

APPRAISAL

**Short Family Farm
Jefferson County, Washington**

PREPARED FOR

Jefferson Land Trust

PREPARED BY

**HALBERG PACIFIC APPRAISAL SERVICE
1507 East Beach Road
Port Angeles, WA 98363**

January 2015

Halberg Pacific Appraisal Service

1507 East Beach Road
Port Angeles, WA 98363
(360) 928-3341

January 29, 2015

Jefferson Land Trust
1033 Lawrence Street
Port Townsend, Washington 98368

RE: **Short Family Farm**
Chimacum, Washington

Ladies and Gentlemen:

In fulfillment of our agreement we are pleased to transmit herewith our summary appraisal report, covering the before and after easement values of the Short Family Farm.

The most reasonable estimate of the market value of the subject property, as of the effective date of this appraisal, **January 29, 2015, before** the conservation easement, is **\$1,590,000**. The value of the 265 acres **after** the easement is **\$740,000**. Therefore, the value of the easement is **\$850,000**.

The date of value is January 29, 2015.

Our market value opinions are qualified by certain definitions, limiting conditions, assumptions, and certifications, which are set forth on pages 1 and 24 of the appraisal report.

We inspected and photographed the subject property with the land owner on October 10, 2014. We took aerial photographs of the subject and comparable sale properties on November 17, 2014.

This report was prepared for and our professional fee billed to the **Jefferson Land Trust**.

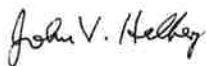
This appraisal is intended for use by the client, Jefferson Land Trust; Jefferson County; Washington State Recreation and Conservation Office; and the United States Department of Agriculture's Natural Resource and Conservation Service.

The intended use of this appraisal is to assist Jefferson Land Trust; Jefferson County; Washington State Recreation and Conservation Office; and the United States Department of Agriculture's Natural Resource and Conservation Service in their determination of the effect on market value of the property rights acquired via a proposed conservation easement. This report is not intended for any other use.

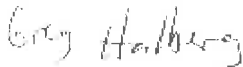
It may not be distributed to or relied upon by others without our written permission.

If you have any questions regarding this appraisal report, please contact us at (360) 928-3341.

Sincerely,



John V. Halberg, MAI



Greg V. Halberg

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Certificate of Appraisal:

The undersigned does hereby certify that, except as otherwise noted in this appraisal report:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, unbiased, professional analyses, opinions and conclusions.
3. The appraisers have no present or prospective interest in the property that is the subject of this report, and no personal interest or bias with respect to the parties involved.
4. Compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event. *SLT only have \$850,000*
5. Our analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Appraisal Foundation's *Uniform Standards of Professional Appraisal Practice*. This appraisal was made and conclusions were developed in conformity with the requirements of the *Code of Professional Ethics and the Standards of Professional Appraisal Practice* of the Appraisal Institute.
6. No one provided significant professional assistance to the persons signing this report. *There is 2 other appraisers. after month came up with same value*
7. This report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
8. As of the date of this report, John V. Halberg, MAI, has completed the requirements of the continuing education program of the Appraisal Institute.
9. Disclosure of the contents of this appraisal report is governed by the By-laws and regulations of the Appraisal Institute.
10. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser or the firm with which he is connected, or any reference to the Appraisal Institute or to the MAI designation) shall be disseminated to the public through advertising media, public relations media, news media, sales media or any other public means of communication without the prior written consent and approval of the undersigned.
11. As of the date of this report, Greg V. Halberg has completed the Standards and Ethics Education Requirement of the Appraisal Institute for Associate Members.
12. Greg Halberg and John Halberg made a personal inspection of the appraised property which is the subject of this report and all comparable sales used in developing the opinion of value. The date of inspection was October 10, 2014, and the method of inspection was personal observation. The property owner was present during our initial inspection.
13. In our opinion, as of January 29, 2015, the market value of the subject before conveyance of the partial interest was **\$1,590,000** and the market value of the remainder after conveyance of the partial interest was **\$740,000**.

Dated: January 29, 2015

John V. Halberg

John V. Halberg, MAI
Washington State Certification #1100640

Greg Halberg

Greg V. Halberg
Washington State Certification #1102178

Conservation easement \$850,000 or 53.4% of Gross value
Remaining value 740,000 46.6%
\$1,590,000 100%

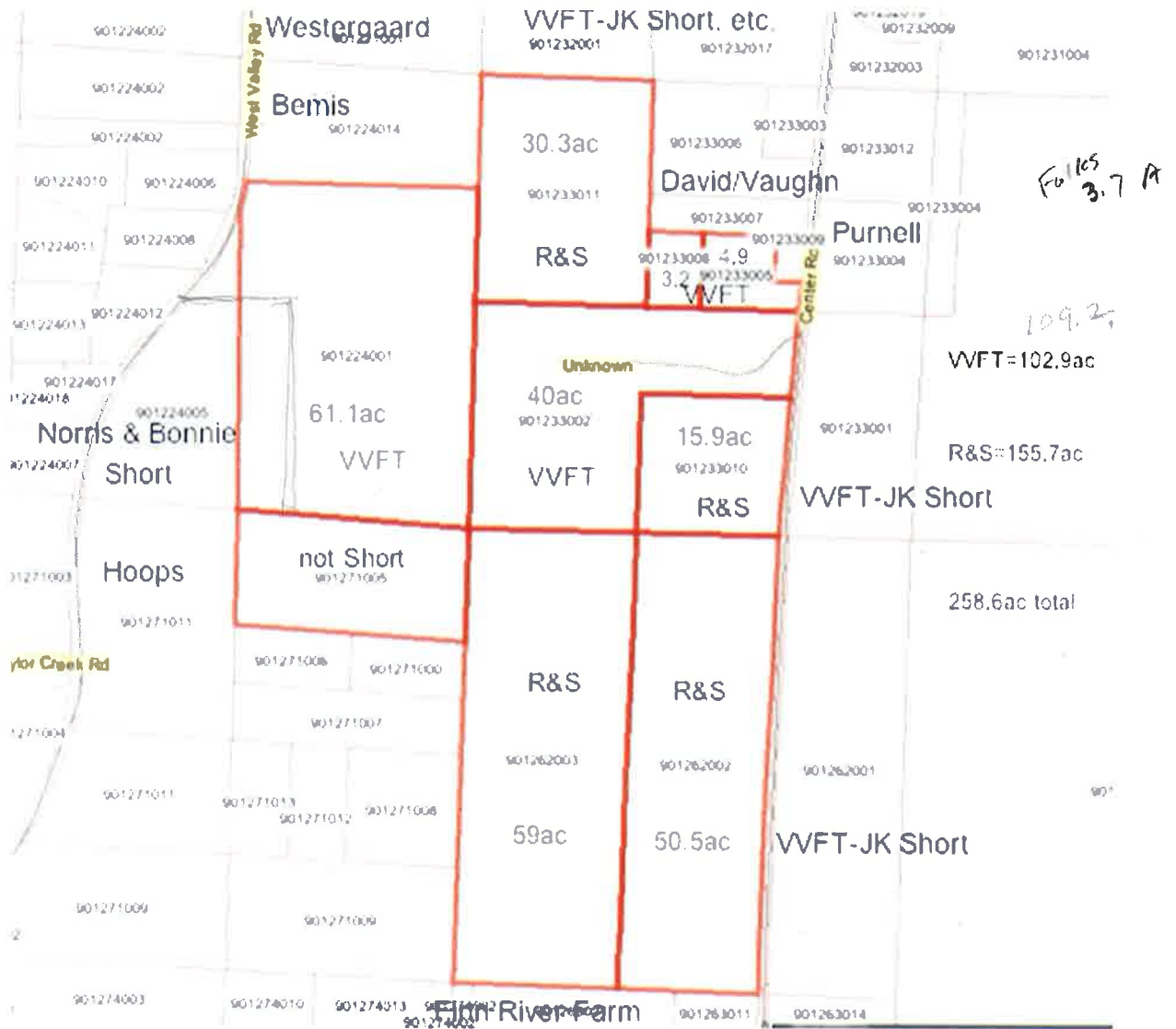
Summary of Salient Facts and Conclusions.

- The Short Family Farm consists of **approximately 265 acres** of land in eight separate parcels within Sections 8, 23, and 24, Township 28 North, Range 2 West, W.M., Jefferson County, Washington.
- Before the easement is in place, there are eight contiguous parcels that could be sold separately.
- Before the conservation easement, the **highest and most profitable** use for which the property is adaptable and needed or likely to be needed in the reasonably near future is **for sale as eight separate residential parcels** with supplemental agricultural use consistent with the intent of Jefferson County Prime Agricultural zoning.
- The contributory value of the **improvements is the same before and after** the conservation easement.
- The market value of the **265 acres** of land being appraised **before** the conservation easement is **\$1,590,000**.
- The proposed conservation easement has the effect of combining the eight agriculturally zoned parcels, including the improvements, into **one 265 acre parcel**.
- The market value of the **265 acres** of land being appraised **after** the conservation easement is **\$740,000**.
- The effective date of this appraisal is **January 29, 2015**.
- We have placed primary reliance on the sales comparison approach.
- The income capitalization approach is not directly applicable in this appraisal report. Income from leases for agricultural use and rental of the homes is not the highest and best use. Any farm income that a potential buyer would achieve would not be the primary reason for the purchase of the property. Derivatives of the income approach have been considered to test the reasonableness of the market value indication found in the sales comparison approach.
- The cost approach is not applicable to this appraisal report.
- The value of the easement is **\$850,000**.

Oblique aerial photos were taken by John Halberg on November 17, 2014. Ground photos were taken by Greg Halberg or John Halberg on October 10, 2014. Vertical aerial photos were taken in 2013 and were copied from the Jefferson County website.







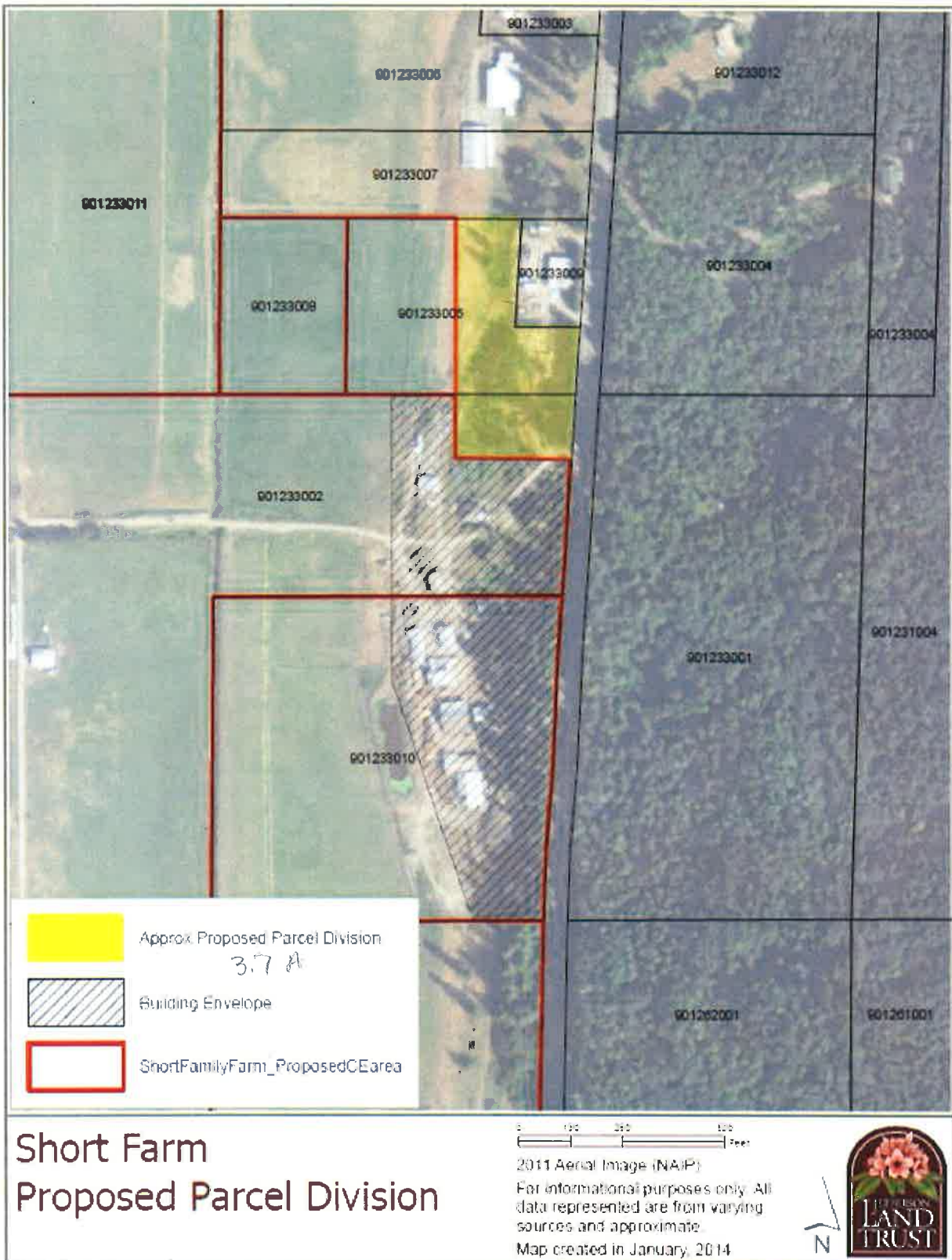
Trust
61.1 A
40.0 A
3.2
4.9

109.2
~~141.22~~
41.22%

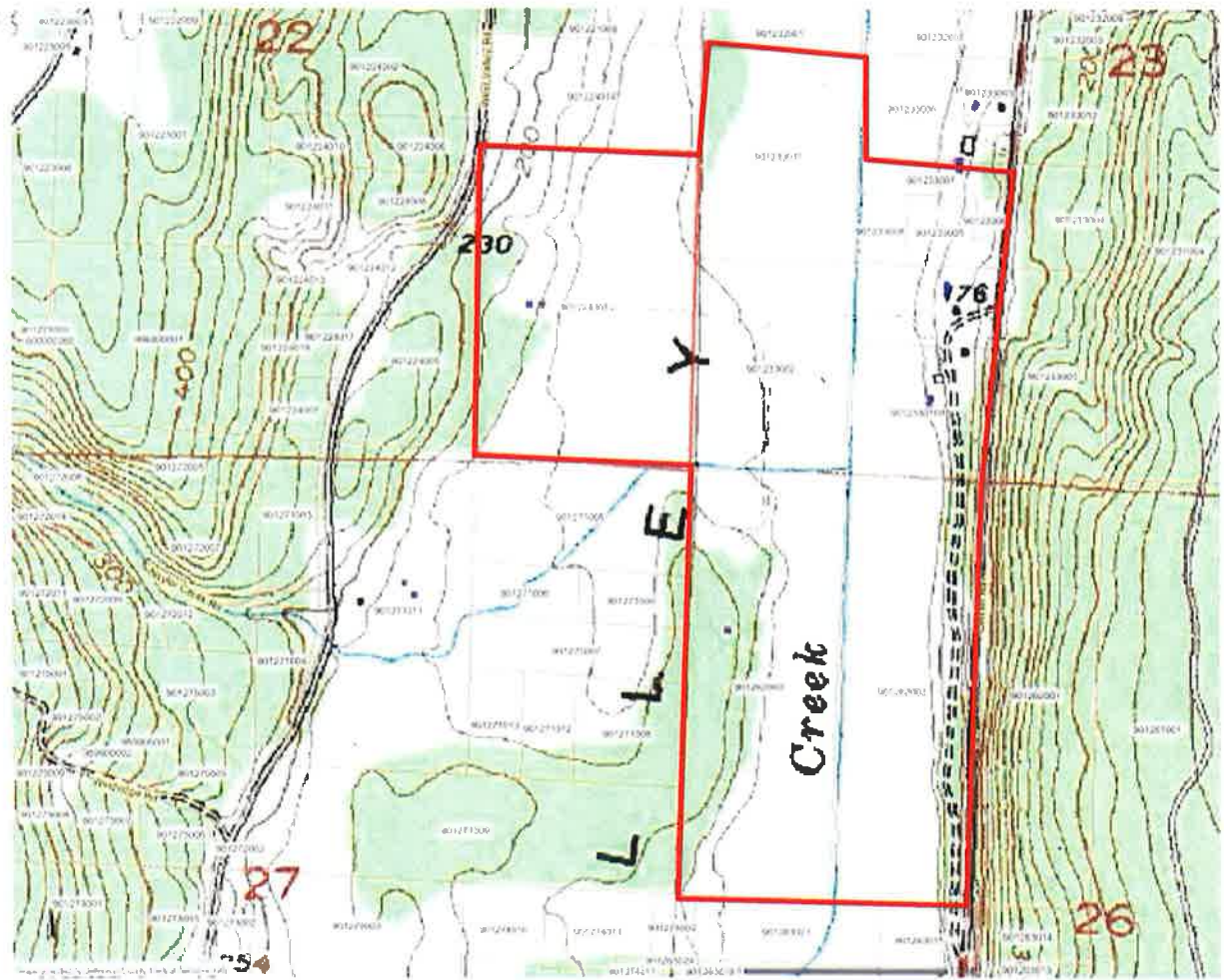
R+S
59
50.5
15.9
30.3

155.7
58.78%

264.9









Picture location reference

Lee's line not correct

Short Farm
Jefferson Land Trust
January 2015



Looking north at the Short Farm, approximate outline in yellow.



Looking westerly at Short Farm.



Looking northeasterly.



Picture 1: Looking northwesterly from Center Road



Picture 2: Looking southwesterly from Center Road.



Picture 3 and 4: Looking northwesterly (above) and west (below) from the southeast corner of the Short Farm.





Pictures 5 and 6: Looking easterly (above) and northeasterly (below) from southwest corner of subject property.





Pictures 7 and 8: Looking northeasterly from the western portion of the subject.





Picture 9: Looking westerly across Chimacum Creek at the primary agricultural improvements area of the Subject Property.



Picture 10: One of several man-made ponds on the subject property.



Picture 11 and 12: Looking southeasterly from the northwest corner of the subject property with access from West Valley Road.



Picture 13: Mountain view looking west from subject.



Picture 14: Looking westerly at gravel and sand mining area.

