APPENDIX 4
LAND EVALUATION
March 19, 2007

Kevin Richards
Western Pacific Engineering, Inc.
1328 E. Hunter Place
Moses Lake, WA 98837

RE: Agricultural Land Use Evaluation for Proposed Spanish Castle Resort,
specifically parcels 202204-30001,
202209-20002,
part of 202210-30001, and
202210-30002

Dear Mr. Richards:

The purpose of this letter is to evaluate the above parcels located in Douglas
County (the subject parcels) as to their value or potential value for use in
agricultural production. These parcels are currently within the County's
agricultural zoning district, and this report will discuss the appropriateness of
a change in land use to non-agricultural. This change would presumably be
required by the proposed Spanish Castle Resort to be located on these
parcels.

I believe the subject property is not suitable for agricultural use and
therefore a change in land use designation would have negligible impacts to
the agricultural industry of Douglas County for the following two primary
reasons.

1. There are no existing water rights for the subject parcels.
2. The subject parcels have not been farmed in the past 11 years at
least, which indicates that it is unlikely that they will be developed
for agriculture in the future.

Water Rights
As I understand it, the subject parcels do not have any water rights
associated with them. Commercial farmland cannot be irrigated without a
proper permit from the State Department of Ecology. Without the ability to
irrigate, the subject parcels cannot be farmed, which means they are unable
to contribute any value toward agriculture.

Land Class
According to the Douglas county GIS database (Attachment 1), parts of
the subject parcels east of the railroad have been categorized as mostly Class III
soils by the Soil Conservation Service (SCS), as indicated by the orange
areas on the map. According the SCS, Land Capability Classes I, II, III, and
IV are suitable for agricultural use, with Class I land as having the best soils,
and Class IV land as having the worst soils, or the soils more apt to erosion
difficulties. (Classes V through VIII are not at all suitable for cropland.) According to the SCS, Class III lands are defined as having soils that "have severe limitations that reduce the choice of plants or that require special conservation practices, or both." Despite this description, successful orchards have been planted on both Class III (and even Class IV soils). In fact, Attachment 1 indicates that neighboring Class III areas have been cropped, at least since 1996. It is therefore possible that these parts of the subject parcels could have been farmed, if water rights were available.

**Historical Agricultural Land Use in the neighboring area.**
Recent aerial photos of the area indicate that orchards have been planted in areas adjacent to the subject parcels (See Attachments 2 and 3). Attachment 1 also indicates the exact areas which have been used for agricultural production since 12/31/1995. It is clear from the photographs that some of these acreages have been used for tree fruit production east of the railroad. There also appears to be a feedlot north of Spanish Castle Road. However, it is also clear that the subject parcels themselves have not been used for agricultural production, at least for the past 11 years. This is presumably due to the absence of water rights.

**Conclusion**
Based on the fact that no water rights appear to exist on the subject property, the value of these parcels to agricultural production would be negligible. While orchards and cattle feedlots apparently do exist or have existed in neighboring areas, these particular parcels have not been used for these purposes. Future use of these parcels for agriculture seems unlikely. Therefore, I would conclude that there would be no impact to the agricultural industry of the area if the subject parcels were to be re-zoned out of Agriculture.

Sincerely,

David W. Marshall
Agricultural Economist, M.A.
http://www.agrimgt.com/dwmarshall.htm

Enclosures:
Attachment 2. Aerial Photo of Proposed Resort area, Yahoo! Maps
Attachment 3. Aerial Photo of Proposed Resort area, Google Maps
Attachment 2. Aerial Photo of Proposed Resort area, Yahoo! Maps

Source: http://www.flashearth.com/?lat=47.240884&lon=-120.076343&z=15&r=0&src=yh using images obtained via Yahoo! Maps. Date not determined.
Attachment 3. Aerial Photo of Proposed Resort area, Google Maps

Source: [http://www.flashearth.com/?lat=47.240884&lon=-120.076343&z=15&r=0&src=ggl](http://www.flashearth.com/?lat=47.240884&lon=-120.076343&z=15&r=0&src=ggl) using images obtained via Google Maps. Date not determined.
April 13, 2007

Kevin Richards
Western Pacific Engineering, Inc.
1328 E. Hunter Place
Moses Lake, WA 98837

RE: Agricultural Land Use Evaluation for Proposed Spanish Castle Resort,
specifically parcels 202209-00002, 202209-10002, and 202209-20001

Dear Mr. Richards:

The purpose of this letter is to evaluate the above parcels located in Douglas County (the subject parcels) as to their value or potential value for use in agricultural production. These parcels are currently within the County's agricultural zoning district, and this report will discuss the appropriateness of a change in land use to non-agricultural. This change would presumably be required by the proposed Spanish Castle Resort to be located on these parcels.

