclamation (Reclamation) via the Office of Valuation Services, we have prepared this **market rent survey**.

The **purpose** of this survey was to gather sufficient information to opine a base market rent conclusion (rental valuation) for Reclamation's cabin sites as identified and located along Dickinson Reservoir in Stark County, North Dakota. The **intended use** is to assist Reclamation in establishing cabin site rents for use in issuing new permits for the cabin sites. Cabin sites are rented for terms of five years and paid annually. Cabin sites permits are issued for year-round recreational use.

The **client** is the Office of Valuation Services and the **intended users** are the Office of Valuation Services and the Bureau of Reclamation. There are no other authorized users of this report.

This report conforms to the Uniform Standards of Professional Appraisal Practice (USPAP) as well as the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute. The analyses and conclusions are subject to the assumptions and limiting conditions described in this report. The appraisers inspected the subject property on October 8, 2014, the effective date of value for this market rent survey.

We have concluded that the annual market rent as of the effective date of value for sites surrounding Dickinson Reservoir and better, described herein, is **\$6,825 per cabin site**.

Respectfully submitted,

Adam Bradshaw

Charles W. Laflamme, MAI

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SUMMARY OF SALIENT FACTS & CONCLUSION

IVIS Number	00065189
Agency Case ID	R14024
Property Address	T 139 N, R 96 W, SEC 7, 8, 17, & 18, 5 TH Principal Meridian
County	Stark County, ND
Assessor's Parcel Number	No APN assigned; property administrated by the Bureau of Reclamation
Property Owner	The U.S.A., administrated by the Bureau of Reclamation
Property Description	The Dickinson Reservoir Market Survey focuses on 42 cabin sites located on Reclamation land surrounding Dickinson Reservoir. The cabin sites are leased on terms not to exceed 5 years; permit fees must be paid annually.
Purpose of the Appraisal	The purpose of this market rent survey was to gather sufficient data from housing options similar to the cabin sites at Dickinson Reservoir in order to estimate an annual rent for the typical cabin sites.
Client	The client is the U.S. Department of the Interior, Office of Valuation Services.
Intended User	The intended users are the Office of Valuation Services and the Bureau of Reclamation on behalf of the United States of America.
Intended Use	The intended use is to assist Reclamation in establishing a new annual rental rate for renewing the permits of each of the 42 sites surrounding the reservoir.
Effective Date of Report	October 8, 2014
Date of Report	October 31, 2015
Extraordinary Assumptions	None
Hypothetical Conditions	None
Market Rent Value Opinion	
Each Annually Rented Cabin Site	\$ 6,825 per year

INTRODUCTION

IDENTIFICATION OF THE PROPERTY

The 42 cabin sites that surround Dickinson Reservoir, located in Stark County, North Dakota, comprise the subject of this report. The cabin sites are geographically congregated into two separate cabin areas along the south side of the reservoir. The cabin sites are currently available for year-round occupancy via five year permits issued by the City of Dickinson's Parks and Recreation Department (from here on referred to as "Parks & Recreation"). Reclamation and Parks & Recreation are parties to Management Agreement Number 07AG602222, which assigns to Parks & Recreation the administration of the development, management, operation, and maintenance of lands and recreation facilities at Dickinson Reservoir—including the cabin sites. Cabin site permits call for an annual fee to be paid for the exclusive use of the individual cabin sites; the Management Agreement stipulates, in accordance with federal regulations, that the annual fees must reflect market value. Permittees remit payments to Parks & Recreation.

Regarding the use of the fees, Article 9, Section B of the Management Agreement says:

Revenues collected by Parks and Recreation through recreation user fees at Dickinson Reservoir in excess of the Parks and Recreation's expenditures at Dickinson Reservoir shall be paid to Reclamation within 90 days after the end of Parks and Recreation's fiscal year. However, if so requested by Parks and Recreation, Reclamation may direct that Parks and Recreation carry over excess revenues for expenditure in subsequent years for the purpose of future development of Dickinson Reservoir in accordance with approved development plans or a future RMP [ostensibly, Resource Management Plan].

PURPOSE OF THE APPRAISAL

The purpose of this survey was to collect sufficient information to estimate an annual market rent for the typical cabin site located along Dickinson Reservoir as of the effective date of our analysis and under the terms of permit given to us by Reclamation.

INTENDED USE OF THE APPRAISAL

The opinion of the typical annual market rent is meant for use by Reclamation as a basis for their determination of permit fees for the 42 individual cabin sites.

CLIENT IDENTIFICATION

The client is the Office of Valuation Services.

INTENDED USER(S)

The intended user is the Office of Valuation Services and the Bureau of Reclamation on behalf of the United States of America.

EFFECTIVE DATE OF VALUE

The Dickinson Reservoir was physically inspected by the appraisers on October 8, 2014. The effective date of the opinion of value is October 8, 2014, which was the date when the analysis was undertaken. The date of the report is October 31, 2015, the date that the report was published.

LEGAL DESCRIPTION

Not Applicable

INTEREST APPRAISED

Possessor interest by virtue of an annual use permit

OWNER OF RECORD

The owner of record is the United States of America; the fee simple interest is administrated by the Bureau of Reclamation. The 42 permitted cabin site occupants hold permittee owner interests in their respective sites.

DEFINITIONS

Market Rent

The Office of Valuation Services (OVS) has opined that the appropriate definition for use in market rental determinations for rights-of-way (ROWs) is the definition of market rent as found in the Dictionary of Real Estate Appraisal as follows:

The most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of the specified lease agreement including term, rental adjustment and revaluation, permitted uses, use restrictions, and expense

obligations; the lessee and lessor each acting prudently and knowledgably, and assuming consummation of the lease contract as of a specified date.¹

Market Value

The Office of Valuation Services (OVS) has opined that the appropriate definition for use in market rental determinations for rights-of-way (ROWs) is the definition of market rent as found in the Dictionary of Real Estate Appraisal as follows:

The most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of the specified lease agreement including term, rental adjustment and revaluation, permitted uses, use restrictions, and expense obligations; the lessee and lessor each acting prudently and knowledgably, and assuming consummation of the lease contract as of a specified date.

Fee Simple Estate

Fee simple estate, as used in this report is absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by governmental powers of taxation, eminent domain, police power and escheat.

EXTRAORDINARY ASSUMPTIONS

None

HYPOTHETICAL CONDITIONS

None

JURISDICTIONAL EXCEPTIONS

None

¹ The Dictionary of Real Estate Appraisal, Appraisal Institute, 5th Edition

ASSIGNMENT CONDITIONS

The report is expressly subject to the following assumptions and/or limiting conditions:

- In this analysis, we assume conditions in which the property would be available for lease under prevailing market conditions.
- We assume the cabin sites are under responsible ownership and competent management. Furthermore, there are no hidden or undisclosed conditions of the land or of the improvements that would affect market rent.
- We assume that the subject property is not affected by any adverse environmental conditions that would have an impact on the market rent analysis. Adverse environmental conditions unknown to us could impact the final rent conclusion.
- The conclusions stated in the appraisal apply only as of the date of valuation and no representation is made as to the effect of subsequent events.
- Although we conducted cursory inspection of the subject property, we did not conduct a formal survey of the property and assume no responsibility in connection with such matters. The spatial data, including sketches and/or surveys included in this report, have been supplied by Reclamation and are assumed to be correct.
- We are not responsible for considerations requiring expertise in other fields, including but not limited to: legal descriptions and other legal matters, geologic considerations such as soils and seismic stability, engineering, or environmental and toxic contaminants.
- We assume the property is in compliance with all applicable building, environmental, zoning, and other federal, state and local laws, regulations, and codes, unless otherwise noted in this appraisal.
- All facts set forth in this report are true and accurate to the best of our knowledge. However, it should be noted that the appraisal process inherently requires information from a wide variety of sources. The appraiser has relied on information provided by other individuals and in good faith believes that information to be reliable. We do not accept responsibility for erroneous information provided by others.
- Our analyses, opinions and conclusions are defined by the Scope of Work as defined herein.
- Neither all nor any part of this report, or copy thereof, shall be used for any purpose by anyone but the client and intended users specified in the report without my written consent. This report was prepared for the client's use at their sole discretion within the framework of the intended use stated in this report. Its use for any other purpose or use by any party not identified as an intended user of this report is beyond the scope of work of this assignment.

CERTIFICATION

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

- the statements of fact contained in this report are true and correct;
- the reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions;
- we have no present or prospective interest in the appraised property and no personal interest with respect to the parties involved;
- we have performed no services, as appraisers or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment;
- we have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment;
- our compensation or status with the Department of the Interior is not contingent on an action or event resulting from the analyses, opinions, or conclusions in the report or from its use;
- our compensation or status with the Department of the Interior for completing this assignment is not contingent upon the development or reporting of predetermined assignment results or assignment results that favors the Department of the Interior or any other governmental agency, the attainment of a stipulated result, or this occurrence of a subsequent event directly related to the intended use of this report;
- our analyses, opinions and conclusions were developed, and the report was prepared in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP);
- we personally inspected the subject property on October 8, 2014;
- no one provided significant appraisal assistance to us in the completion of this assignment;
- the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives (Charles Laflamme);
- as of the date of this review report, I (Charles Laflamme) have completed the continuing education program for designated members of the Appraisal Institute;
- the report 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 (Charles Laflamme);
- Charles Laflamme is a State Certified General Real Estate Appraiser licensed by the State of California (License No. AG002325)
- Adam Bradshaw is a State of Georgia Licensed Real Estate Appraiser (License No. 355805)

Charles W. Laflamme, MAI

Adam Bradshaw

PERMIT SYNOPSIS

This report involves the estimation of an appropriate fee to be paid on an annual basis for individual cabin sites at Dickinson Reservoir. The cabin fees are subject to the terms of permits issued by the City of Dickinson's Parks and Recreation Department (Parks & Recreation), which administrate the cabin sites for Reclamation.

A redacted cabin site permit was provided to the appraisers by a Reclamation representative. The cabin site use permit provided was not dated but had verbiage indicating an appropriate effective date beginning January 1st of 2010. The permit stipulated a \$1,200 annual permit fee for the use of an individual cabin site in both 2010 and 2011. The permit also stipulated that beginning in 2012, Reclamation's *land index rate* (also purportedly known as the Land Value Construction Cost Trends Indexing) would be used to adjust permit rates; cabin site use for 2012 was set at \$1,880 plus the land indexing increase or decrease. As of 2015 however, the adjusted rate for a cabin site permit along Dickinson Reservoir was unchanged; Reclamation indicated that they wanted to use the value produced by this report rather than adjust 2012 rates upward.

The chart summarizes permit fees, were renewal due anywhere from 2012 to 2015.

Application fee:	\$100	(non-refundable for initial review)
Administrative fee	\$100	(Processing the Permit, NEPA compliance, annual field reviews, reviewing requests to construct buildings, decks, erosion control structures, etc.- initial estimate)
Sub Total	\$200	(to be paid upon issuance of Permit)
Annual rental fee:	\$1,880	
Total Fees	\$2,080	

The basic terms/conditions of a permit upon which our analysis is based is as follows:

Issuer – Cabin site permits are issued by Parks & Recreation (under Management Agreement No. 07AG602222), entered into by Reclamation and Parks & Recreation, Parks & Recreation administers the site program—among other responsibilities—for Reclamation.

Permittee – To be identified

Term of Permit – **Cabin site permits** are issued on terms not to exceed five years beginning from the date indicated on the permit.

Purpose of Permit – Maintaining a cabin site for year-round personal use. This permit is not intended in any way to cause development that will increase local government or state expenditures.

