



Airport Closure Evaluation Report Silver Bay Municipal Airport (BFW)

Prepared by MnDOT Office of Aeronautics

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Contents

- Summary.....4
- Conditions leading to Closure.....4
- Public investment in the airport.....4
- Economic impact on Silver Bay and Lake County5
- Impact on the State Airport System5
- Grant Obligations and Remaining Life/Current Value of the Assets5
- Planning Next Steps.....6
- Evaluations7
- Conditions leading to Runway Closure.....7
- Runway Pavement Condition8
- Public Investment in the Airport 12
- Economic impact on Silver Bay and Lake County 15
- Airport Service Area 16
- Impacts on the State Airport System..... 16
- Grant Obligations and Remaining Life/Current Value of the Assets 17
- Environmental Issues..... 18
- Potential Additional Costs to the City 19
- Planning Next Steps..... 19
- Appendix A – Commissioner’s Order No. 620 21
- Appendix B - Airport Economic Impact Calculator Report 22
- Appendix C – Letter from Silver Bay..... 23
- Appendix D – Market Value Appraisal Report..... 25

Summary

Closing a publicly owned airport is a long term decision which needs careful consideration and thorough evaluation. Establishing a replacement airport is extremely difficult, time consuming, and costly. It is not likely that funds will be available to construct a new airport in the future if the current airport is not rejuvenated.

Conditions leading to Closure

The runway pavement condition at Silver Bay Municipal Airport, also known as Wayne Johnson Field, has been in decline for a number of years. Minnesota Department of Transportation (MnDOT) Aeronautics staff met with representatives of the City of Silver Bay (City) in the fall of 2017 and discussed the condition of the pavement. The City was advised that the pavement was in poor condition, but the runway was not unsafe. The City was also advised that unless some action was taken the runway would soon become unusable and have to be closed. In May 2018 a routine safety inspection was conducted at the airport. Upon arrival inspectors were informed that there had been three incidents over the winter that could be associated to the runway conditions. Visual inspection of the runway and other pavements confirmed that conditions had deteriorated over the winter. The inspectors reported the unsafe conditions and talked with City officials to suggest it was time to close the runway.

Obstructions have been observed in the runway approach surfaces during safety inspections over the years. Approach obstructions limit visibility for pilots and compromise safety.

As the pavement at Silver Bay Municipal Airport did not meet the minimum standard required for safety, and since the Silver Bay Municipal Airport had not demonstrated that the primary surface and approach surface are free from obstructions, the license for the Silver Bay Municipal Airport was revoked by Commissioner's Order No. 620 on June 8, 2018.

In order for the airport to obtain a new license, the runway must be repaired to allow the safe operation of aircraft; and the primary and approach surfaces must have been surveyed and confirmed clear of obstructions.

Public investment in the airport

Federal funds	\$2,498,456.62
State funds	\$764,015.88
State Navigation Aids	\$369,700.00
Local Funds	\$557,076.19*
Other public funds	<u>\$Unknown**</u>
Total	\$4,189,248.69

*These are the local funds used to match State and Federal grants. Additional local funds may have been used by the City on projects without State or FAA assistance.

** EDA, IRRRB, or other sources of public funding may have been used in airport projects by the City as local share. The City is the only source of this information and did not participate in the preparation of this report.

Economic impact on Silver Bay and Lake County

According to the University of Minnesota’s Airport Economic Impact Calculator activity at the Silver Bay Municipal Airport generated \$96,256.00 and supported 1.42 jobs county-wide in the year 2017.

However, in an August 22, 2018 letter to MnDOT the City indicated that there is no longer strong interest in the airport from local pilots, residents and businesses of Silver Bay.

Impact on the State Airport System

Closing this airport will have a significant impact on the State Airport System. Every airport serves the important system role of providing access to aviation transportation during emergency situations. Whether serving as an alternative landing site for an aircraft in distress, or providing support for the community and region during medical or civil emergencies, closure of the Silver Bay Airport will cause a system gap in this relatively remote area of the State of Minnesota. Closure will also require the relocation of 9 aircraft and 3,500 estimated annual operations to other airports.

Grant Obligations and Remaining Life/Current Value of the Assets

Repayments to MnDOT required of the City are in the amount of \$8,558.67. This is exclusive of any repayment for land purchases, or other costs for navigation systems, or expenses of activities required to proceed with closure. MnDOT’s estimate of repayment that the City would owe FAA is \$753,050.37. This is based on a 20-year life for each project from the date of the last grant payment. The City will also be required to repay a percent of the current value of land of a portion of the airport property to MnDOT.

Silver Bay Municipal Airport - 20 year Project List (1998 - 2018) Excluding Land Purchases							
Item	Fed Funding Share	State Funding Share	Final Payment Date	Time (in years)	Remaining useful life (yrs) assuming a 20-year life	Federal Prorated Share	State Prorated Share
				Elapsed as of 5/31/2018			
Obstr. Removal, Crack Repair, Snow Blower		\$23,021.65	1/31/2002	16.3397	3.6603	\$ -	\$4,213.28
Rehab Hangar Floor		\$ 4,650.00	2/11/2002	16.3096	3.6904	\$ -	\$ 858.02
Obstruction Removal, Unicom Radios		\$ 3,705.30	9/23/2002	15.6959	4.3041	\$ -	\$ 797.40
Recon Pvmnt, minus Wetland Credit & Access Road	\$1,302,660.59	\$ -	3/27/2003	15.1890	4.8110	\$ 313,352.33	\$ -
Obstruction Removal		\$ 4,200.00	1/7/2005	13.4027	6.5973	\$ -	\$1,385.42
Fuel Tank Cleanout & Hangar Door Repair		\$ 2,480.65	12/8/2008	9.4822	10.5178	\$ -	\$1,304.55
ALP Update, Crack Seal, Fuel Relocate	\$ 237,803.00	\$ -	5/13/2009	9.0548	10.9452	\$ 130,140.13	\$ -
Relocate apron edge taxiway	\$ 218,501.00	\$ -	2/9/2009	9.3096	10.6904	\$ 116,793.27	\$ -
Design Arrival Departure Building	\$ 40,375.00	\$ -	1/5/2010	8.4055	11.5945	\$ 23,406.44	\$ -
Construct Arrival Departure Building	\$ 216,500.00	\$ -	6/30/2011	6.9233	13.0767	\$ 141,555.41	\$ -
Crack Seal Runway	\$ 43,817.00	\$ -	2/9/2011	7.3096	12.6904	\$ 27,802.79	\$ -
Totals						\$ 753,050.37	\$8,558.67
Grand Total						\$761,609.05	

Planning Next Steps

After the public hearing the City may decide to continue the Airport Closure Process. Alternately, a plan to discontinue closure may become an option. Some alternatives exist:

- Transfer the airport to a private sponsor
- Transfer the airport to a public sponsor (political subdivision of the state)
- Form an Airport Authority with another entity by following Minnesota Statute 360.0426.

Note that FAA does have a process for sponsorship transfer if a willing sponsor can be identified.

Evaluations

Conditions leading to Runway Closure

In the fall of 2017 members of the MnDOT Aeronautics staff met with representatives of the City and discussed the condition of the pavement. The City was advised that a recent inspection of the runway conditions had shown the pavement to be in poor condition, but that the runway was not at that time unsafe. The City was advised that unless some action was taken the runway would soon be unusable and have to be closed.

On May 31, 2018 inspectors arrived at the airport to conduct the 5010 Program Airport Inspection, a routine safety inspection. Upon arrival inspectors were informed that there had been three incidents over the winter that could be associated to the runway conditions. The person informed the inspectors that they had caught a tire in a crack and almost lost control of their aircraft. Another aircraft did lose control on landing and ended up 100 feet off the side of the runway in the snow, and a third aircraft had a gear collapse on landing at a nearby airport after departing Silver Bay.

Visual inspection of the runway and other airport pavements confirmed that conditions had deteriorated over the winter. The inspectors reported the unsafe conditions and talked with City officials, saying it was time to close the runway.

MnDOT Aeronautics safety inspection records beginning in 1965 illustrate challenges with tree obstructions over the years. Clear approaches were the norm when the airport was new. Whereas more recent inspections indicate the existence of obstructions more often than not. Approach obstructions limit visibility for pilots and compromise safety.

Runway Approach Condition		
Date	Clear	Obstructed
7-9-65	Clear	
5-12-66	Clear	
5-23-67	Clear	
5-15-68	Clear	
8-16-68	Clear	
11-21-68	Clear	
5-7-69	Clear	
6-2-70	Clear	
11-27-70	Clear	
7-23-71		Obstructed
10-6-72	Clear	
5-30-73	Clear	
7-6-74		Obstructed
6-7-77		Obstructed
9-20-78		Obstructed
10-8-80		Obstructed
9-8-81		Obstructed

Runway Approach Condition		
Date	Clear	Obstructed
12-10-82		Obstructed
6-28-85		Obstructed
9-8-88		Obstructed
4-24-89		Obstructed
3-16-90	Clear	
3-29-91	Clear	
6-25-93		Obstructed
7-26-95	Clear	
5-16-97		Obstructed
1-10-00		Obstructed
9-13-02		Obstructed
9-24-06		Obstructed
8-3-09		Obstructed
11-19-12		Obstructed
6-10-15		Obstructed
5-31-18		Obstructed

As the pavement at Silver Bay Municipal Airport did not meet the minimum standard required for safety as specified in Minnesota Rules part 8800.1600, subpart 4. And, since the Silver Bay Municipal Airport had not demonstrated that the primary surface and approach surface are free from obstructions pursuant to Minnesota Rules part 8800.1600, subpart 5. The license for the Silver Bay Municipal Airport was revoked by Commissioner's Order No. 620 on June 8, 2018. Commissioner's Order No. 620 is attached as Appendix A.

In order for the airport to obtain a new license, the runway must be repaired to allow the safe operation of aircraft; and the primary and approach surfaces must have been surveyed and confirmed clear of obstructions.

Runway Pavement Condition

MnDOT Aeronautics maintains an Airport Pavement Management system for paved airports in Minnesota. Data are housed in a software package called MicroPAVER. Airports are surveyed on a three year cycle. MnDOT Aeronautics contracts with Applied Research Associates (ARA) to collect the annual pavement field distress data. ARA also updates the MicroPAVER database with any new pavement construction data, as well as any pavement maintenance, rehabilitation, and reconstruction data.

The runway pavement condition has been in decline for a number of years. The most recent complete ARA pavement condition report from 2015 shows the runway to be in fair condition with a PCI (Pavement Condition Index) rating of 50. ARA recommends a major rehabilitation with this rating. Of note, the taxilanes and taxiways had a PCI rating of poor or very poor in 2015. ARA has completed a 2018 pavement inspection this past summer and we have received key portions in advance of the official report. The overall runway PCI was rated at 42, a rating of fair, though just 2 points from poor. See the pavement report summaries and pictures below.

Pictures and PCI ratings can underestimate pavement issues. Several sample units on the runway are in the 20s and 30s which is in the poor and very poor range. A key reason for the airport closure was the sizable cracks that have opened up. They are large enough to cause significant shock to an aircraft and a small aircraft tire could become lodged creating a hazard to aircraft.

2015 Pavement Report

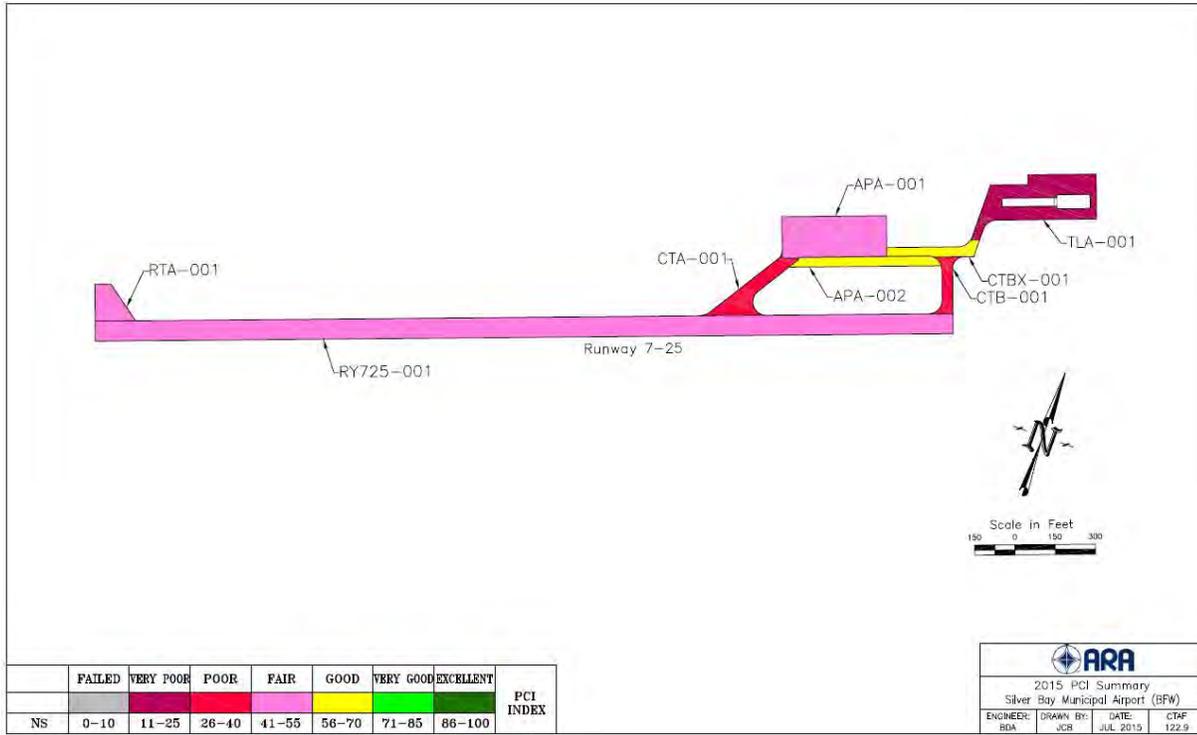


Figure 4. 2015 Pavement Condition Index Rating at Silver Bay Municipal Airport (BFW).

2018 Pavement Report

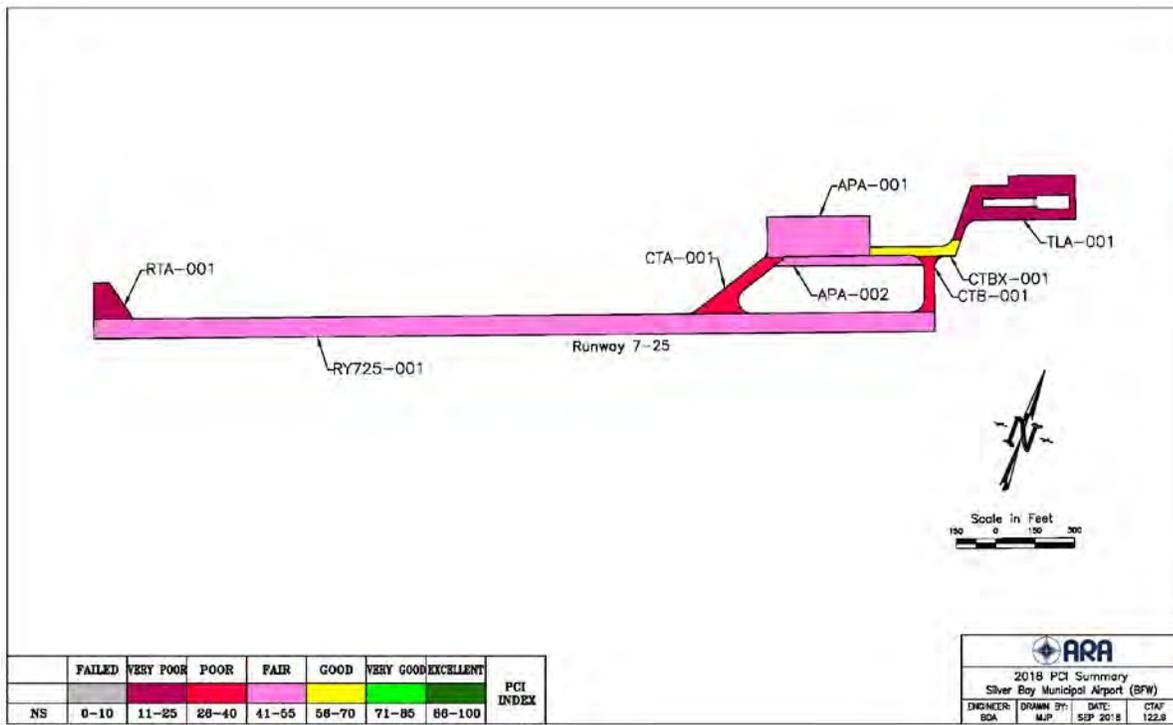


Figure 4. 2018 Pavement Condition Index Rating at Silver Bay Municipal Airport (BFW).





Public Investment in the Airport

Project files were researched to determine how much public funding has been invested in the Silver Bay Municipal Airport. Since 1964, State, Federal, and Local funds were used to support the acquisition of nine parcels of land totaling 206.14 acres. Easements were also acquired on eight parcels, totaling 84.99 acres.

The City used Local funds to supplement State grants in the amount of \$258,798.24 and another \$298,277.95 to supplement FAA federal grants for a total of \$557,076.19. Additional local funds may have been used by the City on projects without State or FAA assistance. The City is the only source of information regarding projects funded solely with Local monies and has not participated in the preparation of this document.

EDA, IRRRB, and/or other sources of public funding may have been used as investment in the airport as a portion of the local share of FAA and SAF projects. The City is the only source of information on the source of local share funds and has not participated in the preparation of this document.

Grant records show that the FAA issued grants totaling \$2,498,456.62 in federal dollars. A list of those projects follows. The chart also illustrates \$98,298.27 of State Airport Funds used to supplement federal grants.

Silver Bay Federal Grant History							
State Proj #	FAA Proj #	Year	Description	Federal \$	State \$	Local \$	Total
3809-02		1968	EXT. STRIP AND SURFACE RUNWAY	\$58,923.44	\$33,233.71	\$33,233.72	\$125,390.87
3809-DF1		1968	LAND	\$5,611.00	\$0.00	\$0.00	\$5,611.00
3809-07	5-27-0090-01	1981	RUNWAY REHABILITATION	\$279,207.18	\$65,064.56	\$63,161.80	\$407,433.54
3809-23	3-27-0090-01	2002	1.RECON. PAVE - W/LTS-LAND-ACCESS Rd	\$1,397,719.00	\$0.00	\$162,035.48	\$1,559,754.48
3809-27	3-27-0090-02-05	2005	2. ALP Update, Cracks & Seal, Fuel Relo	\$237,803.00	\$0.00	\$12,517.25	\$250,320.25
3809-28	3-27-0090-03-06	2007	3.Relocate apron edge taxiway	\$218,501.00	\$0.00	\$11,501.19	\$230,002.19
3809-30	3-27-0090-04-08	2008	4.Design A/D Building	\$40,375.00	\$0.00	\$2,125.00	\$42,500.00
3809-31	3-27-0090-05-09	2009	Construct A/D Building	\$216,500.00	\$0.00	\$11,396.22	\$227,896.22
3809-32	3-27-0090-06-10	2010	6. Crack Seal Rwy 7/25	\$43,817.00	\$0.00	\$2,307.29	\$46,124.29
Total				\$2,498,456.62	\$98,298.27	\$298,277.95	\$2,895,032.84

State Airport Fund construction grants were issued to the City totaling \$665,717.61 for state-only grants and \$98,298.27 for supplemental funds on federal grants (illustrated above) for a grand total of \$764,015.88. These grants include engineering, construction and land grants but do not include funds for navigational aids, or for Maintenance and Operation grants (M&O).

Silver Bay State-Only Grant History

State Proj #	Year	Description	State \$	Local \$	Total
3809-01	1964	First Grant, no description given	\$31,720.70	\$0.00	\$31,720.70
3809-03	1972	SEAL	\$7,680.12	\$3,840.06	\$11,520.18
3809-04	1972	RUNWAY LIGHTING	\$8,333.33	\$4,326.67	\$12,660.00
3809-05	1978	RUNWAY CRACK REPAIR	\$9,301.33	\$4,650.67	\$13,952.00
3809-06	1980	PRELIM ENGINEERING - CANCELLED	\$0.00	\$0.00	\$0.00
3809-08	1991	APRON & TAXIWAY CONSTRUCTION	\$182,471.80	\$84,182.15	\$266,653.95
3809-09	1984	SAFETY SIGNING	\$1,492.57	\$636.00	\$2,128.57
3809-10	1984	LAND ACQUISITION	\$59,991.33	\$29,995.67	\$89,987.00
3809-10X	1990	LAND ACQUISITION	\$23,064.12	\$11,532.05	\$34,596.17
3809-11	1985	SECURITY FENCING	\$1,850.00	\$925.00	\$2,775.00
3809-12	1986	MODIFICATIONS TO A.D. BUILDING	\$6,780.81	\$3,390.40	\$10,171.21
3809-13	1986	ENG. SERVICES-CRACK RESEARCH	\$51,990.25	\$0.00	\$51,990.25
3809-14	1987	RESEARCH PAVEMENT CRACK REPAIR	\$75,051.82	\$0.00	\$75,051.82
3809-15	1992	REPLACE AVGAS FUEL FACILITY	\$32,675.43	\$29,720.09	\$62,395.52
3809-16	1995	RUNWAY CRACK REPAIR-RESEARCH	\$12,573.33	\$0.00	\$12,573.33
3809-17	1995	PRELIMINARY ENG W/ REPORT-FED. ELIGIBLE	\$17,432.43	\$8,716.22	\$26,148.65
3809-18	1996	ENG. FOR DRAINAGE/HANGAR APRON	\$6,912.74	\$3,456.37	\$10,369.11
3809-19	1996	OVERLAY HANGAR APRON-IMPROVE DRAINAGE	\$89,791.56	\$44,895.78	\$134,687.34
3809-20	1997	AIRPORT PAINT STRIPING	\$1,442.49	\$721.24	\$2,163.73
3809-21	1998	PAVEMENT CRACK REPAIR & HANGAR BERMS	\$7,084.50	\$4,723.00	\$11,807.50
3809-22	1999	OBST. REMVL, CRACK REP. SNOW BLOWER	\$23,021.65	\$11,666.67	\$34,688.32
3809-24	2002	Rehab Hangar Floor	\$4,650.00	\$4,650.00	\$9,300.00
3809-25	2002	Obstruction removal, unicom radios	\$3,705.30	\$2,470.20	\$6,175.50
3809-26	2005	Obstruction Removal	\$4,200.00	\$1,800.00	\$6,000.00
3809-29	2008	Fuel Tank Cleanout & Hngr Door Repair	\$2,500.00	\$2,500.00	\$5,000.00
		Total	\$665,717.61	\$258,798.24	\$924,515.85

Navigational Systems listed in the table below have been installed by the State to serve the Silver Bay Municipal Airport and the aviation public in the region. MnDOT maintains and inspects this equipment.

Navigation Systems	Estimated Value	New Value *
AWOS (Automated Weather Observing System)	\$ 80,000.00	\$ 150,000.00
PAPIs (Precision Approach Path Indicator)	\$ 30,000.00	\$ 87,000.00
REILs (Runway End Identifier Lights)	\$ 20,000.00	\$ 24,000.00
MIRLs (Medium Intensity runway lights)	\$ 4,800.00	\$ 35,200.00
NDB (Non-Directional Beacon)	\$ 3,000.00	\$ 30,000.00
Rotating Beacon	\$ 16,000.00	\$ 32,000.00
Lighted Windsock	\$ 6,000.00	\$ 11,500.00
TOTALS	\$ 159,800.00	\$ 369,700.00

* The New Value for each item in the table above is based on the 2012 SASP Appendix F Unit Cost Assumptions, with the exception of the NDB.

MnDOT Aeronautics assists airports in the State Airports System with funding for Maintenance and Operations (M&O) of the airport. M&O grants are encumbered after appropriation by the legislature at the beginning of the first State Fiscal Year (SFY) of each biennium and are offered as 2 year grants. SFYs begin on July first of each year. M&O expenses are not considered as an investment in the airport since they serve the operating expense needs at the airport rather than capital improvement costs. A portion of the M&O is also paid with local funds at the match rate specified in the grant. A ceiling amount is established by formula for each airport in the system. In 2015, MnDOT increased the annual amount to the City to \$19,782. A summary of M&O paid at Silver Bay in SFYs 1990 - 2019 (this current year) follows. M&O funds have only annual grant assurances and are not usually subject to repayment because of airport closure.

State of Minnesota
 Department of Transportation
 Office of Aeronautics
 Airport Development Section

M & O by Airport

FY	Region	Municipality	State Encumb. M & O	State Paid M & O	Encumb. Balance M & O	Local Paid M & O
1990	N	SILVER BAY	\$6,500.00	\$6,500.00	\$0.00	\$13,154.23
1991	N	SILVER BAY	\$6,500.00	\$6,500.00	\$0.00	\$37,927.43
1992	N	SILVER BAY	\$7,800.00	\$7,707.91	\$92.09	\$19,302.96
1993	N	SILVER BAY	\$7,800.00	\$7,669.51	\$130.49	\$15,219.60
1994	N	SILVER BAY	\$7,800.00	\$7,715.43	\$84.57	\$15,141.57
1995	N	SILVER BAY	\$7,800.00	\$7,608.00	\$192.00	\$18,505.84
1996	N	SILVER BAY	\$7,800.00	\$7,500.00	\$300.00	\$17,529.07
1997	N	SILVER BAY	\$7,800.00	\$7,500.00	\$300.00	\$16,575.44
1998	N	SILVER BAY	\$8,500.00	\$8,500.00	\$0.00	\$13,231.19
1999	N	SILVER BAY	\$8,500.00	\$8,500.00	\$0.00	\$14,830.34
2000	N	SILVER BAY	\$8,831.00	\$8,831.00	\$0.00	\$7,934.23
2001	N	SILVER BAY	\$8,966.71	\$8,966.71	\$0.00	\$12,263.81
2002	N	SILVER BAY	\$11,812.95	\$11,812.95	\$0.00	\$7,536.76
2003	N	SILVER BAY	\$11,648.00	\$11,648.00	\$0.00	\$16,427.71
2004	N	SILVER BAY	\$14,057.00	\$14,057.00	\$0.00	\$16,034.23
2005	N	SILVER BAY	\$14,057.00	\$14,057.00	\$0.00	\$26,796.93
2006	N	SILVER BAY	\$13,757.00	\$13,757.00	\$0.00	\$19,086.25
2007	N	SILVER BAY	\$13,757.00	\$13,757.00	\$0.00	\$7,804.87
2008	N	SILVER BAY	\$13,757.00	\$13,757.00	\$0.00	\$9,647.69
2009	N	SILVER BAY	\$13,757.00	\$13,757.00	\$0.00	\$29,219.26
2010	N	SILVER BAY	\$13,757.00	\$13,757.00	\$0.00	\$32,580.40
2011	N	SILVER BAY	\$13,757.00	\$13,757.00	\$0.00	\$7,670.29
2012	N	SILVER BAY	\$13,757.00	\$13,757.00	\$0.00	\$15,812.15
2013	N	SILVER BAY	\$13,757.00	\$13,757.00	\$0.00	\$14,883.39
2014	N	SILVER BAY	\$15,132.70	\$15,132.70	\$0.00	\$14,873.58
2015	N	SILVER BAY	\$19,782.00	\$19,267.13	\$514.87	\$6,422.84
2016	N	SILVER BAY	\$19,782.00	\$19,782.00	\$0.00	\$18,311.94
2017	N	SILVER BAY	\$19,782.00	\$19,782.00	\$0.00	\$9,562.75
2018	N	SILVER BAY	\$19,782.00	\$19,782.00	\$0.00	\$7,264.31
2019	N	SILVER BAY	\$19,782.00	\$0.00	\$19,782.00	\$0.00
			\$370,271.36	\$348,875.34	\$21,396.02	\$461,551.06

Economic impact on Silver Bay and Lake County

An analysis was made to determine the economic value of the airport to the City of Silver Bay and the surrounding region in Lake County. Resource information was received from Silver Bay Municipal Airport and MnDOT:

Year: 2017

Airport Location (County): Lake County

0 Fixed Base Operator and other Aviation Businesses

NO Commercial Scheduled Air Service

0 Retail Businesses Located at the Airport

30 Overnight uses by GA Pilots*

30 Overnight uses by other Visitors*

0 Businesses that Ship Freight

0 Businesses that Own Hangars and Do Their Own Aircraft Maintenance

0 Non-Profit or Government Entities*

NO Other Expenses

Funds budgeted for maintaining and operating this airport \$35,510.36

Reported capital improvement expenditure of \$0.00.

*Estimated to be 1% of the total operations respectively.

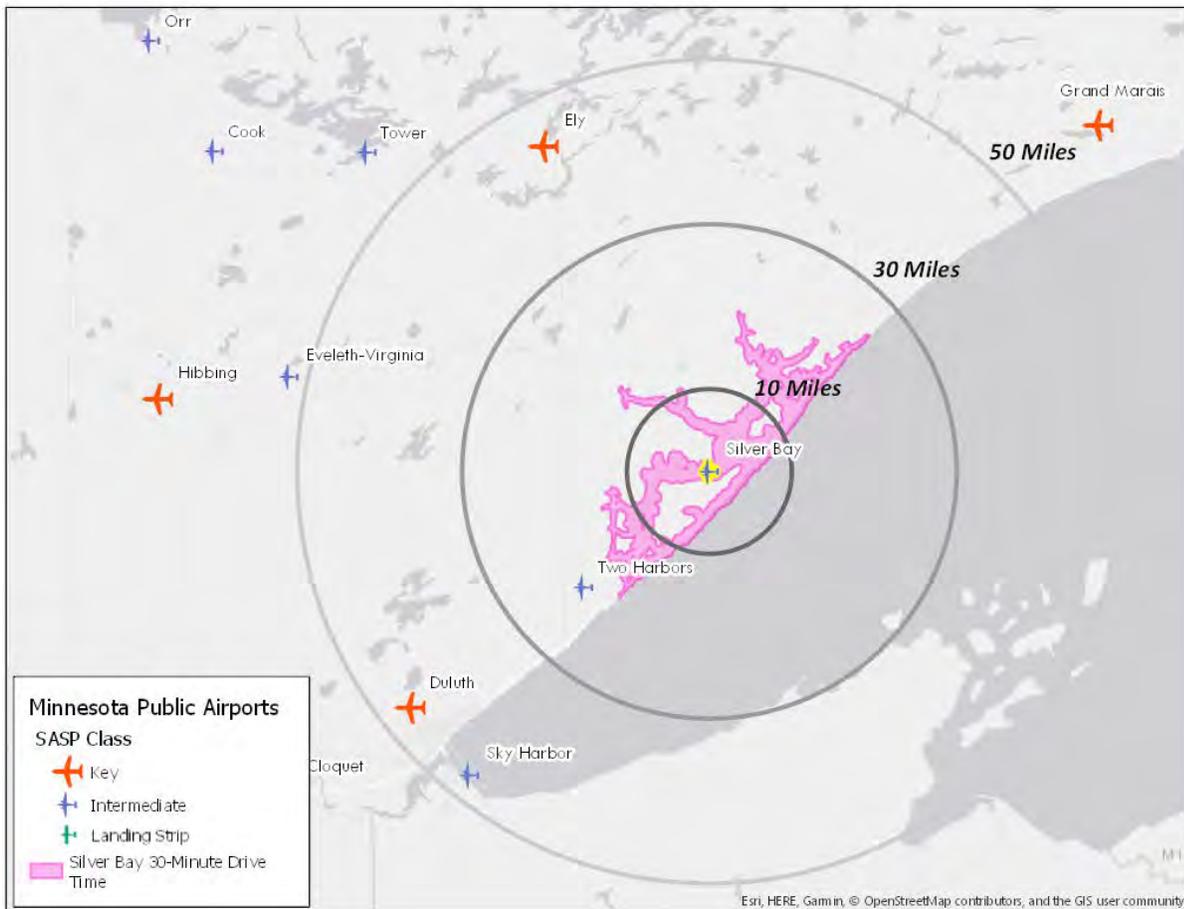
This information was entered into the MnDOT economic model to estimate the economic value. The airport economic impact calculator prompts users to enter data on nine main types of economic activity to calculate the impact of their local airport. It allows for greater variability in the size and scale of these airport operations and contains new economic impact coefficients that reflect changes in the economy. To calculate the economic impact of the airport system in Minnesota, primary data were collected from airport managers, FBO's, corporate flight departments and governmental units. Secondary data were obtained from Minneapolis-St. Paul International, Rochester International, and Duluth International airports to provide a comprehensive economic impact analysis for the state.