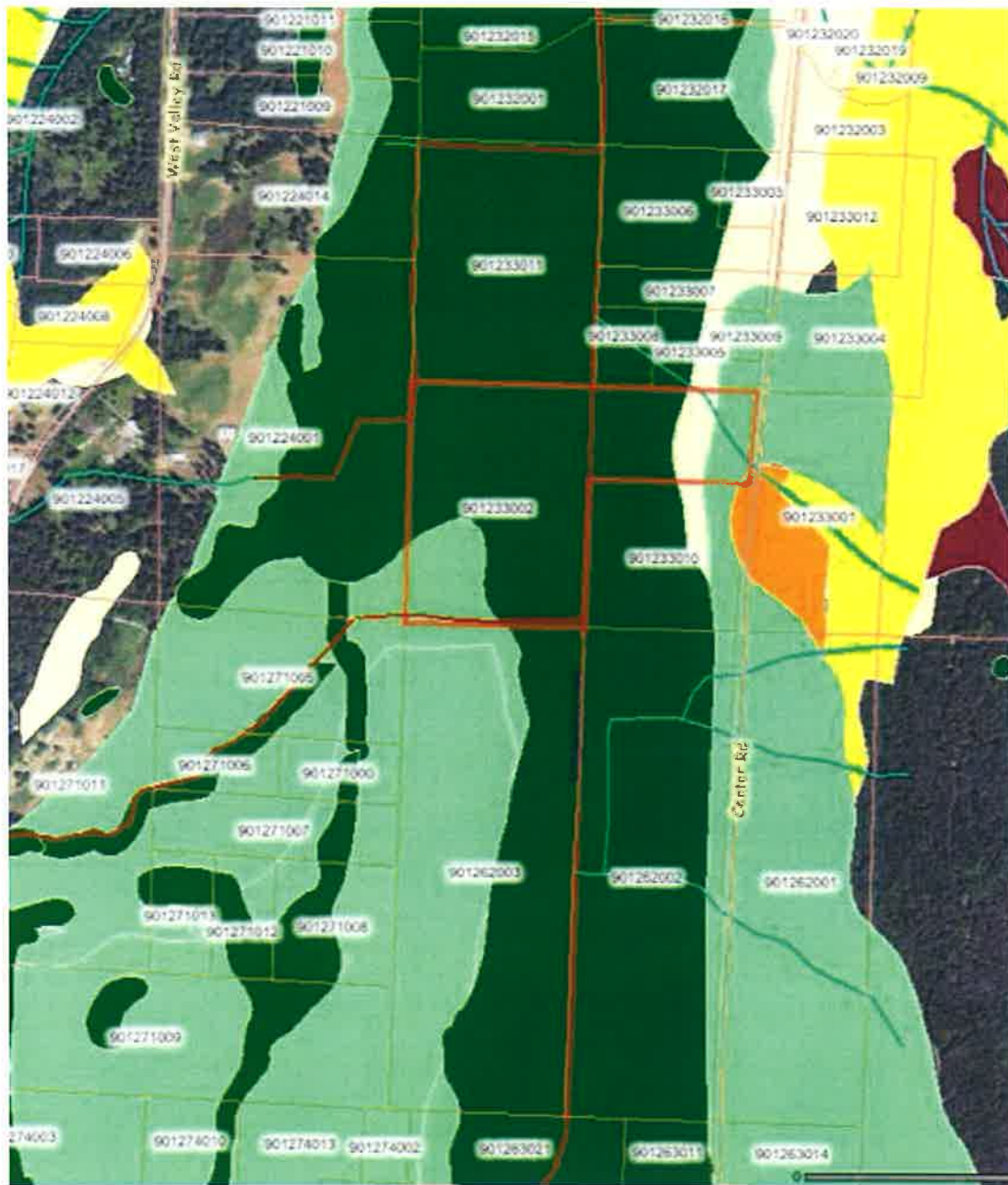
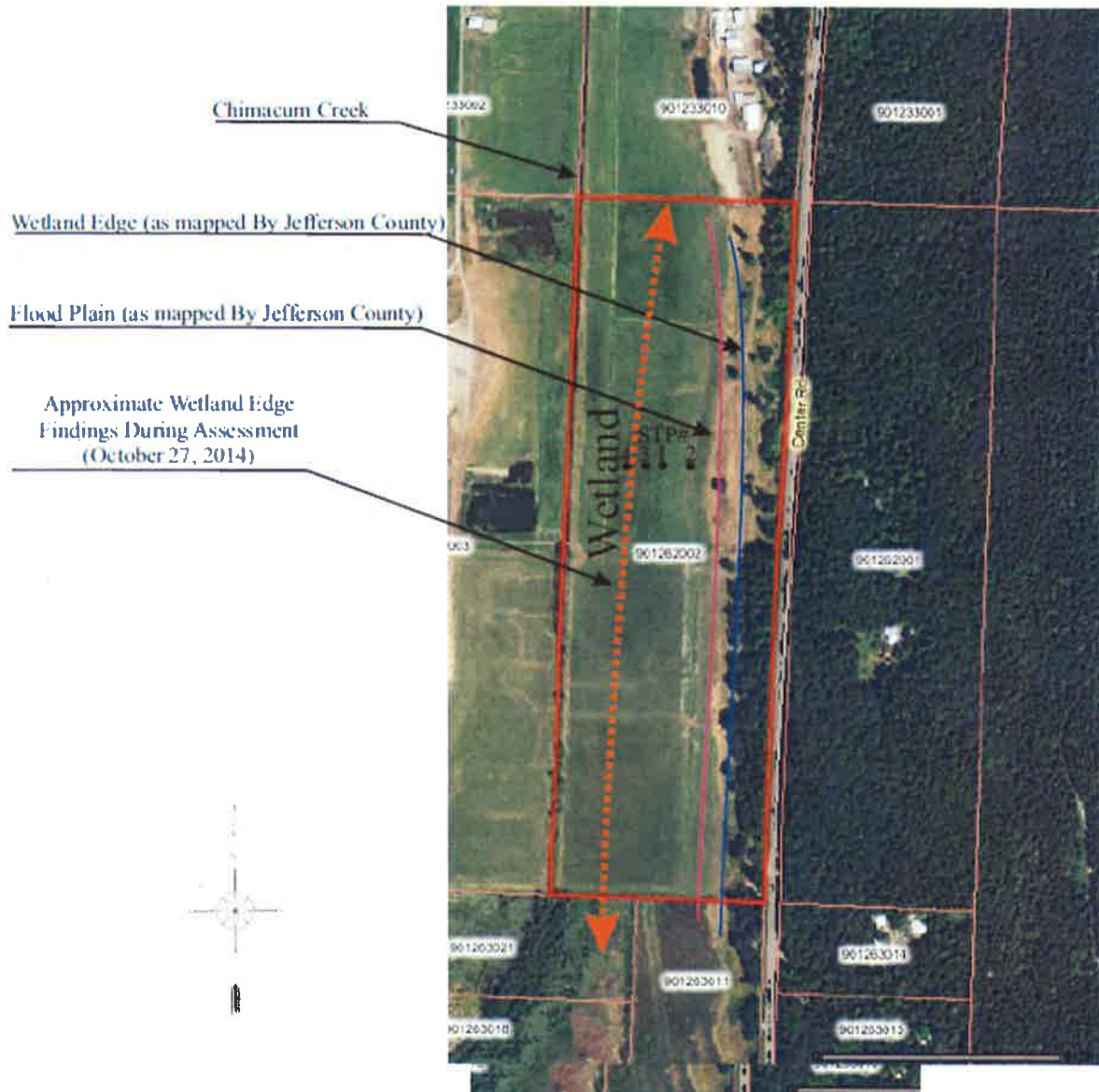



Figure 1 Jefferson County critical areas map, showing the majority of the property would be within critical areas or buffer.

 <p>Olympic Wetland Resources 856 50th Street Port Townsend, WA 98368 360.385.6432 dlee@cablerespeed.com</p>	<p>Short Farm Conservation Easement Field Findings Section III 1720 Center Valley Road Chimacum, WA 98325</p>	<p>Scale: As Indicated</p>	<p>Sheet H-4</p>
	<p>Client: Jefferson Land Trust 1033 Lawrence Port Townsend, WA 98368</p>	<p>Date: October 2014</p>	
		<p>Job #: 2014-1013</p>	

Parcel #901 262 002 S 26 T29 R1W
51.27 Acres



 Olympic Wetland Resources 856 50th Street Port Townsend, WA 98368 360 355-6432 ower@cabespeed.com	Short Farm Conservation Easement Field Findings Section II 1720 Center Valley Road Chimacum, WA 98325	Scale: As Indicated	Sheet #3
	Client: Jefferson Land Trust 1033 Lawrence Port Townsend, WA 98368	Date: October 2014	
		Job #: 2014-1013	

Parcel #901 262 003 S 26 T29 R1W
59.01 Acres

Flood Plain (as mapped By Jefferson County)

Wetland Edge (as mapped By Jefferson County)

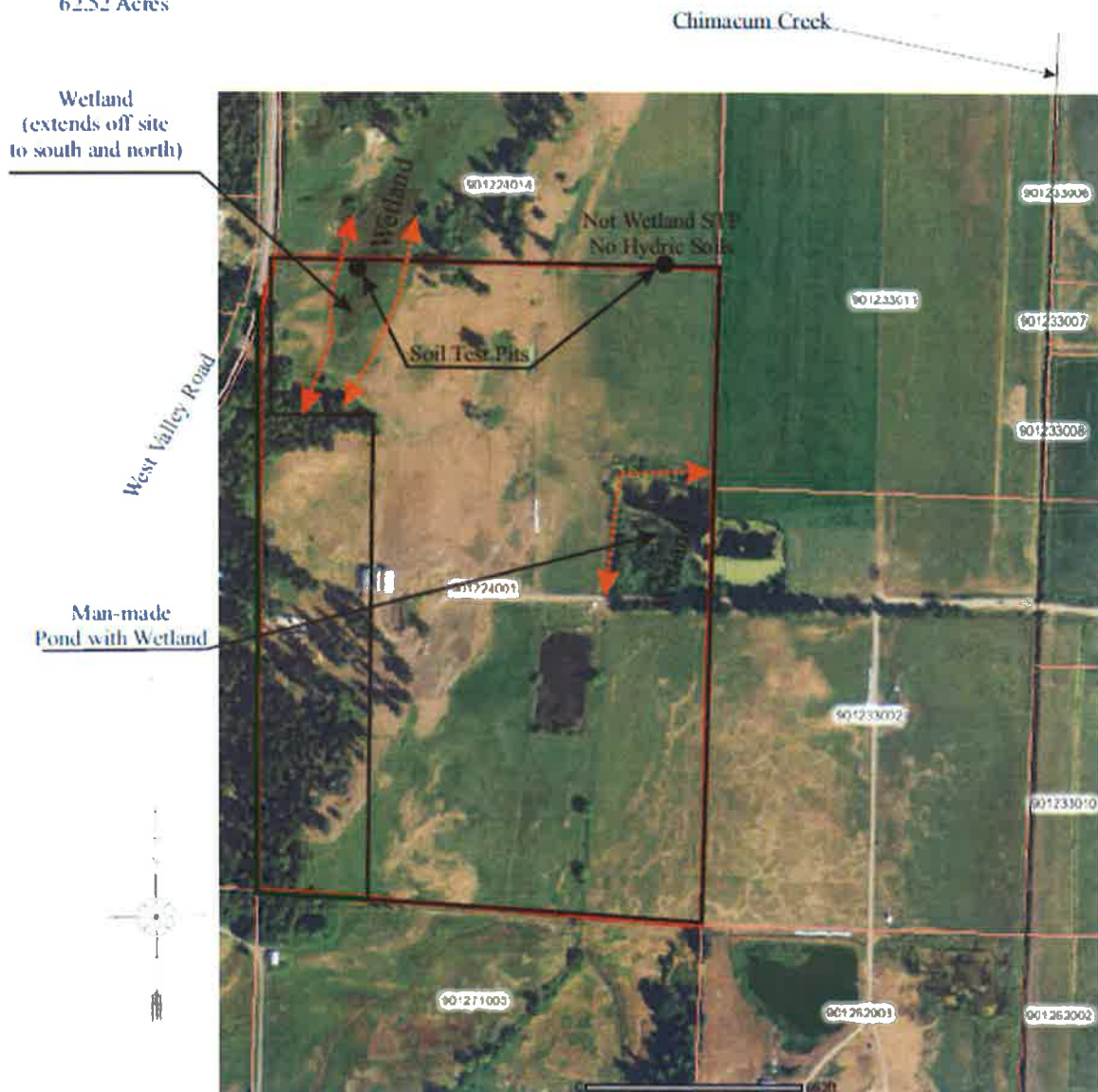
Approximate Wetland Edge
Findings During Assessment
(October 29, 2014)

Chimacum Creek



 <p>Olympic Wetland Resources 856 50th Street Port Townsend, WA 98368 360.385.6432 dike@cablenet.com</p>	<p>Short Farm Conservation Easement Field Findings Section 1 1720 Center Valley Road Chimacum, WA 98325</p>		Scale: As Indicated	Sheet #2
	<p>Client: Jefferson Land Trust 1033 Lawrence Port Townsend, WA 98368</p>		Date: October 2014	
			Job #: 2014-1013	

Parcel #901 224 001 S 22 T29 R1W
62.52 Acres



Statement of Assumptions and Limiting Conditions

Hypothetical Condition:

- The “*after condition*” value is based on the hypothetical condition that the conservation easement is in place and the effects on value that may be created.
- The value of the improvements will remain the same before and after the imposition of the easement.

Extraordinary Assumptions:

- This appraisal is using the extraordinary assumption based on Olympic Wetland Resources’ work that will allow more development potential than the current Jefferson County maps.
- We assume that there will be no material changes in the stipulations and conditions of the proposed conservation easement between the draft document and the recorded document.

Underlying Assumptions and Contingent Conditions:

The appraiser assumes:

- That any legal descriptions furnished are correct.
- That the title of the property is good.
- That the property will be managed efficiently and maintained properly.
- That any plans furnished are correct.
- That a use permit will be issued consistent with the highest and best use of the property.

This appraisal report is submitted subject to the following contingent conditions:

That no guarantee is made, nor liability assumed for inaccuracies or errors in estimates or opinions identified in this report as being furnished by others.

That no survey of the property has been made by your appraiser and no liability is assumed on matters of a legal character affecting the property, such as title defects, overlapping boundaries, etc.

Any sketches in this report are included to assist the reader in visualizing the property.

Testimony or attendance in court is not required by reason of this appraisal, with reference to the property in question, unless arrangements have previously been made therefore.

This report, or any parts thereof, may not be reproduced in any form without permission of the appraiser.

Hazardous Materials:

Unless otherwise stated in this report, the existence of hazardous material, which may or may not be present on or in the subject property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation or other potentially hazardous materials may affect the value of the property.

Our market value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.

Scope of the Appraisal

The scope of work for this partial acquisition appraisal assignment included a personal inspection of the subject, and an analysis of the highest and best use of the subject property, *before* and *after* the proposed easement. The principle difference between the before and after condition is the extinction of development rights on the agricultural 265 acres.

John Halberg and Greg Halberg inspected the property on October 10, 2014. Roger Short accompanied us on our inspection. Greg Halberg inspected the property with Dixie Llewellyn on October 27, 2014.

Greg Halberg and John Halberg conducted an aerial reconnaissance of the subject and comparable sales on November 17, 2014.

We conducted an analysis of comparable sales of similar properties in Jefferson County over the past six years.

Market data was researched using Real Market Data, a database of sales for Jefferson and Clallam counties, and conversations with Realtors and others active in the residential market in the market area. Comparable sale properties of similar land in eastern Jefferson County have been weighted more heavily in our analysis. Comparable sale properties in other parts of Clallam and Jefferson Counties and western Washington have also been considered.

Comparable sales selected were confirmed to the extent possible with one or more parties to the transaction. All comparable sales used in our analysis were inspected by the appraisers.

The cost approach has not been applied because the contributory value of the improvements is the same *before* and *after* the easement.

We researched various agricultural leases in the Chimacum area, particularly as they relate to the after easement condition of the subject.

The report format is intended to satisfy requirements of the Farm and Ranch Lands Protection Program (FRPP). Therefore, the appraisal report complies with the Uniform Standards of Professional Appraisal Practice (USPAP).

Purpose of This Appraisal:

The purpose of this appraisal is to provide an opinion of the market value, as defined below, of the subject property, as of January 29, 2015, *before* acquisition of a conservation easement (before value), and an opinion of market value of the subject property remaining *after* the proposed conservation easement has been placed (after value) as of the current date in a report format that complies with the Farm and Ranch Lands Protection Program (FRPP).

Intended Users Of This Appraisal:

This appraisal is intended for use by the client, Jefferson Land Trust; Jefferson County; the State of Washington, acting through and by the Washington State Recreation and Conservation Office (RCO); and by the United States Department of Agriculture's Natural Resource and Conservation Service.

Intended Use Of This Appraisal:

The intended use of this appraisal is to assist Jefferson Land Trust; Jefferson County; and the United States Department of Agriculture's Natural Resource and Conservation Service in their determination of the effect on market value of the property rights acquired via a proposed conservation easement. This appraisal is not intended for any other use.

Personal Property:

The valuation of the subject property involves the value of real property only and includes no personal property, trade fixtures, or intangible items.

Property Rights Appraised:

This appraisal is made with the understanding that the present ownership of the property includes all the rights that may be lawfully owned and is, therefore, title in fee simple. The rights include surface rights, including improvements such as homes, barns, hay sheds and fencing, timber, orchards or other permanent plantings, and any irrigation water rights.

After the conservation easement is in place, various rights will be vested in the Jefferson Land Trust as described in a later section of this appraisal report.

Definition of Market Value:

Market Value is defined in the Specifications for Real Property for the Farm and Ranch Lands Protection Program, as follows:

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

- Buyer and seller are typically motivated.
- Both parties are well informed or well advised and acting in what they consider their own best interests.
- A reasonable time is allowed for exposure to the open market.
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangement comparable thereto.
- The price represents the normal considerations for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.”

Summary of Appraisal Problems:

The purpose of this appraisal is to estimate the market value of the 265 acre subject property **before** and **after** the imposition of a conservation easement. This appraisal assignment presented several unique problems.

- The exact number of possible development rights cannot be determined without a specific proposal presented to Jefferson County planners. There are currently eight legally separate parcels. The current (AP20) zoning allows thirteen homesites. Using a cluster development option could allow up to 19 with two 20% density bonuses.
- Although the property is zoned for agricultural use, income from farming does not generally provide enough income to support the current market prices for agricultural land. Thus, most agriculturally zoned land has a highest and best use as residential.
- Relatively few properties with similar characteristics as the subject have sold in the market area. Specifically, there have been no sales of similar size agricultural land. Other properties of similar size are primarily timberland, with a completely separate set of economic characteristics, including less likely that the highest and best use is residential.
- The most recent sales of large tracts of land in the area involved conservation entities. Although appraisals based on market value were required for those purchases, they may not reflect typical motivation.
- Very few properties with existing conservation easements have sold, and those that have sold have significant differences with the subject.
- The subject has historically supplemented the farm income by selling peat, sand, and manure. The conservation easement will prohibit this activity in the future. Because this is a unique feature of this property and its historic use, accurately valuing this contribution to the total farm operation cannot be based on any comparable sale data.

Legal Description:

The property being appraised is included in the conservation easement included in the addenda.

Area, City, and Neighborhood Data:

The Short Family Farm is located in eastern Jefferson County, on the North Olympic Peninsula, in the State of Washington. The market area comprises primarily agricultural areas south from Port Townsend to Quilcene. The east boundary of the market area is Hood Canal and Puget Sound. The west boundary is the Olympic Mountains, but could include agricultural areas of eastern Clallam County.

The area enjoys mild weather, little rainfall due to the Olympic rain shadow, views of the Olympic Mountains, and easy access to mountains, rivers, and saltwater.

Land use in the market area includes residences generally on lots of five acres or larger, some agricultural land, and timber land.



In our opinion, other agricultural areas in northwest Washington such as Snohomish, Skagit, Whatcom, and Island counties have significantly different physical, economic, and transportation characteristics and do not compare well with the subject.

The 2014 population of Jefferson County was 30,700, an increase of 1.4% from 2013. This area has experienced 15.1% growth in population from 2000 to 2010, greater than the state as a whole. This trend is expected to continue. Medical facilities, churches and shopping are found about eight miles north of the subject property in the town of Port Townsend, population 9,355.

The general neighborhood includes an unincorporated area of Jefferson County surrounding Chimacum. The subject is located 1.7 miles south of Chimacum.

Center Road is a major county road connecting Chimacum with Quilcene and Highway 101.

Highway 101 is a major US highway connecting the Olympic Peninsula to Olympia and the southern Puget Sound region. However, as it winds around Hood Canal, it is a slow road.

The unincorporated town of Chimacum consists of Chimacum K-12 Schools, and some neighborhood convenience stores and gas stations, including a recently opened local farm store.

Within the market area there are several areas where agriculture has been an historic use.

The Olympic Peninsula has seen a resurgence of agricultural production, particularly in the Dungeness and Chimacum areas. The local food movement has provided a market for locally grown organic agricultural products as well as regional export to the greater Puget Sound area. In the Chimacum area several organic farms are in existence. Some examples are the 160 acre Glendale Farm, which raises organic Black Angus beef; the Red Dog Farm, which began operation in the spring of 2008 as an organic row crop farm on 23.10 acres; the Sunfield Farm School, a private school on a working farm located between Port Townsend and Chimacum; Finn River Farm, an organic blueberry and fruit operation adjacent to the south of the subject, as well as several other farms operating on 5 to 160 acres.

The majority of the agricultural land is centered near Chimacum, but other areas also have working farms. The area has a history of agricultural use and much of the valley is designated prime farmland by Natural Resources Conservation Service's *Soil Survey of Jefferson County, Washington*.

In our opinion, the market for agricultural land is local. The geographic isolation, transportation costs, high residential land values, and lack of agricultural infrastructure make development of industrial scale agriculture very unlikely. Most agricultural parcels are purchased by individuals who first decide they want to live on the Olympic Peninsula, and then find the right property, which almost always includes the right to build a home.

The aerial photographs show the relationship between the subject property and other neighborhood land uses.

Economic Impact on property being appraised:

Market Conditions: The period from 2008 to 2010 was tumultuous in the national, regional, and local real estate market. Much of the population growth in the market area is driven by retirees, and national trends have made retiring more difficult. The number of sales of residential land has diminished over the past year. Overall, according to a recent article in the Peninsula Daily News, the local market is recovering from a significant slump. However, certain scarce properties, with characteristics such as view and waterfront, appear to have held their value during that time. Agricultural properties also appear to have held value, although the relative lack of sales makes positive conclusions difficult.

As the national economy continues to recover, we expect sales to increase and prices to remain stable.

Analyzing recent sales similar to the subject indicates that large agricultural properties in eastern Jefferson County have maintained a consistent value over the past five years. This is due to the general scarcity of similar properties, and the fact that relatively few sales have occurred. Generally buyers who purchase similar properties anticipate a long term commitment.

In our opinion, the available data does not support an adjustment for market conditions, and agricultural land prices appear to be relatively stable from late 2006 to the present.

Site Description:

In the **before condition** the subject consists of 265 acres in eight parcels.