There are currently about 180 acres of orchard planted on these parcels, which will presumably be removed at some point to make way for the new Master Planned Resort (MPR).

A full appraisal of the land for agricultural purposes is beyond the scope of this report. However, in order to roughly assign a value of these orchard lands as agricultural to the county, I made an evaluation of characteristics of the orchard itself, and reviewed recent sales of similar property in the area.

Agricultural Profile of Douglas County.
According to the most recent Census of Agriculture, there were a total of 24,049 acres of irrigated farmland in Douglas County in 2002. Of this, 16,764 acres were in Orchard. The more recent 2006 Washington Fruit Survey indicates 16,314 acres planted as Orchard, which is only a very slight decrease. Of the total acres in tree fruit, 11,548 acres are planted to Apples, 2,700 to Cherries, and 202 to Apricots.

Orchard Description
Based on my conversation with the grower, the orchard currently planted in the subject parcels has about 180 acres of diversified productive tree fruit. The orchard represents about 1.1% of the total acres in Douglas County devoted to tree fruit production. There are about 33 acres of Cherries, 135 acres of Apples, and 12 Acres of Apricots on the property. There is also about 120 acres of unplanted bare ground that has associated water rights.

This appears to be a well diversified orchard, with both established older blocks of Red Delicious and Granny Smith, and younger blocks of Gala, Fuji, Early Fuji, Pink Lady, Braeburn, and Jazz varieties. According the grower, several blocks have been transitioning toward Organic production, and about 60% of the plantings are certified Organic as of 2007.

Irrigation is provided by a private well with a 200 horsepower pump. Because of its location next to the Columbia River, there are minimal concerns over drought or lack of water. Solid set sprinkler systems are in place for irrigation.
This orchard is relatively isolated from other plantings in the area, however. Since the neighboring cherry orchards are quite a few miles away it has become increasingly difficult for the grower to obtain a consistent and reliable source of labor during cherry harvest. Obtaining pruning crews during the winter has also become increasingly problematic.

**Comparable Recent Sales in the Area**

There have been very few orchard sales in Douglas County in recent years. While it is difficult to narrow down comparable orchard sales based on a cursory examination of the data, it is possible to conclude that sales have ranged from about $6,000 per acre to about $16,000 per acre. Sales of potential Orchard ground that is apparently out of production have ranged from $4,000 to $7,000 per acre.

Based on these sales and given the quality mix of this orchard, it seems that this piece would likely be appraised around the range of $10,000 to $13,000 per acre for the orchard ground and $3,000 to $7,000 per acre for bare ground. This implies an agricultural value of these subject parcels according to the following table.

<table>
<thead>
<tr>
<th></th>
<th>Acres</th>
<th>Low Range</th>
<th>High Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orchard Land</td>
<td>180</td>
<td>$1,800,000</td>
<td>$2,340,000</td>
</tr>
<tr>
<td>Bare Land</td>
<td>120</td>
<td>$360,000</td>
<td>$840,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>300</td>
<td><strong>$2,160,000</strong></td>
<td><strong>$3,180,000</strong></td>
</tr>
</tbody>
</table>

**Conclusion**

It appears that rezoning this piece of property out of agriculture would result in a loss to agriculture of about $2.1M to $3.2M in land value. However, this rezoning may be justifiable to the extent that agriculture is replaced by another primary economic activity. Like agriculture, this activity would bring revenue from outside of the area. In fact, a Master Planned Resort may bring a higher influx of revenue over the long run into the area than this orchard.

This grower has already felt the impacts of being isolated and this is his major concern for viability in the future. Conversion of this orchard at the southern tip of the agricultural zone might be more appropriate at this location than further north, where orchard plantings become more prevalent.

Sincerely,

[Signature]

David W. Marshall
Agricultural Economist, M.A.