General - The Permittee's rights under the permit are limited, are not guaranteed in perpetuity, and in constructing any improvement to a cabin site, the Permittee assumes the risk that they may eventually be required to remove their improvements and vacate the premises if their cabin site is needed for other purposes. Permits do not convey title to the land being used by individual permittees. Cabins and other private improvements at Dickinson Reservoir are permitted on public lands in designated areas. The shoreline and access to the shoreline will at all times be open to the public and the Permittee will not restrict such access. The Permittee must recognize and honor the right of access of the public, neighboring permittee, and their guests along established roadways and trails which may cross the permitted site. Permittees assume all risks associated with their use of federal land at Dickinson Reservoir. Individual permits **may be terminated or subjected to other dispositional alternatives** under any of the following conditions:

- 1) At the expiration of the term as provided in Article 6; or,
- 2) Upon expiration or termination of the existing management agreement (Management Agreement No. 07AG602222) between Reclamation and Parks & Recreation, and failure of Reclamation and Parks & Recreation to enter into a new management agreement whereby Parks & Recreation, as Reclamation's managing partner, administers certain Dickinson Reservoir lands and facilities for recreational, wildlife and associated purposes; or,
- 3) If the permitted lot is needed for any of the following project purposes, with termination to be effective on December 31 of any year with notice served 90 days in advance except in emergency situations:
 - a. All rights-of-way heretofore acquired or initiated or hereafter required for highways, railroads, irrigation works, or any other purpose;

- b. The right to take from said lands material for the construction, operation, and maintenance of Reclamation project works;
 - c. The right at all times to continue construction, operation, and maintenance of any Reclamation project works now or hereafter required to be located on said lands;
 - d. The right of the officers, agents, employees, licensees, and permittees of Reclamation at any and all times, and without notice to the Permittee, to have ingress into, passage over, and egress from all of said lands, for the purpose of exercising, enforcing, and protecting the rights reserved by this article and for enforcing any and all provisions of this Permit;
 - e. A right-of-way along all section lines or other practical routes heretofore or hereafter established by authority of the United States for public access to and use of the shoreline of the reservoir;
 - f. The right to conduct studies of stream- or reservoir-related flooding and Safety of Dams investigations on the permitted premises, and to modify or terminate this Permit or implement any measures deemed necessary to comply with Federal, State, or local flood plain management regulations or to otherwise correct flooding or Safety of Dams problems; and
 - g. The right to issue oil, gas, and mineral permits, easements, leases, permits, licenses, and other use authorizations to outside parties, and to conduct tests and surveys of any kind, and to take any other measures on the land deemed necessary, at any and all times, and at the sole discretion of Reclamation, in order to protect the interests of the United States., except in emergency situations; or,
- 4) On the failure of the Permittee to pay a full amount owed by the due date, or associate origination fee after the first notice, as provided in Article 5; or,
 - 5) If ownership of the dwelling passes to another person and an assignment has not been approved as provided in Article 8; or,
 - 6) If the cabin and appurtenances are demolished, or destroyed or severely damaged and the Permittee elects not to replace or repair the same as provided in Article 13. I.; or,
 - 7) If the property taxes for the cabin site are not paid every year by the 15th of April; or,
 - 8) At any time on the mutual agreement of all parties to the Permit; or,
 - 9) If the Permittee refuses to allow review or inspection as provided for in Article 11: or,
 - 10) After failure of the Permittee to observe any of the terms of this Permit.

Description of Authorized Use of Land Permitted - The cabin sites may be occupied continuously year-round.

Permit Rates and Administrative Fees – In consideration for use of a cabin site, the permittee currently pays Parks and Recreation an annual permit fee of \$1,880. Permittees are responsible for all of the utility expenses that they respectively incur and pay the servicing utility companies, when appropriate, individually. The cabin sites are on septic so the expenses to maintain the individual systems are intermittent and assumed by the respective permittee of each site. Likewise, those permittees still making use of an on-site well for potable water must maintain their own systems and incur all expenses for such; some permittees, however, are connected to the Southwest Rural Water District and instead pay a monthly fee for water. Besides site permit fees and utility expenses, cabin site permittees also pay county real estate taxes; however, since federal lands cannot be taxed, permittees pay to Stark County taxes on improvements only.

Transfer of Permit, Assignments and Subleases – The transfer, assignment, or subleasing of cabin site permits are subject to the following provisions:

- a. This permit and the rights and privileges granted hereunder may not be sold, bartered, assigned, or transferred by the Permittee. Parks & Recreation will indicate approval of assignment/transfer by entering into a new permit, for the unexpired term, with the assignee. Parks & Recreation and Reclamation reserve the right to amend any subsequent permits issued to reflect or include all applicable regulations and current policy.
- b. This Site may not be subleased or in any manner conveyed or assigned to a person not specified on the Permit.
- c. No more than two persons may be signatory parties to this Permit.
- d. The Permittee may have use of only one single-family cabin site in the Great Plains Region of the Bureau of Reclamation, inclusive of sites located on tracts permitted to organized groups on Reclamation reservoirs.
- e. This Permit may not include more than one staked Site, and no more than one cabin is allowed in accordance with this Permit.
- f. This Permit may not be held in the name of a corporation. In the event the Permit is held in the name of a Trust, the name and address of the legally responsible person for the Trust, as well as the name(s) and addresses of all Trust beneficiaries, must be provided at the time this Permit is executed.

AREA, CITY & NEIGHBORHOOD DATA

The Dickinson Reservoir is located in Stark County, North Dakota, just west of the city of Dickinson. Stark County is in western North Dakota. This part of North Dakota is predominantly rural and its substantially sized population centers are generally oriented around mining, e.g. oil, gas. Dickinson is the largest city in the county with a 2013 population of 20,826; the county's entire population numbered 28,212.

STARK COUNTY AND DICKINSON

Stark County has historically witnessed a steady but incremental growth in its own population but beginning in 2011 that steady growth began to accelerate: 2013's population represented

more than a 16% increase from the county's 2010 total of 24,199 inhabitants. The growth in Stark County is primarily attributable to the growth of oil and gas mining in the region. Mining, quarrying, and oil and gas extraction is the largest employment sector within the county, employing 4,730 people in the first quarter of 2014. Jobs within the oil

Year	Single Buildings	Multi-Unit Buildings	Total Buildings	Numeric Change	Percent Change
2004	66	7	73	7	10.6
2005	56	23	79	6	8.2
2006	79	10	89	10	12.7
2007	94	0	94	5	5.6
2008	103	0	103	9	9.6
2009	88	4	92	-11	-10.7
2010	162	13	175	83	90.2
2011	193	5	198	23	13.1
2012	672	56	728	530	267.7
2013	325	21	346	-382	-52.5
2014	357	11	368	22	6.4

Number of new building permits issued in Stark County, by year and type.

and gas sector are typically high-paying; average weekly wages for oil and gas workers within the county were \$2,088 in 2013. Per capita income within the county was \$73,800. The availability of high wage jobs has helped the county as a whole to prosper. The county boasted a low 1.3% unemployment rate in September, 2014 and, per Job Service North Dakota's Labor Market Information Center, October of 2014 saw 1,779 job openings as opposed to 585 active resumes. A drive through Dickinson on the date of inspection corroborated the demand-side economic condition that the oil boom had at least temporarily created in the county; traditionally low wage employers had help wanted signs up indicating pay rates much higher than such employers are wont to give and at least a couple employers had temporarily shuttered their businesses for lack of help.

Predictably, new wealth and job growth within the county has brought about gains in the county's realty market. One indicator of the gains within the residential market is the number of new privately-owned residential building permits that are issued. The table on the previous page illustrates annual totals for the number of these permits issued by Stark County.

Local realty offices were inquired at regarding residential realty in Stark County. The consensus was that the county's growth was driving expansion of the residential market but that price was outpacing supply. As an example of the residential market dynamics in the area, one realtor cited the going prices for entry-level homes: The realtor said that a 1,600-2,100 square feet home cost a minimum of \$275,000 as of the effective date; renting the same home, she figured, would cost a tenant about \$4,000 per month.

AREA CONCLUSION

Stark County, as of the effective date, was booming. Dickinson is one of the fastest growing micropolitan areas of the country and the prices of the area's residential real estate are following the upward trend in population and wealth. Vacant land sales, analyzed for time, lay bare the trend later on in the report.

PROPERTY DESCRIPTION

The market survey focuses on the 42 cabin sites surrounding Dickinson Reservoir. The 42 cabin sites are congregated in two areas; both areas are on the south side of the reservoir, on the reservoir's east half. The boundaries of the cabin sites are delineated by on-site survey markers. Per Article 10 of the cabin site permit, these markers "are defined by permanent stakes or monuments which were placed under the authority of and with the approval of Reclamation." The cabin sites' respective survey boundaries are represented in red on the aerial photography included in pages 20 through 22 of this report. The lot lines shown were provided by Reclamation and indicate individual cabin site sizes ranging from about .2 acres to about .5 acres with a majority of the sites encompassing about 0.3 acres individually. A brief look at the aerial photographs, however, shows that the permittees are making use of—many even making improvements on—land beyond the indicated lot lines provided by Reclamation. (Historical imagery shows that this has been common practice for at least the last 10 years—most likely, longer.) In all cases, the "extra" land being made use of by permittees is on the reservoir/frontage side of the lots. If the respective areas extending from the frontage side termination of the individual lots to the reservoir are accounted for, the sizes of the cabin sites are larger than those indicated by the Reclamation-provided lot lines. Instead of sites ranging from 0.2 acres to 0.5 acres, sites range from 0.3 acres to just short of 0.9 acres; instead of the majority of individual lots encompassing about 0.3 acres, the majority of the lots individually encompass about 0.5 acres. In light of this and in accord with the established and practiced use of the land within and without each of the surveyed cabin sites, all lots are considered to have frontage for the purpose of this market rent survey and, further, the "typical" size of the cabin sites is considered to be justifiable at about 0.5 acres. This position is further solidified when considering that most of the permittees have taken advantage of their respective reservoir frontage with docks and/or other improvements that facilitate easy access and use of the reservoir; in fact, the permits that grant use of the cabin sites make concessions for the conditional use/improvements on the cabin sites' frontage.

Year-round permits are issued for the use of the cabin sites and the permits are paid annually by their respective holders. The permits are renewed once every five years—typical of

