

## **APPRAISAL OF TIMBER**

On Selected Properties Owned by Kitsap County  
in Kitsap County, Washington

for Newberry Hill Exchange;  
DNR Assignment 2009-012

Report date: March 17, 2009

Date of Valuation: March 10, 2009

under *Uniform Standards of Professional  
Appraisal Practice*  
(when used with report of lead property appraiser)

*Prepared exclusively for:*

Re-Solve Real Estate Appraisal, Counseling & Mediation  
and other permitted users cited herein

*Prepared by:*

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### CONFIDENTIAL

March 17, 2009

Mr. Stephen Shapiro, MAI  
Re-Solve Appraisals  
261 Madison Avenue South, Suite 102  
Bainbridge Island, WA 98110-2579

Re: Analysis of selected timber on real properties owned by Kitsap County  
for assignment 2009-012

Dear Mr. Shapiro:

At your request, our firm has prepared an appraisal to estimate the contributory value of merchantable and premerchantable timber on selected properties owned by Kitsap County in Kitsap County, Washington. The underlying properties total approximately 541 acres. A 100% fee simple interest in this timber is valued, using generally accepted appraisal principles and theory. A companion report analyzes nearby property owned by State of Washington.

Permitted users; function. These cruises and timber appraisals have been prepared for the sole and exclusive use of Re-Solve as our firm's client and for its co-clients State of Washington Department of Natural Resources ["DNR"] and Kitsap County. DNR reportedly will serve as contract administrator, and payment for the services will be from Kitsap County. The sole function of the cruises and timber appraisals (including companion report) is to assist in establishing the market value of each property or parcel subunit as a whole as a basis for a proposed land exchange and reconveyance between the two public entities.

Conclusions of value. The timber is described in detail in this report. Based upon our timber cruises, investigation and analysis of available information, the estimated market value of the timber is as follows under two alternative classes of forest practice, as of March 10, 2009:

Appraisal Unit	<u>No Land Use Conversion/Class III</u>		<u>Land Use Conversion</u>
	<u>Merchantable Timber</u>	<u>Premerchantable Timber</u>	<u>Class IV-General: Merchantable Timber Only</u>
K North	\$298,000	\$16,000	\$180,000
K South	<u>71,000</u>	<u>59,000</u>	<u>16,000</u>
Total:	\$369,000	\$75,000	\$196,000

These value estimates are *net* figures, adjusted and reduced for costs of harvest, log haul, marketing and other costs.

As a general guideline lead appraisers do, once concluding a highest and best use, usually opt to include the value contribution of on-site timber based on either a Class III or Class IV-General forest practice. Market practices vary, however, in areas transitioning from resource oriented to other uses: hence, III and IVG often serve as parameters. If corresponding timber on land sales used as comparables is valued as a unit within the underlying land, however, a similar practice potentially applies to the subject timber to avoid "double counting" of this asset component. The lead appraiser ultimately estimates value contribution based on review of prevailing practices in locale and property sale comparables.

RCW 76.09.060(3)(d) as amended July 2007 prohibits conversion to a land use other than "commercial forest product operations within six years after approval of the forest practices application or notification without the consent of the county ... to which the forest practices operations would have been subject if the application had stated an intent to convert." Actual permitted harvest in land use conversions is subject to county review on a case-by-case basis. A harvest compliant with conversion guidelines—a Class IV-General forest practices—is generally more restrictive than permitted under other classes of forest practice. In particular, harvest is generally prohibited on those parts of a site regulated under the county critical areas ordinance. Value estimates have not been reduced or adjusted for special erosion control, land clearing or grading costs which might be incident to receiving a Class IV-General forest practice permit.

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Timber herein is valued to an unrestricted market for appraisal purposes as instructed, i.e. as export unrestricted. Some species or log sorts of export restricted timber might sell for up to 10% less. As noted herein, moreover, the market value of on-site timber under an "immediate harvest" scenario has fallen substantially since 2007. Also, costs for road maintenance and abandonment planning (RMAP) considerations are reflected in the logging cost used herein. These RMAP costs reflect standard forest practices under ordinary prudent management, with no special consideration for any habitat conservation plan (HCP) or other special management issues.

This valuation is subject to the conditions and comments presented in this report of 124 pages. Please feel free to phone us at 425/259-4411 (fax 425/258-4435) if you have any questions. Thank you.

Sincerely yours,

S. A. NEWMAN FIRM



Peter C. Blansett

Principal Appraiser/

Certified Arborist No.

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PCB:ks

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## CERTIFICATE OF APPRAISERS

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

The statements of fact contained in this report are true and correct and no important facts have been withheld.