Enclosures:
- Attachment 2. Aerial Photo of Proposed Resort area, Yahoo! Maps
- Attachment 3. Orchard Sales in Douglas County, 2005 and 2006
Attachment 1: Land Use Map

Legend
- Ag Lands as of 12-31-1995
- SCS Capability Class
  - 3

Note: This map is intended for general information purposes only. Douglas County makes no claim as to the accuracy or current condition of the data shown on this map.
Attachment 2. Aerial Photo of Proposed Resort area, Yahoo! Maps

Source: [http://www.flashearth.com/?lat=47.240884&lon=-120.076343&z=15&r=0&src=yh](http://www.flashearth.com/?lat=47.240884&lon=-120.076343&z=15&r=0&src=yh) using images obtained via Yahoo! Maps. Date not determined.
## Attachment 3. Orchard Sales in Douglas County, 2005 and 2006

<table>
<thead>
<tr>
<th>Date of Sale</th>
<th>Sale</th>
<th>Total Acreage</th>
<th>Orchard Acres</th>
<th>Orchard Description</th>
<th>Average Value (Sale per Total Acres)</th>
<th>Est Orchard Value (Sale per Orchard Acre)</th>
</tr>
</thead>
<tbody>
<tr>
<td>4/25/2006</td>
<td>$400,000</td>
<td>48.10</td>
<td>24.50 newly planted apples</td>
<td>Apples</td>
<td>8,316</td>
<td>16,327</td>
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<tr>
<td>5/8/2006</td>
<td>$150,000</td>
<td>21.02</td>
<td>12.00 Grafted Galas</td>
<td>Apples</td>
<td>7,136</td>
<td>12,500</td>
</tr>
<tr>
<td>4/22/2005</td>
<td>$120,000</td>
<td>17.30</td>
<td>10.00 Goldens</td>
<td>Apples</td>
<td>6,936</td>
<td>12,000</td>
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<tr>
<td>3/3/2005</td>
<td>$600,000</td>
<td>60.77</td>
<td>53.10 Granny Smith</td>
<td>Apples</td>
<td>9,873</td>
<td>11,299</td>
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<tr>
<td>4/4/2005</td>
<td>$525,000</td>
<td>52.89</td>
<td>47.00 Granny Smith</td>
<td>Apples</td>
<td>9,926</td>
<td>11,170</td>
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<td>4/22/2005</td>
<td>$110,000</td>
<td>21.46</td>
<td>10.00 Galas</td>
<td>Apples</td>
<td>5,126</td>
<td>11,000</td>
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<td>2/4/2005</td>
<td>$350,000</td>
<td>37.42</td>
<td>34.23 Gala, Fuji, Ginger Gold</td>
<td>Apples</td>
<td>9,353</td>
<td>10,225</td>
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<td>10/12/2006</td>
<td>$595,000</td>
<td>336.17</td>
<td>60.00 Galas</td>
<td>Apples</td>
<td>1,759</td>
<td>9,917</td>
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<td>5/31/2006</td>
<td>$118,000</td>
<td>37.94</td>
<td>16.00 Scarlet Spur Apples</td>
<td>Apples</td>
<td>3,110</td>
<td>7,375</td>
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<tr>
<td>5/13/2005</td>
<td>$180,000</td>
<td>42.47</td>
<td>30.00 Grannies &amp; Braeburns, BS. 11.47 acres Dry</td>
<td>Apples</td>
<td>4,238</td>
<td>6,000</td>
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<td>12/9/2005</td>
<td>$219,500</td>
<td>15.09</td>
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<td>Orchard</td>
<td>14,546</td>
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<tr>
<td>4/27/2006</td>
<td>$165,000</td>
<td>18.02</td>
<td>0.00 no crop shown</td>
<td>Orchard</td>
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<tr>
<td>10/24/2005</td>
<td>$200,000</td>
<td>25.93</td>
<td>23.80 irrigated orchard</td>
<td>Orchard</td>
<td>7,713</td>
<td>8,403</td>
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<tr>
<td>1/5/2006</td>
<td>$176,100</td>
<td>25.75</td>
<td>0.00 no crop shown</td>
<td>Orchard</td>
<td>6,839</td>
<td></td>
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<tr>
<td>Bare Ground Sales with Orchard Potential</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>1/17/2006</td>
<td>$387,500</td>
<td>22.70</td>
<td>0.00 trees are out</td>
<td>Bare</td>
<td>17,070</td>
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<tr>
<td>9/22/2006</td>
<td>$140,000</td>
<td>20.00</td>
<td>0.00 possible orchard land</td>
<td>Bare</td>
<td>7,000</td>
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<tr>
<td>6/1/2006</td>
<td>$735,000</td>
<td>114.98</td>
<td>0.00 no trees shown</td>
<td>Bare</td>
<td>6,392</td>
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<tr>
<td>6/19/2006</td>
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<td>0.00 unknown</td>
<td>Bare</td>
<td>4,206</td>
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<tr>
<td>7/5/2006</td>
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<td>488.92</td>
<td>0.00 unknown</td>
<td>Bare</td>
<td>614</td>
<td></td>
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</table>

Source: Cornerstone Realty Services