The parcels are summarized in the following table:

Parcel	Size	Zoning	Homesites	Mapped Critical Areas
901224001	61.52	AP	3	
901233011	30.31	AP	1.5	All wetland
901233008	3.24	AP	1	
901233005	4.74	AP	1	
901233002	41.71	AP	2	80% wetland
901233010	16.63	AP	1	
901262002	51.27	AP	2.5	Almost all wetland
901262003	59.01	AL	3	
total	265		14 (10)	

Access to the property is from Center Road. Access is also available from West Valley Road which forms a portion of the west boundary of the property.

Topography is best described as a low, flat valley. The ridge on the east side is about 190 feet elevation. The west ridge varies from a high of 210 feet in the northern corner to about 185 feet in the southern corner. The center of the valley is 120 feet.

The topography allows for a view of the Olympic Mountains from the eastern portion of the property, and a pastoral view of the Chimacum Valley and farmland from the western portion of the property.

The property is divided by Chimacum Creek, a Class II salmon bearing stream that flows from south to north through the property.

Most of the property is designated critical areas by Jefferson County. Wetlands comprise the majority of the valley floor, mostly along Chimacum Creek and the northwestern portion. This portion of the property is often seasonally flooded during the winter.

Seismic soils are contained on nearly the remaining portion of the property. Only a portion of parcel 901-224-001 is free of critical area restrictions.

Power and telephone are available along Center Road and West Valley Road and is connected to the property.

Water is available from two private wells. Rights to the water are established since April 27, 1956. The water right usage "shall not exceed 550 gallons per minute, 600 acre feet per year for the irrigation of 200 acres and for domestic supply." The water right certificate is attached in the appendix.

According to Roger Short, there are currently enough homes using the water from the wells that a water system should be required, although there is not one in place at this time. The latest thinking is that the most effective solution is to dig more wells. The water quantity is more than adequate for the existing domestic and irrigation use, and could reasonably be expected to provide for additional homesites as allowed by current zoning.

There are three existing man made ponds on the property that were previously used as manure ponds when the property was used as a dairy. The ponds now provide an attractive visual amenity as well as habitat for waterfowl. The Washington Fish and Wildlife has an agreement with the Shorts to provide hunting access, including disabled access and hunting opportunities.

Sewage is treated by septic systems.

The soils on the property are as follows:

- Se= Semiahmoo muck (predominant) prime farmland if drained
- Sh= Semiahmoo muck, moderately shallow variant prime farmland if drained
- So= Snohomish silty clay loam prime farmland if drained
- EvC= Everett gravelly sandy loam
- SnC= Sinclair gravelly sandy loam farmland of statewide importance
- KsD= Kitsap gravelly loam (west side of Center Rd.) farmland of statewide importance
- StB= Swantown gravelly sandy loam
- AlC= Alderwood gravelly sandy loam farmland of statewide importance
- CfC= Cassolary sandy loam farmland of statewide importance

The farm has historically combined sandy soils, cow manure, and peat to create "Magic Dirt" for sale, primarily within Jefferson County. The "Magic Dirt" is a mix of 45% compost, 45% peat, and 10% sand, although different ratios are available. Income from this has been an important aspect of the total farm revenue.

Total sales of "Magic Soil" are about 3,300 yards per year at \$21.10 which is \$69,630 gross sales, according to Roger Short. The expenses involved from the peat mining are very difficult to separate from the larger operation of the farm.

According to Ryan Skov (360-902-1433) at the Washington DNR, disturbances less than 3 acres do not require any permit process for peat mining. Roger Short reports that the disturbed area for peat mining is less than two acres, with about 1,500 yards harvested per year with a value of \$10 per yard before processing and mixing with compost.

Using a 7% rate for the \$15,000 annual value of peat indicates a value of \$214,268. Ultimately, the highest and best use of the property as eight or more individual parcels would limit or curtail the active combined "Magic Dirt" production. Therefore, we have given the value of the peat operation very little weight in our analysis.

901 224 001 "VALLEY VIEW N&L FAM TRUST ET AL" 3 possible residential parcels

SE ¼ S22 T29N R1W

O/S Ag [incl. bldgs.]

AV= \$186,560

2010 tax = \$125

61 ac

901 233 002 VALLEY VIEW N&L FAM TRUST ET AL 2 possible residential parcels (~80% wetland on map)

O/S Ag [incl. house, barn]

AV= \$338,485, incl. \$148,855 of improvements + \$26,500 of imp. land

2010 tax = \$1406

40 ac

901 233 005 VALLEY VIEW N&L FAM TRUST ET AL 1 possible residential parcel

SW ¼ S23 T29N R1W

O/S Ag

AV= \$16,745

2010 tax= \$54

4.9 ac

901 233 008 VALLEY VIEW N&L FAM TRUST ET AL 1 possible residential parcel? (all wetland on map)

S23 T29 R1W

O/S Ag

AV= \$9720

2010 tax = \$10

3.2 ac

901 233 010 Roger Short 1 possible residential parcel

SW ¼ S23 T29N R1W

O/S Ag [includes house(s?) & barn]

AV= \$205,255

2010 tax =\$825

16 ac

901 233 011 Roger Short 1.5 possible residential parcels (all wetland on map)

SW ¼ S23 T29N R1W

O/S Ag

AV= \$68,200

2010 tax = \$57

30.3 ac

901 262 002 Roger Short 2.5 possible residential parcels (almost all wetland on map)

NW1/4 S26 T29N R1W

O/S Ag [has barns]

AV=\$203,625

2010 tax= \$514

50.5 ac

2010 to 2014 used in 2014

Short Farm
Jefferson Land Trust
January 2015

901 262 003 Roger Short 3 possible residential parcels

NW1/4 S26 T29N R1W

O/S Ag

AV= \$227,385

2010 tax= \$81

59 ac

8 parcels, 265 acres total

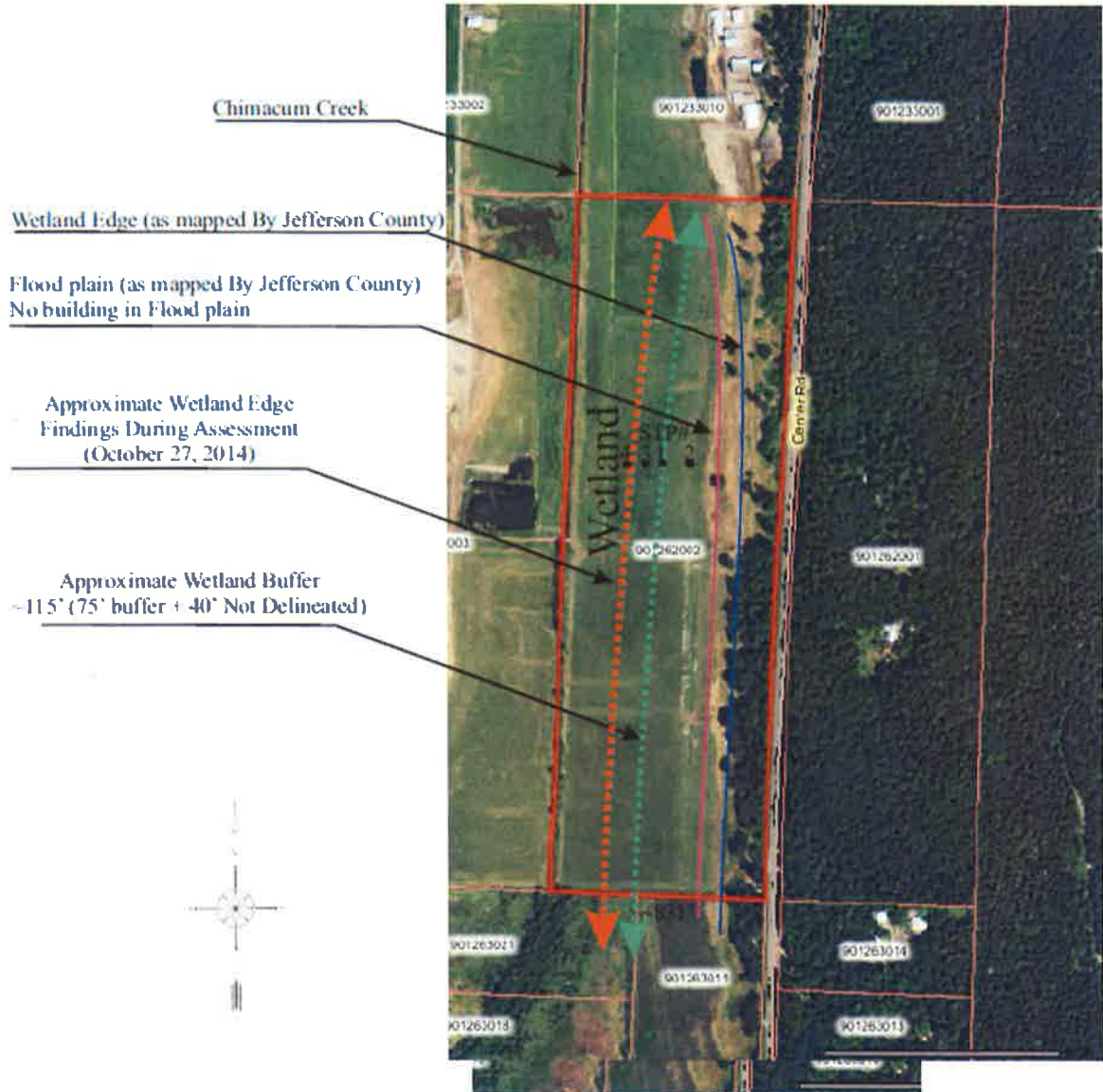
Short: 155.8 ac

VVFT: 109.1 ac

264.9 total

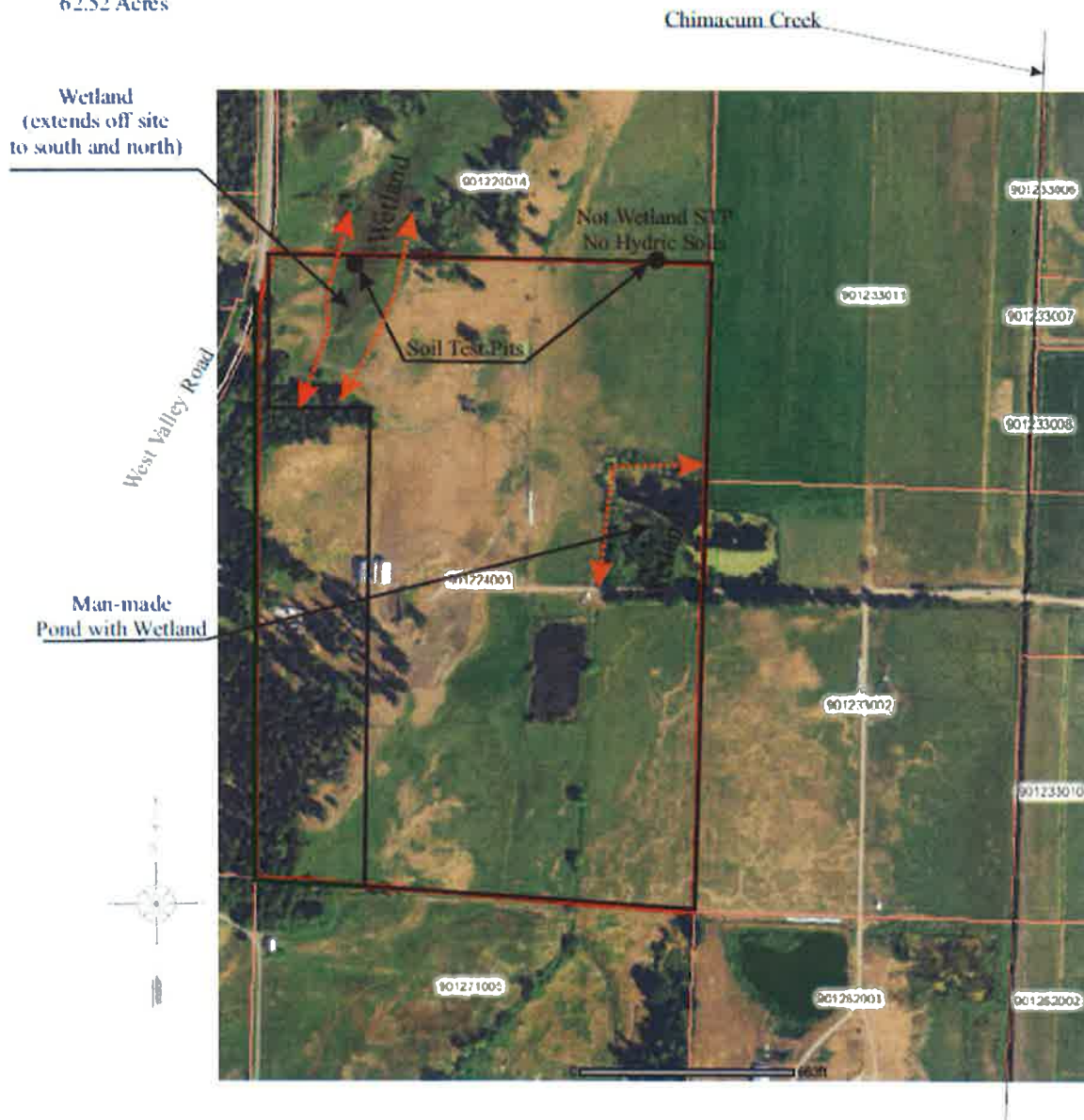
 <p>Olympic Wetland Resources 856 50th Street Port Townsend, WA 98368 360 385-6432 daniel@owrseed.com</p>	<p>Short Farm Conservation Easement Field Findings Section III 1720 Center Valley Road Chimacum, WA 98325</p>	<p>Scale: As Indicated</p>	<p>Sheet #4</p>
	<p>Client: Jefferson Land Trust 1033 Lawrence Port Townsend, WA 98368</p>	<p>Date: October 2014</p>	
		<p>Job #: 2014-1013</p>	

Parcel #901 262 002 S 26 T29 R1W
51.27 Acres



 <p>Olympic Wetland Resources 856 50th Street Port Townsend, WA 98368 360 385-6432 dave@wctresources.com</p>	<p>Short Farm Conservation Easement Field Findings Section 1 1720 Center Valley Road Chimacum, WA 98325</p>	<p>Scale: As Indicated</p>	<p>Sheet #2</p>
	<p>Client: Jefferson Land Trust 1033 Lawrence Port Townsend, WA 98368</p>	<p>Date: October 2014</p>	
		<p>Job #: 2014-1013</p>	

Parcel #901 224 001 S 22 T29 R1W
62.52 Acres



 Olympic Wetland Resources 856 50th Street Port Townsend, WA 98368 360 385-6432 daniel@olympicwetland.com	Short Farm Conservation Easement Field Findings Section II 1720 Center Valley Road Chimacum, WA 98325	Scale: As Indicated	Sheet #3
	Client: Jefferson Land Trust 1033 Lawrence Port Townsend, WA 98368	Date: October 2014	
	Job #: 2014-1013		

Parcel #901 262 003 S 26 T29 R1W
59.01 Acres

Flood Plain (as mapped By Jefferson County)

Wetland Edge (as mapped By Jefferson County)

Approximate Wetland Edge
Findings During Assessment
(October 29, 2014)

Chimacum Creek



Description of Improvements:

The subject is improved with three houses and several agricultural outbuildings, as shown in the photographs in Section 6.

The value of the improvements will remain the same before and after the imposition of the easement. Some of the agricultural improvements may be more than necessary for a smaller farm if developed, but that is often the case with such agricultural properties in the market area, and does not affect the value. Therefore we have not included the improvements in our value conclusion. This is a hypothetical condition that the improvements do not exist.

Power and telephone is available to the residential as well as the agricultural buildings.

Water is provided through two private wells. Water from the existing well is used for the existing agricultural and residential uses, including residences outside of the appraisal area. The water volume has been adequate for the existing uses. Servicing more residences would require upgrades and treatment, or new wells.

According to Roger Short a public water purification system is already required for the existing uses. Such a system is in the planning stages, but not yet operational. Alternatively, new wells could be dug to accommodate future water use. ? R

Fixtures:

The valuation of the subject property involves the value of real property only and includes no personal property, trade fixtures, or intangible items.

Use History:

The subject property has historically been used for agricultural purposes.

Sales History:

The subject property is currently owned by Roger and Sandy Short, husband and wife, and the Valley View Trust, the principle members are the Short family. The property was purchased in the 1930's. 1940's
1940's

Rental History:

The subject property has not been rented to our knowledge.







Sale 6 from Highway 101



Looking westerly at a portion of Sale 6.



Sale 6 from Cemetery Road looking east.



Looking North from Cemetery Road.

COMPARABLE LAND SALE 7:

Summary of Location: Center Road.
Proximity to Subject Property: Within one mile north.
Legal Description: Portions of the R.S. Robinson Donation Land Claim No. 40 situated in the West half of Section 14, Township 29 North, Range 1 West, W.M., Jefferson County, Washington. Complete legal description is being retained in appraiser's files.
Assessor's Parcel: 901-142-001.

SALE DATA:

Sale Date	September 27, 2011.	Sale Price	\$296,889
Instrument	Warranty Deed.	Auditor's File No.	562517
Sellers	JLT Resources, LLC		
Purchaser	Karyn L. Williams, an unmarried person.		
Confirmation	Sarah Spaeth at JLT Resources, LLC.		

SITE DATA:

Land Area	23.10 acres.	Utilities	Water, phone, electricity.
Access	Center Road.		
Description	Agricultural land parcel with frontage along Center Road.		
Zoning	AP 20.		
Analysis	Land is encumbered by a conservation easement. \$296,889 for 23.10 acres or \$12,852 per acre. The price included some improvements; the land value was \$275,000, indicating a land value of \$11,905. This property has an excellent location, 589 feet frontage along Center Road, about 800 feet frontage along Chimacum Creek, and a potential building envelope of about two acres. The purchaser has since constructed a home and various agricultural buildings. Previous purchase September 2007 for \$275,000.		









COMPARABLE LAND SALE 4:

Summary of Location: Coyle Peninsula.
Proximity to Subject Property: About 15 miles south.
Legal Description: Portions of the R.S. Robinson Donation Land Claim No. 40 situated in the West half of Section 14, Township 29 North, Range 1 West, W.M., Jefferson County, Washington. Complete legal description is being retained in appraiser's files.
Assessor's Parcel: 701-201-003 and 701-291-001.

SALE DATA:

Sale Date	December 20, 2012.	Sale Price	\$1,300,000
Instrument	Warranty Deed.	Auditor's File No.	572317
Sellers	The Nature Conservancy.		
Purchaser	State of Washington DNR.		
Confirmation	Glen Cole, appraiser for the DNR.		

SITE DATA:

Land Area	263.32 acres.	Utilities	Along Road.
Access	Lindsay Hill Road.		
Description	Timberland being conserved for salmon restoration.		
Zoning	Commercial Forest 1:80.		
Analysis	\$1,300,000 for 263.32 acres or \$4,937 per acre.		



COMPARABLE LAND SALE 5:

Summary of Location: Center Road, Chimacum.
Proximity to Subject Property: Within one mile north.
Legal Description: T29/01W/S14 Pt SW SW.
Assessor's Parcel: 901143006.

SALE DATA:

Sale Date	May 7, 2012.	Sale Price	\$365,000
Instrument	Warranty Deed.	Auditor's File No.	567106
Sellers	Terry L Persun		
Purchaser	3035 Chippewa LLC.		
Confirmation	Public records.		

SITE DATA:

Land Area	20.87 acres	Utilities	Water, phone, electricity.
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Access Center Road.

Description Agricultural land parcel.

Zoning AR 20.

Analysis \$365,000 for 20.87 acres. The property is improved with a 1,464 square foot house with a full sized basement. In total the house includes 4 bedrooms, 2 baths, and 2,928 square feet. It was built in 1977. The Jefferson County assessor valued the improvements at \$264,892, (\$90.47 per square foot) and the land at \$169,415, for a total of \$434,307, which was \$69,307 more than the sales price. Marshall and Swift replacement cost new adjusted for Jefferson County indicates \$90.95 per square foot and \$41.92 for the basement for a total of \$194,525. Assuming 25% depreciation indicates a value of \$145,894, and a land value therefore of \$219,106 for 20.87 acres which is \$10,498 per acre.

Assessed Value and Annual Tax Load:

The 2013 assessed value and taxes are enumerated in the table below:

Parcel	Size	Improvement Value	Improv ed land	Unimprov ed land	Total Value	Taxable Value	Tax Amount
901224001	61.52	\$2000	\$0	\$184,560	\$139,595	\$15,842	\$168.76
901233011	30.31	\$0	\$0	\$68,198	\$68,198	\$6,820	\$75.50
901233008	3.24	\$0	\$0	\$9,720	\$9,720	\$729	\$12.55
901233005	4.74	\$0	\$4,675	\$11,222	\$15,895	\$5,517	\$62.02
901233002	41.71	\$109,281	\$25,500	\$25,500	\$282,911	\$143,491	\$1,488
901233010	16.63	\$77,887	\$10,000	\$83,015	\$170,902	\$91,404	\$949.90
901262002	51.27	\$4,065	\$36,250	\$98,584	\$138,855	\$51,401	\$536.35
901262003	59.01	\$0	\$0	\$168,375	\$168,375	\$7,588	\$101.31
total	268.43	\$193,233	\$76,425	\$649,174	\$826,076	\$ 322,792	\$3,396.37

Zoning and Other Land Use Regulations:

The subject property is zoned Prime Agricultural Lands (AP-20) which allows one home per twenty acres. The AP designation is described extensively below.