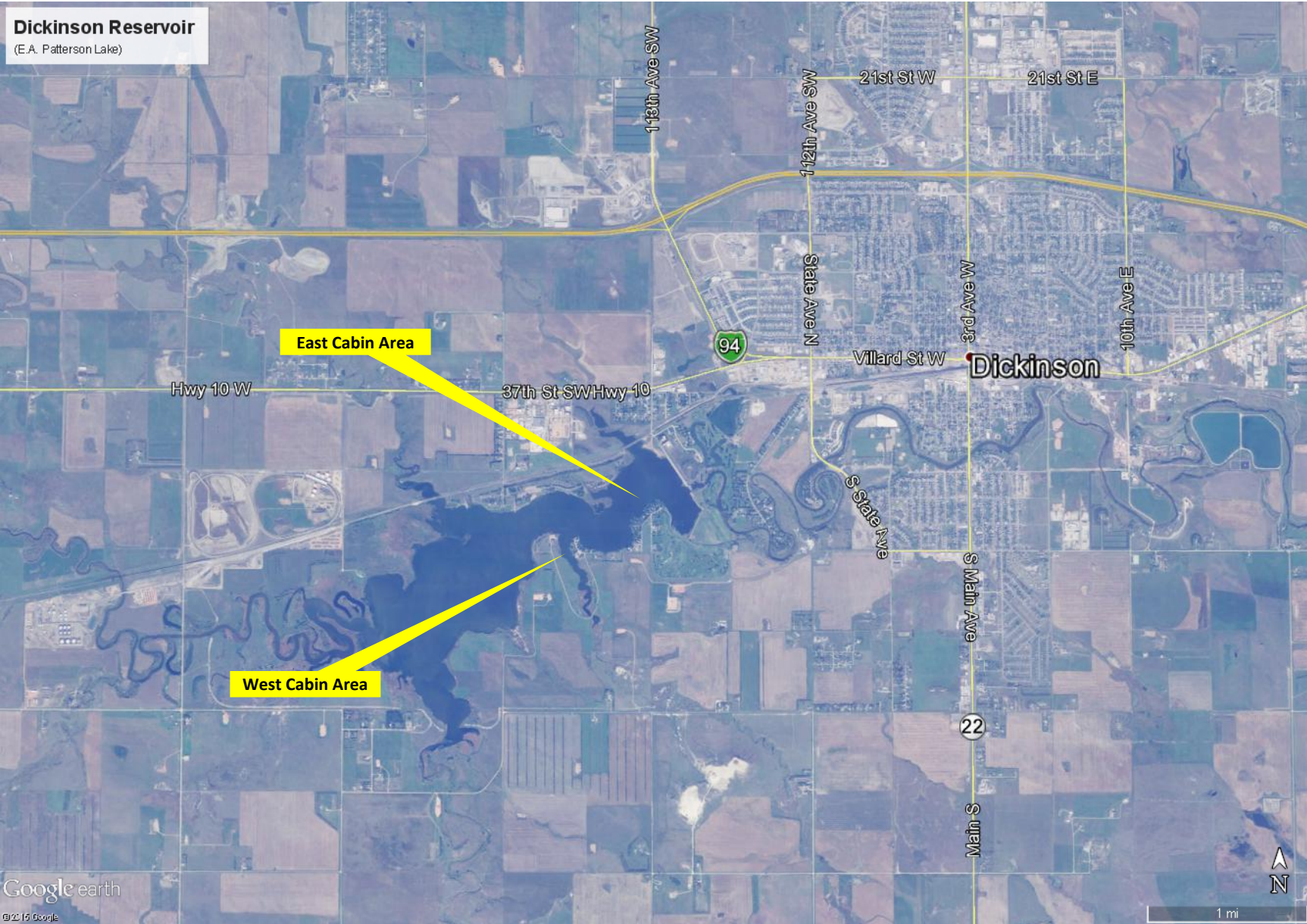
Reclamation's cabin site terms within the Great Plains Region. Parks and Recreation administrates and maintains the area around Dickinson Reservoir, including the administration of the cabin site permits.

Permittees have the responsibility of maintaining the grounds of their permitted cabin sites and are responsible for procuring and paying for the utilities which serve the sites. Electricity to the sites is fed through the Roughrider Electric Co-op. Some of the sites are served by Southwest Rural Water; others, when Southwest's project came through the area few years ago, opted out of the connection fee and chose to remain on wells. Garbage collection is done by MGM Rural Sanitation out of Dickinson.

The sites along Dickinson Reservoir have a history of 100% occupancy and there are currently no vacant cabin sites along the reservoir. Permittees of the cabin sites pay Stark County taxes on real property improvements but not on the actual land since federal property is not taxable. Stark County taxes 9% of the *assessed* value of real property—the assessed value being only half of the property's "true and full value", ostensibly market value in the appraiser's vernacular. The mill rate levied on lots around the Dickinson Reservoir in 2014 was 0.21601. Ultimately, taxes amount to roughly 0.97% of a property's purported value. In theory, cabin site permittees should pay less tax than homestead owning counterparts with similarly valued improvements; permittees should be spared 0.97% of the contributing value of the cabin site (the vacant land) upon which their "cabins" sit.

All of the sites provide a level building pad for the improvements; all of the sites are accessed via a paved road that connects with county maintained streets. All of the sites have frontage to the lake and have boat docks at their frontage. All of sites afford views of the lake.

The following pages include aerial photographs that will aid in locating the reservoir's cabin sites:









SCOPE OF THE ASSIGNMENT

We have inspected the subject property to the extent necessary to understand the property and the position of its cabin sites within the local market but have relied on Reclamation and Dickinson's Parks and Recreation for certain property information, tenancy information, expenses—if available, and other information pertinent to the subject. Assumptions regarding the analysis are noted in the section labeled "Assignment Conditions".

This assignment involves analysis of pertinent market factors in order to opine market rent for the Bureau of Reclamation's cabin sites located around Dickinson Reservoir. The valuation problem is to solve for current market rent for the typical cabin site as previously identified under the conditions set forth in the permit. A Highest & Best Use Analysis was not necessary as the assignment instructions were to estimate market rent of the sites as they exist subject to the terms of the license agreement or permit. Because the objective of this assignment is a market rent analysis, the development of the Cost Approach, Sales Comparison, and Income Approaches to value are not pertinent, and therefore were not undertaken.

SUMMARY OF APPRAISAL PROBLEMS

The appraisal problem is opining market rent for cabin sites along a recreational reservoir where there are few to no similar comparable sites transacting in the market within the subject region. The subject's cabin sites benefit from atypical views and water frontage along a reservoir. The terms upon which the permits are issued are not conventional either: Permits are issued on 5 year terms and paid annually, up front.

Motor homes, mobile homes, and RVs are not to be used even as seasonal dwellings along Dickinson Reservoir; RVs parked on a cabin site are limited to stays of no more than 14 days within a given 30-day period.² Renting a subject site for the purpose of year-round use, i.e. permanent residence, is somewhat akin to renting a site in a mobile home park. (Mention of manufactured homes is conspicuously absent from the prohibitive permit clause.) The exclusion of motor homes, mobile homes, and RV's may have been intended for aesthetic purposes but it

² Article 13, Clauses P and Q, Year-Round Recreation Use Permit at Edward Arthur Patterson Lake/Dickinson Reservoir, Stark County, ND. April 2010

effectively invalidates any potential comparison of the subject sites to RV parks or mobile home parks.³ Subject sites will not, therefore, be compared to sites in either mobile home parks or RV parks.

Permittees are responsible for procuring and maintaining their own utility services and are charged with the maintenance of their respective sites. Further, they each pay county taxes upon their improvements. With the level of responsibility assigned to tenants comes some autonomy regarding site use: Subject to approval, tenants are allowed to build improvements on cabin sites with the understanding that such improvements may have to be moved at a later date. Consistent with responsibilities assumed by each individual tenant and the provision for site improvements—not unlike impositions of a neighborhood association to which a collective group of owning residents belong—are the owner-like behaviors of cabin site tenants, many of whose recreational cabins have taken the form and function of a primary residence.

The intended use of this report is to establish market value for site rent. The uses, allowances, and responsibilities assigned to permittees, however, defy lease terms within the market area. Indeed, the likeness to home-ownership which the subject site's market terms connote is corroborated by permittee behavior. Market value represents values based upon, or contingent upon, market terms; in this case, the dichotomy between the actual use of the cabin sites and the fact that they are leased out on atypical terms will be rectified utilizing estimated site value and market rate of return.

The methodology normally used to solve this valuation problem would be to undertake a survey of similar sites along other lakes or reservoirs within the region in order to ascertain rents/leases charged and their associated terms of rent/lease. This methodology was not employed inasmuch as no reservoirs or lakes were identified, other than Reclamation facilities, which had cabin sites available for lease. An alternate methodology would be to survey rents in

³ Many single-wide or double-wide manufactured homes occupy trailer sites—even cabin sites—along other Reclamation-administrated reservoirs within the Dakota's Region. Because the permit terms of the sites they occupied did not specifically prohibit RV's and mobile homes, however, RV parks and mobile home parks provided what sometimes proved to be valuable points of comparison for rent analyses.

RV and mobile home parks. However, neither RVs nor mobile homes qualify as cabins on the sites—in fact, are prohibited from being used as year-round recreational residences on the sites; there is a concession for motor homes, mobile homes, or other RVs on the individual sites but the presence of any of the former is considered accessory and their occupancy is limited to stays of no more than 14 days within any 30-day period.

The subject cabin sites, dissimilar to other reservoir sites in the State that we have performed rent valuation assignments, are adjacent to an urban area (City of Dickinson) and allow year round occupancy. Given these considerations, the alternate methodology relied upon was a rental analysis based upon a rate of return applied against the value of a vacant residential lot, to wit, sales of vacant residential lots in the area were sought out, as was a reasonable rate of return that would be required for the rental of the same, and then the rate of return was applied to the lot value yielding a return in dollars which is an indication of the annual market rent.

MARKET DATA OVERVIEW

The subject's cabin sites are rented for annual use on five-year terms. Rent is paid on a per annum basis. Vacant residential lots compare similarly to the subject sites except in terms of tenancy; vacant lots are typically either bought or sold in rural residential markets—not leased, as the subject sites are. Nevertheless, the sales that have occurred within the subject area provide what proves to be the most reliable and relevant market data with which a rental rate can be deduced or extracted.

VACANT RESIDENTIAL LOT SALES

County records and multiple listing services were searched for properties which might prove comparable to the subject's cabin sites. In all cases, the search for sales extended back at least three years prior to the effective date. Parties to the listings and sales were contacted in an attempt to confirm the price and ascertain any conditions to the sales. Sales were screened for similarity to the subject; location, size, date, and plausibility of veracity were all considered. Sales of unimproved lots within close proximity to a body of water or that fronted premium-demanding features—such as bodies of water—were those that bore the most similarity to the subject.

Sales chosen for final analysis and reconciliation of a typical subject site's value were selected based on an elemental comparison to determine which sales were most similar to a typical subject site. Elements of comparison for vacant and unimproved residential and recreational lots will be discussed later in the report.

CABIN SITE RENT ANALYSIS

The value—and ultimately the rent—of cabin sites surrounding Dickinson Reservoir depend upon the market value of a fee simple interest in the estate of the respective cabin sites. As previously mentioned, Dickinson Reservoir is adjacent to the City of Dickinson, a major city in North Dakota. The subject cabin sites are not remote recreation lots as would be expected when the term cabin site is used and as was found in the other reservoir assignments we undertook this year. The sites are better described as urban/suburban lots with lake-frontage and lake access. In order to estimate the market value of the typical subject site as if it were a legal lot held in fee simple estate, the sales comparison approach was employed.

THE SALES COMPARISON APPROACH

The **sales comparison approach** is an appraisal procedure in which market value estimate is predicated upon prices paid in actual market transactions of similar properties. It involves analyzing recent sales of residential homesites for the purpose of deriving an indication of value. The sales comparison approach attempts to account for differences in value as a function of dissimilarities in like properties. The following section outlines and expounds upon elements of comparison and value used in the analysis of the subject sites' market values.

ELEMENTS OF COMPARISON FOR VACANT RESIDENTIAL/RECREATIONAL TRACTS

The adjustment summary grid contains the relevant value elements of each sale for use in a comparative evaluation of the subject property. Since our method of calculating market rent for the subject sites relies on a rate of return applied to the value of those sites in fulfilling their current use, a highest and best use analysis is not applicable; the use of the subject's sites as year-round recreational lots—which equates to residential lots considering their current predominant use as residences—is considered when estimating value. Consequently, the elements of comparison affecting residential development are of the most importance to the sales comparison analysis and will have the greatest effect on value. Elements of comparison for consideration include property rights, financing, size, market conditions, location and frontage.

When unable to account for differences in elements using quantitative adjustments, qualitative comparison was employed. A comparable sale's element received no adjustment, denoted by "0", when the subject's corresponding element was similar. Dissimilarity between corresponding elements was represented as superior (-) or inferior (+). Lesser degrees of dissimilarity were represented by "0+", denoting slightly inferiority; or by "0-", denoting slight superiority. Greater degrees of dissimilarity were represented by extra minus or plus symbols when deemed appropriate.

Not all elements of comparison which typically distinguish value required adjustment; in some cases the subject and all the comparables shared uniform characteristics. In other cases the market recognized no value difference between the respective characteristics exhibited by properties with differing characteristics. The following subsections expound upon the elements of comparison considered for the sales comparison analysis.