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

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

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

Our firm's engagement in this assignment was not contingent upon developing or reporting predetermined results.

Our firm's compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal. Moreover, this appraisal assignment is not based on a requested minimum or maximum valuation, a specific valuation, or the approval of a loan.

This appraisal was made and the appraisal report prepared (when used with report of lead property appraiser) in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) as adopted by the Appraisal Foundation and Appraisal Institute; and also prepared in conformity with the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute.

Peter C. Blansett, W. Chris Gulick, Adam L. Jewell and Richard B. Klein inspected the appraised property that is the subject of this report on behalf of the S. A. Newman Firm on various dates from March 4 – 12, 2009. Timothy D. Newman did not inspect this timber. Samuel A. Newman assisted in researching delivered log values and logging costs. No other persons assisted in preparing the analyses, conclusions and other opinions concerning real property which are set forth in this appraisal report.

Our firm has not revealed the findings and results of such report to anyone other than the client named herein, and our firm will not do so until authorized in writing by said party, or until required to do so by due process of law. The use of this report is, however, subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

In our opinion, the estimated market value contribution of the timber being appraised as of March 10, 2009 is as stated in the letter of transmittal attached hereto.

Competency provision. As of the date of this report, Timothy D. Newman has completed the requirements under the continuing education program of the Appraisal Institute; and is licensed as a Certified Real Estate Appraiser (General Classification) under RCW 18.140. Current certification expires February 27, 2011. Peter C. Blansett has completed the requirements set by the Board of the International Society of Arboriculture and is recognized as a Certified Arborist; Certificate No. PN-0659A. A statement of the appraisers' qualifications, including education, technical training and experience, has been provided to the addressee. The undersigned both certify to have the knowledge and experience to estimate the market value of the property type which is the subject of this appraisal, and complete the assignment competently.



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Peter C. Blansett  
Forester/Certified Arborist  
Principal Appraiser



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Timothy D. Newman, MAI, CF  
WA State Certified - General  
Appraiser 1100664

## Definitions

As used herein:

(1) "Market value" means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition 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 best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.\*

(2) "Cash equivalent" means a price expressed in terms of cash as distinguished from a price that is expressed all or partly in terms of the face amount of notes or other securities that cannot be sold at their face amount. The cash equivalent price of a sale property may differ from its contract price and should represent the present worth at time of sale of all cash and other considerations paid for the real property or timber as opposed to other portions of stated consideration that may be paid for services, fees, and/or other non-realty items.

(3) "Highest and best use" means the reasonably probable and legal use of vacant land or an improved property that is physically possible, legally permissible, appropriately supported, financially feasible, and that results in the highest value. [Source: the *Appraisal of Real Estate*, Twelfth Ed., Appraisal Institute 2001, p. 305.]

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\*12 C.F.R. Part 34.42(g); 55 *Federal Register* 34696, August 24, 1990, as amended at 57 *Federal Register* 12202, April 9, 1992; 59 *Federal Register* 29499, June 7, 1994.



- (4) "Site index" measures the potential productivity of the land for growing timber. A site index indicates the height an average dominant tree of a given species will attain on that site in a well stocked stand in a period of 50 years. Sources of site indices: USDA Natural Resources Conservation Service and S. A. Newman Firm.
- (5) "Stumpage value" means the estimated value of merchantable trees which have not been severed from the land.
- (6) "Log value" means the value of logs which have been severed from the land and delivered (a "delivered log"), either to a processing mill site or to a place of lading for export.
- (7) "Logging cost" means the estimated sum of those costs, including truck haul, severance tax, and a factor for risk and profit to the logger, which are required to convert stumpage into logs delivered at a processing mill site or at a place of lading for export.
- (8) "Conversion return approach" means the method of estimating stumpage value by deducting logging costs from log value. This method of valuing stumpage assumes that the value of a tree equals the price that it will command delivered at a processing mill site or at a place of lading for export, less the logging costs to be incurred in converting it from stumpage to delivered logs.
- (9) "Sales comparison approach" means a method of estimating either property value or stumpage value by comparing the property or timber being appraised to similar properties that have been sold near the date of value, applying appropriate units of comparison, and making adjustments to the sale prices of the comparables based on the elements of comparison.
- (10) Cruising standards: Variable radius plot cruise installed by representatives of the S. A. Newman Firm.
- (11) Size specifications: Cruised and graded in variable log lengths: 4 inches, inside bark. All live trees containing at least one sixteen foot log to a 4-inch top diameter are included in the sample.