The total economic impact of the activity reported at Silver Bay Airport amounts to \$96,256.00 and 1.42 jobs county-wide in the year 2017. The economic impact resulting from public ownership of this airport is \$41,192.00 which created a total of 0.29 full and part time jobs in the county. This economic impact is based on public ownership outlays of \$35,510.00 and reported capital improvement expenditure of \$0.00. The economic impact of GA pilots and other Visitors who use the airport for access is \$55,064.00 which supports 1.13 jobs. This economic impact estimate is based on a total of 60 visitors to the area. See attached copy of the output report from the economic model (Appendix B).

At the June 13, 2018 public meeting regarding the airport, the city indicated that no businesses are using the airport and there is very limited recreational activity. In the August 22, 2018 letter to MnDOT the City indicated that there is no longer strong interest from local pilots, residents and businesses of Silver Bay and that costs to operate and maintain the airport are no longer affordable.

Airport Service Area

The service area of an airport is influenced by both the purpose of the aircraft operations as well as distance to other surrounding airports. The Silver Bay Airport is located in south-central Lake County, northeast Minnesota, where airport density is lower than most parts of the State. The airport serves Lake County, Cook County and Saint Louis County. Distances to other airports are illustrated on the map included below.



Impacts on the State Airport System

The State Airport System classifies Silver Bay Airport as an intermediate general aviation airport. The FAA Airport Master Record shows 3,300 general aviation aircraft operations at the airport for the 12-month period ending 05/31/2015. The Minnesota State Aviation System Plan (SASP) estimates 2016 annual operations at 3,775.

Closing this airport will have a significant impact on the State Airport System. Every airport serves the important system role of providing access to aviation transportation during emergency situations. Whether serving as an alternative landing site for an aircraft in distress, or providing support for the community and region during medical or civil emergencies, closure of the Silver Bay Airport will cause a system gap in this relatively remote area of the State of Minnesota.

Closure will require the relocation of 9 aircraft and 3,500 estimated annual operations to other airports. Aircraft owners are likely to move to one of the other airports in the region based on the next most convenient destination with hangar space available:

- Two Harbors Airport 21 miles direct 36.1 miles or 44 min drive
- Ely Airport 44 miles direct 66.6 miles or 1 hr 16 min drive
- Duluth Intl Airport 46 miles direct 55.4 miles or 1 hr 10 min drive
- Duluth Sky Harbor 47 miles direct 57.2 miles or 1 hr 16 min drive
- Eveleth Airport 52 miles direct 73.2 miles or 1 hr 16 min drive
- Tower Airport 57 miles direct 88.6 miles or 1 hr 39 min drive
- Grand Marais Airport 63 miles direct 70.3 miles or 1 hr 30 min drive

Two-Harbors Airport provides both commercial and private hangar building sites, on-site FBO, av-gas, jet fuel and a courtesy car. The runway length is 4,400 foot. It has been reported that hangar space is currently full. Construction of additional hangars is planned for SFY 2020 at a cost of \$1,000,000.

Ely Airport has a 5596 foot runway, av-gas and jet fuel, and an on-site FBO. The availability of hangar space is unknown.

Duluth International Airport has a 10,162 foot runway, Air Traffic Control Tower, 24 hour full service FBO with av-gas, jet fuel, and a maintenance and repair facility. The availability of hangar space is unknown.

Duluth Sky Harbor Airport is reported closed for runway reconstruction.

Eveleth Airport has a 4000 foot runway, av-gas and jet fuel, on-site FBO, plus a full maintenance and repair facility. Hangars at Eveleth are privately owned, so availability of hangar space is unknown.

Tower Airport has a 3400 foot runway, av-gas, a sea plane base, a courtesy van, and some aircraft services available. Hangars at Eveleth are privately owned, so availability of hangar space is unknown.

Grand Marias-Cook County Airport has a 5001 foot runway, av-gas and jet fuel, on-site FBO, plus a full maintenance and repair facility. Hangars at Grand Marias are privately owned, so availability of hangar space is unknown.

Grant Obligations and Remaining Life/Current Value of the Assets

An analysis was made of each of the facilities on the airport to determine its remaining useful life. Results below show the estimated remaining useful life for each facility purchased within 20 years of the airport closure date of May 31, 2018. Each of the state and federal grants received by the airport owner were reviewed to determine any grant obligations that have an impact on closing the airport. This review revealed the following table which summarizes the repayments to MnDOT. This table estimates repayments to FAA, however the city should contact FAA regarding federal repayment expectations.

Silver Bay Municipal Airport - 20 year Project List (1998 - 2018) Excluding Land Purchases							
Item	Fed Funding Share	State Funding Share	Final Payment Date	Time (in years)	Remaining useful life (yrs) assuming a 20-year life	Federal Prorated Share	State Prorated Share
				Elapsed as of 5/31/2018			
Obstr. Removal, Crack Repair, Snow Blower		\$23,021.65	1/31/2002	16.3397	3.6603	\$ -	\$ 4,213.28
Rehab Hangar Floor		\$ 4,650.00	2/11/2002	16.3096	3.6904	\$ -	\$ 858.02
Obstruction Removal, Unicom Radios		\$ 3,705.30	9/23/2002	15.6959	4.3041	\$ -	\$ 797.40
Recon Pvmnt, minus Wetland Credit & Access Road	\$1,302,660.59	\$ -	3/27/2003	15.1890	4.8110	\$ 313,352.33	\$ -
Obstruction Removal		\$ 4,200.00	1/7/2005	13.4027	6.5973	\$ -	\$ 1,385.42
Fuel Tank Cleanout & Hangar Door Repair		\$ 2,480.65	12/8/2008	9.4822	10.5178	\$ -	\$ 1,304.55
ALP Update, Crack Seal, Fuel Relocate	\$ 237,803.00	\$ -	5/13/2009	9.0548	10.9452	\$ 130,140.13	\$ -
Relocate apron edge taxiway	\$ 218,501.00	\$ -	2/9/2009	9.3096	10.6904	\$ 116,793.27	\$ -
Design Arrival Departure Building	\$ 40,375.00	\$ -	1/5/2010	8.4055	11.5945	\$ 23,406.44	\$ -
Construct Arrival Departure Building	\$ 216,500.00	\$ -	6/30/2011	6.9233	13.0767	\$ 141,555.41	\$ -
Crack Seal Runway	\$ 43,817.00	\$ -	2/9/2011	7.3096	12.6904	\$ 27,802.79	\$ -
Totals						\$ 753,050.37	\$ 8,558.67
Grand Total						\$761,609.05	

Additional analysis was made to estimate the current land value of the airport property. Since useful life is not a factor for land, it continues to have value. When the City sells the land or converts it to a non-aviation use, a percent of the current value shall be returned to MnDOT. The value returned will be in the same percent share that applied to the property when it was purchased. Resource information on current land value was received from Lake County Land Assessor. Estimates from this source show the land value as \$712,500 and the publicly-owned buildings valued at \$196,400.

MnDOT has performed an appraisal on the airport (see Appendix D). The airport property contains 205.62 acres with a variety of buildings and improvements. The appraiser evaluated the highest and best use of the property, i.e. the use that is deemed most easily subdivided, inexpensive, and marketable per the appraiser. That use is as follows:

- Four vacant residential lots of twenty acres each,
- One 71.35-acre lot containing the runway
- One 27.5-acre lot containing the arrival/departure building and outbuilding (anticipated to be a single-family site)
- One 20-acre lot containing the hangars (anticipated storage buildings, assuming a conditional use permit)

Seven parcels in total.

Based on the appraiser's inspection of the property on October 19, 2018, and considering other factors that influence value, it is the appraiser's opinion that the subject property has an estimated market value of \$355,000 as of October 19, 2018.

Environmental Issues

MnDOT knows of no environmental issues at the Silver Bay Airport property. The fueling station at the airport was removed, with underground storage tanks dismantled. No ag-spray or other users of aviation chemicals are known to have been based or used the airport.

Potential Additional Costs to the City

Closing the airport will generate some costs for the City which they will need to pay. Please note the Requirements for Closure in Minnesota State Law do not necessarily satisfy FAA requirements, which may require additional process with different timelines. Following are some actions and costs the City may need to deal with after the 180 day Preservation of Airport Property requirement in M.S. 360.046:

When the City closes their airport, they must prepare and file FAA Form 7480-1 to notify the FAA that the airport is closed. This notice will remove the airport from future aeronautical charts and other aviation publications. Under Vision 100, the current federal aviation act, a public agency is required to notify the FAA a minimum of 30 days prior to permanently closing an airport that is in the National Plan of Integrated Airport Systems (NPIAS). Failure to properly notify the FAA can result in a fine of \$10,000 per day for each day the airport is closed without giving the required notice.

When the airport is permanently closed, the runway markings must be obliterated and yellow "Xs" must be installed and maintained to denote that the runway is closed. These markings shall be in accordance with FAA Advisory Circular 150/5340-1. This Advisory Circular also requires that all runway and taxiway lighting circuits are to be disconnected. To minimize the City's liability from closing their airport, runways should be obliterated, especially pavements that may appear useable even though the runway has been appropriately marked.

The City will no longer receive Airport Improvement Program (AIP) entitlement funds of up to \$150,000 annually and will forfeit NPIAS eligibility. Additionally, the City will no longer be eligible to receive State Construction Grants and M&O Grants.

Hangars that no longer serve an aviation purpose may need to be torn down or relocated. There are no privately owned hangars on the airport.

Navigation systems, even though not owned by the City, will need to be removed when the airport is closed. MnDOT and/or the FAA may expect the City to pay for some expenses of the removal of these facilities.

Planning Next Steps

After the public hearing the City of Silver Bay may decide to continue the Airport Closure Process. Alternately, a plan to discontinue closure may become an option. Some alternatives exist:

- After payment is made to the State, the airport may be transferred to a private owner.
- The airport may be transferred to a public owner (political subdivision of the state).
- An Airport Authority may be created following Minnesota Statute 360.0426. Silver Bay together with another city, county, town, or an Indian tribe may create an airport authority for the purpose of acquiring, establishing, constructing, maintaining, improving, and operating airports and other air navigation facilities by joint resolution with other willing governmental units.

FAA has a process for sponsorship transfer if a willing sponsor can be identified. Please note that Requirements for Closure in Minnesota State Law do not necessarily satisfy FAA. Formal closure with the FAA is a requirement that exists independently of the obligation to formally close under Minnesota Statute.

The City of Silver Bay has suggested a new classification of “safe harbor” airports that would be exempt from local matching funds requirements and grant assurances. The concept is not a legislative proposal that MnDOT is willing to carry at this time. MnDOT believes that both of these requirements are vital to the maintenance of a successful airport. However, the City of Silver Bay may wish to seek a new classification from the Minnesota Legislature and/or from Congress to address its current situation.

Appendix A – Commissioner’s Order No. 620

**STATE OF MINNESOTA
DEPARTMENT OF TRANSPORTATION**

IN THE MATTER OF:

**Docket No. 244
Order No. 620**

The license of
Silver Bay Municipal Airport

**FINDINGS, CONCLUSIONS,
AND ORDER**

FINDINGS

1. Silver Bay Municipal Airport is licensed with the State of Minnesota as a public airport.
2. On May 31, 2018, Minnesota Department of Transportation personnel inspected Silver Bay Municipal Airport. The inspectors found that runway conditions had deteriorated over the winter. Previously existing cracks have widened and secondary cracking has, in many cases, cupped under to increase the overall width of the cracks. Because of the continued deterioration of the pavement, the runway has become unsafe.
3. Inspectors also found that the taxiways and hangar areas contain pavement that is in poor condition. These areas are necessary for the safe operation of aircraft to and from the runway.
4. During a prior inspection, inspectors found the approach surface obstructed by trees. While Silver Bay Municipal Airport cut certain trees, a survey has not been completed to determine whether the primary surface and approach surface are free from obstructions.

CONCLUSIONS

1. The pavement at Silver Bay Municipal Airport does not meet the minimum standard required for safety as specified in Minnesota Rules part 8800.1600, subpart 4. In order for the Silver Bay Municipal Airport to be licensed as a public airport by the State of Minnesota, the pavement must be repaired to meet this standard.
2. Silver Bay Municipal Airport has not demonstrated that the primary surface and approach surface are free from obstructions pursuant to Minnesota Rules part 8800.1600, subpart 5. In order for the Silver Bay Municipal Airport to be licensed as a public airport by the State of Minnesota, the primary surface and the approach surface must be surveyed and meet this standard.

Based upon the foregoing Findings and Conclusions, the substantial evidence contained in the record, and the applicable law, the Director of the Office of Aeronautics of the Department of Transportation of the State of Minnesota issues the following:

ORDER

Pursuant to Minnesota Statutes section 360.018, subdivision 10, and Minnesota Statutes section 360.019, subdivision 1, the license for the Silver Bay Municipal Airport is hereby revoked until: (1) the runway has been repaired to allow the safe operation of aircraft; and (2) the primary and approach surfaces have been surveyed and confirmed clear of obstructions.

**BY THE ORDER OF THE DIRECTOR OF THE OFFICE OF AERONAUTICS
OF THE DEPARTMENT OF TRANSPORTATION OF THE STATE OF MINNESOTA**

_____(signed)_____
Cassandra Isackson
Director, Office of Aeronautics
Minnesota Department of Transportation
Date: _____(6-8-18)_____

Appendix B - Airport Economic Impact Calculator Report

This report has been prepared based on the answers you provided to the questions asked about the economic activity at Silver Bay Municipal Airport airport for the year 2017.

It is important to remember as you read through this report that economic impact is not revenue or profit. It is a measure of the change or additional money and jobs that have been created as a result of the current economic activity taking place at the airport. This is what is called the "multiplier effect". Multipliers summarize and consist of direct, indirect and induced effects. Regarding your airport, a direct effect is the change in production of goods and/or services by an organization or business that would not have occurred if it were not for the existence of the airport. Indirect effects describe the changes in production by businesses that provide inputs to the directly affected airport industries or businesses. Finally, induced effects are the changes in area household spending patterns caused by changes in household income generated by the direct and indirect airport effects. In this report, the impacts are expressed in monetary and job terms and the totals shown for both are the sum of all the direct, indirect and induced effects. All impacts are measured at the county level in which the airport is located. The national and state data sets used for economic impact estimation are based on actual spending that takes place at the county level.

The findings below are set up such that total economic impact, that is the sum of all the economic activity that has been calculated, is displayed first. After that the economic impact related to the different types of economic activity, which you have identified as occurring at the airport, are displayed. This way you can see the contribution to total economic impact due to each one of the different types of economic activity that take place at the airport.

Total Economic Impact

The total economic impact of the activity reported at Silver Bay Municipal Airport amounts to \$96,256.00 and 1.42 jobs county-wide in the year 2017.

Economic Impact of Airport Ownership

The economic impact resulting from public ownership of this airport is \$41,192.00 which created a total of 0.29 full and part time jobs in the county. This economic impact is based on public ownership outlays of \$35,510.00 and reported capital improvement expenditure of \$0.00.

Overnight use by GA Pilots and other Visitors

The economic impact of GA pilots and other Visitors who use the airport for access is \$55,064.00 which supports 1.13 jobs. This economic impact estimate is based on a total of 60 visitors to the area.

This economic impact calculator was developed by William Gartner of the Department of Applied Economics and Daniel Erkkila of the North Central Research and Outreach Center, University of Minnesota. Financial support for its development was provided by the Center for Transportation Studies, University of Minnesota.



Appendix C – Letter from Silver Bay



City of Silver Bay
CITY HALL
7 Davis Drive, Silver Bay, Minnesota 55614
Phone: (218) 226-4408
Fax: (218) 226-4068
Email: lanaf@silverbay.com
Website: www.silverbay.com

MAYOR
Scott Johnson
COUNCIL MEMBERS
Richard DeRosier
Dustin Goutermont
Shane Hoff
Carlene Perlette
CITY ADMINISTRATOR
Lana Fralich

August 22, 2018

Cassandra Isackson
Director, Office of Aeronautics
MN Dept of Transportation Office of Aeronautics
222 East Plato Boulevard
Saint Paul, MN 556107-1618

Kevin C. Willis, Director
Office of Airport Compliance and Management Analysis
800 Independence Avenue., S.W.
Washington, DC 20591

RE: MnDOT Letter dated July 20, 2018 and FAA Letter dated July 13, 2018

Dear Ms. Isackson and Mr. Willis,

This letter is in response to the letters the City received from the Cassandra Isackson, MN Department of Transportation Office of Aeronautics, dated July 20, 2018 and the letter from the Kevin Willis, FAA Office of Airport Compliance, dated July 13, 2018. In both letters you ask for the City's plan in regards to the airport. In the State of Minnesota's letter, Cassandra lays out alternatives of which I will individually address:

- 1. The repair of the pavement and surface survey:** Per Andy Peek, FAA Representative, at the June 13, 2018 Special Council Meeting held in Silver Bay, provided the city an estimate of \$2.5 million estimate to address the need of the failing runway. As stated on multiple occasions over the past 8 years, the City does not have the funds to meet such requirements to repair or replace the runway. More importantly, the City cannot meet the current grant assurances required by MNDOT and the FAA, and thus will not enter into any further grant assurances for funds available from the FAA or MnDOT to aid in this repair.
- 2. The transfer of the airport to another sponsor:** The City has discussed with representatives of Lake County in the past and have not received positive response for Lake County to be the airport Sponsor. At the June 13, 2018 meeting in Silver Bay, it was proposed if the State of MN could sponsor the airport, of which it was not an option per Cassandra. Our City Administrator recently had a conversation with a private individual for sponsoring the airport, but they stated they were recently advised by Cassandra that as a private party they would not be eligible for funding and thus they could not afford the asphalt repair. Is there an airport or another organization you have in mind that would be willing to sponsor Silver Bay's airport and take over the grant assurances?
- 3. Closing of the airport:** This option was discussed; however, the City has been advised on multiple occasions that the FAA will not allow the closing of the airport. In fact, Andy Peek, FAA Representative, concurred at the June 13, 2018 meeting that this was correct. I am not sure why the City would provide notice to MnDOT of its intent to close the airport if the FAA will ultimately not allow the closure.

The mission of the City of Silver Bay is to make Silver Bay a great place to live, work and visit by providing cost-effective government and services to improve the lives of those it serves.

One option that the City has suggested, but does not seem to get acknowledged by MnDOT or the FAA, is creating a classification with special regulations for a "safe harbor" as that is what the Silver Bay airport has been verbally categorized by MnDOT and FAA for multiple years. We propose that Safe Harbor airports would work similar to that of a management contract where funding for repairs and operation will be supplemented by FAA and MnDOT with no local match or never-ending grant assurances. These safe harbors, such as Silver Bay's airport, would be maintained by the local authority to provide a safe landing and shelter in a time of emergency. They would likely not have fuel, transportation, or other amenities typically offered at other classified airports.

The City has been discussing the issue with both MnDOT and the FAA for the past eight years with no solutions. The City may own the asset, but it appears that all the control for what can be done with the airport is in MnDOT and FAA's authority. Times have changed - there is no longer strong interest from local pilots, residents, and businesses of Silver Bay; costs to operate and maintain the airport are no longer affordable; and unfunded and/or mandated regulations at the State and Federal level continue to burden Silver Bay taxpayers. The City is willing to continue operating and maintaining the airport, but we are asking for a solution that is workable for all parties.

So, at this time, the City's plan will be to wait until the FAA and MnDOT find a solution that will work, such as alternate language to exempt our non-classified airport from certain grant assurances that bind the City and provide appropriate funding to do the required repairs. The City does not feel it is unique to this situation as there are many small airports across the State and the Country who struggle to justify maintenance of their airports, as even Cassandra concurred at the meeting on June 13, 2018. Past leaders of the City may not have understood requirements set forth by MnDOT or the FAA, but the current leaders have become educated and are questioning the current state of the Airport. The current leaders are no longer willing to sign into future grant assurances that bind the city's taxpayers any further. We hope you will help our community find a solution that will work with today's current airport trends.

Sincerely,



Scott M. Johnson
Mayor

Enclosures: FAA Letter dated 7-13-18
MnDOT letter dated 7-20-18

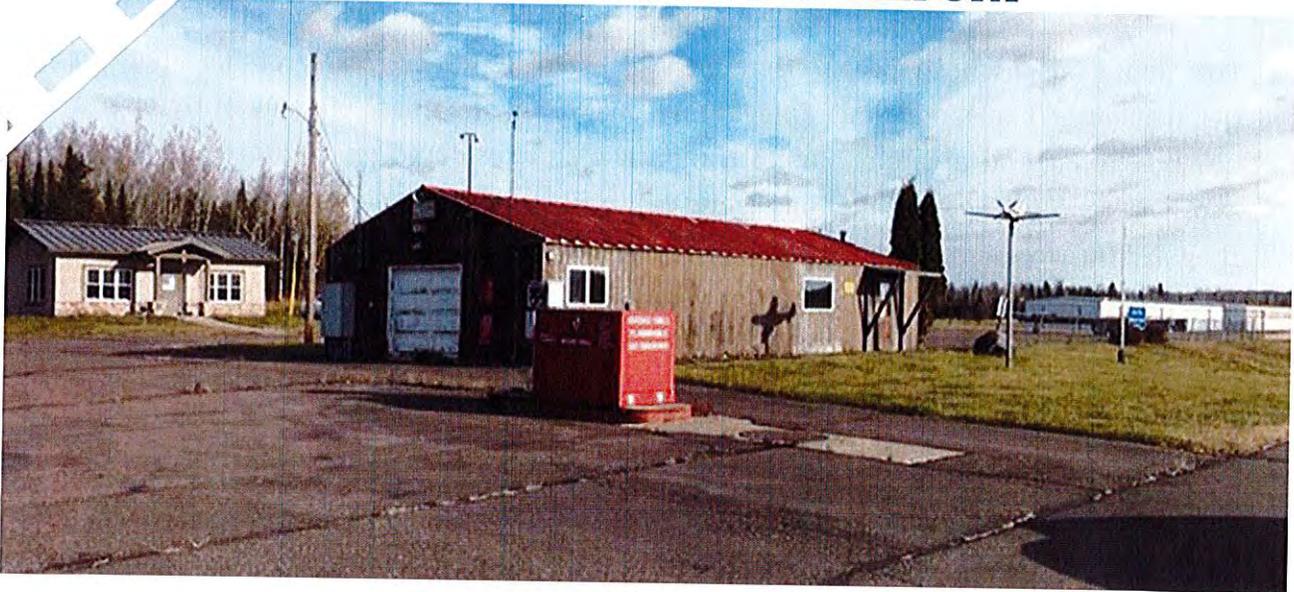
CC:

US Congressman Rick Nolan
US Senator Amy Klobuchar
US Senator Tina Smith
MN Senator Tom Bakke
MN Representative Rob Ecklund
Susan Mowery-Schalk, FAA
Andy Peek, FAA
Richard Kula, FAA

Appendix D – Market Value Appraisal Report

ORIGINAL

MARKET VALUE APPRAISAL REPORT



**SILVER BAY MUNICIPAL AIRPORT AT;
4677 HIGHWAY 3
SILVER BAY, MINNESOTA**

October 19, 2018

mn DEPARTMENT OF
TRANSPORTATION

**OFFICE OF LAND MANAGEMENT
REAL ESTATE SHARED SERVICES
395 JOHN IRELAND BOULEVARD
SAINT PAUL, MN 55155**

EXECUTIVE SUMMARY

This appraisal has been prepared at the request of Kathleen Vesely of the Minnesota Department of Transportation's Office of Aeronautics, with a date of value of October 19, 2018. The Federal Aviation Administration is also considered an intended user of this appraisal report. The subject of this report is the Silver Bay Municipal Airport comprised of roughly 206 acres along County Highway 3, about eight miles southwest of the city of Silver Bay. The subject is federally obligated land owned by the city of Silver Bay, dedicated to aviation purposes. As this airport is now closed, (due to runway deterioration and safety concerns) the property must be reclaimed, the government must be reimbursed for its (non-depreciated) expenses, or reinvestment should be ensured.

The purpose of this appraisal is to estimate the market value of the fee simple interest in the subject land and improvements. The intended use of this appraisal is to determine the fair market value in fee simple of the subject airport in its entirety, for sale in an arm's length transaction (in which the two parties are unconnected and have no overt common interests). It is the intention of airport sponsor to sell all of the property assets that comprise the current operational airport facility and cease aeronautical operations.

This appraisal is intended to comply with the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation, and with the FAA Compliance Guidance Letter 2018-3; "Appraisal Standards for the Sale and Disposal of Federally Obligated Airport Property". This report presents summary discussions of the data and analyses used in the appraisal process. Additional information and documentation concerning the data and analyses of this appraisal is retained in the appraiser's file.

Based on the appraiser's inspection of the property on October 19, 2018, and considering other factors that influence value, it is the appraiser's opinion that the subject has an estimated market value of \$355,000, as of October 19, 2018.

THREE HUNDRED FIFTY-FIVE THOUSAND DOLLARS

**STATE OF MINNESOTA
RURAL PROPERTY**

**DEPARTMENT OF TRANSPORTATION
REVIEW ANALYSIS TOTAL SITE VALUE**

COUNTY Lake **PROPERTY ADDRESS:** 4677 Highway #3, Silver Bay, MN

PARCEL PID #'s: 26-5508-18430, 26-5509-13190, 26-5508-18370, 29-5509-13200, 29-5509-13500, 29-5509-13495, 29-5509-13505, 29-5509-13675, 29-5509-13560, 29-5509-13615

Appraisal by: Seth Liefer

LEGAL DESCRIPTION: Lengthy (see report)

FEE OWNER: City of Silver Bay subject to MnDOT Airport

ZONING: Residential

EXISTING USE: Arrival/Departure building, runway, hangars, and improvements typical of an airport

HIGHEST AND BEST USE:

This is the use as deemed most easily subdivided, inexpensive, and as marketable per the appraiser. That use is as follows:

Four vacant residential lots of twenty acres each,
One 71.35-acre lot containing the runway,
One 27.5-acre lot containing the arrival/departure building and outbuilding (anticipated to be a single-family site),
One 20-acre site containing the hangars (anticipated storage buildings, assuming a conditional use permit).

Seven parcels in total

IMPROVEMENTS:

The parcel contains 205.62 acres with a variety of buildings and improvements including an arrival/departure building, hangars, a runway, miscellaneous improvements and outbuilding associated with a municipal airport.

Date of Valuation: October 19, 2018

Report Use: The intended use of the appraisal is to provide valuation guidance for the highest and best use and the disposition of the subject property given that it is not likely to be maintained and may be sold.

Review Comments:

This assignment was handled as a total site valuation in light of the anticipated highest and best use after retirement as an airport. The parameters are per the directives of the client and are noted in the scope of work. Please note that there is an extraordinary condition noting approval of a conditional use permit allowing private rental and storage in the prior hangar improvements. There is also an assumption that local roads can be used to access the proposed parcels.

A basis subdivision of the site was deemed to be the highest and best use for the site. The noted uses are based on the residential, cabin, and rural storage lots sizes in the area and what is considered the most simple to create given the site configuration and improvements. While more parcels are possible, based on the local zoning regulations, simplicity was emphasized. The costs of the proposed layout were also directed by consideration of a minimization of costs. This includes the retention of the hangars as they exist, leaving the runway in place, using local access roads for ingress/egress to the proposed lots, and no required demolition of the arrival/departure buildings. No environmental considerations were noted in the report.

An estimated cost of the subdivision approach were taken into account in the appraisal report. The cost to establish the highest and best use (not considering an airport option) include surveying, staking, platting costs, engineering, obtaining plat approval, deed creation, recording, marketing and financial costs. Public roads are assumed to allow access to the proposed subdivision parcels.

All three valuation approaches were considered. All of the comparable land sales used in the sales approach are in the same portion of the state as the subject property appraised.

The pole buildings on the site are deemed to be highly depreciated, but no negative value was allocated and no structural inspection was provided by the appraiser. The site improvements were accordingly not valued.

Removal of site improvements was not considered in the report. As described hereto, and as appraised, the highest and best use of the improved land was considered with minimal revisions and only subdivision costs applied.

Comparable sales were other similar sites in the vicinity with some adjustments made for the dates of sale and site differences.

For the vacant 20-acre residential lots, the per-square foot values of the residential comparable sales, unadjusted, ranged from \$.02 to \$.05. As adjusted to reflect sale dates and pertinent property difference, the land sale price applied was \$.04 per square foot.