Unit of Comparison

Recent sales within the region suggest that vacant residential/recreational lots are being valued by buyers on a per-lot basis. This was corroborated by local real estate agents and by accounts from the respective grantees of multiple comparable sales. It is typical for lots that have a highest and best use of residential/recreational to be valued on a site by site basis. Lot sizes for residential homes in and around Dickinson vary widely; the bulk of vacant properties considered comparable to the subject—i.e. located away from the heart of the city—ranged from about one to ten acres in size. The per lot basis is not exclusive of the plausibility that lots possessing superior size may be considered nominally superior when compared to a smaller property that is otherwise identical. Further, interviews with market participants indicate a preference for larger residential lots in and around the Dickinson area; however, no quantifiable premium for size could be ascertained within the subject sites' niche of the market area. Substantial differences in size between tracts will be recognized qualitatively.

Time (Market Conditions)

The body of data comprised from confirmed sales of vacant residential tracts indicated a clear upward trend in price as 2014 progressed. Despite general similarities shared by most vacant

lots, differing characteristics in elements of comparison potentially affecting value preempted the reliability of the least squares regression analysis (statistical method) when seeking out a trend in market conditions. Instead, paired sales analyses were used to examine the time trends indicated between conveyances of properties thought to be most like each other.

The following pair of sales sits side by side in a subdivision that lies north of the city of Dickinson. Neither property held any significant advantage over the other in terms of property characteristics or financing.

	Supplemental Sale 1	Supplemental Sale 2
Assessor's Parcel No.	27504504959100	27504504959110
Location	Morey Bang Subdivision Stark County, ND	Morey Bang Subdivision Stark County, ND
Size	4.87 Acres	4.59 Acres
Sale Date	June 2014	January 2014
Price	\$ 75,000	\$ 62,500
Price Adjustment for Date		+ \$ 12,500 ≈ 3.71% per month

The sales that follow—also vacant land sales—are both located within “The Pines” subdivision three miles out of Dickinson and a few miles southwest of the reservoir. The earlier sale occurred in January, 2014 and was one of three confirmed property sales occurring within the subdivision that month; all three conveyances were similar in price but the sale used for the following comparison went for a slightly higher amount than the other January sales.

	Comparable Sale 3	Supplemental Sale 3
Assessor's Parcel No.	26404604531002	26404604531011
Location	Lot 2, Pines Subdivision Stark County, ND	Lot 11, Pines Subdivision Stark County, ND
Size	4.62 Acres	4.62 Acres
Sale Date	August 2014	January 2014
Price	\$90,000	\$ 62,500
Price Adjustment for Date		+ \$ 27,500 ≈ 5.35% per month

Comparable Sale 3 had actually conveyed for \$60,000 in January before its resell for \$90,000 in August. However, Comparable Sale 3 was one of two identical and adjacent lots purchased in the same January conveyance (for a total of \$120,000). There was a quantity discount in play; subsequently, the August conveyance of Comparable Sale 3 was compared to Supplemental Sale 3 rather than the former's earlier sale. The cost of time spanning from January to August, indicated by the two sales, is 5.35% compounded monthly.

A comparison of the following sales attempts to address the market conditions from August 1st until the effective date in October, 2014. The table shows two sales located near Dickinson Reservoir. Each of the sales has a premium location and frontage; the more recently sold lot fronts a golf course while the lot that sold earlier fronts a water feature that separates the same golf course and the latter lot.

	Sale 1	Sale 2
Assessor's Parcel No.	26402804110000	26402704102100
Location	Lot 8, Block 1 of Country Estates Stark County, ND	Lot 7, Water's Edge Subdivision Stark County, ND
Size	0.85 Acres	0.94 Acres
Sale Date	November 1, 2014	August 1, 2014
Price	\$110,000	\$ 100,000
Price Adjustment for Date		+ \$ 10,000 ≈ 3.23% per month

The potential market adjustment indicated by the preceding two sales is 3.23% for the months of August through October. The number of vacant lot sales tapers off towards the end of the calendar year in Stark County so it is reasonable that the increase in prices slows.

Despite the preponderance of evidence indicating an upward trend in market conditions as 2014 progressed, a lack of consistency among indicated adjustments makes it difficult to rely upon any one of the figures. In addition, the degree of difference among the indicated adjustments renders the quantified reconciliation of such adjustments dubious. The likely impact of time upon the separate sales being compared to the subject will be recognized in the analysis through a qualitative representation.

Since prices progressively trended upwards in the Dickinson area throughout 2014, the price reflected in a given sale occurring early in 2014 is ostensibly lower than what it would have been if the transaction of the same property had occurred on October 8, 2014—the effective date. If this were accounted for quantitatively, some figure would be added to the original transaction price to yield an adjusted value that placed the sale within the same market condition context as the subject site to which the former was being compared. It follows that when accounting for the same market condition in a qualitative manner, the adjustment would be represented with a “+” in recognition of the inferior market in which the similar property sold. Sales which occurred close to the effective date of value will not receive an adjustment.

Size

Vacant residential and recreational home sites are typically sold and valued by market participants on a per unit basis (absolute terms) rather than a per acre basis. Nevertheless, the principle of substitution tells us that a potential purchaser will pick the larger of two identical lots if offered for the same price; it follows that substantially larger lots would be worth more than their smaller but identical counterparts.

Interviews with Dickinson area market participants indicated a preference for lots that “offer some space”. Concomitant with this indication, many of the vacant lots that conveyed for purposes of home building were around 4 to 5 acres. A quantified premium for size could not be ascertained so size will be accounted for in a qualitative manner.

Location/Frontage

Location was reported to be an important consideration to many market participants. Although buyers generally sought larger lots, they still wanted to remain close to Dickinson. Properties nearby or fronting a recreational feature, such as a lake or golf course, were also considered highly desirable and, per developers and agents, in scarce supply.

Although real estate agents and developers spoke of water-fronting and golf-course-fronting lots as being premium lots, neither could—or would—even provide a ball park figure for the value of that premium and such lots were still valued on a site basis (rather than, say, a price per foot of lake frontage). Although a premium might be derived from the confirmed sales using Comparable Sale 1 (which conveyed in January, 2014), the unwillingness to guess at a location/frontage premium by those intimately acquainted with the market warrants caution before relying on a calculated premium. Since two of the more recent sales possess premium fronting features as well, these will, instead, be more heavily relied upon in their comparison to the subject sites. Quantitative adjustments will be avoided in lieu of more cautious qualitative representations.

VACANT LOT ANALYSIS AND MARKET VALUE RECONCILIATION

Cabin sites were not appraised individually for this survey; rather, a range of values was arrived at in which the rents of all the representative cabin sites considered in this survey will fall. Cabin site rents are necessarily tied to property value. Property's offering better access to the reservoir—e.g. greater lake frontage, size, a better beach, etc.—may ultimately warrant higher permit fees.

The chart on the following page summarizes the sales used to opine market value for a typical cabin site. Detail sale sheets are included in the addendum.

	Typical Subject Site(s)	1	2	3	4
County	Stark County, ND	Stark County, ND	Stark County, ND	Stark County, ND	Stark County, ND
APN	NA	26-4028-04110-000	26-4027-04102-100	26-4046-04531-002	30-4074-05695-000
Sale Price		\$ 110,000	\$ 100,000	\$ 90,000	\$ 105,000
Financing			Cash to Seller	Cash to Seller	Cash to Seller
Adjustment		\$ 0	\$ 0	\$ 0	\$ 0
Cash Equivalent Sale Price		\$ 110,000	\$ 100,000	\$ 90,000	\$ 105,000
Date of Sale	October, 2014	November 1, 2014	August 1, 2014	August 1, 2014	January 14, 2014
Adjustment		0	0	0	+(+)
Sale Price as of the Effective Date		\$ 110,000	\$ 100,000	\$ 90,000	\$ 105,000
Size	Typically one-third of an acre	0.85 Acres	0.94 Acres	4.62 acres	4.18 acres
Adjustment		0	0		
Location	Patterson Lake Area	Patterson Lake Area	Patterson Lake Area	~3 mi. from both lake and town	Patterson Lake Area
Adjustment		0	0	0+	0
Setting	Lake Frontage	Golf Course Frontage	Water/Golf Course Frontage	Typical Rural Res.; Plains	Lake view w/ direct access but no frontage
Adjustment		0	0	+	0
Overall Indicator		Similar	Similar -	Slightly Inferior	Slightly Inferior
		0	0	0+	0+
Indication of Value		≈ \$ 110,000	≈ \$ 100,000	> \$ 90,000	> \$ 105,000

Sale prices for 2014 sales of lots considered reasonably similar to the subject's sites ranged from a low of \$90,000 to a high of \$110,000. Following qualitative adjustments for market conditions, size, location, and setting, the value range for the typical subject site, as indicated by similar sales, spanned from \$105,000 to \$110,000.

The lots conveyed in Sales 1, 2, and 4 were all located near the reservoir with Property 1 even being located in the same neighborhood as the subject sites. Property 2 was also nearby while Property 4 was located on the reservoir's west end—as opposed to the subject sites' east end location—and Property 3 was located in a more typical rural residential setting, away from the reservoir and thus considered to have an inferior setting and a slightly inferior location.

Lots 1 and 2 were considered to be the most similar to the subject sites—in fact rendered “similar” in their comparison to the subject sites—because they compared similarly to the subject in all elements of comparison considered important to value: Besides similarities in location and setting, they each sold within two months of the effective date of value and were therefore considered similar as far as market conditions. Further, they shared respectively diminutive sizes when considered within the context of the lot size preferences of market area participants: Dickinson area residents seeking vacant lots with the intent to build reportedly like larger lots; this preference, reported by realtors and developers, was substantiated by the body of Stark County's 2014 vacant residential sales in which sales of properties between 4 and 6 acres were predominant.

Lots near the reservoir, although predominantly sized around an acre or so, were also in demand; partly, purportedly, because of their scarce supply. There are very few lots that offer the reservoir location while also offering the size that Dickinson area residents seem to prefer. Lot 4 offered both and, disregarding the significant disadvantage incurred by selling within an inferior, i.e. earlier, market context, would have been considered superior. Because the property conveyed in Sale 4 might have fetched a much higher price if sold 8 months later however, the \$105,000 sale was considered to be slightly inferior overall. Because of the unquantifiable nature of the market condition adjustment attributed to the sale, Sale 4 did not weigh as heavily in our analysis of a typical subject site as the sales of the other three properties. Still, the final qualitative indication of the sale price for Sale 4 seemed to

corroborate what was indicated by the other sales, especially Sales 1 and 2: The price of the former sat right at the average of the latter two sales—those considered similar to the subject—and the former’s qualitative indicator of “slightly inferior” does not seem far off.

Because lots 1 and 2 were considered similar to the subject sites, the comparative analysis left two inferior sales and no superior sales. This resulted in an indicated range between \$105,000 and \$110,000. Further, Sales 1 and 2, considered similar to the typical subject site, seem to provide very good benchmarks for value at \$100,000 and \$110,000, respectively. Despite the “slightly superior” indication assigned to Sale 4 and arrived at by qualitative means, the indicator does not, in our opinion, preempt an assigned value of \$105,000 for the typical subject site; after all, Sale 4’s designation relies upon qualitative means to reconcile relatively vast differences in both market conditions and size. \$105,000 sits midway between the two most similar sales, Sales 1 and 2, while still recognizing the value indications assigned to Sales 3 and 4.

Having given consideration to all property characteristics and elements of sale affecting value, it is our opinion that \$105,000 — represents a suitable estimate of value for a typical cabin site with frontage along Dickinson Reservoir, aka Patterson Lake.