Prime Agricultural Lands (AP-20). The purpose of the prime agricultural lands district is to protect and preserve areas of prime agricultural soils for the continued production of commercial crops, livestock, or other agricultural products requiring relatively large tracts of agricultural land. It is intended to preserve and protect the land environment, economy, and lifestyle of agriculture in Jefferson County. These lands must be protected as "agricultural lands of long-term commercial significance." Land designated as Prime Agricultural Land shall meet the following criteria:

- Consist, in substantial proportion, of land with prime agricultural soils as defined by the Natural Resources Conservation Service's *Soil Survey of Jefferson County, Washington*; and
- Be in regions of the county where commercial agriculture is the current and historically predominant use including but not limited to the following areas
 - Quimper Peninsula
 - Beaver Valley
 - Chimacum Valley
 - Discovery Bay Valley
 - Quilcene River Valley
 - Tarboo Valley
 - Dosewallips Valley
 - West Jefferson County Valleys; and;
- Is not currently served by "urban governmental services"; and
- Is in an area characterized by a substantial proportion of undeveloped parcels of land 20 acres or greater in size; and
- Is outside of any area designated as Master Planned Resort (MPR) or Urban Growth Area (UGA); and
- Is in an area where no existing land uses are present, which will seriously interfere with the successful long term practice of a range of agricultural activities; and
- Does not include land currently designated Rural Forest (RF-40) presently in a parcel size 40 acres or larger, or Commercial Forest (CF-80) or Inholding Forest (IF).

The Prime Agricultural zoning designation allows a variety of agricultural and closely related uses. It restricts most non-agricultural uses. A complete list of Permitted, Conditional, and Prohibited uses is outlined below.

Permitted

Residential Uses:

Accessory dwellings units; co-housing/intentional communities (subject to PRRD overlay in RR districts); single-family residences; transient rental of residence or accessory dwelling unit; and duplexes (subject to meeting underlying density requirements).

Accessory Uses:

Home businesses; cottage industry; hobby kennel.

Commercial Uses:

Bed and breakfast inn (4 to 6 rooms); bed and breakfast residence (1 to 3 rooms); mineral extraction activities (without MRL overlay); mineral extraction activities (with MRL overlay)

(10-acre min. lot size); mineral processing accessory to extraction operations (with MRL overlay).

Conditional Uses

Cottage industry; commercial day care; mineral processing accessory to extraction operations (without MRL overlay); animal shelter; emergency services (police, fire, EMS); parks and playfields; public works maintenance/equipment storage shops; recreational facilities; permanent cultural festival and historic sites; equestrian centers; public display gardens; park and ride lots/transit facilities; major and minor utility developments.

Prohibited

Residential Uses

Caretaker residence (public parks); manufactured/mobile home parks (subject to PRRD overlay in RR districts); multifamily residential units (3+ units); residential care facilities with up to 5 persons; residential care facilities with 6 to 20 persons; nursing/convalescent/assisted living facilities; unnamed residential uses.

Commercial uses:

Automotive service and repair; automotive service and repair (with subordinate auto sales); boat storage, commercial (outside of SMP); boat building and repair; commercial clinics (medical, dental, and vision); convenience and video stores; drinking establishment; eating establishment; small equipment repair; sales and rental services (non agriculture related); construction contractor; commercial food and beverage stands; gas stations; golf courses and driving ranges; grocery stores and gift shops; hotel/motel; indoor entertainment or recreational facility; liquor stores; lumber yards/building supply and materials; mini-storage facilities; personal and professional services; resorts, master planned (new); retail sales and services; vehicle sales; new and used retail (auto and RV); veterinary clinics and hospitals; unnamed commercial uses.

Industrial Uses

Bulk plant or terminal facilities; asphalt and concrete batch plants; heavy equipment sales and rental services; heavy industrial, resource-based; light industrial/manufacturing; food or beverage bottling and/or packaging; outdoor storage yards; recycling center (automobile); wrecking yards and junk (or salvage) yards; unnamed industrial uses.

Essential Public Facilities

Airports (w/o airport EPF overlay); educational facilities (state owned); large-scale regional transportation facilities (state owned); (e.g., freeways, ferry terminals); correctional facilities; solid waste handling and disposal facilities; inpatient substance abuse and mental health facilities; unnamed essential public facilities.

Public Purpose Facilities

Government offices; library; museum; post office; visitor/interpretive center; water/wastewater treatment facilities; cemeteries; religious assembly facilities; unnamed institutional uses.

Small-Scale Recreation and Tourist Uses

Aerial recreational activities (e.g., balloon rides, gliders); animal preserves and game farms with dangerous wild animals; outdoor archery ranges; recreational vehicle parks; outdoor

shooting ranges; recreational off-road vehicle (ORV) and all-terrain vehicle (ATV) parks and recreational areas.

Residential Density and Planned Rural Residential Development

The underlying residential density is one home per twenty acres. Planned rural residential developments (PRRD) are allowed within the AP-20 zoning. A twenty percent density bonus is allowed for cluster developments with density bonuses possible for preservation of Natural, Historical and Cultural Features; Public Service and Facility Availability; Energy Efficiency; Public Recreation Facilities; Environmental Design; Affordable Housing; and other items believed to be suitable by the county.

Where a density bonus is requested under Jefferson County Code (CC 18.15.520), the average density allowed in the underlying district may be exceeded by up to 20 percent of the allowed density for that district and an additional 20 percent for the area in the reserve tract that are designated critical areas. An additional bonus may be granted for the buffer area(s) associated with environmentally sensitive or critical areas that are included within the reserve tract, the bonus shall not exceed 20 percent of the allowed density in the buffer area; and provided further, that the area of land contained in access easements, access panhandles or pipe-stem configurations shall not be included in the area computations.

OTHER LAND USE RESTRICTIONS

Chimacum Creek, a Class 2 stream, bisects the subject property. Standard land use restrictions require a 150 foot buffer zone away from Class 2 streams such as Chimacum Creek.

Certain portions of the subject are classified wetlands. A class I wetland requires a 225 foot buffer zone. Class II wetlands require a 120-180 foot buffer zone.

The regulations to protect fish and wildlife habitat and wetland areas create special problems for some existing farms. Application of standard buffers would place major restrictions on a high proportion of the growing or grazing acreage of many small farmers. Effective, alternative protection to critical areas can be achieved by agricultural "Best Management Practices" (BMPs). Jefferson County has provided special exemptions from buffer requirements for cultivating crops and grazing livestock on existing and ongoing agriculture, as long as best management practices are followed.

The Short Family Farm is currently in compliance with best management practices in place for the Chimacum Creek watershed.

Alternate use, such as residential, would require adherence to the standard stream and wetland protection.

The appraisers are not experts in wetland and stream delineation. Formal delineation of wetlands and streams is beyond the scope of work of this appraisal assignment.

Preliminary work by Olympic Wetland Resources indicates that the county records significantly overstate the extent of the wetlands. This work is summarized in Section A6, and the complete report is included in the appendix. This appraisal is using the extraordinary assumption based on Olympic Wetland Resources' work that will allow more development potential than the current Jefferson County maps.

Data Analysis and Conclusions

Analysis of Highest and Best Use:

In this section of the appraisal process the market is analyzed to determine the highest and best use of the subject property. The conclusions reached here will have a direct impact on the valuation analysis.

Highest and best use is defined as: The highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future.

To estimate highest and best use, four elements are considered:

Possible use: What uses of the site are physically possible?
Permissible legal use: What uses of the site are permitted by zoning and deed restrictions?
Feasible use: Which possible and permissible uses will produce a net return to the owner of the site?
Highest and best use: Among the feasible uses, which use will produce the highest net return or the highest present worth?

Possible use: The primarily flat topography of the property being appraised does not restrict possible uses. Although a large portion of the subject is wetlands and poor quality building soils, there appears to be enough buildable land to support the current residential development and agricultural buildings. Possible uses are restricted only by land use regulations, and by terrain features such as creeks, wetlands, and soils incompatible for building.

Permissible use: There are no known deed restrictions. Jefferson County zoning and land use regulations permit a wide range of agricultural related activities, including timber harvesting, home based industries, cottage industries, and bed and breakfast inns.

Permitted Residential uses include single family dwellings and duplexes at a density of one dwelling unit per twenty acres. Maximum residential density without consideration of critical areas would be thirteen, with more possible using the cluster development option in the AP 20 zone.

Non-agricultural use would require compliance with fish, wildlife, stream, and wetland buffers.

Feasible use: The subject's size, shape, topography, access, permissible uses and location as well as current land use in the neighborhood indicate that agricultural and residential uses are feasible for the subject land.

The current market on the Olympic Peninsula indicates a fairly strong demand for large acre residential parcels suitable for small scale agriculture or gentleman's farm type estates. With a few notable exceptions particularly in the Chimacum area, most of these large agricultural estates are not purchased with agricultural income as the primary motivation. Over the past few decades, land values in the subject area have increased to a level that for the most part precludes the feasibility of purchase for strictly agricultural use.

For the subject, feasible uses include sale of the entire 265 acres to a single owner; subdivision into as many as thirteen separate twenty acre residential parcels; a potential cluster development; or subdivision into a smaller number of 40 to 60 acre parcels. Residential development would require adequate potable water, and septic systems. The exact nature and costs of an extensive residential development are unknown without a specific proposal submitted to Jefferson County planners. Each of these possible scenarios provides a different proportion of risk and reward.

In general, the more extensive development has a higher potential return, but has increased regulatory risk as well as development and holding time costs. It is beyond the scope of this appraisal assignment to determine the exact feasibility of the various options, and such an exercise would be highly speculative as well, especially considering the various critical area restrictions on the property. Given the current volume of sales in eastern Jefferson County, in our opinion, maximum development is not the highest and best use at this time.

Highest and best use: The highest and best use of the subject property before the conservation easement takes effect is for sale as eight separate residential parcels with supplemental agricultural use consistent with the intent of Jefferson County Prime Agricultural zoning. Development at that density would require the least regulatory hurdles, particularly since the property is currently divided into eight existing tax parcels. A boundary line adjustment may be necessary to insure that each parcel contains enough land suitable for residential buildings. The parcels along the eastern bank of the valley would not require additional access road construction. Several parcels along the west boundary could be accessed via an access road from West Valley Road.

Water from the existing well should be adequate to provide domestic water to the potential residences. A public water system would be needed, but according to Roger Short it is already required for the existing uses. Alternatively, additional wells could be constructed for additional residences.

Any farm income that a potential buyer would achieve would not be the primary reason for the purchase of the property.

Land Valuation:

The relative location of the subject property and the comparable sales is shown below.



COMPARABLE LAND SALE 1:

Summary of Location: West Valley Road, Chimacum.
Proximity to Subject Property: Within about one mile north.
Legal Description: Portions of the SE ¼ and the SW ¼ of T29/01W/S15.
Assessor's Parcel: 901154003.

SALE DATA:

Sale Date	October 16, 2014.	Sale Price	\$250,000.
Instrument	Warranty Deed.	Auditor's File No.	586840.
Sellers	John Nisbet.		
Purchaser	Robert I. Hauptfuher.		
Confirmation	Public records; sellers.		

SITE DATA:

Land Area	22.63 acres.	Utilities	Water, phone, electricity.
Access	West Valley Road.		
Description	Agricultural land parcel.		
Zoning	AP-20.		
Analysis	\$250,000 for 22.63 acres or \$11,047 per acre. Assessed value of improvements (1,248 square foot mobile home built in 1972) is \$6,784; allowing \$10,000 for improvements indicates \$240,000 land value, which is \$10,605 per acre.		



COMPARABLE LAND SALE 2:

Summary of Location: Marrowstone Island.
Proximity to Subject Property: About 7 miles northeast.
Legal Description: Three parcels, Portions of the southeast ¼ 20-30-1E.
Assessor's Parcel: 021204003 and 021204008 and 021204009.

SALE DATA:

Sale Date	June 5, 2013.	Sale Price	\$425,000.
Instrument	Warranty Deed.	Auditor's File No.	576581.
Sellers	Merle W. Barclay.		
Purchaser	Esther Trueblood, dba Kilisut Farm Properties, LLC.		
Confirmation	Purchaser's partner on property.		

SITE DATA:

Land Area	40.10 acres.	Utilities	Power and municipal water, as well as a separate well.
Access	Flagler Road.		
Description	Former Golf Course. Current owner is to be converting to agricultural use, primarily small livestock farming. The purchasers own a home nearby, so residential use is not the primary reason for the purchase. Property was a short sale. Listing points out extensive underground irrigation system in place for the golf course use. According to purchaser, the well on the property used by the golf course occasionally dried up the surrounding wells. The current use of small animal husbandry will probably use less water, according to purchaser.		
Zoning	Rural Residential 1:10.		
Analysis	\$425,000 for 40.10 acres or \$10,600 per acre.		





Looking southeasterly across Fort Flagler Road at Sale 2.



Looking easterly from northwest corner of Sale 2.

COMPARABLE LAND SALE 3:

Summary of Location: Center Road, Chimacum.
Proximity to Subject Property: Within one mile south.
Legal Description: The southeast $\frac{1}{4}$ of the northeast $\frac{1}{4}$; The northeast $\frac{1}{4}$ of the southwest $\frac{1}{4}$; the north $\frac{1}{2}$ of the southeast $\frac{1}{4}$, all in Section 34; also the southwest $\frac{1}{4}$ of the northwest $\frac{1}{4}$ in Section 35; all in Township 29 North, Range 1 West, W.M., Jefferson County, Washington.
Assessor's Parcel: 901352004; 901341005; 901344001; and 901343001.

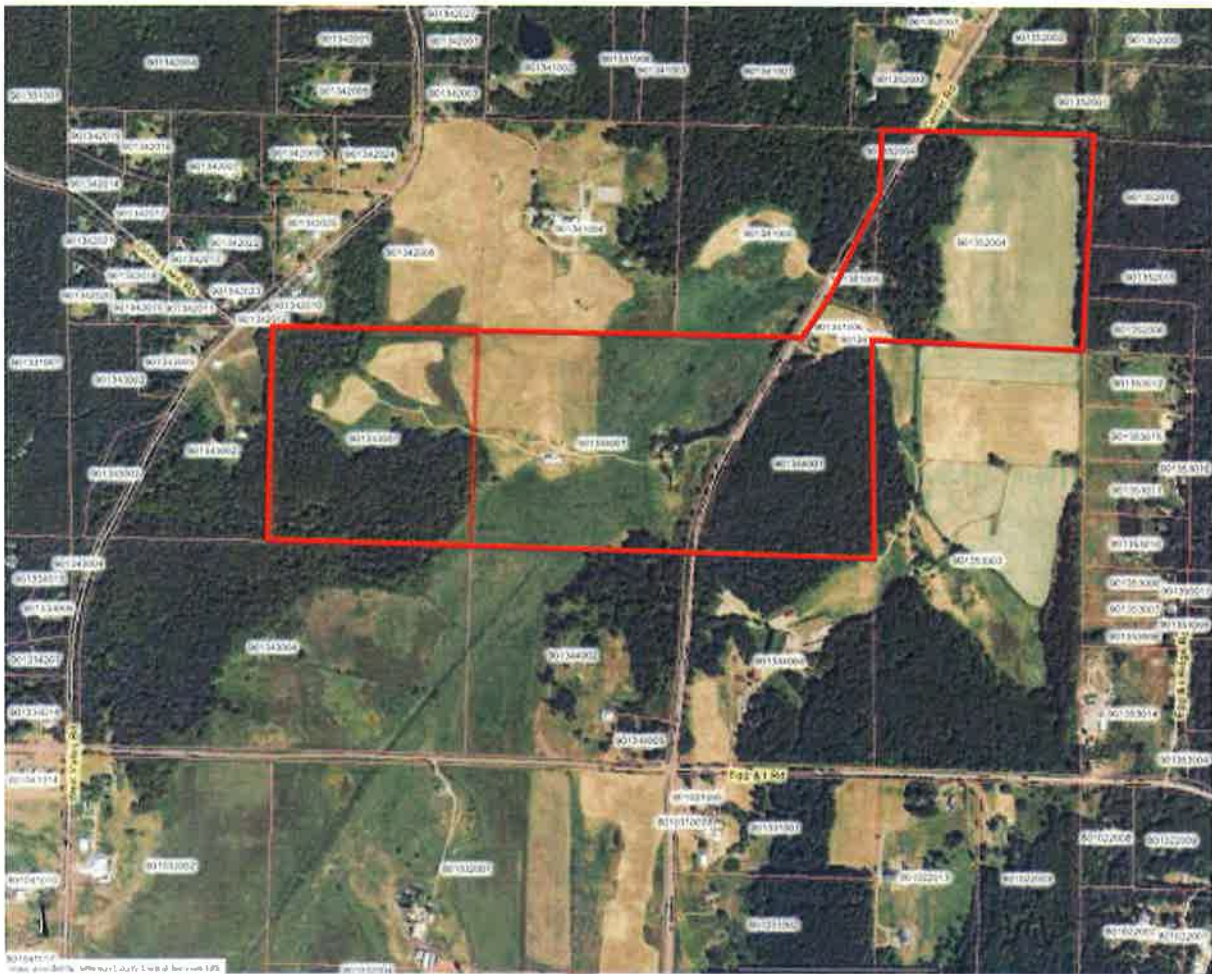
SALE DATA:

Sale Date July 18, 2012. **Sale Price** \$40,000 for a 1/16 interest
Instrument Quitclaim Deed. **Auditor's File No.** 576581
Sellers Patricia A. McClellan and David M. McClellan.
Purchaser Thomas/Janice Neudorfer.
Confirmation Public records. Attempts to contact parties to this sale were not successful. We were able to confirm that this was an intra-family transaction.

SITE DATA:

Land Area 195.29 acres **Utilities** Along Road.
Access Center Road.
Description Active farm.
Zoning AP 1:20
Analysis \$40,000 for a 1/16th interest is \$640,000 for 195.29 acres or \$3,277 per acre.







Western section of Sale 3.



Eastern section of Sale 3.



Sale 7 January 2008 photo. Note wet area to the west.



COMPARABLE LAND SALE 8:

Summary of Location: Dabob Road
Proximity to Subject Property: About eight miles south.
Legal Description: The Southeast ¼ of the Southeast ¼, Section 29 and the Northeast ¼ of the Northeast ¼, Section 32 Excepting therefrom Old Tarboo Lake Road and Dabob Road, All in Township 28 North Range 1 West, W.M., Jefferson County, Washington.
Assessor's Parcel: 801-294-002 and 801-321-016.

SALE DATA:

Sale Date	September 15, 2011.	Sale Price	\$550,000
Instrument	Bargain and Sale Deed.	Auditor's File No.	562289
Sellers	Ane Forests Of Puget Sound Inc.		
Purchaser	NW Watershed Institute.		
Confirmation	Public Records, Peter Bahls, Northwest Watershed Institute.		

SITE DATA:

Land Area	78.3 acres.	Utilities	Water, phone, electricity.
Access	Dabob Road.		
Description	Timberland overlooking Dabob Creek and Valley.		
Zoning	Rural Forest 1:40.		

Analysis \$550,000 for 78.3 acres is \$7,024 per acre. Purchased by the Northwest Watershed Institute as part of an ongoing project in Tarboo Creek. Included timber value discounted for a primarily residential highest and best use.





COMPARABLE LAND SALE 9:

Summary of Location: Coyle
Proximity to Subject Property: About 15 miles south.
Legal Description: Jefferson County, Washington. Complete legal description is retained in appraiser's files.

Assessor's Parcel: 701202001.

SALE DATA:

Sale Date	April 12, 2011.	Sale Price	\$300,000
Instrument	Bargain and Sale Deed.	Auditor's File No.	562289
Sellers	Terrapoint LLC.		
Purchaser	Neal and Ann Koblitz		
Confirmation	Public Records.		

SITE DATA:

Land Area	96.87 acres	Utilities	Water, phone, electricity.
Access	Lindsay Hill Road.		
Description	Timberland.		
Zoning	Rural Forest 1:40.		

Analysis 96.87 acres for \$300,000 is \$3,097 per acre.







COMPARABLE LAND SALE 10:

Summary of Location: Chimacum
Proximity to Subject Property: About two miles north.
Legal Description: Jefferson County, Washington. Complete legal description is retained in appraiser's files.

Assessor's Parcel: 901032006.