REVIEW APPRAISERS CERTIFICATION

I CERTIFY THAT, TO THE BEST OF MY KNOWLEDGE AND BELIEF:

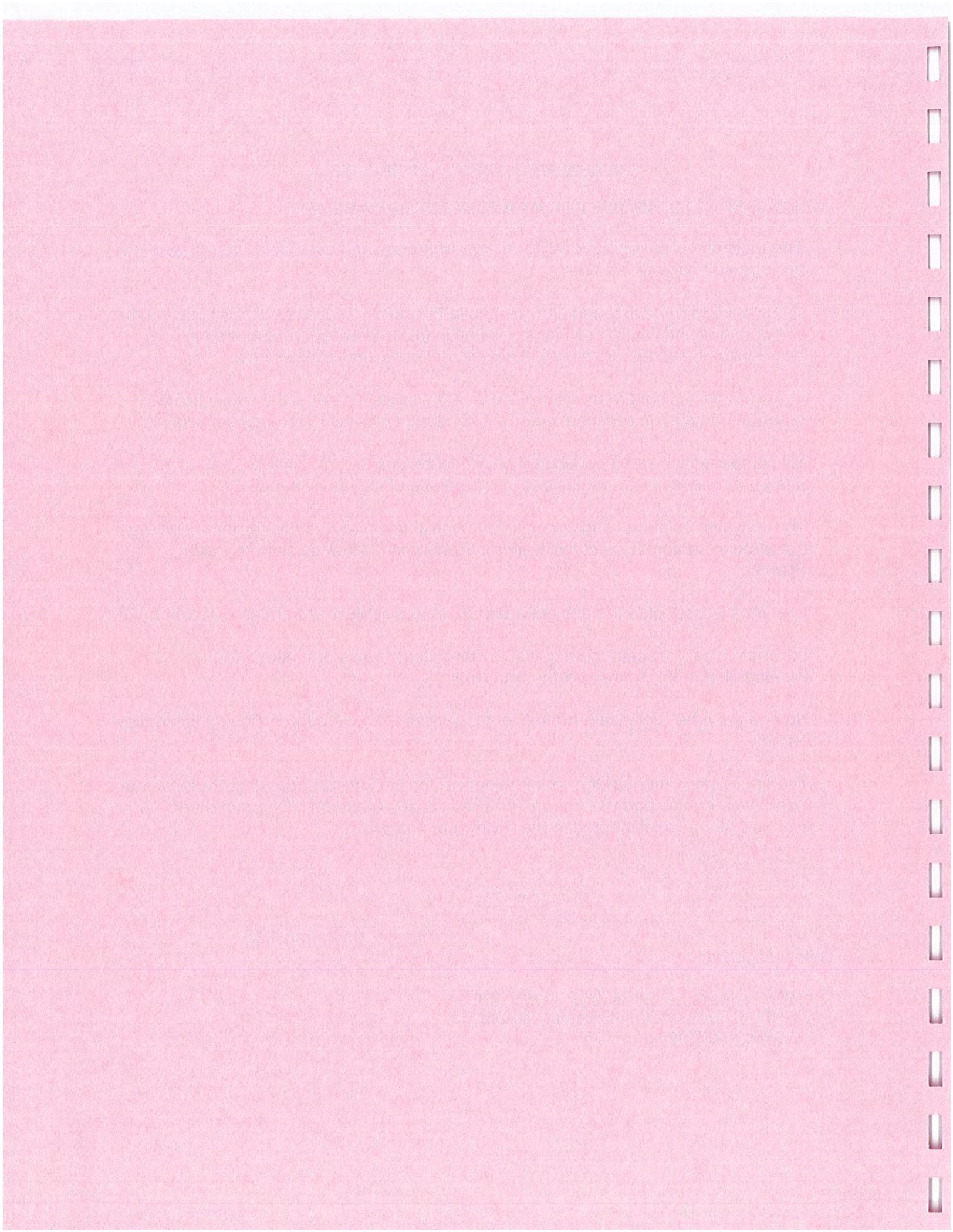
- The facts and data reported by the review appraiser and used in the review process are true and correct.
- The analyses, opinions, and conclusions in this review report are limited only by the assumptions and limiting conditions stated in this review report, and are my personal, unbiased professional analyses, opinions, and conclusions.
- 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.
- 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.
- My analyses, opinions, and conclusions were developed and this review report was prepared in conformity with the Uniform Standards of Professional Appraisal Practice.
- I personally inspected the subject area but not the subject site under review in 2018.
- I did not visually inspect the applicable comparable sales or make further investigation, but I did inspect the project area.
- No one provided significant professional assistance to the person signing this review report.
- The appraisal(s) meet(s) the requirements of the Uniform standards of Professional Appraisal Practice and the Appraisal Specifications of the MN. Department of Transportation, unless noted in the review comments.



Review Appraiser

Date: 12/21/18

**Kirk B. Corson, Review Appraiser, MnDOT
Certified General Real Property Appraiser
License #4003221**



CERTIFICATION

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

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, un-biased professional analyses, opinions, and conclusions.
3. 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.
4. I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
5. The appraisal assignment was not based on a requested minimum valuation or a specific valuation.
6. My 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.
7. My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation, and with the FAA Compliance Guidance Letter 2018-3 "Appraisal Standards for the Sale and Disposal of Federally Obligated Airport Property".
8. I have made a personal inspection of the property that is the subject of this report.
9. No one has provided significant professional assistance to the persons signing this report, except as noted herein.
10. This appraisal cannot be completely understood without reading the "Contingent and Limiting Conditions" section of this report, which should be thoroughly read and understood before relying on any information or analysis presented herein.

Seth Liefer

Digitally signed by
Seth Liefer
Date: 2018.12.05
14:00:48 -06'00'

December 5, 2018

Date

Seth H. Liefer
MN Certified General Real Property
Appraiser License 40518710

SUMMARY OF SALIENT FACTS

Fee Owner: City of Silver Bay, MN
Address: 4677 Highway 3
Silver Bay, MN
County: Lake County
Legal Description: Legal descriptions may be found in the addenda, also refer to the map on page 13

Property Identification Numbers:

PIN #	Sq.Ft.	Acres
26-5508-18430	871,200	20.00
29-5509-13190	2,491,574	57.20
26-5508-18370	1,779,691	40.86
29-5509-13200	739,537	16.98
29-5509-13500	551,655	12.66
29-5509-13510	139,692	3.21
29-5509-13495	216,918	4.98
29-5509-13505	140,345	3.22
29-5509-13675	278,870	6.40
29-5509-13560	860,422	19.75
29-5509-13615	886,873	20.36
	8,956,777	205.62

Date of Valuation: October 19, 2018
Date of Inspection: October 19, 2018
Property Appraised: Real Property
Rights and Interests Appraised: Fee Simple, Market Value
Zoning/Guiding: Currently zoned as airport, but it is assumed to revert back automatically to its underlying R-1 Residential zoning after the official shutdown of the airport.
Land Area: 8,956,777 Square Feet, or 205.62 Acres
Property Description: The subject is the Silver Bay Municipal Airport.

Highest and Best Use:

To discontinue use as an airport, and be divided into;

- Four vacant residential sites, ranging in size from 20 acres to 27.02 acres
- One vacant 71.35 acre residential or recreational site (with the runway on it).
- One improved residential 27.5 acre site with the two A/D buildings on it, to be repurposed to vacation home and storage, and
- One improved 20 acre site with the two hangars on it, repurposed for use as mini-storage buildings (as a conditional use).

Value Conclusion:

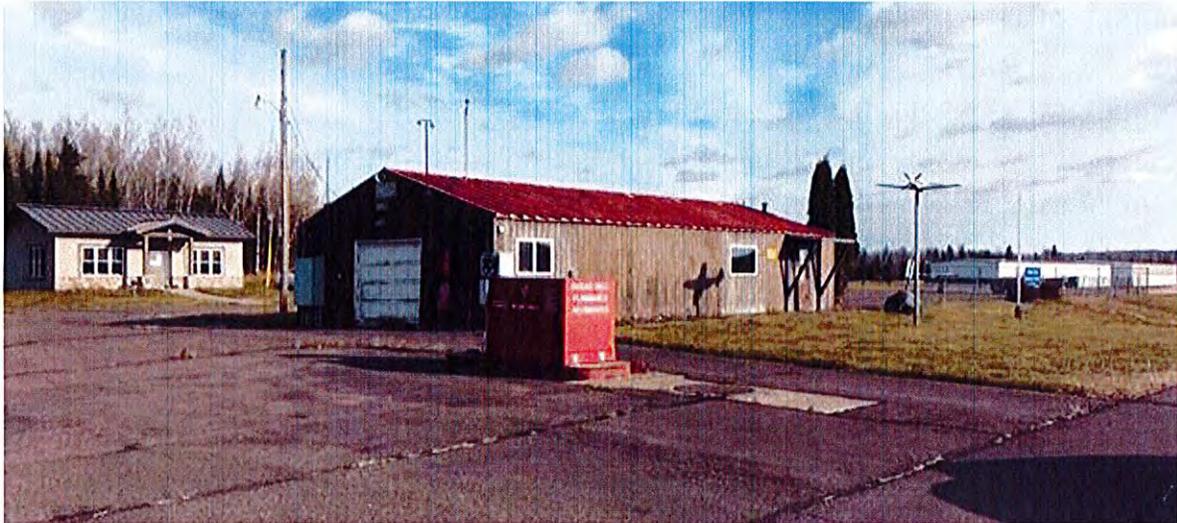
**\$355,000 or THREE HUNDRED FIFTY-FIVE
Thousand Dollars**

Contents

EXECUTIVE SUMMARY	
CERTIFICATION	II
SUMMARY OF SALIENT FACTS.....	III
SUBJECT PHOTOGRAPHS.....	VII
AERIAL VIEW.....	XI
LOCATION MAP	XII
PROPERTY APPRAISED	1
PURPOSE OF THE APPRAISAL.....	1
INTENDED USE.....	1
DATE OF THE APPRAISAL.....	1
INSPECTION.....	1
PROPERTY OWNERSHIP AND OCCUPANCY	2
SALES HISTORY	2
CLIENT AND INTENDED USER.....	2
APPRAISER COMPETENCY.....	3
PROPERTY RIGHTS APPRAISED	4
DEFINITION OF MARKET VALUE.....	4
SCOPE OF WORK.....	4
ASSUMPTIONS AND CONDITIONS.....	6
HYPOTHETICAL CONDITIONS.....	6
EXTRAORDINARY ASSUMPTIONS.....	6
ENVIRONMENTAL CONDITIONS	7
ECONOMIC CONDITIONS OF THE AIRPORT INDUSTRY	7
REGIONAL AND NEIGHBORHOOD ANALYSIS	9
NEIGHBORHOOD DATA.....	10
PROPERTY IDENTIFICATION.....	11
TAXATION AND VALUATION	13
ZONING	14
SITE DESCRIPTION	16
HIGHEST AND BEST USE	18
EXPOSURE AND MARKETING TIME.....	21
APPRAISAL PROCEDURES.....	22
COST APPROACH	22
INCOME APPROACH	23

COMPARABLE SALES APPROACH.....	26
COMPARABLE SALE 1 STORAGE SITE.....	30
COMPARABLE SALE 2 STORAGE SITE.....	31
COMPARABLE SALE 3 STORAGE SITE.....	32
COMPARABLE SALE 4 STORAGE SITE.....	33
IMPROVED "MINI-STORAGE" SITE VALUATION.....	34
COMPARABLE SALE 1 VACANT RESIDENTIAL 20 ACRE SITE	40
COMPARABLE SALE 2 VACANT RESIDENTIAL 20 ACRE SITE	41
COMPARABLE SALE 3 VACANT RESIDENTIAL 20 ACRE SITE	42
COMPARABLE SALE 4 VACANT RESIDENTIAL 20 ACRE SITE	43
IMPROVED "20 ACRE VACANT RESIDENTIAL HOME SITE" VALUATION.....	44
COMPARABLE SALE 1 RESIDENTIAL SITE OF 71 ACRES.....	50
COMPARABLE SALE 2 RESIDENTIAL SITE OF 71 ACRES.....	51
COMPARABLE SALE 3 RESIDENTIAL SITE OF 71 ACRES.....	52
COMPARABLE SALE 4 RESIDENTIAL SITE OF 71 ACRES.....	53
IMPROVED "71 ACRE VACANT RESIDENTIAL" SITE VALUATION.....	54
COMPARABLE SALE 1 IMPROVED RESIDENTIAL SITE.....	60
COMPARABLE SALE 2 IMPROVED RESIDENTIAL SITE.....	61
COMPARABLE SALE 3 IMPROVED RESIDENTIAL SITE.....	62
COMPARABLE SALE 4 IMPROVED RESIDENTIAL SITE.....	63
IMPROVED RESIDENTIAL SITE VALUATION.....	64
SALES COMPARISON APPROACH CONCLUSION	69
FINAL APPRAISAL RECONCILIATION AND VALUE CONCLUSION	70
ADDENDA	72
CONTINGENT AND LIMITING CONDITIONS	73
APPRAISER QUALIFICATIONS.....	75

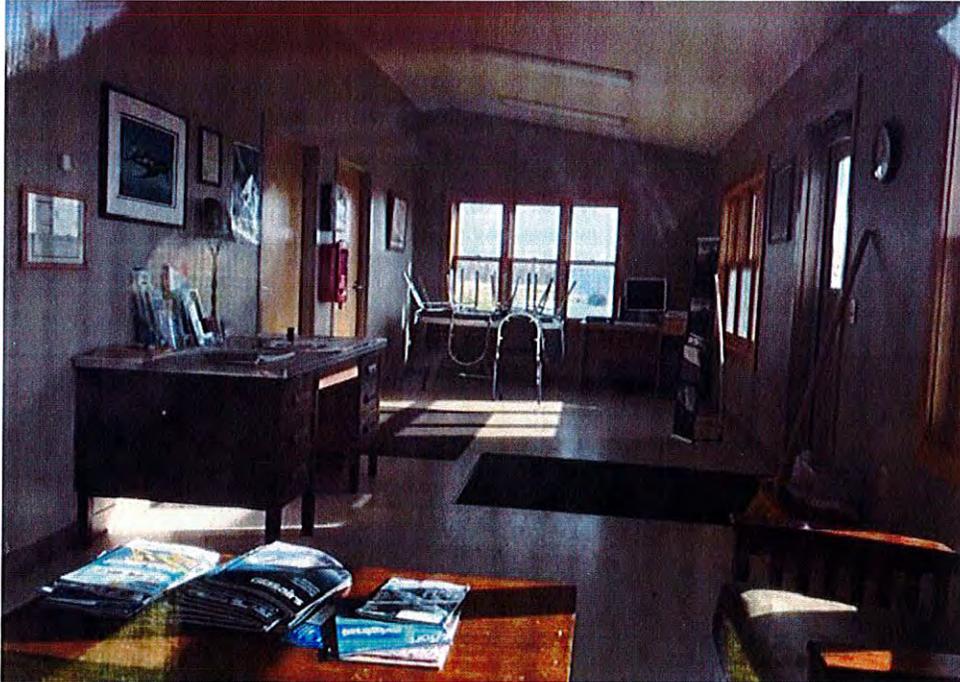
SUBJECT PHOTOGRAPHS



The new Arrival and Departures building is at the far left edge of this photo, the old A/D building (now used for storage) is in the middle, foreground, and the two hangar buildings can be seen at the far right, in the distance.



Runway, Facing Northeast, from the Southeast end of the Runway



View of the interior of the new Arrival and Departures Building



Interior of the finished portion of the old arrival and departures building



View of one of the 11 T-hangars (typical condition)



View of another T-hangar (typical condition)



View of the new arrival & departures building

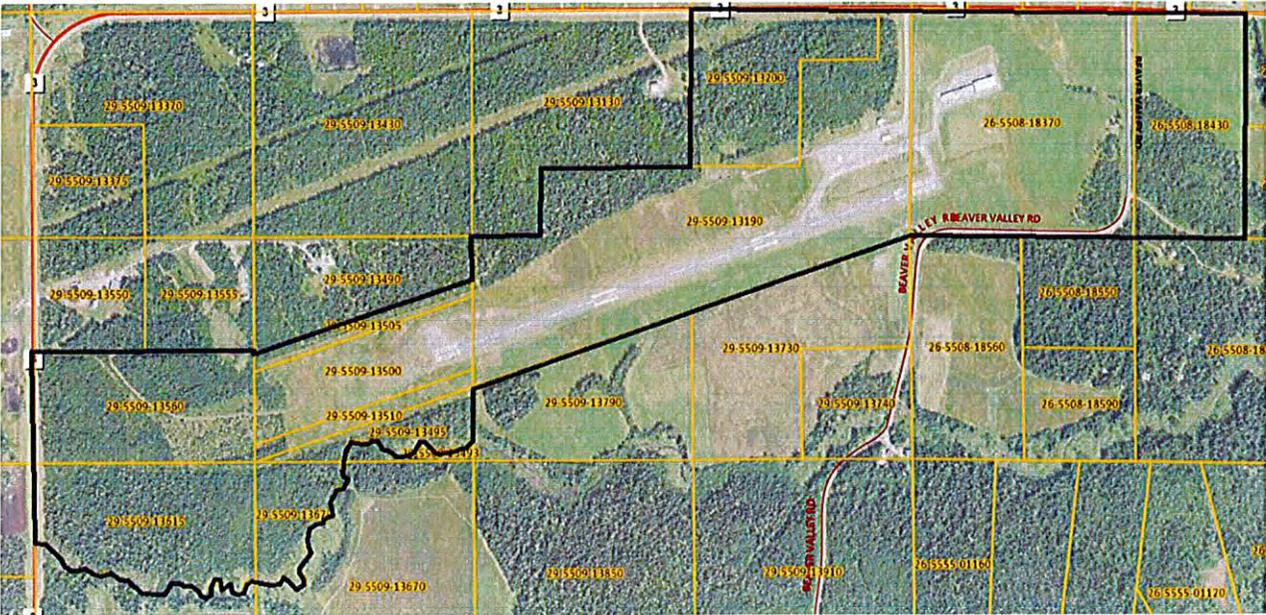


View of the old arrival and departures building



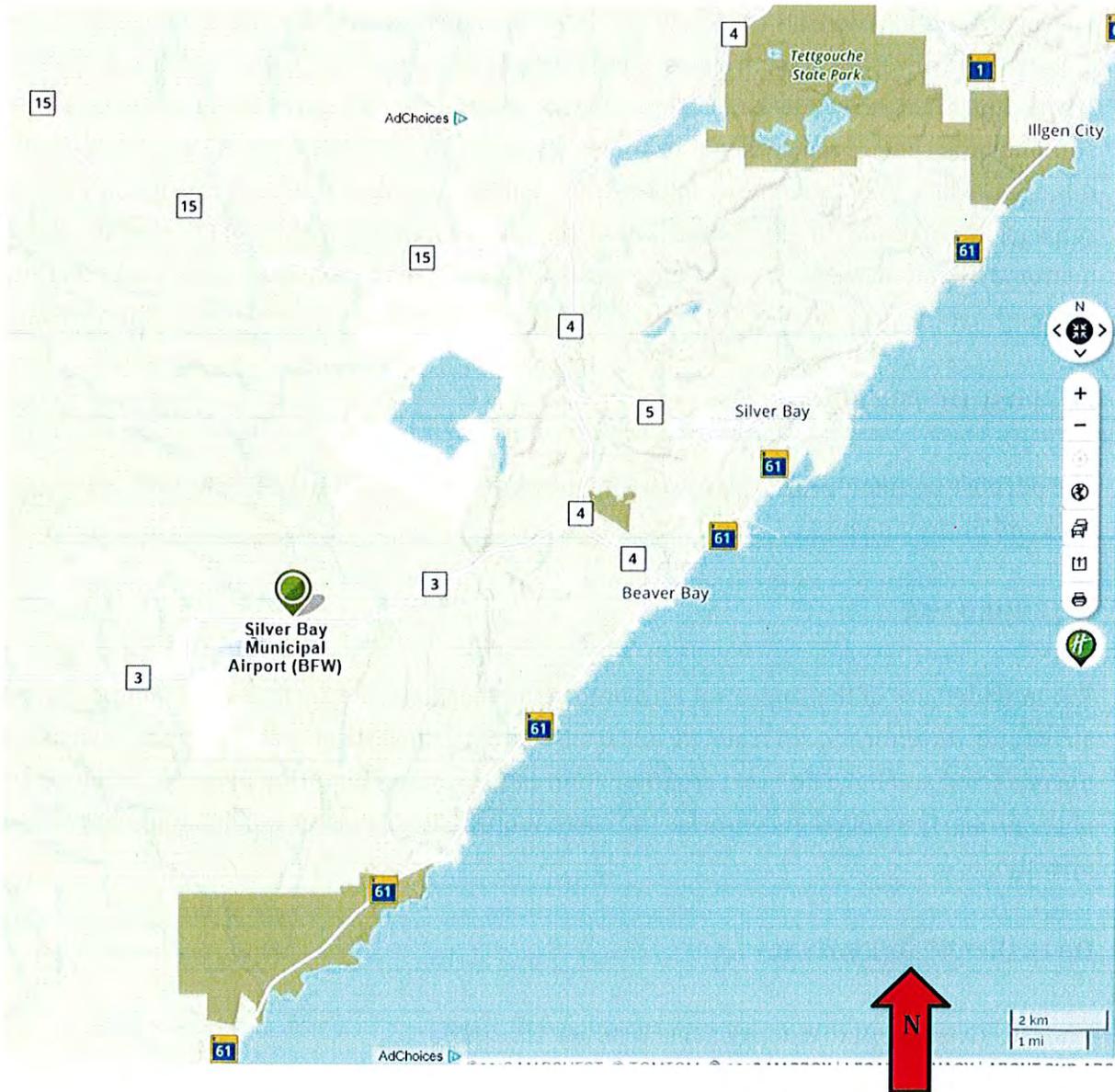
View of the two T-hangar buildings

AERIAL VIEW



The subject site is comprised of the black outlined area, comprised of 11 tax id parcels.

LOCATION MAP



PROPERTY APPRAISED

The subject of this report is the Silver Bay Municipal Airport comprised of roughly 206 acres along County Highway 3, about eight miles southwest of the city of Silver Bay. The runway and buildings are included in the value conclusion of this report, but the aviation, navigation and lighting equipment is considered personal property, is owned by the State (not the city) and is not part of this appraisal. The Wayne Johnson Silver Bay Municipal Airport [KBFW] opened in 1965 as a turf runway, then paved in 1969, and when it was in operation, this small aircraft airport was unattended and no longer offered fuels onsite. This airport is included in the FAA's National Plan of Integrated Airport Systems 2017-2021, which categorizes it as a general aviation airport.

PURPOSE OF THE APPRAISAL

The purpose of this appraisal is to estimate the market value of the fee simple interest in the subject land and improvements.

INTENDED USE

The intended use of this appraisal is to determine the fair market value in fee simple of the subject airport in its entirety, for sale in an arm's length transaction (in which the two parties are unconnected and have no overt common interests). It is the intention of airport sponsor to sell all of the property assets that comprise the current operational airport facility and cease aeronautical operations.

DATE OF THE APPRAISAL

The effective date of this appraisal is October 19, 2018.

INSPECTION

Seth Liefer inspected the subject on October 19, 2018.

PROPERTY OWNERSHIP AND OCCUPANCY

The subject is federally obligated land owned by the city of Silver Bay, dedicated to aviation purposes. As this airport is now closed, (due to runway deterioration and safety concerns) the property must be reclaimed, the government must be reimbursed for its (non-depreciated) expenses, or reinvestment should be ensured.

SALES HISTORY

The Uniform Standards of Professional Appraisal Practice (USPAP) requires that all sales of the subject within the last three years be reported and analyzed. No transactions of the subject property have occurred during that time. Since 1964, State and Federal funds were used to support the acquisition of nine parcels of land totaling 206.14 acres. State and Federal funds were also used support the acquisition of eight parcels of easements, totaling 84.99 acres. It appears from the information provided below, that the land for the airport was acquired in 1968 for \$5,611.

Silver Bay Federal Grant History							
State Proj #	FAA Proj #	Year	Description	Federal \$	State \$	Local \$	Total
3809-02		1968	EXT. STRIP AND SURFACE RUNWAY	\$58,923.44	\$33,233.71	\$33,233.72	\$125,390.87
3809-DF1		1968	LAND	\$5,611.00	\$0.00	\$0.00	\$5,611.00
3809-07	5-27-0090-01	1981	RUNWAY REHABILITATION	\$279,207.18	\$65,064.56	\$63,161.80	\$407,433.54
3809-23	3-27-0090-01	2002	1.RECON, PAVE - W/LTS-LAND-ACCESS Rd	\$1,397,719.00	\$0.00	\$162,035.48	\$1,559,754.48
3809-27	3-27-0090-02-05	2005	2. ALP Update, Cracks & Seal, Fuel Relo	\$237,803.00	\$0.00	\$12,517.25	\$250,320.25
3809-28	3-27-0090-03-06	2007	3.Relocate apron edge taxiway	\$218,501.00	\$0.00	\$11,501.19	\$230,002.19
3809-30	3-27-0090-04-08	2008	4.Design A/D Building	\$40,375.00	\$0.00	\$2,125.00	\$42,500.00
3809-31	3-27-0090-05-09	2009	Construct A/D Building	\$216,500.00	\$0.00	\$11,396.22	\$227,896.22
3809-32	3-27-0090-06-10	2010	6. Crack Seal Rwy 7/25	\$43,817.00	\$0.00	\$2,307.29	\$46,124.29
Total				\$2,498,456.62	\$98,298.27	\$298,277.95	\$2,895,032.84

CLIENT AND INTENDED USER

This appraisal has been prepared at the request of Kathleen Vesely of the Minnesota Department of Transportation's Office of Aeronautics. The Federal Aviation Administration is also considered an intended user of this appraisal report

APPRAISER COMPETENCY

This appraiser is a Certified General appraiser with over 20 years of appraisal experience, and 6 years of experience with complex appraisals, including large parcels of residential, commercial and industrial land, suitable for development. During the course of his career, Seth Liefer has appraised a fixed base operator, an airport hangar (in a similar sized airport), and has performed a T-hangar rental rate analysis, and has the knowledge and experience needed to complete this appraisal competently and in compliance with USPAP. In addition, in the process of doing this appraisal, the appraiser has researched the economics of small municipal airports, their income sources, and governmental funding and funding requirements. To further strengthen appraisal competence in this area, interviews were conducted with local property investors, hangar renters and hangar builders, and other appraisers with experience appraising airports.

PROPERTY RIGHTS APPRAISED

The fee simple interest in the subject real estate is being appraised. According to the Sixth Edition of the Appraisal Institute's *The Dictionary of Real Estate Appraisal*, fee simple interest is defined as follows:

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.

DEFINITION OF MARKET VALUE

The purpose of this appraisal is to estimate the market value of the subject property. The Sixth Edition of *The Dictionary of Real Estate Appraisal* defines market value as follows:

The most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress.

The Uniform Standards for Federal Land Acquisitions defines market value as follows: Market value is the amount in cash, or on terms reasonably equivalent to cash, for which in all probability the property would have sold on the effective date of the appraisal, after a reasonable exposure time on the open competitive market, from a willing and reasonably knowledgeable seller to a willing and reasonably knowledgeable buyer, with neither acting under any compulsion to buy or sell, giving due consideration to all available economic uses of the property at the time of the appraisal. (Uniform Appraisal Standards for Federal Land Acquisitions)

SCOPE OF WORK

The scope of work for this appraisal matches the FAA Compliance Guidance Letter 2018-3 "Appraisal Standards for the Sale and Disposal of Federally Obligated Airport Property". In general this requires a complete appraisal of the property (at its highest and best use), but need not be Yellow Book compliant.

The following steps have been taken to develop an opinion of the subject's value. The appraiser has:

1. Adequately describe the characteristics of the property being appraised including:

- a. Location, legal description, parcel number as it relates to the airport's Exhibit "A" map, County tax parcel number(s).
- b. Name of apparent owner(s) of each interest being evaluated.
- c. Pertinent title information including known and observed leases or encumbrances.
- d. Present use and development, identification of any improvements and leasehold/tenant improvements.
- e. Zoning (current, proposed and probability of rezoning as if released for private market use and development).
- f. Stage of potential or proposed development and concurrency with local and regional land use plans.
- g. Infrastructure (existing and planned) serving the land.
- h. Adequate sales history of the property (*e.g.*, when acquired and amount paid).

2. Inspect the neighborhood and local area noting utility and transportation infrastructure to the extent required for the highest and best use development of the property.

3. Conduct adequate analysis and develop a supported determination of highest and best use of the airport's land for market sale. Some improvements located on the airport may be suitable for adaptive reuse in a non-aeronautical context. An analysis will be required of existing and planned utilities, zoning ordinances, probability of rezoning, and all other relevant considerations in order to realize the fair market value of the property. Obligated airport land being disposed (market sale or long-term lease) must be appraised at an economic highest and best use as described in the Uniform Appraisal Standards for Federal Land Acquisitions at paragraph A-14, "Analysis of highest and best use" (see <http://www.usdoj.gov/enrd/land-ack/yb2001.pdf>). The appraiser, in valuing the fair market value of the airport land, shall consider the private development potential of airport land parcels (and any improvements) considering the location of the airport, and any potential plottage with adjoining land.

4. Adequately describe and analyze all relevant market data and activity in and around the airport property as of the date of value. Market activity relating to the aeronautical applications will be disregarded.

5. Inspect research, analyze, and verify comparable sales of property surrounding the airport with public sources and with a party to the transaction, buyer, seller, or broker or attorney.

6. Appraise the current fair market value of the aggregate airport property, as defined in the Market Value section below.
7. Report the appraiser's analysis, opinions, and conclusions in the appraisal report.
8. The appraisal report includes the plat or a sketch of the airport property and provide the location and dimensions of any improvements. The appraisal report includes adequate photographs and location maps of the property and of the comparable sales.

ASSUMPTIONS AND CONDITIONS

HYPOTHETICAL CONDITIONS

According to the Appraisal Institute's Dictionary of Real Estate Appraisal (6th Edition), a hypothetical condition is;

- 1) A condition that is presumed to be true when it is known to be false
- 2) A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis. Comment: Hypothetical conditions are contrary to known facts about physical, legal or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of the data used in an analysis. (USPSP, 2016-2017 ed.)

No hypothetical conditions were used in this report.

EXTRAORDINARY ASSUMPTIONS

According to the Appraisal Institute's Dictionary of Real Estate Appraisal (6th Edition), an extraordinary assumption is; an assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinion or conclusions. Comment: Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions, trends; or about the integrity of the data used in an analysis. (USPAP, 2016-2017 ed.)

The conclusion of highest and best use stated in this report is based on the following extraordinary assumptions;

- 1) the assumption that the site is not contaminated.
- 2) It is further assumed that the zoning of the land would revert to the underlying R-1 zoning (after the close of the airport), and that mini-storage usage would be allowed by the issuance of a zoning variance (for the lot with the existing hangar buildings on it).
- 3) and that the lots would be allowed to be combined and split as specified later in this report, to allow the sites to reach their highest and best use according to the R-1 zoning.
- 4) It is also assumed that each of the new subject property sites valued in this report will be able to be accessed directly from the road, and that no new roads would be needed for the division of this site, other than access driveways, typical for undeveloped sites.

ENVIRONMENTAL CONDITIONS

The appraiser has not been provided an environmental assessment of the subject and is not qualified to perform such assessments. This appraisal is based on the assumption that no contaminants are present on the subject property. Should contaminants be discovered, the appraiser reserves the right to adjust the estimated market value accordingly.

ECONOMIC CONDITIONS OF THE AIRPORT INDUSTRY

Nationwide, the number of pilots with private certificates peaked at 357,000 in 1980, since then, that number has dropped to 188,000, or in other words, declined to almost half. Interest in aviation has waned, as the cost of owning and operating a private plane has risen, and as a result, hundreds of local airfields nationwide have been closed. The number of public airports has dropped from 5,589 in 1990 to 5,155 in 2013, which is an average of almost 19 airports closed per year.

In the state of Minnesota, since 1990, four similar small sized airports (other than the subject property) have closed. In 2007, 28 miles northeast of Silver Bay, the privately owned **Tofte Airport** closed, and the runway was never demolished, some residential building sites have since been developed there. 55 miles northeast of Silver Bay, **Devil's Track Airport** in Grand Marais, closed in 1991, and the runway was never demolished. That airport was just south of the Canadian border at the north east corner of Devil's Track Lake. The **New York Mills (Minnesota) municipal airport** with a turf runway, closed in 2009. In 2001, the **Sandstone Municipal airport** closed. That 2,900 foot paved runway was shut down for the same reasons as

the Silver Bay Airport. Although this runway was never demolished, that former airport is now developed as a medical and business park, to be anchored by a hospital, senior living facility, and light industrial. The site is owned by the Sandstone Economic Development Authority, and most of the old runway will form the main road through the park. Sandstone is adjacent to I-95 midway between Minneapolis & Duluth. Of the 17 lots, 15 are still available.