VACANT LOT – RATE OF RETURN ANALYSIS

A rate of return is an interest rate that expresses the relationship between rent (income) and the corresponding land value (capital). The appraiser undertook a search to find current leases of ground in the area of the subject as well as of the States of Wyoming, North Dakota and South Dakota. No transactions were found.

The rate of return on capital is analogous to the yield rate or the interest rate earned or expected to be earned on the capital asset. It is often compared to a bond which carries an interest or coupon rate. It differs from an Income rate (Overall rate) which is a return **on** and **of** capital. In the case of the subject, the capital asset is the vacant residential site, the annual rent earned on that site from a lease or in this case a license agreement is the yield/interest/coupon rate. It is expressed as a percentage.

Valuation theory holds that the rate of return is influenced by several factors:

- The rates of return earned by comparable properties in the past;
- the degree of perceived risk;
- market expectations regarding future inflation, and;
- the prospective rates of return for alternate investments (opportunity costs).

In the case of the subject, the value of the capital asset (lot) is solved for, similarly the rate of return on the capital asset is estimated and the application of the rate of return to the value of the capital asset yields an estimate of rent (return expressed in annual dollars).

The appraiser undertook a search to find current leases of lots or other land types in the area of the subject as well as of the States of Wyoming, North Dakota and South Dakota from which a rate of return could be derived. No transactions were found. The valuers therefore had to rely on other indications to develop a rate conclusion.

Another way to get a handle of the appropriate rate of return, given the lack of lease comparables, is to look at returns of alternate investment vehicles. The following table lists rates of returns for many basic investment instruments.

Instrument	3rdQuarter 2014	3rd Quarter 2013
Prime Rate	3.20%	3.25%
US 30-year Bonds	3.39%	3.76%
Moody's Aaa Bonds	4.12%	4.54%
Corporate Baa Bonds	4.69%	5.42%
Mortgage Loan Rates	4.12%	4.46%

The subject sites will be rented on a five year basis but with renewals and is considered by the appraisers to be on a long term basis. A long term land lease coupon rate is generally compared to long term bond rates. This is because land is generally considered a low risk investment as it is a fixed asset in its natural state. The lowest risk of the long term investments is the 30 year federal government bonds (considered risk free) at 3.39% (down from 3.76% in 2013); the highest is the Corporate Baa bonds at 4.69% down from 5.42% in 2013. All of the long term rates are down significantly from their levels in 2013. The trend in the rates over the

last year reflects market perceptions in inflation or the lack thereof. The risk associated with the subject as an investment instrument would probably be closer to the Baa bond at 4.69%.

Another method of solving for a rate indication involves build-to-suit properties. A rule of thumb for build-to-suit properties is that an investor would want two points over his cost of funds to do a build-to-suite deal. The 4th quarter 2014 report of “Investor Survey” published by RealtyRates.com show permanent financing rates (avg.) ranging from 5.0% for apartment properties to a high of 6.82% for special purpose properties. They reported rates for 11 property types, the types most similar to the subject are probably Special Purpose and RV/MHP properties. Interest rates for Special Purpose properties ranged from a low of 3.61% to a high of 14.42% with the average at 6.82%. Interest rates for the RV/MHP properties ranged from a low of 3.39% to a high of 10.64% with the average rate at 6.07%. Add two points to these indications (avg.) and the interest rate on a build-to-suite deal would range from 8.82% to 8.07%.

The last indication we looked at is a national survey of discount rates for land leases. The survey was taken from the aforementioned Investor Survey. The survey involved 11 property types. The data from the survey is in the table following.

Property Type	Discount Rate		
	Min.	Max.	Avg.
Apartments	5.08%	10.86%	7.50%
Golf	5.61%	16.42%	9.71%
Health Care/Senior Housing	5.61%	12.23%	7.95%
Industrial	5.39%	10.86%	7.62%
Lodging	5.61%	16.18%	8.30%
Mobile Home/RV Park	5.39%	13.14%	8.57%
Office	5.39%	10.86%	7.88%
Restaurant	6.39%	16.44%	9.22%
Retail	5.17%	12.23%	7.75%
Self-Storage	5.47%	10.88%	8.71%
Special Purpose	6.35%	18.43%	9.32%
All Properties	5.08%	16.44%	8.32%

The survey showed minimum, maximum and the average of the data set. The minimums ranged from 5.08% to 6.39%, the maximums from 10.86% to 18.43%. The two property types that are most similar to the subject are RV/MHP and Special Purpose. These ranged from

5.39% to 6.35% on the minimum and 13.14% to 18.43% on the maximum side. The averages for the two were 8.57% to 9.32%, respectively. The average return on all of the properties was 9.32%.

Corporate bond rates are currently ranging from 4.12% to 5.42%, down a half a point from last year, the build-to-suite scenario yielded rate indications from 6.07% to 6.82%. The survey on discount rates for ground leases had indications from 8.57% to 9.32% (it should be noted that these discount rates reflect a return on and of the asset and are not coupon rates. Rates that reflect a return on and of the asset would necessarily be higher than a rate that would reflect just a return on the asset). The overall range then 4.12% to 9.32%, given everything, we have concluded that six and a half percent (6.5%) is a reasonable interest or coupon rate to base the rental calculation on.

RECONCILIATION AND CONCLUSION OF SITE RENTS

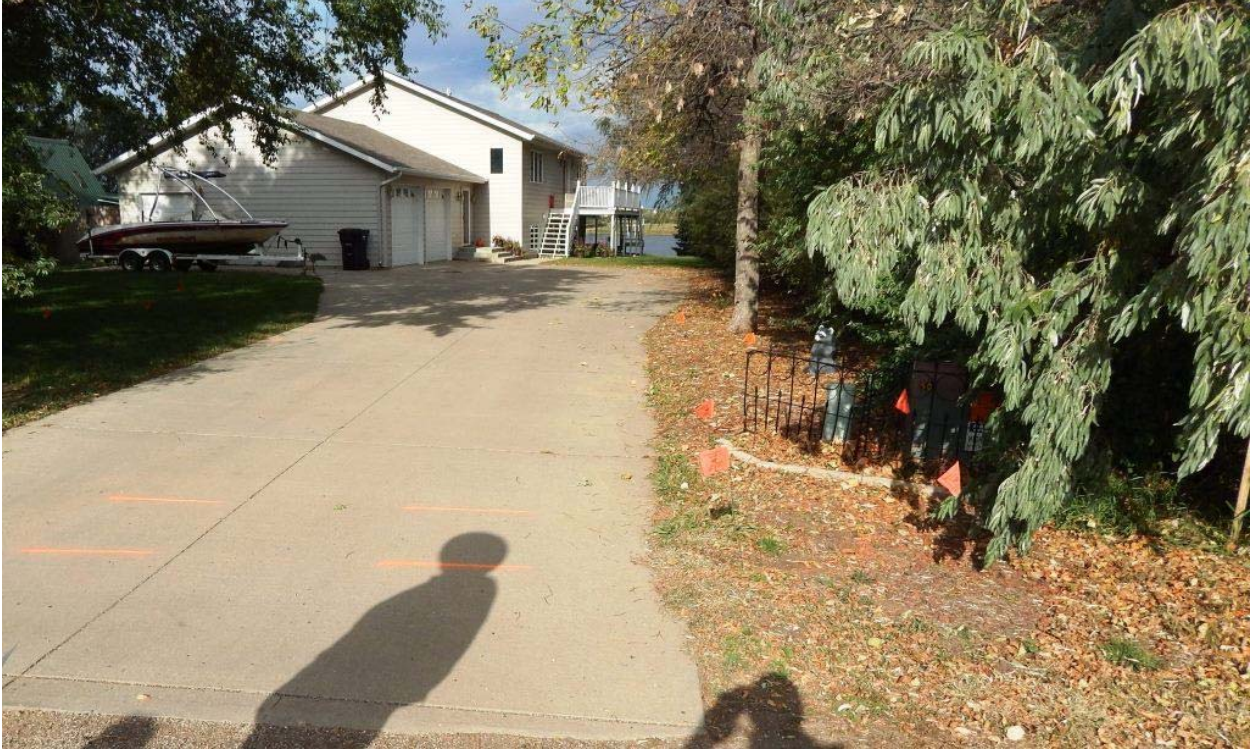
Applying a 6.5% coupon rate to the estimated lot value of \$105,000 yields an annual estimated permit fee of \$6,825.

Cabin sites permittees along Dickinson Reservoir are permitted occupancy year round. Despite the oxymoronic stipulation of the permits that the sites are permitted for “year-round *recreational use*” [italics mine], it is evident that most of the “cabins” are primary residences. Concomitant with the permanent improvements that have built upon the sites, the permittees are assessed property taxes by Stark County. Realtors divulged that some residents of the cabin sites feel that the Reclamation assessed fees are unfair since permittees are also paying property taxes. However, permittees are not taxed on the contributory value of the land as federal land is not subject to taxes; **permittees taxes are effectively subject to only their own improvements**. Further, it is not unusual for tenants of land leases to pay taxes on the property they occupy. Following this reasoning, it is our opinion that no adjustments are warranted to the rental indication.

In conclusion, it is our opinion that the market supports an annual site permit fee of \$6,825 for year-round recreational use of an unimproved cabin site along Dickinson Reservoir.

EXHIBITS & ADDENDA

SUBJECT PHOTOS



This shot was taken looking northwest. The house pictured occupies Site 9. (Bradshaw, 10-08-14)



Pictured is the cabin occupying Site 9. The picture was taken looking northwest. (Bradshaw, 10-08-14)



This picture was taken looking west. The steps that descend to the reservoir were constructed by the tenant of Cabin Site 3. There is also a floating dock in the right background. Many improvements to lake access have been constructed by various tenants throughout the reservoir's lake sites. Improvements, including docks, are allowable on the sites subject to approval by Reclamation and Dickinson's Parks and Recreation. (Bradshaw, 10-08-14)



This is the cabin that occupies Cabin Site 32. This cabin site is located among the western cluster of cabin sites along Littlehailes Court. The improvements on this property were for sale at the time of the site visit. The realtor says that only two banks will loan on the cabins because the sites are leased; the terms are purportedly prohibitive, limiting potential buyers to those who have cash. The picture was taken looking east. (Bradshaw, 10-08-14)



This picture was taken while looking southwest from one of the east cabin sites. The shot was taken standing atop a dock. (Bradshaw, 10-08-14)