SALE DATA:

Sale Date	July 18, 2011.	Sale Price	\$112,000
Instrument	Warranty Deed.	Auditor's File No.	561127
Sellers	Scott Turner Road LLC.		
Purchaser	Gregory and Dara Darlington, husband and wife		
Confirmation	Public Records.		

SITE DATA:

Land Area	23.32 acres	Utilities	Water, phone, electricity.
Access	Kennedy Road.		
Description	Cleared timberland ready for residential use.		
Zoning	Rural Residential 1:20.		

Analysis 23.32 acres for \$112,000 is \$4,803 per acre. Fmv Stump Ranch*, *pot Only Without Further Development



Looking east at Sale 10.



Aerial photograph of Sale 10.



COMPARABLE LAND SALE 11:

Summary of Location: Coyle.
Proximity to Subject Property: About fifteen miles south.
Legal Description: Jefferson County, Washington. Complete legal description is retained in appraiser's files.
Assessor's Parcel: 701053006, 701201003, 701291001.

SALE DATA:

Sale Date	June 27, 2011.	Sale Price	\$1,955,000
Instrument	Bargain and Sale Deed.	Auditor's File No.	560734
Sellers	Pope Resources, a Delaware limited partnership.		
Purchaser	The Nature Conservancy, a District of Columbia non-profit corporation.		
Confirmation	Public Records; Peter Schols NC (206) 343-4344, Ed Greer, appraiser.		

SITE DATA:

Land Area	383.15 acres	Utilities	Water, phone, electricity.
Access	Lindsay Hill Road.		
Description	Timberland.		
Zoning	Commercial Forest 1:80.		

Analysis 383.15 acres for \$1,955,000 is \$5,102 per acre.



Looking north at south section of Sale 11.



Northern unit of Sale 11.





COMPARABLE LAND SALE 12:

Summary of Location: 9913 Center Road, Quilcene
Proximity to Subject Property: About eight miles south.
Legal Description: Lot 2, Philip Boling Trust Short Plat, according to the Plat thereof filed in Volume 4 of Short Plats at Pages 62 and 63, records of Jefferson County, State of Washington.

Assessor's Parcel: 801294005.

SALE DATA:

Sale Date	April 27, 2011.	Sale Price	\$130,000
Instrument	Warranty Deed.	Auditor's File No.	559582
Sellers	David S Elkins and Kathleen R. Elkins, husband and wife.		
Purchaser	Deanna Mohr as her separate estate and Hans Barr as his separate estate, as joint tenants with rights of survivorship and not as tenants in common		
Confirmation	Public Records.		

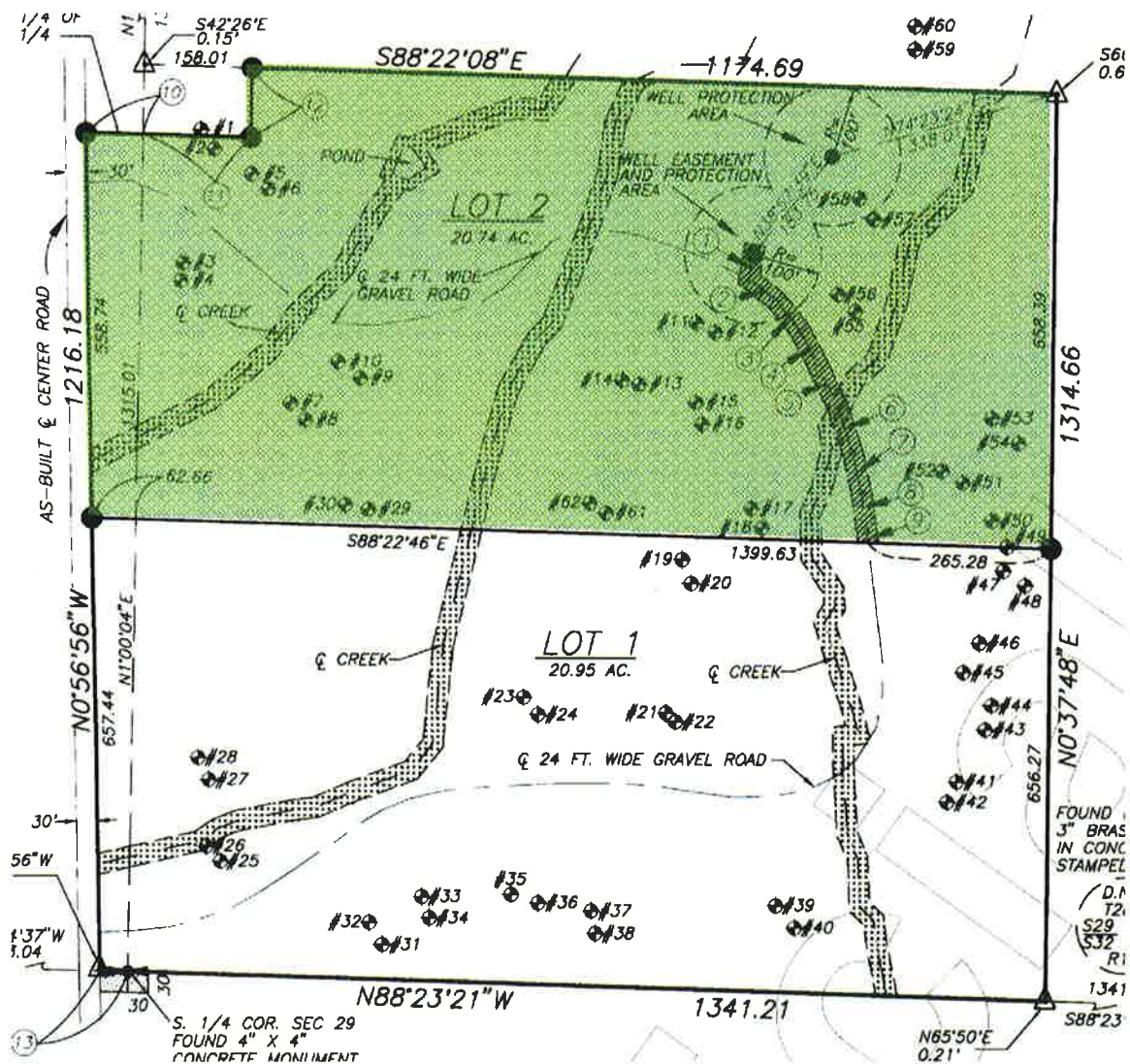
SITE DATA:

Land Area	20.52 acres	Utilities	Shared well water; phone; electricity.
Access	Center Road.		
Description	Timberland.		
Zoning	Rural Forest.		

Analysis \$130,000 for 20.52 acres is \$6,335 per acre.







Plat map of Sale 12.

COMPARABLE LAND SALE 13:

Summary of Location: 820 Old Hadlock Road, one mile north of Chimacum.
Proximity to Subject Property: About two miles north.
Legal Description: Portions of the northwest quarter of Section 11, Township 29 North, Range 1 West, W.M., Jefferson County, Washington. Complete legal description is retained in appraiser's files.
Assessor's Parcel: 901-112-040.

SALE DATA:

Sale Date	September 10, 2008.	Sale Price	\$210,000, plus \$50,000
Instrument	Warranty Deed.	Auditor's File No.	537082
Sellers	Estate of Jessie L. Covington, deceased.		
Purchaser	John G. Bellow and Roxanne Hudson, husband and wife.		
Confirmation	Public Records, John Hansen, Realtor for the seller.		

SITE DATA:

Land Area	21.15 acres	Utilities	Water, phone, electricity.
Access	Old Hadlock Road, a paved one lane road parallel to Chimacum Road.		
Description	Agricultural land parcel with visibility from Center Road.		
Zoning	AP 20.		

Analysis The buyer incurred \$50,000 additional cost of survey and other management issues. \$260,000 for 21.15 acres or \$12,293 per acre. The purchasers have placed a conservation easement on the property that extinguishes all development rights. After the conservation easement closed, they were able to acquire an adjacent 5 acre parcel with an existing modular home that provides a residence. Purchaser intends to continue open space agriculture designation and named the farm Spring Rain Farm.





COMPARABLE LAND SALE 14:

Summary of Location: Near the junction of Center Road and Eagle Mount Road.
Proximity to Subject Property: About three miles southwest.
Legal Description: Portions of West half of Section 09, Township 28 North, Range 1 West, W.M., Jefferson County, Washington. Complete legal description is being retained in appraiser's files.
Assessor's Parcel: 801 091 007.

SALE DATA:

Sale Date	September 11, 2008.	Sale Price	\$200,000.
Instrument	Warranty Deed.	Auditor's File No.	537099.
Sellers	Brown Trust.		
Purchaser	John Nisbet.		
Confirmation	Public Records, Gloria Brown.		

SITE DATA:

Land Area	20.02 acres.	Utilities	Power and phone at road.
Access	Eagle Mount Road.		
Description	Agricultural land parcel.		
Zoning	AP 20.		
Analysis	\$200,000 for 20.02 acres or \$9,990 per acre. About 900 feet frontage along Chimacum Creek, and a large potential building envelope. The purchaser intends to continue the open space agriculture designation.		





COMPARABLE LAND SALE 15:

Summary of Location: 4900 Center Road.
Proximity to Subject Property: About three miles south, near Center Road.
Legal Description: The northeast quarter of the southwest quarter in Section 3, Township 28 North, Range 1 West, W.M., Jefferson County, Washington.
Assessor's Parcel: 801-033-001

SALE DATA:

Sale Date	April 25, 2007	Sale Price	\$495,000.
Instrument	Warranty Deed.	Auditor's File No.	522792
Sellers	Barry Bradshaw, as personal representative of the estate of Thomas Rodney Town, deceased.		
Purchaser	Flora Mace, an unmarried person and Joann Kirkpatrick, an unmarried person, as joint tenants with rights of survivorship and not tenants in common.		
Confirmation	Public Records; Realtor.		

SITE DATA:

Land Area	40.20 acres.	Utilities	Water, phone, electricity.
Access	Center Road.		
Description	Agricultural land.		
Zoning	AP 20.		

Analysis According to the listing Realtor, the contributory value of the existing improvements was about \$45,000 and consisted of an old collapsed barn, another old but usable barn, a garage, a septic system, an artesian well, and a pond. This property is capable of being divided into two 20 acre parcels.

\$495,000 sale price, less \$45,000 improvements = \$450,000 land value.

\$450,000 divided by 40.20 acres = \$11,194 per acre before adjustments.



Looking westerly across Center Road at Sale 15



LAND VALUE:

The current configuration of the subject property is in eight separate parcels: Each of these parcels of land has the capacity of being sold separately as an individual homesite provided water could be made available, a septic system is approved, and sufficient space exists outside of critical area setbacks. A boundary line adjustment or cluster development may enable a more reasonable distribution of home sites than the existing parcel configuration.

We have estimated the market value of the property as a whole. Current market conditions indicate that it would take several years to sell each of the eight parcels separately. However, our value opinion does consider the potential of eight separate homesites.

Our market data analysis has included recent sales of comparable land parcels that range in size from **20.02 acres to 383.15 acres.**

The market data that we have analyzed consists of fifteen comparable sale properties in eastern Jefferson County that are located within about eleven miles of the subject property. All of these comparable sale properties appear to have a highest and best use as high quality, large acreage homesites, with income from farming or timber production as a secondary consideration.

Zoning and land use adjustment: Unfortunately, no sales of agricultural land parcels greater than 40 acres have occurred in the market area recently. However, there have been several large parcels of cleared timberland that can provide a reasonable comparison to the subject. In order to estimate the relative value between agricultural land and timber land, we compared recent sales of each type, using several recent sales of approximately 20 acre matched pairs.

Parcel	Type	Size	Price	Price per acre
Sale 7	Agricultural	23.10	\$275,000	\$11,905
Sale 10	Cleared timberland	23.32	\$112,000	\$4,803
Sale 12	Timberland	20.52	\$130,000	\$6,335
Sale 13	Agricultural	21.15	\$260,000	\$12,293

excludes value
of timber

This analysis indicates that, excluding the timber value, 20+ acre parcels of agricultural land are approximately twice as valuable as 20+ acre parcels of timberland.

Market Conditions Adjustment: Real estate values had increased very significantly throughout eastern Jefferson County and eastern Clallam County in the 2000's before leveling off and declining. The housing market peaked in 2005 and 2006.

After adjusting for individual differences, Chimacum Valley agricultural sales outlined above are reasonably consistent between 2001 and 2014.

In general residential land values in Jefferson County have rebounded following a decline during the recession. Unfortunately, there are few sales of large acre agricultural land parcels since September 2008. In our opinion, no negative adjustment for market conditions is warranted for this property

type, as of the effective date of this appraisal. This opinion is based on the specialized nature and scarcity of large acre parcels; increased interest in local food production (in part due to the economy); the limited number of transactions; and discussion with Realtors.

Parcel Size Adjustment: Adjusting for parcel size is perhaps the most important and most perplexing problem in this appraisal assignment.

We have analyzed several recent sales of agricultural land that indicate that the market value of 20 to 40 acre portions of the 265 acres being appraised is in the \$10,000 per acre range.

We have analyzed several recent sales of timberland that indicate that the market value of large parcels of timberland, ranging between 263 acres and 383 acres is in the \$5,000 per acre range. Our matched pairs analysis indicates that, excluding the timber value, 20+ acre parcels of agricultural land are approximately twice as valuable as 20+ acre parcels of timberland.

Applying this analysis to the 263 acre and 383 acre timberland sales indicates that the market value of the 265 acres being appraised is in the \$10,000 per acre range.

Conventional wisdom holds that the market value per acre of large parcels is *less than* the market value per acre of smaller parcels. Generally, if a property owner sold, as in this case eight parcels ranging in size between 20 and 40 acres, it would take time, possibly four to eight years, and require expenses (surveying, access, water, septic systems, county approval, etc.)

We have not found a consistent correlation between parcel size and value.

Location and Aesthetics Adjustment: Location, view, and aesthetic characteristics of the comparable sale properties and of the subject property have also been considered.

The agricultural sales are all located in eastern Jefferson County. Most are located in the Chimacum Valley, with soils and wetland characteristics that are similar to the subject. One sale is located on Marrowstone Island, and one in Quilcene. The data pool is too small to make reliable adjustments from matched pairs. Our qualitative adjustments for location, view, and aesthetic characteristics are therefore intuitive and subjective. There is a vibrant and growing local food movement based in the Chimacum Valley. The subject has access to the Chimacum and Port Townsend farmers markets, as well as the greater Puget Sound area.

The aesthetics of the subject are similar to the agricultural comparable sales, and superior to the timberland sales. Wetland and other land use restrictions are similar.

The fifteen comparable Jefferson County land sales are analyzed below:

Sale 1 is the most recent purchase of land with agricultural potential in the market area. It sold on October 16, 2014. Sale price was \$250,000 for 22.63 acres, which is \$11,047 per acre. It was improved with a 1,248 square foot mobile home built in 1972 with an assessed value of \$6,784. We have allocated \$10,000 of the purchase price to the improvements and \$240,000 to the land, which is \$10,605 per acre.

Sale 2 consists of 40.10 acres in three parcels of cleared land located on Marrowstone Island, about 7 miles northeast of the subject. It was most recently used as a golf course. The purchaser is using the property for agricultural use only, with a nearby residence. At the time of purchase the improvements consisted of a pole building designed for golf course use, and converted to a small animal barn. \$425,000 for 40.10 acres is \$10,600 per acre. It is noteworthy that this property could potentially be sold as three individual parcels. Zoning allows 10 acre parcels. The purchasers recently left corporate

technology jobs and are farming the land. The Marrowstone Island location is outside of the traditional agricultural areas of Jefferson County, and does not have the deep, rich soils of the subject.

Sale 3 is a July 2012 sale of two 1/16th interests in a 195.29 acre farm located about one mile south of the subject. The transaction appears to be between family members, and as a fractional interest, is difficult to compare directly to the subject. This property consists of four individual parcels, with Center Road bisecting the property.

Sale 4 is a 263 acre forest land property located about 15 miles south of the subject that sold for \$1,300,000 (\$4,937/acre). Although this is the most similar in size, the forestland characteristics are considerably different than the subject. This is a resale of a portion of the 383 acres purchased in June 2011 from Pope Resources which we are calling Sale 8.

Sale 5 is a May 2012 sale of 20.87 acres of agricultural land near Chimacum. This property was improved with a house and outbuildings. Determining the precise allocation between the land value and improvements value is difficult. Our analysis indicates that the land value was about \$10,500 per acre, and \$220,000 per homesite, similar to other land sales in the Chimacum area. This property is irregularly shaped, with Chimacum Creek bisecting the property.

Sale 6 is a February 2012 sale of 41.28 acres for \$316,000 which is \$7,655 per acre. Sale 6 is located in Quilcene, about 12 miles south of the subject. A portion of this property is pasture, with the majority in timberland. The zoning would allow development to one parcel per five acres, which is nominally eight parcels. Overall, this sale is inferior to the subject due to only approximately 25% being agricultural land, and possibly poorer quality soils.

Sale 7 is within one mile north of the subject property and is similar to the subject for agricultural and residential characteristics. **Sale 7** has direct access to Chimacum Creek along its western boundary. The topography of this comparable sale property is flat with about half the property designated as a wetland or wetland buffer in a wetland delineation study that was completed as a condition of sale.

The purpose of the purchase was to preserve the agricultural productivity of the property. Ms. Williams had leased the property with the intention of operating an organic farm, with her residence and agricultural improvements located within a designated two-acre portion of the property. Sale 7 reflects a purchase price of \$275,000 per homesite, and \$11,905 per acre.

Sale 8 is about eight miles south of the subject property. It consists of timberland west of Dabob Road overlooking Tarboo Creek. This area has undergone a major salmon habitat restoration project.

According to Peter Behls of the NWI and Ed Greer, the appraiser, the \$550,000 purchase price for 78.3 acres (\$7,024/acre) was based primarily on the value as a large rural homesite, with timber value, if any, a secondary consideration.

The subject zoning is superior. The rural forest zoning designation allows one homesite per 40 acres, which would be two homesites on the 78.3 acres.

Sale 8 is timbered, which appears to be a less desirable and useful ground cover than the subject which is primarily pasture.

Sale 9 consists of 96.87 acres located about 15 miles south of the subject on the Dabob Peninsula that sold for \$300,000. It consists of recently cleared timberland east of Lindsey Hill Road. It is located near the majority of Sale 5. The per-acre price of \$3,097 is the lowest of the available recent sales.

Sale 10 consists of a 23.32 acre parcel located about two miles north of the subject north of Chimacum. It consists of recently cleared timberland north of Kennedy Road. The per-acre price was \$4,803. This property is zoned rural residential, with one homesite allowed per twenty acres, which is

similar to the agricultural portions of the subject. As noted above, cleared timberland is much less attractive than pasture or timberland with trees still standing.

Sale 11 consists of 283.15 acres in three parcels across three sections located about fifteen miles south of the subject on the Dabob Peninsula and 100 acres north of Dabob Bay for a total of 383.15 acres. Sale price was \$1,955,000 which is \$5,102 per acre. The timber consists of mixed forest. According to Peter Schols with the Nature Conservancy and Ed Greer the appraiser, the highest and best use is as large eighty acre residential property. Therefore, the timber value was discounted heavily in the valuation.

This sale is most similar in size to the subject as a whole. The zoning is commercial forest, which allows one homesite per 80 acres. The Nature Conservancy sold a portion of this property to the Washington Department of Natural Resources in December 2012 for \$165 less per acre than this transaction.

Sale 12 consists of 20.52 acres along Center Road about four miles north of Quilcene, and eight miles south of the subject. This property is zoned Rural Forest, which allows one homesite per 20 acres. The ground cover is mixed forest. The price per acre was \$6,335.

Sale 13 is located about two miles north of the subject property along Chimacum Road. Chimacum Road connects Chimacum and Port Hadlock, and is a major Jefferson County artery. The adjacent properties are commercial in nature, including a five-acre junkyard to the south, a veterinary clinic to the east, and a gravel pit to the north.

This property is located where two branches of Chimacum Creek join together. The topography of this comparable sale property is gently rolling. The higher eastern portion of the property has a nice view of the eastern Olympic Mountains.

According to John Hansen, Realtor, concessions were made by the seller due to a boundary dispute and other items. The concessions totaled \$50,000.

The purchasers were able to purchase a five acre parcel adjacent to the west with an existing mobile home. They then placed a conservation easement on the 21.15 acres that extinguishes all development rights, and are currently using it for small scale agriculture under the name Spring Rain Farm.

In our opinion, Sale 13 is inferior to the subject due to the neighboring junkyard and other aesthetics. Sale 13 reflects a purchase price of \$210,000 per homesite before adjustments. Adjusting plus \$50,000 for seller concessions and an additional positive adjustment for aesthetics, Sale 13 indicates a land value of \$260,000 per 20 acre homesite, and \$12,293 per acre.