Small city airports receive entitlement funding from the FAA to do maintenance, such as runway upkeep. Usually, the city is responsible for 5-10 percent of the funding, with the grant making up the other 90-95 percent, and Silver Bay Mayor Scott Johnson stated that they were no longer willing to take on that cost. Additionally, the city administrator, Lana Fralich, said that the Silver Bay Airport didn't have enough home-based pilots to be entitled to funds earmarked for the airport, which then raised the question as to whether the grants already paid would need to be repaid. In 2010, the city stopped investing in the airport (other than daily operations, like grounds crew). In the fall of 2017, MnDOT officials inspected the airport, and met with city officials to warn them that the condition of the airport was on a declining trajectory, and that it was only a matter of time until it would need to be closed. On May 31, 2018, two representatives from MnDOT visited the airport to do a routine inspection, and found the runway condition had deteriorated enough to warrant closure. It is believed that the runway would need to be reconstructed, at an estimated cost of \$1,000,000 to \$2,000,000 to rectify the problem.

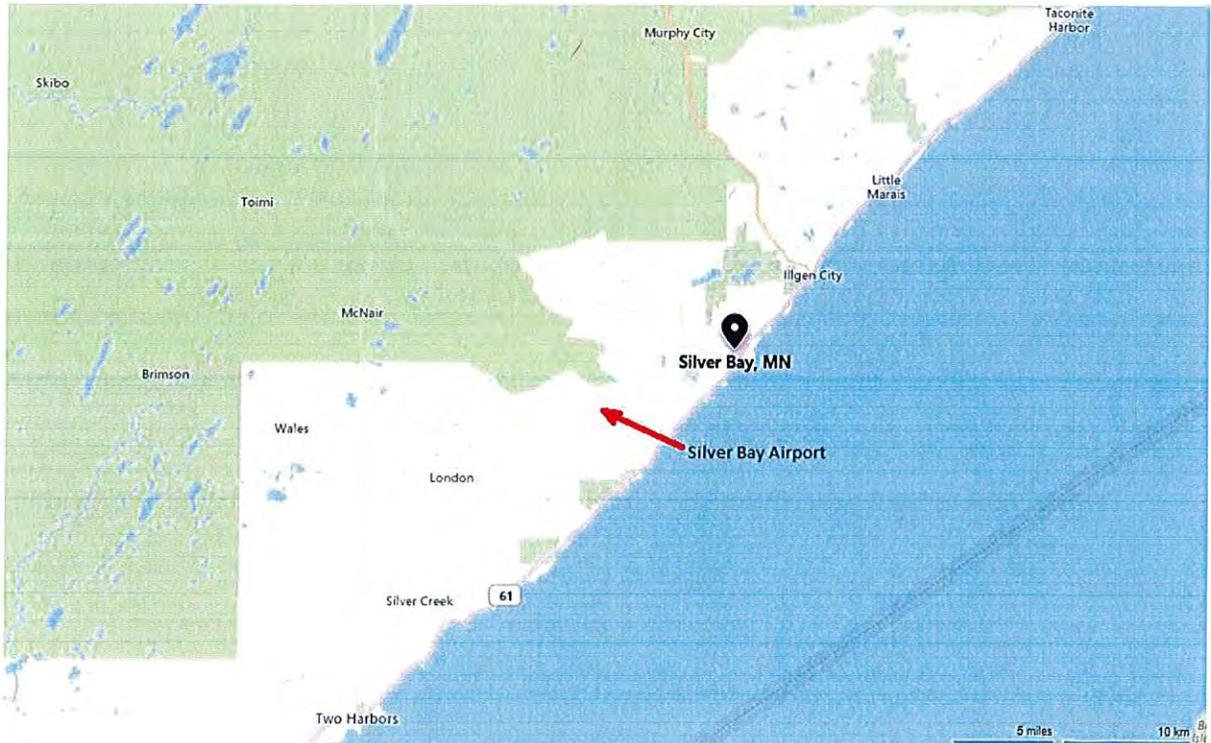
REGIONAL AND NEIGHBORHOOD ANALYSIS

The subject property is located in the city of Silver Bay, in **Lake County**, which is located in the Arrowhead Region of Northeastern Minnesota. As of the 2018 census, there were 10,254 people, a decrease of 7.27% from 11,058 in 2010. Lake County is on the west end of Lake Superior, the largest freshwater lake in the world. The largest city is Two Harbors, where the county seat is located. The other two largest cities in this county are Beaver Bay and Silver Bay. Within the county's boundaries are four state parks and a National Forest. Lake County offers hiking, camping, fishing and winter recreational activities. Lake County also offers other recreational opportunities such as historical shipwrecks, two operating lighthouses and two public marinas. Major industries in Lake County are mining, logging, wood products, shipping and transportation, manufacturing, health care and tourism. An operating harbor for shipping iron ore and taconite is located in the city of Two Harbors and a second one is in the City of Silver Bay. Including the Wayne Johnson, Silver Bay Municipal Airport, there are four airports in Lake County, MN. The other three are in Two Harbors (two private, and one public).

Silver Bay had a population of 1,887 at the 2010 census. The 2018 estimated population was 1,769 according to the most recent United States census estimates. This is a 6.25% decrease over the last eight years. Silver Bay, Minnesota is the 274th largest city in Minnesota based on official 2017 estimates from the US Census Bureau. Outer Drive (County Road 5), Penn Boulevard, and Minnesota Highway 61 are three of the main routes in Silver Bay. Silver Bay is located 28 miles northeast of the city of Two Harbors on Lake Superior. Summer hiking trails, winter cross country skiing, and maintained snowmobile trails are located within Silver Bay. The city of Silver Bay was founded on May 1, 1954 after previously being known as the Beaver Bay housing project. The company town was built to process taconite mined and shipped by train from Babbitt, Minnesota, sixty miles to the northwest. Silver Bay attained widespread publicity in the 1960s when it was discovered that the Reserve Corporation was dumping taconite tailings into Lake Superior. In 1972 they were forced to stop and charged with violating the Rivers and Harbors Act of 1899, which prohibited the dumping of harmful materials into interstate waters. In 1977, after a long trial, a new waste-storage facility was built 7 miles inland, which is two miles northeast of the Silver Bay Municipal Airport.

NEIGHBORHOOD DATA

The subject (Silver Bay Municipal Airport) is located on County Road 3, approximately 8 miles southwest of the city of Silver Bay. This area is comprised primarily of large residential home sites, and large tracts of forested land.



A large taconite tailing waste storage and treatment plant (covering about 5 square miles) is located about two miles northeast of the airport. This section of County Road 3 is not a major thoroughfare, and is not heavily traveled. As a result, commercial and retail development in this area is not in high demand. Aside from iron mining, the main industry in this area is tourism connected with the many state parks and resorts along State Highway 61, and along the shores of Lake Superior. Housing demands in this area also tend to be strictly divided between local year-round residents, and the part-time occupancy tourists. The tourist centered housing is mainly very close to the small towns along I-61, close to Lake Superior, and the most expensive and in-demand sites have views of the lake. The Silver Bay Municipal Airport site has no lake views, and is sufficiently distant from the nearest towns to have much less tourist housing than the areas closer to the lake. The only commercial development in the vicinity of the subject site tends to be hunting and shooting clubs, and boat or RV storage sites.

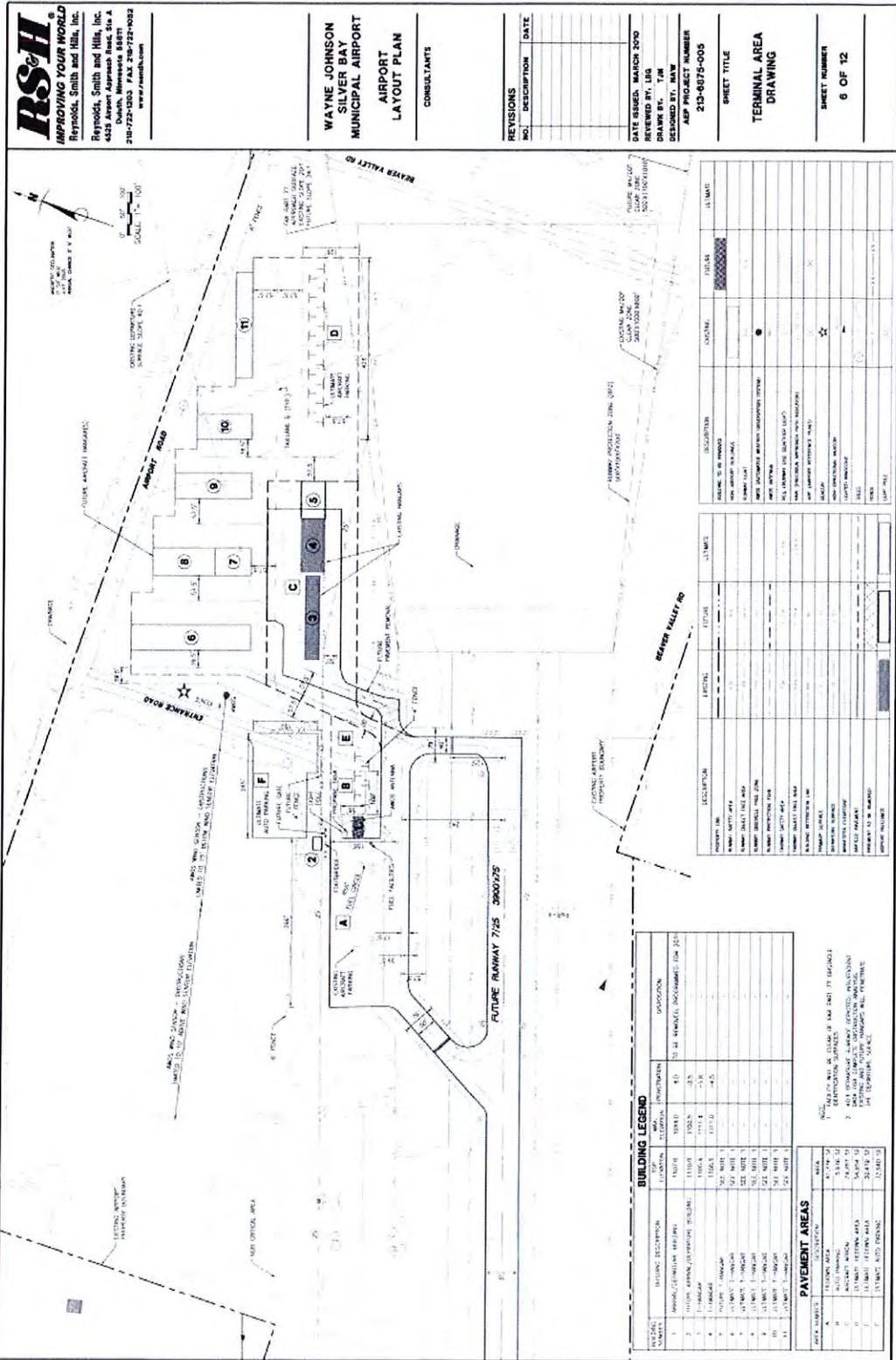
PROPERTY IDENTIFICATION

Address: 4677 Highway 3
Silver Bay, MN

Parcel Identification Number and Partial Legal Descriptions:

PIN #	Acres	First Line of Legal Description	Sec-Twp-Rng:
26-5508-18430	20.00	SE1/4 OF NW1/4 LESS E1/2	18-055-8
29-5509-13190	57.20	S 400 FT OF W 1/2 OF SE 1/4 OF NE 1/4; E 1/2	13-55-9
26-5508-18370	40.86	SW1/4 OF NW1/4	18-55-8
29-5509-13200	16.98	N 920 FT OF W 1/2 OF SE 1/4 OF NE 1/4 AND N	13-55-9
29-5509-13500	12.66	A STRIP OF LAND 400 FT IN WIDTH THROUGH THE	13-55-9
29-5509-13510	3.21	A STRIP OF LAND 100 FT IN WIDTH OUT OF NE 1/4	13-55-9
29-5509-13495	4.98	THAT PART OF NE1/4 OF SW1/4 N & W OF W	13-55-9
29-5509-13505	3.22	A STRIP OF LAND 100 FT IN WIDTH OUT OF NE 1/4	13-55-9
29-5509-13675	6.40	THAT PART OF SE1/4 OF SW1/4 LYING N OF	13-55-9
29-5509-13560	19.75	S 1/2 OF NW 1/4 OF SW 1/4	13-55-9
29-5509-13615	20.36	THAT PART OF SW1/4 OF SW1/4 LYING N OF	13-55-9
	205.62		

The complete legal descriptions are too lengthy to include here, and may be found in the addenda.



ZONING

Zoning Authority: Lake County, MN

Zoning District: Currently; Airport, default to; R-1, Residential District

Purpose of District The R-1 Residential District is established to provide low density residential development on large lots in areas not requiring public water and sewer services. It further provides for general agriculture and forest-related development throughout the district.

Principal Uses:

- Single Family Dwellings
- Farms and commercial livestock
- Forest Management & Utilization
- Home Occupations
- Customary accessory structures and uses

Lot Area 10 Acres Minimum

Lot Width 300 Feet Minimum

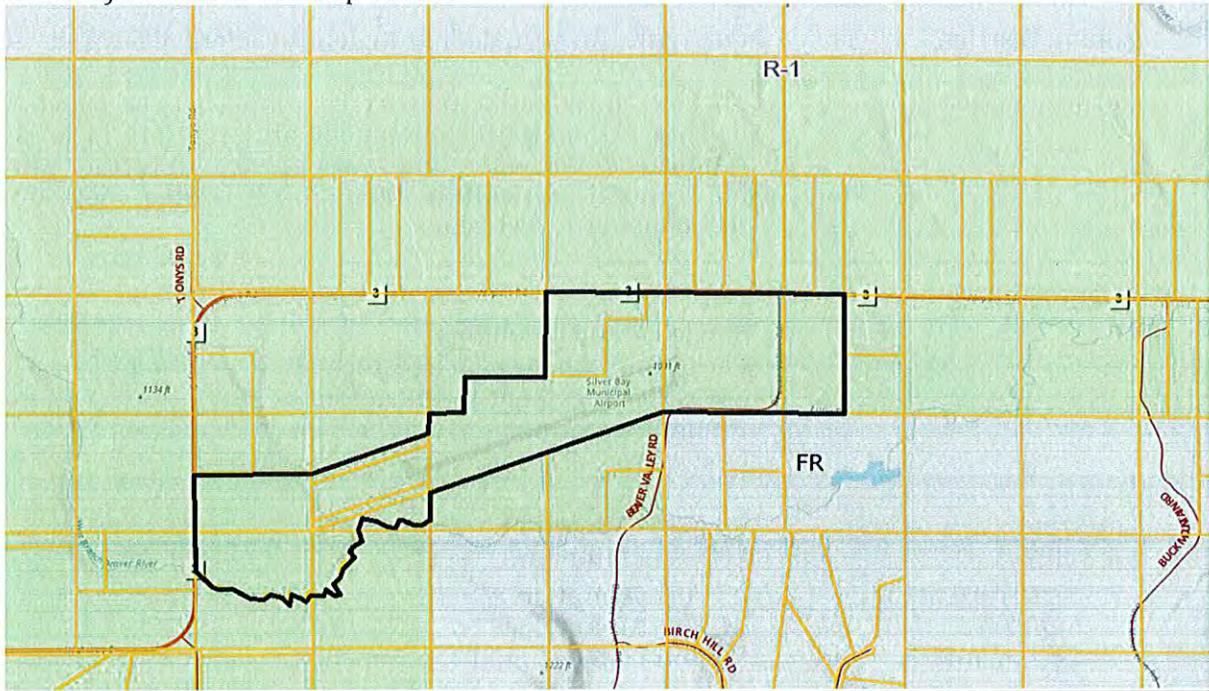
Rear Yard Setback 25 Foot Minimum

Side Yard 25 Foot Minimum

Comments: No flood map printed

Zoning Map

The existing zoning as Airport would automatically default to the underlying R-1 (Residential District) as seen in the map below.



The purpose of the R-1 Residential District is to provide for low density residential development on large lots in areas not requiring public water and sewer services. It further provides for general agriculture and forest-related development throughout the district.

Requirements: The following requirements shall be observed:

- A) Minimum Lot Area: Ten (10) acres.
- B) Minimum Lot Width: Three hundred (300) feet.
- C) Maximum Lot Coverage Including Accessory Buildings:
 - 1) Fifteen percent (15%).
 - 2) Lot coverage shall not exceed the above unless a surface water runoff plan certified by a qualified professional is submitted and approved. However, in any case, lot coverage by impervious surfaces shall not exceed forty percent (40%) of the total lot area. The surface water runoff plan shall contain, at a minimum, provisions that address erosion control during construction and storm water runoff after all of the impervious surface is installed. The goal is to minimize direct runoff to receiving waters. This can be done by utilizing buffer strips, existing vegetated swales, sediment ponds, etc.
- D) Rear and Side Yard Structure Setbacks: Twenty-five (25) feet.

Permitted Uses:

- A) Single-family dwellings.
- B) Farms, and commercial livestock.
- C) Forest management and utilization.
- D) Home occupations.
- E) Customary accessory structures and uses.

Interim Uses:

- A) Vacation Rental Home (Refer to Article 27 & Sec. 6.16).
- B) Aggregate pits.

Conditional Use: A Conditional Use Permit (Article 26.0) is required for any use not listed as Permitted, Interim, or Prohibited.

Prohibited Uses: Uses requiring urban level public services.

SITE DESCRIPTION

Size:	205.62 Acres
Shape:	Irregular, refer to the map on page 13.
Terrain:	Level, at grade with adjacent streets.
Access:	County State Aid Highway 3, and Beaver Valley Road.
Utilities:	Electric, Cable, & Telephone are available. City water and sewer are not available.
Soil Conditions:	Assumed to be stable and suitable for typical development practices.
Flood Hazard:	FEMA has not completed a study to determine flood hazard for the selected location; therefore, a flood map has not been published at this time.
Easements and Encumbrances:	There are a group of easements on surrounding land (limiting the height of obstructions and tree growth) which would all become null and void at the permanent closure of the airport.

Improvements:

New arrival and departures building, built in 2015, vinyl sided 600 square foot building with two half baths, gas forced air heat, well and septic, and electric service.

Old arrival and departures building, built in 1960, 1,200 square feet, wood sided building with two bathrooms, a kitchen area, and houses navigational aid equipment.

T-Hangar "1" with 6,396 square feet , built 1980

T-Hangar "2" with 6,272 square feet, built 1990

Runway, asphalt paved 3,200 feet X 75 feet.

Other asphalt paved areas 198,000 square feet for taxiways, aprons, and runway turnarounds. There are additional paved areas for roads, parking and access.

Lights, Navigational Aids, Airport Equipment is considered to be personal property, and is not included in this appraisal. Additionally, such equipment no longer supports the current highest and best use of this site, and would have zero value if it were included as part of this report.

Chain link fencing surrounds a good portion of the land around the hangar buildings.

Zoning:

Currently zoned as Airport, but would automatically default to the underlying R-1 Residential District, after the permanent closure of the airport.

HIGHEST AND BEST USE

According to the *Dictionary of Real Estate Appraisal*, Sixth Edition, highest and best use is defined as follows:

- 1. The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.*
- 2. The use of an asset that maximizes its potential and that is possible, legally permissible, and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid. (IVS)*
- 3. [The] highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future. (Uniform Appraisal Standards for Federal Land Acquisitions).*

The subject is a small municipal airport with nearly 206 acres of land, two hangar buildings, a new arrival & departures building, and a paved 3,200 foot long runway in poor condition. This site is about eight miles southwest of the city of Silver Bay.

The first test of highest and best use of a site requires an examination of legally permitted uses. This site is zoned as Airport Land, but has an underlying zoning of R-1, which would be the default zoning if the property were no longer used for airport purposes. Analysis of the R-1 District zoning code indicates that this site could be legally developed into a group of residential sites, with the hangar area developed as a mini-storage site (as a conditional use).

The second test of highest and best use includes an analysis of what is physically possible. This entire site is mostly level and at grade with surrounding areas. Considering the site's configuration, and after analysis of the zoning code, market demands, and review of surrounding uses, it is physically possible and most likely that the existing structures would remain, and the site would be divided up into six residential sites (of varying sizes).

The next test of highest and best use includes an analysis of the financial feasibility of the legally permissible and physically possible uses. The vast majority of airports this size are not financially feasible, in that they are subsidized by a variety of governmental entities, one of which is the owner of the site, the city of Silver Bay. Even if the governmental grants, loans

and subsidies were considered “income”, an analysis of the financial reports (found later in this report) shows that the owner of the airport could not break even in operating it, even after considering the local economic impact to the local community. Additionally, the airport was closed due to the poor condition of the runway, which is roughly estimated to require between one to two million dollars’ worth of repairs, the cost of which would not be entirely paid for from outside governmental sources. Additionally, the hangars are nearing the end of their economic life, and are in need of repairs. These additional challenges on an airport that is financially struggling without them, strongly indicates that the existing use of this site as an airport is not financially feasible.

The final test of highest and best use examines the maximally productive use of the subject, which is defined as; the physically possible, legally permissible, and financially feasible use that results in the highest present value. As this land has an underlying zoning of residential, and as most nearby residential sites tend to range in size from 10 to 40 acres, the maximally productive use is to divide this (nearly 206 acre) site up into several (roughly 20 acre) residential sites, and one mini-storage site. After these sites are divided, and rezoned as residential, many of the existing improvements will retain some value, and should remain. The new 600 square foot arrival and departures building would function well as a vacation or hunting cottage, with only minor alterations to renovate one of the two bathrooms into a kitchen. The old arrival and departures building would be a part of that site as a garage and storage building. The two existing hangar buildings would be on another site, and be repurposed as a mini-storage building (which would be a conditional use in this zoning). The existing 3,200 foot long asphalt paved runway offers no additional value, but also need not be removed, to accommodate the typical buyer of this size lot in this area. As a result, the cost of removing the runway need not be subtracted from the land value to arrive at the market value of that site. It should be noted that in the other four cases of airport closure in Minnesota, the runways were not removed.

Considering the above, the highest and best use of the subject site is to discontinue use as an airport, and for the land to be divided into;

- Four vacant residential sites, ranging in size from 20 acres to 27.02 acres
- One vacant 71.35 acre residential or recreational site (with the runway on it).
- One improved residential 27.5 acre site with the two A/D buildings on it, and
- One improved 20 acre site with the two hangars on it, repurposed for use as mini-storage buildings (as a conditional use).

A basic subdivision of the site was deemed to be the highest and best use for the site. The noted uses are based on the residential, cabin, and rural storage lots sizes in the area and what is considered the most simple to create given the site configuration and improvements. While more parcels are possible, based on the local zoning regulations, simplicity was emphasized. The costs of the proposed layout were also directed by consideration of a minimization of removal costs (retain hangars as they exist, leave the runway in place, do not demolish the arrival/departure buildings).

The pole buildings on the site are deemed to be highly depreciated, but no negative value was allocated and no structural inspection was provided by the appraiser. The site improvements were accordingly not valued.

Removal of site improvements was not considered in the report. As described hereto, and as appraised, the highest and best use of the improved land was considered with minimal revisions and only subdivision costs applied.

EXPOSURE AND MARKETING TIME

As the highest and best use of this property is for it to be divided up into seven individual properties (as noted above), each marketed concurrently, the absorption rate as well as the marketing time of vacant residential building sites must be considered.

Vacant residential home sites ranging in size from 20 to 27.02 acres: there will be four such sites after the subject property is divided up for sale. In the last 34 months, and within a 30 mile radius of the subject, 12 vacant residential lots sold, ranging in size from 15 to 35 acres. This indicates a demand of roughly 4 per year in this area. There are currently 10 similar sized active listings in this area, which appears to be typical. The four subject sites will enlarge that group of active listings to 14, which (if each site were equally appealing) would give each of the four sites a 28.57% chance of selling each year. This indicates that it would probably take approximately 3 ½ years for all four of these sites to sell. Actual marketing time for these sites varies widely, depending on location, view and utility, but they average around nine months marketing time.

Vacant 71.35 acre residential home site: There will be one such site (with the runway) after the subject is divided for sale. This site could not have been divided any further, due to the shape of the airport as a whole, and the location of roads. In the last 34 months, and within a 30 mile radius of the subject, 2 vacant residential lots sold, ranging in size from 60 to 90 acres. This indicates a demand of roughly 0.75 such sites per year in this area. There are currently 6 such properties available for sale. The addition of this 71.35 acre site brings that total up to 7. If each site were equally appealing, this would indicate that it would probably take almost 10 years for this site to sell. However, many of the sites of this size for sale, are remote landlocked hunting land, and are difficult to get to. Additionally, the existence of the runway on this site offers opportunities to creative buyers, and would make it appealing to hunters (as deer are attracted to these open areas), or enthusiasts of motocross, or ATVs. The paved runway could also be partially used as building pads for other residences. As a result, given the competition, it is estimated that this site would sell in approximately two years.

Improved 27.5 acre residential home site: Comparable sales 1 & 3 used in the valuation of this site had marketing times of 730 days, and 211 days, respectively. Based on this, a marketing time of 470 days, or 1.29 years appears to be probable.

Improved 20 acre Storage Building site; Based on Comparable sale 1, seen later in this report, and other similar sales, an estimated marketing time of 6 months seems probable.

APPRAISAL PROCEDURES

Appraisers traditionally utilize three methods to value real estate, which are described as follows.

Cost Approach

The cost approach considers the current cost of reproducing a property less the depreciation from three sources: physical deterioration, functional obsolescence and economic obsolescence. A summation of the market value of the land, assumed vacant, and the depreciated replacement cost of the improvements provides an indication of the total value of the property. The cost approach is useful in valuing newer properties or special purpose properties.

Sales Comparison Approach

The sales comparison approach provides an estimate of value by comparing the subject property to sales and/or listings of similar properties in the same or competing areas. This technique is used to indicate the value established by informed buyers and sellers in the market.

Income Approach

The income approach is based on an estimate of the subject property's possible net income. The net income is capitalized to arrive at an indication of value from the standpoint of an investment. This method measures the present worth of anticipated future benefits (net income) derived from a property. The income approach is useful in valuing properties that are occupied by a tenant or owned as an income producing investment.

COST APPROACH

An appraisal of a special use property such as an airport typically relies heavily upon the cost approach. However, as the highest and best use of the subject is not as an airport, the cost approach is not applicable in this case. The highest and best use(s) for the subject property are for use as residential and storage. The sales comparison approach is most heavily relied upon for these uses, especially for those with older improvements such as those at the subject property. Although the 600 square foot arrival and departures building was built just over eight years ago, its' \$300,000 cost to build has little relevance, in this case, to market value for use as a seasonal residence / vacation home. Additionally, the older arrival and departures building, and the hangars are older structures, which significantly reduces the utility and dependability of the cost approach. Although the runway need not be demolished for the highest and best use of the site, it brings no additional value, and the use of the cost approach in this case is not useful.

INCOME APPROACH

Although appraisals of mini-storage properties often rely upon the income approach, the location, age, and construction style of the subjects' old airplane hangars make this portion of the subject property less of an investment property, and more of a property whose value is specific to the buyer. In this case, the value of the storage portion of the subject is best indicated by the sales comparison approach, and not the income approach. The income approach is not typically useful for vacant land or most residential real estate.

Income analysis of an airport use of the subject property;

The income and expense information, for the previous ten years, was provided by the manager of the airport; Lana Fralich, on behalf of the city of Silver Bay, which owns the Wayne Johnson Silver Bay Municipal Airport. That data, as seen at the end of the income approach, shows that over the last ten years, the airport has cost the city approximately \$36,560, or an average of about \$3,324 per year.

However, this analysis does not take into consideration two other factors, which have significant influence on these conclusions. Those factors are below market T-hangar rental rates (income), and approximately \$1,500,000 in needed runway repairs (expenses).

First, regarding the income to the airport. The only non-government subsidized source of income for this airport is hangar rental fees. The 11 T-hangar spaces are leased at a rate of \$85 per month. The airport manager stated that these rates were set to be competitive with (less than) the other nearby airports fees, due to the subjects' relatively inferior level of service and relatively inferior level of upkeep/maintenance. A recent survey of the two closest airports, and discussions with the pilots currently renting hangar space at the subject airport, shows that hangar rental fees could be raised. Grand Marais Airport (63 miles northeast) charges \$150 per month, and the Two Harbors Municipal Airport (21 miles southwest) charges \$130 per month. These airports have 9 and 15 people, respectively, on their waitlist for hangar rental. As this survey took place after the closure of the subject property, many of those people on those waitlists will most likely include the current hangar renters at the subject site. It appears that an additional \$5,940 per year in airport income could be created by raising the T-hangar rental fees to \$130 per month, with no increase in vacancy.

Second, regarding the expenses to the airport. For the airport to reopen, a minimum of approximately \$1,500,000 in repairs to the runway and taxiways are needed. After considering

subsidies to cover that expense, the city of Silver Bay would end up only paying for about 5% of that, or \$75,000, or \$3,750 per year (without considering the time value of money) over the 20 year life of the pavement.

The additional income from raising hangar rental rates would be *more* than offset by the additional needed runway maintenance that is included (clearly missing from the expense reports of the past ten years), and also from the inclusion of the time value of money, needed for the repairs.

An economic impact analysis of the airport, shows that it generates approximately \$96,256 in incidental economic benefit to the city annually, and supports approximately 1.42 jobs county-wide. However, the airport manager stated that the airport benefits so very few city residents relative to the costs that it is not worth it. The mayor of Silver Bay, Scott Johnson, also cited a number of reasons for wanting to close the airport, including increasing Federal Aviation Administration mandates, lack of local interest, lack of federal entitlement funding due to lack of local interest and increasing debt. The airport manager, Lana Fralich said, that the Silver Bay Airport didn't have enough home-based pilots to be entitled to federal and state funds earmarked for the airport, which then raised the question as to whether these grants would need to be repaid. The grant assurances are part of the problem for the city council, as they require the city to pay for the maintenance of a facility that is rarely used by Silver Bay taxpayers.

It is clear that the subject property is not financially feasible as an airport, as is evidenced by it's financial losses, represented by the city's' portion of the airport maintenance and operating expenses (both current and proposed).

The ten year income and expense worksheets are on the following page.