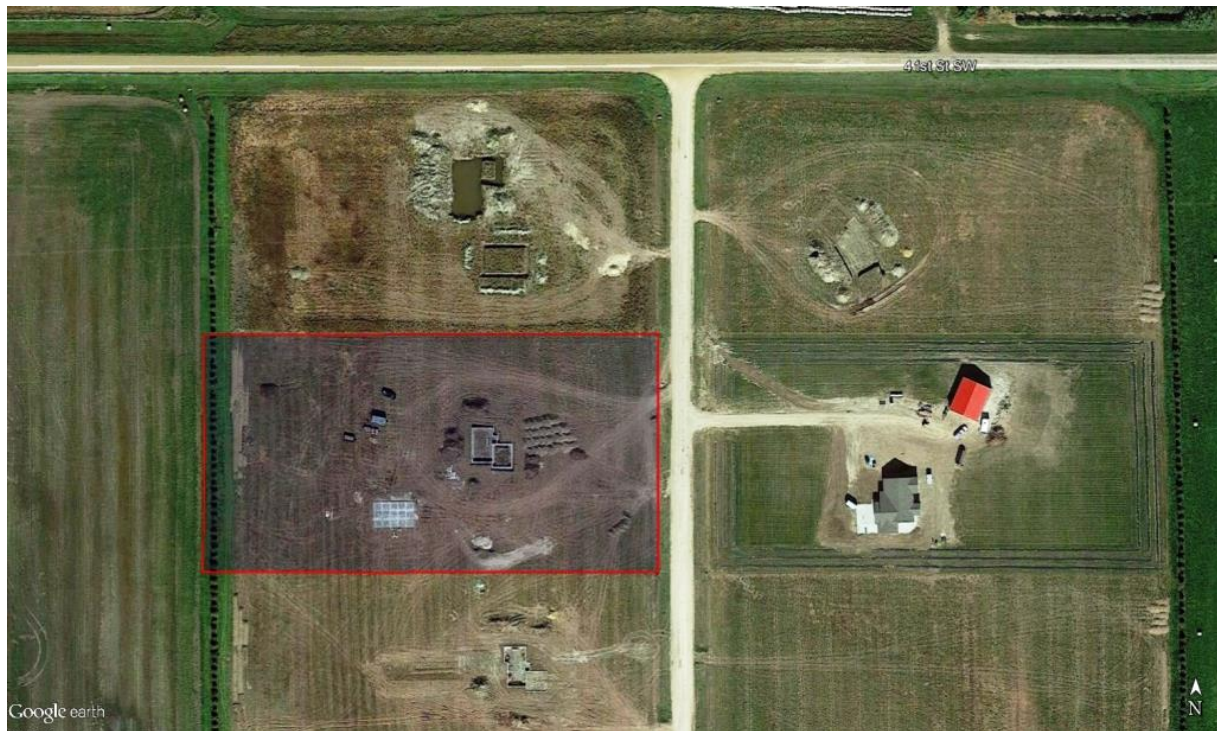
This shot was taken while looking east from Cabin Site 43, located near the end of Littlehailes Court. Other cabin sites can be seen across the water. (Bradshaw, 10-08-14)

COMPARABLE SALE SHEETS**Comparable Sale 1**

Property Type	Vacant Residential
County	Stark County, ND
APN	26-4028-04110-000
Grantee	Tony Hauck
Grantor	Jacob Schluckebier
Price	\$110,000
Sale Date	November 1, 2014
Size	0.85 Acres
Location	This lot is located just south of Dickinson Reservoir on 30 th Ave. SW. It does not front the reservoir but it does have premium frontage along a golf course. The lot is within the same neighborhood as the subject's cabin sites. This is the only one of either the comparable or supplemental sales that could not be verified with either the grantor or the grantee.
Notes	Lot 8, Block 1 of Country Estates.

Comparable Sale 2

Property Type	Vacant Residential
County	Stark County, ND
APN	26-4027-04102-100
Grantee	Thomas Volesky
Grantor	Venture Homes
Price	\$100,000
Sale Date	August 1, 2014
Size	0.94 Acres
Location	This lot is at the end of a dead-end street, 30 th Ave. SW in Dickinson, ND. The property is just east of Dickinson Reservoir and has frontage on the reservoir's spillway/moat that surrounds a nearby golf course. The lot next door conveyed for less later on that year but the grantor, who sold both lots, indicated that the latter's sale was only less because it was sold to an employee; the lot actually would have conveyed for more than the former if it were put on the market.
Notes	Lot 7, Water's Edge Subdivision.

Comparable Sale 3

Property Type	Vacant Residential
County	Stark County, ND
APN	26-4046-04531-002
Grantee	Venture Homes
Grantor	Jacob Schluckebier
Price	\$90,000
Sale Date	August 1, 2014
Size	4.62 Acres
Location	This lot is in a mid-block location on a cul-de-sac street off of 41 st St. SW, southwest of Dickinson, ND.
Notes	Lot 2, The Pines Subdivision. The price of sale was listed as \$96,000 in the assessor's records but the grantee indicated that he thought the price was \$90,000—again, with no special financing terms and cash to seller.

Comparable Sale 4

Property Type	Vacant Residential
County	Stark County, ND
APN	30-4074-05695-000
Grantee	Ryan and Lara Hagen
Grantor	L Joe and Joyce Fry
Price	\$105,000
Sale Date	January 14, 2014
Size	4.18
Location	Southwest of Dickinson Reservoir, the lot is described as Lot 2 of the Western Ranchos Subdivision.
Notes	<p>The property does not have water access, per se, but there are no legal lots between the lot's north property line and Dickinson Reservoir—only the flood zone that lies within the Bureau of Reclamation's right of way.</p> <p>The property was listed for less than 5 weeks and the grantee purchased the property for the total list price. The property had reportedly appraised at \$80,000 prior to sale but upward trending prices meant the grantor was not willing to deal.</p> <p>The grantee indicated that the property had trees which was appealing in a predominantly grassland landscape.</p>

Supplemental Sale 1



Property Type	Vacant Residential
County	Stark County, ND
APN	27-5045-04959-100
Grantee	New Life Pentecostal Church
Grantor	Kern 3, LLC
Price	\$75,000
Sale Date	June 1, 2014
Size	4.87 Acres
Location	This property is located at the end of a cul-de-sac on the northwest outskirts of Dickinson, ND. The nearest through street is 40 th Ave St. W, which is readily accessible by taking the 113 th Ave. exit off of I-94.
Notes	This property is adjacent to Comparable Sale 3's property, which sold 6 months earlier.

Supplemental Sale 2

Property Type	Vacant Residential
County	Stark County, ND
APN	26-4046-04531-011
Grantee	Patrick and Holly Bechler
Grantor	Pete and Elizabeth Moir
Price	\$62,500
Sale Date	January 1, 2014
Size	4.59 Acres
Location	11269 33 rd St. SW, Dickinson, ND 58601. This property is located at the end of a cul-de-sac on the northwest outskirts of Dickinson, ND. The nearest through street is 40 th Ave St. W, which is readily accessible by taking the 113 th Ave. exit off of I-94.
Notes	This lot was among a number of other lots that the grantor purchased in Dickinson, ND in 2011. He purchased them as investments on the advice of his brother, who lives in Dickinson. The grantor indicated that the grantee intended to build upon the property.

Supplemental Sale 3



Property Type	Vacant Residential
County	Stark County, ND
APN	26-4027-04102-000
Grantee	Barbara and Leroy Farber
Grantor	Melissa Moir de Rivera Torres
Price	\$62,500
Sale Date	January 24, 2014
Size	4.62 Acres
Location	This lot is in a mid-block location on a cul-de-sac street off of 41 st St. SW, southwest of Dickinson, ND. Lot 11 of The Pines Subdivision.
Notes	This lot was purchased with the intent to build but the contractor took the earnest money and disappeared. The grantee is contemplating the sale of the property in order to recover lost monies.

APPRAISER QUALIFICATION

Charles W. LaFlamme, MAI

Actively engaged as a real estate analyst and consulting appraiser since 1974.

Review Appraiser - Office of Valuation Services - Department of the Interior

2180 Harvard Street, Suite 380

Sacramento, CA 95815

(916) 566-7036

claflamme@ios.doi.gov

Professional Background

Owner - North Valley Land Services, Chico, CA (2002-09)

Independent appraiser – Sacramento, CA (1998-02)

Owner - Urban Pacific Services Corp, Newport Beach/Irvine, CA (1982-98)

Staff Appraiser - Foreman, Thompson & Associates/REAN, Newport Beach, CA (1975-82).

Staff Appraiser - State Mutual Savings, Newport Beach, CA (1973-75)

Educational Activities

BA Degree, Business and Economics, Chapman University (1976)

Certificate, Suburban Agriculture, Sierra College (2002)

Has successfully completed the following courses:

SREA 101 - An Introduction to Appraising Real Property

SREA 201 - Principals of Income Property Appraisal

AIREA II - Urban Property

AIREA VI - Investment Analysis

AIREA VIII - Litigation Analysis

AI - Valuation of Conservation Easements

AI - Uniform Appraisal Standards of Federal Land Acquisitions

AI - Advanced Market Analysis and Highest & Best Use

AI – Review Theory - General

IRWA Skills of Expert Testimony

IRWA Course 101, Sec. 3 Real Estate Acquisition Law

IRWA Course 901 Engineering Plan Development

IRWA Course 902 Property Descriptions

IRWA Course 802 Legal Aspects of Easements

ASFMRA Ranch Appraisal I & II

Also has taken numerous graduate courses in business, finance, mathematics and statistics, and attended seminars in valuation problems, real estate economics, and mineral economics.

Licenses and Certifications

MAI member of the Appraisal Institute, Certificate No. 6585 (1982)

Certified General RE Appraiser, California - Bureau of RE Appraisers - AG002325 Exp. 2/2016

Professional Work

Member, Assessment Appeals Board, Sacramento County (2000-2002)

Past President - Sacramento-Sierra Chapter - Appraisal Institute (2010)

Chair, Region 1 - National Board of Directors – Appraisal Institute (2012-2014)

Expert Testimony

Superior Court - Orange County, Los Angeles County, Butte County

Federal Bankruptcy Court - Orange County, Los Angeles County, Sacramento County

Adam Bradshaw

Appraiser Trainee

401 W. Peachtree St. NW, Ste. 1705

Atlanta, GA 30308

(404) 526-0091

adam_bradshaw@ios.doi.gov

Professional Background

State of Georgia Registered Real Property Appraiser (No. 355805)

Appraiser Trainee – Department of Interior, Office of Valuation Services (Sep. 2013 – Present)

Educational Activities

BA Degree, English, Washington State University (2011)

AAS Civil Engineering Technology, Walla Walla Comm. College (2000)

Has successfully completed the following courses:

Comparative Analysis, Appraisal Institute (AI), 2013

Basic Appraisal Principles, AI, 2013

Basic Appraisal Procedures, AI, 2013

15-Hour National USPAP, AI, 2013

Residential Report Writing & Case Studies, McKissock Institute, 2013

Best in Business Ethics, American Society of Farm Managers & Rural Appraisers (ASFMRA), 2014

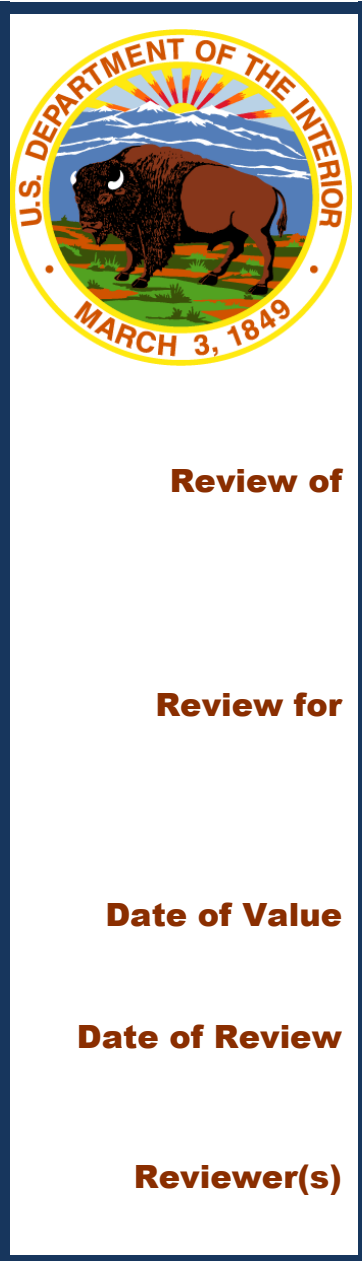
Sales Comparison Approach, ASFMRA, 2014

Market Analysis/Highest & Best Use, ASFMRA, 2014

Cost Approach, ASFMRA, 2014

Income Approach 1, AI, 2015

Uniform Appraisal Standards for Federal Land Acquisitions (UASFLA), ASFMRA, 2015



Appraisal Review Report

Review of

A Market Rent Survey for typical cabin sites situated around the Dickinson Reservoir in Stark County, North Dakota

Review for

U.S. Bureau of Reclamation
Attention: Alex Morgan
Great Plains Region
2021 4th Avenue, North
Billings, Montana 59101

Date of Value

October 8, 2014

Date of Review

December 14, 2015

Reviewer(s)

Steven G. Murphy
Office of Valuation Services



United States Department of the Interior

AS-Policy Management and Budget
Office of Valuation Services
1340 Financial Boulevard
Reno, Nevada 89502

Transmittal

IVIS Number: P14024 **Date:** December 14, 2015

Agency Case ID: 00065189 / Dickinson Reservoir Cabin Site Market Rent Survey

To: U.S. Bureau of Reclamation
Attention: Alex Morgan
Great Plains Region
2021 4th Avenue, North
Billings, Montana 59101

Subject: Appraisal Review
A Market Rent Survey for typical cabin sites situated around the Dickinson Reservoir in Stark County, North Dakota

My review report concerning the appraisal of the above captioned property follows this letter, comprised in these sections:

Executive Summary	4
Review Scope of Work	5
Review Analysis	7
Review Conclusion	12

This appraisal involves the estimation of annual market rent for the cabin sites found around Dickinson Reservoir in Stark County, North Dakota. The rent estimate was prepared by Adam Bradshaw and Charles W. LaFlamme, MAI of the Office of Valuation Services. The baseline rent opined is reflective of the terms in permit agreements that are associated with the sites.