Sale 14 is located about three miles southwest of the subject property along Eaglemount Road, about 5 miles southwest of Chimacum. This property has frontage along Chimacum Creek as it flows from the higher country above the valleys. The topography of this comparable sale property is primarily flat, with a higher area suitable for a homesite in the northwest corner. The eastern portion of the property has a nice view of the eastern Olympic Mountains.

The purchasers have not improved the property since purchase.

In our opinion, Sale 14 is similar to the subject. Sale 14 indicates a land value of \$200,000 per 20 acre homesite, and \$9,990 per acre.

Sale 15 is located about three miles south of the subject. It has less pasture with more mixed forest land than the subject. At the time of sale, this property included some minor improvements which the listing agent valued at \$45,000. The residual value of the land is therefore estimated at \$450,000. This parcel is capable of being divided into two twenty-acre homesites. Sale 15 reflects a purchase price of \$225,000 per homesite and \$11,194 per acre.

Subdivision Analysis *Before*

One method of determining the value of the 265 acres is to determine the present value of the cash flows as if the property was sold in the highest and best use configuration taking into account the costs associated with creating the development, and the time value of money.

This subdivision analysis is dependent on a series of assumptions for which there is insufficient market evidence. Therefore, we are using this analysis primarily as a check for our other analyses.

The first assumption is the rate of absorption of the eight parcels. The subdivision analysis is most sensitive to this factor.

There have been eight sales of similar agricultural land since 2007 which is about one per year. However, it is difficult to ascertain if the lack of sales is due to slow demand or lack of supply on the market. Most sales have not been through an open market process. In our opinion, and discussed more thoroughly in the highest and best use section of this report, there appears to be a pent up demand for similar agricultural properties, but there also may be a limited number of potential purchasers. To reflect this bias, we assumed three sales in the first year, two sales in year two and one each year for the remaining three years.

We assumed that each parcel would sell for \$10,000 per acre, with no annual appreciation. Although the most likely lot configuration is 20 acre and 40 acre properties, we averaged those into 33.1 acre parcels for the purpose of this analysis.

First year expenses include survey (\$10,000); water system or new wells (\$50,000); and road building and other infrastructure (\$100,000). The subdivision analysis is somewhat sensitive to the time of these expenses. For example, one possibility would be to delay the major road building expense until after several lots that have less extensive infrastructure needs have sold.

We applied 8% marketing costs, 2% closing costs; 1% overhead; and 10% entrepreneurial incentive to each sale at the time of sale.

We used a discount rate of 7%.

As an example of the sensitivity to the timing of lots sold, we ran the subdivision analysis under a best case and worst case scenario with all other factors remaining constant. Under a two sales per year for four years best case scenario the present value is \$1,810,000. Using one sale per year for eight years worst case scenario the present value is \$835,000. In our opinion, the 3, 2, 1, 1, 1 scenario is a reasonable, somewhat conservative scenario.

The following chart summarizes the subdivision analysis:

	Year 1	Year 2	Year 3	Year 4	Year 5
Lots sold	3	2	1	1	1
Cash Flow after incentive	\$651,994	\$530,663	\$265,331	\$265,331	\$265,331
Discount Rate	7%				
Present Value	\$1,596,000				

This indicates a per-acre value of approximately \$6,000, and about 60% of the aggregated retail price of \$2,650,000.

Correlation and Final Value Estimate *Before*

The available sales consist of seven sales of agricultural land ranging from 20.02 to 40.2 acres; six sales of timberland ranging in size from 20.52 to 383 acres; and two sales of mixed agricultural and timberland ranging in size from 41.28 acres to 195.29 acres. The agricultural sales are reasonably consistent with a range between \$9,990 and \$12,293 per acre. The timberland sales show a greater variance, even disregarding the effect of parcel size and zoning. The timberland ranges from \$3,097 per acre for a mostly cleared 96 acre tract to \$7,024 per acre for a timbered 80 acre tract. The mixed agricultural and timberland sales range from \$3,277 per acre to \$7,655 per acre.

The subject consists of 265 acres of agricultural land, which is currently divided into eight parcels and could potentially be sold as thirteen parcels or developed as a cluster development.

The difficulty in this assignment has been accurately applying the higher value but smaller agricultural sales to the much larger subject. Our analysis of matched pairs of approximately 20 acres indicates that agricultural land is approximately twice as valuable as timberland. We have given this analysis very little weight, however, because of the size discrepancy between the 20 acre matched pairs, and the 265 acres being appraised.

The larger tracts of timberland have been included because they are more similar in size to the 265 acres being appraised. However, because of significantly more restrictive zoning; either one homesite per 40 acres or one homesite per 80 acres, the timberland sales have been given less weight in our analysis.

The available market data indicates that the market value of the subject property is in the \$10,000 per acre range if sold in 20 acre to 40 acre parcels. Factors of supply and demand indicate that value per acre decreases as parcel size increases. Our analysis of comparable land sales in Clallam and Jefferson Counties did not disclose any recent sales of similar agricultural land in the 265 acre size range that, like the subject, could be divided into eight to thirteen separate parcels.

Our appraisal assignment is to estimate the market value of the 265 acre subject property as a whole, giving full consideration to its highest and best use. This necessitates a discount from the indicated value as 20 acre to 40 acre parcels. Because of the lack of comparable sales in the 265 acre size range, our discount is necessarily intuitive. Based primarily on sales of similar sized timber parcels that were valued with a residential highest and best use (Sales 4, 8, 9, 11) the most reasonable value indication is \$6,000 per acre.

Our subdivision analysis provides a market value indication of approximately \$6,000 per acre. The subdivision analysis has been given very little weight because it is very sensitive to our assumptions about absorption rate, which are also somewhat intuitive. It has been considered only as a cross-check in our analysis of the sales comparison approach.

In our opinion \$6,000 per acre is the most reasonable market value indication. Applied to the 265 acres being appraised, this indicates a value **before** the conservation easement takes effect of:

ONE MILLION FIVE HUNDRED NINETY THOUSAND DOLLARS

\$1,590,000

We estimate an exposure time of twelve months.

Factual Data - After Acquisition

Legal Description.

We have been asked to appraise the value of the subject *after* the proposed conservation easement is in place. The major effects of the proposed easement are to aggregate the entire agricultural area into one parcel that can only be sold as a whole unit. Development will be restricted to the existing residences and a limited area for agricultural related buildings.

The final draft of the proposed conservation easement is attached to this appraisal. Please refer to "Grant Deed of Agricultural Conservation Easement Short Family Farm" in the addendum.

This appraisal is based on the acquisition of the following rights:

- The right to subdivide the 265 acre agricultural property or sell any portion separately.
- All development will be limited to certain defined areas.
- Mining of peat or other surface mineral is prohibited.

The proposed conservation easement will require that any future sale of the property will include the entire **265 acre** agricultural area, and extinguishes most development rights on the property, limiting development to three specified areas.

The development rights retained include the right to keep and expand three existing homes in their current location. Other rights retained include the right to build other buildings that support the agricultural purpose of the farm within a restricted area. This right expressly includes the right to develop farm worker housing, as allowed by the Prime Agricultural zoning. Any new construction will be limited to specific areas outlined in the easement. All development will be less than 2% of the total area of the impermeable surfaces.

Neighborhood Factors.

The acquisition of the property rights referenced above will have little if any impact on the neighborhood other than to perpetuate the 265 acres being appraised as a productive farm property. Any impact is the conservation of open space, wetlands, streams, and agricultural lands.

Property Data.

Site.

After the conservation easement is in place, the subject will be restricted to one **265 acre** parcel.

The map, aerial photographs, and ground photos in section A-6 further depict the characteristics of the subject property.

Improvements.

The improvements will not be impacted by the acquisition of the proposed conservation easement.

Fixtures.

The fixtures will not be impacted by the acquisition of the proposed conservation easement.

History.

The history will not be impacted by the acquisition of the proposed conservation easement.

Assessed Value and Tax Load.

Since the subject property is already enrolled in open space program, acquisition of the proposed conservation easement should have a minor affect, if any, on the assessed value or the tax load.

Zoning and Other Land Use Regulations.

The zoning will not be impacted by the acquisition of the proposed conservation easement.

Data Analysis and Conclusions - After Acquisition

Analysis of Highest and Best Use

In this section of the appraisal process the market is analyzed to determine the highest and best use of the subject property. The conclusions reached here will have a direct impact on the valuation analysis.

Highest and best use is defined by UASFLA as: The highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future.

To estimate highest and best use, four elements are considered:

- Possible use:** What uses of the site are physically possible?
- Permissible legal use:** What uses of the site are permitted by zoning and deed restrictions?
- Feasible use:** Which possible and permissible uses will produce a net return to the owner of the site?
- Highest and best use:** Among the feasible uses, which use will produce the highest net return or the highest present worth?

Possible use: Possible uses are restricted only by size, by land use regulations, and by terrain features such as wetlands and incompatible soils for building.

Permissible use: Jefferson County zoning and land use regulations permit a wide range of agricultural related activities, including timber harvesting, home based industries, cottage industries, and bed and breakfast inns. **After** implementation of the conservation easement, residential and non-agricultural use will be restricted. Further residential development beyond that specifically permitted in the conservation easement will be prohibited.

Feasible use: The subject's size, shape, topography, access, permissible uses and location as well as current land use in the neighborhood indicate that agricultural and residential uses are feasible for the subject land.

Highest and best use: The highest and best use of the subject property **after** the proposed conservation easement takes effect is for residential and agricultural use consistent with the conservation easement and with the intent of Jefferson County Prime Agricultural zoning.

The owner will retain the right to maintain the existing residences and structures associated with agricultural use. The building area for all structures is limited by the conservation easement.

No homesites will be permitted to be sold separately.

Land Valuation after the Conservation Easement

After the imposition of the conservation easement the subject property will be effectively restricted to one 265 acre agricultural parcel. The existing residential buildings are permitted on the agricultural parcel. New and existing agricultural buildings are limited to specific areas.

Our analysis of the fifteen comparable sale properties has led to the conclusion that the market value of the 265 acre subject property, after the conservation easement is in place, can be estimated by applying the indicated "current market value" of \$10,000 per acre to a 40 acre portion of the property, and then applying a "surplus land market value" to the remaining 225 acres.

There is good evidence from the market that the value of 20 acre to 40 acre portions of the subject property is in the \$10,000 per acre range, as shown in the following table:

Sales of 20 acre to 40 acre parcels			
Sale	Price /Acre	Acres	Date of Sale
1	\$10,605	22.63	10/16/14
2	\$10,600	40.10	6/5/13
5	\$10,498	20.87	5/7/12
7	\$11,905	23.10	9/27/11
13	\$12,293	21.15	9/10/08
14	\$9,990	20.02	9/11/08
15	\$11,194	40.20	4/25/07

There is little direct evidence from the market to indicate the value of a 265 acre agricultural land parcel that cannot be further subdivided or sold as smaller 20 acre to 40 acre parcels.

There is reasonable evidence from the market that the 225 acres of surplus land would contribute additional value, above the indicated market value of the 40 acres, at the rate of about \$1,500 per acre as suggested by comparable sales of restricted land parcels, and by our rental analysis of farm land in eastern Clallam and Jefferson Counties in the following paragraphs.

Farm land rental analysis:

After interviews with participants in the agricultural land leasing market in Jefferson and Clallam Counties, we concluded that the income approach suggests a meaningful market value indication for the surplus 225 acres.

Zack Wailand and Haley Olson operate the Dharma Ridge farm growing primarily vegetables and herbs. They are currently leasing the Boulton Farm near Quilcene for \$6,000 per year and growing potatoes and mixed vegetables without irrigation. This is for a currently usable area of about 80 acres, for a rate of \$75 per acre per year. They expect to work with the Boulton's to rehabilitate the remaining agricultural land that has not been in production for some time.

According to Mr. Wailand, the Boulton Farm is superior to much of the Chimacum Valley for a variety of crops. The Boulton Farm has better drainage and better soil that allows for better crop

rotations with less irrigation. He was not sure if enough water is available for production on the entire property.

Roger Short operates the Short Family Farm raising USDA grass fed beef. He leases land from several property owners in the area at a rate between \$50 and \$100 per acre per year, with \$50 the most common number. The rate at the Glendale Farm in the heart of Chimacum is \$50 per acre per year. He stated that it is difficult to break even at \$100 per acre per year.

According to Mr. Nash Huber, who leases land for farming in Eastern Clallam County, the maximum rental rate for farm land in the Dungeness Valley area is \$200 per acre per year for prime agricultural land suitable for growing organic fruits, berries and vegetables as well as seed.

At the maximum potential gross income rate of \$100 per acre per year the 265 acres being appraised would produce a gross income of \$26,500 per year. This gross income estimate is not sufficient to warrant completing an income approach to value. It does suggest that the contributory value of the incremental 225 acres is within the general range of \$1,000 per acre.

This analysis confirms that the highest and best use of the subject property after the conservation easement takes effect is for a combination of residential and agricultural uses.

The potential income from farming appears to be more relevant after the conservation easement takes effect. Recent sales in the area, however, indicate that the market value is higher as residential. Any farm income that a potential buyer would achieve would not be the primary reason for the purchase of the property.

Income from agricultural use is supplementary to the highest and best use of the subject property, after the conservation easement is in place, as a residential homesite.

We valued the remaining 225 acres of surplus land based on the most common agricultural lease rates in the area, \$50 per acre per year, or \$11,250 for the 225 acres. Capitalizing this income at 5% indicates a value of \$225,000, which is \$1,000 per acre.

Applying a market value indication of \$10,000 per acre to 40 acres (\$400,000), and \$1,000 per acre for 225 acres (\$225,000) results in an overall market value indication for the 265 acres being appraised of \$625,000, after the conservation easement is in place. We have given very little weight to this capitalized income analysis. There is not sufficient market evidence to support this approach.

We have given much greater weight to our analysis of the following three comparable sales of land parcels that are restricted as to future use and development.

Comparable sales of restricted land parcels:

Sale A is an August 2011 sale of 50.53 acres for \$585,000 land value. The property is located near Chimacum about one mile north of the subject and is encumbered with a conservation easement. The easement limits the 50.53 acres to a single residence and restricts most non-agricultural use. The **after** land value was \$435,000, which is \$8,609 per acre; a reduction of 25.6% for the loss of one homesite. The effect of the easement is minor, relative to other recent sales of 40 acre agricultural parcels. Sale A is 214.5 acres smaller than the 265 acres being appraised.

In direct comparison with the subject, we have allocated \$10,000 per acre to 40 acres (\$400,000), which leaves \$35,000 of the \$435,000 Sale A land value allocated to 10.53 acres of surplus land, which is \$3,324 per acre. The subject property is much larger, with 225 acres of surplus land after the conservation easement, compared to Sale A, which has 10.53 acres of surplus land.

Considering this difference in size, it is our opinion that Sale A indicates that the value of the subject property's 225 acres of surplus land is within the range of \$1,000 to \$2,000 per acre.

Sale B is an August 2011 sale of 53.94 acres that is in a conservation easement. The purchase includes three 0.30 acre lots that can be developed along with 53.04 acres of land restricted to agricultural use with a conservation easement. This property is part of a cluster development as allowed by Clallam County zoning. The residential parcels of the cluster have access to the Sequim Valley Airport, and are intended to be a fly-in community.

The original purchase in July 2005 of 65.75 acres could have each been sold and developed as five acre parcels. The total aggregate purchase price was \$1,212,500, which was \$18,441 per acre.

The August 2011 purchase is of 53.94 acres for \$466,000, which is 46.8% of the size-adjusted before value of \$994,708. Adjusting for the ability to sell separately the three 0.30 acre parcels indicates a value of \$5,018 per acre. The agricultural reserve is currently leased at \$50 per acre per year.

In general, land values are higher in the Sequim-Dungeness area. Also, Sale B has a superior mountain view, superior agricultural qualities, as well as the unique airport amenity. In addition, it is 211.06 acres smaller than the subject, indicating a much lower unit price for the subject. Because of the various complexities and significant size difference, we have given Sale B very little weight.

Sale B indicates that the market value of these 53.94 acres after the conservation easement is in effect is 46.8% of the land value before the conservation easement is in place. We have considered this 46.8% before/after ratio in our estimate of the market value of the subject property after the conservation easement is in place.

Sale C is a September 2008 sale of 41.51 acres that is a remainder lot of a cluster development. As such it is unable to be further divided, making it similar to a conservation easement. One homesite is allowed. The remainder parcel is very irregularly shaped, without much practical value. The current owners have built a house, and appear to keep horses on the remaining acreage.

Typical lot size in Hidden Highlands is 1.1 acres. Average sale price per lot is \$108,857. Allocating \$110,000 to the 1.1 acre homesite leaves \$87,500 as the value of the 40.1 acre remainder, which is \$2,165 per acre. In general, land values are higher in the Sequim-Port Angeles area. This property has a view of the Olympic Mountains. The agricultural qualities are very inferior to the subject. This sale is 223.5 acres smaller than the subject.

In our opinion Sale C, which consists of 41.51 acres, supports our conclusion that the incremental contributory value of the 225 acres of surplus land on the subject property after the conservation easement takes effect is within the range of \$1,000 to \$2,000 per acre.

LAND SALE A (After):

Summary of location: Chimacum.
Proximity to subject: About one mile north.
Assessor Parcel No: 901151004, 901142047, 901142042

SALE DATA:

Sale date: August 31, 2011
Sale price: \$825,000.
Instrument: Statutory Warranty Deed.
Auditor's file no. 562027.
Seller: Gloria Brown, as her separate estate.
Purchaser: Chimacum Dairy LLC.
Legal description: Portions of Government Lot 4 and R.S. Robinson DLC # 40 14-29-1W
Confirmation: Public records, Sarah Spaeth, Jefferson Land Trust
Motivation: Agricultural production

SITE DATA:

Access Access is from Rhody Drive.

Land area 50.53 acres.

Description Two parcels subject to conservation easement.

Utilities Public Utilities, including water as well as a private well and irrigation rights.

Zoning Agricultural Prime (AP20).

Analysis This sale took place after a conservation easement was placed on the property. The easement had the effect of combining two developable parcels into one that cannot be divided, and restricting the land to agricultural use. The seller received \$150,000 for the value of the easement, making the before value \$975,000. This value included approximately \$390,000 of improvements. The **before** land value was \$585,000, which is \$11,577 per acre. The **after** land value was \$435,000, which is \$8,609 per acre; a reduction of 25.6% for the loss of one homesite.

The purchasers had planned on operating a small scale artesian dairy on the property. They are currently leasing to Finn River Farm, who have planted heirloom apples and various other annual crops.

This appraisal firm provided the appraisal for the conservation easement.

In direct comparison with the subject, we have allocated \$10,000 per acre to 40 acres (\$400,000), which leaves \$35,000 of the \$435,000 Sale A land value allocated to 10.53 acres of surplus land, which is \$3,324 per acre.





LAND SALE B (After):

Summary of location: Southeast corner of Old Olympic Highway and Kitchen Dick Road.
Proximity to subject: About 15 miles northwest.
Assessor Parcel No: 043009-500110; 043016-500150; -500160; -500170; -500180.

SALE DATA:

Sale date: August 12, 2011.
Sale price: \$466,000.
Instrument: Statutory Warranty Deed.
Auditor's file no. 2011-1269013.
Seller: Gfd LLC.
Purchaser: Discovery Trail Farm LLC
Legal description: Lots 11, 12 and 13, North and East and South Agricultural Reserve, Discovery Trail Farm, Phase 2, Volume 15 of Plats, Page 73, records of Clallam County, Washington.
Data source: Public records, Dave LaRoux, seller.

SITE DATA:

Access Automobile access is from Trail Side Drive, a private road; Airport access can be purchased.
Land area 53.94 acres.
Description Remainder lot consisting of agricultural reserve, which includes one homesite, along with three 0.30 acre lots with potential for future development and sale.
Utilities Restricted use of water system and shared drain-field. \$100,000 estimated cost to extend underground utilities to site.
Zoning Agricultural Reserve (AR16).
Analysis This sale includes the remainder lot of Discovery Trail Farm cluster development that cannot be further divided, as well as three 0.30 acre lots that can be built upon. According to the seller, a \$100,000 investment would be needed to extend the community water and septic systems as well as other utilities. Assuming \$100,000 cost for utility extension and a value of \$100,000 (based on the most recent sale in 2008) for each of the three additional parcels indicates a value for the 53 acre agricultural land of \$266,000 which is \$5,018 per acre.

The original sale of \$1,212,500 for 65.75 acres in 2005 is \$18,441 per acre; multiplying the 53.94 acres by \$18,441 per acre equals \$994,708. Dividing the \$466,000 after value by the size adjusted before value of \$994,708 indicates that the after value is 46.8% of the before value.

Because of these various complexities and the very significant size difference, we have given Sale B very little weight.

Comparable Sale B (before):

Summary of Location: Southeast corner of Old Olympic Highway and Kitchen Dick Road.