Revenue Budget Worksheet

	2008 Amt	2009 Amt	2010 Amt	2011 Amt	2012 Amt	2013 Amt	2014 Amt	2015 Amt	2016 Amt	2017 Amt	2018 Budget
FUND 231 AIRPORT											
R 231-000-33100 FEDERAL GRANTS	\$35,044.65	\$239,702.00	\$61,331.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
R 231-000-33422 STATE AIRPORT	\$13,757.00	\$13,757.00	\$13,757.00	\$13,757.00	\$13,757.00	\$13,757.00	\$15,132.70	\$19,267.13	\$32,428.43	\$16,223.48	\$19,250.00
R 231-000-33425 IRRSA GRANT-SILVER	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
R 231-000-33440 MN GRANT AIRPORT	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
R 231-000-33620 COUNTY AID	\$8,000.00	\$8,000.00	\$8,000.00	\$8,000.00	\$8,000.00	\$8,000.00	\$4,000.00	\$4,000.00	\$4,000.00	\$4,000.00	\$4,000.00
R 231-000-34900 MISCELLANEOUS	\$1,501.65	\$1,519.00	\$1,599.00	\$1,920.00	\$2,527.00	\$1,230.00	\$1,254.00	\$2,009.00	\$3,059.00	\$728.00	\$1,500.00
R 231-000-34921 HANGAR RENTAL &	\$9,373.14	\$8,685.00	\$8,800.00	\$11,395.55	\$12,845.00	\$12,365.00	\$11,905.00	\$11,426.62	\$10,210.00	\$11,515.00	\$11,200.00
R 231-000-34922 SALE OF AVIATION	\$7,306.83	\$3,851.83	\$3,264.65	\$5,830.93	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
R 231-000-36210 INTEREST INCOME	(\$891.54)	(\$1,504.10)	(\$651.21)	(\$294.00)	(\$220.73)	(\$156.83)	(\$190.27)	(\$176.47)	(\$124.84)	(\$149.83)	(\$200.00)
R 231-000-36230 DONATIONS-	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
R 231-000-37920 VENDING MACHINE	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
R 231-000-38051 REBATES	\$0.00	\$0.00	\$0.00	\$3.02	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
R 231-000-39203 TRANSFERS FROM	\$0.00	\$19,853.00	\$980.00	\$7,493.00	\$6,525.00	\$0.00	\$6,995.00	\$0.00	\$0.00	\$0.00	\$3,900.00
R 231-000-39205 TRANSFER FROM	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
FUND 231 AIRPORT	\$74,091.73	\$293,863.73	\$97,080.44	\$48,105.50	\$43,433.27	\$35,195.17	\$39,096.43	\$36,526.28	\$49,572.59	\$32,316.65	\$39,650.00

Expense Budget Worksheet

	2008 Amt	2009 Amt	2010 Amt	2011 Amt	2012 Amt	2013 Amt	2014 Amt	2015 Amt	2016 Amt	2017 Amt	2018 Budget
FUND 231 AIRPORT											
E 231-000-49810-103 PART-TIME	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
E 231-000-49810-105 CONTRACTED	\$4,503.62	\$4,710.76	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
E 231-000-49810-121 PERA	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
E 231-000-49810-122 FICA	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
E 231-000-49810-125 MEDICARE	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
E 231-000-49810-151 WORKERS	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
E 231-000-49810-211 OPERATING	\$303.57	\$659.86	\$333.49	\$20.48	\$38.12	\$29.15	\$931.44	\$5.47	\$120.92	\$306.59	\$500.00
E 231-000-49810-221 EQUIPMENT	\$139.51	\$992.76	\$0.00	\$0.00	\$0.00	\$0.00	\$197.50	\$0.00	\$1,672.36	\$0.00	\$500.00
E 231-000-49810-223 BUILDING	\$2,803.35	\$0.00	\$49.99	\$46.64	\$0.00	\$3.16	\$53.82	\$262.62	\$46.97	\$143.12	\$200.00
E 231-000-49810-230 AVIATION GAS	\$8,415.60	\$0.00	\$4,030.07	\$4,741.98	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
E 231-000-49810-240 SMALL TOOLS	\$0.00	\$19.51	\$0.00	\$0.00	\$0.00	\$320.61	\$0.00	\$294.80	\$0.00	\$0.00	\$300.00
E 231-000-49810-301 AUDIT FEE	\$1,440.00	\$1,440.00	\$1,440.00	\$1,150.00	\$1,450.00	\$1,450.00	\$1,450.00	\$1,450.00	\$1,450.00	\$1,500.00	\$1,500.00
E 231-000-49810-302 ARCHITECT-	\$16,562.85	\$49,698.75	\$18,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
E 231-000-49810-304 LEGAL FEES	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
E 231-000-49810-308 PERMIT-	\$450.00	\$425.00	\$825.00	\$425.00	\$465.00	\$0.00	\$0.00	\$0.00	\$40.00	\$0.00	\$0.00
E 231-000-49810-321 TELEPHONE	\$979.14	\$843.70	\$1,080.70	\$909.12	\$476.36	\$458.92	\$477.50	\$528.06	\$902.39	\$257.65	\$700.00
E 231-000-49810-322 POSTAGE	\$0.00	\$15.07	\$1.66	\$19.80	\$1.35	\$10.52	\$0.00	\$10.74	\$1.82	\$44.16	\$0.00
E 231-000-49810-331 TRAVEL-	\$160.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
E 231-000-49810-345 FLY IN	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
E 231-000-49810-361 GENERAL	\$1,950.00	\$2,832.00	\$2,237.00	\$1,724.00	\$1,784.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
E 231-000-49810-362 PROPERTY	\$5,695.00	\$5,881.00	\$6,177.00	\$6,602.00	\$6,939.00	\$6,952.00	\$7,094.00	\$6,890.00	\$6,727.00	\$6,539.00	\$6,900.00
E 231-000-49810-363 VEHICLE	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
E 231-000-49810-381 ELECTRIC	\$3,357.93	\$3,204.30	\$3,291.07	\$3,646.51	\$3,541.27	\$3,333.51	\$3,742.05	\$3,372.98	\$4,164.19	\$4,578.65	\$4,300.00
E 231-000-49810-384 GARBAGE	\$85.43	\$22.12	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
E 231-000-49810-385 PROPANE	\$1,618.43	\$1,724.85	\$1,091.43	\$755.00	\$658.72	\$444.51	\$852.31	\$383.94	\$439.47	\$449.88	\$500.00
E 231-000-49810-404 CONTRACTED	\$5,893.30	\$2,439.63	\$3,224.41	\$194.27	\$5,017.84	\$60.00	\$0.00	\$0.00	\$0.00	\$0.00	\$500.00
E 231-000-49810-430 MISCELLANEOUS	\$317.66	\$944.46	\$244.14	\$420.12	\$206.25	\$270.73	\$172.25	\$340.31	\$105.31	\$121.87	\$300.00
E 231-000-49810-433 DUES &	\$100.00	\$140.00	\$100.00	\$0.00	\$50.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$50.00
E 231-000-49810-499 CHARGEBACKS	\$16,570.23	\$14,287.41	\$26,131.00	\$19,650.00	\$22,292.50	\$20,379.00	\$24,100.00	\$18,700.00	\$22,920.00	\$17,920.00	\$23,400.00
E 231-000-49810-520 BUILDINGS	\$0.00	\$198,623.72	\$1,450.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
E 231-000-49810-530 IMPROV	\$2,601.61	\$14,659.28	\$26,553.04	\$7,645.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
E 231-000-49810-580 OTHER	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
E 231-000-49810-614 INTEREST	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
FUND 231 AIRPORT	\$73,947.23	\$303,564.18	\$96,240.00	\$47,949.90	\$42,920.41	\$33,712.11	\$39,070.87	\$32,238.92	\$38,590.43	\$31,860.92	\$39,650.00

Difference between income and expenses	\$144.50	(\$9,700.45)	\$840.44	\$155.60	\$512.86	\$1,483.06	\$25.56	\$4,287.36	\$10,982.16	\$455.73	\$0.00
Minus the owners financial support	\$0.00	\$19,853.00	\$980.00	\$7,493.00	\$6,525.00	\$0.00	\$6,995.00	\$0.00	\$0.00	\$0.00	\$3,900.00
Net losses of the airport to the City of Silver Bay;	\$144.50	(\$29,553.45)	(\$139.56)	(\$7,337.40)	(\$6,012.14)	\$1,483.06	(\$6,969.44)	\$4,287.36	\$10,982.16	\$455.73	(\$3,900.00)

COMPARABLE SALES APPROACH

The sales comparison approach is the most common method of valuing vacant land. It relies on the availability and reliability of sales of properties that are comparable to the subject, and is based on the premise that a buyer would pay no more for a specific property than the cost of obtaining a property with the same or similar quality, utility and perceived benefits of ownership. The following steps describe the applied process of the sales comparison approach.

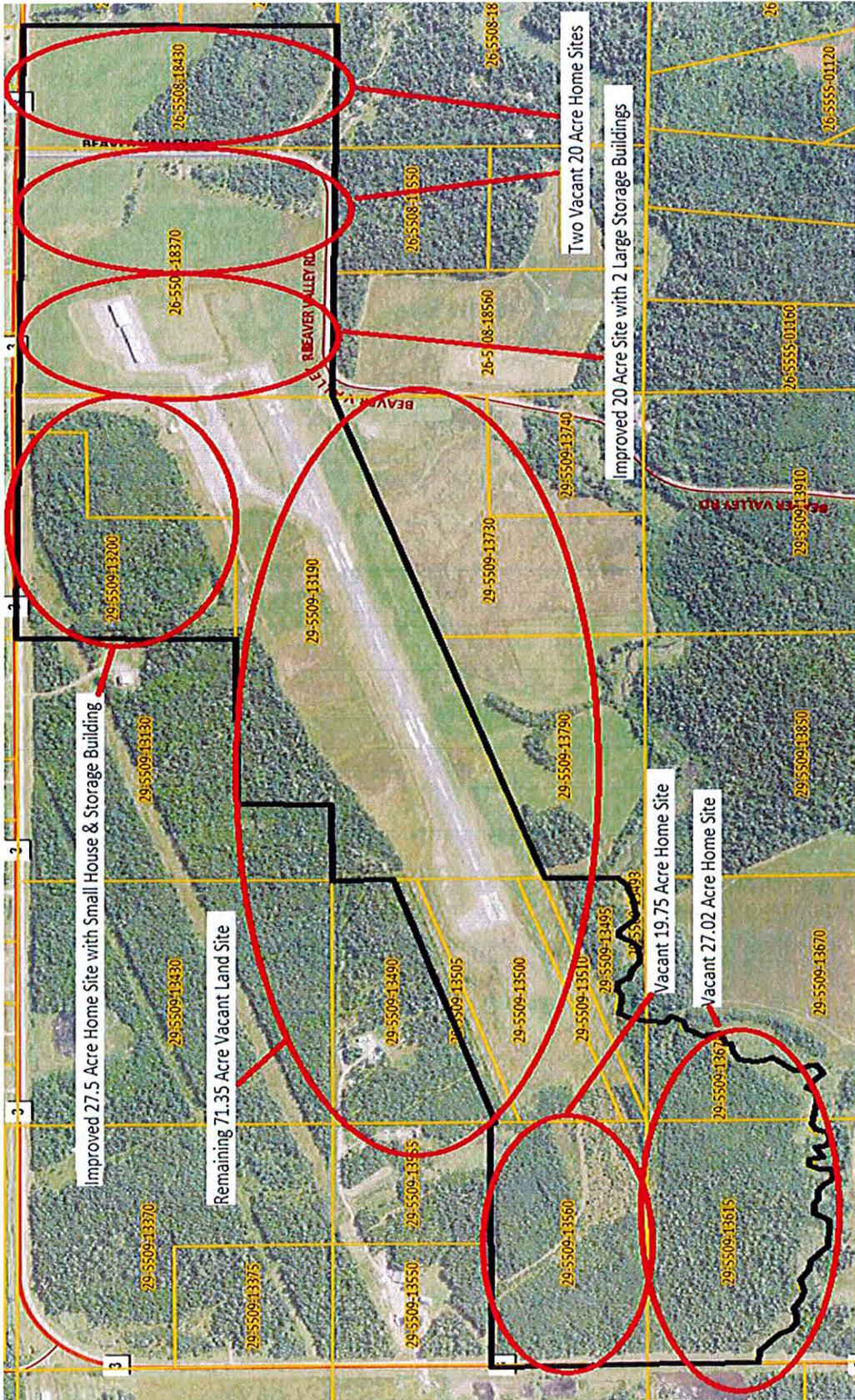
- The market in which the subject property competes is investigated; comparable sales, contracts for sale and current offerings are reviewed.
- The pertinent data is further analyzed and the quality of the transaction is determined.
- The most meaningful unit of value for the subject property is determined.
- Each comparable sale is analyzed and where appropriate, adjusted to equate with the subject property.
- The value indication of each comparable sale is analyzed and the data reconciled for a final indication of value via the sales comparison approach.

Lot Valuation Using the Sales Comparison Approach

As discussed in the Highest and Best Use section of this report, the highest and best use of the subject site is to discontinue use as an airport, and for the land to be divided into;

- Four vacant residential sites, ranging in size from 20 acres to 27.02 acres
- One vacant 71.35 acre residential or recreational site (with the runway on it).
- One improved residential 27.5 acre site with the two A/D buildings on it, and
- One improved 20 acre site with the two hangars on it, repurposed for use as mini-storage buildings (as a conditional use).

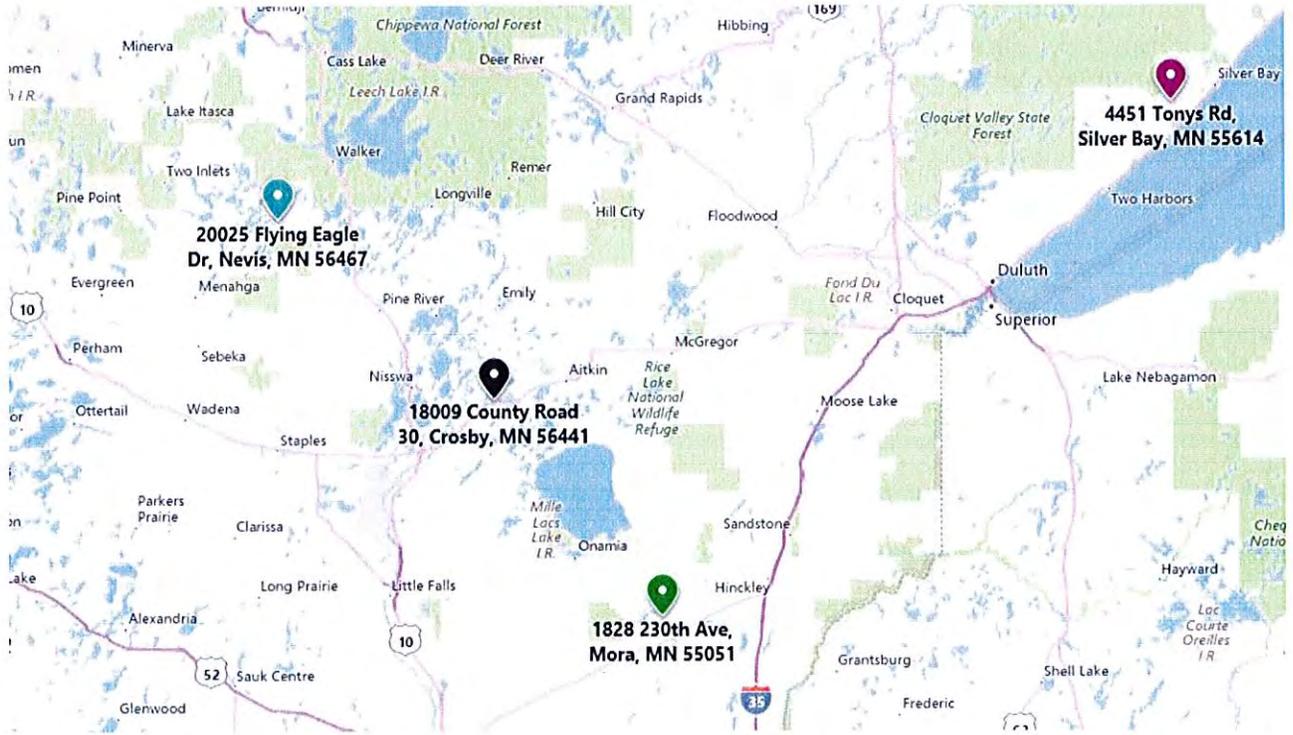
In order to further clarify; this division of the subject site is roughly laid out on an aerial map on the following page. The size and location of each plot of land is based on maximizing the utility of the subject, and is constrained by the fairly irregular shape of the airport outline, and also by the location of the surrounding roads (County Highway 3 on the north and west edges of the airport, and Beaver Valley Road to the south and east).



The valuation of each of the four Highest and Best Uses outlined above is analyzed separately in the following section, each with its own set of comparable sales. In each case, comparable sales have been chosen based on similar highest and best use to the subject, location, size and functionality. The comparable sales are then presented with a comparable sales map, which is then followed by individual sale summaries for each comparable. The sales are then adjusted for comparison and an analysis follows. The comparables included in each analysis are the most recent and proximate sales located in Silver Bay, and in northern Minnesota. The Minnesota Department of Revenue E-CRV website and local realtor websites were the sources searched for these sales.

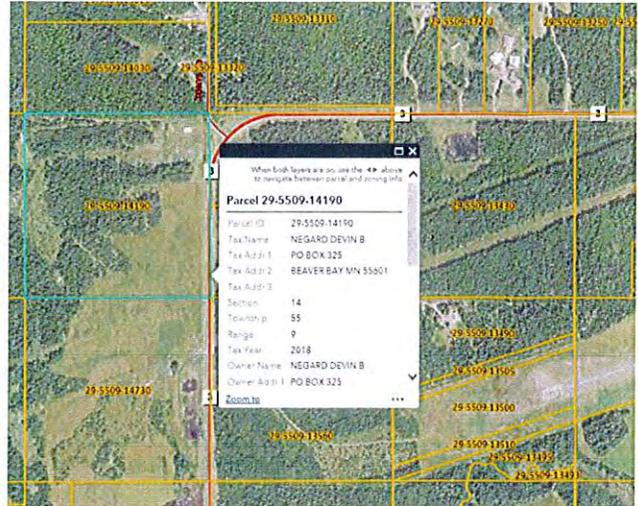
Comparable "Mini-Storage" Site Valuation

COMPARABLE "MINI-STORAGE" SALES MAP



Comparable Sale 1 Storage Site

Property Data	
Location:	4451 Tony's Road Silver Bay, MN
PID(s):	29-5509-14190
Site Size:	1,742,400 SF
Description:	Interior lot with street access
Zoning:	A-1 District
Topography:	Level at Grade
Comments:	1,728 SF unheated former cattle barn, on-site. Good visibility and access from State Highway 3
Utilities:	Electric



Transaction Data

Sale Price:	\$81,000
Sale Date:	October 30, 2017
\$/Sq. Ft. Value:	\$0.05
Other Expenses:	None
Buyer:	Devin Negard
Seller:	Arnold Harp
Comments:	Conventional financing, with \$1,000 down per County Assessor. This sale was verified by the assessor. This site is located across the street from the subject property.



Comparable Sale 2 Storage Site

Property Data	
Location:	20025 Flying Eagle Drive Nevis, MN
PID(s):	21-12-02900
Site Size:	686,070 SF 15.75 Acres
Description:	Rural, corner lot, just SE of Nevis
Topography:	Level at Grade
Comments:	AKA Crow Wing Storage, 7,400 SF unheated mini-storage building on-site.
Utilities:	Electric



Transaction Data	
Sale Price:	\$165,000, including \$20,000 of personal property
Adjusted Sales Price:	\$145,000
Sale Date:	January 19, 2018
\$/Sq. Ft. Value:	\$0.21
Other Expenses:	None
Buyer:	Gary D. & Mary Ann Kasselder
Seller:	Donald P. & Gayle M. Koch
Comments:	Small heated office area of approximately 120 sq.ft. Sale verified 11/19/18 by buyer Gary Kasselder. Being purchased on land contract at market rates (4.5%, 60 payments of \$994.49, \$35,000 down). \$20,000 of personal property was included in the sales price of \$165,000 (including 2 pontoon trailers, laptops, tools and inventory per buyer).



Comparable Sale 3 Storage Site

Property Data	
Location:	1828 230 th Avenue Mora, MN
PID(s):	10-01875-50
Site Size:	217,800 SF 20 Acres
Description:	Four buildings on-site, with a total of 15,892 sq.ft. of which, only 4,800 is heated.
Topography:	Level at Grade
Comments:	Previously used for storage and a welding business.
Utilities:	Electric



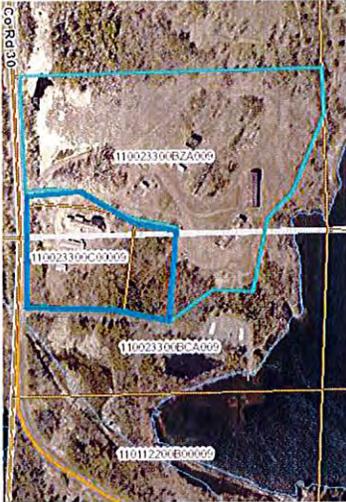
Parcel ID - 10.01875.50
Address - 1828 230 AVE
Acres - 20
View:
Report | Pictometry | Pictometry
Imagery

Transaction Data	
Sale Price:	\$129,900 per listing agent
Sale Date:	February 1, 2018
\$/Sq. Ft. Value:	\$0.15
Other Expenses:	None
Buyer:	Unknown
Seller:	Harry A & Jennifer M Kent
Comments:	Sale verified by the listing agent Scott Minks, and it was sold via a contract for deed at market rates. It was on the market for almost a full year.



Comparable Sale 4 Storage Site

Property Data	
Location:	18009 County Road 30 Crosby, MN
PID(s):	110023300BZA009, 110023300BYA009, 110023300BCB009, 110023300C00009,
Site Size:	1,034,986 Sq. Ft. 23.76 Acres
Description:	Six unheated buildings on-site.
Topography:	Level at Grade
Comments:	Previously used for storage and manufacturing business.
Utilities:	Electric



Parcel Number	110023300BZA009
Municipality	CITY OF CROSBY
Owner ID	129489
Owner Name	HOLMVIC EXCAVATING LLC
Owner Address	PO BOX 37
Owner Address 2	CROSBY MN 56441
Owner Address 3	
Owner Address 4	
Tax Falc	1
Tax ID	129489
Tax Name	HOLMVIC EXCAVATING LLC
Tax Address	PO BOX 37
Tax Address 2	CROSBY MN 56441
Tax Address 3	
Tax Address 4	
Physical Address	18009 COUNTY ROAD 30
Physical City	CROSBY, MN

Transaction Data	
Sale Price:	\$90,000
Sale Date:	December 14, 2017
\$/Sq. Ft. Value:	\$0.09
Other Expenses:	None
Buyer:	Holmwig Excavating, LLC
Seller:	Range Manufacturing Company
Comments:	Sale verified by the seller Nick Ferrari of Range Mfg. Co, and it was sold as a cash sale.

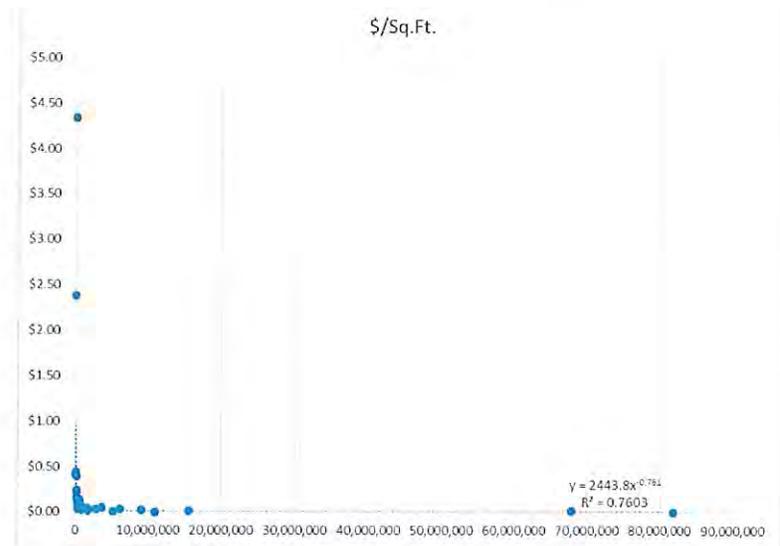


Improved "Mini-Storage" Site Valuation

Subject		Comp 1		Comp 2		Comp 3		Comp 4	
		20 Acre Site With 2 Hangar Buildings (Functions as Mini-Storage Buildings)		20025 Flying Eagle Dr		1828 230th Avenue		18009 CR30	
Address/Location	Silver Bay Municipal Airport	4451 Tony's Road	20025 Flying Eagle Dr	1828 230th Avenue	18009 CR30				
City, State Proximity	Silver Bay, MN	Silver Bay, MN	Nevis, MN	Mora, MN	Crosby, MN				
PID(s)		Adjacent to Subject Property	202 Miles SW	150 Miles SW	155 Miles SW				
ECRV	Site with Mini-Storage	29-5509-14190	21.12.02900	100187550	110023300BZA009+				
Intended Use		Contract for Deed at Market per Real Pole Barn Storage Building	Mini-Storage Property	Contract for Deed at Market per Real Storage Property	Lite Industrial Site				
Date of Sale	October 2018	October 2017	January 2018	February 2018	December 2017				
Land Area	871,200	1,742,400	686,070	871,200	1,034,986				Sq. Ft.
Recorded Sale Price	20.00 Acres	40.00 Acres	15.75 Acres	20.00 Acres	23.76 Acres				
Sale Price Per Acre		\$81,000	\$165,000	\$129,900	\$90,000				
		\$0.05	\$0.24	\$0.15	\$0.09				
Transactional Adjustments									
Property Rights		\$81,000	\$165,000	\$129,900	\$90,000				
Financing		\$0	\$0	\$0	\$0				
Conditions of Sale		\$81,000	\$165,000	\$129,900	\$90,000				
Special Assessments		\$81,000	\$165,000	\$129,900	\$90,000				
Other Expenditures		\$0	-\$20,000	\$0	\$0				
Market Conditions		\$81,000	\$145,000	\$129,900	\$81,000				
Adjusted Sale Price		\$81,000	\$145,000	\$129,900	\$81,000				
Adjusted Sale Price per Acre		\$0.05	\$0.21	\$0.15	\$0.08				
Property Adjustments									
Size	871,200	1,742,400	686,070 SF	871,200	1,034,986 SF				
Location	Average	Similar	Similar	Superior	Similar				15%
Access	Interior lot	Similar	Similar	Similar	Similar				0%
Shape	Rectangular	Rectangular	Rectangular	Similar	Irregular				0%
Terrain	Level	Mostly Level	Level	Level	Level				2%
Storage Structures	12,688 SF Storage Building	1,728 SF Pole Barn	7,400 SF Metal Storage Bld	15,892 SF Storage Bldgs	24,495 SF storage bldgs				0%
Other Features	Paved, lighted, some fence	None	Similar	None	Similar				-25%
Net Adjustment		125%	-35%	-17%	-8%				
Gross Adjustment		125%	35%	23%	42%				
Net Adjustment		125%	-35%	-17%	-8%				
Indicated Value per Acre		\$0.10	\$0.14	\$0.12	\$0.07				

Explanation of Adjustments

Property Rights:	All of the comparable sales are of fee simple interests. Therefore, no adjustments are necessary.
Financing:	Financing that is not typical to the market was not discovered. Therefore, no other adjustments were necessary.
Conditions of Sale:	Comparable sale #1 was purchased by an adjoining property owners. Adjacent property owners are typically motivated to purchase these sites and are often willing to pay a premium. To compensate for this, comparable sale #1 was given a downward adjustment of 10%. All of the other sales are arm's-length transactions. No adjustments are necessary.
Special Assessments:	No adjustment is necessary.
Other Expenditures:	No unusual development costs were discovered.
Market Conditions:	Real estate values normally change over time, with the rate of fluctuation due to investor's perceptions of prevailing market conditions. This adjustment reflects value changes, if any that have occurred between the date of the sale and the effective date of this appraisal. As the rental rates have such a strong impact on the value of this class of real estate, the lack of change in storage rental rates in the last year indicate little to no market appreciation. Therefore, no adjustments for market conditions were found to be appropriate.
Lot Size:	Typically, smaller lots tend to sell for a higher dollar per square foot value than larger ones. When dollar per square foot values and lot sizes of the four comparable sales for this component of the subject property are charted out, there is a strong correlation (a 0.76 R squared value).



This trend line accounts for just over 76% of the differences in value of the four comparable sales. When this is adjusted for (using the formula for Y noted in the grid above), a positive adjustment of 72% for comparable sale 1, a negative 20% for sale 2, and a 15% for sale 4 were required.

Location:

This adjustment category considers general market area influences, as well as a property's visibility from main thoroughfares. The subject property and comparables 1, 2 and 4 are all located in low traffic, low population areas, and no adjustment was needed. Sale 3, however, is in a higher population area, on a well-traveled road, and was adjusted downwards by 10%.

Access:

The subject property, and all of the other comparable sales have adequate vehicular access, therefore no adjustments were required.

Shape:

Each of the comparable sales is roughly rectangular, or is of a buildable shape. Only sale 4 is less than rectangular, and was adjusted upwards slightly. No other adjustments for shape were needed.

Terrain:

The subject site, and each of the comparable sales are all fairly level. For this reason, no adjustments for terrain are made.

Storage Structures:

The two hangar structures on the subject site are older, and could fairly easily be used for boat or RV storage, which appears to be lacking in the immediate area. The value of these buildings is estimated to be roughly \$5 per square foot, and is based on the depreciated building value of the subject, and on the extracted building value of the comparables. When the differences in building size are converted into value, and compared, and then those differences in value are converted into a percentage of the dollar per square foot (land value) of the comparables, negative adjustments to sales 2, 3 and 4 were required, and a positive adjustment to sale #1.

Analysis of Comparable Sales

The comparables included in this analysis are recent sales of improved rural commercial lots, with storage buildings located Silver Bay, and in northern Minnesota. The Minnesota Department of Revenue ECRV website was searched for recent sales of mini-storage properties, and when it was found that there were few recent sales of comparable properties, that search was widened to include other types of storage structures. The following table highlights the range of indicated values before and after adjustments are applied to the comparables.

Value Indications		
	Unadjusted Sale Price per Sq. Ft.	Adjusted Sale Price per Sq.Ft.
Low	\$0.05	\$0.07
High	\$0.24	\$0.14
Average	\$0.13	\$0.11
Median	\$0.12	\$0.11

The adjustments have significantly narrowed the range of indicated value. Only slightly greater weight was given to comparable sale #1, due to its very close proximity. The other sales have significantly lower net and gross adjustments, and were therefore given almost equal weight.

The adjusted values of the comparable land sales range from \$0.07 to \$0.14 per square foot; the average is \$0.11 per square foot and the median is \$0.11 per square foot. All of the value indications have been considered, and in the final analysis, comparable land sale #1 has been given the most weight in arriving at the final reconciled per square foot value of \$0.11.