The cabin sites are on federal lands that adjoin the Dickinson Reservoir. The reservoir and the land surrounding the reservoir are administered by the Bureau of Reclamation on behalf of the United States of America. The cabin sites are not legal lots, rather are sites defined by site plans and which are used by permittees in accordance to the terms of a permit agreement, which include the annual payment of a permit fee / rental.

As the intended use of the assignment result was to opine to a current year-round recreational use market rent for a typical cabin site adjoining the reservoir, specific property rights were not appraised. Further, the assignment was not based on any extraordinary assumptions or hypothetical conditions.

Based on my review dated December 14, 2015, I **APPROVE** the appraisal for your use. The appraisers concluded to an annual cash equivalent market rental rate as of October 8, 2014 of \$6,825 for the typical cabin site.



Steven G. Murphy

Executive Summary

	Appraisal
Appraiser(s)	Adam Bradshaw and Charles W. LaFlamme, MAI, appraisers with the Department of the Interior’s Office of Valuation Services
Property Owner	United States of America, as administered by the Bureau of Reclamation
Property Appraised	None; the assignment was to opine to an annual rental for the typical cabin site located on land adjoining the Dickinson Reservoir.
Real Property Interest	As specific individual cabin sites were not part of the assignment, a specific real property interest was not appraised. The annual rent opined is characteristic of a Permit Agreement.
Extraordinary Assumptions	None
Hypothetical Conditions	None
Highest & Best Use	Not applicable – valued per the terms of the permit agreement
Date of Value	October 8, 2014
Market Rental Value	The appraisers opined to an annual rent of \$6,825 for a typical cabin site.

Review of the Appraisal

Client	U.S. Bureau of Reclamation Attention: Alex Morgan Great Plains Region 2021 4th Avenue, North Billings, Montana 59101
Intended User(s)	The U.S. Bureau of Reclamation’s Great Plans Region (Reclamation) and the Office of Valuation Services (OVS), both on behalf of the United States.

Intended Use	To establish a current annual rental / permit fee for a typical cabin site situated around the Dickinson Reservoir. Reclamation intends to use the assignment results to establish the current annual permit fee for each of the 42 cabin sites adjoining the reservoir that are under the jurisdiction of Reclamation.
Date of Review	December 14, 2015
Review Conclusion	APPROVE

Review Scope of Work

Regulatory Compliance	My review development and this review report comply with: <ol style="list-style-type: none">1. USPAP, Standard 32. OVS Valuation Policy Manual (602 DM 1)
Purpose of the Assignment	This review concludes the appraisal report's credibility by analyzing the <ol style="list-style-type: none">1. Completeness of the material presented within the applicable scope of work2. Accuracy, adequacy, and relevance of the data and propriety of adjustments to the data3. Appropriate appraisal methods and techniques4. Appropriateness and reasonableness of the analysis, opinions, and conclusions5. Current usefulness to the intended users of my review report
Extent of Review	<p><i>Appraisal Report:</i> The reviewer's opinion about the quality of the work under review encompasses the completeness, adequacy, relevance, appropriateness, and reasonableness of the data and analyses presented based on the assignment's scope of work, purpose of the assignment, regulatory reporting requirements, and the valuation definition relied upon. Relative to these parameters, the review appraiser received a first submission of the appraisal report on October 28, 2015, with a reading of the report and items identified for discussion with the appraisers. On October 30, Chuck LaFlamme and review appraiser discussed the appraisal in detail and the final report was submitted for review on November 30. This review report was finalized on December 14, 2015.</p> <p><i>Subject Property:</i> The extent of the review process concerning the subject assignment primarily consisted of reviewing of all the materials provided for the assignment. In addition, the review appraiser viewed the subject Dickinson Reservoir and the areas surrounding the</p>

Reclamation cabin sites via the Google Earth aerial application.

Market Research: The primary market research performed by the reviewer for the assignment consisted of the review of the market rental survey report and the reviewing of the property specific materials provided by the Reclamation. In addition, to the extent reasonable, the reviewer viewed the residential lot comparables through Google Earth aerial photographs. The reviewer did not inspect the Dickinson Reservoir cabin sites nor the lot comparables and did not otherwise verify any of the non-subject information presented in the work under review or research any additional data relating to the assignment.

**Limiting
Conditions**

- I do not authorize the out-of-context quoting from, or partial reproducing of, this review report.
- I base this review report on information and data contained in the market rental survey report.
- I assume that the data contained in the market rental survey report are factual and accurate.
- I reserve reconsidering my review conclusions should information become available that contradicts the data relied on in the market rental survey report.

**Extraordinary
Assumptions** None.

**Hypothetical
Conditions** None.

**Consult with
Appraiser** *Instructions:* The level of consulting with the appraisers relative to the assignment problem was based on the assignment instructions in the Statement of Work. In addition, the review appraiser was available to answer questions from the appraisers during the course of the review process.

Pre-Work Meeting: Due to the relative straightforward nature of the rental survey assignment, a pre-appraisal meeting was not performed; the appraisers worked in tandem to establish credible assignment results.

Requests for Revision: On October 28, 2015 the appraisal report was submitted to OVS for review. On October 30, items of clarification were shared with the appraisers for consideration in a final report. On November 30, the final appraisal report was received by the review appraiser for final review.

Review Analysis

Certification Adequate

All USPAP certification items are present.

Limiting Conditions Adequate

The general assumptions and limiting conditions are generally appropriate to the assignment. The extraneous qualifications did not detract from the credibility of the assignment results.

Extraordinary Assumptions Not applicable

The intended use of the assignment was to opine to a current annual rent for cabin sites situated around the Dickinson Reservoir. In that no specific property was appraised and to the extent that current market data was relied on, no extraordinary assumptions were deemed applicable to the assignment.

Hypothetical Conditions Not applicable

Scope of Work Adequate

The scope of work necessary for a credible assignment results is generally subjective to the appraisers and it is sometimes difficult to ascertain unless the appraisers specifically provide in detail concerning what due diligence was and was not undertaken. Relative to scope of work for the subject assignment, certain scope activities were cited, but said was somewhat generic in nature, requiring the overall scope of work to be gleaned from the references of other due diligence performed elsewhere in the report. Overall, based on the complexity of the assignment problem and the due diligence that is evident from within the report, the scope of work for the assignment was adequate.

Client Adequate

OVS was appropriately identified as the client for the appraisal assignment.

Intended Users Adequate

Reclamation and OVS were appropriately identified as the intended users of the appraisal report. No other intended users of the appraisal

report were identified.

Intended Use Adequate

The assignment results will be used by Reclamation to establish to establish the current annual permit fee for each of the 42 cabin sites surrounding the Dickinson Reservoir. The intended use of the market rent survey report by OVS is to review for compliance with the requirements set in the assignment's SOW. The report and its opinions of market rent are not intended for any other use or purpose.

Date of Value DEFICIENT

The subject assignment reflects an October 8, 2014 date of value that is well beyond 30 days of the date of the first report submission of October 28, 2015. However, due to the nature and intended use of the assignment results, the date of value is acceptable by the Reclamation intended user.

Date of Report Adequate

The date of the report reasonably corresponds to the final date of the last revision of the report per the requirements of USPAP.

Definition of Market Rental Value DEFICIENT

The introductions to the definition of market rent references the determination of right-of-ways, which are not relevant to the assignment. However, in that the definition of market rent is appropriate, this deficiency does not detract from the credibility of the assignment results.

Property Rights Appraised Not applicable

As specific individual cabin sites were not part of the assignment, a specific real property interest was not appraised. The annual rent opined is characteristic of a Permit Agreement.

Summary of Appraisal Problems Adequate

A specific Summary of the Assignment Problem was not presented, however, the report sufficiently identifies the assignment problem through the various descriptions provided in other sections of the report.

Legal Description Not applicable

Specific cabin sites were not appraised; the assignment consists of a market rent survey for a typical cabin site around the Dickinson Reservoir.

Contact with Owner Not applicable

Specific cabin sites were not appraised; the assignment consists of a market rent survey for a typical cabin site around the Dickinson Reservoir.

Property Inspection Adequate

The Adam Bradshaw and Charles LaFlamme inspected a sampling of the cabin sites around the Dickinson Reservoir on October 8, 2014.

Location and Neighborhood Adequate

Property Description Adequate

Legal and Physical Access Adequate

Use, Rent, and Sale History and Analysis Adequate

Tax Assessment Analysis Not applicable

Zoning and Land Use Restrictions Not applicable

Other Adequate

The market rental survey report reasonably summarized the characteristics of the Reclamation cabin sites and provided a credible market overview.

Valuation

Highest and Best Not applicable

Use Estimate

Comparable Rentals Selection Adequate

The report draws to the intended users' attention that there was a dearth of comparable rental data in the market to analyze and that no comparables with identical characteristics to the Dickinson Reservoir cabin sites were identified. Accordingly, the appraisal had to rely on an alternative methodology to establish a credible annual market rental rate. Specifically, the analyses expanded the search outside the subject's immediate neighborhood with a selection of four comparable residential lot sales. Then opining to a residential lot value, a reasonable rate of return was applied to establish an indication of the annual market rent applicable to the typical subject cabin site. Although the comparables considered had varying physical characteristics when compared to the Dickinson Reservoir cabin sites, the comparables were considered to be the most relevant available for the assignment.

Comparable Rentals Description Adequate

Adjustment Characteristics Adequate

The appraisal reasonably considered the primary factors that influenced the rental fees charged by the comparable properties.

Adjustment Methodology Adequate

Due to the limitations of the available market data, there were limited matched paired analyses to obtain adjustments. Otherwise, the appraisal methodology relied on used the available data to the extent possible and ultimately employed a bracketing technique. Although the overall adjustment methodology employed seemed somewhat contrived and definitely qualitative, the technique is a reasonable methodology when insufficient comparable rentals are available. Essentially the analyses relied on the limited market data available in conjunction with the appraisers' experience and judgment.

Unit of Measurement (GBA/NRA/UA) Selection Adequate

Expense Basis Adequate

(NNN, Full Service, Gross, etc.) Although not specifically cited, the analyses clearly inferred the characteristics of the rent per year conclusion.

Lease Terms Adequate

Conditions of Lease Adequate

Tenant Improvement Allowance Not applicable

Market Conditions Adequate

Location Adequate

Physical Characteristics Adequate

Economic Characteristics Adequate

Use Adequate

Other Adequate

The analyses presented reasonably took each of the comparables into consideration and correlated their lot characteristics to a typical cabin site. Then, given no rental data for residential lots being identified in the market, the appraisal reasonably relied on a rate of return applied against the value of a vacant residential lot to determine an indication of the annual market rent.