Proximity to Subject Property: About 15 miles northwest.

Assessor's Parcel Numbers: 043009-430110, 043016-120130, 043016-120140, 043016-120170

SALE DATA:

Sale Date	July 1, 2005.
Sale Price	Three purchases totaling \$1,212,500. Terms: Cash
Instrument	Statutory Warranty Deed.
Auditor's File No.	1159841; 1159842; 1159843;
Seller	David R. LeRoux and Martha Rudersdorf, husband and wife; Walter L. Johnson and Sara Ann Johnson, trustees of Johnson Living Trust. Walter L. Johnson and Sara Ann Johnson, trustees of Johnson Living Trust.
Purchaser	G.F.D., L.L.C.
Legal Description	Parcels 11, 13, 14, and 17 of Vol. 8 page 53, records of Clallam County, Washington. Lengthy Legal description retained in Appraisers File Parcels 10, 12, 15, and 16 of Vol. 8 page 53, records of Clallam County, Washington. Lengthy Legal description retained in Appraisers File Parcels 3, 4, 7, and 9 of Vol. 8 page 53, records of Clallam County, Washington. Lengthy Legal description retained in Appraisers File
Confirmation	Public records; David Leroux.

SITE DATA:

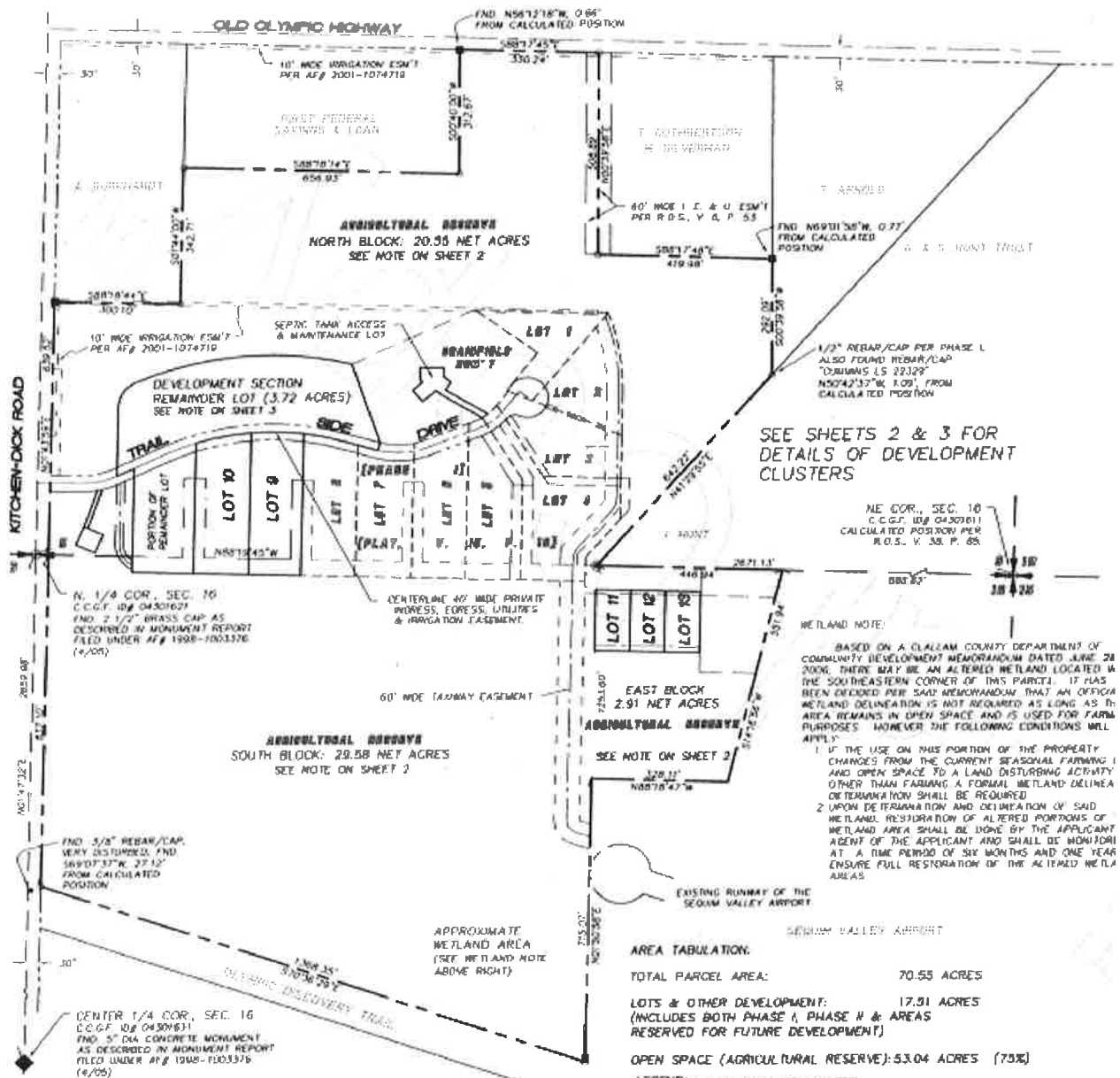
Access	Old Olympic Highway and Kitchen Dick Road.
Land Area	65.75 acres.
Description	Agricultural Open Space Land.
Utilities	Water, power, community septic drain-field.
Zoning	AR by Clallam County. One dwelling unit per 16 acres.

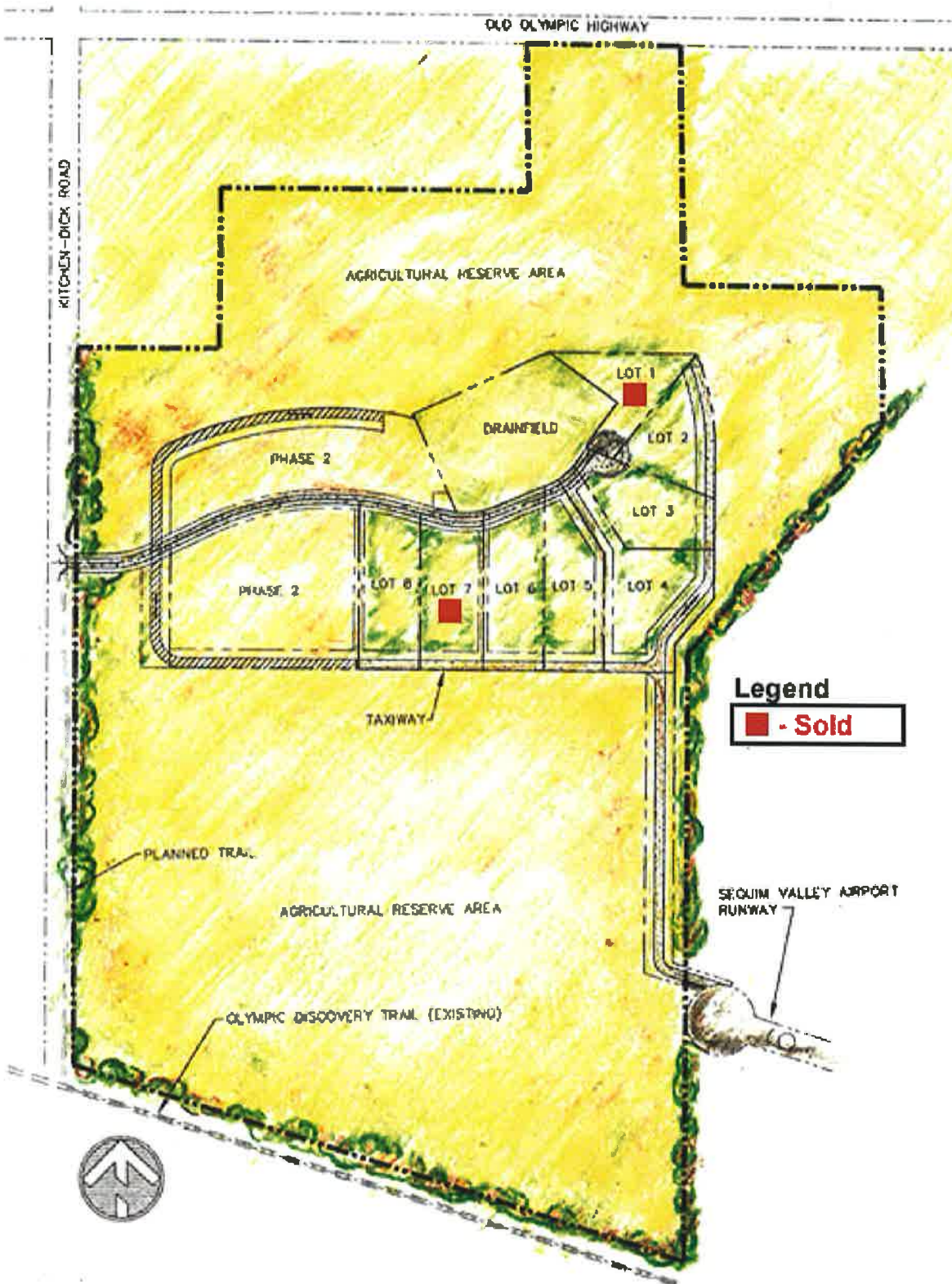
Analysis:

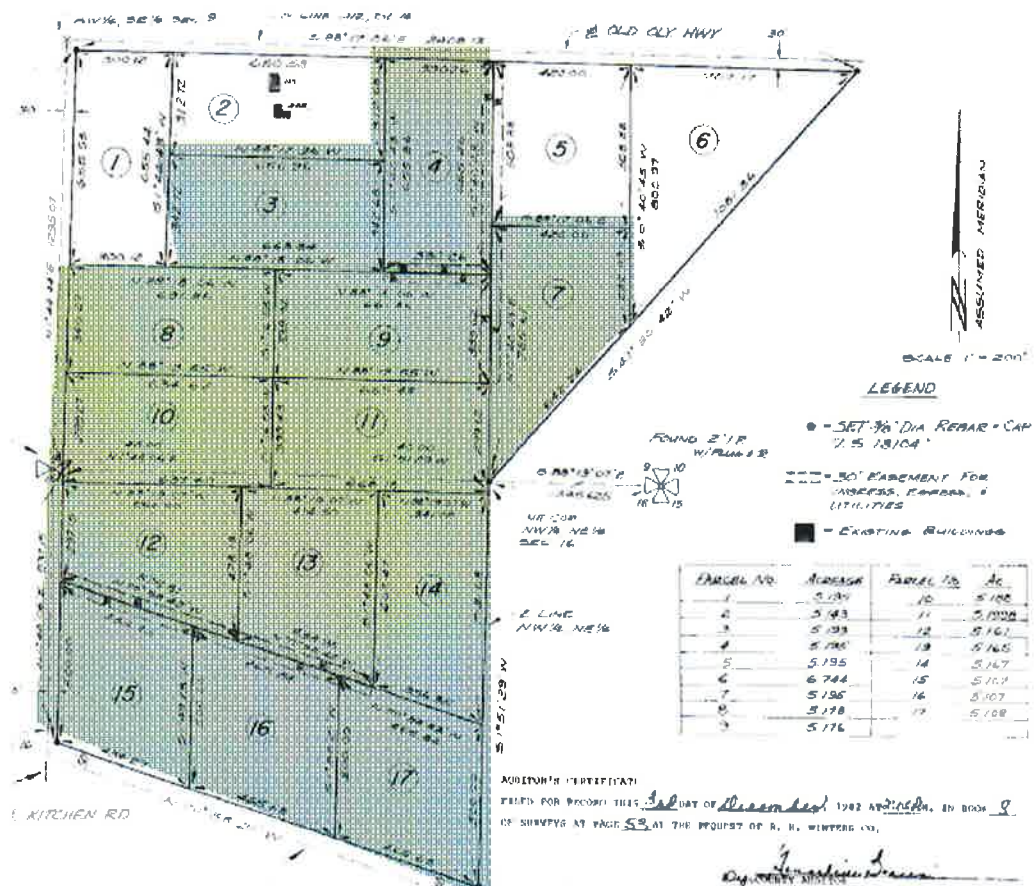
The purchasers of this property bought a total of 65.75 acres for \$1,212,500 in three transactions. This amounts to \$18,441 per acre.

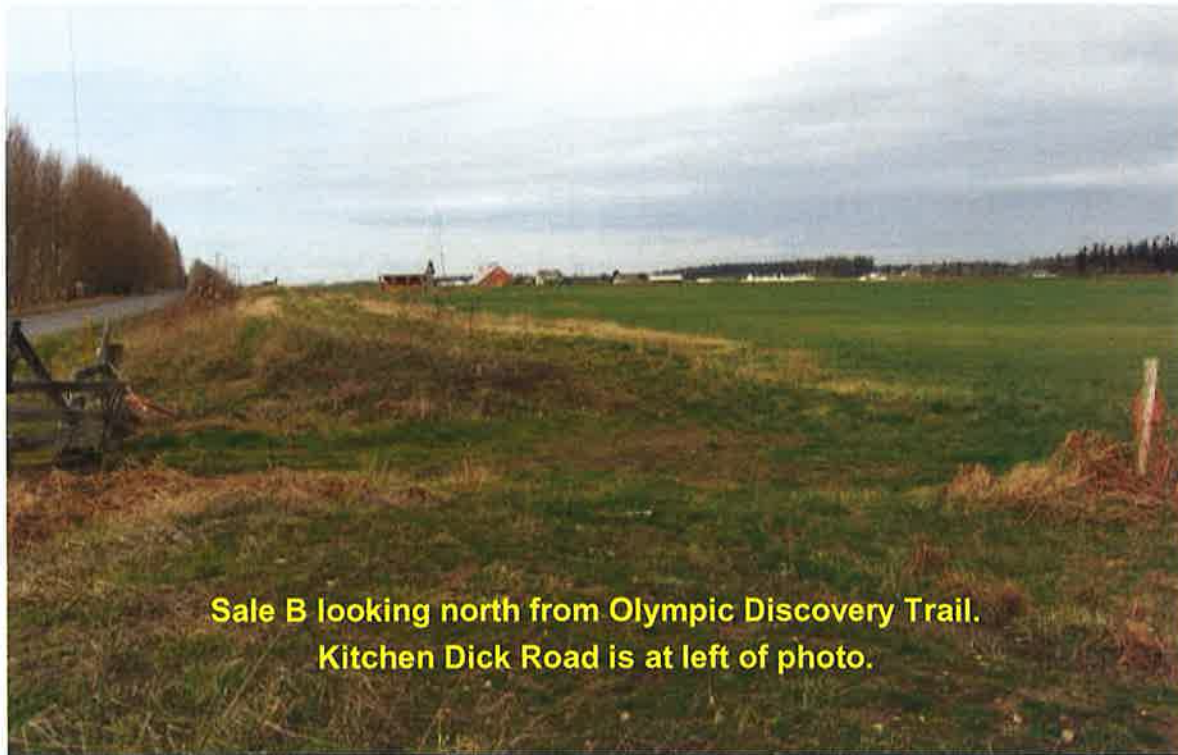
The property is zoned Agricultural Retention (AR) by Clallam County, which allows a density of 1 homesite per 16 acres. Planned developments are allowed, which the purchasers applied for and received, allowing 19 homesites with an average size of 1.08 acres. The \$1,212,500 purchase price divided by 19 homesites is \$63,816 per homesite. The first eight lots of the development were originally on the market with an average asking price of \$250,000. Lot 7 sold for \$247,500 in 2006, but Lot 1 sold for \$100,000 in 2008.

This development is targeting a unique niche market. Each homesite has access to a private taxiway leading to the Dungeness Valley airport. Very restrictive architectural requirements and a perpetual Airport Access Easement and Agreement at an additional cost of \$82,500 are deeded into each lot. The lots have an excellent mountain view, which will be protected by continued agricultural use of the remainder parcel. The remainder parcel is currently being leased for agricultural use at \$50 per acre per year.









**Sale B looking north from Olympic Discovery Trail.
Kitchen Dick Road is at left of photo.**



**Sale B looking east from Kitchen Dick Road.
Olympic Discovery Trail is at right of photo.**

LAND SALE C:

Summary of location: Hidden Highland subdivision off O'Brien Road.
Proximity to subject: About 20 miles northwest.
Assessor Parcel No: 053027-520170.

SALE DATA:

Sale date: September 11, 2008
Sale price: \$197,500.
Instrument: Statutory Warranty Deed.
Auditor's file no. 2008-1226479.
Seller: Hidden Valley Development LLC.
Purchaser: Brandon and Tracy Stoppani, husband and wife
Legal description: Lot 17 of Hidden Highlands according to the plat thereof recorded in Volume 14 of Plats, page 84, records of Clallam County, Washington.
Data source: Public records, Realtor.

SITE DATA:

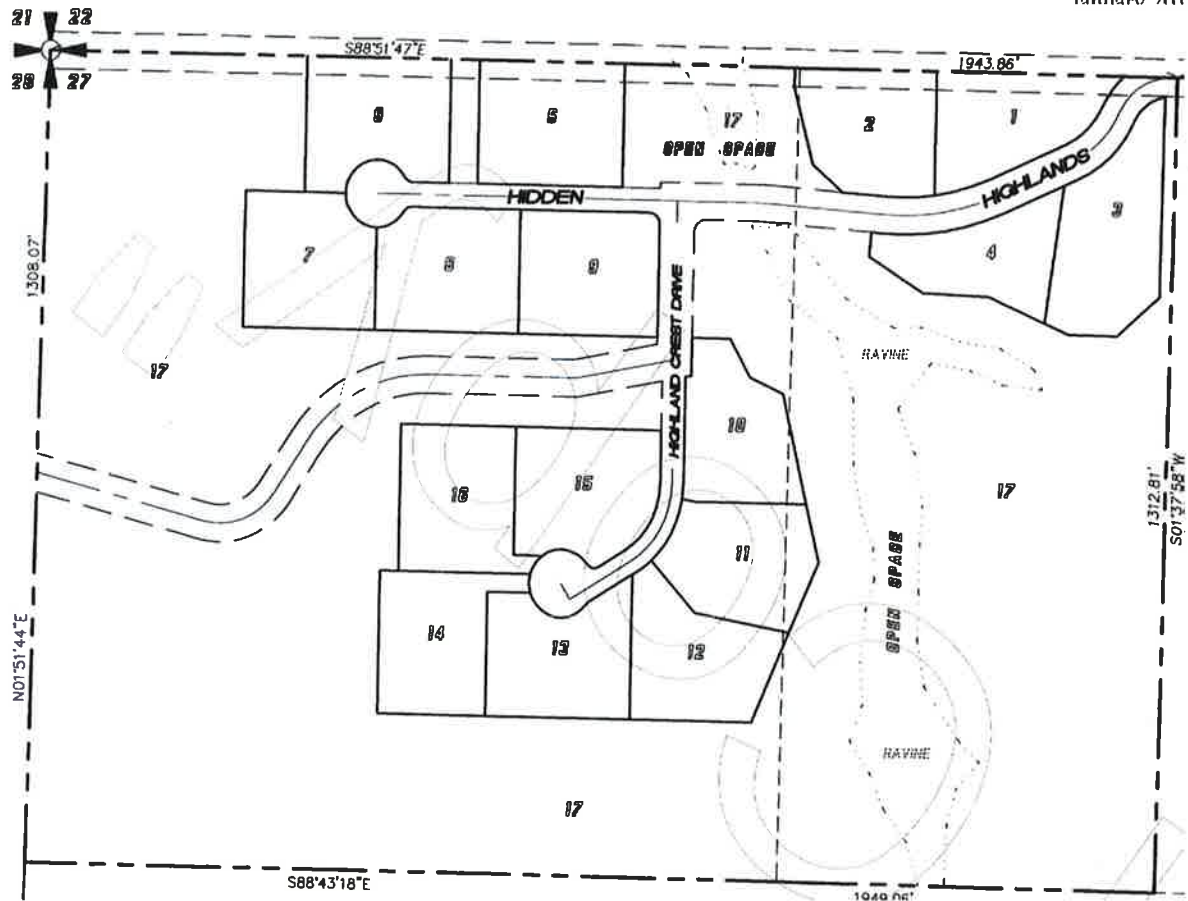
Access Hidden Highlands Road.
Land area 41.51 acres.
Description Remainder lot consisting of rolling acreage and ravine with wetland with attractive views of the Olympic Mountains. Not eligible for further development.
Utilities PUD water and electricity; telephone.
Zoning Rural Character Conservation 3 (RCC3).
Analysis \$197,500 divided by 41.51 acres = \$4,758 per acre. This parcel is the remainder lot of Hidden Highlands subdivision and cannot be further divided.
The original purchase of the 58.59 acres that became Hidden Highlands was sold for \$320,000 for 58.59 acres, or \$5,462 per acre. The 58.59 acres were subdivided into 17 lots. Most of the lots sold in 2006, one sold in 2007 and this sale in 2008. The total sold price is \$1,757,500.
Typical lot size in Hidden Highlands is 1.1 acres. Average sale price per lot is \$108,857. Allocating \$110,000 to the 1.1 acre homesite leaves \$87,500 as the value of the 40.1 acre remainder, which is \$2,165 per acre.