Mini-Storage Site Value Conclusion		
Subject Site Size	Adjusted Sale Price per Square Foot	Value Conclusion
871,200 Square feet	X \$0.11	= \$95,832
	Rounded Value	\$96,000

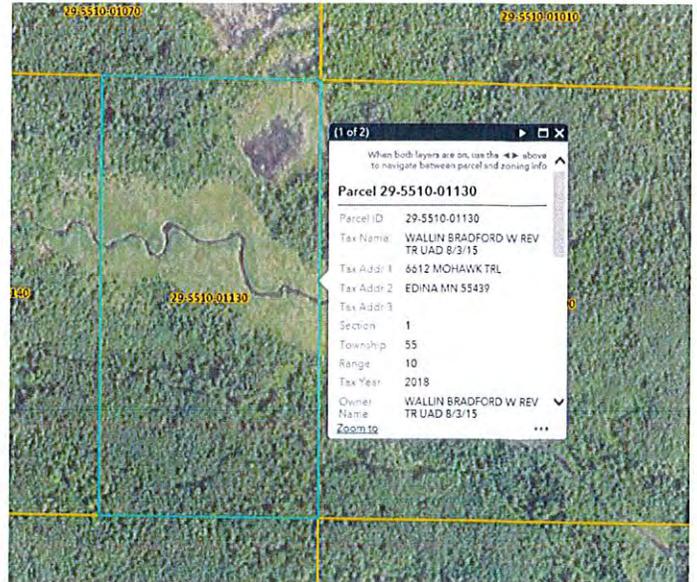
Comparable Site Valuation

COMPARABLE "20 ACRE VACANT RESIDENTIAL" SALES MAP



Comparable Sale 1 Vacant Residential 20 Acre Site

Property Data	
Location:	XXXX Bear Pit Road Two Harbors, MN
PID(s):	29-5510-01130
Site Size:	871,200 SF 20 Acres
Description:	Isolated lot with access only via easement over adjacent lands.
Topography:	Mostly Level at Grade
Comments:	Some of this site is in wetlands, surrounding the pond and stream (West Split Rock River).
Utilities:	Electric at road.

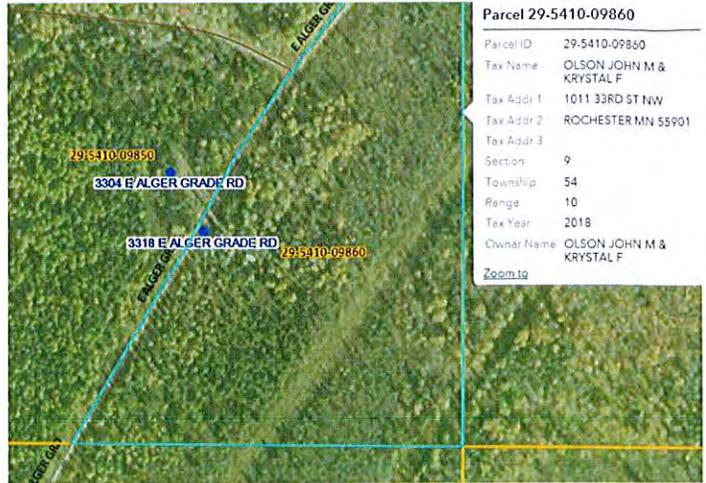


Transaction Data	
Sale Price:	\$30,000
Sale Date:	July 31, 2017
\$/Sq. Ft. Value:	\$0.03
Other Expenses:	None
Buyer:	Bradford W. Wallin Revoc. Trust
Seller:	Taylor & Angela Smith
Comments:	This cash sale was verified to be a market sale by Seller; Taylor Smith

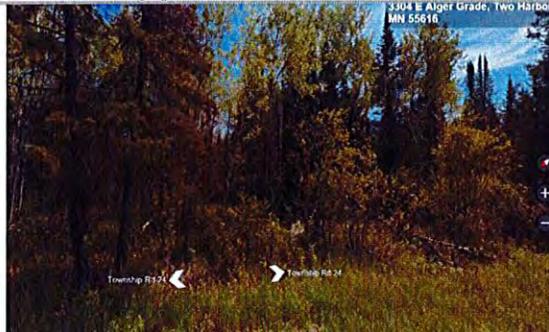


Comparable Sale 2 Vacant Residential 20 Acre Site

Property Data	
Location:	3318 Alger Grade Road Two Harbors, MN
PID(s):	29-5410-09860
Site Size:	871,200 SF 20.00 Acres
Description:	Rural, interior lot, roughly 10 miles north of Two Harbors.
Topography:	Level at Grade
Comments:	Heavily Wooded Site.
Utilities:	Electric at road

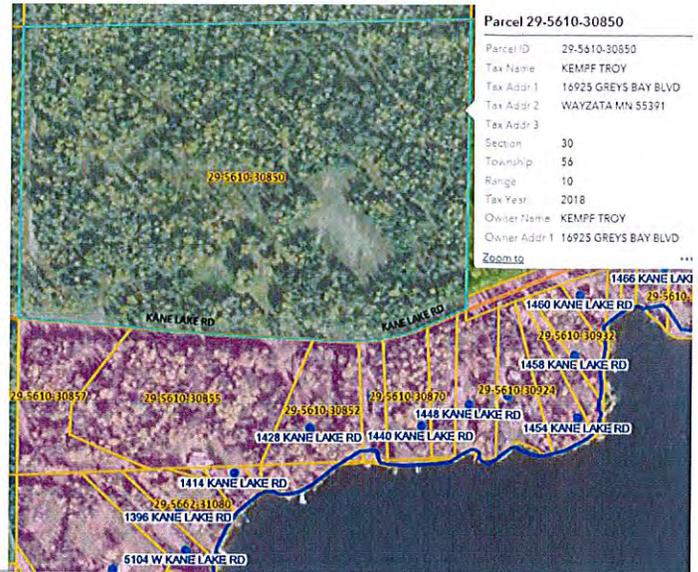


Transaction Data	
Sale Price:	\$20,000
Sale Date:	February 5, 2016
\$/Sq. Ft. Value:	\$0.02
Other Expenses:	None
Buyer:	John M. & Krystal F. Olson
Seller:	Nicholas & Jennifer Fleming
Comments:	Cash sale verified by the county assessor as neither the buyer nor seller were available by phone.



Comparable Sale 3 Vacant Residential 20 Acre Site

Property Data	
Location:	XXX Kane Lake Road Two Harbors, MN
PID(s):	29-5610-30850
Site Size:	1,227,521 SF 28.18 Acres
Description:	Rural site roughly 18 miles north of Two Harbors, by Kane Lake.
Topography:	Level at Grade
Comments:	Heavily Wooded Site.
Utilities:	Electric at road.



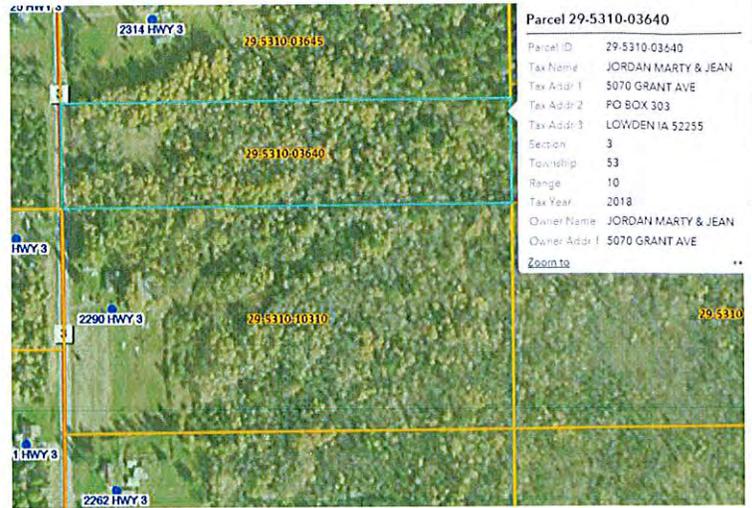
Parcel 29-5610-30850	
Parcel ID	29-5610-30850
Tax Name	KEMPF TROY
Tax Addr 1	16925 GREYS BAY BLVD
Tax Addr 2	WAYZATA MN 55391
Tax Addr 3	
Section	30
Township	56
Range	10
Tax Year	2018
Owner Name	KEMPF TROY
Owner Addr 1	16925 GREYS BAY BLVD
Zoom to	

Transaction Data	
Sale Price:	\$40,000 per listing agent
Sale Date:	December 1, 2017
\$/Sq. Ft. Value:	\$0.03
Other Expenses:	None
Buyer:	Troy Kempf
Seller:	Bruce Larson
Comments:	This cash sale was verified, by the buyer Troy Kempf, to be an arms-length transaction, at what he believes to be market value.



Comparable Sale 4 Vacant Residential 20 Acre Site

Property Data	
Location:	2298 Highway 3
	Two Harbors, MN
PID(s):	29-5310-03640 & 29-5310-03655
Site Size:	871,200 Sq. Ft. 20 Acres
Description:	Heavily Wooded Site.
Topography:	Level at Grade
Comments:	Rural site roughly 13.5 miles SW of the subject site.
Utilities:	Electric at Road.



Transaction Data	
Sale Price:	\$43,000
Sale Date:	February 9, 2018
\$/Sq. Ft. Value:	\$0.05
Other Expenses:	None
Buyer:	Marty & Jean Jordan
Seller:	Tom & Lori Price
Comments:	Cash sale verified by the County Assessor, as both the buyer and seller were not available by phone.



Improved "20 Acre Vacant Residential Home Site" Valuation

Subject		Comp 1			Comp 2			Comp 3			Comp 4		
		Address/Location City, State PID(s) ECRV Intended Use Date of Sale Land Area Sq. Ft. Acres Recorded Sale Price Sale Price Per Acre	XXXX Bear Pit Road Two Harbors, MN 29-5510-01130 700303 Residential Home Site July 2017 871,200 20.00 Acres \$30,000 \$0.03	3318 E Alger Grade RD Two Harbors, MN 29-5410-09860 463086 Residential Home Site February 2016 871,200 20.00 Acres \$20,000 \$0.02	XXX Kane Lake Road Two Harbors 29-5610-30850 755610 Residential Home Site December 2017 1,227,521 28.18 Acres \$40,000 \$0.03	2298 Highway 3 Two Harbors, MN 29-5510-05640 & 29-5510-03655 775287 Residential Home Site February 2018 871,200 20.00 Acres \$43,000 \$0.05							
Transactional Adjustments													
Property Rights		\$30,000	\$20,000	\$40,000	\$43,000								
Financing		\$0	\$0	\$0	\$0								
Conditions of Sale		\$30,000	\$20,000	\$40,000	\$43,000								
Special Assessments		\$0	\$0	\$0	\$0								
Other Expenditures		\$0	\$0	\$0	\$0								
Market Conditions		\$30,000	\$20,000	\$40,000	\$43,000								
Adjusted Sale Price		\$30,900	\$21,000	\$40,800	\$43,000								
Adjusted Sale Price per Acre		\$0.04	\$0.02	\$0.03	\$0.05								
Property Adjustments													
Size	871,200	871,200	871,200	1,227,521	871,200								
Location	Average	Similar	Similar	Similar	Similar								
Access	Interior lot	Similar	Similar	Similar	Similar								
Shape	Rectangular	Rectangular	Rectangular	Rectangular	Rectangular								
Terrain	Level	Level	Level	Level	Level								
Other	None	None	None	None	None								
Net Adjustment		0%	0%	31%	0%								
Gross Adjustment		0%	0%	31%	0%								
Net Adjustment		0%	0%	31%	0%								
Indicated Value per Acre		\$0.04	\$0.02	\$0.04	\$0.05								

Explanation of Adjustments

Property Rights: All of the comparable sales are of fee simple interests. Therefore, no adjustments are necessary.

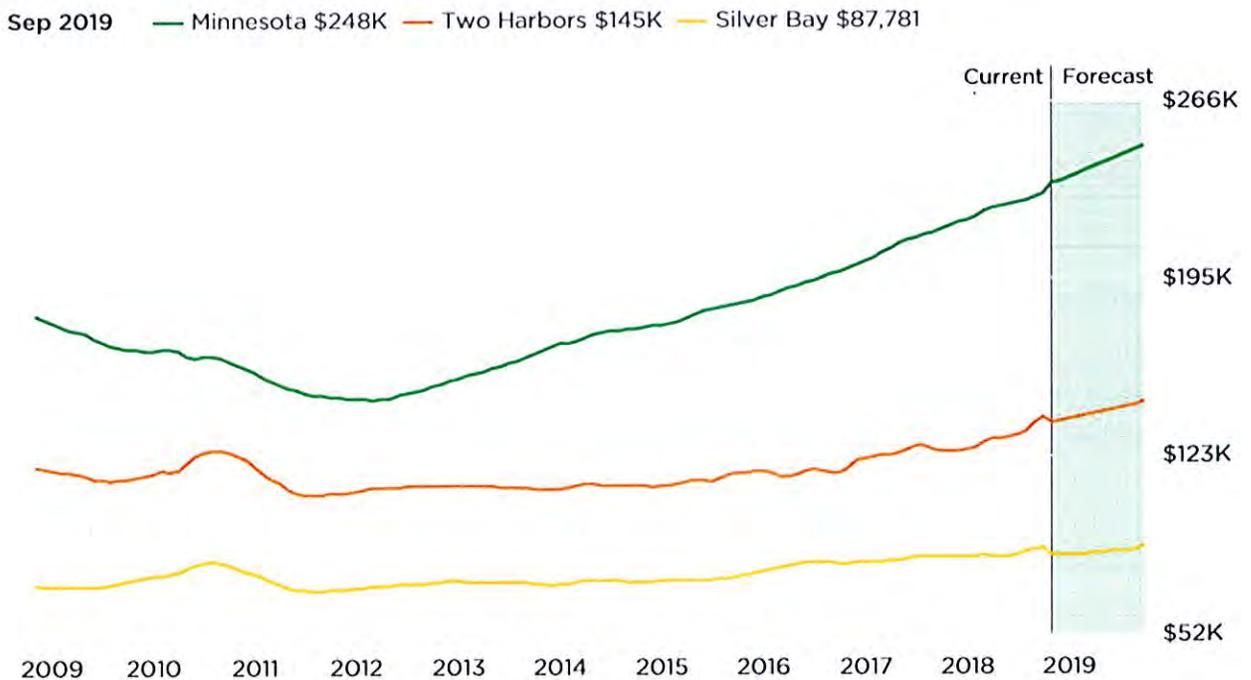
Financing: Financing that is not typical to the market was not discovered. Therefore, no other adjustments were necessary.

Conditions of Sale: All of the sales are arm's-length transactions. No adjustments are necessary.

Special Assessments: No adjustments are necessary.

Other Expenditures: No unusual costs or expenditures were discovered.

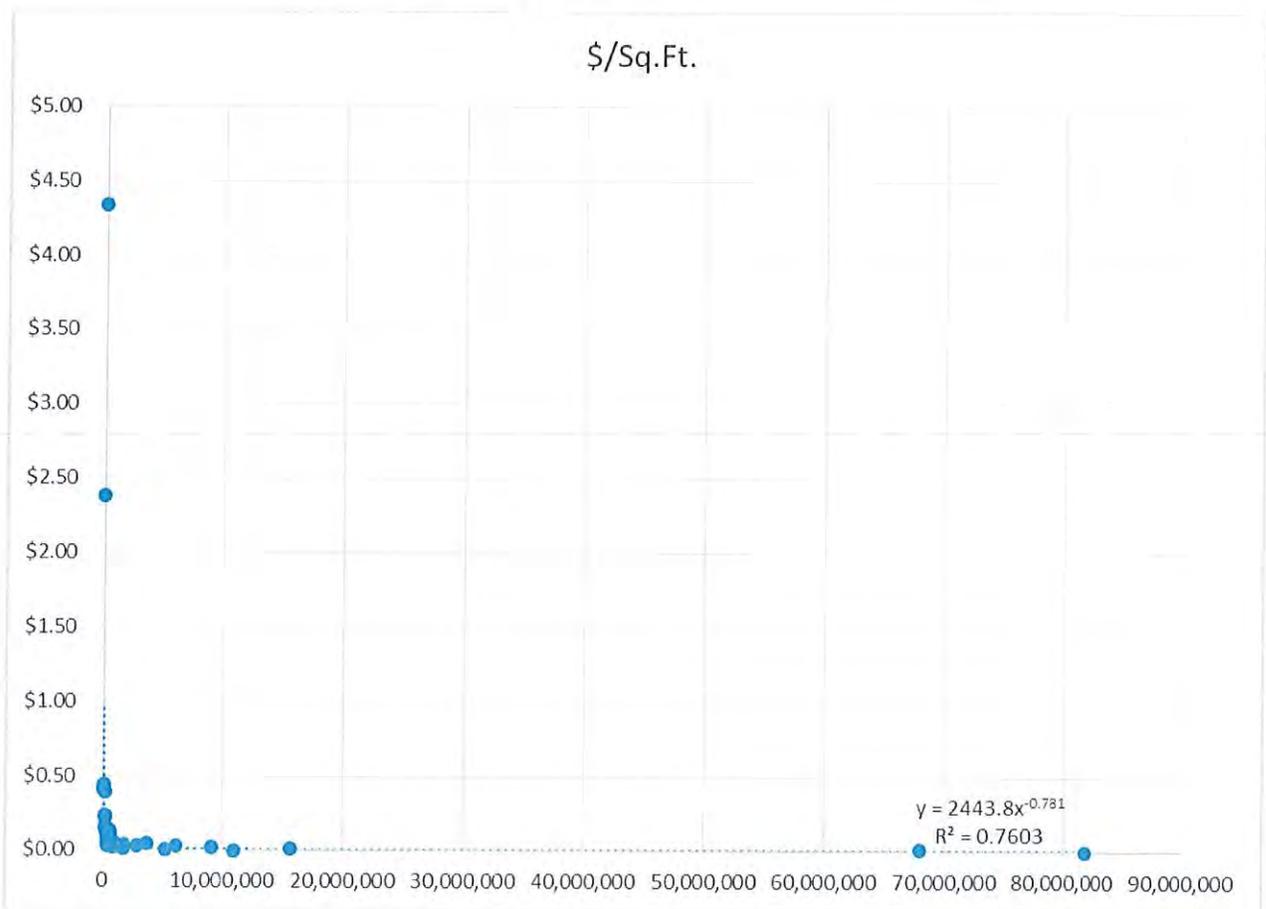
Market Conditions: Due to a small sample size, a multiple regression analysis of the available sales yielded an unrealistic representation of market conditions, and was therefore not used. Instead, the Zillow Home Value Index, as seen below,



shows a fairly meager market appreciation for the local area, relative to the state in general. The annual market appreciation for single family residential properties in Silver Bay for the past three years has been roughly 2%, which has been used in this analysis.

Lot Size:

Typically, smaller lots tend to sell for a higher dollar per square foot value than larger ones. When dollar per square foot values and lot sizes of 62 land sales (from the last three years) in a roughly 30 mile radius of the subject, ranging in size from .5 to 1,879 acres, are charted out, there is a correlation of 0.76 R squared value.



This larger data set was used to separate out the wide differences found at the 20 acre and 40 acre size ranges. This trend line accounts for just over 76% of the differences in value of these comparable sales. When this is adjusted for (using the formula for Y noted in the grid above), a positive adjustment of 31% for comparable sale 3 was required.

- Location:** This adjustment category considers general market area influences, as well as a property's visibility from main thoroughfares. The subject property and all of the comparables are all located in low traffic, low population areas, and no adjustment was needed.
- Access:** The subject property, and all of the other comparable sales have adequate vehicular access, therefore no adjustments were required.
- Shape:** The subject property, and all of the other comparable sales have adequate fairly rectangular shapes, therefore no adjustments were required.
- Terrain:** The subject site, and each of the comparable sales are all fairly level. For this reason, no adjustments for terrain are made.
- Other:** No other considerations affecting the property values were in need of analysis or adjustment.

Analysis of Comparable Sales

The comparables included in this analysis are recent sales of vacant un-improved rural residential lots, located Silver Bay, and its immediate environs. The Minnesota Department of Revenue E-CRV website, and local realtor's websites were searched for recent sales. The following table highlights the range of indicated values before and after adjustments are applied to the comparables.

Value Indications		
	Unadjusted Sale Price per Sq. Ft.	Adjusted Sale Price per Sq.Ft.
Low	\$0.02	\$0.02
High	\$0.05	\$0.05
Average	\$0.03	\$0.04
Median	\$0.03	\$0.04

Only slightly greater weight was given to comparable sale #3 and #4, due to their more recent sales date, and lower net and gross adjustments.

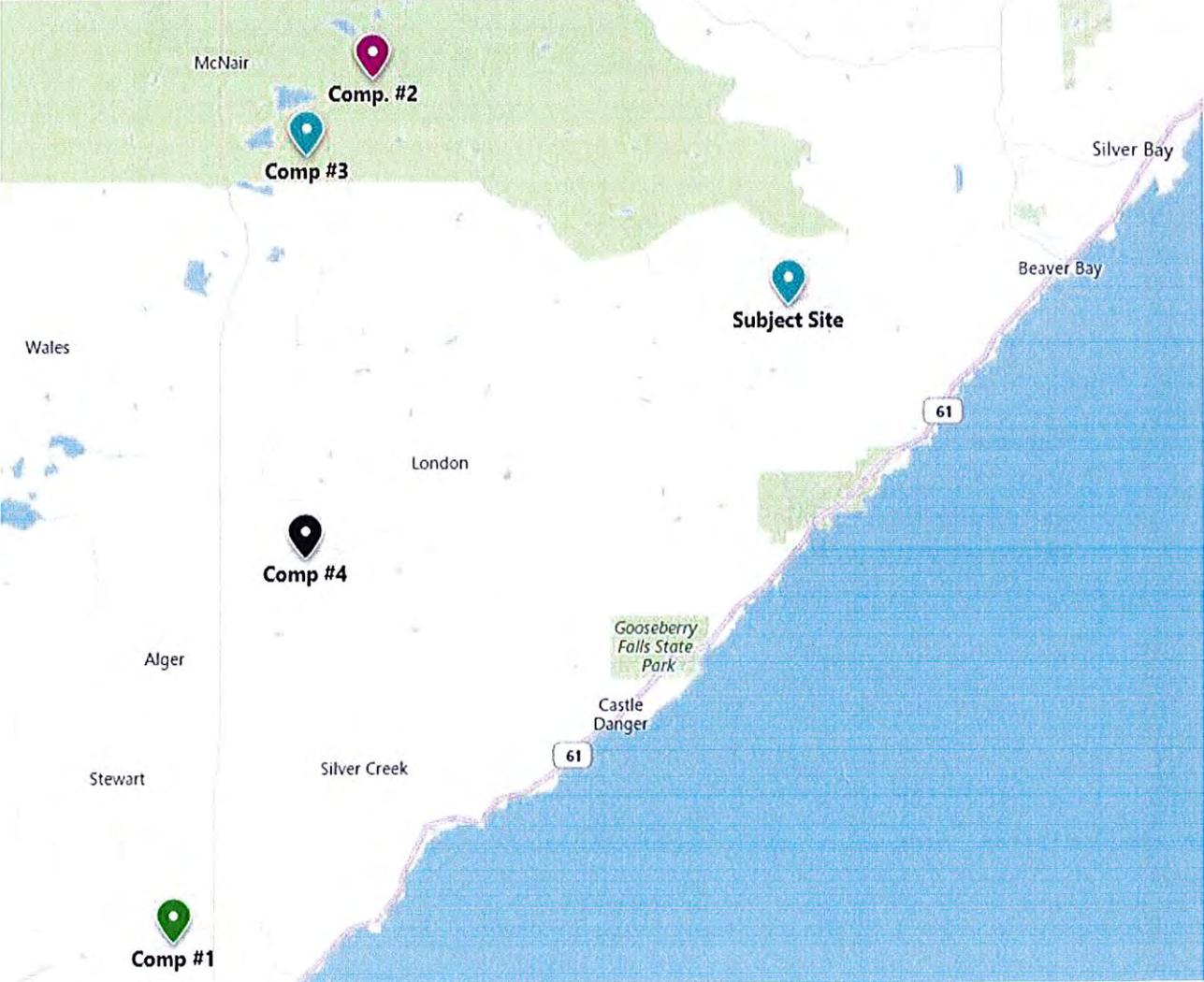
The adjusted values of the comparable land sales range from \$0.02 to \$0.05 per square foot; the average is \$0.04 per square foot and the median is \$0.04 per square foot. All of the value indications have been considered, and in the final analysis, comparable land sale #1 has been given the most weight in arriving at the final reconciled per square foot value of \$0.04.

"20 Acre" Vacant Residential Site Value Conclusion		
Site Size	\$/SF Value	Value Conclusion
871,200 X	\$0.04 =	\$34,848
871,200 X	\$0.04 =	\$34,848
1,176,830 X	\$0.04 =	\$46,630
860,422 X	\$0.04 =	\$34,417
3,779,652	\$0.04 =	\$151,186
	Rounded Value	\$151,000

The four vacant residential home sites, in the 20 acre size range, actually range in size from 19.75 acres to 27.5 acres. When the \$0.04 dollar per square foot value conclusion is applied to these parcels, the total rounded value conclusion for these four sites together is **\$151,000, One Hundred, Fifty-one Thousand Dollars.**

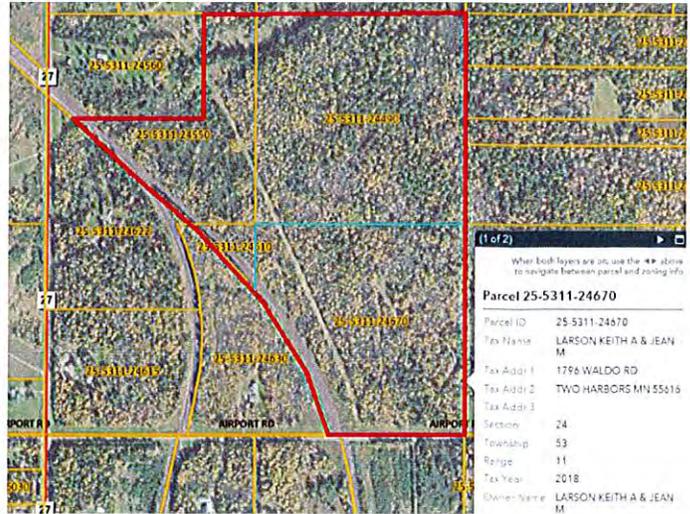
Comparable Site Valuation

COMPARABLE "71 ACRE VACANT RESIDENTIAL" SALES MAP



Comparable Sale 1 Residential site of 71 acres

Property Data	
Location:	1195 Airport Road Two Harbors, MN
PID(s):	25-5311-24490 +
Site Size:	3,723,944 SF 85.49 Acres
Description:	Access via Airport Road, Little Stewart river flows along the north edge of this site.
Topography:	Level at Grade
Comments:	Heavily wooded site, 1 Mile North of Two Harbors.
Utilities:	Electric at Road

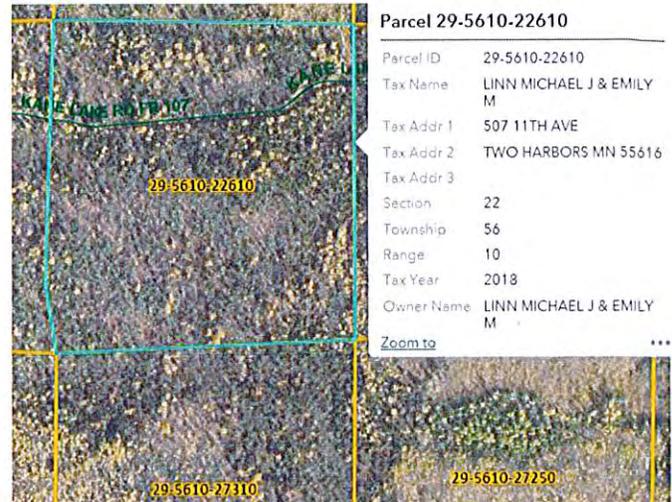


Transaction Data	
Sale Price:	\$170,000
Sale Date:	April 21, 2017
\$/Sq. Ft. Value:	\$0.05
Other Expenses:	None
Buyer:	Keith A. & Jean M. Larson
Seller:	Jerome L. & Lynette M. Rhode
Comments:	Cash sale verified by the County Assessor, as both the buyer and seller were not available by phone.



Comparable Sale 2 Residential site of 71 acres

Property Data	
Location:	XXX Kane Lake Road Two Harbors, MN
PID(s):	29-5610-22610
Site Size:	1,742,400 SF 40 Acres
Description:	Kane Lake Fire Road 107 bisects this heavily wooded site.
Topography:	Level, at grade
Comments:	Remote & rural residential site.
Utilities:	None

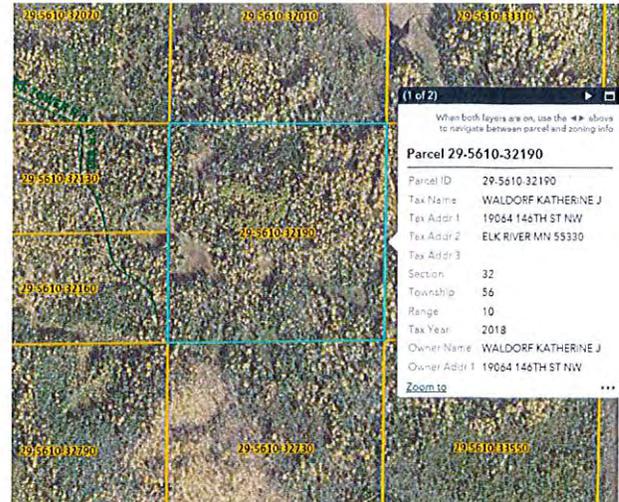


Transaction Data	
Sale Price:	\$35,000
Sale Date:	June 12, 2017
\$/Sq.Ft Value:	\$0.02
Other Expenses:	None
Buyer:	Michael & Emily Linn
Seller:	Richard, Tricia, Michael & Jennifer Kempfert
Comments:	This cash sale was verified, by the buyer Jennifer Kempfert, to be an arms-length transaction, at what he believes to be market value.



Comparable Sale 3 Residential site of 71 acres

Property Data	
Location:	4994 Fire Tower Road Two Harbors, MN
PID(s):	29-5610-32190
Site Size:	1,742,400 SF 40 Acres
Description:	Heavily wooded site.
Topography:	Level, at grade
Comments:	Remote & rural residential site.
Utilities:	None

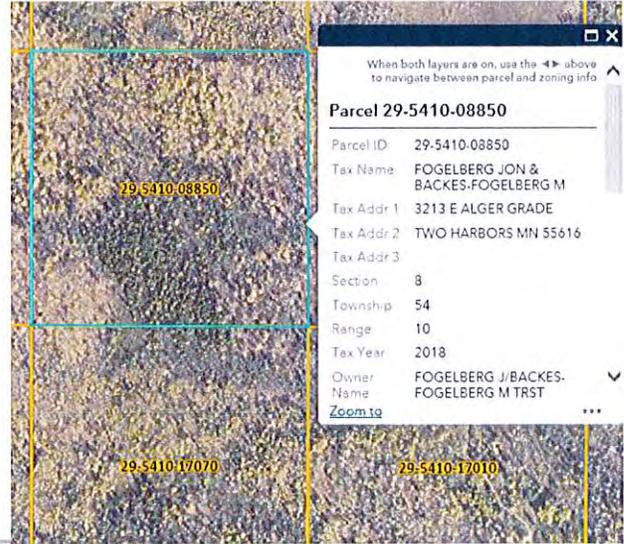


Transaction Data	
Sale Price:	\$32,000
Sale Date:	March 13, 2017
\$/Sq.Ft. Value:	\$0.02
Other Expenses:	None
Buyer:	John & Katherine J. Walforf
Seller:	Estate of Myra J. Oredson
Comments:	Verified by buyer, John Walforf, to be an arms-length transaction, at what he believes to be market value. This site is accessed via an easement over adjacent land. Which, according to the new owner, is now (after the sale) being illegally blocked/limited by the adjacent property owner.



