

Zell & Associates

Real Estate Appraisers and Counselors

July 25, 2005

Madrone Wall Preservation Committee
5815 NE 31st Avenue
Portland, Oregon 97211
Att: Keith K. Daellenbach, Sec./Treas., Director

Re: Review of Appraisal: Hardscrabble/Madrone Wall Property, Zell file No. 05-141

Dear Mr. Daellenbach,

At your request I have personally completed a review of the above mentioned appraisal more fully described below. This review is completed according to Standard 3 of the Uniform Standards of Professional Appraisal Practice. The following identifies the property and the appraisal report:

Property location: SE Hwy. 224 South of Marna Rd. at the intersection of SE 197th,
Clackamas, OR

Appraiser: Roger D. Hanna

Interest valued: Fee Simple assumed, but not described or defined in appraisal as
required by USPAP.

Effective date of value: May 20, 2005

Date of the report: May 20, 2005

Reported value: \$770,000 to \$2,214,000

Date of review: June 29-July 15, 2005

Review appraiser: Craig Zell, MAI, SRA

Value confirmed: Confirmed at the low end of value.

PURPOSE AND EXTENT OF THE REVIEW

The purpose of this review is to assure compliance with the applicable Standards in regards to rendering appraisals in the State of Oregon as well as to confirm the reasonableness of the value conclusion.

INTENDED USE AND INTENDED USER OF THE REPORT

The intended use of this review is for confirmation that the appraisal meets guidelines set forth in the Uniform Standards of Professional Appraisal Practice (USPAP) and concludes a reasonable value for consideration by county counsel.

The user of this review is the client, the Madrone Wall Preservation Committee. Any other use of the review is prohibited without the express consent of the author.

SCOPE OF THE REVIEW

The review began with a full reading of the appraisal report to determine if the applicable standards had been met and the appraiser led the reader to agreement with the conclusions. In this case an external inspection of the subject property was partially performed, but from a limited extent and in the form of a “walk-through” inspection whereby not all of the property was viewed, but only the front portion. The reviewer made no attempt to independently verify the factual data in the report nor was the comparable information confirmed for its accuracy. Further, any analysis or conclusion reported in this review that may differ from the conclusions in the appraisal under review should be taken in the context of a review assignment under the provisions of USPAP Standard 3 in contrast to a complete re-appraisal of the property. Finally, this review should only be utilized in conjunction with the above referenced appraisal report and should not be relied upon or otherwise utilized as a separate report or document.

EXTRAORDINARY ASSUMPTIONS OR LIMITING CONDITIONS

The appraisal identified a number of assumptions and limiting conditions. Other than those which are normal and typical, there were no assumptions that were labeled extraordinary. As dictated in Standard Rule 2-1C, each written or oral real estate property appraisal report must clearly and accurately disclose any extraordinary assumption or limiting condition that directly affects the appraisal and indicate its impact on value. The following comments are in regards to these assumptions and limiting conditions:

While not prominently displayed in the “Assumptions and Limiting Conditions” as typically required by appraisal practice, the appraiser makes the assumption that a residential dwelling could be sited on the property through a “forest template dwelling test” and proceeds to use comparable sales that were one or multiple residential sites. The appraiser states that he has performed the “template test” and that it meets the county’s requirements while not fully included in the report. This appraisal and the review is made on the assumption that the template test meets the county’s requirements and that the necessary utilities can be installed for a residential dwelling site.

While not prominently displayed in the assumptions and limiting conditions, part of the range of value assumes the presence of a feasible mining operation and the extraction of aggregate. The 2000 ECONorthwest report¹ concluded that the “high investment costs and poor economies of scale make opening Hardscrabble an unwise choice.”

¹ Clackamas County Issue Paper on the Long Term Supply of Chip Seal Rock, ECONorthwest, May 2000

This conclusion is further supported by the error in calculating a Metro purchase using an incorrect number of acres thereby erroneously increasing the value per acre. This would finally infer that the value of a mining operation could not be included in the value of the land and the reported value addition could be misleading.