County aerial photo showing irregular lot lines



Typical vegetation on Sale C



Plat map for Hidden Highlands subdivision. Lot 17 is Sale C.



Summary of Land Value after the Conservation Easement

Conclusion:

Comparable Sale A land value **before** was \$585,000, which is \$11,577 per acre. The **after** land value was \$435,000, which is \$8,609 per acre; a reduction of 25.6% for the loss of one homesite.

We have allocated \$10,000 per acre to 40 acres (\$400,000), which leaves \$35,000 of the \$435,000 Sale A land value, allocated to 10.53 acres of surplus land, which is \$3,324 per acre.

In our opinion, after adjusting for size, Sale A indicates that the value of the subject property's 225 acres of surplus land is within the range of \$1,000 to \$2,000 per acre.

Comparable Sale B has been given very little weight due to various complexities and to the very significant size difference with the subject. The original sale of \$1,212,500 for 65.75 acres in 2005 is \$18,441 per acre; multiplying the 53.94 acres by \$18,441 per acre equals \$994,708. Dividing the \$466,000 after value by the size-adjusted before value of \$994,708 indicates that the after value is 46.8% of the before value.

We have considered this 46.8% before/after ratio in our estimate of the market value of the subject property after the conservation easement is in place.

Comparable Sale C, before adjusting for size, indicates that the market value **after** the conservation easement takes effect is within the \$3,765 per acre range.

In our opinion Sale C, which consists of 41.51 acres, supports our conclusion that the incremental contributory value of the 225 acres of surplus land on the subject property after the conservation easement takes effect, after adjusting for size, is within the range of \$1,000 to \$2,000 per acre.

All three sales are more than 200 acres smaller than the subject. Compared to the before value, in which the excess land could be sold as residential parcels, in the after condition the surplus land can only be used for agricultural production, and therefore holds a lesser value.

Using the available sales data we have valued 40 acres of the subject in the after condition at \$10,000 per acre, which is \$400,000.

We valued the remaining 225 acres of surplus land based primarily on our analysis of Comparable Sales A and C, which indicate that the value of the subject property's 225 acres of surplus land is within the range of \$1,000 to \$2,000 per acre. The most reasonable market value indication within this range is, in our opinion, \$1,500 per acre, which is \$337,500 for the 225 acres. Adding our market value estimate of \$400,000 for the 40 acres of residential land indicates a total value of \$737,500 (rounded to \$740,000) for the 265 acres being appraised.

Sale B provides an indication that the market value of the 265 acres being appraised after the conservation easement is in place is 46.8% of the value before the conservation easement is in place. Applying this before/after ratio to our \$1,590,000 market value estimate indicates that the market value of the 265 acres being appraised after the conservation easement is in place is \$744,120.

The most reasonable market value indication in the after condition is:

SEVEN HUNDRED FORTY THOUSAND DOLLARS

\$740,000

We estimate an exposure time of twelve months.

Value Estimate by the Cost Approach.

The cost approach to value is not applicable to this appraisal assignment because the value of the improvements will be the same before and after the imposition of the conservation easement. Therefore, estimating the market value of the improvements by the cost approach is beyond the scope of work of this appraisal assignment.

Value Estimate by the Sales Comparison Approach.

The sales comparison approach to value has been used to estimate the market value of the land. The contributory value of the improvements will be the same before and after the imposition of the conservation easement and is beyond the scope of this appraisal assignment. For this reason we have not used the sales comparison approach to estimate the contributory value of the improvements.

Correlation and Final Value Estimate.

Valuation of water rights: The water rights on the property have no significant value beyond the current use for agriculture on the subject property.

Our analysis of comparable land sales indicates that the market value of the **265 acres of land being appraised is \$740,000, after** the proposed conservation easement takes effect.

Our estimate of the potential gross annual income from agriculture was used to compute the value of excess land in the after condition.

The cost approach to value is not applicable to this appraisal assignment.

The contributory value of the existing improvements will be the same before and after the imposition of the conservation easement. Therefore, an estimate of the contributory value of the improvements is beyond the scope of this appraisal assignment.

The highest and best use of the subject property after the proposed conservation easement takes effect is for continued residential use as a single-owner private estate, with supplemental agricultural use consistent with the conservation easement and consistent with the intent of Jefferson County Prime Agricultural zoning. Any farm income that a potential buyer would achieve would not be the primary reason for the purchase of the property.

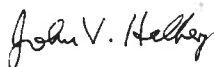
In our opinion, the current market value of the 265 acres of land being appraised after imposition of the proposed conservation easement is:

SEVEN HUNDRED FORTY THOUSAND DOLLARS

\$740,000

We estimate an exposure time of twelve months.

Dated: January 29, 2015



John V. Halberg, MAI



Greg V. Halberg

Acquisition Analysis

Recapitulation.

The market value of the **265 acres** being appraised before the imposition of the proposed conservation easement is **\$1,590,000**. The market value of the **265 acres** after the imposition of the proposed conservation easement is **\$740,000**.

Therefore, the difference between the value before the conservation easement takes effect and the value after the conservation easement takes effect is **\$850,000**.

Exhibits and Addenda

Title Evidence Report.

We have received and reviewed a lengthy preliminary title report which we assume will be available through the Jefferson Land Trust.

Other Pertinent Exhibits.

The "Short Family Farm CE – October 2014" is included in the Addenda.

Qualifications of Appraisers.

Qualifications of the appraisers are included in the addenda.

QUALIFICATIONS OF JOHN V. HALBERG, MAI

John V. Halberg is an independent real estate appraiser located in Clallam County, Washington. He has completed appraisal assignments for acquisition, arbitration, condemnation, feasibility, financing, and sale. His professional territory has included more than seventy-five cities in California, Alaska, Washington, Arizona, Montana and Nevada. Appraisal practice is currently limited to Olympic Peninsula properties.

Clientele has included various individuals, attorneys, corporations, financial institutions, and government agencies.

He has evaluated real estate with a total worth in excess of \$200,000,000, including recreational land, residential land, industrial properties, waterfront land, motor hotels, shopping centers, office buildings, medical office buildings, retail store buildings, special purpose properties, gasoline service stations, apartments, condominiums, planned unit developments and miscellaneous properties.

His appraisal experience began in 1959 and has included several years as staff appraiser in Seattle and San Francisco for prominent real estate appraisal and mortgage banking companies.

He has qualified in the Superior Courts as an expert on real estate value.

Mr. Halberg has served on the faculty of the American Institute of Real Estate Appraisers, and as an instructor in real estate at Peninsula Community College in Port Angeles, Washington.

Educated at the University of Washington in Seattle, John V. Halberg majored in real estate and received a Bachelor of Arts degree in Business Administration. This basic real estate education has been supplemented by a number of real estate and appraisal courses and seminars sponsored by the University of California and by the Appraisal Institute.

Appraisal courses and seminars that have been completed recently include:

Seattle Real Estate Conference	October 2014
Water Rights	July 2013
Appraising the Appraisal: Appraisal Review - General	January 2012
National USPAP Update Course	January 2012
Uniform Standards of Professional Appraisal Practice	July 2011
Valuation of Conservation Easements	January 2008
Market Analysis and Highest and Best Use	March 2007
Business Practices and Ethics	April 2005
Report Writing and Valuation Analysis	March 2004
Uniform Standards for Federal Land Acquisitions	April 2002
Partial Interest Valuation, Divided and Undivided	October 2001
Advanced Income Capitalization	June 2001
Washington State Planning and Land Use Seminar	May 2000
Environmental Influences on Valuation	October 1998
Litigation Valuation Overview	March 1998
High Tech Appraisal Office	November 1997
Right of Way Valuation and LIDs	May 1995

QUALIFICATIONS OF GREG V. HALBERG

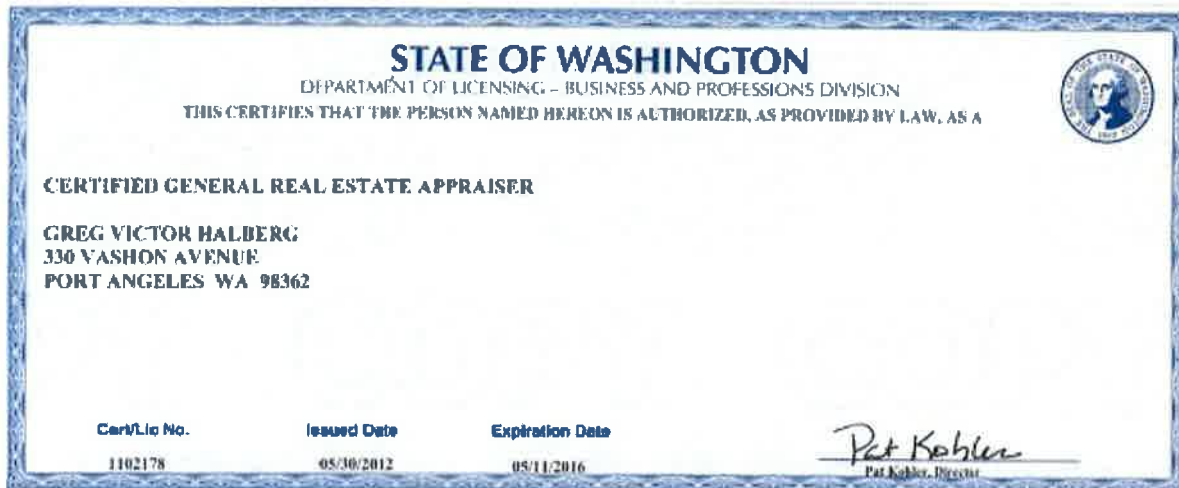
Greg V. Halberg is a Washington State Certified General Appraiser.

He earned a bachelor's degree in Political Science from Western Washington University in 1992, and a Master's Degree in Exercise Physiology from Central Michigan University in 2001.

He joined Halberg Pacific Appraisal Service in August 2006 after a 13 year career in coaching.

Appraisal courses and seminars that have been completed include:

Advanced Applications and Case Studies	October 2014
Seattle Real Estate Conference	October 2014
Cool Tools: Technology for the Appraisal Office	May 2014
Uniform Standards of Professional Appraisal Practice	January 2014
Seattle Real Estate Conference	September 2013
Water Rights	July 2013
Regression Analysis: Are you prepared?	September 2012
Appraising for the IRS	July 2012
Business Practices and Ethics	April 2010
Advanced Applications	April 2010
Uniform Standards of Professional Appraisal Practice	November 2009
General Appraiser Report Writing and Case Studies	March 2009
General Appraiser Site Valuation and Cost Approach	March 2008
General Appraiser Sales Comparison Approach	February 2008
General Appraiser Income Approach Part II	November 2007
General Appraiser Income Approach Part I	November 2007
Uniform Appraisal Standards for Federal Land Acquisitions	May 2007
Real Estate Finance, Statistics, and Valuation Modeling	May 2007
General Market Analysis and Highest and Best Use	February 2007
Basic Appraisal Procedures	October 2006
Basic Appraisal Principles	October 2006



Short Farm Conservation Easement Critical Areas Assessment

October 2014

Introduction

At the request of Jefferson Land Trust, Olympic Wetland Resources has prepared this Critical Area Assessment to identify wetland and stream boundaries and define associated buffers on the proposed Short Farm Conservation in Chimacum Valley. This information will assist in the appraisal process by Halberg Pacific Appraisal Service. The following report is an overview of critical areas within selected parcels and DOES NOT represent comprehensive jurisdictional wetland delineation.

Three parcels have been identified as potential building sites and therefore would be appraised with a higher value. These parcels have been defined in this report as Section I, Valley View Farm Trust off West Valley Road (Parcel #901 224 001, 62.52 acres), and Section II and III which are located on the southernmost portion of the Short Farm and fall on the opposite sides of Chimacum Creek (Parcels are #901 262003, 59.01 acres and #901 262 002, 51.27 acres).

Methodology

Wetland edges are determined when there is a dominance of wetland tolerant vegetation, hydrology, and hydric soil. Several soil test pits were dug on each of the three parcels to locate wetland edges. All soil pit data is available upon request. Since both Chimacum Creek and Naylor Creek have been historically channeled the Ordinary High Water Mark (OHWM) of these creeks is obvious.

Methodology for determining wetland boundaries and associated critical area buffers are outlined in Jefferson County Unified Development Code (UDC) 18.22 Critical Areas (March 2008). This report is in compliance with UDC 18.22 Article VI Fish and Wildlife Habitat Conservation Area, VII Wetlands.

Existing Conditions

Vegetation

This critical area assessment was conducted during the end of a dry summer and the vegetation was heavily grazed; therefore herbaceous species identification was difficult. The majority of vegetation identified in the pastures consists of non-native grasses. Pasture grass includes colonial bentgrass, reed canarygrass, orchard grass, quack grass, blue grass. Mana grass was observed along Chimacum Creek. Herbaceous species include Canadian and bull thistle, nettles, curly dock, dandelion, and creeping buttercup. Shrubs and trees species were isolated growing around a man-made pond, and occasionally along Chimacum and Naylor Creek. Tree species identified included spruce, cottonwood, alders, and willow, with shrub layer of red-osier dogwood, spirea, and rose. During this assessment vegetation was the least reliable criteria to determine the wetland edge. The presence of wetland soils and hydrology within the soil test pit defined the wetland edge.

Soils

The Munsell Color Chart was used in the field to evaluate soil colors. Other soil and characteristics were analyzed using the Field Indicators of Hydric Soils in the United States (Version 7.0, 2010.) On all three parcels several soil test pits were dug to identify wetland soils. Jefferson County Soil Survey lists the soils in the study area as **Sa, Sh, Se**, all variants of Semiahmoo muck which is classified as a hydric soil. In several wetland locations these soils were identified by texture and soil color which is very dark brown to black. In the upland areas soils are mapped as ClC, EvC, and SuB (Cathcart, Everett, and Swantown gravelly loam). These brown upland soils often overlay a grey clay layer, or the Semiahmoo muck. Soil colors and textures for all soil test pits have been recorded and are available upon request.

Hydrology

Hydrology was recorded when observed and includes standing water within the soil test pits, flowing water, or ponded surface water. Even though this assessment was conducted at the end of a long dry summer months hydrology was observed in several locations in the wetlands. Upland soil pits were dry with granular soil textures. The man-made ponds along Chimacum and Naylor Creek were full of water.

Landscape Setting and Watershed Context

This project is within the Chimacum Valley and watershed basin and contains Naylor Creek and the west fork of the Chimacum Creek in addition to several side tributaries. The stormwater within this watershed drains to Chimacum Creek, which empties into Port Townsend Bay near Irondale. The relatively flat valley slopes uphill to Center Valley Road to the east and West Valley Road to the west. All wetlands are hydrologically connected within the landscape setting by Chimacum or Naylor Creek and were originally mapped as one large wetland on the Jefferson County Critical Areas Map.

Plants)

As indicated on the Eastern Jefferson County Habitat Assessment Maps the majority of the farm is listed within PHS areas (priority habitat species area). This is due to the presence of the migrating waterfowl and trumpeter swans that frequent the area. Chimacum Creek is also known to support winter Steelhead, and Coho. Other species are known to use the area but none of them are on the threatened or endangered species list.

Wetland Buffers

Buffers were determined applying the Washington State Department of Ecology's Wetland Rating System for Western Washington (included in Appendix). The wetland for Section II and III were rated as one system due to the hydrological connection of Chimacum Creek. This wetland extends off site to the south and includes the area owned by Finn River Farm which has high habitat value. This large wetland system will have a rating of 53 points with a very high water quality and hydrological function and a moderate to low habitat score. Buffer width assigned to a Category II wetland depends on land use. The buffers for all wetlands examined, due to the low habitat score will be from 50 to 70 feet depending on future land use. An additional 40 feet is added to a wetland that has not been formally delineated. (UDC Table 18.22.330 (1&2)). Section I was rated as a slope wetland and but due to the low habitat value may potentially rate as a Category III wetland with 40 to 60 foot buffers (plus 30 feet). This wetland also extends off site to the north and south and would require crossing property boundaries for an accurate determination.

Chimacum and Naylor Creek Buffers

Chimacum Creek is considered one of the top priority salmon enhancement streams in East Jefferson County. It is important as a fish migration channel and has been the focus of restoration for 10 years with over 9 river miles restored and enhanced. Riparian zone restoration has been done by many organizations including North Olympic Salmon Coalition, USDA Farm Service Agency, Jefferson County Conservation District, Jefferson Land Trust, and numerous private land owners.

Chimacum and Naylor Creek qualify as a Type "S" Shoreline Stream with protective 150' buffers measured from the OHWM on either side of the channel. Wetlands and wetland buffers often overlap creek buffers. Mapped seasonal streams have a 50' buffer.

Findings and Limitations

The findings from October field assessment are recorded on maps included in the Appendix. Wetland edge findings differ from wetland edges indicated on the Jefferson County Critical Areas Map; however the FEMA flood boundaries will remain the same. FEMA flood boundaries do not have buffers but are regulated by local, state, and federal jurisdictions.

Buffer restrictions are as follows; all fish bearing streams (Chimacum and Naylor Creeks) will have a 150' protective buffer (from both sides) measured from the OHWM. All other mapped streams (mostly on Section I and III) are non-fish bearing and are seasonal and will have a 50' buffer. The large wetland that is associated with Chimacum Creek (Section II and II) is a Category II wetland due to the connectivity associated wetlands to the south. Category II wetlands have 75 foot buffers (40' is added if the wetland is not delineated). This buffer is assigned for moderate impact land use (single family home). Section I may qualify as a Category III due to the low habitat value and would have a 60' buffer.

This report has been prepared for Jefferson Land Trust to assist in the appraisal by Halberg Pacific Appraisal Service. This wetland assessment represents an overview of over 150 acres of farm land within the proposed 260 acre Short Farm Conservation Easement and does not represent a complete critical areas determination. The wetlands were NOT delineated; soil colors, vegetation, and hydrology were recorded in only a few locations within the three large parcels. If development were proposed a more thorough examination of the property would be required, preferably after the wet season.

In general findings reveal that the large wetland identified adjacent to Chimacum Creek on Section II and III (Parcels #901 262 003 and #901 262 002) is significantly smaller than mapped by Jefferson County Critical Areas Map. The wetland on the slope below West Valley Road had surface water and most likely has year round hydrology even though the pasture lower in elevation did not have hydric soils or hydrology. This should be considered for the appraisal since passage across the wetland would require mitigation.

Corps of Engineer Data Sheets for all soil test pits are available upon request. If there are further questions or planning requirements for this project, please do not hesitate to call.

Dixie Llewellyn
Principal Biologist, Olympic Wetland Resources
Certified for Wetland Delineation, WTI,
Certified for Wetland Rating and Soil Analysis DOE, 2007, 2012

CERTIFICATE RECORD No. 8 PAGE No. 3883-A

STATE OF WASHINGTON, COUNTY OF Jefferson

Certificate of Ground Water Right

Issued in accordance with the provisions of Chapter 122, Laws of Washington for 1913, and amendments thereto, and the rules and regulations of the State Supervisor of Water Resources thereunder.

THIS IS TO CERTIFY That MORRIS W. and LAURA L. SHORT
of Chinacum, Washington, has made proof
to the satisfaction of the State Supervisor of Water Resources of Washington, of a right to the use of
the ground waters of 8 two (2) wells
located within SE1/4SE1/4, sec. 22 and SE1/4SW1/4
Sec. 21, Twp. 29 N., R. 1 W., M.,
for the purpose of irrigation and domestic supply
under and subject to provisions contained in Ground Water Permit No. 4183 issued by the State
Supervisor of Water Resources and that said right to the use of said ground waters has been perfected
in accordance with the laws of Washington, and is hereby confirmed by the State Supervisor of Water
Resources of Washington and entered of record in Volume 8 at page 3883-A;
that the right hereby confirmed dates from April 27, 1916; that the quantity of ground
water under the right hereby confirmed for the purposes aforesaid, is limited to an amount actually
beneficially used for said purposes, and shall not exceed 350 gallons per minute 200 acre-
foot per year for the irrigation of 200 acres and for domestic supply.

Special provisions required by the Supervisor of Water Resources:

A description of the lands to which such ground water right is appurtenant:

SW1/4SW1/4 (west of road); SW1/4SW1/4; SE1/4SW1/4, sec. 29,
NE1/4SE1/4 and SE1/4SE1/4, sec. 22; NW1/4NW1/4, sec. 26,
all in T. 29 N., R. 1 W. M.

The right to the use of the ground water aforesaid hereby confirmed is restricted to the lands or
place of use herein described, except as provided in Sections 6 and 7, Chapter 122, Laws of 1913.

WITNESS the seal and signature of the State Supervisor of Water Resources affixed this

7th day of February, 1961


State Supervisor of Water Resources.