Comparable Sale 4 Residential site of 71 acres

Property Data	
Location:	XXX Alger Spur Road Two Harbors, MN
PID(s):	29-5410-08850
Site Size:	1,742,400 SF 40 Acres
Description:	Heavily wooded site.
Topography:	Level, at grade
Comments:	Remote & rural residential site
Utilities:	None



Transaction Data	
Pending Sale Price:	\$37,500
Sale Date:	April 14, 2017
\$/Sq.Ft. Value:	\$0.02
Other Expenses:	None
Buyer:	Lennon G. & Diane L. Gordon, et. al.
Seller:	Steve & Kimberly Graden
Comments:	The seller, Steve Graden, confirmed that this is an arms-length cash transaction, at what he believes to be market value.



Improved "71 Acre Vacant Residential" Site Valuation

Subject		Comp 1		Comp 2		Comp 3		Comp 4	
		71 Acre Vacant Residential Home Site Parcel		71 Acre Vacant Residential Home Site Parcel		71 Acre Vacant Residential Home Site Parcel		71 Acre Vacant Residential Home Site Parcel	
Address/Location	Silver Bay Municipal Airport	1195 Airport Road	XXX Kane Lake Road (FR 107)	4994 Fire Tower Road	XXX Alger Spur Rd.				
City, State	Silver Bay, MN	Two Harbors, MN	Two Harbors, MN	Two Harbors	Two Harbors, MN				
PID(s)		25-5311-24490, 25-5311-24550, 25-5311-24610, 644301	29-5610-22610	29-5610-32190	29-5410-08850				
ECRV		644301	670956	629161	642676				
Intended Use	Large Home Site	Residential Home Site	Residential Home Site	Residential Home Site	Residential Home Site				
Date of Sale	October 2018	April 2017	June 2017	March 2017	April 2017				
Land Area Sq. Ft.	3,108,025	3,723,944	1,742,400	1,742,400	1,742,400				
Acres	71.35 Acres	85.49 Acres	40 Acres	40 Acres	40 Acres				
Recorded Sale Price		\$170,000	\$35,000	\$35,000	\$37,500				
Sale Price Per Acre		\$0.05	\$0.02	\$0.02	\$0.02				
Transactional Adjustments									
Property Rights		\$170,000	\$35,000	\$32,000	\$37,500				
Financing		\$0	\$0	\$0	\$0				
Conditions of Sale		\$170,000	\$35,000	\$32,000	\$37,500				
Special Assessments		\$0	\$0	\$0	\$0				
Other Expenditures		\$170,000	\$35,000	\$32,000	\$37,500				
Market Conditions		\$0	\$0	\$0	\$0				
Adjusted Sale Price		\$170,000	\$35,000	\$32,000	\$37,500				
Adjusted Sale Price per Acre		\$0.05	\$0.02	\$0.02	\$0.02				
Property Adjustments									
Size	3,108,025	3,723,944	1,742,400	1,742,400	1,742,400				
Location	Average	Similar	Similar	Similar	Similar				
Access	Interior lot	Similar	Similar	Similar	Similar				
Shape	Rectangular	Rectangular	Rectangular	Rectangular	Rectangular				
Terrain	Level	Mostly Level	Level	Level	Level				
Other		None	None	Access Via Easement	Access Via Easement				
Net Adjustment		15%	-36%	-31%	-31%				
Gross Adjustment		15%	36%	41%	41%				
Net Adjustment		15%	-36%	-31%	-31%				
Indicated Value per Acre		\$0.05	\$0.01	\$0.01	\$0.01				

Explanation of Adjustments

Property Rights: All of the comparable sales are of fee simple interests. Therefore, no adjustments are necessary.

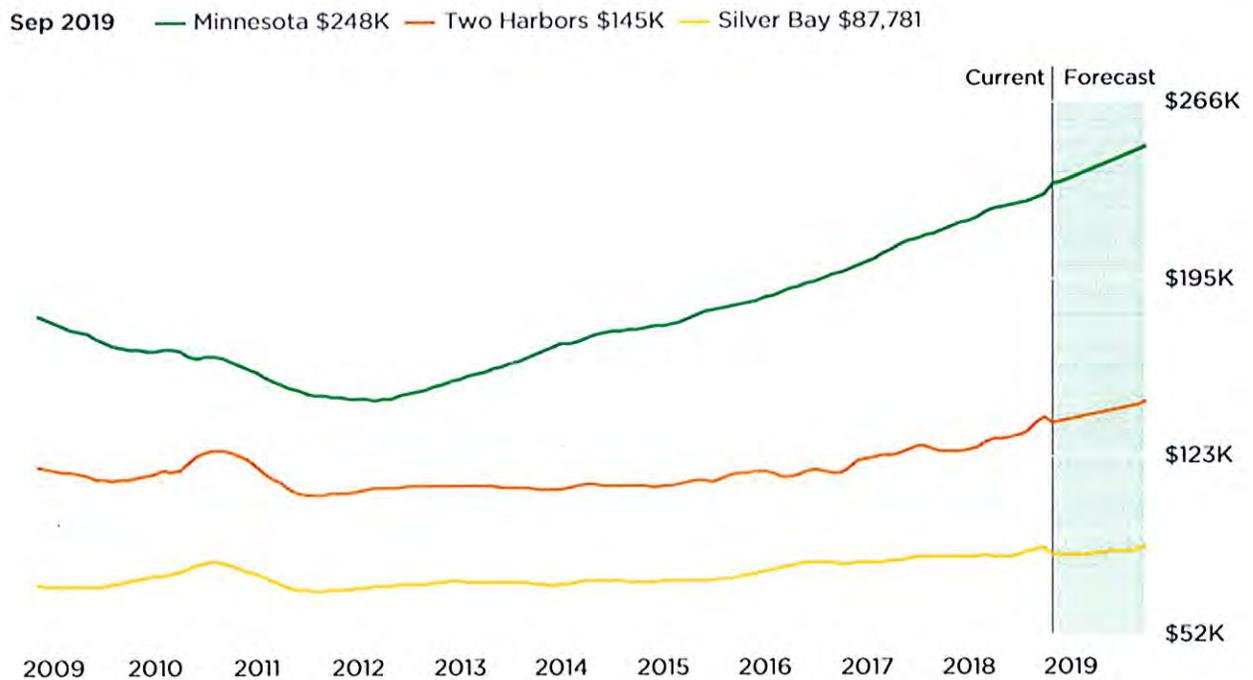
Financing: Financing that is not typical to the market was not discovered. Therefore, no other adjustments were necessary.

Conditions of Sale: All of the sales are arm’s-length transactions. No adjustments are necessary.

Special Assessments: No adjustments are necessary.

Other Expenditures: No unusual costs or expenditures were discovered.

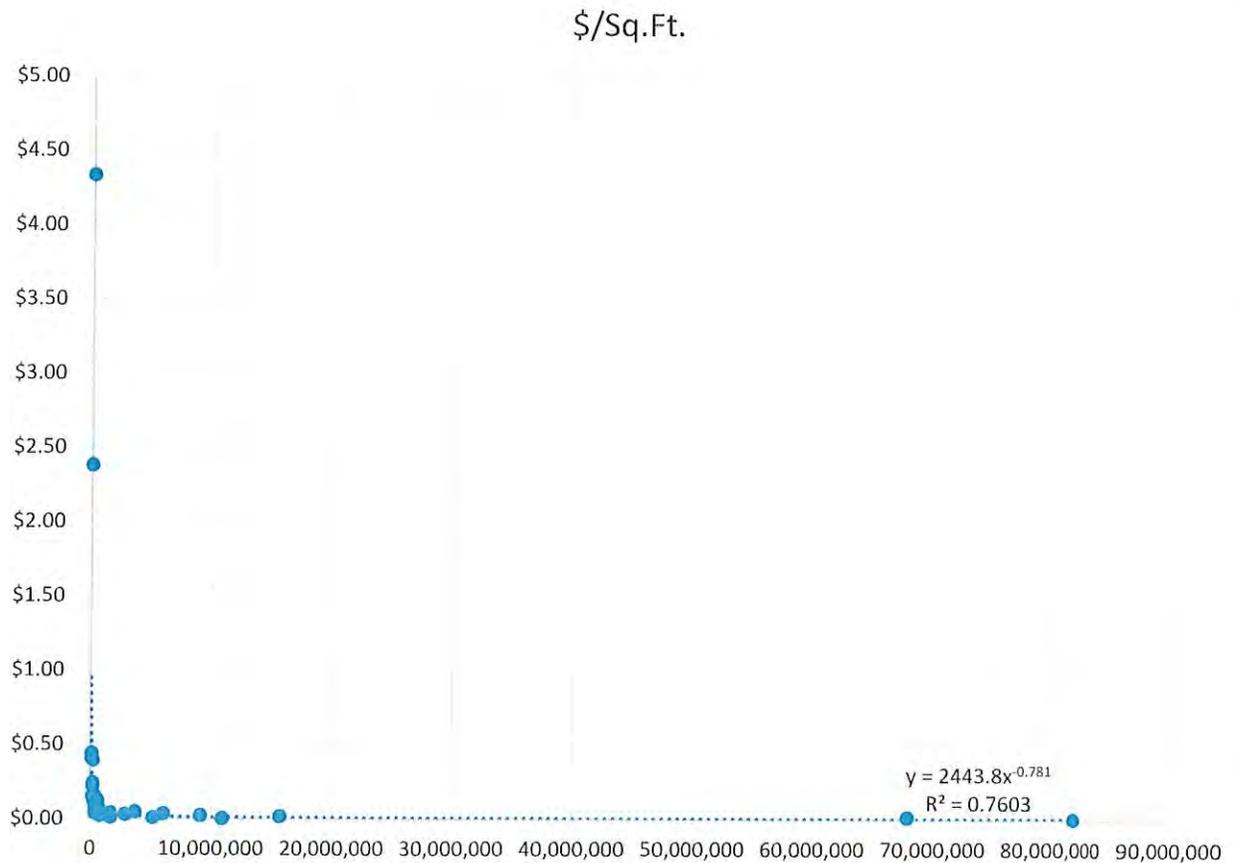
Market Conditions: Due to a small sample size, a multiple regression analysis of the available sales yielded an unrealistic representation of market conditions, and was therefore not used. Instead, the Zillow Home Value Index, as seen below,



shows a fairly meager market appreciation for the local area, relative to the state in general. The annual market appreciation for single family residential properties in Silver Bay for the past three years has been roughly 2%, which is what has been used in this analysis.

Lot Size:

Typically, smaller lots tend to sell for a higher dollar per square foot value than larger ones. When dollar per square foot values and lot sizes of 62 land sales (from the last three years) in a roughly 30 mile radius of the subject, ranging in size from 0.5 to 1,879 acres, are charted out, there is a correlation of 0.7603 R squared value.



This larger data set was used to separate out the wide differences found at the 20 acre and 40 acre size ranges. This exponential trend line accounts for just over 76% of the differences in value of these comparable sales. When this is adjusted for (using the formula for Y noted in the grid above), a positive adjustment of 15% for comparable sale 1 was required, and negative adjustments of 36% for sales 2, 3 and 4.

- Location: This adjustment category considers general market area influences, as well as a property's visibility from main thoroughfares. The subject property and all of the comparables are all located in low traffic, low population areas, and no adjustment was needed.
- Access: The subject property, and all of the other comparable sales have adequate vehicular access, therefore no adjustments were required.
- Shape: The subject property, and all of the other comparable sales have adequate fairly rectangular shapes, therefore no adjustments were required.
- Terrain: The subject site, and each of the comparable sales are all fairly level. For this reason, no adjustments for terrain are made.
- Other: Comparable sales #3 and #4 are accessed via an easement over adjacent (privately owned) lands, and were each adjusted upwards by 5%. No other considerations affecting the property values were in need of analysis or adjustment.

Analysis of Comparable Sales

The comparables included in this analysis are recent sales of vacant rural residential lots, located in the area immediately surrounding Silver Bay. The Minnesota Department of Revenue E-CRV website and local realtor websites were searched for recent comparable sales. The following table highlights the range of indicated values before and after adjustments are applied to the comparables.

Value Indications		
	Unadjusted Sale Price per Sq. Ft.	Adjusted Sale Price per Sq.Ft.
Low	\$0.02	\$0.01
High	\$0.05	\$0.05
Average	\$0.03	\$0.02
Median	\$0.02	\$0.01

Only slightly greater weight was given to comparable sale #1, due to its lower net and gross adjustments, the other three sales have similar locations, and relatively low adjustments, and were therefore given almost equal weight.

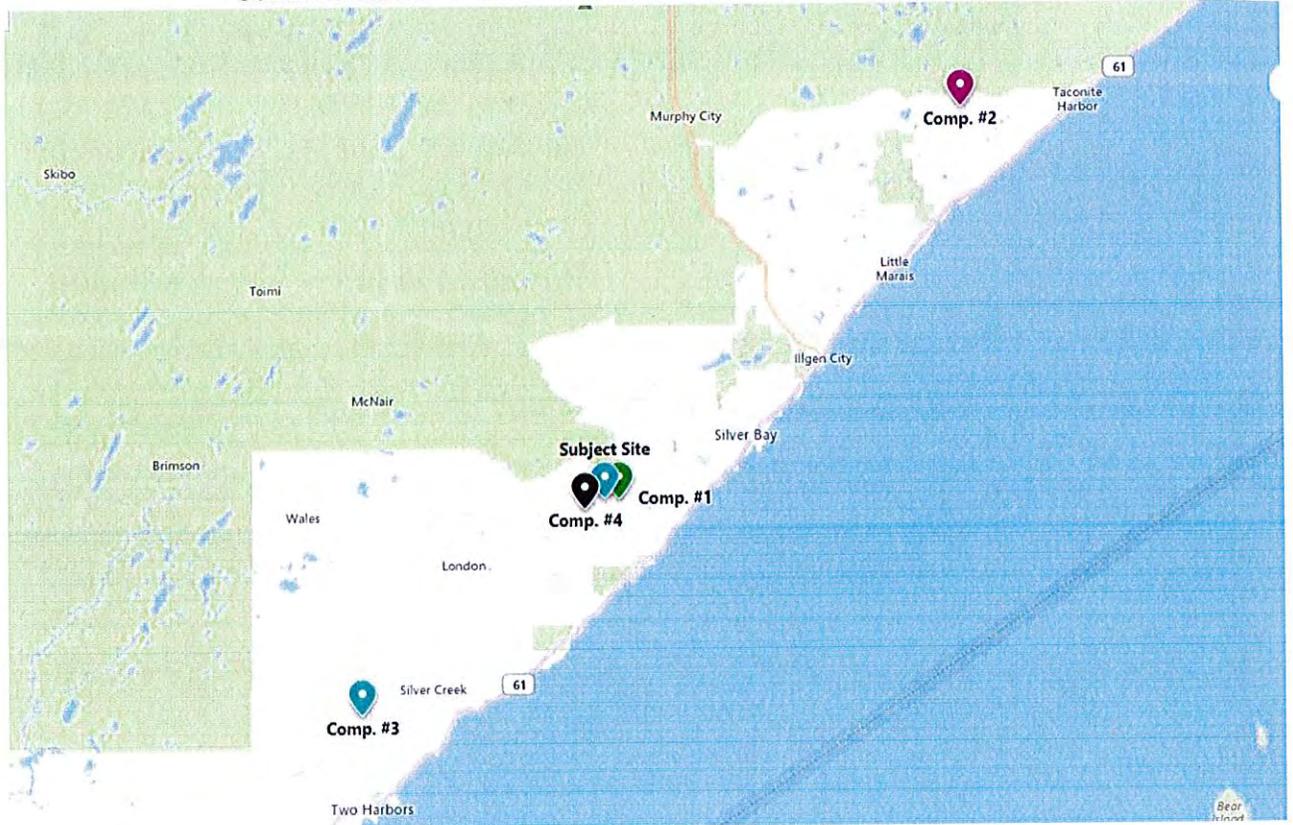
The adjusted values of the comparable land sales range from \$0.01 to \$0.05 per square foot; the average is \$0.02 per square foot and the median is \$0.01 per square foot. All of the value indications

have been considered, and in the final analysis, comparable land sale #1 has been given the most weight in arriving at the final reconciled per square foot value of \$0.02.

71 Acre Vacant Residential Site Value Conclusion			
Subject Site Size		Adjusted Sale Price per Square Foot	Value Conclusion
3,108,025 Square feet	X	\$0.02	= \$62,161
		Rounded Value	\$62,000

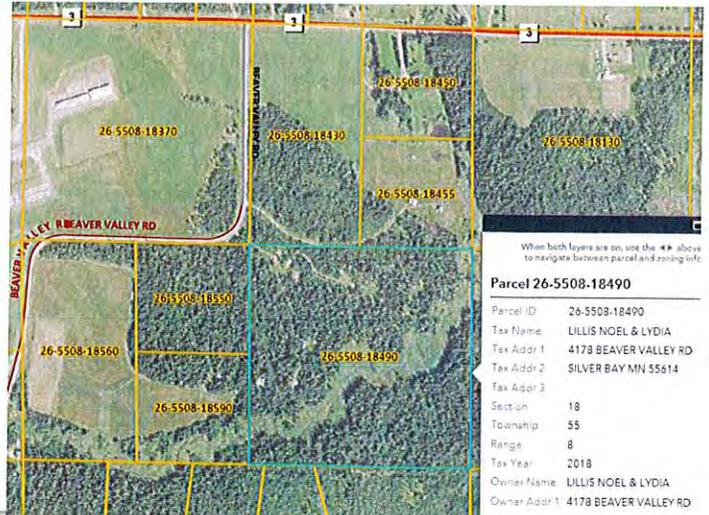
Comparable Site Valuation

COMPARABLE "IMPROVED RESIDENTIAL SITE" SALES MAP

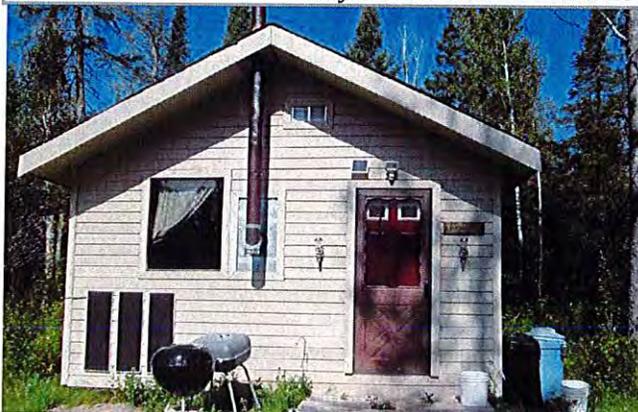


Comparable Sale 1 Improved Residential site

Property Data	
Location:	4380 Beaver Bay Road Silver Bay, MN
PID(s):	26-5508-18490 +
Site Size:	5,227,200 SF 120 Acres
Description:	3 cottages, each about 400 SF, built in 2001 on this site.
Topography:	Level at Grade
Comments:	Wooded site adjacent to subject site.
Utilities:	Electric at Road

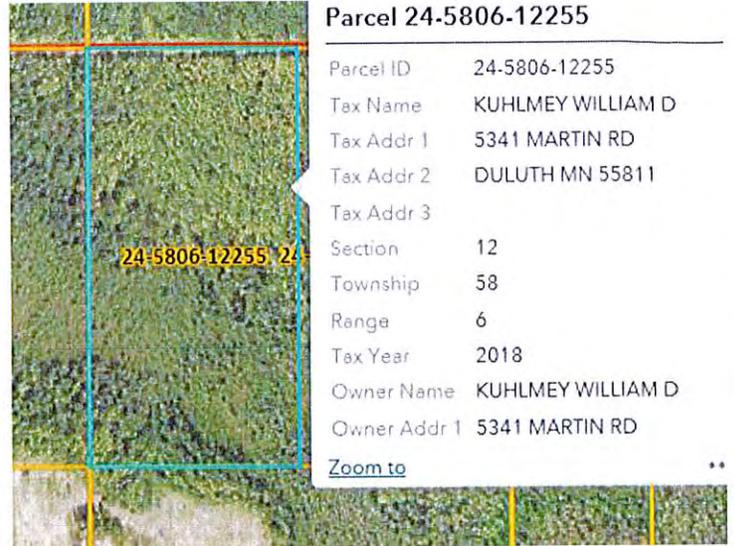


Transaction Data	
Sale Price:	\$189,000
Sale Date:	November 3, 2017
\$/Sq. Ft. Value:	\$0.04
Other Expenses:	None
Buyer:	Noel & Lydia Lillis
Seller:	Jolene C. Stover & the Estate of Jonathan Paul Stover
Comments:	Sold after almost two years on the market. This property is adjacent to the Silver Bay Airport, and has three fairly new small vacation cottages on it. This sale was confirmed by the County Assessor to be a valid market transaction, sold on a contract for deed, at market rates & terms, as the buyers and sellers could not be reached by phone.



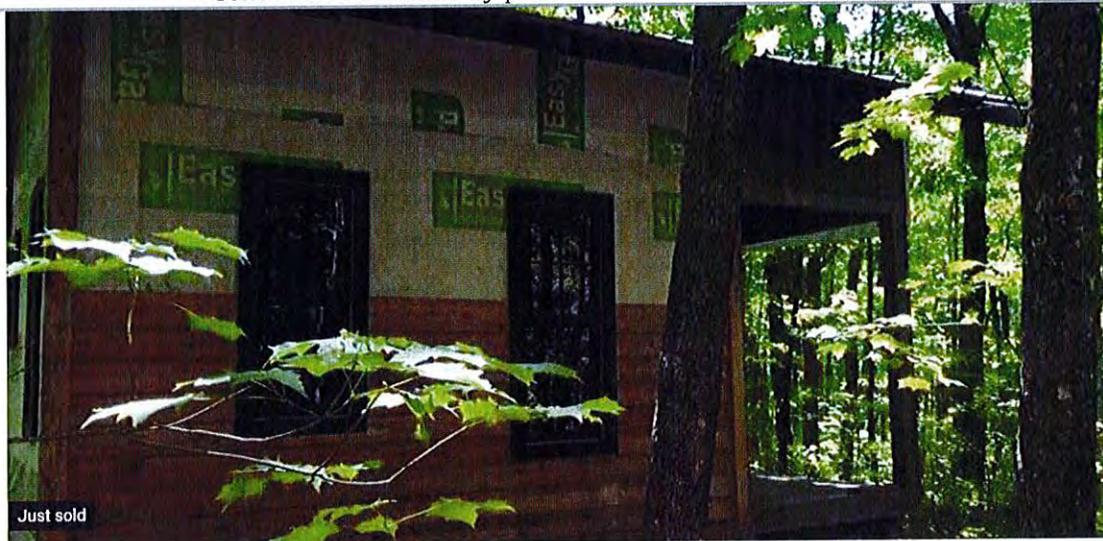
Comparable Sale 2 Improved Residential site

Property Data	
Location:	XXX County Highway 8 Finland, MN
PID(s):	24-5806-12255
Site Size:	871,200 SF 20 Acres
Description:	Roughly 100 SF unfinished and unheated shelter on-site.
Topography:	Level, at grade
Comments:	No driveway on this wooded rural residential site.
Utilities:	None



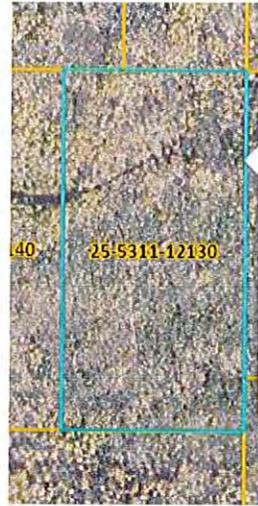
Parcel 24-5806-12255	
Parcel ID	24-5806-12255
Tax Name	KUHLMEY WILLIAM D
Tax Addr 1	5341 MARTIN RD
Tax Addr 2	DULUTH MN 55811
Tax Addr 3	
Section	12
Township	58
Range	6
Tax Year	2018
Owner Name	KUHLMEY WILLIAM D
Owner Addr 1	5341 MARTIN RD
Zoom to **	

Transaction Data	
Sale Price:	\$39,000
Sale Date:	September 19, 2018
\$/Sq.Ft Value:	\$0.04
Other Expenses:	None
Buyer:	William Kuhlmeiy
Seller:	James Vculek
Comments:	This cash sale was verified, by the County Assessor, to be an arms-length transaction, at what he believes to be market value, as neither the buyer or seller were available by phone.



Comparable Sale 3 Improved Residential site

Property Data	
Location:	1240 Lindgren Road, Parcel D, Two Harbors, MN
PID(s):	25-5311-12130
Site Size:	869,458 SF 19.96 Acres
Description:	Heavily wooded site.
Topography:	Mostly level, at grade
Comments:	Remote & rural residential site, 211 days on market.
Utilities:	Electric from Road.



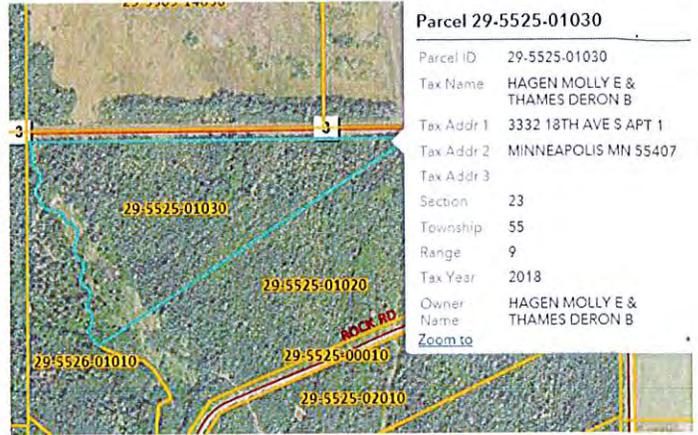
Parcel 25-5311-12130	
Parcel ID	25-5311-12130
Tax Name	TWO HARBORS HIDEAWAYS LLC
Tax Addr 1	512 TOMBERG RD
Tax Addr 2	TWO HARBORS MN 55616
Tax Addr 3	
Section	12
Township	53
Range	11
Tax Year	2018
Owner Name	TWO HARBORS HIDEAWAYS LLC
Zoom to	

Transaction Data	
Sale Price:	\$79,900
Sale Date:	August 10, 2018
\$/Sq.Ft. Value:	\$0.09
Other Expenses:	None
Buyer:	Two Harbors Hideaway, LLC
Seller:	Dwight Norman & Debbie Ann Lind
Comments:	Verified by the County Assessor, to be an arms-length transaction, at what he believes to be market value. Neither the buyer nor seller were available by phone. Hunting/recreational cabin (440 SF, built in 2009) on almost 20 acres with an access road bordering public land. Open great room area and bedroom with built in bunks & wired for power. Lots of trails and open areas on the property.



Comparable Sale 4 Improved Residential site

Property Data	
Location:	4574 Highway 3 Silver Bay, MN
PID(s):	29-5525-01030
Site Size:	871,200 SF 20 Acres
Description:	Heavily wooded site.
Topography:	Level, at grade
Comments:	Rural residential site, located less than ¼ mile southwest of the subject site. A small stream runs along the rear of this site.
Utilities:	Electrical nearby at road



Parcel 29-5525-01030	
Parcel ID	29-5525-01030
Tax Name	HAGEN MOLLY E & THAMES DERON B
Tax Addr 1	3332 18TH AVE S APT 1
Tax Addr 2	MINNEAPOLIS MN 55407
Tax Addr 3	
Section	23
Township	55
Range	9
Tax Year	2018
Owner Name	HAGEN MOLLY E & THAMES DERON B
Zoom to	

Transaction Data	
Sale Price:	\$62,000
Sale Date:	May 27, 2016
\$/Sq.Ft. Value:	\$0.07
Other Expenses:	None
Buyer:	Molly Hagen & Deron Thames
Seller:	Steven & Celeste Sigmund
Comments:	Verified by the County Assessor, to be an arms-length transaction, at what he believes to be market value. Sold with conventional financing after 1,027 days on the market. Neither the buyer nor seller were available by phone. 380 sf, cabin, built in 2006, with a covered porch, finished with a loft sleeping area, pot-bellied stove, and an out-house/shower building.



Improved Residential Site Valuation

Subject		Comp 1		Comp 2		Comp 3		Comp 4												
		Address/Location	City, State Proximity	City, State Proximity	City, State Proximity	City, State Proximity	City, State Proximity	City, State Proximity	City, State Proximity											
<p>Silver Bay Municipal Airport Silver Bay, MN Site with Small House October 2018 1,197,900 Square Feet 27.5 Acres Recorded Sale Price Sale Price Per Acre</p>		<p>4380 Beaver Bay Rd Silver Bay, MN Adjacent to Airport 26-5508-18490, 26-5508-18730, 26-5508-18790 745025 Site with 3 small cottages November 2017 5,227,200 120 Acres \$189,000 \$0.04</p>	<p>XXX County Highway 8 Finland, MN 26 Miles NE 24-5806-12255 871107 Residential Home Site September 2018 871,200 20 Acres \$39,000 \$0.04</p>	<p>1240 Lindgren Road Two Harbors, MN 16 Miles SW 25-5311-12130 853308 Residential Home Site August 2018 869,458 19.96 Acres \$79,900 \$0.09</p>	<p>4574 Hwy 3 Silver Bay, MN 0.5 Mile SW 29-5525-01030 506918 Residential Home Site May 2016 871,200 20 Acres \$62,000 \$0.07</p>	<p>Property Rights Financing Conditions of Sale Special Assessments Other Expenditures Market Conditions Adjusted Sale Price Adjusted Sale Price per Acre</p>	<p>\$189,000 \$0 \$189,000 \$0 \$189,000 \$0 \$189,000 \$0 \$189,000 2% \$192,780 \$0.04</p>	<p>\$39,000 \$0 \$39,000 \$0 \$39,000 \$0 \$39,000 \$0 \$39,000 0% \$39,000 \$0.04</p>	<p>\$79,900 \$0 \$79,900 \$0 \$79,900 \$0 \$79,900 \$0 \$79,900 0% \$79,900 \$0.09</p>	<p>\$62,000 \$0 \$62,000 \$0 \$62,000 \$0 \$62,000 \$0 \$62,000 -5% \$38,900 \$0 \$38,900 \$0 \$38,900 5% \$61,845 \$0.07</p>	<p>Size Location Access Shape Terrain Residence Storage Structures Net Adjustment Gross Adjustment Net Adjustment Indicated Value per Acre</p>	<p>1,197,900 Square Feet Average Interior lot Rectangular Level 600 SF House/ A/D Bldg 1,200 SF Storage Building</p>	<p>5,227,200 Similar Similar Rectangular Mostly Level 3 Houses, 400 SF ea None</p>	<p>871,200 Similar Similar Rectangular Level 108 SF Shed None</p>	<p>869,458 Similar Similar Similar Level 440 SF House Sim. Condit None</p>	<p>871,200 Similar Similar Triangular Level 320 SF Cabin Outhouse</p>	<p>215% 0% 0% 0% 0% 3% 218% 218% 218% \$0.12</p>	<p>-22% 0% 0% 0% 15% 3% -4% 40% -4% \$0.04</p>	<p>-22% 0% 0% 0% 0% 3% -19% 25% -19% \$0.07</p>	<p>-22% 0% 0% 2% 0% 5% -12% 32% -12% \$0.06</p>

Explanation of Adjustments

Property Rights: All of the comparable sales are of fee simple interests. Therefore, no adjustments are necessary.