Rental Value Reconciliation Adequate

In the final analyses, the appraisal reasonably established an annual rental per cabin site indicator. The appraisal considered the characteristics of the adjustments made to each comparable as well as considered the weighing of the market rate indicators to opine to an annual market rental conclusion.

Review Conclusion

Completeness and Accuracy of the Material Presented

In developing an opinion about the completeness of the material under review, the initial rental survey report submitted included a few items needing clarifications. Such items required the reviewer to discuss the issues with the appraisers to obtain clarification and as appropriate, the enhancement to the report to facilitate understanding and completeness. To the clarifications required, the appraisers were responsive to the discussion and desiring to improve the quality and clarity of the work product. Overall, given the nature of the assignment problem and the scope of work performed, it is the reviewer's opinion that the completeness of the material under review is reasonable for use by Reclamation.

Adequacy and Relevance of the Data and Propriety of Adjustments

It is the reviewer's opinion that relative to the constraints of the market, the data contained in the rental survey report was adequate and relevant to solving the assignment problem. However, it is also the reviewer's opinion that enhancements to the adjustment and rate discussions could benefit intended users' understanding relative to the assignment process. Still, the assignment analyses presented appeared to conform to the appraisers' peers' perspectives and as such, the analyses were deemed credible for use.

Overall, it is the reviewer's opinion that the adjustments were reasonable relative to establishing the propriety and credibility of the adjustments made or not made. In addition, the reviewer is of the opinion that the assignment reasonably relied on qualitative and bracketing considerations such that the adequacy and relevance of the data and propriety of adjustments were reasonable.

Appropriateness of Appraisal Methods and Techniques

The majority of the cabin sites located around the Dickinson Reservoir are considered lakefront properties and clearly benefit from the immediate proximity to the reservoir. Although the use of the sites are for year round occupancy, no private lakes were encountered where similar annual use rental sites could be found that were considered market driven. Accordingly, the appraisers had to rely on an alternative methodology to establish a credible annual market rental rate. Specifically, the analyses expanded the search outside the subject's immediate neighborhood with a selection of four comparable residential lot sales. Then opining to a residential lot value, a reasonable rate of return was applied to establish an indication of the annual market rent applicable to the typical subject cabin site. Although the comparables considered had varying physical characteristics when compared to the Dickinson Reservoir cabin sites, the comparables were considered to be the most relevant available for the assignment.

Overall, the method and technique applied to form the opinion of market rental value was deemed credible and indicative of the market in the analyses of properties similar to the subject assignment. As such, it is the reviewer's opinion that the methods and techniques used in the

report were sufficient to reasonably support the opinion of market rental value for the intended use of the report.

Appropriateness and Reasonableness of the Analysis, Opinions, and Conclusions

The rental survey analyses performed was deemed relevant and adequate to form the opinion of market rent for the subject assignment; the analyses performed were both applicable and relevant to the assignment. The method and technique applied were found to be indicative of the market in the analyses of cabin sites and as such, it is the reviewer's opinion that the methods and techniques used were sufficient to reasonably support the market rental opined for the intended use of the report.

Date of Review Report

December 14, 2015

Reliability of Value Conclusion as of the Date of Review Report

Overall, the work under review is deemed to be credible as of the date of this review report and may be relied on and used by Reclamation.

Conclusion

APPROVE

Final Comments

- This review report recognizes that perfection is impossible to attain and competency does not require perfection. Errors and clarification items discovered in the accompanying appraisal report were generally minor in nature and did not impact the overall reliability of the analyses presented. Accordingly, the intended users of this review report and the corresponding appraisal report should be aware that the reports may contain some uncorrected calculations, incorrect verbiage, and typographical errors.
- This review document is an integral part of, and should be included with each copy of the appraisal report retained by the U.S. Bureau of Reclamation or any other agency of the United States Government. The information, opinions, and conclusions presented in this review document, if different than those cited in the appraisal report, should be relied on over those expressed in the appraisal report.

Reviewer's Certification

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

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions of the appraiser.
- I have no present or prospective interest in the property that is the subject of this work under review and no personal interest with respect to the parties involved. Although the United States Department of the Interior is my employer, I am acting without prejudice towards that party.
- I have no bias with respect to the property that is the subject of this report or to the parties involved in this assignment.
- My engagement on this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of predetermined assignment results or assignment results that favors the cause of the client, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal review.
- My analysis, opinions, and conclusions were developed and this review report was prepared in conformity with the Uniform Standards of Professional Appraisal Practice.
- I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of the work under review within a three-year period immediately preceding acceptance of this assignment.
- No one provided me significant appraisal review assistance.
- I have not made a personal inspection of the subject of the work under review.
- I have not made a personal inspection of the comparables cited in the work under review.
- I have not verified the factual data presented in the work reviewed.
- As of the date of the report, I have completed the continuing education program of the Appraisal Institute.
- The use of this report is subject to the requirements of the Appraisal Institute relating to the review by its duly authorized representatives.
- The reported analyses, opinions, and conclusion were developed, and this report has been prepared in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute.



December 14, 2015

Steven G. Murphy

Reviewer Qualifications

Steven G. Murphy

Professional Experience

- Review Appraiser, Office of Valuation Services - Department of the Interior
Reno, Nevada
May 2010 to Present
- Appraiser, Appraisal Services Directorate - Department of the Interior
Reno, Nevada
August 2004 to April 2010
- Manager, RERA Support - Bank of America, Real Estate Risk Assessment
Pleasant Hill, California
October 1998 to July 2004
- Manager, Quality Assurance & Audit - Bank of America, Commercial Appraisal Services
Pleasant Hill, California
April 1992 to September 1998
- Regional Manager, Southeast / Hawaii - Bank of America, Commercial Appraisal Services
Pleasant Hill, California
November 1996 to March 1998
- Regional Manager, Northern California & Nevada - Bank of America, Commercial Appraisal Services
Sacramento, California
March 1991 to March 1992
- Team Leader - Bank of New England Appraisal Department
Boston, Massachusetts
May 1990 to February 1991
- Appraiser, Various Appraisal Shops
Washington, DC, San Francisco, California, Medford, Oregon
July 1979 to April 1990

Licenses and Certifications

State License:

- Certified General Appraiser - Nevada (License No. A.0006037-CG)

Professional Certification:

- MAI, Appraisal Institute (No. 8324)

Education

Bachelor of Arts in Business Administration, Fort Lewis College, Durango, Colorado

STATEMENT OF WORK (SOW) Office of Valuation Services

Agency Case ID: [N/A]

IVIS Number: [R13024/00040505]

- Appraiser Instructions:**
1. Perform and complete a Market Rent Survey of residential/recreational lots similar to those located at the Dickinson Reservoir located in Stark County, North Dakota. The survey should only consider the rental data of unimproved land. The rent survey will be used to aid the Bureau of Reclamation in determining a yearly fee for the seasonal recreational lots surrounding the Dickinson Reservoir. These lots are currently being managed by the Bureau of Reclamation of the Dept. of Interior, USA.
 2. The Office of Valuation Services review appraiser for this appraisal assignment will provide contacts for this assignment as needed.

SECTION 1 – SUBJECT IDENTIFICATION & GENERAL INFORMATION

Identification:	<i>Project Name</i>	Dickinson Reservoir
	<i>Location</i>	Stark River County, North Dakota
	<i>Acreage</i>	3 acre or less sites
	<i>Number of Parcels</i>	40 yearly sites
	<i>Property Type</i>	Recreational/Residential Sites
	<i>Case Type</i>	Market Rent Survey

Client: U.S. Department of the Interior, Office of Valuation Services (OVS)

Intended Users: The market survey will be used by the Bureau of Reclamation on behalf of the United States of America.

Intended Use: The intended use of the analysis is to research the local rental market and report it in a summary manner. This data will assist the Bureau of Reclamation in determining a yearly use fee for the recreational sites surrounding the Dickinson Reservoir. It is not intended for any other use.

SECTION 2 – APPRAISAL REQUIREMENTS & INSTRUCTIONS

- Appraisal Standards:** Uniform Standards of Professional Appraisal Practice (USPAP).
- Extraordinary Assumptions:** None.
- Hypothetical Conditions:** None
- Jurisdictional Exceptions:** None
- Property Inspection:** The appraiser must inspect the subject property area and all of the market properties used in survey, unless the OVS Review Appraiser has approved other conditions in writing.
- This is a USPAP compliant report. The portions of USPAP that apply generally to appraisal practice include the DEFINITIONS, PREAMBLE, CONDUCT, MANAGEMENT, and CONFIDENTIALITY sections of the ETHIC RULE, the COMPETENCY RULE, and the JURISDICTIONAL EXCEPTION RULE. (USPAP: Advisory Opinion 21)
- The appraiser will be required to attend a pre-work meeting with the assigned OVS Review Appraiser, and/or other agency representative, and other interested parties.
- Controversies/Issues:** Should other controversies or issues be identified by the appraiser during the course of the assignment, the OVS Review Appraiser identified in Section 3 of this document must be immediately notified. The following issues have been identified:
- Legal Instructions:** None.

Special Appraisal Instructions:

1. The appraiser may not communicate assignment results to any party except OVS until authorized to do so in writing by OVS.
2. Any communication (verbal or written) with the Client Agency (Bureau of Reclamation) shall include the assigned OVS Review Appraiser.

General Appraisal Requirements & Instructions:

1. The appraiser must hold a valid license as a Certified General Appraiser for the jurisdiction in which the subject property is located. (Valid credentials include those obtained directly from the jurisdiction, those issued under a reciprocity agreement, and/or those characterized as “temporary” under the jurisdiction’s licensing and certification statutes.)
2. The OVS Statement of Work must be included within the Addenda to the appraisal report.
3. This appraisal assignment does not need to comply with UASFLA. It must confirm to USPAP.
4. This is a market survey as directed under USPAP (AO 21).
5. Color photographs and maps of comparable properties shall be included in the appraisal report. OVS will accept aerial photographs for comparable properties, unless the aerial photographs do not accurately represent the property as of the date of inspection. The appraiser must photograph any unusual property features from the ground.
6. The report will be reviewed for compliance with the terms of this Statement of Work. Any findings of inadequacy will require clarification and/or correction.
7. The appraiser shall consider the Market Survey and all DOI internal documents furnished to the appraiser to be confidential. Refer all requests for information concerning the appraisal to the OVS Review Appraiser. While the public is not an intended user of the appraisal report, the Freedom of Information Act (FOIA) and Agency policy may result in the release of all or part of the appraisal report to others.
8. OVS will not normally accept custody of confidential information. Should appraiser find it necessary to rely on confidential information, he/she will contact the OVS Review Appraiser for instructions. The Review Appraiser will view the information and provide further instruction to the appraiser regarding handling and storage of the confidential information.
9. If including any proprietary information in the appraisal, appraiser must gain concurrence from OVS Review Appraiser and deliver the proprietary information in a separate binder.

SECTION 3 – PERFORMANCE & SUBMISSION REQUIREMENTS

The appraiser must address any questions regarding appraisal instructions and/or technical requirements for the appraisal to the OVS Review Appraiser. The contract award will identify the OVS Review Appraiser and his/her contact information.

The Target Period of Performance for the delivery of the initial appraisal report to the OVS Review Appraiser is 60 calendar days from the Date of Award. Contractors must provide the appraisal services within the performance period specified, and/or otherwise state an alternative Period of Performance with justification.

Deliverable/Task Schedule:

REQUIRED DELIVERABLES	DELIVERY DATE
Pre-Work Meeting	Not required
Initial Report	60 Days, or less
Review Period	15 Days
Final Market Survey Report	30 Days after Initial Report Delivery

Provided Subject Property Exhibits:

The following Subject Property Exhibits will be provided as attachments to the solicitation:

1. Sample market survey report
2. Location Map
3. Aerial Photo / Overlay
4. Copy of typical site permit