COMPLETENESS OF THE APPRAISAL REPORT

After reading the above referenced appraisal report, it appears that it does meet the tests of completeness, although marginal. The report includes the value of timber on the property, but does not include a certified timber cruise or the reference of an appropriate current cruise having been completed. Thus, the current value of the timber may be in question. The development of the appraisal was accomplished as a complete appraisal and the conclusions were reported using the summary format.

APPROPRIATENESS OF THE APPRAISAL METHODS AND TECHNIQUES

The appraisal was for land only and due to the property type, the sales comparison approach was the only approach used in the analysis. This appears to be appropriate for this property type and the appraiser indicated that the other approaches to value (cost and income) were not utilized and are inappropriate.

APPARENT ADEQUACY AND RELEVANCE OF THE DATA AND THE PROPRIETY OF ANY ADJUSTMENTS

The appraiser has used land sales within the report for comparison purposes. The sales were not specifically adjusted for differences to the subject, but are bracketed in order to indicate values on each side of the subject property's most logical range. The data appears to be relevant only within two of the five sales. This conclusion is rendered due to the following:

Sale number one is a speculative purchase for property with potential for inclusion into the Urban Growth Boundary (UGB) while the subject appears to have no potential for inclusion and therefore lacks any speculative value.

Sale number three is significantly outside the boundaries that would render this property a comparable as potential buyers in the West Linn market would probably not purchase property in the subject's location.

Sale number four, while being in the subject's local market, was actually two homesites approved for residential use and the value per acre would be trumped by the value per homesite or indicating about \$350,000 for the subject.

**APPROPRIATENESS AND REASONABLENESS OF THE ANALYSES,
OPINIONS AND CONCLUSIONS IN THE REPORT**

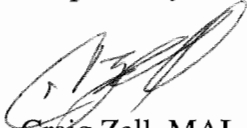
The Sales Comparison Approach is the appropriate method for valuation of this property type, but the data appeared to be only marginally sufficient to render a conclusion as to the Highest and Best Use of the property and final value. The sales used in the analysis were applicable only in two instances, sales number two and five. The other sales were either speculative, lack locational similarity or the motives were substantially different than what the subject would likely command.

FINAL COMMENTS

The appraiser uses appropriate methods in the development of the appraisal, but lacks completeness in the reporting of the conclusions of highest and best use, specifically in the inclusion of the “template test” and the description of feasibility and development cost for infrastructure, i.e. septic system, well etc. This being said, the subject property is assumed to be a single homesite that could be developed with all the necessary utility infrastructure to support a single family home. The conclusion of value for a homesite appears to be supported from the data included in this report and others outside of this report. The timber value is not well supported and should be verified with additional data if necessary for a full valuation of the property. The mining operation appears to be infeasible due to the high cost of permitting, extraction and storage and therefore should not be considered as part of the value of the property

Thank you for the opportunity to serve your appraisal needs. If there are any questions or concerns regarding my review, please don't hesitate to contact me at the address or phone noted on the letterhead.

Respectfully submitted,



Craig Zell, MAI, SRA

att: Certificate of Review

CERTIFICATE OF REVIEW APPRAISAL

I certify the following to the best of my knowledge and belief:

The facts and data reported by the review appraiser and used in the review process are true and correct.

I personally inspected the subject property of the report under review from a “walk-through” where not all of the property was inspected.

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

The analyses, opinions, and conclusions in this review report are limited only by the assumptions and limiting conditions stated in this review report, and are my personal, unbiased professional analyses, opinions, and conclusions.

My compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in, or the use of, this review report.


No one provided significant professional assistance to the person signing this review report.

My analyses, opinions and conclusions were developed and this report has been prepared in conformity with the requirements of the Uniform Standards of Professional Appraisal Practice and in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representative.

The appraiser has the appropriate knowledge and experience to complete this assignment competently. Professional qualifications, if not included in the Addenda of this report, will be available upon request.

As of the date of this report, I, Craig Zell, MAI, SRA, have completed the requirements of the continuing education program of the Appraisal Institute.

It is the intent of this review appraisal to meet the appraisal standards mandated by federal law and USPAP, and that the departure provision of the USPAP does not apply. This appraisal assignment was not based on a requested minimum or specific valuation.



Craig Zell, MAI, SRA
Oregon Certified Appraiser No. C000108