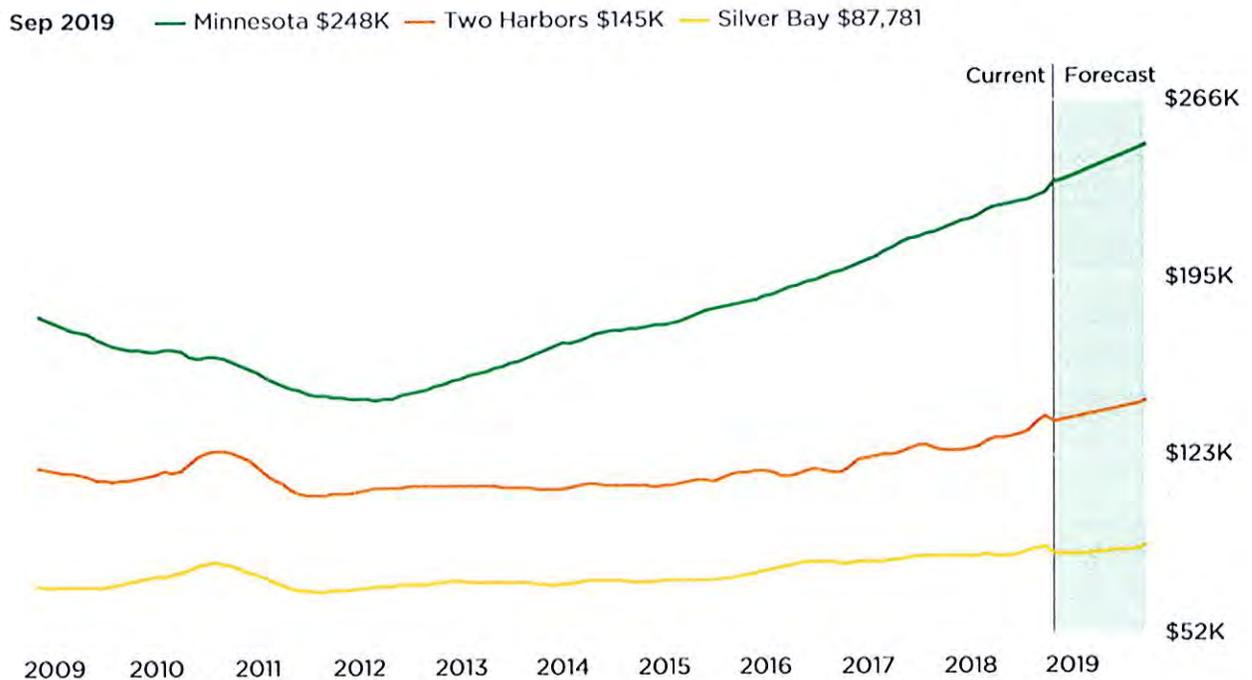
Financing: Financing that is not typical to the market was not discovered. Therefore, no other adjustments were necessary.

Conditions of Sale: Comparable sale #4 was adjusted downwards by 5%, as the seller paid \$3,100 of the buyer's closing costs (or 5% of the \$62,000 "sales price"). All of the other sales are arm's-length transactions. No other adjustments are necessary.

Special Assessments: No adjustments are necessary.

Other Expenditures: No unusual costs or expenditures were discovered.

Market Conditions: Due to a small sample size, a multiple regression analysis of the available sales yielded an unrealistic representation of market conditions, and was therefore not used. Instead, the Zillow Home Value Index, as seen below,

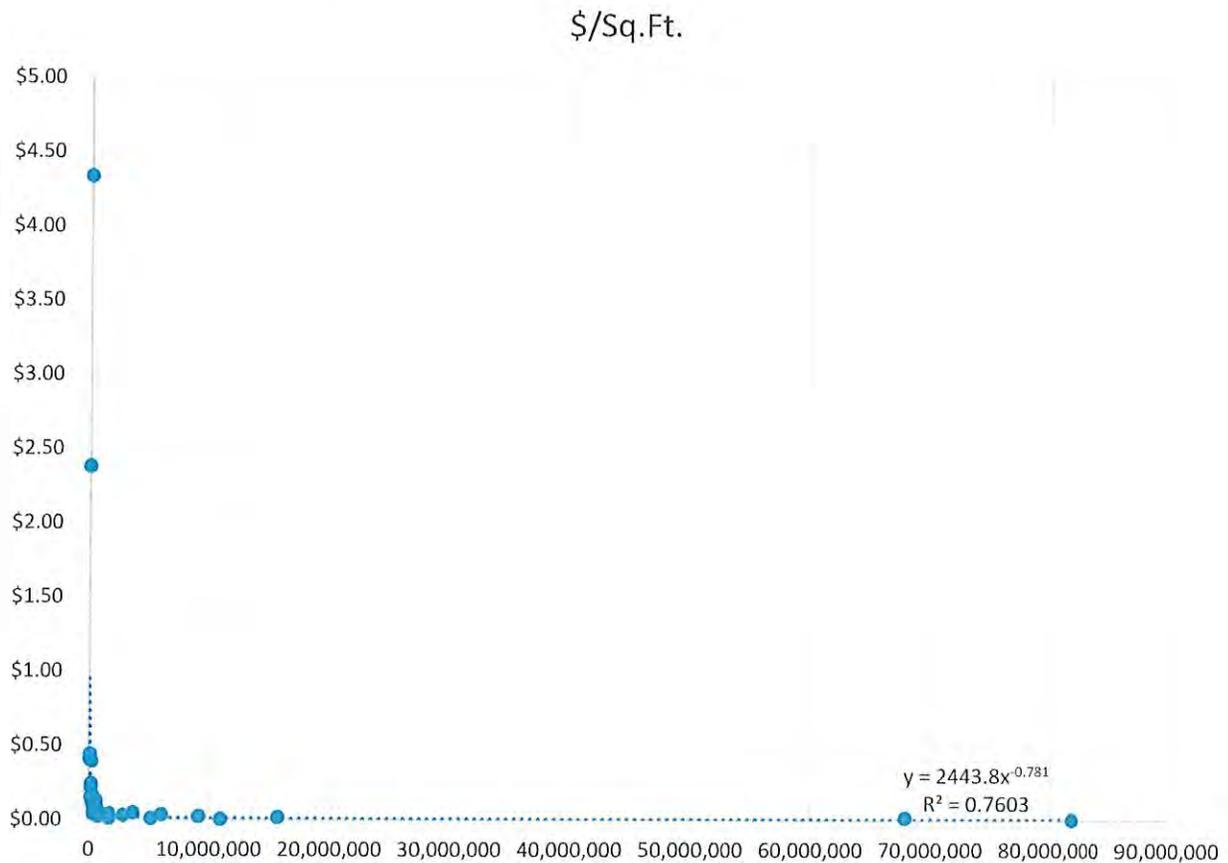


shows a fairly meager market appreciation for the local area, relative to the state in general. The annual market appreciation for single family

residential properties in Silver Bay for the past three years has been roughly 2%, which is what has been used in this analysis.

Lot Size:

Typically, smaller lots tend to sell for a higher dollar per square foot value than larger ones. When dollar per square foot values and lot sizes of 62 land sales (from the last three years) in a roughly 30 mile radius of the subject, ranging in size from 0.5 to 1,879 acres, are charted out, there is a correlation of 0.7603 R squared value.



This larger data set was used to separate out the wide differences found at the 20 acre and 40 acre size ranges. This trend line accounts for just over 76% of the differences in value of these comparable sales. When this is adjusted for (using the formula for Y noted in the grid above), a positive adjustment of 215% for comparable sale 1 was required, and negative adjustments of 22% for sales 2, 3 and 4.

Location:

This adjustment category considers general market area influences, as well as a property's visibility from main thoroughfares. The subject property and

all of the comparables are all located in low traffic, low population areas, and no adjustment was needed.

Access: The subject property, and all of the other comparable sales have adequate vehicular access, therefore no adjustments were required.

Shape: The subject property, and all of the other comparable sales have adequate fairly rectangular shapes, therefore no adjustments were required.

Terrain: The subject site, and each of the comparable sales are all fairly level. For this reason, no adjustments for terrain are made.

Residence: The 600 square foot arrival and departures building, could easily function as a vacation cottage, if one of the two half baths were to be converted into a kitchen, and the other converted into a full bath. The cost of that conversion is not considered here as it is minimal, and would be within the costs a typical buyer would expect in updating any similar residence to their uses. This 600 square foot building is only about three years old, and has well and septic. Although comparable sale #1 has *three* 400 square foot cottages, they are older, and uses porta potties. No adjustment was made, as the extra square footage offsets the condition and utility issues. Sales #2 and #4 were adjusted upwards by 15% and 5% respectively, as their cottages are much smaller, with minimal to no interior finish, and no internal plumbing. Comparable sale #3 was not adjusted, although its cottage is a bit smaller than the subject, however, it was of similar finish, superior appeal, and similar utility.

Storage Structures: Also on this site is the old 1,200 square foot arrival and departures building, which is currently used for storage, although about half of its interior has worn and dated finish, and has two half baths. Only comparable sale #4 has a separate (small) shed/shower building, which functions as the outhouse for this property. This sale was adjusted upwards by 3% to account for the differences in size and utility of these two out-buildings.

Analysis of Comparable Sales

The comparables included in this analysis are recent sales of improved rural residential lots, located in the area immediately surrounding Silver Bay. The Minnesota Department of Revenue E-CRV website and local realtor websites were searched for recent comparable sales. The following table highlights the range of indicated values before and after adjustments are applied to the comparables.

Value Indications		
	Unadjusted Sale Price per Sq. Ft.	Adjusted Sale Price per Sq.Ft.
Low	\$0.04	\$0.04
High	\$0.09	\$0.12
Average	\$0.06	\$0.07
Median	\$0.06	\$0.07

Only slightly greater weight was given to comparable sale #3, due to its lower net and gross adjustments, and slightly greater weight was given to comparable sale #1, due to its very close proximity, and somewhat similar utility. The other two sales have similar locations, and relatively low adjustments, and were therefore given almost equal weight.

The adjusted values of the comparable land sales range from \$0.04 to \$0.12 per square foot; the average is \$0.07 per square foot and the median is \$0.07 per square foot. All of the value indications have been considered, and in the final analysis, comparable land sale #1 has been given the most weight in arriving at the final reconciled per square foot value of \$0.07.

27.5 Acre Improved Residential Site Value Conclusion			
Subject Site Size		Adjusted Sale Price per Square Foot	Value Conclusion
1,197,900 Square feet	X	\$0.07	= \$83,853
		Rounded Value	\$84,000

SALES COMPARISON APPROACH CONCLUSION

After the subject site is divided to reach its highest and best use, it will have three different property types, and seven different sites, to be marketed concurrently. For this reason, the cumulative value of each site is appropriate in determining the total value of the site as a whole. Based on the above land value analysis, the subject has an estimated market value of **\$393,000** as of October 19, 2018.

Description of Site	Sq. Ft.	Acres	Appraised Value
Size of Remaining "vacant" runway land:	3,108,025	71.35	\$62,161
Improved Storage/Hangar Site	871,200	20.00	\$95,832
Improved Homesite & Storage Bldg.	1,197,900	27.50	\$83,853
Vacant Home Site	871,200	20.00	\$34,848
Vacant Home Site	871,200	20.00	\$34,848
Vacant Home Site	1,176,830	27.02	\$46,630
Vacant Home Site	860,422	19.75	\$34,417
	8,956,777	205.62	\$392,588
	Rounded Value:		\$393,000

Additional Expenses

However, this does not take into consideration the additional "subdivision costs" associated with readying the site for its new highest and best use, (not considering the option of use as an airport) which include; surveying (estimated to be 20 hours at \$100 per hour, or \$2,000), staking (estimated at a similar \$/hour cost, totaling \$4,000), platting (estimated at \$1,500), attorney fees & recording (estimated at \$6,000), engineering expenses (estimated at \$5,000), and carrying costs & marketing (estimated at roughly \$20,000). Holding costs are not considered here, as the land is already paid off, and no taxes are due, as it is owned by a non- tax paying entity. The total of these additional expenses is roughly estimated to be \$38,500.

Description of Site	Sq. Ft.	Acres	Appraised Value
Size of Remaining "vacant" runway land:	3,108,025	71.35	\$62,161
Improved Storage/Hangar Site	871,200	20.00	\$95,832
Improved Homesite & Storage Bldg.	1,197,900	27.50	\$83,853
Vacant Home Site	871,200	20.00	\$34,848
Vacant Home Site	871,200	20.00	\$34,848
Vacant Home Site	1,176,830	27.02	\$46,630
Vacant Home Site	860,422	19.75	\$34,417
Preliminary Value Conclusion	8,956,777	205.62	\$392,588
Estimated Additional Expenses			\$38,500
			Final Value Conclusion;
			\$354,088
	Rounded Value:		\$355,000

THREE HUNDRED FIFTY-FIVE THOUSAND DOLLARS

FINAL APPRAISAL RECONCILIATION AND VALUE CONCLUSION

Cost approach: An appraisal of a special use property such as an airport typically relies heavily upon the cost approach. However, the highest and best use of the subject is no longer as an airport, and as a result, **the cost approach was not applicable in this appraisal.** This is more specifically due to the more advanced age of the old arrival and departures building and the hangars, and a change in highest and best use for the runway and the new arrival and departures building.

Income Approach: Although appraisals of mini-storage properties often rely upon the income approach, the location, age, and construction style of the subjects' old airplane hangars make this portion of the subject property less of an investment property, and more of a property whose value is specific to the buyer. In this case, the value of the storage portion of the subject is best indicated by the sales comparison approach, and not the income approach. **The income approach was not applicable in this appraisal.**

Sales Comparison Approach: The sales comparison approach is the most common method of valuing both vacant land, and single family residential properties. It relies on the availability and reliability of sales of properties that are comparable to the subject, and is based on the premise that a buyer would pay no more for a specific property than the cost of obtaining a property with the same or similar quality, utility and perceived benefits of ownership.

As both the cost and income approaches to value were not useful in this analysis, and as the sales comparison approach was the only applicable valuation approach for this assignment, the value conclusions of the sales comparison approach, noted earlier in this report, are equivalent to the final reconciliation and value conclusions for the subject property. Based on the above land value analysis, the subject has an estimated market value of **\$355,000 (THREE HUNDRED FIFTY-FIVE THOUSAND DOLLARS)** as of October 19, 2018.

ADDENDA

CONTINGENT AND LIMITING CONDITIONS

The value estimates and conclusions in the appraisal are made subject to these assumptions and conditions:

1. No title search has been made and the reader should consult an appropriate attorney or title insurance company for accurate ownership data. Title to the property is assumed to be good and marketable unless otherwise stated.
2. The legal description, furnished or otherwise, is assumed to be correct. No responsibility is assumed for the legal description or for matters including legal or title considerations.
3. The information contained in this report is not guaranteed, but it has been gathered from reliable sources. The appraiser(s) certify that, to the best of their knowledge and belief, the statements, information and materials contained in the appraisal are correct.
4. All value estimates in this report assume stable soil and any necessary soil corrections are to be made at the seller's expense, unless otherwise noted.
5. The site plan, if any, in this report is included to assist the reader in visualizing the property, but the appraiser assumes no responsibility for its accuracy.
6. The market value herein assigned is based on conditions which were applicable as of the effective date of appraisal, unless otherwise noted.
7. The appraiser(s) that signed this report shall not be required to prepare for, or appear in court, or before any board or governmental body by the reason of the completion of this assignment without predetermined arrangements and agreements.
8. Surveys, plans and sketches may have been provided in this report. They may not be complete or be drawn exactly to scale.
9. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person, other than the party to whom it is addressed, without the written consent of the appraiser, and in any event only with properly written qualification and only in its entirety.
10. Information in the appraisal relating to comparable market data is more fully documented in the confidential file in the office of the appraiser.
11. All studies and field notes will be secured in the appraiser's files for future reference.
12. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a non-conformity has been stated, defined and considered in the appraisal report. And, it is assumed that the utilization of the land and any improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted within the report.

CONTINGENT AND LIMITING CONDITIONS

13. The distribution of the total valuation in this report between land and any improvements, if stated, applies only under the reported highest and best use of the property. The allocations of value for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used.
14. It is assumed that there is full compliance with all applicable federal, state and local environmental regulations and laws unless non-compliance is stated, defined and considered in the appraisal report.
15. The appraiser was not aware of the presence of soil contamination on the subject property, unless otherwise noted in this appraisal report. The effect upon market value, due to contamination was not considered in this appraisal, unless otherwise stated.
16. The appraiser was not aware of the presence of asbestos or other toxic contaminants in any building(s) located on the site, unless otherwise noted in this report. The effect upon market value, due to contamination was not considered in this appraisal, unless otherwise stated.
17. Unless otherwise stated in this report, the existence of hazardous material, which may or may not be present on the 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 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.
18. The value stated in this report is fee simple, assuming responsible owner-ship and management, unless otherwise indicated. This appraisal recognizes that available financing is a major consideration by typical purchasers of real estate in the market, and the appraisal assumes that financing is or was made available to purchasers of property described herein.
19. The appraiser has neither present nor contemplated interest in the property appraised and employment is not contingent upon the value reported.
20. Unless otherwise stated in this report, the appraiser has not made a survey or analysis to determine whether any buildings on the property are in compliance with "The Americans with Disabilities Act" (ADA). If the property is not in compliance with the ADA, it could have a negative effect on the value of the property.
21. The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated.

APPRAISER QUALIFICATIONS

SETH H. LIEFER

**PROFESSIONAL
AFFILIATIONS**

Minnesota Certified General Real Property Appraiser, License No. 40518710

**APPRAISAL
EXPERIENCE**

Types of appraisal work performed include; Review appraisals, preparation of appraisals for condemnation, acquisition & disposition, divorce, estate taxes, insurance purposes, proposed development financing, section 8 rent comparability studies, proposed municipal improvement analysis, charitable donations, subdivision and special benefit analysis.

Properties appraised include; retail properties and shopping malls, industrial buildings, multi-family housing, offices, Fixed Base Operators, equestrian facilities, restaurants, medical facilities, religious facilities, schools, automotive facilities, institutional facilities, and many types of vacant land.

**BUSINESS
EXPERIENCE**

Minnesota Department of Transportation, Real Estate Specialist, August 2017 to Present. Real Estate Appraiser with Marquette Advisors, Minneapolis, March 2015 to August 2017. Real Estate Appraiser and Review Appraiser with Lauenstein and Associates, Milwaukee, June 2004 to February 2015. Real Estate Appraiser with Chudnow, Druck & Lauenstein, Milwaukee, June 2000 to June 2004. Staff Appraiser with Washington Mutual, Inc./Home Savings of America, Chicago, from April 1993 to June 2000. Real Estate Appraiser with Midland Appraisal, Inc. from April 1992 to April 1993. Real Estate Sales Associate, Century 21 Citisales, Chicago, May 1987 to April 1990.

**EDUCATIONAL
WORK**

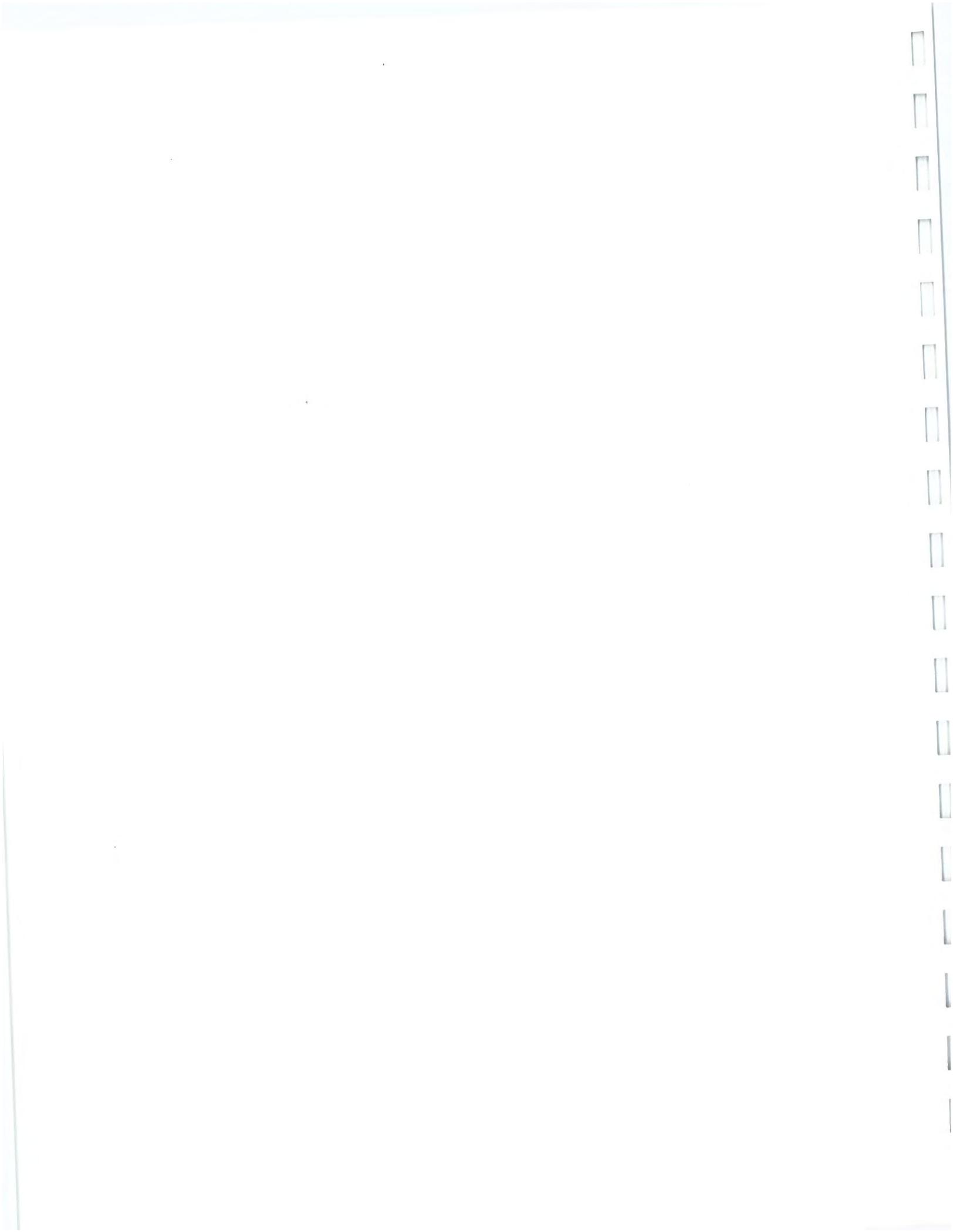
University of Illinois, Chicago, Bachelors of Science Degree in Marketing, 1986

**SPECIALIZED
REAL ESTATE
TRAINING**

Course Work:

Analyzing Distressed Real Estate, Appraisal Institute;
Appraising the Appraisal - Appraisal Review - General, Appraisal Institute;
Basic Appraisal Principles, Appraisal Institute;
Basic Appraisal Procedures, Appraisal Institute;
Basic Income Capitalization, Appraisal Institute;
Basic Valuation Procedures, Appraisal Institute
Business Practices and Ethics, Appraisal Institute;
Condemnation Appraising; Principles and Applications, Appraisal Institute;
Contemporary Issues in Condemnation Appraisal, Appraisal Institute;
General Applications, Appraisal Institute
General Appraisal Report Writing and Case Studies, Appraisal Institute;
General Appraiser Market Analysis and Highest and Best Use, Appraisal Institute;
Income Valuation of Small Mixed-Use Properties, Appraisal Institute
Issues in Eminent Domain Appraising for WisDOT, WisDOT;
Loss Prevention and the Appraiser's Work File, Appraisal Institute
National USPAP 15-Hour Course, (and bi-annual 7 Hour updates), Appraisal Institute;
Practical Regression Using Excel, Appraisal Institute;

Real Estate Acquisition Under the Uniform Act, National Highway Institute;
Residential Report Writing, Appraisal Institute;
Residential Case Study, Appraisal Institute;
Sales Comparison Approach, Appraisal Institute
Skills of Expert Testimony, International Right of Way Association;
Standards of Professional Practice (parts A & B), Appraisal Institute
**The Lending World in Crisis - What Clients Need Their Appraisers to Know Today, Appraisal
Institute;**
Using your HP12C Financial Calculator, Appraisal Institute;
Valuation of Detrimental Conditions, Appraisal Institute;



**STATE OF MINNESOTA
URBAN PROPERTY
ACQUISITION**

**DEPARTMENT OF TRANSPORTATION
REVIEW ANALYSIS
TOTAL**

COUNTY Lake **PROPERTY ADDRESS:** 4677 Highway #3, Silver Bay, MN

PARCEL PID #'s: 26-5508-18430, 26-5509-13190, 26-5508-18370, 29-5509-13200, 29-5509-13500, 29-5509-13495, 29-5509-13505, 29-5509-13675, 29-5509-13560, 29-5509-13615

Appraisal by: Seth Liefer

LEGAL DESCRIPTION: Lengthy (see report)

FEE OWNER: City of Silver Bay subject to MnDOT Airport

ZONING: Residential

EXISTING USE: Arrival/Departure building, runway, hangars, and improvements typical of an airport

HIGHEST AND BEST USE:

This is the use as deemed most easily subdivided, inexpensive, and as marketable per the appraiser. That use is as follows:

Four vacant residential lots of twenty acres each,
One 71.35-acre lot containing the runway,
One 27.5-acre lot containing the arrival/departure building and outbuilding (anticipated to be a single-family site),
One 20-acre site containing the hangars (anticipated storage buildings, assuming a conditional use permit).

Seven parcels in total

IMPROVEMENTS:

The parcel contains 205.62 acres with a variety of buildings and improvements including an arrival/departure building, hangars, a runway, miscellaneous improvements and outbuilding associated with a municipal airport.

Date of Valuation: October 19, 2018

Report Use: The intended use of the appraisal is to provide valuation guidance for the highest and best use and the disposition of the subject property given that it is not likely to be maintained and may be sold.

Scope of Review Work: The scope of review work includes an inspection of the property, a review of all the applicable documents used for the appraisal report and the creation of a review report.

I read the subject appraisal report, am familiar with site and the surrounding area, analyzed the information provided, contacted the appraiser and requested data I deemed pertinent, and included the review information and the final appraisal report in REALMS.

The review efforts are intended to result in an appraisal report in compliance with the current edition of USPAP and the Minnesota Right of Way Manual.

Format: The appraiser used a narrative total acquisition format. All the acquired land rights are intended to be utilized in the proposed sale of the site (as subdivided) per the highest and best use.

Acquisition: The damages herein noted pertain to the total acquisition of the subject site in fee title.

SALE APPROACH (assuming subdivision approval): \$393,000

Less estimated cost associated with a basic subdivision of the site into marketable non-airport parcels. (\$40,000)

Market Value based on sale potential \$353,000

**INCOME APPROACH
Not applicable given the lack of income**

**COST APPROACH:
Not applicable given the structure age**

Review Comments:

This assignment was handled as a total site valuation in light of the anticipated highest and best use after retirement as an airport. The parameters are per the directives of the client and are noted in the scope of work. Please note that there is an extraordinary condition noting approval of a conditional use permit allowing private rental and storage in the prior hangar improvements. There is also an assumption that local roads can be used to access the proposed parcels.

A basis subdivision of the site was deemed to be the highest and best use for the site. The noted uses are based on the residential, cabin, and rural storage lots sizes in the area and what is considered the most simple to create given the site configuration and improvements. While more parcels are possible, based on the local zoning regulations, simplicity was emphasized. The costs of the proposed layout were also directed by consideration of a minimization of costs. This includes the retention of the hangars as they exist, leaving the runway in place, using local access roads for ingress/egress to the proposed lots, and no required demolition of the arrival/departure buildings. No environmental considerations were noted in the report.

An estimated cost of the subdivision approach were taken into account in the appraisal report. The cost to establish the highest and best use (not considering an airport option) include surveying, staking, platting costs, engineering, obtaining plat approval, deed creation, recording, marketing and financial costs. Public roads are assumed to allow access to the proposed subdivision parcels.

All three valuation approaches were considered. All of the comparable land sales used in the sales approach are in the same portion of the state as the subject property appraised.

The pole buildings on the site are deemed to be highly depreciated, but no negative value was allocated and no structural inspection was provided by the appraiser. The site improvements were accordingly not valued.

Removal of site improvements was not considered in the report. As described hereto, and as appraised, the highest and best use of the improved land was considered with minimal revisions and only subdivision costs applied.

Comparable sales were other similar sites in the vicinity with some adjustments made for the dates of sale and site differences.

For the vacant 20-acre residential lots, the per-square foot values of the residential comparable sales, unadjusted, ranged from \$.02 to \$.05. As adjusted to reflect sale dates and pertinent property difference, the land sale price applied was \$.04 per square foot.

For the 71-acre residential lot (area including the retained runway), the per-square foot values of the residential comparable sales, unadjusted, ranged from \$.02 to \$.05. As adjusted to reflect sale dates and pertinent property difference, the land sale prices ranged from \$.01 to \$.05. The applied amount was \$.02 per square foot.

For the 27.5-acre improved residential lot (area including the arrival/departure building and an outbuilding), the per-square foot values of the residential comparable sales, unadjusted, ranged from \$.04 to \$.09. As adjusted to reflect sale dates and pertinent property difference, the land sale prices ranged from \$.04 to \$.12. The applied amount was \$.07 per square foot.

For the 20-acre residential lot (area including the attached hangars), the per-square foot values of the residential comparable sales, unadjusted, ranged from \$.05 to \$.24. As adjusted to reflect sale dates and pertinent property difference, the land sale prices ranged from \$.07 to \$.14. The applied amount was \$.11 per square foot.

The total site value was \$353,000. This amount reflects an estimated to subdivide the site to reach the site highest and best use of the abandoned airport property. No site remediation, soil corrections, environment corrections, demolition, etc. was noted in the appraisal report.

I find the damage values herein stated to be to have suitable support.

On the basis of analysis of appraisals submitted on this parcel together with an actual inspection of the property, the recommended estimate of damage as of October 19, 2018, unencumbered, is \$353,000.

REVIEW APPRAISERS CERTIFICATION

I CERTIFY THAT, 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.
- 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.
- 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.
- 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.
- My analyses, opinions, and conclusions were developed and this review report was prepared in conformity with the Uniform Standards of Professional Appraisal Practice.
- I personally inspected the subject area but not the subject site under review in 2018.
- I did not visually inspect the applicable comparable sales or make further investigation, but I did inspect the project area.
- No one provided significant professional assistance to the person signing this review report.
- The appraisal(s) meet(s) the requirements of the Uniform standards of Professional Appraisal Practice and the Appraisal Specifications of the MN. Department of Transportation, unless noted in the review comments.



Review Appraiser

Date: 12/21/18

**Kirk B. Corson, Review Appraiser, MnDOT
Certified General Real Property Appraiser
License #4003221**

